NZMEA
SUPPORTING THE REAL ECONOMY

22 April 2014

Christchurch City Annual Plan
Christchurch City Council
Democracy Services
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Email: ccc-plan@ccc.govt.nz

Dear Sirs

Christchurch City Draft Annual Plan 2014/15

We have discussed and reviewed the Christchurch City Draft Annual Plan 2014-15 with our membership, and I appreciated meeting with Peter Gudsell and Diane Brandish to discuss areas of the Plan that will have a direct impact on our members.

This submission reflects our concerns of the past in terms of excessive rate rises and risk management in the wake of the earthquakes.

The NZMEA wishes to be heard on this submission. The dates the NZMEA is available to speak to the hearing panel is 14, 16 or 19 May.

The main comments that came back from our members were as follows:

Overview

- As this is Year Two of the Three Year Plan and a new Council have been elected, we feel it is time to review and develop future plans with a more conservative set of budget constraints. We now live in a poorer physical and financial world, not only due to the natural disasters but the whole world has changed. The natural disaster offers a chance for our City to realign with this new global reality in ways that are not open to others. We need more new thinking. The current plan does not consider how we might exploit this.

- The proposed increase in the level of rates is excessive and lacks any connection to the realities faced by manufacturers and exporters who pay rates here in Christchurch. An overvalued currency, soft world markets, cost and other pressures generated by the disaster, including planning issues like reverse sensitivity, are squeezing margins in a way never experienced in living memory. The proposed rate increases represent many times the increases that can be achieved in competitive global markets. Yes, rate increases are in line with the Three Year Plan, but an increase of 6.50% is painful.

- Priority should be given to replacing/repairing core services and improving the habitability of the city, not the fast replacement of all community facilities.

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- We would like to see more explicit risk management; for example, if predicted growth rates do not materialise, what major projects will be scheduled out.

- Seemingly reasonable debt levels based on projected rates income might not look so reasonable if that income evaporates; at that point debt becomes a terrible burden that we will carry for years. Focusing debt on assets that are self-funding in a range of usage scenarios makes sense. At the other end of the scale, taking the risk to commit to over-scaled projects in the face of potential rating base erosion simply increases the debt load on those that remain.

- Manufacturing activity is not bound to our City; excessive cost increases on the base line and the potential for even greater rises due to negative demographic changes will push activity from Christchurch, further exacerbating the problem. The 7.1% - 9.5% increase in trade waste charges are deemed excessive by our members. Structurally, the matter of "user pays" works until there are only a few "users" left, and needs further consideration. As the number of wet processors fall, and with the potential we may lose Gelita, in addition to the closure of Independent Fisheries; the waste water changes fall more heavily on fewer companies, at some point this need to transfer to the general rate - it might be time to review the trade waste charges.

- Council and community aspirations are an additional cost to manufacturers and exporters. It is cold comfort that rates might be higher elsewhere in New Zealand; if operating here is too expensive the activity will leave Christchurch and perhaps New Zealand for good. This is clear from recent events that without manufacturing the resilience of our local economy will be significantly reduced.

<u>Projected Debt</u>

- Are the long term debt projections wise in the face of current uncertainty?

- The belief that long term council income can sustain debt levels/repayments is not a justification to incur it.

<u>To Do</u>

- Planning: protect our industrial zones as industrial zones, and do a much better job on reverse sensitivity issues as these continue to threaten activity and hundreds of jobs in Woolston.

- Support local manufacturing via an explicit local procurement policy as used by many local governments around the world. We should do much better at keeping local money circulating locally.

- A base line of 2% rate increases should be seen as the maximum credible position from the standpoint of the internationally competitive economy. With greater increases we threaten the rating base and negatively impact competitiveness of our firms in the real economy.

- Focus on utility: facilities should be multipurpose and sized in light of sensitivity to demographic projections. Be prepared to modify the plans should the demographics change.

- Take a serious look at how core facilities can be provided at around half the cost and deliver the best job possible at that cost level. More can be done later when uncertainty around demographics and the economy has fallen.

Yours sincerely

John Walley

John Walley
Chief Executive