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Canterbury Earthquake Recovery Authority
Greater Christchurch Earthquake Recovery: Transition to Regeneration
Draft Transition Recovery Plan

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NZCID Submission on the Draft Transition Recovery Plan¹

The New Zealand Council for Infrastructure Development (NZCID) is the peak industry body for the infrastructure sector and promotes best practice in national infrastructure development through research, advocacy and public and private sector collaboration. NZCID members come from diverse sectors across New Zealand and include infrastructure service providers, investors and public sector agencies.

Summary

NZCID welcomes this opportunity to provide feedback to the Canterbury Earthquake Recovery Authority (CERA) on the Draft Transition Recovery Plan (the Plan).

We support CERA and the Government's consideration of transitional "next steps" and consider there is a major opportunity to promote local, regional and national objectives through more fit-for-purpose decision making structures in Greater Christchurch.

Of particular interest to us, given the quantum of public investment and national significance, are issues relating to the central city rebuild.

Our engagement with NZCID members and across the infrastructure sector in Christchurch, which includes surveys of business opinion (included in the appendix to this submission), have identified significant challenges in the "regeneration" phase of the recovery in the central city.

We agree with the conclusion of the Advisory Board that the Canterbury Earthquake Recovery Act has served the region well but that it is time to move forward with urgency.²

We strongly endorse the Advisory Board's advice regarding the opportunity to regain momentum in the central city.³

We support the establishment of a commercially-oriented Christchurch Central Regeneration Authority jointly owned by the Crown and Christchurch City Council.

A jointly owned development agency governed by an independent professional board achieves the best balance between the needs and expectations of the public and the delivery expertise of the private sector while ultimately retaining public control.

¹ This submission represents the views of NZCID as a collective whole, and may not necessarily represent the views of individual member organisations.

² Advisory Board on Transition to Long Term Recovery Arrangements, First Report to the Minister for Canterbury Earthquake Recovery, p. 5

³ Advisory Board, pp. 10-14

CERA has achieved its primary objective

NZCID has previously investigated New Zealand's response to the Canterbury earthquakes and compared performance with other broadly similar recoveries from natural disaster (Appendix).

Our preliminary finding was that Canterbury has recovered well. The initial decision to establish CERA and empower that agency with significant powers resulted in an early response which was good by international standards.

In fact, our assessment found that only Japan, with both greater resources and deeper experience in disaster recovery, performed better through the early phases of response.

Initial stage decision making in Canterbury was superior, for example, to actions taken in the USA following Hurricane Katrina in 2005 and in Italy in the wake of the 2009 L'Aquila earthquake.

Interestingly, we also found evidence that while Japan has established highly effective response frameworks for natural disasters the speed and efficiency of response has in some cases led to negative long term consequences.

For example, following the Kobe earthquake, large construction companies were quickly and efficiently mobilised, but the speed with which they scaled up using national labour resources, completed the job and departed the disaster zone resulted in displacement and a hollowing out of local industry. Several years of high economic growth ultimately led to longer term growth challenges which were arguably not in the interests of the local community.

Canterbury, we note, is now enjoying a period of prolonged economic expansion, has extremely low unemployment and exhibits a high level of optimism and confidence in the future.

While there is and will always be a need for greater urgency in responding to a major natural disaster, Canterbury's experience remains ahead of many comparable jurisdictions at similar points in time.

Much of this success is, in our view, attributable to the CER Act, CERA and associated arrangements implemented in early 2011.

Progress has slowed

However, through our research, we also found evidence that strong early progress has in recent years slowed as the recovery has transitioned from disaster response to rebuild.

Surveys of business opinion conducted by NZCID in 2013 and 2014 highlighted growing discord among public and private sector representatives closest to the rebuild process (Appendix).

The surveys strongly linked perceptions of rebuild problems to governance arrangements, particularly around major projects in the central city.

Analysis we performed on the decision making structures in Canterbury indicated that the CERA structure was not fit-for-purpose and was out of step with major reconstruction and redevelopment initiatives globally.

Governance changes are required

Through our analysis we reached the same conclusion as the Advisory Body that the CERA governing framework was effective through the early phases of the recovery but is now outdated given the transition to regeneration.

We strongly support the conclusions of the Advisory Panel with respect to the need to rethink governance arrangements, especially those regarding the central city.

The central city rebuild is unique project

The central city rebuild is distinct from the wider regeneration.

The scale of destruction in what was and will in the future be the central business district of the Canterbury region has led to widespread relocation of the businesses and residents that once existed there.

Attracting businesses and residents back to the CBD is a regional priority and essential to the success of the recovery.

Businesses and residents will make their locational decisions based on the attractiveness of the central city from either a commercial or lifestyle perspective (or a combination of the two).

It is thus imperative that the central city rebuild is effected in such a way as to attract business and residential investment in a timely and efficient manner.

In recognition of this, the Government and Christchurch City Council agreed at an early stage to the identification and delivery of a series of catalytic public investments and set these out in the Central City Blueprint.

The dynamic of very significant central and local public investment designed to catalyse an even greater quantum of private investment within a spatially defined area separates the central city rebuild from the wider regeneration.

It must therefore have its own governing arrangements.

Central city rebuild governance must be fit for purpose

The size of the central city programme, including central and local government investment via the Blueprint and private sector property investment, is of a quantum which has not been seen before in this country.

It is also intricate. It requires interface between a range of public authorities and a variety of private sector investors, contractors and businesses. It incorporates planning, consenting, funding, financing, procurement, property development and infrastructure delivery. The overall programme must be coordinated, projects must be sequenced and risks must be managed – each across a multi-billion dollar, decade-long regeneration of New Zealand's second largest urban centre.

The entire process, furthermore, will be conducted under the close scrutiny of a population eager and in many cases impatient to see the full recovery of their economic, social and cultural centre.

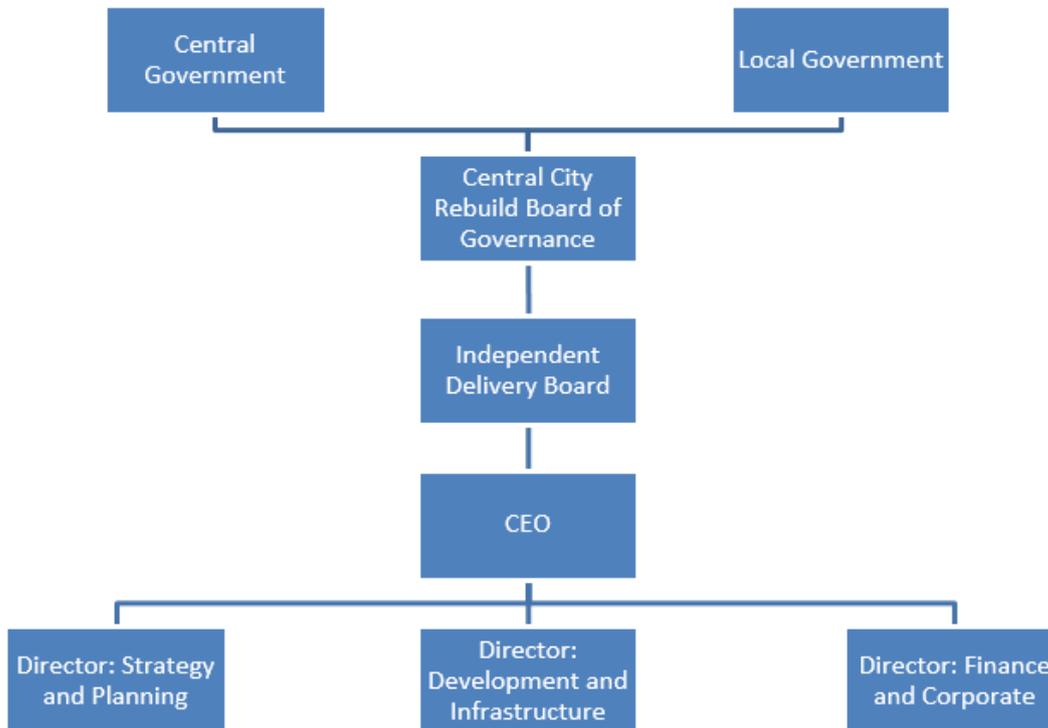
A governance and delivery model is required which reflects shared public and private interests in a successful rebuild and which has the capability and capacity to deliver a programme of this scale and complexity in accordance with general public expectation.

We support a commercially-oriented Christchurch Central Regeneration Authority jointly established by the Crown and Christchurch City Council

Successful programmes completed overseas with broad similarities in scale and complexity to the Christchurch central city rebuild, including the London Olympics redevelopment, balance public and private strengths via an independent expert governing board which sits “in between” the owners of the development programme and those responsible for implementing the owners' vision.

The governance structure set out in Figure 1 provides a stylised illustration of the type of models used to effect large, complex infrastructure and property development programmes globally, adapted for the Christchurch central city rebuild.

Figure 1: NZCID illustrative governance structure for Regenerate Christchurch



The governing or shareholders board would include representatives from central and local government, as well as, potentially, CBD property owners and iwi. It would agree and identify outcomes to be achieved from the rebuild.

Responsibility for implementing the identified outcomes would be passed to the independent delivery board comprised of experienced directors with relevant expertise, such as finance, project management and property development.

The delivery board would provide strategic direction and ultimately oversee the central city rebuild via an appointed CEO, who would in turn take responsibility for all operational decision making.

This model very closely resembles Option 2 identified by the Advisory Board.⁴

The strength of this model is that roles and responsibilities are clearly defined and the expertise of various parties can best be leveraged.

This approach is designed to reduce the impacts of political dynamics on otherwise operational decisions, while still retaining public oversight of public resources.

It is critical that the CBD redevelopment is completed with urgency and delivered seamlessly across the Crown and Council's respective asset holdings.

It is also crucial that the development agency is totally attuned to market needs, has the strongest possible procurement capability and can effectively manage capital project delivery and whole of life costs of public assets.

A jointly owned development agency governed by an independent professional board therefore seems a logical step.

Separating the operational aspects of the rebuild from political processes will be essential given the proposed five year time horizon of legislation. Christchurch residents could potentially see one change of Government and two changes of council within that time.

A further critical issue will be resourcing the agency sufficiently to avoid regular 'cap in hand' trips back to authorities. Funding and revenue allocations must be identified and agreed as part of the establishment of Regeneration Christchurch.

A jointly owned independent delivery agency is typical across equivalently sized redevelopment initiatives and is consistent with global best practice.

A single Crown-owned agency that is solely tasked with delivering Crown projects risks excessive focus on minimising upfront capital costs to the Crown while transferring risk for whole of life operational costs to the Council without adequate Council input and oversight in the initial project delivery.

Separate Crown and Council development agencies would be even less desirable. They would compete to recruit and retain the highest calibre expertise, would face difficulties in sequencing projects to market and would risk duplication of resources.

We agree with the Advisory Board⁵ that a precondition of this model is that all project sponsors participate in and are committed to the programme while transferring delivery responsibility to an independent party.

This model will not operate optimally if the Christchurch City Council and the Crown cannot agree on the terms and conditions for the central city rebuild, pool their resources and transfer delivery to an independent party representing their collective interest.

The exclusion of either party will greatly undermine the ability to engage the private sector and deliver a cohesive, well sequenced and successful central city programme.

We therefore do not support any option which sees a delivery agency responsible to either the Crown or the Christchurch City Council, even if responsibility is transferred over time to a different party.

We encourage authorities to press forward with a commercially-oriented Christchurch Central Regeneration Authority jointly established by the Crown and Christchurch City Council.

We thank CERA for this opportunity to submit.

⁵ Advisory Board, p. 12.