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- S1 00:00 All right, three two one. NBR Radio. I'm Andrew Patterson. Hello and welcome to another episode of the Moxie Podcast. This is episode 27, recorded on the 5th of April, 2016, though the Moxie Session this episode relates to was held in April 2015. This is the companion web show to the Moxie Sessions, an internet economy discussion group held once a month in Auckland, New Zealand. The Moxie Sessions bring together a small group of business thinkers every month to discuss how New Zealand can take advantage of the internet to boost its national competitiveness.
- S1 00:35 I'm Andrew Patterson with you here in Auckland. I'll introduce our guest panel shortly, but first let me tell you a bit about our topic for this session. How well connected are New Zealand's cities and its regions? Should all our eggs be in a basket labelled Auckland? Can we be a single city of four million, or are we stuck with zombie towns, staggering less and less lively into an uncertain future? Is New Zealand perhaps also unique in any of this, or what can we learn from other places?
- S1 01:08 Well, joining me to discuss this are Shamubeel Equb-- [chuckles] Shamubeel, I always forget the correct pronunciation of your last name.
- S2 01:17 Equb.
- S1 01:17 Equb. Yeah, that's right. Three two one. Shamubeel Equb, a consultant economist on the focus particularly of what he describes as zombie towns. Professor Shaun Hendy, Director of Te Punaha Matatini, a collective research institute based at the University of Auckland, on the city of four million people. And Samantha Seath is the former Chief Executive of EDANZ - that's the Economic Development Association of New Zealand, on how regions can help perhaps themselves. Welcome to you all. Shamubeel, perhaps--
- S3 01:50 Oh, good to be here.
- S1 01:51 Shamubeel, to you first. You sustained quite of bit of flack when you coined the term zombie towns. While it's perhaps an unfortunate label, how did it come about and does this suggest that this debate is perhaps one that the regions don't always want to have?
- S2 02:08 Yeah. I'm very unapologetic about the title zombie towns because what it has done is brought quite a bit of mainstream attention to an issue that faces quite a bit of New Zealand, and that is, many of our provinces are hollowing out and unless something changes, they're on the path to a very slow decline and death by a thousand cuts. And it's not so much that I think that we should be letting places die or that it's inevitable, but what I'm trying to say is that, look, all the forces that we're seeing favours places like cities, but all-- not all, but much of our natural resources - physical resources - are based in the provinces. And if we don't work both of these together, New Zealand is not going to be as successful as possible.
- S1 02:51 And of course, we do have some regions doing very, very well, so it's not sort of a universal situation of the regions, is it?
- S2 02:59 Not at all. And there are some places that are doing much harder than others, and there are some pockets, particularly in the Central North Island, that has been doing it really tough. And they've been experiencing population decline for a number of decades. So it's not new and nor is it special to New Zealand. We see this kind of pattern of uneven economic growth, population growth in other parts of the Western world as well. But it means that there are people who are growing up in these places who might be trapped in a life of poverty, businesses that might not be able to access capital, even though there are potential, both in the people to work and in for them to use the resources that are available in that particular region.
- S1 03:35 Samantha Seath is someone who's been very engaged in regional economic development. You're currently doing some work in Wellington. Is there a willingness to really confront this issue in the regions?
- S4 03:48 I think over the last few years, regions have become a lot more focused on this issue. And I think a key thing is that it does require both political and business leadership to make sure that they understand what they have as far as their regional assets and where they sit as far as competitiveness across the country, but also internationally because I don't think we can continue to think just as a country; we have to look at what's happening worldwide. And I think also if we look at what's happening

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around other countries, they are thinking a lot more about regions and how they fit in into the national picture of their country, and we have to do the same.

- S1 04:41 It's challenging though, isn't it? Because obviously many of the eggs are in the Auckland basket and then regions have to try and work out how they plug into that. Is that the approach they tend to take, or are many of them thinking, "How do we think of ourselves as an autonomous economic unit and what can we do in that area"?
- S4 05:02 I think there's no doubt about it that Auckland is extremely important to New Zealand as a country, but the regions are very different, and I think what happens across a lot of regions is they have their own parts of the economy that they're good at. And you mentioned early that our resources, they sit out in the regions; they don't sit in Auckland. And this is where the regions have to understand that they have got some advantages that Auckland doesn't have. How do they play to those advantages and work with Auckland, not against, and not try and be them, because they're going to become Auckland? And so it's understanding where you fit in the bigger picture.
- S1 05:49 But the parochialism does get in the way [chuckles], doesn't it? I mean, that's the--
- S4 05:52 Oh, it does.
- S1 05:52 That's the elephant in the room, isn't it?
- S4 05:55 Yes. Yes. And that's why I say when we talk about political leadership, it's incumbent on those people to actually think about what they're going into politics for in their local area, and look at the bigger picture as well because it's not just about that small local area; it's about the bigger picture of New Zealand Inc.
- S1 06:20 Shaun Hendy, if I can bring you in here. I suspect you think we should ditch the regional mind-set altogether and begin to think as one country.
- S3 06:26 Yeah, I know, absolutely. And I guess I've been concerned that not only are our regions zombie towns, but we're at risk at becoming the zombie country. Because when you look at us on the world stage, we've got a small population base, we're relatively spread out - so in other words, we're relatively regionalised in many ways - and this makes it difficult for us to compete as a country on the international stage, when we are competing with bigger economies, countries that have great scale, bigger population bases. And so, really, I think that we have to get this right. It's not just about zombie towns in the regions; we run this risk of becoming a zombie country. And to do this, we have to connect our regions up to Auckland. We have to think about connectivity. We have to think about complementarity so that we're not eating each others' lunch. But how can we connect our regions and Auckland and our other big cities to make the most of the people and the ideas that we have here in New Zealand.
- S1 07:31 Do you feel that New Zealand has a global mind-set?
- S3 07:36 You know, not always. I think we often look internally. I'm in the university sector [chuckles], and we spend an awful lot of time competing amongst each other. Very rarely do I see the universities, for example, getting together in constructive ways and really setting themselves challenging goals to compete internationally. It just doesn't happen enough. We do tend to be inward looking at times instead of looking out and thinking about how we can compete with the rest of the world.
- S1 08:11 Shamubeel, as somebody who's been looking at the numbers around this issue for a long time, do you share Shaun's concern that New Zealand as a country risks perhaps [chuckles] becoming a zombie in all of this?
- S2 08:25 Yeah, I think the way that I would think about it is it's twofold. One, it's the idea that Auckland sort of is isolated from the rest of New Zealand, which is not true. Auckland is extraordinarily reliant on the rest of New Zealand for its own prosperity. But second, Auckland's not competing with the rest of New Zealand, but with other global cities around the world. And I think that's where we're letting ourselves down. So if I think about our outward view, that global view that you talked about, we are a little bit too insular, both of when it comes to our exporting but also in terms of our attitude towards innovation, capital inflows, those kinds of things. And if we want to be competing with the rest of the world, we do have to pull together, because New Zealand is a small country in the middle of nowhere. We have a population of four million, and if we're working against each other, we don't put forward a united, strong front.
- S2 09:16 And what we've seen that manifesting itself in in New Zealand is that we have become a country that believes in competition as a religion. And as an economist, I will tell you that competition is a wonderful thing. But for us, we're competing with each other within New Zealand, sharing up the pie smaller and smaller, but we're not competing with the rest of the world who are collaborating. And I think we have to start getting a mind-shift change in New Zealand where the conversation has to be about collaborating within New Zealand to be able to compete with the rest of the world.

- S1 09:48 One of the figures that you quoted in the session that might surprise people is that in the last seven years, all the growth and jobs has been in Auckland and Christchurch: 80% in Auckland, 20% in Christchurch. That's extraordinary, isn't it, to think two cities have accounted for 100% of jobs, growth and the rest of the country's gone nowhere?
- S2 10:08 Yes. Since then numbers have improved a tiny bit, so only 95% of the jobs have been in those two cities. But the other half of New Zealand is fighting over 5% of job gains over the last seven or eight years. And what we're seeing is there's, I think, a microcosm of a much longer term trend that the rise of highly skilled jobs, the mechanisation of unskilled and semi-skill jobs, is favouring the big cities and really dis-favouring the provinces. And the pace of change is just getting so fast that it's leaving this wake of people who are unable to participate in the modern economy.
- S1 10:45 Samantha Seath, how do people in the regions deal with this? It's very challenging and confronting, isn't it? When we think of families and children that are being educated, and you're basically saying to them, "If you want high-value jobs or to really contribute, you're going to have to probably leave."
- S4 11:04 Yeah. And look, I think that this is why the regions have to understand what their capability is and what their competitive sort of part of the country is, because that's where they should be thinking, "Well, okay. We need farmers, so we need to train farmers." Or, "We need people that are going to work in the processing industry because that's what our competitive advantage is in New Zealand so therefore we should be focusing on that." You're always going to have people who want to leave and go and-- and it's not just go to Auckland; it's they want to go-- they want to see the world, they want to go to Sydney, they want to go to London, they want to go to New York. That's never going to change, and we shouldn't be constricting people in their ability to do that because we want them to go away, but then we want them to come back because there is something to come back to.
- S1 12:03 Shaun Hendy, when we look at this in its totality, this is really a debate around our future as a country and all the elements that go with it. How willing are we to have that debate and how difficult is it when we have got so many diverse opinions around how we should pull together as a country, and particularly as a small country trying to compete, as Shamubeel spoke about, in a very fast-moving global environment?
- S3 12:34 Yeah, I think we're willing to have the debate. I think the debate's been there and most New Zealanders have a sense that we haven't quite been keeping up with the rest of the world. So I think that willingness is there. But to be honest, the solutions are not easy [chuckles]. It's not always easy to think of what are the levers. What are the policy levers, for example, that we could pull that would change the game? I think those are really hard questions. It comes back to some of the things that are disadvantages to us. I mean, we're distant: we're a long way from the rest of the world. We're one of the most isolated advanced countries in the world, and also our low population base. And both those things make it hard to innovate and to start new businesses and create new jobs.
- S3 13:24 For that to work, we need to be exchanging ideas, we need ideas to travel around the country. And those are things that low population density and distance make hard. And often I think we look to other countries. When we try and diagnose our own problems, we look to the solutions that other countries have come up with. And they're not always going to suit us here in New Zealand. We do have our own unique challenges. And so actually to me, it's about forging our own path and perhaps taking a little bit of a leap and experimenting more with ways that we could solve some of these problems here in New Zealand. And I think while we're all kind of aware that things aren't quite working out for us here in New Zealand, it's coming up with those solutions that I think is the really hard thing.
- S1 14:13 Now, you did look in your research particularly at this idea around knowledge flows, and one of the things that interested me was that even when you look at the universities as a very small microcosm of New Zealand - we have, what, about eight universities in New Zealand? - I mean, they don't even [chuckles] share knowledge amongst themselves particularly well either, do they?
- S3 14:32 Yeah. No, that's right. There's still plenty of scope and perhaps these are where some of the easy wins are, is just getting public organisations like our universities opening themselves up a bit more, being a bit more proactive, and working closer with business. Maybe those are where the easy wins are. But again, for whatever reason, we've sort of been reluctant to really take risks and throw ourselves into some of these activities. And we talk a good talk [chuckles], but then it's hard to turn that talk into action.
- S1 15:10 Samantha, did you want to weigh in there?
- S4 15:12 Yeah. I was just thinking, it comes back to what Shamubeel was saying before: it's that whole collaboration thing that we just find really hard to do. And it's not just among businesses, but it's also, if I think of the regions, it's how does one region collaborate with another region to benefit both? And it doesn't happen, because for some reason I think as a country, we just find it really hard to do this whole working-together-collaboration thing.

- S1 15:44 Yeah. That's a really good point, isn't it? And you wonder if there's something about our DNA as New Zealand. We love the kind of individualism, don't we, and we don't necessarily have this-- we're all one country when it's the All Blacks playing, but if it comes to sort of spending some money, it tends to get more scrappy. Is there any way that you think that could be changed, or is that just something we have to accept?
- S4 16:11 Oh, look, I think if we're actually going to go anywhere, we have to look at change. But as Shaun said, it's easy to say that; it's a lot harder to do it. And a lot of it does come down to political environments especially in the local government space. You're elected in one region and that's where you put your effort. It's a lot harder to work another region to benefit both. So it's about changing the thinking of people and getting them to understand that maybe this is going to improve your local area for future.
- S1 16:56 Shamubeel, one of the issues that is going to really drive this, isn't it, is around infrastructure. Because as you identified in the discussion, it becomes a real problem deciding to spend money on a town that's basically dying. Is this going to become the basis on which governments in the future will-- where the rubber hits the road on this issue when they have to make big calls about infrastructure for a town that almost doesn't warrant it anymore?
- S2 17:26 Well, I think the biggest catalyst is actually going to be when communities themselves can't maintain their own infrastructure or replace it. And that's going to happen because a lot of our nation building in terms of our water infrastructure, flood protection, those kinds of things, really happened in the kind of post-war period. And they're coming due for that big renewal and investment. Now, if you think about some of the smaller places we're thinking about where there is no population growth, sometimes population decline, and populations are ageing, so they're moving into fixed incomes, to say that they're going to be paying more rates to fund this stuff I think is quite unreasonable. And that's where the pinch point comes.
- S2 18:07 Now, I think what this will mean is that we're going to start tackling some of the issues that Samantha talked about in terms of the politics. And inevitably I think what we will see is further amalgamation - smaller units into larger - as more successful, prosperous places subsidise some of the weaker places. But fundamentally, I think what we have to have a much stronger policy on - and we still have time for this - is proper economic development and a plan to gently shut down cities that are inevitably going to die. And when I talk about economic development, it's not just about the provinces; it also includes Auckland. Auckland's choking on itself right now. We need to have a lot more investment in infrastructure; we need to have a lot more investment in the policies around land use. And that leadership could actually create the environment for a bigger conversation for economic development for both the provinces and our metro centres.
- S1 18:59 Is there much of a strategic plan around this issue? I mean, we know this government is quite hands-off and has been in this area. Is that also part of the problem? Not that you want somebody thinking in a bureaucracy that they can know how this is all going to play out. You obviously want some movement to occur. But have we gone too much the other extreme that there isn't enough strategy around this whole issue when we think of it in its totality?
- S2 19:30 Well, I think we're very hands-on. If you think about the amount of central government influence in provincial New Zealand, it is quite high. So big infrastructure, roads, transport - all of these things have a very big impact on provincial New Zealand. And significant amounts of money is spent on other welfare, like education, health, social welfare - all of those bits and pieces. Right now, I think what happens is these are all happening in silos and there isn't a broader strategic direction and leadership. But this is not about this particular government; this has been happening for a number of decades. So economic development is unsexy. Thinking about the future of particular groups is a bit unsexy. And I think that's some of the challenge of regional development in provincial New Zealand right now. So much of the vote and economic conversation and political conversation is centred on Auckland, the rest of New Zealand kind of gets left behind.
- S1 20:20 Shaun, any thoughts in that particular area about I guess how we think about a large grand plan around this issue perhaps?
- S3 20:35 Yeah. I mean, I think it is something that-- I agree with Shamubeel that it's something that we've sort of struggled to have a meaningful conversation on as a country. And we have seen successive governments really not paying a lot of attention, being very hands-off, and almost following a default economic strategy, [chuckles] the roots of which were laid out decades ago. So I think it's something that, again, does come down to leadership. And it's not just about central government leadership but also about local government as well. And perhaps having a bit of confidence to take some risks, because economic development is a risky business.
- S2 21:23 We have to try and experiment with lots of things, because it is difficult and we don't know what's right for everybody. If we piloted a bunch of different things, we would learn a lot and some of these things would give us very important lessons.
- S3 21:36 Yeah, exactly.
- S1 21:38 That's a good point about our willingness to experiment with ideas, Shaun. You obviously looked at some of that in your research. We are a little bit reticent in that area, aren't we?

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- S3 21:48 Yeah. No, we're quite risk averse, I think, and that affects us in a number of ways. I mean, it also mean-- we're reluctant to try new things, and I guess people sometimes call this the tall poppy syndrome. That also affects our ability to share ideas. We're reluctant to put our ideas out there because we're afraid of getting chopped off at the knees. So I think a greater degree of risk tolerance and a willingness to experiment and learn from failures-- I mean, often our failures are used to just castigate people, but actually, we can learn an awful lot from our failures, and as Shamubeel says, what we would like to do is have a range of different experiments, try a bunch of different things, pilot these things, and learn from those experiences.
- S1 22:40 Samantha, in your time working in economic development across the regions, did you find that there were [chuckles] more regions that were more willing to try ideas than others?
- S4 22:54 Yeah, there's definitely a difference across New Zealand and the ability and desire to take new roads. I think that part of the problem still is is that they're still constrained. Economic development, the way it's done currently is through local government, so at the end of the day, they're all constrained by local government, and its policies, its procedures and all of these sorts of things. And it does impact-- local government is risk averse. And that just flows on through everything that happens.
- S1 23:33 And that's a good point, isn't it, Shaun? If we think about elected officials who have a certain pot of knowledge, then you're not plugging them into the bigger picture that you're talking about, that because obviously their frame of reference is very different to people like yourself. So how do we [chuckles] break that down a little bit more?
- S3 23:58 [chuckles] Well, I guess it's about having these conversations and sharing ideas, and that's about public discourse, I suppose. So things like this. I mean, podcasts like this are a great example. The books that Shamubeel has written in the last couple of years has really opened up discussion around some of these issues. So I think as a country, finding new ways to have these conversations I think is a good way forward. And politicians do pay attention and they do learn, remarkably [chuckles]. And I guess it's a matter of taking politicians with us, but also making sure that people are voting intelligently, [inaudible] vote for intelligent policies.
- S1 24:47 I was also interested in one of the issues that came up in the session itself, was this idea that we're also focused on the current generation. We need to be thinking obviously about the next generation too, who will inherit the country. How do we perhaps start to think about some change of mind-sets in that area? Obviously within plugging into the education system and other areas that can perhaps change some of this current mind-set that we have?
- S3 25:18 Yeah. It's interesting. Of course, working at a university, I do get to see what the next generations are-- how they're shaping up, and I do think that our kids and young adults are actually more collaborative than we were. So in that sense I'm actually quite optimistic. And they're are also of course very comfortable in the digital world, and digital technologies are of course-- this is a podcast about the internet economy, and that we can use the internet to overcome distance. Face-to-face contact is still very important for exchanging and generating ideas, but the more comfortable we get with using digital resources, digital technologies, the better we will be at exchanging ideas over distance and the closer we'll get to our markets and the closer we'll get to each other.
- S1 26:15 All right, just some closing thoughts from each of you in the remaining minutes. Shamubeel, perhaps what you'd most like to see change or happen in the next couple of years to perhaps try and crystallise this debate a little bit more?
- S2 26:33 Well, for me, I think it's a change of mind-set. And the conversations I have [around?] New Zealand and sort of reflect that there's an acceptance that there's a problem. So I'm very optimistic that the next step in terms of this journey is to talk about the solutions. They're not going to be easy, but changing the conversation from is there a problem, to there is a problem and now what are we going to do about it means that I think we're on the path for some much better outlook for provincial New Zealand over the next few decades.
- S1 27:00 So this is the willingness to have more difficult conversations?
- S2 27:04 Absolutely, absolutely.
- S1 27:06 Samantha Seath?
- S4 27:08 Look, I agree wholeheartedly with that and I think that we have to push our regions a little bit more to understand that they're part of New Zealand, but they're also part of this world that is getting closer together in connectivity and we need to push them to be thinking that they can't just continue the same; they have to think differently.
- S1 27:34 And Shaun Hendy?
- S3 27:37 Yeah, I agree as well. And I am an optimist because I do think the conversation has changed since they started talking about

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this. I think we are in the process of shifting towards what's the problem towards what are the solutions. But again, I think the solutions are not necessarily going to be easy, and so I think our ability to experiment and tolerate risk and the occasional failure, I think that's the thing we've got to get to grips with in the next few years.

S1 28:06 Thanks for joining us. Speaking to Shamubeel Eaqub, Professor Shaun Hendy, and Samantha Heath. Episode 27 of our Moxie Podcasts. I'm Andrew Patterson and we hope you'll join us for another Moxie Podcast in the future.