

# IN THE ZONE

## CREATING A TOOLBOX FOR REGIONAL PROSPERITY

ERIC CRAMPTON

KHYAATI ACHARYA

FOREWORD BY MALCOLM ALEXANDER



THE  
NEW ZEALAND  
INITIATIVE



---

# IN THE ZONE

## CREATING A TOOLBOX FOR REGIONAL PROSPERITY

ERIC CRAMPTON

KHYAATI ACHARYA

FOREWORD BY MALCOLM ALEXANDER

---

**THE  
NEW ZEALAND  
INITIATIVE**

**2015**

The New Zealand Initiative is an independent public policy think tank supported by chief executives of major New Zealand businesses. We believe in evidence-based policy and are committed to developing policies that work for all New Zealanders.

Our mission is to help build a better, stronger New Zealand. We are taking the initiative to promote a prosperous, free and fair society with a competitive, open and dynamic economy. We develop and contribute bold ideas that will have a profound, positive, long-term impact.

---



# TABLE OF CONTENTS

---

ABOUT THE AUTHORS	V
ACKNOWLEDGEMENTS AND NOTES	V
FOREWORD	VII
KEY POINTS	IX
<b>CHAPTER 1: FAILING FAST AND FAILING SLOW</b>	<b>1</b>
1.1 IMPROVING THE “OPERATING SOFTWARE”	2
1.2 SO WHAT IS THE PROBLEM HERE?	2
<b>CHAPTER 2: FACILITATING EXPERIMENTATION</b>	<b>5</b>
2.1 SPECIAL ECONOMIC ZONES - TRIED AND TRUE?	5
2.2 A RANGE OF ZONES	6
2.3 LEARNING FROM SHENZHEN - CHINA’S FIRST SEZ	8
<b>CHAPTER 3: GETTING SPECIAL ECONOMIC ZONES TO FLY</b>	<b>11</b>
3.1 WHERE ARE THE MOST PRESSING REFORMS NEEDED?	11
3.2 ALLOWING GREATER LIBERALISATION WITHIN THE UNITARY STATE	14
3.3 WHAT’S NOT TO LIKE?	15
<b>CHAPTER 4: SEZs IN NEW ZEALAND</b>	<b>17</b>
4.1 SEZs: OVERARCHING PRINCIPLES AND FINANCING	17
4.2 SEZs AND THE RMA	17
4.3 ENABLING GREATER MIGRATION TO THE REGIONS	18
4.4 FACILITATE SUSTAINABLE MINING ON THE WEST COAST	19
4.5 ENCOURAGING HOUSING DEVELOPMENT IN AUCKLAND	21
4.6 PROMOTING FOREIGN INVESTMENT IN WELLINGTON	24
<b>CHAPTER 5: CONCLUSION</b>	<b>27</b>
BIBLIOGRAPHY	29
APPENDIX: CURRENT QUASI-SEZs IN NEW ZEALAND	33
A.1 CANTERBURY EARTHQUAKE RECOVERY AUTHORITY	33
A.2 SPECIAL HOUSING AREAS - TOO EARLY TO TELL?	34
A.3 TAMAKI REDEVELOPMENT COMPANY	37

---



## ABOUT THE AUTHORS



DR ERIC CRAMPTON  
HEAD OF RESEARCH

Dr Eric Crampton is the Head of Research at The New Zealand Initiative and co-author of *The Case for Economic Growth*. Dr Crampton served as Lecturer and Senior Lecturer in Economics at the Department of Economics & Finance at the University of Canterbury from November 2003 until July 2014. He is also the creator and author of the well-known blog “Offsetting Behaviour”.



KHYAATI ACHARYA  
RESEARCH ASSISTANT

Khyaati Acharya is a Research Assistant with The New Zealand Initiative and has co-authored reports on issues including foreign direct investment, urban form and fiscal sustainability. She holds a conjoint Bachelor of Arts in Political Science and a Bachelor of Commerce in Economics from the University of Auckland.

## ACKNOWLEDGEMENTS AND NOTES

The authors thank Dr Oliver Hartwich, Dr Bryce Wilkinson, Malcolm Alexander, Tama Potaka, Peter Fa'afiu, Robert MacCulloch, Matthew Cockram, Chris Parker, Kirdan Lees, Shamubeel Equb, and Duncan Small for comments on an earlier draft of this report. We thank Jason Krupp for substantial contributions to our discussion in Section 4.4. Thanks also to Mangai Pitchai for her editorial assistance, as well as Jo Aitken and Mollica Sokhom for their graphic design contributions. All remaining errors and omissions are the sole responsibility of the authors.





# FOREWORD

---

Strong regional economies underpin national economic prosperity, but the right resources and incentives must be in place to enable growth. Special Economic Zones (SEZ), if successfully trialled, could provide a mechanism for regions to facilitate economic development suited to their unique character and opportunities.

New Zealand has long struggled with the limitations of having one of the world's most centralised forms of government. Further, as a small unitary state, it also struggles with capitalising fully on the tremendous potential found in its regions. From this perspective a SEZ could be a very useful instrument to drive a better alignment between unlocking regional opportunities and achieving national economic objectives. A SEZ might do so in part by addressing those policies and regulations that are not fit-for-purpose at the regional level, and orienting outcomes to meet prescribed environmental and economic goals by reducing the unnecessary and non-productive red tape that can slow or deter growth.

SEZs are not novel. Trialled in more than 130 countries the lessons learned suggest that conditions in New Zealand, including a transparent regulatory and judicial system, and well maintained physical infrastructure, could support successful implementation. At one level the SEZ concept is already here – special housing areas in Auckland and the Canterbury Earthquake Recovery Authority (CERA) are, in essence, a form of SEZ.

New Zealand has often led the world in areas of social policy and public sector reform, but in addressing frameworks and tools to promote and incentivise all levels of government in facilitating economic prosperity – it struggles. Some of this struggle is premised in the historic lack of trust between local and central government. A SEZ could be a bridge to rebuild trust and reach the objectives that both tiers of government seek to achieve. That bridge must be founded on facts and a concept with merit. This paper clearly establishes that the SEZ model has merit.

Special Economic Zones deserve serious consideration in New Zealand. A SEZ may help us create a fit-for-purpose framework to meet our environmental, economic and social objectives while we continue to refine national policy and regulation that constrains our diverse regions from reaching their full potential. It is time to try something new.

Malcolm Alexander

CHIEF EXECUTIVE  
LOCAL GOVERNMENT NEW ZEALAND



# KEY POINTS

---

- Special Economic Zones (SEZs) could provide New Zealand's cities and regions with the policy tools to pursue growth and a greater financial stake in the benefits of growth. The approach can allow Auckland to solve its housing crisis, allow regions to find the solutions that work for them, and end much of the current adversarial relationship between central and local government.
- Nationwide policies are far-reaching, one-size-fits-all, cost more, and are more difficult to remove.
- Localised policies are suited to local conditions, cost less, and are easier to revert. They can act as case studies for other areas, demonstrating what works.
- China's Shenzhen SEZ has proven to be a spectacular success and showcases the possibilities of an SEZ. Shenzhen itself was partially inspired by Hong Kong's example. Innovations developed in Shenzhen spread outward, benefitting broader regions.
- Well-designed SEZs are useful for experimenting with different rules in ways that facilitate policy evaluation. Because policy change applies at a regional level and in response to local concerns, reform is generally more effective and less contentious.
- SEZs are not economic concession zones, where governments seek to direct investment to particular areas through tax or regulatory concessions. Reforms applied in any SEZ should be available to any other district or regional council requesting them. SEZs can work well in recognising regional differences and testing reforms; concession areas are less well supported.
- Enabling councils to plan for and share in regional growth gives each region the ability to work out what best suits its needs and build its community – in its own way.

THE  
NEW ZEALAND  
INITIATIVE



# CHAPTER ONE

## FAILING FAST AND FAILING SLOW

---

On the one hand, we are really good at making better physical technologies. Cell phones always get better, computers always get better, cameras always get better. On the other hand, you have social technologies, the ways in which we organize ourselves, our governance systems. These are not subject to entrepreneurial trial and error. In fact, they're essentially locked away from competition and innovation.<sup>1</sup>

- Zachary Caceres, *StartupCities*

---

Sometimes, we just do not know what will work. Some policy ideas are obviously worthwhile and worth applying nationwide, and quickly – like recently proposed changes to compensation for live organ donors.<sup>2</sup> Other policies are obviously bad ideas that nobody should take seriously – like holding goods up at the border for a week to try to collect a few dollars in GST. But most policies fall somewhere between those extremes. They might be a good idea, but they're not well tested and might have a hard time drawing support because of it. Or they might work well for some parts of the country but not for others. And so those ideas languish in the so-called too-hard basket.

The software industry takes a different tack. A web company unsure of whether a change to its website would improve its users' experience and result in more sales can test it. Testing methods are now so well established that Google provides a standardised framework for anyone wishing to test different versions of their website. Websites can simultaneously test ten different variants of their pages to see what works, and for whom.<sup>3</sup>

The ability to test what works and find out quickly what fails lets site owners be more liberal in their approach. If one of the company's web designers is convinced that moving a shopping cart button from one spot on the page to another would work, it can be worth trying out – if they can test it on a few site visitors to see what happens rather than embed it as a change for the whole site, forever. Changes that prove effective can be rolled out more broadly; changes that do not work fail at smaller scale.

America's federalist structure allows for similar experimentation. The 1996 welfare reforms enacted under President Clinton explicitly drew on America's ability to run fifty different experiments simultaneously to find out what works. Individual states were given great leeway to try different approaches in moving beneficiaries from welfare to work. They learned from each other's successes, and failures, and iterated toward successful welfare reform.<sup>4</sup>

---

1 Zach Weissmueller, "What if Governments Were More Like Tech Startups? How to Grow a City in Honduras," *The Guardian* (22 August 2014).

2 Elizabeth Prasad, "Compensation for Live Donors", (Wellington: The New Zealand Initiative, 2015).

3 See Google Analytics, "Overview of Content Experiments."

---

4 See, for example, Ron Haskings, *Work over Welfare: The Inside Story of the 1996 Welfare Reform Law*. Brookings, 2006.

While there is much to like about New Zealand’s unitary government structure<sup>5</sup>, it does not handle change well. The unitary structure provides relatively little room for regional and district councils to trial different policies that might, if successful, be adopted elsewhere. And so when policy change comes, it is generally ‘New Zealand new’ – perhaps it draws on policy lessons from overseas, but it is new to New Zealand. If the policy change works well, the whole country benefits; if it fails, the government risks losing office. Policy change is then risky: changes are few and, when changes are made, they tend to stick.

## 1.1 IMPROVING THE “OPERATING SOFTWARE”

New Zealand’s regulatory structure is akin to a too-tight corporate Information Technology policy.

Corporate IT policies mandate which operating systems are used and lock down users’ systems with convoluted administrative privileges. Such policies are able to work in companies because a competitive market in operating systems exists and because companies themselves face competition. But if an international IT policy had mandated Windows 3.1 in the 1990s, would we ever have reached Windows 10, OS X, Android or Ubuntu?

Councils’ operating systems – the rules under which different parts of the country are required to operate – are rigid and difficult to change, with most changes forbidden by national-level regulations. Councils have a fair bit of discretion within district plans, though the process by which they are made and adapted is still highly rigid.

But thinking more broadly, even if Wellington wanted to allow more foreign direct investment into the city, it is not possible under the *Overseas Investment Act 2005* and its regulatory barriers. If Invercargill wanted to allow in many more overseas migrants to boost its population and labour force, or if its citizens wanted to welcome more refugees and promised to house and support them, it too would receive an ‘Access Denied’ error message. If Buller decided that the Denniston Plateau, which is already the site of ample mining-related tourism, should be opened up for further exploration, there is no ‘Super User’ or ‘Administrator’ command it can invoke to make it so.<sup>6</sup>

Being more open to reform could be rather effective in addressing some of the systemic problems restricting growth both in New Zealand’s cities and its rural regions. Whether this be amending labour laws to achieve greater employment rates, legislative changes to encourage more and better investment, or consent reforms to encourage greater infrastructure development and less infringement upon private property rights, local councils should have at least a few ‘Super User’ permissions.

## 1.2 SO WHAT IS THE PROBLEM HERE?

New Zealand’s cities and regions face very different problems. Auckland has persistent housing shortages, largely due to the city’s zoning rules that prevent it from either growing up or growing out as population increases.<sup>7</sup> The structure of local government finances and local political economy is such that councils like Auckland treat growth as a cost to be managed rather than an opportunity to be embraced. By contrast, rural New Zealand is

---

5 Economist Tyler Cowen suggests that a lack of federalism is New Zealand’s biggest advantage. See “Does New Zealand have the best designed government in the world?” *Marginal Revolution* (25 September 2014).

---

6 In the Linux operating system, *sudo* preceding a command requires that the system run the command as though it were issued by an administrator or ‘Super User’. As is often the case, XKCD explains it best. See Explain XKCD, “149: Sandwich,” blog.

suffering a poverty of wealth, constrained as it is against developing the resource riches upon which it sits while haemorrhaging residents to the bright lights of big cities.<sup>8</sup> Unsatisfactory incentives for pursuing growth at the local level, and regulatory constraints at the national level, make for weaker policies in land use, resource use, and housing.

These ‘one-size-fits-all’ settings, mandated across urban and rural New Zealand, mean our operating systems invariably run poorly. Even worse, they are often impossible to change, at least at the national level. Different solutions work for different places, and change that could be palatable or even welcome in some locations always seem to find an opponent somewhere else, stymieing local innovation.

So what options are left when critical pieces of national legislation are too hard to tackle at the national level?

In *Growing Apart: Regional Prosperity in New Zealand*, economist Shamubeel Eaqub investigates some of the entrenched economic problems exacerbating the decline of many of New Zealand’s smaller provinces. The economic focus of central government, he argues, is fixed on national issues.<sup>9</sup> Top-down mandated policy is, all too often, inadequately attuned to the different needs of different areas – especially rural regions. So we get as much policy reform as can suit the needs of at least some regions with the least complaint from any of them.

It is all too easy for poor policy to persist. Quoting lessons from his more senior colleagues, Eaqub says: “It is easy to make policy, but it is very hard to make good policy” and even then, “it is easy to

make legislation, but it is very hard to remove legislation”.<sup>10</sup> Active review and evaluation, let alone later refinement of ineffective or even detrimental policy, is rarely exercised in New Zealand.<sup>11</sup> It is hard to embed policy evaluation into policy design, and even harder to revisit failing policies.<sup>12</sup>

But what if we approached policy reform a little differently? Instead of rolling out large-scale policy reforms across the whole country, we could embed evaluation at the outset, and recognise that different regions might need different things – by taking a more localist approach. Changing policy in one region, and not in other regions, makes it easier to tell whether the policy has succeeded.

For example, a change to the Overseas Investment Act (OIA) rules around the greater Wellington region could help us learn whether the current regime is as liberal as its proponents claim, or whether the current system deters investors from even applying. Differences in foreign direct investment between Wellington and other cities before and after the change to the OIA policy could tell us whether the change yielded the desired outcomes.

---

7 Jason Krupp and Khyati Acharya, *Up or Out: Examining the Trade-Offs of Urban Form* (Wellington: The New Zealand Initiative, 2014), 23.

8 Jason Krupp, *Poverty of Wealth: Why Minerals Need to be Part of the Rural Economy* (Wellington: The New Zealand Initiative, 2014).

9 Shamubeel Eaqub, *Growing Apart: Regional Prosperity in New Zealand* (Wellington: BWB Texts, 2014), 6.

---

10 Ibid., 84.

11 Ibid., 85.

12 Ministry of Business, Innovation and Employment, “2015 International Year of Evaluation,” Web (Wellington: Ministry of Business, Innovation and Employment, 2015).

Policy assessment can, and should, rely on broader measures than just regional economic growth. If a trial zone allowing an improved mining approval process provided greater economic growth but worsened environmental quality, it might not have been successful. Quantitative measures such as rates of economic growth, employment levels, and environmental quality can all be used to assess a trial's success. So too can qualitative measures such as residents' happiness and perceptions of experienced freedom across different regions. Even simple measures like changes in net regional migration can be reasonable signals of policy effectiveness.

If a policy change made for one region fails, at least the changes have been contained to one small geographic location, which means reversing the tweaking will be much simpler. If a change turns out to be Windows Vista, it is better that one user runs the experiment rather than the program being rolled out to everyone.

**THE  
NEW ZEALAND  
INITIATIVE**



# CHAPTER TWO

## FACILITATING EXPERIMENTATION

---

The SEZ is a window, a window of technology, a window of management skill, a window of knowledge...from SEZs we can bring in technology, acquire knowledge and learn management skills.

- Deng Xiaoping

---

### 2.1 SPECIAL ECONOMIC ZONES - TRIED AND TRUE?

Special Economic Zones (SEZs) have become something of a global trend in recent decades. *The Economist* notes that zones are even appearing within pre-existing zones, enclaves within which tax, tariff and regulatory incentives are offered to exporters and investors.<sup>13</sup>

SEZs are any economic or governance zone set apart from the rules that apply elsewhere by default. Zones are generally geographically demarcated, and often come under more liberal business and trade regimes than the surrounding area.<sup>14</sup>

Well-designed SEZs allow governments to experiment with different regulations without threatening established national power structures; others attract investment to particular areas where government want stronger development incentives. They can attract inward FDI, or offer specific

tax exemptions for businesses in order to attract investment. Conducting business in a SEZ often means that a company will receive tax incentives and the opportunity to pay lower tariffs.<sup>15</sup>

New York University economist Professor Paul Romer, founding director of the NYU Stern Urbanization Project, argues that SEZs provide an “approach that can be used by any country to implement reforms”, particularly where initiating substantial, or indeed, any effective policy change at a national level is too difficult or is met with hostility by risk-averse governments.<sup>16</sup> SEZs and start-up cities enable the more innovative policy reforms without having to go through costly and lengthy consultations involving people well outside the affected area.

---

13 *The Economist*, “Political Priority, Economic Gamble, The Economist (4 April 2015).

14 Jin Wang, “The Economic Impact of Special Economic Zones: Evidence from Chinese Municipalities,” *Journal of Development Economics* 101 (2013), 133–147.

---

15 See discussion in Ibid, and in Aradhna Aggarwal, Mombert Hoppe and Peter Walkenhorst, “Special Economic Zones and Economic Diversification: Some Evidence from South Asia,” Chapter 13 in Richard Newfarmer, William Shaw and Peter Walkenhorst, *Breaking Into New Markets: Emerging Lessons for Export Diversification*, *World Bank* (2008).

16 “Interview with Prof. Romer on Hong Kong, charter cities and growth theory,” *EconReporter* (originally from *iMoney*) (27 April 2015).

As of 2006, some 3,500 SEZs operated across 130 countries.<sup>17</sup> However, success has been mixed: where local infrastructure is poor, or where institutional quality is low, an SEZ can be less useful unless it is specifically designed to provide stronger institutions or better infrastructure. Many African SEZs have failed for want of complementary infrastructure or better national governance.<sup>18</sup> Lotta Moberg finds institutional strength essential to ensure SEZ success.<sup>19</sup> When an SEZ is introduced in an economy with weak institutional arrangements, the results can be less than desirable, leading to resource misallocation and rent-seeking. In those cases, the zone has to be designed explicitly to provide the needed institutional strength.

## 2.2 A RANGE OF ZONES

SEZs range rather broadly in ambition.

In cases where the host country's overall institutional structure is very poor, the most ambitious SEZs can seek to route around existing institutions entirely. Paul Romer's "Charter Cities" project envisages autonomous areas under strong executive city managers, or enclaves placed under foreign management - like Hong Kong's relationship with Britain during the 20th Century.<sup>20</sup>

Universidad Francisco Marroquin's Mark Klugmann suggests similarly revolutionary 'LEAP zones', which would leapfrog existing legal, economic, administrative and political structures to accelerate cities' physical and administrative development.<sup>21</sup> In areas with weak governance and poor legal structures, simply providing a free-trade area is insufficient to attract investment – the unattained goal of too many SEZs in weak states.<sup>22</sup> Klugmann points to Dubai, an international financial centre which succeeded by adopting the British Common Law rather than the regime in place elsewhere in the UAE.

More traditional SEZs provide a mix of tax concessions, grants, or abatement of onerous tariff and trade rules. Free trade zones provide enclaves for international trade in otherwise protected markets, allowing easier transshipment and re-export. Export processing zones provide particularistic concessions for firms targeting foreign markets.

Enterprise zones seek to direct investment to politically designated areas through grants or tax concessions.<sup>23</sup>

Paul Romer adopts a different, and for our purposes more useful, categorisation. SEZs can either trial and promote reforms that could, in principle, be adopted elsewhere in the country, or they can provide concessions to politically preferred regions.<sup>24</sup> Similarly, the World Bank's FIAS group contrasts catalysts, or zones whose successes sparked broader based economic reform, with enclaves, where reforms did not spread

---

17 Thomas Farole, "Special Economic Zones in Africa: Comparing Performance and Learning from Global Experience," World Bank (2011).

18 Ibid.

19 Lotta Moberg, "The Political Economy of Special Economic Zones," *Journal of Institutional Economics* (forthcoming).

20 Paul Romer. "Technologies, Rules, and Progress: The Case for Charter Cities," Center for Global Development (2010).

---

21 Mark Klugmann, "How to grow a city in Honduras, Part I: Governance as technology," Reason TV (on YouTube). See also Mark Klugmann, "LEAP Zones: Faster Growth with Less Conflict," *Cayman Financial Review* (12 July 2013).

22 See Farole, op. cit.

23 FIAS, "Special Economic Zones: Performance, Lessons Learned, and Implications for Zone Development," *World Bank Group* (2008). See Box 1, p. 3.

24 Paul Romer, "Charter Cities and Reform Zones," Presentation to ENADE 2014, San Salvador. See also Paul Romer, "Charter cities and economic zones," *Urbanomics* blog (1 May 2015).

beyond the SEZ's boundaries. In addition to the Chinese experience with SEZs, discussed below, FIAS points to, among others:

- South Korea's extending of more liberal foreign direct investment rules after they proved successful in SEZs;
- Jordan's Aqaba SEZ developing better customs processes and business registration before going on to help upgrade the national customs service;
- Kuwait's SEZ liberalisation of foreign ownership leading to countrywide reforms.<sup>25</sup>

New Zealand has no need to route around corrupt governments or to provide wary investors with certainty that the courts will enforce contracts, so it hardly needs the kinds of ambitious zones proposed by Romer or Klugmann. Rather than suffering from poor governance, New Zealand simply suffers from too centralised an approach that inhibits policy flexibility and policy evaluation.

With a population well under 5 million, New Zealand would rank at around the median population size of American states.<sup>26</sup> A federalist structure, with powerful provincial legislatures, might not prove efficient here. But a unitary state provides too little room for policy innovation across territorial authorities. New Zealand has one of the world's most centralised forms of government,<sup>27</sup> but with strong regional diversity.

We here propose the use of SEZs to harness the benefits of federalism in encouraging policy innovation, but within a unitary state.

---

25 FIAS, op. cit., p. 41.

26 New Zealand's population, in 2012, was 4.43 million. Wikipedia's list of states by population, at 2012, lists Kentucky as 26th at 4.38 million; Louisiana, at 25th, had 4.6 million.

27 Oliver Hartwich, *A Global Perspective on Localism* (Wellington: The New Zealand Initiative & Local Government New Zealand, 2014).

## GROWTH PROMOTION VERSUS GROWTH DIVERSION: CATALYSTS AND ENCLAVES

Not all economic zones are created equal.

Some SEZs are established to promote particular regions over others. Whether to encourage development of an area deemed 'blighted' or to encourage the development of industrial clusters through targeted concessions, these zones require that the government agency setting the zone be able to pick winners. If successful, their successes are limited to the targeted area – and often at the expense of others.

If central government provided tax concessions for companies willing to establish themselves in, for example, Twizel, and firms moved from Christchurch or Auckland to take advantage of the special treatment, we should not count that as a general 'win' either for SEZs or for the country. Twizel's gain, in that case, is others' loss.

SEZs established instead to trial different policy or regulatory settings provide greater and broader benefits. Regulatory reforms that provide better housing outcomes in one urban area, for example, could be adopted by others facing similar problems: one region's success is then a beacon for others to follow. And trialled policies proving less successful fail at a smaller, and more easily reversed, scale.

How to encourage catalysts over enclaves?

Require that the bundle of regulatory changes applied within any SEZ is also available to any other territorial authority wishing a similar SEZ. Targeted concession zones are too expensive for central government if they could potentially envelop the entire country, making winner-picking less attractive. And, if any council could seek the provisions enacted in any SEZ, all councils would keep a sharp eye on whether enacted policies have been effective.

## 2.3 LEARNING FROM SHENZHEN – CHINA’S FIRST SEZ

The Shenzhen SEZ, established in 1980, was set up initially to kick-start growth in the country.<sup>28</sup> The zone came about as part of Deng Xiaoping’s wider goal to open China to the rest of world and help shape and cement China as a major global player.<sup>29</sup> Campaigning for such zones had been going on for some years before; Shenzhen “permitted incremental progress within a rigid system”.<sup>30</sup> The zone’s establishment within a traditional, centrally planned economy symbolised Deng’s commitment to liberalisation,<sup>31</sup> but it also allowed the government to test in a small and contained area whether market liberalisation would threaten political stability.

Shenzhen is a natural port city on the border of Hong Kong in southern China that has evolved from a small fishing village into a “substantial urban agglomeration in less than two decades”.<sup>32</sup> Its population grew from 23,000 inhabitants in 1980 to more than 5 million by early 2003, mainly as a result of high migration rates. The early years of Shenzhen were not easy. The zone suffered from low levels of investment, particularly high-tech investment, and infrastructure provision was costly and slow. To make matters worse, the zone was marked by high levels of corruption as well as

rapid leakage of foreign direct investment into the surrounding countryside rather than the formal zone.<sup>33</sup>

Nevertheless, the transformation of a small, struggling township near the border of urban Hong Kong into the economic powerhouse it is today is impressive. Major economic indicators show growth has been strong and consistent in the region since the zone’s creation. Li Hao, a member of the National People’s Congress of China at the time, noted that the Shenzhen SEZ had a phenomenal effect on the economy. Even if the figures he cites of growth rates ranging from 30% to 50% per year are potentially overstated, the transformation of the Shenzhen zone could hardly be more remarkable. Shenzhen is now home to two of the largest global communication giants – Huawei and ZTE.

Shenzhen has catalysed liberalisation within China. Despite initial concerns that Shenzhen would be used as a concession zone, Romer emphasises that the measures implemented within the zone have, to an overwhelming degree, passed both his requirements for reform: many of the policies adopted have been made permanent and many have spread to the rest of China.<sup>34</sup> Shenzhen went further than many other Asian SEZs, which at the time were mostly ‘Export Processing Zones’. Barry Naughton argues that because China’s SEZs for domestic economic reforms, they inevitably had a broader role to play in China’s economic evolution”.<sup>35</sup>

Likewise, Hao notes that Shenzhen has been fundamental to the transformation and modernisation of China.<sup>36</sup> Shenzhen was the largest of the six SEZs created following Deng’s proposal and the resulting National People’s Congress legislation.<sup>37</sup> The zones adopted

---

28 Xiaozi Liu, Gerhard K. Heilig, Junmiao Chen and Mikko Heino, “Interactions Between Economic Growth and Environmental Quality in Shenzhen, China’s First Special Economic Zone,” *Ecological Economics* 62:3–4 (2007), 559–570.

29 “Interview with Prof. Romer on Hong Kong, charter cities and growth theory,” *EconReporter*, op. cit.

30 Barry Naughton, *The Chinese Economy: Transitions and Growth* (Massachusetts: The MIT Press, 2006), 406.

31 *Ibid.*

32 Liu, Heilig, Chen and Heino, “Interactions Between Economic Growth and Environmental Quality in Shenzhen,” op. cit., 559.

---

33 *Ibid.*, 407–409. were set up as “test beds

34 “Interview with Prof. Romer on Hong Kong, charter cities and growth theory,” *EconReporter*, op. cit.

35 Naughton, *The Chinese Economy*, op. cit., 407.

36 Li Hao, “Development of the Shenzhen Special Economic Zone,” Paper presented at the 6th Northeast Asia Economic Forum (19 January 1996), 145–146.

37 *Ibid.*, 145.

policies and practices similar to those in already established 'Free Trade Zones' and 'Export Processing Zones' elsewhere in the world.

Some policies within Shenzhen do resemble those prevalent in concession zones. These include policies aimed specifically at encouraging and attracting businesses to Shenzhen such as low taxation rates for enterprises and set period tax exemptions for particular industries until stable profits are realised.<sup>38</sup> Land is also provided to foreign investors for long-term use at low fees.

Beijing granted Shenzhen the authority to enact legislation in July 1992.<sup>39</sup> The zone was also responsible for its own revenue and expenditure during the initial years. This encouraged prudent levels of expenditure compared to the rest of China. While Shenzhen would likely have not succeeded without adequate support and delegation of autonomy from Beijing, the hinterland surrounding the zone was also vital as it provided a source of labour and a market for some goods.<sup>40</sup> By the early 1990s, Shenzhen was wealthy enough to provide low-interest loans and financial advice to poorer areas in China.<sup>41</sup>

Examples of specific policy liberalisation within Shenzhen include the introduction of flexible wage systems and tender bidding for construction projects. In more recent years, Shenzhen has also experimented with land and equity markets. Chinese SEZs more generally have been characterised by "unusually high levels of autonomy compared to Export Processing Zones"<sup>42</sup> and other Asian SEZs, demonstrating a commitment to broader liberalisation.

---

38 Ibid.,146.

39 Ibid.,147.

40 Ibid., 147–148.

41 Ibid.,148.

42 Naughton, *The Chinese Economy*, op. cit., 408.





# CHAPTER THREE

## GETTING SPECIAL ECONOMIC ZONES TO FLY

---

### 3.1 WHERE ARE THE MOST PRESSING REFORMS NEEDED?

In many developing countries with weak institutional structures, SEZs are a way of providing stronger property rights and contract enforcement. New Zealand's needs are obviously different, as are its opportunities.

New Zealand's unitary state, on the whole, performs well. Small countries may not need federal structures whose strong separate legislatures take on responsibilities that are, in New Zealand, well managed at the national level.<sup>43</sup> Some regulatory flexibility is built into the system as well. District plans under the *Resource Management Act 1991* do allow councils flexibility to set rules to suit local conditions.

But many overarching structures cannot vary at the regional level – even if locals strongly prefer an alternative. For example, many voters support the hurdle that the *Overseas Investment Act* imposes on would-be buyers of farmland, but the regulatory processes can also be burdensome for urban areas, which do not have iconic countryside. District plans can be friendly towards mining and resource extraction, but regulatory processes mandated under the RMA can result in both worse environmental quality and less productive mining activity.<sup>44</sup> Immigration restrictions set to

avoid worsening the Auckland housing shortage mean that regions outside Auckland, where more migrants would be welcome, go without.<sup>45</sup>

In addition to the lack of regional regulatory diversification is a lack of coordination and incentive alignment between policy objectives and financial capabilities at the regional level, and national priorities. Tackling this is a necessary first step.

#### 3.1.1 Better align financial incentives to encourage change

One important modification to cities' and regions' operating systems is a change to local government finance. District councils earn revenue from property taxes levied on homes and businesses located in the district. Councils with a declining population will have strong incentives to encourage inbound migration of businesses and individuals for better sharing of the fixed costs of sunk infrastructure, but growing councils can experience marginal costs of new residents that, in the shorter term, are not far below the new property tax revenues that councils receive. Even where a new subdivision fully covers its infrastructure costs, capacity constraints on other city facilities can mean that existing residents resent incoming migrants and resist proposed urban expansion or densification.

---

<sup>43</sup> See discussion in Tyler Cowen, Penelope Brook-Cowen and Alexander Tabarrok, *An Analysis of Proposals for Constitutional Change in New Zealand* (Wellington: New Zealand Business Roundtable, 1992). Cowen later, at his *Marginal Revolution* blog, cites New Zealand's lack of federalism as one of the country's outstanding features (25 September 2014).

<sup>44</sup> Jason Krupp, *From Red Tape to Green Gold* (Wellington: The New Zealand Initiative, 2015).

---

<sup>45</sup> Very recent policy changes award extra points to migrants willing to live outside Auckland.

A new Productivity Commission report emphasises how costly and risky it is for local councils to undertake infrastructure provision.<sup>46</sup> While infrastructure is a fundamental component of housing supply, it also accounts for a substantial part of the total cost of new dwellings. Councils that do try and install necessary infrastructure ahead of housing demand could face high borrowing and depreciation costs and take on risk where anticipated developments fail to take place as quickly as expected.<sup>47</sup> This makes for a housing supply catch-22 situation in which councils do not wish to lay out infrastructure in advance of development, but developers cannot proceed until they know infrastructure services will be available.

The meta-change we propose here would cut councils in on a portion of the new revenue that flows to central government with an increase in population or economic activity. This report does not work out the precise details of this kind of change, though The New Zealand Initiative is undertaking further research on local body finances.

However, as a starting point, central government could allocate to the local council a portion of the total remitted increase in income tax from residents within a city or region. Rather than simply rewarding councils for past activity, a revenue-sharing mechanism could apportion payments on improvements over a base year or base period. Providing a revenue sharing mechanism in this way means local councils have a greater incentive to provide high quality infrastructure if it means attracting more residents and, as consequence, increased revenue. Changing local government finances so that growth is a virtue would enable councils to provide better services, lower property taxes, or both. This simple change could help

overcome some of the hostility to change apparent in places like Auckland.<sup>48</sup>

Similarly, central government could choose to rebate to local councils the GST it collects on new construction activity. Councils then, on a \$200,000 ex-GST new house build, would see a \$30,000 tax transfer from central government. In many cases, this could supplant development contributions altogether and strongly encourage councils to facilitate new construction.<sup>49</sup>

Transfers from central government to local governments would not be costless for central government; we provide indicative figures below. But, consider too the costs of status quo.

Local councils find it very difficult to overcome Not-In-My-Back-Yard objections to densification or urban expansion. This flows directly from the logic of collective action described by Mancur Olson half a century ago.<sup>50</sup> Those who might be able to live in a new apartment building, were it to be consented and built, are unlikely to turn up at the council planning meeting; those worried about potential adverse effects on the local neighbourhood will be sure to attend and voice their opposition.

The consequences in Auckland have been obvious: house price inflation; strangulation of economic growth due to poor land use decisions; central bank worries about housing market risk arguably keeping interest rates too high; and, what often appears to be council indifference to even the most obviously beneficial zoning changes if they might spark local opposition. Doing nothing has been rather expensive.

---

<sup>46</sup> Productivity Commission, *Using Land for Housing* [draft] (Wellington: Productivity Commission, 2015), 7.

<sup>47</sup> Ibid.

---

<sup>48</sup> The New Zealand Initiative's Jason Krupp will be going to Manchester in the United Kingdom later this year to evaluate how this kind of revenue-sharing mechanism, recently established there, has been working. A forthcoming report will present his findings.

<sup>49</sup> Michael Bassett, Luke Malpass and Jason Krupp, *Free to Build: Restoring New Zealand's Housing Affordability* (Wellington: The New Zealand Initiative, 2013), 24.

<sup>50</sup> Mancur Olson, Jr. *The Logic of Collective Action*. Harvard University Press, 1965.



Our proposal would provide a greater on-budget expenditure, while potentially avoiding much larger off-budget costs. A flow of funding to councils, based on their achieved growth, would allow councils more flexibility in finding financial arrangements that compensate those genuinely harmed by new development so beneficial changes can be implemented.

It is possible to provide estimated indicative figures. Auckland Council, for example, collects roughly \$1.45 billion in rates, with other income from user charges, licences, service fees and investment returns bringing total revenue to \$3.5 billion.<sup>51</sup> The 2014 regional GDP figures, the latest available, have Auckland contributing 35.3% of national GDP. If taxes remitted from the Auckland region are proportionate to its share of GDP, Auckland contributes approximately \$21.7 billion of the \$61.5 billion in tax revenue collected by the government.

Suppose that Auckland received an even share of any *increase* in the taxes it remits to central government, and that Auckland's economic activity and associated taxes grew by 1%. The increase in taxes remitted by Auckland would total \$217 million, of which Auckland Council would receive \$108 million: very small relative to the national budget, but reasonable relative to Auckland's budget. But if Auckland implemented policies allowing it to grow at 5%, it would instead remit just over a billion dollars to central government in additional tax revenue, and be rebated \$542 million.

The greater the share of revenue increases returned to local council, the stronger the council's incentive to facilitate growth, but also the stronger the measure's costs. If Auckland would have grown by, say, 3% absent revenue sharing, a revenue sharing

scheme rebating a third of any increase in growth would be fiscally neutral, for central government, if it increased Auckland's growth rate to at least 4.5%.<sup>52</sup>

One way of maintaining sharp incentives but at lower cost to central government would be to scale revenue sharing to achieved growth. Councils could be set thresholds based on their historic or projected growth rates, with strong revenue sharing for any growth above a threshold, but smaller shares of smaller increases. Median regional GDP growth for Auckland from 2001 through 2014's provisional figures was 5.1%.<sup>53</sup> Auckland Council could then be provided with a smaller share of any growth below, say, 5%, but a large share of any growth above 5%. Taranaki, whose regional GDP increased by a more modest 2.5%, would face a lower hurdle.

Alternatively, the more generous regime could be coupled with devolution of some central government responsibilities to local councils, where baseline expected growth would be sufficient to cover the expected cost of service provision, and exceptional growth provided a bonus to local government.

Ideally, local councils would also receive a share of increased income tax, GST and company tax remittances from their areas. This would encourage the zoning of appropriate amounts of residential, retail and industrial space and provision of suitable infrastructure.

---

51 Auckland Council, "A look at Auckland Council's Current Finances – August 2014", available at <http://www.aucklandcouncil.govt.nz/EN/planspoliciesprojects/plansstrategies/longtermplan2015/Documents/aucklandcouncilfinancesfactsheet.pdf>

---

52 We here leave aside the increase in education costs and health costs that may come with a net national increase in population, or with changes in budgets as the country grows richer.

53 Statistics New Zealand, "Regional Gross Domestic Product: Year ended March 2015". Medians by author's calculations.

Similarly, if alcohol use provides nuisance costs to local councils, sharing a portion of locally raised excise revenues would allow councils to mitigate those very real nuisance costs in ways other than by simply shutting down bars early or otherwise impeding nightlife.

Unfortunately, it is currently difficult for IRD to provide detailed regional breakdowns other than for income tax. For businesses with multiple firms located around the country, tax is compiled by a head office that deals exclusively with IRD. Excise is paid by the brewer or distiller at the point of production rather than at the point of sale. But as IRD systems are scheduled for renewal, it would be timely to augment those systems to allow for revenue-sharing arrangements.

Revenue-sharing arrangements could be made part of a *quid pro quo* in any SEZ application. An SEZ targeted at encouraging growth in housing in Auckland, for example, could provide tax-sharing with Auckland, where outcomes have been good, while also requiring that certain key performance indicators be met. If Auckland were provided regulatory reforms making new dwelling construction easier, and if Auckland were provided a share of the increased revenues central government receives when Auckland grows, it would be very disappointing if the unitary plan continued to place strong restrictions on density within the town and on expansion at the fringes of town. In such a case, as part of a revenue-sharing arrangement, automatic regulatory changes could be triggered if housing remained severely unaffordable after a suitable period.

### 3.2 ALLOWING GREATER LIBERALISATION WITHIN THE UNITARY STATE

Under a unitary state governance system, local authorities have much less political autonomy than individual states under a federal governance system. While a federal system could be too costly in a small country,<sup>54</sup> we risk too little recognition of regional differences under our current domestic policy settings. New Zealand is not expansive enough in size or disparate enough socially and culturally to warrant having a federal system of governance. But national level policies do impose challenges to regional growth that could be better addressed through regionally specific regulation.

SEZs would allow regional variation in regulatory and policy structures on the request of territorial authorities requesting the changes and on the approval of central government. Local knowledge of what works best for regional economies is harnessed when councils are able to request changes; the national interest is protected by requiring cabinet approval of new SEZs. Combined with better revenue-sharing mechanisms, SEZs could better enable local leaders to find the best ways to support their communities.

The more localist approach here recommended would also sit well with the social sector's growing emphasis on approaches grounded in the local community. The model could be extended to develop special *socio-economic zones* providing local authorities greater influence over social service delivery. Such a model is already being trialled in Tamaki.<sup>55</sup>

---

<sup>54</sup> Switzerland is an important counterexample.

<sup>55</sup> See A.3 at end of report.

Were the government to support the use of special economic zones as a way of testbedding policy changes while accommodating regional differences, Treasury could be resourced to provide assistance in drafting the enabling legislation, to identify the specific regulatory changes necessary to give effect to each zone, and to provide follow-up evaluation of outcomes.

### 3.3 WHAT'S NOT TO LIKE?

The most common critique of SEZs and revenue-sharing arrangements we have encountered in canvassing the proposal is that local councils cannot be trusted with new revenue sources. Local councils are seen as wasteful at best, and dangerously incompetent at worst. Among those holding that view, financial constraints facing councils are welcome as they limit the amount of money that can be wasted by councils.

Local Government New Zealand's 2015 survey found that while the public trusted local government to keep communities informed, councils were least trusted in areas relating to councils' core competences: making good spending decisions, providing good value for rates dollars, and consenting processes.<sup>56</sup>

There have been spectacular and expensive failures in council decision-making. The failure of Dunedin's stadium investment was well foreseen by everyone but the then-Mayor, the Council – and central government, whose \$15 million in financial support and whose strong encouragement of the development encouraged the Council's investment despite reasonably strong local opposition. Central government has not always been the level-headed brake on council irresponsibility it sometimes sees itself to be.

The revenue sharing arrangement here proposed guards against council irresponsibility. Councils would receive a flow of funding that is contingent on strong economic performance. Councils receiving a portion of any increase in business tax remittances or GST collected in their district will have incentive to be quicker in processing consents, lest businesses decide instead to set up shop in a neighbouring region. Councils able to profit by attracting new residents will compete to provide value-for-money services and timely consenting for new housing.

It is impossible to guarantee that sharpening the incentives will guarantee good outcomes – but the same holds true of any policy change. The mechanism proposed in this report provides its own evaluation framework. Every proposed SEZ must be approved by Cabinet. Outcomes would be tracked to see whether the policy changes enacted in the zone merited broader roll-out, with an evaluation window allowing for policy roll-back if outcomes were undesirable.

Some SEZ policy trials would be sufficiently successful to be requested by other councils for broad roll-out. Others would be viewed as successful within the district but not desired by other councils. And, some will fail and be reversed.

If the revenue-sharing mechanism itself proves unsuccessful, it could be modified or ended at the conclusion of the trial period. If the incentives are too sharp and encourage councils to compete as location for new businesses and industries not by providing highly efficient consenting and appropriate infrastructure but rather by providing distortionary business subsidies, that too would warrant amendments to the mechanism – or its conclusion.

THE  
NEW ZEALAND  
INITIATIVE

---

<sup>56</sup> Local Government New Zealand, "Building a stronger local government for New Zealand: A survey of New Zealanders' perceptions of local government," 2015.



# CHAPTER FOUR

## SEZs IN NEW ZEALAND

---

### 4.1 SEZs: OVERARCHING PRINCIPLES AND FINANCING

SEZs should ideally emerge from local demand for regulatory change, enabling regions and cities to meet local needs.

As part of any SEZ structure, a change in local government finances is warranted. Regulatory changes enabling stronger local economic growth will see greater tax revenues flowing to central government. But, in the transition, local governments will incur costs.

In the absence of strengthened arrangements allowing local governments to share the benefits of economic growth, SEZ proposals may be too strongly focused on mitigating the regulatory costs that central government imposes on regional governments rather than on broader changes that could better enable growth.

Revenue-sharing arrangements could provide local councils with a share in any increase in tax revenues raised from their regions to central government (see 3.1.1). If local councils know that revenue-sharing arrangements are part of implemented SEZs, SEZ proposals will better target policy areas and enable growth.

While SEZs can enable policy experimentation, policy evaluation, and a welcome recognition of regional differences, they can also enable central government to engage in unwelcome winner-picking and *dirigiste* industrial policy. To ensure that SEZs in New Zealand facilitate the former rather than the latter, the policy changes enacted in any SEZ should be made available to any other local government wishing similar treatment. Distortionary concession zones would then become too expensive for central government, as central government would have to be willing to provide the same preferential treatment to any region

requesting it. And, every local council would assist in policy evaluation if they could do well by adopting policies proven to be effective.

As a simple guideline, cabinet should not approve an SEZ that it would not be willing, at least in principle, to extend to the entire country should the SEZ trial prove successful and should other councils wish to adopt those policies.

And, as an illustration of the potential for SEZs to enable reform, consider these examples of how a more localist approach to policy could work.

### 4.2 SEZs AND THE RMA

The RMA is a notoriously contentious piece of legislation. Efforts towards nationwide reform have failed, at least in part because different regions experience different problems with the RMA.

Where local councils' finances have been amended so that growth is again a virtue, a council designated as an SEZ would itself identify the set of specific RMA regulations they would like to see eased. Wellington City Council might want simplified consenting for port or airport improvements<sup>57</sup>; Buller might want sections 6 and 7 of the RMA to be given equal status; Auckland might want something else entirely. In all cases, the proposed changes should be those that emerge from the requests of the local council wishing for an SEZ rather than imposed from above. When the financial incentives are set appropriately, local bodies are the best placed to weigh trade-offs.

---

<sup>57</sup> Without removing the need for a rigorous cost-benefit assessment to accompany any such investment.

The New Zealand Initiative has extensively researched how RMA reform could markedly improve the country's increasingly unaffordable housing market as well as help revive rural communities through better economic incentives for local development.<sup>58</sup> Locally appropriate amendments could be trialled within SEZs.

In addition to the specific applications described in sections 4.4 and 4.5 below, councils might consider some of the following:

- Amend section 5 to make it clear that the RMA's purpose is to pursue sustainable management only to the degree that it raises the wellbeing of affected members of the community;
- Amend section 32 so the wellbeing (cost-benefit) test is consistent with Treasury's Cost Benefit Primer or its Regulatory Impact Statement guidelines. The Productivity Commission also recommended amending section 32 of the RMA to encourage robust regulatory analysis and development in planning;<sup>59</sup>
- Reverse section 85 (compensation) to reflect the compensation philosophy embodied in the *Public Works Act 1981* and the rescinded *Town and Country Planning Act 1977*;
- Re-establish the common law of standing: only residents of affected areas should have the standing to object to local activities.

---

<sup>58</sup> *Free to Build* (2013) and *Poverty of Wealth* (2014) illustrate that a 'fundamental re-think' of the RMA is needed to reduce the constraints on development, with the former report discussing effects on urban housing and the latter on regional resource extraction.

<sup>59</sup> Productivity Commission, *Using Land for Housing* [draft], op. cit., 11.

### 4.3 ENABLING GREATER MIGRATION TO THE REGIONS

In addition to the current points-based immigration targets, we recommend that regions be able to designate region-specific migration quota allocations.

In 1991, the *Immigration Amendment Act* replaced the occupational priority list with a points system. This enabled potential migrants to be awarded points based on educational qualifications, employability and age, among other things. Under this points system, applicants who achieve the minimum number of points are eligible for admission. Yearly admission targets were set and the total number of migrants coming into the country could be changed by adjusting the number of points needed or by tightening/easing English language requirements.

These regulations were reviewed again in October 1995 to attract migrants who would most benefit New Zealand. English language requirements were tightened and the previous points system was replaced with a 'pass mark' defined by a set quota or target.

Efforts to attract immigrants in areas of perceived skills shortage and as a response to growing public concern about levels of immigration from Asia led to yet more changes in the early 2000s. These included amending the standard of English required equal to that of students entering a New Zealand university. It also saw the replacement of the 'general skills category' by a 'skilled migrant category'. The changes established a process where applicants who qualified above a set level of points then entered a selection pool. From this, they could then be invited to apply for residence.

Immigration New Zealand targets 45,000 migrants per year. This applies for the whole country, with no predetermined quota for different regions. Auckland is the most attractive destination for incoming migrants due to the city's high employment opportunities, quality of infrastructure, and access to amenities relative



to other cities and regions. But those migration pressures in Auckland have, thanks to restrictive land-use policies, helped exacerbate housing shortages. New Zealand could accommodate greater numbers of migrants if more migrants willing to live outside Auckland could be allowed to move to the regions.

Immigration Minister Michael Woodhouse recently recommended awarding points towards an immigration application for those setting up or accepting jobs outside the Auckland region. Skilled migrants establishing or taking on jobs outside Auckland will receive 30 extra points towards their migration application; entrepreneurs basing themselves outside Auckland will receive 40 extra points.

This proposal can be taken further. Regions could be allowed to award additional immigration points to migrants wishing to live in their areas. While Immigration New Zealand will face implementation and enforcement issues in checking that migrants have followed through on their promise to live in any particular region, that is true under both Minister Woodhouse's recent policy and under our recommendation. Integrating new migrants into the community are predominantly felt locally; local government should share in decision-making.

Our recommendation goes beyond Minister Woodhouse's by allowing differences across regions outside Auckland. Regional councils could choose to provide extra points for specific regional skills shortages. When the Christchurch rebuild required more workers than the domestic market could readily supply, Immigration New Zealand accommodated the need with specialised Canterbury skills shortage lists. Auckland may also wish to accommodate greater numbers of construction workers as part of any large-scale expansion in housing supply; Hawke's Bay may wish to allow greater numbers of horticultural workers. While Auckland faces different issues than many of the regions, regions differ from each other as well. Simply awarding migrants points

for not being Auckland-based takes insufficient account of those regional differences. Regions can also differ in their capacity to help refugees. At time of writing, the national refugee quota stands at 750 per year, with a temporary increase to accommodate an additional 600 refugees from Syria. We propose that councils wishing to accommodate greater numbers of refugees and demonstrating a capability to assist in refugee settlement be allowed to take in greater numbers. The government limits the number of refugees accepted because of the costs involved in immigrant resettlement. Where local communities are willing to take on the costs of helping more refugees, central government should allow them to do so.

#### 4.4 FACILITATE SUSTAINABLE MINING ON THE WEST COAST

The West Coast is one of the most mineral resource rich regions in the country. There is significant scope to increase the contribution of this resource wealth, and to improve environmental outcomes at the same time, by prudently developing our mineral endowments.<sup>60</sup> However, New Zealand's consenting system, and the appeals process that ensures the rigour of decision-making, must be balanced if the country is to encourage mining as a source of economic development.

That a project like Bathurst Resources' escarpment mine in Buller District was allowed to be tied up in the courts for years is a poor outcome regardless of whom the decision favours in the end. This is particularly so when New Zealand is competing against other jurisdictions such as Australia for these investments, where the full consenting process takes only six months in some states.

---

<sup>60</sup> Jason Krupp, *From Red Tape to Green Gold* (Wellington: The New Zealand Initiative, 2015), 17.

Under the RMA, local government is the primary interface with the legislation. It determines which activities can take place in an area through planning, and sets specific conditions under which resource developments can occur through consenting. However, councils struggle to perform these functions efficiently. The Productivity Commission's recent survey of the sub-central governance tier found that councils are mired in the complexity of the 800-page RMA, a situation made worse by the lack of national direction from Wellington.<sup>61</sup>

The only practical means by which councils can meet their statutory obligations is to hire specialists, such as planners, ecologists and lawyers. However, these skills are scarce, and councils – particularly smaller ones – struggle to attract and retain specialists. Indeed, the Productivity Commission survey showed that the total costs of planning and consenting are a major challenge for most local bodies, with 80% of councils saying their inability to recoup regulatory expenses through fees was a hindrance to some degree.

But this does not capture the full quantum of costs faced by councils from the consenting and planning process. Appeals to the Environment Court and higher courts can substantially blow out consenting costs for councils as they are forced to defend their planning and consent decisions.

This can place a significant drain on council balance sheets, and take years to fully resolve. Although the regions stand to gain from mining development in the form of jobs and increased economic activity in the long term, this alone does not act as a significant incentive because of the protracted period between when consenting costs are realised and when they are indirectly recouped in the form of rates revenue. Additionally, all the direct financial benefits from mining development flow to central government in the form of royalty payments and salary and profit taxes.

Outside the West Coast and Taranaki, where mineral resources have made a long-term contribution to the local economy, this creates a bias against mining development. Though this bias is never explicitly expressed, it can be observed in the level of community consultation allowed on a technical consent application. This anti-development bias goes some way to explain why a country with such vast mineral endowments as New Zealand is so underdeveloped compared to similar jurisdictions like Australia and Norway.

The West Coast provides an ideal location for testing amendments to the RMA in favour of more sustainable resource exploration. This is not only due to the high mineral endowments in the region, but also because it is a region that is genuinely trying to foster greater resource exploration. Alleviating policy pressures to promote greater development in the West Coast may not only enable higher economic performance but also demonstrate to other regions the potential benefits of more sustainable mining.

Specific recommendations for amending the RMA in the West Coast include:

- Change section 5 to make it clear that the RMA's purpose is to pursue sustainable resource management only to the degree that it raises the wellbeing of affected members of the community;<sup>62</sup>

---

<sup>61</sup> Productivity Commission, *Towards Better Local Regulation: Data Compendium* (Wellington: Productivity Commission, December 2012).

---

<sup>62</sup> Jason Krupp, *Poverty of Wealth: Why Minerals Need to be Part of the Rural Economy*, op. cit., 25.



- Change section 32 so that the wellbeing (cost-benefit) test is consistent with Treasury’s Cost Benefit Primer or its Regulatory Impact Statement guidelines;<sup>63</sup>
- Re-establish the common law of standing to exclude objection from parties with no connection to affected areas;<sup>64</sup>
- Shift from a hazards-based framework to a risk-based framework that considers both the likelihood of a harm occurring and its likely magnitude, following the example set in Australia.<sup>65</sup>

## 4.5 ENCOURAGING HOUSING DEVELOPMENT IN AUCKLAND

New Zealand’s housing market needs urgent reform. Land values across many of New Zealand’s major cities have increased phenomenally over the last decade, and the housing market is only moderately responsive to changes in prices.<sup>66</sup> For too long, the rate of building has fallen below what is needed to keep up with household formation and demographics, particularly in Auckland. It is difficult, costly and time consuming to build a new house or dwelling.

Regulation plays a significant role in the final price of a house, determining the amount of land supply available to be developed through rural-urban boundaries, what can and cannot be built on a particular property, and the means by which the cost of council-provided infrastructure will be recouped. The economic and societal harms resulting from an inefficient housing market that fails to provide adequate housing should be considered sufficient reason to justify making the

necessary regulatory changes to boost housing construction.<sup>67</sup> Restrictive land-use regulations disproportionately impact the less well-off, impede the ability of people to seek better employment opportunities in cities, and hurt productivity. Inelastic housing supply also facilitates large swings in property values that can threaten macroeconomic stability.<sup>68</sup> Problematic instances of land banking because of ever-increasing land prices only exacerbate the issue, but are a symptom rather than a cause of land supply constraints.<sup>69</sup>

Supply of housing is also constrained by local government’s ability to provide complementary infrastructure. Because of the high quantity of capital needed to fund any new development, local councils tightly control the supply of infrastructure as a way of managing their costs and risks. The corollary is the supply of land for housing is further constrained.<sup>70</sup>

The Productivity Commission report *Using Land for Housing* is the latest in a long line of reports that identify the RMA as a significant hindrance to improving New Zealand’s housing market. It recommends the government introduce amendments to the RMA clarifying the role and importance of housing and urban environments.<sup>71</sup> It also points out the short shrift given to urban environments by the RMA. The legislation “authorises, limits or prohibits the use of land, so as to promote ‘sustainable management’.”<sup>72</sup> It fails to acknowledge the importance of feasible urban development and design and infrastructure affordability that hamper growth in urban areas.<sup>73</sup>

---

63 Ibid.

64 Ibid.

65 Jason Krupp, *From Red Tape to Green Gold*, op. cit., 13.

66 Productivity Commission, *Using Land for Housing* [draft], op. cit., 38.

---

67 Ibid., 56–61.

68 Ibid., 61.

69 Ibid., 12, 93.

70 Ibid.

71 Ibid., 128.

72 Ibid., 4.

73 Ibid., 128–129.

## POTENTIAL POLICY OPTIONS INCLUDE:

- **Community Development Districts**<sup>74</sup> To counteract the high costs charged by monopoly suppliers for infrastructure within new development areas, a new kind of infrastructure funding option must be established. Loosely based on Municipal Utility Districts (MUDs) in Texas, Community Development Districts (CDDs) could be created in New Zealand as bodies that can issue bonds to privately raise debt finance to build new infrastructure (fresh and waste water, electricity connections, street lighting, and roads and footpaths). CDD bonds are repaid over the life of the houses in the development by residents. Alternatively, councils can establish special ratings areas in order to, over time, recoup the cost of infrastructure. One advantage of MUDs and CDDs over special ratings areas is that they allow greater competition in infrastructure provision.
- **Housing Incentives.** Until IRD is able to calculate the total amount of tax remitted from each district council and provide councils with a share of increases, councils could receive a Housing Encouragement Grant for every new dwelling built in their area, provided the house meets minimum delivery deadlines from application to completion. This policy could encourage councils to reduce the time it takes to consent a house and reduce bureaucratic delays due to the time restrictions placed on the grants.

Grants would be benchmarked on the GST generated by the dwelling's construction and sale in a straightforward calculation involving no new compliance costs to infrastructure or service providers. These grants would also foster

a pro-development attitude within councils, and provide them financing to cover the ancillary costs of new development – including compensating those adversely affected.

- **Taxing currently unrateable land.** The ratings exemption on land owned by the Crown should be revisited. Both Crown and councils own substantial tracts of land, some of which is currently not put to high-value use. As part of the package allowing councils to tax currently unrateable land, councils could be required to remit rates to the Crown on council-owned land. Councils able to tax Crown-owned land could help encourage careful thinking about the Crown's use of land in urban areas. And taxes simultaneously remitted to central government on council-owned land would discourage wasteful land uses like surface parking lots in high-value areas.<sup>75</sup>
- **Automatically approve inwards foreign direct investment in any Greenfield site for building residential housing units.** OIA approval is currently necessary for foreign purchases of larger blocks of land. While the legislation is intended to regulate foreign ownership of agricultural land, it also blocks foreign capital from investing in new housing developments. The Productivity Commission states no good reason exists for screening foreign direct investment when land is being sought for purchase with the express purpose of being redeveloped into housing and resold in a reasonable time period. As such, "the Treasury should investigate the possibility of providing an exemption from the foreign investment screening regime for developers purchasing land, providing the land is developed into housing and resold within an acceptable timeframe".<sup>76</sup>

---

<sup>74</sup> For more information, see Michael Bassett, Luke Malpass and Jason Krupp, *Free to Build: Restoring New Zealand's Housing Affordability*, op. cit.

---

<sup>75</sup> See Kent Lundberg, "The high cost of low rise," *Transport blog* (27 May 2015).

<sup>76</sup> Productivity Commission, *Using Land for Housing* [draft], op. cit., 274.

- **Introduce congestion charging.** This has been suggested in our past reports<sup>77</sup> and in the Productivity Commission’s latest work on land supply for housing.<sup>78</sup> Introducing congestion charges in Auckland City would create more capital for transport infrastructure provision, but, more importantly, would help to ensure the best use of built infrastructure.
- **Re-establish the common law of standing.** A resident in Remuera should not have equal standing to a resident in Waitakere in opposing zoning changes in West Auckland.
- **Improve water infrastructure.** The Productivity Commission’s recommendations for improving Watercare’s infrastructure charges<sup>79</sup> could be required as part of an SEZ.
- **Reduce building costs.** Worksafe rules requiring scaffolding at relatively low heights increases the cost of both new building and home renovation, with relatively small effect on injuries.<sup>80</sup> Auckland could trial an alternative system more closely tracking builders’ safety performance under ACC and charging fair risk-based premiums.

Joint and several liability rules in case of building flaws can leave a council as last defendant standing who is capable of making payment in case of building failures: building companies may have disappeared by the time a failure becomes evident, leaving council to cover the liability. The Law Commission’s report leaned against replacing joint and several liability with a proportionate liability rule, noting that only councils have been placed

in a last-man-standing situation.<sup>81</sup> A hybrid system setting proportionate liability between council on one side, and all others on the other side, could maintain joint and several liability among defendants other than council and make councils less risk averse in building consenting. But, joint and several liability among builders can risk discouraging establishing long-lived firms with strong reputations.

Certification of building materials for use in New Zealand and council willingness to consent buildings that use unfamiliar materials may contribute in part to higher building costs. Within an Auckland SEZ, builders could be allowed to use any building materials certified for use in similar climates, like Vancouver, Seattle, or Tokyo. Parallel importation of building materials could strengthen competition in small markets.

---

77 Jason Krupp and Khyaati Acharya, *Up or Out? Examining the Trade Offs of Urban Form*, op. cit.

78 Productivity Commission. *Using Land for Housing* [draft] (Wellington: Productivity Commission, 2015).

79 Productivity Commission, *Using Land for Housing* [draft], op. cit.

80 Bryce Wilkinson, *A Matter of Balance: Regulating Safety*. The New Zealand Initiative, 2015.

---

81 The New Zealand Law Commission. *Liability of Multiple Defendants*. (Wellington: Law Commission, 2014), See discussion in Section 7.

- **Apply automatic regulatory levers:** If housing remains severely unaffordable after Auckland Council has enjoyed the proposed revenue-sharing arrangements for a sufficient period, automatic regulatory levers could apply to reduce restrictions on new development:

Remove minimum parking requirements. Minimum parking requirements are a binding constraint on development with questionable merits due to substantial unintended negative consequences for both land use and transport infrastructure. Auckland should consider this regardless, but is not constrained against doing so by central government.

Remove strict building height limits as well as balcony/private open space requirements, unless a robust cost-benefit analysis suggests otherwise. As the Productivity Commission recommends, minimum parking requirements lead to inefficient land use and increased construction costs, as well as representing an effective subsidy to car users, thereby encouraging excessive car use. Likewise, building height limits and explicit balcony and private open space requirements for apartments also contribute to housing shortages and higher house prices. These restrictions force cities to move outwards, further increasing transport costs and making it difficult to deliver transport infrastructure.<sup>82</sup> Continued housing unaffordability could trigger automatic increases in maximum height limits or automatic up-zoning until affordability is restored.

## 4.6 PROMOTING FOREIGN INVESTMENT IN WELLINGTON

The greater Wellington region could prove an excellent test-bed for changes to the *Overseas Investment Act*. Much of the opposition to foreign investment centres on hostility to foreign ownership of iconic pastoral landscapes; the greater Wellington area's urbanisation makes it less likely to draw that kind of opposition. Amending the existing regulatory barriers to foreign direct investment would not only increase investments made there, but would also promote greater competition across city councils across the country for attracting higher levels of investment.

The OIA is not fit for purpose.<sup>83</sup> The C.D. Howe Institute cites OECD findings identifying New Zealand as having the worst regulatory barriers to inbound foreign direct investment among 43 OECD countries.<sup>84</sup> The New Zealand Initiative's research into New Zealand's foreign direct investment regime found no gaps in other laws and regulations relating to immigration, national security, land use, takeovers, mergers and acquisitions, or competition so serious as to justify the Act's most costly and intrusive provisions.<sup>85</sup> The Productivity Commission too argues that New Zealand's overseas investment framework causes unnecessary costs and delays in acquiring land for development.<sup>86</sup> The regulatory restrictions impose substantial costs and delays upon potential investors, putting them at a competitive disadvantage when attempting to purchase land for development. Further, the definition of

---

83 Bryce Wilkinson and Khyaati Acharya, *Open for Business: Removing the Barriers to Foreign Investment* (Wellington: The New Zealand Initiative, 2014).

84 A. Edward Safarian, *Simplifying the Rule Book: A Proposal to Reform and Clarify Canada's Policy on Inward Foreign Direct Investment*, Commentary No. 425 (Toronto: C.D. Howe Institute, May 2015), 4.

85 Bryce Wilkinson and Khyaati Acharya, *Open for Business*, op. cit.

86 Productivity Commission, *Using Land for Housing* [draft], op. cit., 274.

---

82 Ibid., 124.

‘sensitive land’ is complex and, more often than not, requires professional assistance is needed to determine whether a prospective purchase meets the definition.<sup>87</sup> *Open for Business* (2014) determined that the OIA is not fit for purpose as it stands, and while liberalisation of the Act will not automatically transform the degree of global-connectedness, it could make the New Zealand economy substantially more attractive for overseas investors and improve our economic status.<sup>88</sup>

New Zealand must work harder to provide an attractive investment climate. Adopting a general policy of non-discrimination towards overseas investors, as is the case in Canada and the United Kingdom, could be a useful starting point. The Act should also be reformed to create a presumption in favour of the proposed transaction, with the onus on the central government to prove otherwise. To potential concerns surrounding these proposed amendments, the Act should consider the gain to the New Zealand vendor of an impending investment as a national benefit.<sup>89</sup>

Changes to the overseas investment regime could be trialled in Wellington, where all applications could automatically be approved as part of an SEZ. The current regulatory regime may approve a substantial portion of applications, but applications deterred by onerous paperwork requirements are not counted in those tallies.

The greater Wellington area, as an SEZ, could be exempted entirely from the provisions of the OIA.

Alternatively, a greater Wellington SEZ could:

- Adopt a general policy of non-discrimination towards overseas investors. Eliminate hurdles such as testing business acumen, financial commitments, net benefits to the country, and provision of walkways – these regulations are overly onerous and discriminate against overseas investors;
- Create a presumption in favour of proposed transactions within the SEZ. Count gains to New Zealand based vendors as part of the benefit of a transaction to the entire country;
- If any sensitive land exists in the greater Wellington area, narrow the definition of ‘sensitive land’ to restrict it to the most sensitive areas where real public interest concerns apply. Unless the central government can specify what a foreign owner can do to the land with impunity that a New Zealand owner cannot do with impunity, the land should not be restricted against foreign ownership;
- Eliminate the general screening requirement in favour of a notification requirement, as is the case in the United States;
- Abolish the requirement to demonstrate business acumen of financial commitment. Surely investors are demonstrating adequate business acumen through their application to invest. No rational person would choose to take on such a capital-intensive investment risk without sufficient business competency.

THE  
NEW ZEALAND  
INITIATIVE

---

87 Ibid.

88 Bryce Wilkinson and Khyaati Acharya, *Open for Business*, op. cit.

89 Ibid.





# CHAPTER FIVE

## CONCLUSION

---

SEZs provide a mechanism for a small unitary state to achieve some of the benefits of a more federalist structure without the associated administrative costs. America's states have proven to be hotbeds for policy experimentation, with each state learning from its neighbours' experiences.

In New Zealand, SEZs could achieve many objectives. They allow the government to recognise regional diversity and make regulatory changes reflecting different regional circumstances. At the same time, they allow for the evaluation of those changes. If the West Coast Regional Council implemented an SEZ focused on mining, we could then compare outcomes on the west coast before and after the change with outcomes elsewhere to see whether the regulatory intervention was effective. Other regions could look at the results achieved by any SEZ and request similar treatment if they judged the intervention to be worthwhile. And if any change proved, in hindsight, to have been a mistake, it is easier to reverse changes made in one place than those made across the whole country. This allows for a less risk-averse approach to regulatory changes.

We believe successful SEZs will incorporate changes that are supported at the local level. These changes will be accompanied by fiscal reform allowing regions a greater share in the benefits of growth enabled through SEZs and allowing them to mitigate transitional costs.

And they will, in principle, be general: changes implemented in one SEZ should be available to any other territorial authority requesting them. This general principle ensures that SEZs do not become distortionary concession zones and helps strengthen post-SEZ project assessment. Every council will want to know whether changes implemented elsewhere have proven effective and worthwhile so they might request similar SEZs.

While the fiscal reforms suggested are not without cost to central government, the costs of continued inertia are considerable. Providing councils with a share in the growth they achieve sharpens incentives and better aligns council interests with those of central government. The change would improve the sometimes fraught relations between central and local government. Councils enabled to point out the regulatory changes that would allow them to plan for and attain growth, under fiscal arrangements allowing them to share in the rewards, would give each region the ability to work out what best suits its needs and build its community – in its own way.

**THE  
NEW ZEALAND  
INITIATIVE**





# BIBLIOGRAPHY

---

Aggarwal, Aradhna, Mombert Hoppe and Peter Walkenhorst. "Special Economic Zones and Economic Diversification: Some Evidence from South Asia." Chapter 13 in Richard Newfarmer, William Shaw and Peter Walkenhorst. *Breaking Into New Markets: Emerging Lessons for Export Diversification*. World Bank (2008).

Auckland Council. "A look at Auckland Council's Current Finances – August 2014." Web <http://www.aucklandcouncil.govt.nz/EN/planspoliciesprojects/plansstrategies/longtermplan2015/Documents/aucklandcouncilfinancesfactsheet.pdf>.

Auckland Council. "Special Housing Areas." Web <http://www.aucklandcouncil.govt.nz/EN/ratesbuildingproperty/housingsupply/Pages/specialhousingareas.aspx>.

Bassett, Michael, Luke Malpass and Jason Krupp. *Free to Build: Restoring New Zealand's Housing Affordability* (Wellington: The New Zealand Initiative, 2013).

Caceres, Zachary. "Startup cities." Web (Guatemala City: Startup Cities Institute), <http://www.startupcities.org/>.

Collins, Simon. "Tamaki Redevelopment: New housing plan for East Auckland." *The New Zealand Herald* (1 May 2015) [http://www.nzherald.co.nz/nz/news/article.cfm?c\\_id=1&objectid=11441368](http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=11441368).

Cowen, Tyler. "Does New Zealand have the best-designed system of government in the world?" *Marginal Revolution* (25 September 2014), <http://marginalrevolution.com/marginalrevolution/2014/09/does-new-zealand-have-the-best-designed-government-in-the-world.html>.

Cowen, Tyler, Penelope Brook-Cowen and Alexander Tabarrok. *An Analysis of Proposals for Constitutional Change in New Zealand* (Wellington: New Zealand Business Roundtable, 1992).

Davison, Isaac. "Special Housing Area developers warned to start building." *The New Zealand Herald* (20 April 2015) [http://www.nzherald.co.nz/business/news/article.cfm?c\\_id=3&objectid=11435626](http://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=11435626).

Eaqub, Shamubeel. *Growing Apart: Regional Prosperity in New Zealand* (Wellington: BWB Texts, 2014).

The Economist. "Political Priority, Economic Gamble." (4 April 2015).

Explain XKCD. "149: Sandwich." blog, [http://www.explainxkcd.com/wiki/index.php/149:\\_Sandwich](http://www.explainxkcd.com/wiki/index.php/149:_Sandwich).

Farole, Thomas. "Special Economic Zones in Africa: Comparing Performance and Learning from Global Experience." World Bank (2011).

FIAS, "Special Economic Zones: Performance, Lessons Learned, and Implications for Zone Development." World Bank Group (2008). See Box 1, p. 3.

Grieverson, Lynn. "Frustration growing over slow house-building progress at flagship Tamaki Redevelopment project with Council and Housing NZ at Glen Innes." *Interest.co.nz*. <http://www.interest.co.nz/property/74617/frustration-growing-over-slow-house-building-progress-flagship-tamaki-redevelopment>.

Gwartney, James, Robert Lawson and Joshua Hall. "Economic Freedom of the World 2014 Annual Report." Fraser Institute (2014).

Haskings, Ron. *Work over Welfare: The Inside Story of the 1996 Welfare Reform Law*. (Washington: Brookings, 2006).

Hao, Li. "Development of the Shenzhen Special Economic Zone." Paper presented at the 6th Northeast Asia Economic Forum. (19 January 1996) [http://www.neaef.org/public/neaef/files/documents/publications\\_pdf/annual\\_meeting/6th-1996/6.1.Li\\_6an\\_1996.pdf](http://www.neaef.org/public/neaef/files/documents/publications_pdf/annual_meeting/6th-1996/6.1.Li_6an_1996.pdf).

- Hartwich, Oliver. *A Global Perspective on Localism*. (Wellington: The New Zealand Initiative & Local Government New Zealand, 2014).
- Hickey, Bernard. "RMA reforms to focus on housing affordability." *Hive News*. (16 October 2014), <http://www.hivenews.co.nz/articles/716-rma-reforms-to-focus-on-housing-affordability>.
- Hopkins, John. "CERA bill threatens democracy," *The Press*. (14 April 2011) <http://www.stuff.co.nz/the-press/opinion/4885510/Cera-bill-threatens-democracy>.
- Ireland, James and Simon Smith. "SHA housing in limbo?" *Manukau Courier* (12 August 2014) <http://www.stuff.co.nz/auckland/local-news/manukau-courier/10373855/SHA-housing-in-limbo>.
- Jeram, Jenesa. *Empty Nests, Crowded Houses*. (Wellington: The New Zealand Initiative, 2014).
- Klugmann, Mark. "How to grow a city in Honduras, Part I: Governance as technology." Reason TV (on YouTube) <https://www.youtube.com/watch?v=xo7jtjgV7Fo>.
- Klugmann, Mark. "LEAP Zones: Faster Growth with Less Conflict." *Cayman Financial Review*. (12 July 2013).
- Krupp, Jason. *From Red Tape to Green Gold*. (Wellington: The New Zealand Initiative, 2015).
- Krupp, Jason. *Poverty of Wealth: Why Minerals Need to be Part of the Rural Economy*. (Wellington: The New Zealand Initiative, 2014).
- Krupp, Jason and Khyaati Acharya. *Up or Out: Examining the Trade-Offs of Urban Form*. (Wellington: The New Zealand Initiative, 2014).
- Liu, Xiaozhi, Gerhard K. Heilig, Junmiao Chen and Mikko Heino. "Interactions Between Economic Growth and Environmental Quality in Shenzhen, China's First Special Economic Zone." *Ecological Economics* 62:3-4 (2007): 559-570.
- Local Government New Zealand. "Building a stronger local government for New Zealand: A survey of New Zealanders' perceptions of local government." (2015) <http://www.lgnz.co.nz/assets/In-background/LGNZ-2015-Survey-Report-FINAL2.pdf>.
- Lundberg, Kent. "The high cost of low rise." *Transport blog*. (27 May 2015) <http://transportblog.co.nz/2015/05/27/the-high-cost-of-low-rise/>.
- Maori Television News Team. "No decisions yet on foreign investment in Tamaki Regeneration Project." *Maori Television*. (5 May 2015) <http://www.maoritelevision.com/news/latest-news/no-decisions-yet-foreign-investment-tamaki-regeneration-project>.
- Ministry of Business, Innovation and Employment. "2015 International Year of Evaluation." Web (Wellington: Ministry of Business, Innovation and Employment, 2015) <http://www.mbie.govt.nz/about/whats-happening/2015-international-year-of-evaluation>.
- Moberg, Lotta. "The Political Economy of Special Economic Zones." *Journal of Institutional Economics*. (forthcoming) [http://www.lottamoberg.com/uploads/2/9/2/5/29253679/lotta\\_moberg\\_the\\_political\\_economy\\_of\\_special\\_economic\\_zones.pdf](http://www.lottamoberg.com/uploads/2/9/2/5/29253679/lotta_moberg_the_political_economy_of_special_economic_zones.pdf).
- National Party. "More Special Housing Areas Brings total to 100." *National Party Media Release*. (5 February 2015) <https://www.national.org.nz/news/news/media-releases/detail/2015/02/04/more-special-housing-areas-brings-total-to-100>.
- National Party. "Tamaki's bright future starts now." *National Party Media Release*. (5 May 2009) <https://www.national.org.nz/news/news/media-releases/detail/2009/05/05/tamaki-s-bright-future-starts-now>.
- Naughton, Barry. *The Chinese Economy: Transitions and Growth*. (Massachusetts: The MIT Press, 2006).

- The New Zealand Law Commission. *Liability of Multiple Defendants*. (Wellington: Law Commission, 2014). <http://www.lawcom.govt.nz/sites/default/files/projectAvailableFormats/NZLC%20R132.pdf>.
- New Zealand Legislation. "Housing Accords and Special Housing Areas Bill." 16 September 2013. Government Bill. <https://www.nzia.co.nz/media/5859207/housing%20accords%20and%20special%20housing%20areas%20bill.pdf>.
- New Zealand Legislation. Canterbury Earthquake Recovery Act 2011. <http://www.legislation.govt.nz/act/public/2011/0012/latest/whole.html#DLM3653673>.
- New Zealand Treasury. *Briefing to the incoming Minister of Housing: Monitoring Housing New Zealand Corporation and Tamaki Redevelopment Company*. (20 March 2013). As cited in Production Commission, Using Land for Housing [draft] <http://www.treasury.govt.nz/publications/briefings/2013-housing>.
- Nunns, Peter. "Do it right the first time," Transport blog (24 July 2015), <http://transportblog.co.nz/tag/special-housing-areas/>.
- Olsen, Mancur. *The Logic of Collective Action: Public Goods and the Theory of Groups*. (Cambridge MA: Harvard University Press, 1965).
- Prasad, Elizabeth. *Compensation for Live Donors*. (Wellington: The New Zealand Initiative, 2015).
- Productivity Commission. *Towards Better Local Regulation: Data Compendium* (Wellington: Productivity Commission, December 2012), [http://productivity.govt.nz/sites/default/files/towards-better-local-regulation-data-compendium\\_1.pdf](http://productivity.govt.nz/sites/default/files/towards-better-local-regulation-data-compendium_1.pdf).
- Productivity Commission. *Using Land for Housing [draft]* (Wellington: Productivity Commission, 2015).
- Romer, Paul. "Charter cities and economic zones," *Urbanomics* blog (1 May 2015), <http://gulzar05.blogspot.co.nz/2015/05/charter-cities-and-economic-zones.html>.
- Romer, Paul. "Charter Cities and Reform Zones." Presentation to ENADE 2014. San Salvador.
- Romer, Paul. "Experience: Faculty & Research." Web (New York: NYU Stern University). <http://www.stern.nyu.edu/faculty/bio/paul-romer>.
- Romer, Paul. "Interview with Prof. Romer on Hong Kong, charter cities and growth theory." *EconReporter* (originally from iMoney) (27 April 2015) <http://paulromer.net/interview-on-urbanization-charter-cities-and-growth-theory/>.
- Romer, Paul. "Reform zones vs concession zones." *Urbanization Project*. (New York: NYU Stern University, 17 July 2014) <http://urbanizationproject.org/blog/reform-zones-vs-concession-zones#.VUby4yGqqko>.
- Romer, Paul. "Technologies, Rules, and Progress: The Case for Charter Cities." *Center for Global Development*. (2010).
- Safarian, Edward. *Simplifying the Rule Book: A Proposal to Reform and Clarify Canada's Policy on Inward Foreign Direct Investment*. Commentary No. 425 (Toronto: C.D. Howe Institute, May 2015).
- Soriano, Domingo. "Will Honduras Become the Dubai of Central America?" *The Canal* blog. (22 April 2014) <http://blog.panampost.com/editor/2014/04/22/will-honduras-become-the-dubai-of-central-america/>.
- Statistics New Zealand. "Regional Gross Domestic Product: Year ended March 2015." (11 March 2015). [http://www.stats.govt.nz/browse\\_for\\_stats/economic\\_indicators/NationalAccounts/RegionalGDP\\_HOTPYeMar14.aspx](http://www.stats.govt.nz/browse_for_stats/economic_indicators/NationalAccounts/RegionalGDP_HOTPYeMar14.aspx).
- Stewart, Phil. "Legislation to Facilitate Recovery." Build 126. (October/November 2011) <http://www.buildmagazine.org.nz/assets/PDF/Build126-46-Legislation-To-Facilitate-Recovery.pdf>.
- Wang, Jin. "The Economic Impact of Special Economic Zones: Evidence from Chinese Municipalities." *Journal of Development Economics* 101 (2013): 133–147.

Weissmueller, Zach. “What if Governments Were More Like Tech Startups? How to Grow a City in Honduras.” *The Huffington Post*. (22 August 2014) [http://www.huffingtonpost.com/zach-weissmueller/what-if-governments-were-\\_b\\_5698135.html](http://www.huffingtonpost.com/zach-weissmueller/what-if-governments-were-_b_5698135.html).

Wellington City Council. “Wellington Housing Accord.” Web <http://wellington.govt.nz/services/environment-and-waste/urban-development/housing-accord>.

Westbury, Marcus. “Cities as software.” *Marcus Westbury* blog. (23 May 2011), <http://www.marcuswestbury.net/2011/05/23/cities-as-software/>.

Wilkinson, Bryce and Khyaati Acharya. *Open for Business: Removing the Barriers to Foreign Investment* (Wellington: The New Zealand Initiative, 2014).

Wilkinson, Bryce. *A Matter of Balance: Regulating Safety*. (Wellington: The New Zealand Initiative, 2015).

**THE  
NEW ZEALAND  
INITIATIVE**

# APPENDIX

## CURRENT QUASI-SEZs IN NEW ZEALAND

---

### A.1 CANTERBURY EARTHQUAKE RECOVERY AUTHORITY

The *Canterbury Earthquake Recovery Act 2011* was the New Zealand Government's legislative response to the earthquakes of September 2010 and February 2011. Greater Christchurch is the most significant area of economic activity in South Island. The earthquakes that occurred in 2010 and 2011 caused substantial damage to the city's infrastructure, services and community.

The purposes of the Act included "providing appropriate measures to ensure that greater Christchurch and the councils and their communities respond to, and recover from, the impacts of the Canterbury earthquakes".<sup>90</sup> The Act was intended as the Government's overarching document to enable changes to existing legislation and Acts.<sup>91</sup> The Act, through more than 20 different parliamentary orders, allowed for temporary changes in key pieces of national legislation – the RMA, *Energy Companies Act*, and the *Local Government Act*, among others – to facilitate the speedy and robust recovery of the Canterbury region.<sup>92</sup> Most of the orders were set up to expire in 2012, and application was strictly limited to the local authority districts of the Christchurch City Council, Selwyn District Council, and Waimakariri District Council, with the intention of cutting through bureaucratic red tape and "enabling urgent works to be performed faster and streamlining the planning and implementation of the very large volume of longer-term work".<sup>93</sup>

The Act also led to the establishment of the Canterbury Earthquake Recovery Authority (CERA), the principal agency coordinating the earthquake recovery efforts. CERA was to lead the region's recovery in coordination with local authorities, central government, business groups, and the community. Gerry Brownlee was appointed Minister for Canterbury Earthquake Recovery. The Act stipulated CERA would assume responsibility in the region when the role of the Ministry of Civil Defence and Emergency Management had ended. One of the Act's primary roles was also to share the immense quantity of building and infrastructure management tasks that would ordinarily sit entirely with Christchurch City Council.

Unfortunately, CERA has been plagued by a number of problems since its inception, arguably hindering Christchurch's recovery efforts. These problems include the lack of clarity concerning accountability; organisational weaknesses; and conflict between the CEO of CERA, Christchurch City Council, and the Minister for Earthquake Recovery. Even during the early stages, sitting before a parliamentary select committee, the CERA Bill was criticised for relinquishing democratic decision-making to Wellington, with many locals sceptical of the effectiveness of CERA with a single minister in charge of key decisions.<sup>94</sup>

In short, CERA was initially established to leapfrog a dysfunctional local council and allow exemptions from national-level regulation that would have hindered the recovery and rebuild efforts. But CERA failed to live up to its expectations.

---

<sup>90</sup> New Zealand Legislation, *Canterbury Earthquake Recovery Act 2011*, Part 1, section 3(a).

<sup>91</sup> Phil Stewart, "Legislation to Facilitate Recovery," *Build* 126 (October/November 2011).

<sup>92</sup> *Ibid.*

<sup>93</sup> *Ibid.*

---

<sup>94</sup> John Hopkins, "CERA bill threatens democracy," *The Press* (14 April 2011).



Success of any special zone fundamentally depends on its being owned by the local community. One lesson of the Canterbury recovery is that overlaying new regulatory authorities on top of existing councils is perilous: it can easily generate conflicts between the new authority and councils, and unclear lines of accountability can worsen policymaking and implementation. The New Zealand Initiative recommends that SEZs be contiguous with existing council areas and be vested in the relevant district or regional councils.

## A.2 SPECIAL HOUSING AREAS – TOO EARLY TO TELL?

New Zealand faces a number of housing challenges. A marked under-supply of housing; a lack of housing choice; poor quality, unhealthy and overcrowded housing; as well as declining affordability and home ownership plague a number of major cities across New Zealand, but particularly Auckland.<sup>95</sup>

The New Zealand Government has in recent years come to the view that tackling housing supply is a fundamental part of rectifying these housing woes. More houses need to be built, and they need to be built now.<sup>96</sup> In October 2013, Government passed the Housing Accords and Special Housing Areas Act (HASHAA). The Act aims to enhance housing affordability by “facilitating an increase in land and housing supply in regions or districts with significant housing supply or affordability issues”.<sup>97</sup> As the Productivity Commission emphasises, regional Special Housing Areas (SHAs) and Housing Accords were introduced as a means to address slow and overly restrictive planning processes by shortcutting the long-drawn

consenting process.<sup>98</sup> The policy initiative also highlights the importance of adequate housing provision in building stable communities and the idea that urban design can help ameliorate social problems.<sup>99</sup> Unlike the RMA, HASHAA views housing as essential infrastructure, “elevating housing delivery”.<sup>100</sup>

The following are the six main concepts in the Act through which Government hopes to address New Zealand’s housing issues:<sup>101</sup>

- 1. Scheduled regions and districts.** Allow for government to identify regions or districts suffering marked housing affordability and supply issues. The Greater Auckland region has been specifically identified in the Act.
- 2. Housing accords.** Represent an agreement between the local authority and Wellington to work together to address housing issues, and allow for territorial authorities to operate under the new regulatory powers provided in the Act.
- 3. Special housing areas.** Refer to specified geographical areas within regions or districts with the potential to deliver increased land and housing supply. Within SHAs, resource consent and plan change powers have been made more permissive to provide for increased housing supply.
- 4. Qualifying developments.** Concern the criteria for qualifying developments, including establishing the different types of developments to which the more permissive resource consent and planning powers may apply.

---

95 Auckland Council, “Special Housing Areas,” Web.

96 Jenesa Jeram, *Empty Nests, Crowded Houses* (Wellington: The New Zealand Initiative, 2014).

97 New Zealand Legislation, “Housing Accords and Special Housing Areas Bill,” 2013, Government Bill.

---

98 Productivity Commission, *Using Land for Housing* [draft], op. cit., 13.

99 Ibid.

100 Ibid., 129.

101 New Zealand Legislation, “Housing Accords and Special Housing Areas Bill,” op. cit.

## 5. More permissive resource consent powers.

The Act provides for resource consent applications for qualifying developments to be considered according to more permissive resource consent powers. In general, resource consents considered under this Act must be processed within 60 working days and will not be notified. Where a plan change is being sought alongside a resource consent, the 60-working-day timeframe may be extended to 130 working days.

## 6. Use of proposed plans, plan changes, and plan variations.

The Act provides for a number of situations, particularly a faster-than-usual process, where an SHA applicant requests a plan change or variation. Requests will go through a limited notification process and will be completed within 130 working days.

The *Housing Accords and Special Housing Areas Act 2013* enables districts across the country to self-identify areas experiencing significant housing affordability or supply issues and enter into housing accords, which then facilitate the creation of regional SHAs to alleviate some of these housing pressures.

In brief, the legislation earmarks geographic areas within urban boundaries for fast-tracked development. Once a regional council has recommended a suitable area as an SHA for fast-tracked housing development, the central government will formally establish it as so. These areas are also subject to a ‘sunset clause’, in that once an area is identified for development, it has a set number of years within which to complete the targeted consent process before it reverts being subject to original resource application legislation. SHAs are designed to enable housing development of a type and price point that matches demand for that area.

HASHAA in combination with regional Housing Accords could provide a short-term fix to housing supply issues until substantial reform of the more pressing concerns within the RMA are addressed.<sup>102</sup>

---

102 Bernard Hickey, “RMA reforms to focus on housing affordability,” *Hive News* (16 October 2014).

The Government has to date entered into Housing Accords with local councils in Auckland, Christchurch, Wellington, Tauranga, the Western Bay of Plenty, and Queenstown Lakes. Of these six Housing Accords, the Christchurch Accord has demonstrated the strongest commitment to affordability issues.<sup>103</sup> However, the approach remains fundamentally *dirigiste*: rather than increasing the supply of housing sufficiently to bring down housing costs, the accords require that housing meets affordability targets.

SHAs aim to reduce the consent process from an average of three to four years to just six months and circumvent the longer term plans of a region. However, an approved SHA does not automatically mean any development is approved; rather, it incentivises potential developers to build housing.<sup>104</sup>

In Auckland, approved SHAs are areas where the proposed Auckland Unitary Plan rules come immediately into effect, until the plan is formally introduced in mid-2016. This clause, in theory, allows for these areas to go ahead with fast-tracked consent processes without being hindered by the potential impacts of the Auckland Unitary Plan.<sup>105</sup> However, indirect effects of Unitary Plan changes remain rather important. Even if the rules in a particular development do not change, whether the intended set of townhouses prove economically viable can depend on whether a large set of apartment buildings is built between the development and downtown businesses. Developers may wish to postpone action if they’re concerned residential construction further along the main transport route and closer to urban centres will impede the profitability of their own developments.

---

103 Productivity Commission, *Using Land for Housing* [draft], op. cit., 140.

104 Wellington City Council, “Wellington Housing Accord,” Web.

105 Peter Nunns, “Do it right the first time,” *Transport* blog (24 July 2015).

In Auckland, HASHAA has a target for approving 39,000 consent applications within three years from the passing of the Act (that is, 2016), 10,000 of which relate specifically to SHAs. However, in February this year, Housing Minister Nick Smith announced the approval of 12 additional SHAs across Auckland, Tauranga and the Western Bay of Plenty District, which brought the total nationwide number of SHAs to 100.<sup>106</sup> The additional zones also mean there is capacity for 47,000 homes.<sup>107</sup>

Eighteen months after HASHAA was passed, 1,200 consent applications have been approved in Auckland from the 84 designated SHAs in the region. Also, around 350 houses have been completed to date within established zones across New Zealand, 170 of those in the Auckland region (although *The New Zealand Herald* reports that only 20 of these have been the direct result of the housing accord).<sup>108</sup> While there has been some scepticism about whether the targets will actually be realised within the desired timeframe, it should be noted that the developments have been completed on schedule (6 months for the consent process and 12 months of building time). Whether SHAs will deliver on their intended outcomes remains far from certain.

There has been some noted frustration with the lack of infrastructure provision within SHAs, particularly concerning transport, water and sewerage linkages.<sup>109</sup> For an SHA to be approved, it must have either the necessary road or water infrastructure already in place, or immediate plans to develop the infrastructure in accordance with the housing zone. However, a key constraint is that local councils can only open up as much land for development as balance sheets and capital expenditure programmes allow.

An unwillingness to fund infrastructure so that its provision is responsive to demand has been identified as a major source of frustration even for developers within SHAs.<sup>110</sup> Council, for its part, may find the current debt limit to be binding: restrictions on councils' ability to take on debt limit their ability to fund necessary infrastructure. At the same time, council's unwillingness to divest itself of valuable land holdings or to partially privatise parts of its business holdings can make the debt limits more binding than they need to be.

Currently, there is a lack of alignment of the financial incentives and budgetary constraints, which means many local councils would have to run budgetary deficits if they were to provide the infrastructure to match the fast-tracked consenting processes of an SHA. Amending the current local government funding model to better incentivise local councils to develop required infrastructure could go a long way in addressing this problem. The SEZs proposed in this report align councils' financial incentives with desirable outcomes.

More substantial reform of land-use regulation is necessary to effectively alleviate housing woes. Unfortunately, HAASHA does not address other barriers to large-scale developments like infrastructure financing. Nevertheless, it does recognise a wider problem – an overly slow and restrictive planning process – even if it is a temporary fix.<sup>111</sup>

SHAs are, generally speaking, a weak type of SEZ. An SEZ for Auckland, more generally, that combines an urban-focused application of the RMA with financial incentives to enable more housing would provide better outcomes.

---

106 National Party, "More Special Housing Areas brings total to 100," media release (5 February 2015).

107 Ibid.

108 Isaac Davison, "Special Housing Area developers warned to start building," *The New Zealand Herald* (20 April 2015).

109 James Ireland and Simon Smith, "SHA housing in limbo?" *Manukau Courier* (12 August 2014).

---

110 Productivity Commission, *Using Land for Housing* [draft], op. cit., 272.

111 Ibid., 135.



### A.3 TAMAKI REDEVELOPMENT COMPANY

The Tamaki Redevelopment Company (TRC) was formed in 2012 and is a collaboration between the New Zealand Government and Auckland Council with the broad goal to regenerate parts of Glen Innes, Point England, and Panmure.<sup>112</sup> It seeks to improve the quality of living for the wider Tamaki community through better and more affordable housing stock, greater employment and education opportunities, and recognition and development of the region's cultural identities. The area itself is characterised by a high proportion of state housing, albeit relatively low density housing. New Zealand Treasury emphasises that the Tamaki community is marked by "high levels of deprivation, low levels of educational achievement, low labour force participation, low incomes, high unemployment, and high dependence on social security benefits".<sup>113</sup>

The TRC has formed collaborative partnerships to realise these wider strategic goals. Partners in the project include the Ministry of Education, Department of Conservation, Housing New Zealand, Tamaki College, Glenbrae Primary School, Tamaki Learning Champions, the Maungakiekie-Tamaki Local Board, as well as residents.

An early version of the project was described by Housing Minister Phil Heatley as a "hugely ambitious 20-year project which seeks to transform a strategically important community facing considerable social and economic challenges, into a thriving prosperous place to live".<sup>114</sup>

A Heads of Agreement was signed between the government and Auckland Council to jointly form the company. In mid-2013, then Housing Minister Nick Smith and Auckland Mayor Len Brown

endorsed a draft Strategic Framework for community feedback. In late 2013, the Housing Accords and Special Housing Areas Bill passed its third reading in House, which enabled fast-tracked housing development within the Tamaki region. The SHA for the area will see 7,500 homes built within Tamaki, of which 2,500 will replace existing houses, with a net gain of 5,000 homes to be built over the next 10 to 15 years. The increased density is made possible by large lot sizes relative to the current Housing New Zealand homes on the properties. The majority of developed homes will be sold to private buyers, and around 2,800 will be reserved as state housing. There has been no decision yet as to whether foreign investors will be prohibited from purchasing within this area.

To realise these plans, the Government announced on 5 May 2015 that it would loan the TRC \$200 million over the next five years, in addition to \$1.2 billion worth of property.<sup>115</sup> This finally gives TRC clear financial power to speed up its housing development goals. The Government has been clear that this is "largely a transfer within the Crown"<sup>116</sup> to ensure the total value pertaining to the land and houses within TRC remains with the Crown. It also signals contestability of housing service provision for state housing clients.

Resistance emerged early on from existing state housing residents who feared gentrification within the region and uncertainty over future housing provision. This resistance was blunted when the project's shareholders, including Len Brown, Nick Smith, and Bill English, guaranteed that all current state housing clients can be housed within the new development.

---

112 Ibid., 287.

113 See New Zealand Treasury (2013), 11, as cited in Production Commission, *Using Land for Housing* [draft], op. cit.

114 National Party, "Tamaki's bright future starts now," media release (5 May 2009).

---

115 Maori Television News Team, "No decisions yet on foreign investment in Tamaki Regeneration Project," *Maori Television* (5 May 2015).

116 Simon Collins, "Tamaki Redevelopment: New housing plan for East Auckland," *The New Zealand Herald* (1 May 2015).

There has been some frustration over the struggle to make progress within this flagship project. Work finally began in the area in early April 2014, with housing construction starting in Fenchurch. However, only 32 dwellings are currently under construction out of a total target of 7,500 new dwellings in the area. Whether TRC will realistically fulfil these targets depends on whether the current partnership with Housing New Zealand remains unchanged, according to acting CEO Peter Fa’afiu. Bringing in additional partners to Housing New Zealand will likely accelerate the construction rate but would require pulling the right regulatory levers.<sup>117</sup> TRC board member Martin Udale has assured shareholders that market analysis figures suggest the company could “probably get up to around 300–400 new homes a year, which would suggest somewhere in the order of 12 to 15 years to get through that redevelopment programme”.<sup>118</sup>

As the programme gains pace, increasing private sector investment will become critical to achieving desired outcomes. “We expect the private sector to play an increasing role and we expect to leverage that participation not just in a financial sense but more broadly across the range of regeneration outcomes we are looking to achieve,” says Udale.<sup>119</sup>

In addition to the lack of private investment thus far, the Productivity Commission has highlighted other reasons for the slow progress to date in Tamaki:<sup>120</sup>

- An insufficient balance sheet for the scale of the project (\$5 million from the government and \$3.5 million from Auckland Council);
- A constitution that gives both Auckland Council and central government veto powers over projects within TRC;
- The lack of statutory powers hampering TRC’s progress and, more specifically, rights to use Housing New Zealand Corporation Properties.

TRC encompasses a more ambitious approach to SEZs than this report currently proposes but remains a development well worth further study as it progresses.

**THE  
NEW ZEALAND  
INITIATIVE**

---

117 Lynn Grieveson, “Frustration growing over slow house-building progress at flagship Tamaki Redevelopment project with Council and Housing NZ at Glen Innes,” *Interest.co.nz*.

118 *Ibid.*

119 *Ibid.*

120 Productivity Commission, *Using Land for Housing* [draft], *op. cit.*, 287.





Nationwide policy change is too hard for the same reason that nationwide policy change is often a bad idea: it is a one-size-fits-all approach.

*In the Zone: Creating a Toolbox for Regional Prosperity* proposes letting our regions and cities tell us what changes they need to help them achieve the kinds of growth they want.

Trialling policy reform at a regional level makes it easier to tell which changes work, so that successful changes can be rolled out more broadly and failures can be contained or reversed.

Coupled with changes to councils' financial incentives to encourage growth, regionalised economic reform can help our cities and regions flourish.

*“NZ has dropped from 3rd in the world income rankings in the 1960s to around 23rd in the 2010s. What accounts for the poor productivity performance? Our policy experts have been unable to identify a reason. We’ve been signing more free trade agreements, the tyranny of distance should be mattering less, and we are the least corrupt country in the world. But honest people still make mistakes. There may be particular national policies holding back the country but in ways that are hard to detect. Why not give our different regions the freedom to experiment more with different policies rather than be straightjacketed with ‘one-size-fits-all’ imposed by central government? In this NZ Initiative report, Eric Crampton and Khyaati Acharya make a bold new suggestion with the potential to super-charge our economy, both at the national and regional level: the creation of Special Economic Zones. ”*

Professor Robert MacCulloch – The University of Auckland

\$25.00

ISBN: 978-0-9941183-8-7 • print

978-0-9941183-9-4 • online/pdf

RR22

The New Zealand Initiative

PO Box 10147

Wellington 6143