

# Transcribe Me!

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[music]

- S1 00:10 Hello and welcome to another episode of the Moxie Podcast. This is episode 38, recorded on the 16th of March, 2016, though the session this episode relates to was held in Auckland in December, 2015. A special thanks to Alcatel-Lucent whose sponsorship helps to make this podcast possible. This is the companion webshow 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 it's National competitiveness.
- S1 00:46 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. According to Stats New Zealand, the population of Auckland is set to grow by another half a million or so in the next 20 years. We talk about making Auckland the world's most livable city and putting it on the map internationally. But, are we really ready for the city that we are setting ourselves up to be? And more importantly, will Auckland be able to cope with the population well in excess of two million people?
- S1 01:18 Joining me to discuss this is Murray Sherwin, who chairs the Productivity Commission and also chairs The Innovation Partnership collaboration body working to advance the use of technology in business education and government. Simon Wilson, editor-at-large and former editor of Metro Magazine in Auckland. He's a long-standing commentator on issues in and around the city. And Patrick Reynolds, who's a contributor to an Auckland-based transport blog, an independent effort to improve the quality of debate and decision-making on urban issues in Auckland.
- S1 01:46 Welcome to you all. Murray Sherwin perhaps let's start with you. Before we debate the why's and wherefore's of the impact of Auckland having a population of two million, from the Productivity Commission's perspective, is this a good thing? Or, is there an inflection point that bigger isn't always better?
- S2 02:04 Well, cities matter. They are sort of the hubs of productivity growth - that's where people come together and specialize and ideas exchanged and with specialization and trade, comes opportunities for greater productivity. But, all cities have an inflection point and it's a point where the inconvenience and the congestion of growth overwhelms the benefits of agglomeration. And, that means effective transport, effective communications, effective institutions and getting past the congestion and all of the other transport issues and logistical and infrastructural issues that big cities face.
- S3 02:44 Sorry, Simon Wilson here. Presumably when you say that, the point where it's agreed things are breaking down and it's getting worse rather than better, will keep changing. You know, that whole thing where everybody fears the future and thinks that the city is as congested as it ever should be, but actually in five years it's more congested and we're putting up with it. I mean, is it possible to say clearly and independently, the city has an optimum point?
- S2 03:13 No, I don't think you can say clearly that it has no optimum point and cities will adjust to those pressures, in all sorts of ways. It may be by devolving into a series of hubs, if you like, that operate more-or-less independently. There's all sorts of ways in which these things can operate and we see in big cities just how far and how much inconvenience people are prepared to tolerate.
- S1 03:36 So, Simon, just on that point you raised. I mean, you've been following Auckland issues for a long time. What's your sense about Auckland's ability to cope with the population on a scale that has been forecast?
- S3 03:48 Well, I think we're not very good at it at all. We're not going to be very good at it. We are very fond of saying that we're a wonderful city and there are so many ways in which Auckland is an exciting place to live. But, when you look around the world, what we say to our self if we want to become a city with great recreational opportunities, and cultural excitement, and affordable housing, and good schools, and technologically connected, and really good transport and cultural diversity - they are the aims of probably every city in America - North America - and probably just about every city in Australasia and quite a lot of the cities of Asia, and most of them in Europe as well. It's no an unusual thing. But, actually, when you look at Auckland, some of those key markers - we're a long way from working out how we might improve them.
- S1 04:41 Patrick Reynolds, let me bring you in here. Transport and housing are probably the two biggest issues Auckland faces right now. I'll come back to housing, but from a transport perspective, how will we have to change our thinking about building a city of 2.1 million people?
- S4 04:56 Oh well, we've just got to start being efficient. The thing is, two million is a small city, a very small city, still. And the only way it may feel a lot or big for Auckland is simply because we're still trying to deal with 1.5 million on the most inefficient movement technology ever invented - the private motor vehicle. Actually, and the same with housing, the same is the case with detached house, we're trying to do it with the incredibly spatially inefficient modes. As we grow, both of those modes are going to have to

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change to the standard ones we see in every other city of scale. We're at the beginning of that process now. So, I really don't hold any fear about two million at all on this instant. We just do have to draw down on those existing and well-used technologies across the world that are much more spatially efficient. That's what a city is. It's agglomeration through spatial efficiency. And, we don't have to reinvent the wheel here, we just got to get on with it.

- S1 06:05 Murray Sherwin, how cognisant are we of the rapid changes? And I think we all accept these are going to be big substantive changes in technology and innovation in the next 10 to 15 years, particularly when it comes to things like transport driverless cars and so forth. Do we really understand what sort of city we need to be building or creating?
- S2 06:28 No, and I don't think anybody really does anywhere. I mean, we can see those big changes coming and, the usual story and not an original observation, is that we over-estimate the change coming in the next 2 years and then completely underestimate the change coming in the next 5 to 10 years. I think electric and driverless vehicles, or autonomous vehicles, have the potential to make an enormous impact on the way the city's--
- S4 06:51 I really want to [cover?] this because I've just sat through three days in a conference where everybody was singing-- there's so much technophilia around EVs and AVs. They still take up an enormous amount of space. I do think there's a tremendous over-egging of the change that's going to happen with connected autonomous vehicles. I'm not [crosstalk] them coming but they will make--
- S2 07:13 Do they have the capacity to completely change the way we design our housing and our housing areas, and also to boost the efficiency on motorways? Now, you know, [crosstalk] we're as [confused?] about this and we don't know quite when it's going to come along but that capacity exists. I don't think we should ignore it.
- S1 07:30 I think that's right.
- S4 07:32 No, I don't think we should at all either but we must be very careful assuming that there's a technology around the corner that's going to save us from all sorts of things when there's... You know, some realities are timeless - like geometry [crosstalk].
- S2 07:47 I wouldn't say for a moment that it's going to save us, but it will change the way we shape our cities.
- S4 07:51 Yeah, that's right. The thing about the Bilton [?] though, is the site cost and there's certain [path] dependency to what we build now. It doesn't change over night, it changes incrementally and gradually over time. Until we start changing the urban form, we're not going to get a change to the urban form. So, we do really need to get on to it and not wait for a new technology. I think as a key take up from that [crosstalk]--
- S3 08:15 [crosstalk] two kinds of problems that we're facing, don't we?--
- S1 08:18 Simon Wilson, yes. We'll just bring you in here.
- S3 08:21 I was going to say, we're very good at knowing what we have done and it is always hard to try to work out what we should do instead. So, the immediate issue of how do you close that street, or how do you develop that quarry into a place of a whole lot of houses? Those sorts of things are hard to do because they're different from what we have done. But then there's the larger issue that you two were just talking about as well, that actually the technological changes and changes driven by other factors that will have a more fundamental impact. I think one of our problems is that we're not at all good at trying things. Now, so that if you look at Auckland and the way in which you might be able to work out a better way for people to get around the inner city, or to get from the suburbs into the inner city. Now, there are lot of things we could be doing right now. We have the opportunity, in fact, because the whole of the inner city is going to be profoundly disrupted. It's already started because of the city rail link and a whole lot of other building projects - in excess of 30 they are getting under way. That's being treated as a nightmare that we're all going to have to grin and bear, rather than an opportunity for us to rethink how we move around. I think if we saw it--
- S2 09:43 Couldn't agree more.
- S3 09:44 --how do we make the most of this so we can transform the way in which we behave here? Now, we won't get an opportunity like this again in a long time.
- S1 09:54 Murray Sherwin, that's a good point isn't it? New Zealanders don't-- we don't tend to like to take risks with ideas and some of that is because obviously when they don't work then, of course, people get knocked down for simply trying something. Is that a part of the problem of the mix here?
- S2 10:13 Oh, I think we have governance issues which mean that we've got some big gaps between those who are very excited about the city becoming bigger and those who are much less excited about exactly that. And, there's a lot of reconciliation to be done I think between the city leadership and the national leadership and citizens about what they going to live in. I mean, one of the things which is very clear, is that the surveys continue to show that New Zealanders prefer to live in a stand-alone house in a suburban setting and they're not much interested in some of the densification propositions. What is also true, it runs in the other--
- S4 10:50 But that's not what the market shows.
- S2 10:55 That's exactly what the market seems to show and the issue is we need to give people choice. But the point that I want [crosstalk]--
- S1 11:03 Hang on, Patrick Reynolds, I'll come back to you.

- S2 11:01 --is that we have [crosstalk] a great deal of density. A great deal of growing density in the leafy suburbs which has come about where there's been an alignment of incentive where people have been prepared to infill their own properties. Now, it may not be terribly attractive, but it certainly boost the density without a great deal of resistance.
- S1 11:21 Patrick Reynolds.
- S4 11:23 Well, you can ask a survey what would people like but if you remove any constraints on what they would like-- if you ask the people, you know, what car would you like they might all say a Ferrari or a Tesla, but if you bring in the very real constraint of the compromises and costs and things, well then the survey might be more accurate, shall we say [crosstalk]--
- S2 11:42 Well, actually, the survey I'm referring to is the Otago University survey, which makes exactly those sorts of trade-offs available to people and fairs what would they prefer to do. Often, they will prefer to go to [crosstalk] quite a lot more commutative time and inconvenience in order to have that suburban setting.
- S4 11:58 Well, in the last 16 years in Auckland, Auckland has run 71% within the city limits and 29% without. You look at the heat map of property prices, there's two clear differences. One is central and the other one is east coastal. Furthermore, in a study of yard sizes and house sizes, it shows that actually people prefer bigger dwelling rather than big yards. But, in order to get choice and options, which I agree with you absolutely--
- S2 12:29 Yes, choice and options.
- S4 12:29 --we've got an over supply of detached houses and an under supply of other typology, especially affordable typologies in proximate locations.
- S2 12:37 That's the affordable issue which is the real problem that we're scraggling with at this stage. I think affordable options across the board and those sorts of choices where people are able to trade off commuting [crosstalk] and other options, space and so forth, so that we can see what the revealed preferences are and provide some decent choices. Particularly to poorer Aucklanders.
- S1 13:02 Simon Wilson, sorry, Simon Wilson can I jump in here and get your view on how much do you think to Murray Sherwin's point about the fact that people want to live, and prefer to live, in the traditional house with a bit of lawn? Which is, you know, the traditional view we've had. We know that people's view can be changed if that information is available. There are sort of campaigns to get people thinking in other areas. How much do you think that this debate has been polarized because people aren't necessarily being informed about what the other options might actually look like and feel like?
- S3 13:37 I think one of the reasons why the debate gets so quickly polarized, is that we get trapped into this idea of what is the one thing that people want. Now, there is no one thing. There is no one group of people that we're talking about. Murray mentioned before that the importance of variety. That's so critical. There will always be people who want to live in a largish suburban section and there will always be people who want to live in apartments. And, I think Patrick was alluding to it before, we need to make sure that the supply of the variety of dwellings is strong enough and good enough so that the people who want different sorts of things can be reasonably well pleased by what they can afford. That goes to the second issue of affordable housing. We use affordable housing as a term to mean relatively low cost housing. But, actually it's not just that. That is important. But the other way in which affordable housing means a lot in Auckland is that everybody's house is now overpriced unless you own it and you love the fact that your asset is going up in value. And this is going to be the really most difficult problem that Auckland faces, I think, because there is no--
- S4 14:49 It's that second group, I think Simon, are problematic.
- S3 14:49 --political will to do anything serious about house prices. The reason for that is, if you own a house you're not really going to like anybody-- you're not going to vote for anybody who wants to diminish the value of your house. And that's completely understandable. So that's a really big problem that we have now.
- S4 15:11 I think this is where I agree completely with Murray about the governance problem. We do have a, it's been called a democracy deficit, around us. We have certain constituency in Auckland that's very entitled and very active politically attempting to completely control with the actions at local government level and, no doubt, at national government level, too. Because, they do wish to view exclusionary zoning which does precisely have the outcome of raising of values through scarcity in desirable neighbourhoods. Which is the very place that there is opportunities for development. So, yeah, there is a governance problem.
- S1 15:51 Patrick Reynolds, can I pick up on a point that you made at the Moxie Session, you said, "We need to remember that what makes an economy is not trucks and lifting of heavy things anymore, but instead services and intelligence. Sometimes we seem to be confused about our economic future, it lies in services. Proximity trumps mobility." How much do you believe that, in fact, that is part of the problem that we're not actually necessarily thinking about the city that we want to become, rather than the city we are at the moment?
- S4 16:23 I mean, well, I would moderate that statement by saying it not only [inaudible]. But, of course, we all walk backwards into the future, don't we? We're very aware of what's happened, and where we're at, and that the future is unwritten and it's quite hard. Change is a difficult thing and I think we live in an age of global mega-trends and listening to local mega-change and we have trouble officially for encumbrance. You know, leaving a successful situation and moving to the next. I think the urban services industry which in New Zealand is centred in Auckland and is clearly successful, but it is quite invisible. I've been up to a business where there's 80 people staring at screens. They all export their services around the world doing baffling things with

zeros and ones. But this company, no one knows its name. There won't be hand-ringing about its economic's fortunes in the paper, unlike say the dairy industry or whatever. We've had a government that has entered its recession very keen on pushing the coal industry and clearly that went the way, that we all know that it happened globally. Reliance on commodities that need to be moved across distances is pretty tricky being at the end of the world here and we've really got to incentivize our urban services market surely.

S1 17:50 Murray Sherwin, do you have a pickup on that?

S2 17:53 Oh, the declining weight of GDP, as it's called, has been commented on for the last, well almost what two or three decades at least, and it's an ongoing trend. Services are certainly growing. Those core heavy products that need to be moved around will still be there but will continue to diminish. Yeah, sure, the rise of services and the rise particularly of IT related services, ICT material, is particularly important. Being at the front end of that, both in terms of how we educate our people and what sort of firms we set up and how we enable them to be successful, matters a good deal.

S1 18:38 Murray Sherwin, can I--

S4 18:39 And the ecosystem for them. The urban ecosystem that that kind of company thrives in. The agglomerate of [inaudible] that we do know what that needs.

S1 18:52 Murray Sherwin, I'm interested in your views too on-- because you did highlights earlier, that you talk about the fact that this is a problem of regulation and planning, but also obviously of governance. What is going to be the role of governments in 10 to 15 years working in planning paradigms today, that simply don't reflect their ability to keep up with them anymore?

S2 19:18 You mean central government or central and local?

S1 19:21 Well, I guess, central and local yeah.

S2 19:23 Yeah, yeah. Well, in terms of the regulatory frameworks, we're doing a piece of work right now at the behest of the government just looking at urban planning beyond the RMA. So, what are the key features and how would you go about doing it? One of the challenges we've got right now is a set of-- well, the major piece of legislation in the RMA which really wasn't set up to do urban planning, we've got some real contradictions in the way that it works, or should work, alongside the Local Government Act and the Land Transport Management Act with some real difficulties in there. But mostly, we're having real problems, I think, reconciling how we go about making big strategic decisions where we get the higher level strategic planning area and then get very, very engaged in the local decision making and the consequences, we don't end up doing a lot with any great coherence. We struggle with infrastructure both in putting it in, deciding where it should go and paying for it. Until we overcome those problems, we'll continue to struggle with housing affordability and growth pains.

S1 20:39 Simon Wilson--

S3 20:40 I was going to say, I think there's another big role for governments, central and local, and that's the hearts and minds side of it. Governments have to lead. We have an extraordinarily strong tradition in this country of being innovators, of being prepared to experiment, to take the leap, to be first into a whole lot of social and economic areas. And that goes back a long way. But we've kind of lost that. We've become rather timid about it. We don't see ourselves as being the innovators in any particular seer any more and I think that's a terrible shame. There is a role for political leaders to make us excited about what we could do, how we could change to embrace in our future to do the things that need to be done for the city. And it's like saying we need to have a laboratory approach, we need a project approach. We need to be saying, now let's keep trying these things, let's do it differently. The metaphor I like is in education. Peter Lyon in the newspaper in the Herald this morning has a wonderful piece about charter schools. He used to teach at St Peter's College and was dead against charter schools. He sat down with Alwyn Poole, who runs one, and was convinced that there was possibility that in some charter schools some very exciting things might be happening. And his point was, if that is true then it needs to be scaled. Now, and that's the thing we've got to get a lot better at in this country - being able to say, "Let's try something, if it works, let's work out how to roll it out. If it doesn't work, not a great deal of harm done, let's move on to the next." We need that mentality and it must come from political leaders.

S4 22:17 I think you're absolutely right Simon. And there's ways to do that. I love the way the city of Stockholm introduced road pricing. They put it in and said, look, we're going to do this for six months and take it out and then you can vote on it. Before they did that, there was an overwhelming majority against it amongst the public. Once it had run for six months, there was an overwhelming majority in favour of it. So that's a very clever way of bringing a novelty to which people are inherently, you know, fearful of, or wary of. But that kind of thinking. Which can happen much better, I think, at city level than national level. But, we need to empower these local government level to do that sort of thing.

S1 23:00 I recall a couple of years ago interviewing the then head of marketing at Air New Zealand who used a good analogy around this point. He said, "One of the reasons why Air New Zealand has been so successful here is," he said, "we light a whole lot of campfires and we see which ones flare up and then those are the ones that we then jump on." I mean, I like that idea and to your point, Simon, about the school's example. I mean, just go out and try something and see if it works. So, I mean, de-risking some of this is obviously going to be important. We're just in the closing minutes. I wonder if perhaps each might want to give a bit of a prognosis about what you think that the next best step forward might be in this ever-complex area of how Auckland actually grows and does it in a way that's going to reflect the needs and desires of its population. Maybe, where you think those stepping stones should be, where that focus should be? Murray Sherwin, if we begin with you.

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- S2 24:06 No, I was actually still thinking about that last issue and reflecting on some of the work we've done in a number of areas which keep highlighting the rule-breakers is the ones who are really making a difference. The ones who are doing really good work in the social sector and elsewhere. I think trying to energize and empower local communities, local groups to get on and sort out their own local issues, I think is a really good place to start to crowd out some of the centralist overlay that we seem to be getting tired up with. Which comes with piles of compliance and other issues.
- S1 24:41 So, all power to the disrupters?
- S2 24:43 Yeah.
- S1 24:45 Simon Wilson?
- S3 24:46 I think one of the critical factors could be a new office of the Mayor. Now, the Auckland Mayorality has this thing called an office which is in charge of setting the budget. At the moment it's stacked very largely with people who are political operators trying to look after the Mayor's political well-being. And you can make your own decisions on how well they're doing there. It should be an office that has a kind of think-tank kitchen cabinet approach to the problems that the city has. They don't have the power because the power has to lie in Council. But they ought to have the high-powered thinking ability and the high-powered get-people-around-the-table ability. If that office has access to strongly created thinking and people who have good experience and good ideas, to be able to lead developments and lead to thinking and planning and transport and education and the whole range of areas, we could rapidly find ourselves in a city which is doing some pretty exciting stuff.
- S1 25:49 Yeah, good point. And Patrick Reynolds, finally to you.
- S4 25:53 Well, there's a thing going on at the moment called the Auckland Transport Alignment Process, which is an attempt by central government and local government to align their views on infrastructure for the next 30 years. This could either be genius or it could be a break. You're holding Auckland back depending on how that alignment falls. That's potentially very exciting because Auckland has definitely been held back by essentially different philosophies or religions really, about urban form coming from central government and local government. They mostly though, and transport of course the other side of that coin, is urban form - the two influence each other and shape each other. The really key thing we really need to [unity?] plan to pull back and allow growth to happen where it wants to happen in the form it wants to happen. It's over-regulated and really need to just let to see the shape that the city needs to come because we're in an age of change and it may not look like it used to and that could be a great thing. If we allow it.
- S1 27:01 Indeed. Good discussion. Thank you all for joining us. Speaking to Murray Sherwin who chairs the Productivity Commission and also chairs The Innovation Partnership. Simon Wilson, editor-at-large and former editor of Metro Magazine and Patrick Reynolds, contributor to an Auckland-based transport blog. This has been the Moxie Podcast for episode 38 and I thank special thanks to Alcatel-Lucent whose sponsorship helps to make this podcast possible. We hope you join us for another podcast again in the future. I'm Andrew Patterson. Thanks for joining us.

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