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 Chamber of Commerce House  
 Lower Hutt  
 Wellington 5010  
 New Zealand

7<sup>th</sup> June 2020

Mayor Wayne Guppy and CEO Peter Kelly  
 Upper Hutt City Council

Via email to [askus@uhcc.govt.nz](mailto:askus@uhcc.govt.nz)

Dear Mayor Guppy and Peter Kelly

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

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

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

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



We are the predominant voice for the small to medium enterprise (SME) sector across the Wellington region and in particular the Hutt Valley, which accounts for 75% of our membership. We particularly advocate for privately owned, local businesses who are committed to their local community. Our total demographic spread includes Lower Hutt, Upper Hutt, Wellington City, Wairarapa/Kapiti/Porirua, and others, nationally. More than 90% of our members operate small and medium sized businesses, each employing less than 20 people. We have built strong relationships with central government over many years and are actively working on behalf of local business with numerous business-facing Ministries, Departments and Agencies.

As the dedicated voice for the Hutt Valley business community we value the opportunity to represent the views of the business community in these unprecedented and challenging times. We would firstly like to take this opportunity to acknowledge the support the Upper Hutt City Council has provided the business community to date as together, we navigate through the impacts of Covid-19. While we have always enjoyed a positive relationship with Upper Hutt City Council, through the Covid 19 pandemic this relationships has deepened significantly as we have both worked together every day, along with Hutt City Council, as the Hutt Valley Covid 19 Business Support Group.

### **The Local Economic Challenge of Covid-19**

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

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

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

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

In our recent Covid-19 survey, (undertaken by the Covid 19 Hutt Valley Business Support Group) as we emerged from Alert Level 3, it was clear the economic shock was only just beginning. The following key findings from this survey will give you a picture of what the business community is now facing:

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

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

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

### **The Impact of Covid 19 on the Draft Annual Plan**

With Covid-19 completely dominating everyone's mind set and energy, unfortunately businesses have many more immediately urgent issues to address rather than consider the impact of this plan on their operation. Almost all businesses are facing redeveloping their entire business model and trying to pivot in such a way as to ensure their survival. Certainly, engagement with them on the draft annual plan has been limited.

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

### **Rate Increase**

We would like to acknowledge and applaud the Upper Hutt City Council's work to review the original draft plan to take this pending economic crisis into account with regard to the planned rates increase. We fully support the reduction in rates increase from the original 4.68% to a 1.5% increase. This is of significant value to the business community as we all face this crisis together. Clearly a major rates increase at this time would only add to the pressure businesses are under.

## Continued Investment in Core Infrastructure

We support Upper Hutt City Council's ongoing commitment to continue to invest in infrastructure, and to apply for funding for Shovel Ready Projects with Central Government. Please refer to the Chamber recent letter to Mayor Guppy regarding Shovel Ready Projects for the Hutt Valley. We are also particularly vocal regarding further central government investment in SH 58 and River Road.

As the voice of business for the Hutt Valley, the Chamber is a strong advocate for infrastructure works across the valley, supporting and facilitating economic development for our businesses and community as a whole.

We believe infrastructure investment projects are beneficial to the community on a number of fronts:

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

Infrastructure investment is crucial to address the rapid growth the community has seen in recent years. Covid-19 has seriously affected the local economy; we all expect an unprecedented economic decline in the short term. We also expect, however, the economy to recover over the medium to longer term.

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

## Recovery Fund

The HVCCI supports the creation of a Covid 19 Recovery Fund achieved by re-prioritising \$1million of savings to support a range of recovery initiatives across the community and local economy. Given that the next twelve month is very unclear we do know that there will be many unexpected consequences, challenges and opportunities to be faced by the residential and business community in this time. As we move out of lockdown levels and focus on recovery it is clear that many of the impacts are unexpected and unforeseen. We expect to see many systemic changes in the way markets and businesses operates. This Recovery Fund provides an ability to be agile in the council's responses and this will be crucial for effective recovery.

Markets and customers are all changing and the local business community is going to need support to adapt and return to profitability. New opportunities will also emerge for the local economy and our business community will need to respond quickly to take advantage of these as part of our recovery.

### **Commercial Premises**

Right now rent remains one of the key pain points for local businesses in the face of Covid-19. Our recent survey, as well as anecdotal evidence, suggests several businesses are reconsidering their need for commercial premises. While numerous businesses have already decided to not return to their office spaces, others will reconsider their commercial lease options as current leases reach maturity. Given the likely closure and retraction of local businesses, our commercial property sector is likely to come under increasing pressure.

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

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

Over time it is possible that there will be new opportunities for the Upper Hutt CBD. There may be increased demand for “satellite” office space for Wellington City based organisations, and shared work facilities for those who are working from home in Upper Hutt for meetings, training etc.

As requirements change for office space, and as people adjust to a more flexible working model, this will have flow on effects to other businesses located in the CBD such as retail, cafes, and other support services.

## **City Centre Vibrancy**

Covid present a whole new set of challenges for the City Centre. While over recent years we have seen many new local businesses emerge that bring a fresh character to the centre. Clearly while Covid will force the closure of several local City Centre businesses it is important to support as many as possible to reset, recover and flourish in the coming years. This investment should help encourage new businesses to also establish themselves in the city centre. Covid will also provide new opportunities for our City Centre that together the local business community and council should do all it can to take advantage of. Emerging workplace and employment trends could be beneficial to our City Centre. Since the end of Lockdown it has been fabulous to see a new vibrancy and strong sense of local community in Upper Hutt. We need to harness these new trends and make the most of them. They bring fresh opportunities for a city centre that is vibrant community hub where locals support locals and enjoy a community based lifestyle.

## **Youth Strategy**

The HVCCI would like to make special mention of the Youth Strategy aspects of your plans for 2020 - 2021. We are working closely with Upper Hutt City Council (successfully winning two contracts with the Ministry of Education and Ministry of Social Development) to support Education to Employment pathways for our youth. Covid 19 brings renewed challenges for our local young people to remain engaged in education, training or employment. With the well-publicised rising unemployment our young people are increasingly at risk. This Youth Strategy is important to ensure that our young people remain actively engaged and supported through the employment challenges of Covid 19

## **Extension to Expression Whirinaki**

HVCCI also supports the continuation of the improvement to this community centre. As a user of community venues across the Hutt Valley we have frequently advocated for further development of the facilities at this venue having used it many times. The commercial kitchen will significantly increase the functionality of this venue. It is an asset to the entire community.

## **Economy**

Given the total disruption of the economy it is clear that what emerges from Covid 19 is going to be substantially different to anything we have ever had in the past. Planning is required not only in short, medium and long term timeframes but also for the new risks that exist now with Covid. There are now new risks that are not only in light of levels of Lockdown and the risk of a second wave of Covid 19 cases but also business continuity, resilience, embracing technology, changing workplaces and employment models. Covid brings everyday changes to Business as Usual such as additional sick leave, restructuring, downsizing, remote working, working from home, new technologies, online marketing and sales etc. Covid 19 also adds a new level of workplace stress, anxiety, overload and tension – for employers as well as employees, The business community will need a range of new workshops and new learning opportunities (e.g. livestreams, webinars etc) to support them through Recovery. Events will also be important as people are keen to reconnect physically with their community and learn from each other. There will also be new event formats emerge to address specific needs. Connectedness is vitally important as the business community also grapples with the mental challenges and stress as they face recreating their businesses.

## Conclusion

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

Your sincerely



Helen Down

**CEO**

**Hutt Valley Chamber of Commerce and Industry**