

Appendix:

Draft Transition Recovery Plan

Options for a Christchurch Redevelopment Agency

NZCID discussion paper
June 2014

Key Points

- Canterbury's recovery to date has been good relative to other city-regions affected by disaster.
- Canterbury's success is in large part due to governance arrangements established following the February 2011 event, which successfully matched decision making structures with public need.
- Needs in Canterbury have changed significantly, but governance arrangements have evolved only marginally, creating an increasing mismatch between the decisions which must be made and the structures in place to make and implement them.
- The needs for the central city redevelopment and wider Canterbury are intrinsically different, necessitating different response frameworks.
- For the central city rebuild, a commercially focused, expert development agency is required.
- A publicly owned organisation governed by an independent Board and responsible to central and local government representatives would be consistent with global best practice in redevelopment.

Introduction

The response to the recent series of damaging earthquakes across Canterbury began immediately following the first major event on 4 September 2010. The Canterbury Earthquake Response and Recovery Act 2010 was passed and Canterbury Earthquake Recovery Commission established within just two weeks. These measures were in effect less than six months when the destructive February 22 earthquake hit, necessitating a stronger response. The revised Canterbury Earthquake Recovery Act 2011 established the Canterbury Earthquake Recovery Authority (CERA) and empowered the Minister to manage the national response.

The 2011 Act remains in effect, but has a limited lifespan of five years from enactment. Without legislative revision, both the Act and the powers which support it will be disbanded on 19 April 2016. Longer term governing responsibilities are yet to be confirmed, but the movement of CERA into the Department for Prime Minister and Cabinet, now underway, suggests a smaller role for CERA in the future. This report considers options for transitioning to a new governance arrangement with particular regard to the central city rebuild.

Evaluating the recovery

Evaluating the success of recovery is not a straight forward exercise; there are no domestic or international standards, indicators or benchmarks against which recovery can be measured. This leaves comparison as the only broadly practical tool to understand progress, and even this is difficult due to the bespoke nature of any, or any set of, major disasters. Nevertheless, to the extent that Canterbury can be compared to other areas hit by large natural disasters, the recovery performs well.

Comparative recovery performance

In New Orleans, for example, which suffered catastrophic flooding and wind damage following Hurricane Katrina in 2005, the most important recovery indicator – population – suggests dramatically worse post-disaster management. The city lost over 50 per cent of its pre-event population of 450,000 in the months following the storm. By the 2010 Census, it had recovered to 350,000, but remains today over 10 per cent smaller than in 2005. Even the overall population of the state of Louisiana was impacted, not recovering its 2005 level until 2012.¹

Recovery from the 2009 L'Aquila earthquake in Italy, meanwhile, suffered different issues. Accusations that reconstruction funds were being channelled to the mafia² emerged soon after the event and have plagued the recovery ever since. Three and a half years later, the New York Times reported that fewer than a dozen buildings had been repaired in the central city out of the hundreds damaged.³ Central government efforts were so ineffective that management responsibilities were handed back to regional authorities after several years of stalled progress. Still today, some five years after the event, 40,000 people remain without a home and 95 per cent of the rubble is yet to be removed from the heart of the city.⁴

Even in relation to Japan, where the frequency of earthquakes is such that the country maintains an efficient and effective response framework, the early phase of response in Canterbury performed acceptably. Following the 1995 Kobe earthquake, Japanese authorities restored infrastructure within two years. SCIRT will largely complete this work within five years, however, major contractors employed in Kobe were generally large, Tokyo-based operations. They were able to gear up, displace local contractors, complete a decade of construction within three years and depart, exposing the city to immediate and prolonged economic stagnation.⁵

Canterbury, in contrast, had already more than recovered its 2006 Census population by 2013 and, despite early departures, Christchurch will likely exceed its pre-earthquake population in 2014. There have been no substantive accusations of corruption or significant misspending and the only demonstrable breakdown in governing activities has been the important, but not critical, loss of consent accreditation by the Christchurch City Council. The economy is now thriving on the back of repairs, with no end in sight, and unemployment is so low that the Government is offering cash grants for New Zealanders to move there.

Surveyed performance

In an overall sense, therefore, it is possible to conclude progress in Canterbury has been at least satisfactory in relation to other similar disaster zones and further investigation may in fact reveal a more positive assessment. Snapshot comparisons to overseas, however, are static and only compare Canterbury with other disaster-

¹ United States Census Bureau.

² <http://www.theguardian.com/world/2009/apr/17/italy-earthquake-mafia-corruption>

³ http://www.nytimes.com/2012/12/01/arts/design/in-laquila-italy-lessons-for-rebuilding-from-storm.html?_r=0

⁴ <http://www.irishtimes.com/news/world/europe/l-aquila-remembers-dead-of-2009-earthquake-1.1752214>

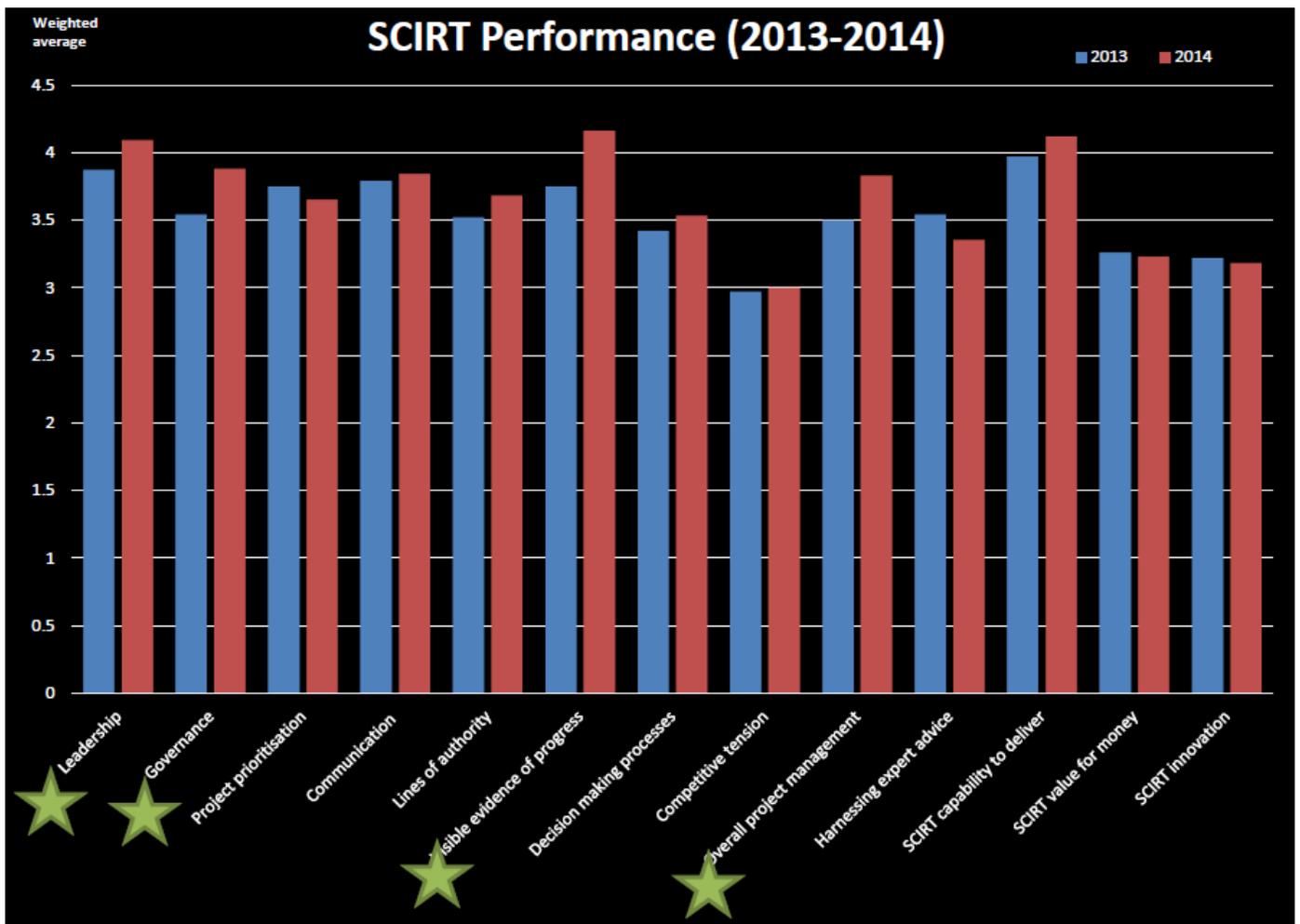
⁵ Haruo Hayashi, Kyoto University, http://www.hks.harvard.edu/var/ezp_site/storage/fckeditor/file/pdfs/centers-programs/programs/crisis-leadership/Hayashi_LTR.pdf

affected areas at a broadly similar point in time. Changes in progress momentum are not recognised, so it is impossible to know whether the recovery effort is improving or not. They are also output based and, despite this being the most important metric, do not permit an understanding of which parts of the recovery are progressing well and which are not.

The New Zealand Council for Infrastructure Development (NZCID) was interested in understanding at a higher level of detail how the recovery was progressing. Between February and April 2013 we undertook a survey and series of in-depth interviews with infrastructure sector leaders involved in the Canterbury recovery. We wanted to know whether the general level of progress was improving or not and which aspects of the recovery were strengths and which weaknesses. The study was replicated in 2014 to track progress and identify any emerging issues.

The 2014 survey and interviews in many respects replicate findings from 2013. SCIRT continued to attract the most positive sentiment both among interviewees and survey respondents. Fewer than 5 per cent of survey respondents felt SCIRT’s leadership, project prioritisation and capacity to deliver have been ‘weak’ or ‘very weak’. In addition, governance, communication, evidence of progress and overall project management are now viewed very favourably. Encouragingly, every one of the 13 SCIRT indicators recorded more positive responses than negative or unsure, and average ratings out of five sit around a robust 3.5. The only concerns with SCIRT were that across several indicators, including value for money, innovation and competitive tension, evaluations of ‘strong’ and ‘very strong’ performance represented fewer than 30 per cent of responses.

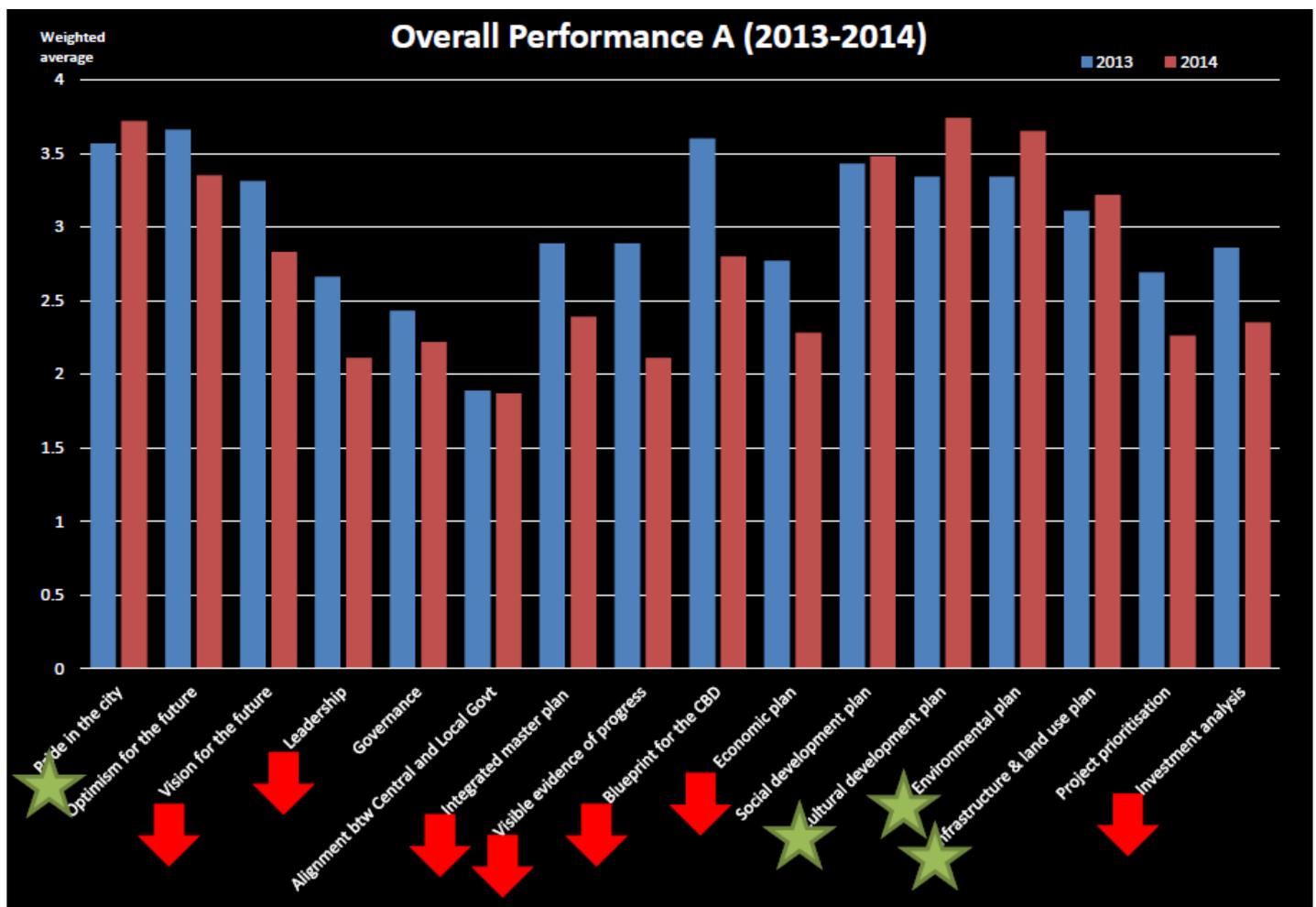
Figure 1: NZCID Insights into Canterbury 2014 Survey – SCIRT Performance Assessment

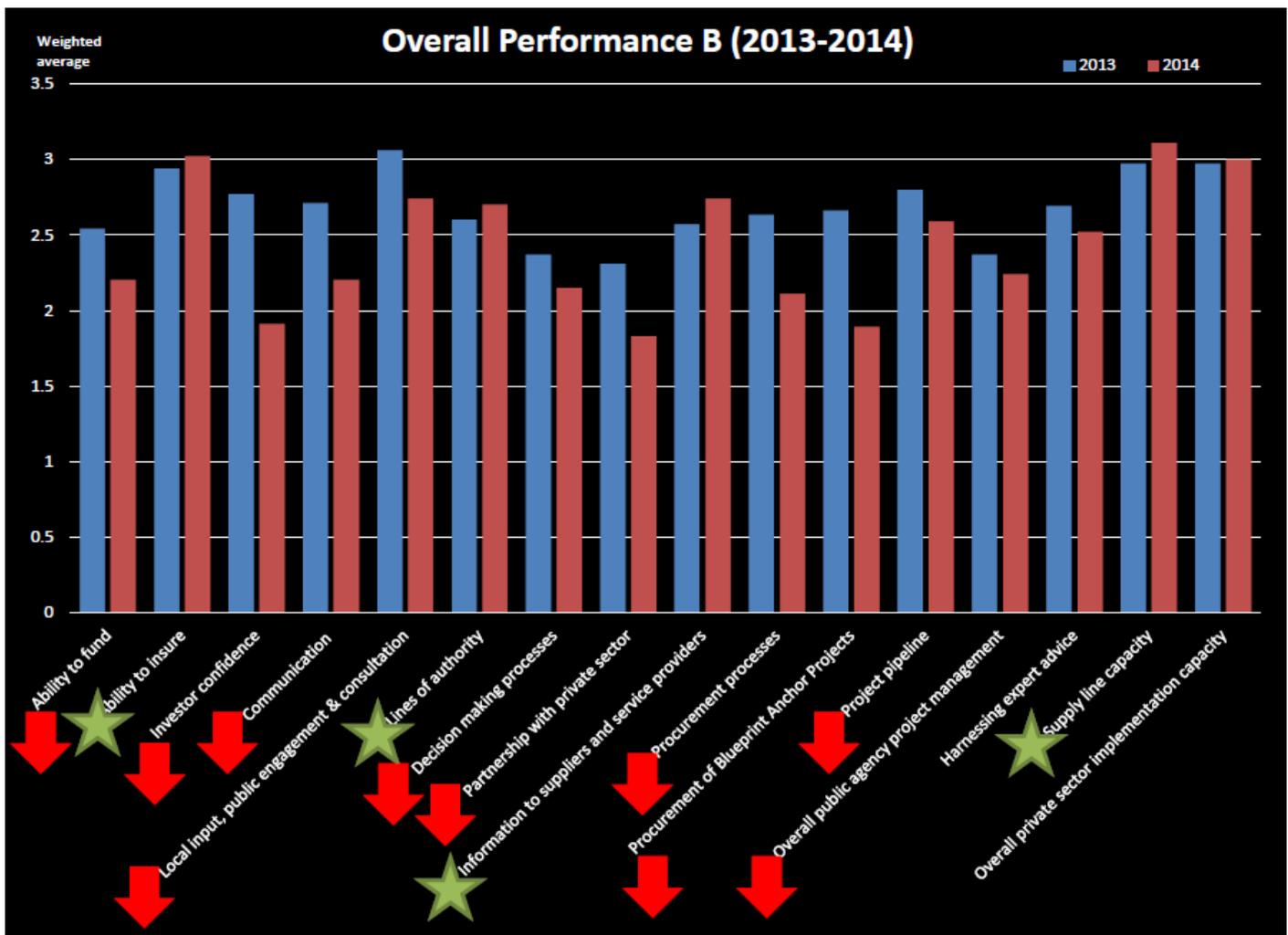


Of particular significance with respect to SCIRT, was year-on-year performance. Survey responses in 2014 were an improvement on 2013, despite good results in that year. Leadership, governance, visible evidence of progress and project management all returned noticeably better results in the 2014 survey. Only in the valuation of harnessing expert advice did SCIRT’s performance discernibly slip. All in all, SCIRT was perceived as delivering on its objectives and this high level of satisfaction is clearly reflected in the findings.

Assessments of wider Canterbury progress, on the other hand, were less favourable. While none of the 13 SCIRT criteria recorded a larger number of weak and very weak assessments over strong and very strong, 20 of the 32 overall situation indicators (60 per cent) saw negative responses exceed positive. Average ratings across all 32 indicators were approximately 2.5 out of 5.0, a full point below the SCIRT evaluation. Alignment between central and local government, investor confidence, partnership with the private sector and anchor project procurement all returned scores below 2 out of 5. Interestingly, areas often highlighted as problematic, including insurance and industry capacity, performed reasonably well.

Figure 2: NZCID Insights into Canterbury 2014 Survey – Overall Recovery Performance Assessment





But of even greater concern, evaluations of overall performance declined noticeably year on year. Just 7 of the 32 criteria assessed saw visible improvement over 2013, four recorded little or no change and 21 evaluation categories witnessed declines. Large reductions in leadership, master planning, visible progress, investor confidence and procurement were not matched by relatively small improvements in community planning, pride in the city, supply line capacity and lines of authority, creating a strong overall impression of falling perceptions among key industry representatives of overall progress in Canterbury.

In contrast to the international comparator snapshots, the 2014 survey findings present a generally poor view of the overall recovery. The deterioration in perceptions of overall progress between the 2013 and 2014 surveys stands out as a heightened concern, but it is also true that opinions of the overall recovery were not discernibly positive in 2013. SCIRT performance was consistently strong across both surveys and, if anything, marginally improved over the course of 2013.

Many of the factors responsible for driving falling perceptions are highlighted in the performance assessments. They include core activities such as planning, communication, procurement, funding and governance, as well as more effects based variables, including confidence and evidence of progress. But perhaps more importantly, general comments submitted through the surveys and interviews emphasised issues at a more fundamental level.

Organisations involved in the recovery were considered to be 'out of their depth', 'struggling' and coordinating and communicating 'poorly'. Many felt that the organisations were not equipped to procure efficiently and that visibility was 'opaque'. Key positions in critical organisations were not sufficiently empowered and lacked 'baseline experience'. 'Cracks' were observed in the relationship between central and local government and the city was viewed as operating in 'isolation' from the region. All in all, feedback firmly allocated ultimate responsibility for disappointing recovery progress to the governing entities, relationships and processes put in place following the February event.

Reconciling views on the recovery

On first appearance, the assertion that Canterbury's governance system is impeding the recovery seems incongruous with assessments which show the Canterbury effort compares well against other similar disaster-affected regions. But when viewed in light of deteriorating performance between 2013 and 2014 and placed alongside other findings which recognise the importance of several key early decisions, a picture emerges of a recovery that got off to a very good start but has since lost momentum. To understand why, it is necessary to look at the structure which has overseen the recovery to date.

Leading the overall recovery

In the months following the February earthquake, the Government installed an hierarchical and empowered governance framework in Canterbury. This model, including a dedicated earthquake authority reporting to a Minister, was recommended by Treasury following learnings overseas. It carried the twin benefits of facilitating decision making both 'across' multiple Ministerial portfolios and 'down' through a new agency with direct Ministerial oversight. It was deemed necessary to meet the scale of the challenge and coordinate with various parties in a timely and effective manner.⁶

Figure 3: Canterbury Governance Framework⁷

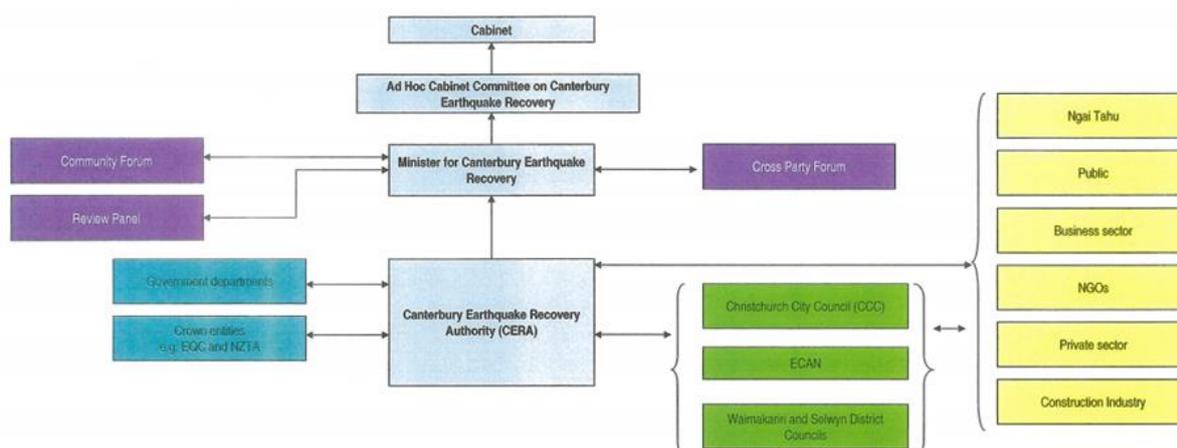


Figure 3 reveals the strength of the CERA and wider Canterbury model. A firm line of authority can be observed from Cabinet through to the Minister and CERA. Major relationships across the political establishment, public organisations, the private sector and the general public, all intersect with the role of the Minister, providing a

⁶ Treasury, *Canterbury Earthquake Recovery: Proposed Governance Arrangements*, March 2011, <http://www.treasury.govt.nz/downloads/pdfs/b11-2035181.pdf>

⁷ The Treasury, Budget 2011 Information Release, June 2011, Annex 1.

single point of integration and prioritisation. Large, difficult decisions are channelled directly to the key resourcing, decision and rule making bodies within New Zealand and an elected official represents the public response.

This structure permitted a number of early, critical decisions to be made. Perhaps the most important was that which involved the red-zoning of large tracts of valuable land, especially in and around the city centre. Determining early on in the process that, firstly, certain areas could not and would not be built upon within an acceptable timeframe and, secondly, acting upon this determination to provide certainty to property owners, was highlighted through a 2013 NZCID business leaders survey as a strength of the CERA model.⁸

Another bold decision shared and delegated responsibility for a major, critical component of the recovery, eventually leading to the establishment of SCIRT. Consolidating and transferring the greater part of operational decision making for horizontal infrastructure rehabilitation to an expert consortium allowed key decision makers across affected public agencies to focus on wider issues. Also important was development of the city blueprint which firmly established Government and council support for a regenerated city centre, giving early certainty to land owners and longer term confidence to investors.

Delays on any one of these issues had the potential to greatly impede progress in the region, leading to a loss of confidence in the recovery. Instead, Canterbury, and especially Christchurch, was able to emerge from the disaster response phase following the earthquakes in a comparably good position relative to other disaster zones.

The enhanced post-February governance structure is, however, a structure for managing people and communities, rather than projects and investment. Its strength lies in the capacity for a single elected person to exercise human judgement when urgency must prevail over standard, but protracted research, engagement and collaborative procedures. Inherently political decisions over life and death, who gets what and when, and where public resources are allocated demand accountability to the general public. This model provides that accountability and supports it with necessary implementation tools.

But as the recovery has moved from regional disaster management to central city rebuild, weaknesses in the Canterbury model have been exposed. Decisions that were once political, have become increasingly technical, demanding multi-faceted expertise across procurement, capital raising, market capacity, project management and risk. Skill sets, processes and decision making structures, meanwhile, remain oriented to serving residents and citizens, not markets and corporations. Sensitive issues affecting individual and property rights have been replaced by commercial decisions with longer time horizons and different risk profiles. And what was once a core strength of the recovery – access to and allocation of vast public resources – is now attracting ongoing politicisation and debate, greatly enhancing risk-adversity and slowing decision making.

Throughout this process, a single elected representative has been left performing a variety of functions spanning those of a Chairman, Board and CEO. The Minister benefits from no expert oversight via a professional Board and must rely upon official advice for business decisions involving markets, long term capital returns and commercial risk. Political responsibilities which cannot be eschewed add planning, regulation, communication and political management to already challenging financial and implementation duties across an extremely complex urban redevelopment.

The type of skills and structures which support these types of decisions are intrinsically different than the skills required to govern people and allocate public resources according to broad environmental, social, cultural, political and economic outcomes. Commercial proficiency, knowledge of markets, understanding of risk,

⁸ NZCID, Insights on Canterbury, 2013.

procurement experience and the ability to manage project implementation are the skills now required to move Canterbury forward.

Yet throughout the transition to a new recovery phase, the basic decision making structure in place since April 2011 has remained. Some modifications have been forthcoming, including the establishment of the CCDU, and there has been gradual replacement of some skills. But surveyed opinion suggests that these changes have not been sufficient to keep pace with the overall recovery. The Canterbury governance framework appears increasingly inconsistent with other successful rebuild arrangements and is likely to now be operating as a constraint upon progress.

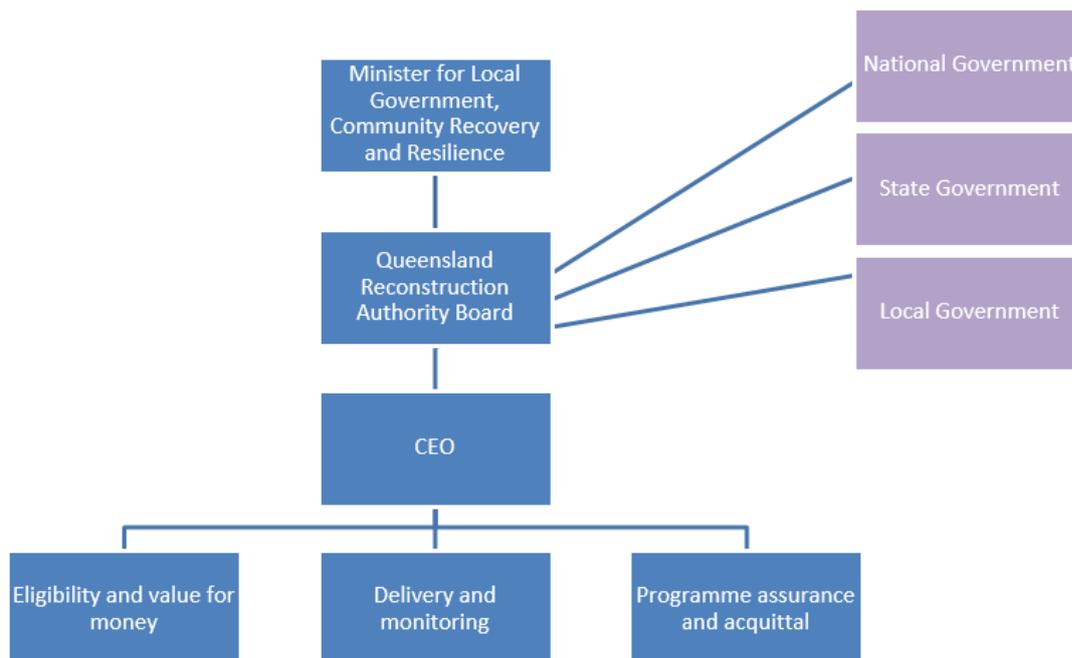
Comparator governance models

NZCID investigated other rebuild approaches for learnings and best practice exemplars. The rarity of Canterbury-sized disasters in developed democratic nations greatly reduce opportunities for relevant comparison. Indeed, the only comparable set of circumstances NZCID could find occurs in post-flood Queensland. There are, however, several more general redevelopment frameworks, such as those in Singapore and various Australian states, that can be examined for learnings given the transition in Canterbury from disaster response to rebuild has largely been made.

Queensland Reconstruction Authority

The floods which hit Queensland (and other parts of Australia) over late 2010 and early 2011 are estimated to have caused damages and loss close to NZ\$20 billion, including around \$6 billion of damage to infrastructure and \$5 billion to housing.⁹ In response the Queensland government established the Queensland Reconstruction Authority (QRA) and charged it with coordinating the efficient and effective management of the programme of recovery. Figure 4 sets out the governance arrangements in Queensland.

Figure 4: Queensland Reconstruction Authority Governance Structure



⁹ World Bank, Queensland Recovery and Reconstruction in the Aftermath of the 2010/2011 Flood Events and Cyclone Yasi, June 2011.

Operating under the Queensland state government, the Board reports to the Minister for Local Government, Community Recovery and Resilience. The seven members must be appointed by the state government, but include one local government and two nationally nominated representatives. Three members must have expertise and experience in engineering, finance, planning or another appropriate field. There are no requirements for the Chairperson, however, both holders of this position have been retired military personnel.

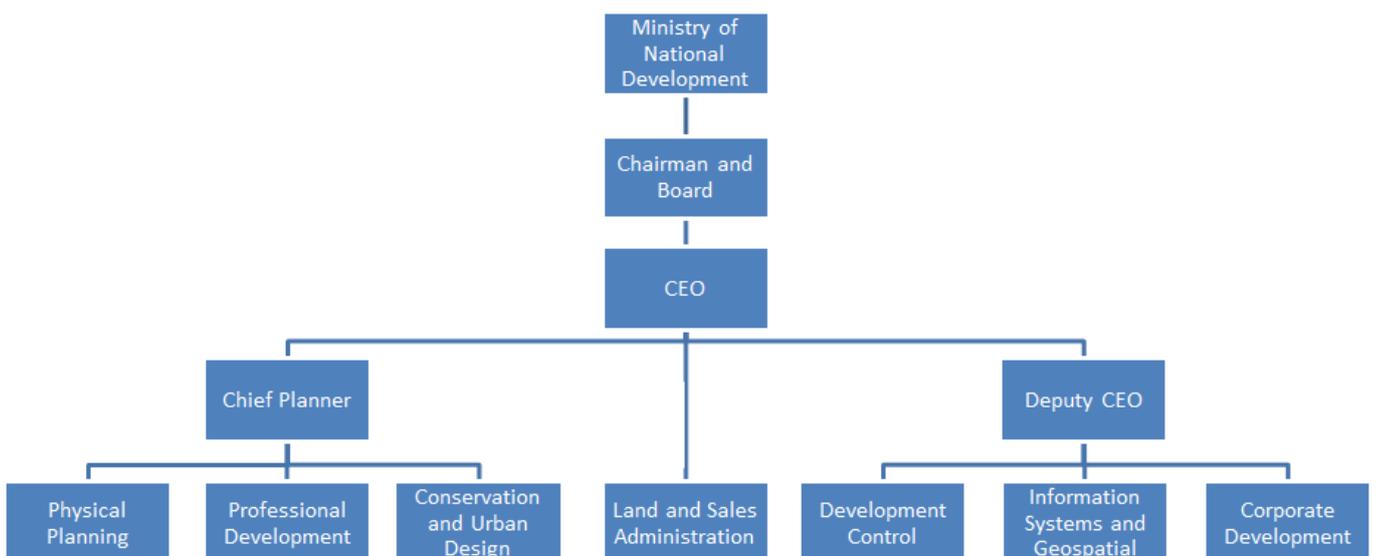
The Board sets strategic direction, makes recommendations to the Minister and oversees QRA performance. The CEO is appointed by the Queensland Government and ensures the QRA performs its functions. These functions include prioritising infrastructure, collating and sharing information and coordinating financial assistance.

The QRA proved a highly effective mechanism to respond to the floods. Twelve months after its establishment, A\$3 billion of capital works had been completed or was underway.¹⁰ In fact, the authority was so successful that it quickly took on a more permanent role coordinating prior as well as emerging natural disaster response. The World Bank has praised the recovery effort and declared that it met global best practice.¹¹ Although it is clear the pre-existing Queensland disaster preparedness framework played a large role in the successful recovery, the QRA model was evidently effective.

Singapore Urban Redevelopment Authority

Figure 5 displays the organisational structure for another successful publicly owned redevelopment agency, Singapore’s Urban Redevelopment Authority (URA). It evolved out of a government department established to clear slums, provide public housing and facilitate commercial development in the wake of independence from Britain. It was converted into an independent statutory Board under the Minister of National Development in 1971 and was initially guided by a concept plan. Today it is involved in planning, development, conservation, land sales and urban design. It is a major force behind Singapore’s reinvention over the past five decades as a world class city.

Figure 5: Singapore Urban Redevelopment Authority Governance Structure¹²



¹⁰ Queensland Reconstruction Authority, Operation Queenslander 2011-2013, p. 7.

¹¹ World Bank, p. 3.

¹² NZCID, using information from <http://www.ura.gov.sg/uol/~media/User%20Defined/URA%20Online/about-us/chart.ashx>

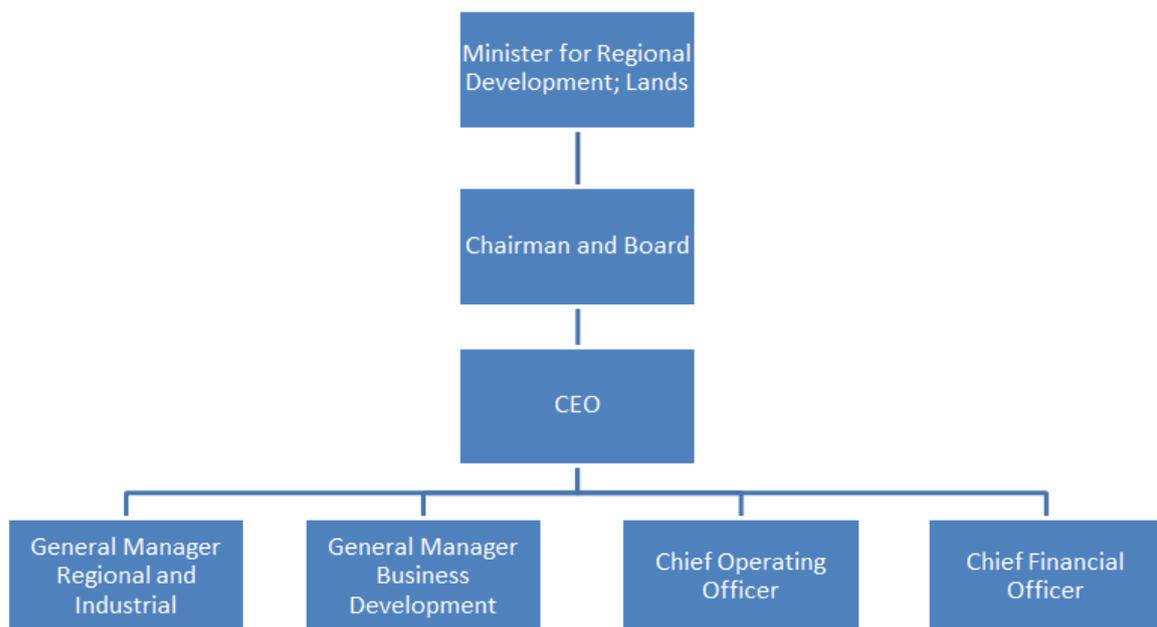
The city-state of Singapore maintains no second tier of governance, so there is no need to align objectives with other governing authorities, other than to integrate public service portfolios. Strategic direction and resourcing is monopolised by the Government, but the Government opted to constrain its wide authority with the establishment of the independent board. This approach separates political leadership from operational management. The link to national resourcing and authority is, however, maintained and a small number of direct reports allows the CEO to engage with the Board and Government on strategic issues.

Ownership of the URA remains wholly within government and the Board responsible to the Minister. The URA maintains a broad remit, with significant non-commercial responsibilities. A direct line of authority from an independent, professional Board through to management characterises decision making processes, and the CEO function retains relatively few direct reports. Leadership is therefore positioned to take on a wider strategic function, while operational duties are classified according to more rigid, commercially oriented activities with explicit accountability.

Australian government land organisations

Also effective, but operating under a generally more independent mandate across less sensitive issues, are the various manifestations of government land organisations in Australia. Organisations like Landcorp (Western Australia), Renewals South Australia and Places Victoria are statutory state development agencies responsible to a Minister for developing strong, vibrant communities. They perform a variety of functions based around both commercial and non-commercial activities, including property development, planning and design. The governance structure for Landcorp is set out in Figure 6.

Figure 6: Landcorp Governance Structure



A clear line of authority flows from the Minister to the Board through to the CEO and management. However, unlike the Canterbury model, which transfers executive authority to the Minister with relatively few constraints, Landcorp's governance and the responsibility of various parties is firmly set out in law. The Minister approves annually a Statement of Intent and Strategic Development Plan and is required to sign off large transactions, but any further direction must be tabled before Parliament. The Board of independent directors is appointed by the Minister and is the interface between the Government and Management. At least four Board members must have

relevant experience. The Board provides strategic direction and appoints the CEO who is responsible for day to day operations.

Some notable successes have marked the activities of government land organisations, perhaps the most well-known being the Docklands development in Melbourne (completed by Places Victoria predecessor Vicurban). While there has often been, in the first instance at least, a transfer of public assets to the organisations, the agencies generally are self-resourcing, using the proceeds of development to fund their activities.

The Singapore and Australian governance models address slightly different questions than those posed in Canterbury. Neither has evolved in the context of a natural disaster, though the URA did emerge from a similar scale challenge. Both are, however, broad public organisations performing both commercial and non-commercial functions across loosely defined geographical areas. As longer term options, they may offer learnings for Canterbury governance, but given the concentration of issues and opportunities in the defined central city area, a dedicated project-oriented delivery vehicle is likely to provide the best outcome.

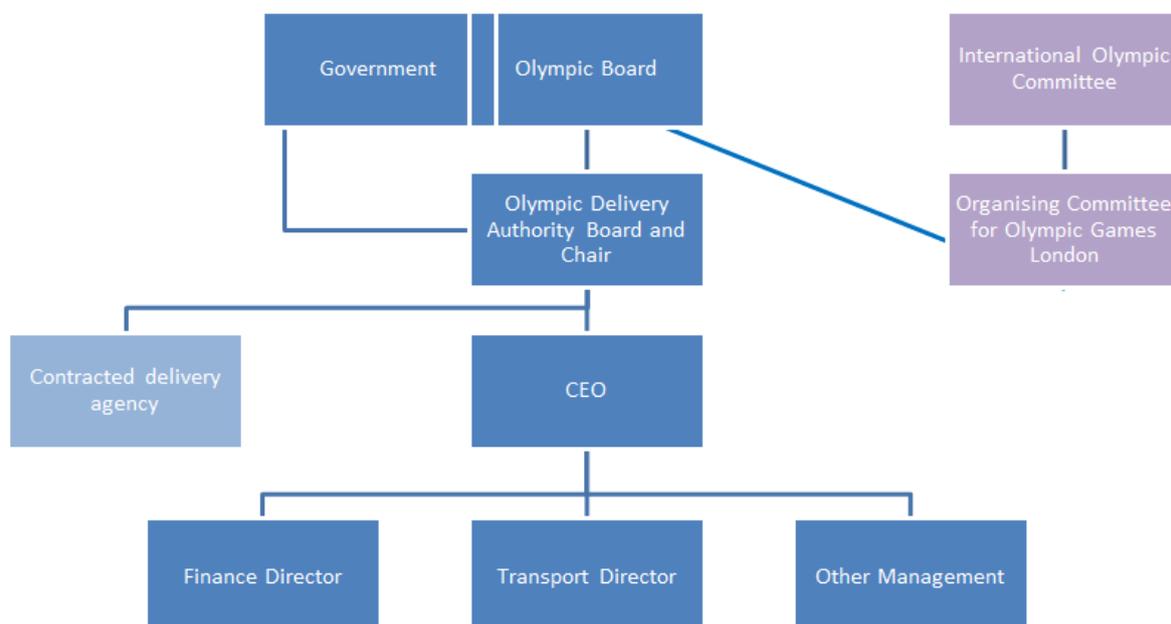
Project governance

NZCID investigated other defined redevelopment projects worldwide with a view to informing governance thinking for the central city rebuild. As with governance more generally, there are a number of similarities across comparable projects which differentiate the central city response from global best practice.

London Olympics Delivery Authority

Figure 7 shows the high level structure for one successful recent rebuild project, the 2012 London Olympics.

Figure 7: Olympic Games Governance Framework



Though not a disaster recovery, the London Olympics project is a major urban regeneration similar in several respects to the central Christchurch rebuild. The quantum of public investment is comparable (£6-8 billion), as is the area under redevelopment (227 hectares). Large cornerstone central government contributions supported by significant minority shareholdings from local government are being used to catalyse private sector investment and regenerate a community. A notable additional complexity initially confronting London was that the principal

project phase had a definitive, immovable completion date (the Games themselves), necessitating a governance structure that reflected the high degree of political responsibility and risk.

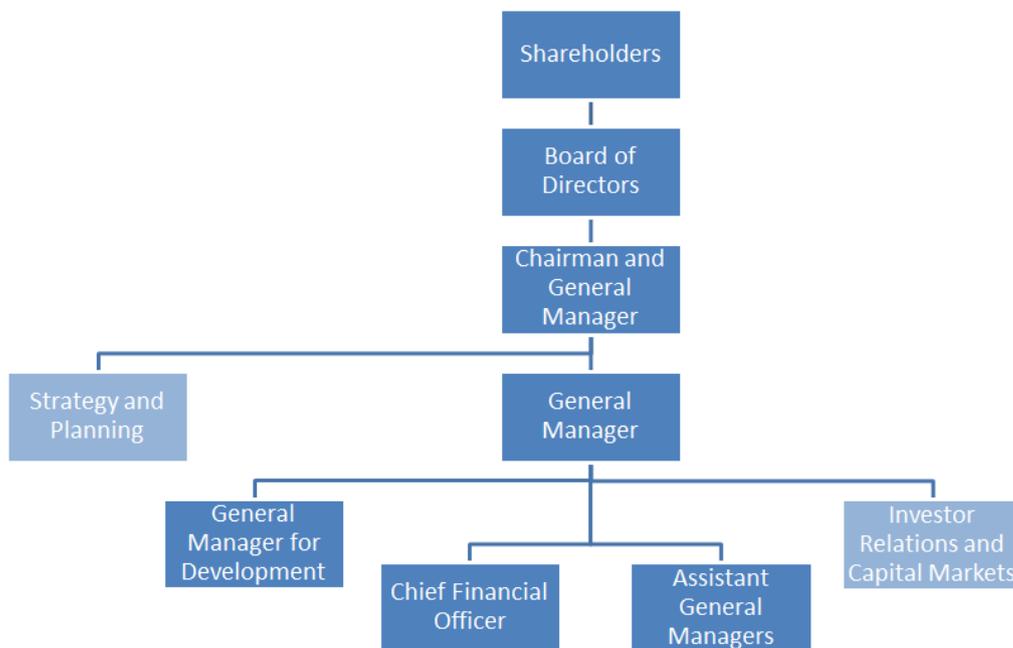
A feature of the London approach is that Government retained ultimate control over the project, but operational decision making was delegated to appointed experts with the desired skills. The London Olympic Games and Paralympic Games Act 2006 empowered the Secretary of State to appoint the Olympic Delivery Authority (ODA) and Chair, following consultation with the Mayor of London. The ODA was the entity charged with delivering the transport and infrastructure necessary to host the Games, as well as subsequent conversion of the site into housing, parks and other services. To avoid having to scale up and down within a short period, it contracted a private sector Delivery Partner to manage the highly complex construction programme. The ODA was overseen by the Olympic Board, which included Government Ministers and the Mayor of London.

The ODA delivered the Olympic Games on time and within budget. It is now in the process of transforming the Olympic Village into residential apartments. In just over a year following the Paralympics, over 1900 units had been converted into new homes.¹³ To the limited extent that comparisons are possible, it took Housing New Zealand three years to repair its 1000th earthquake-damaged home.¹⁴

Beirut Redevelopment Company

Figure 8 shows the structure for another equally effective, though contextually different entity, Solidere. It has been the entity responsible for redeveloping Beirut’s central district following the 1975-1990 civil war. It was established in 1994 to supervise delivery of the Government’s reconstruction plan. Solidere retains some special statutory rights, but is also a privately owned joint stock company with shares traded on the Beirut and London stock exchanges. Its activities include master planning, land development, property services and facilities management.

Figure 8: Solidere Governance Structure¹⁵



¹³ <https://www.gov.uk/government/news/oda-starts-handover-of-east-village-homes>

¹⁴ <http://www.nbr.co.nz/article/one-fifth-damaged-state-houses-fixed-christchurch-dc-p-154762>

¹⁵ NZCID, using information from <http://www.solidere.com/sites/default/files/attached/corporate--financial-report.pdf>

Solidere is a private company with a commercially oriented governance structure. Management reports to a Board which in turn is accountable to shareholders. It was established to deliver an agreed development plan which initially provided a defined set of outcomes for the specialist organisation to pursue, as well as criteria against which performance could be monitored. Direct lines of authority flow through to management and the CEO function (Chairman and General Manager) maintains one direct report. Leadership is therefore positioned to take on a wider strategic function, while operational duties are classified according to more rigid, commercially oriented activities with explicit accountability.

Several aspects of the Solidere approach are not transferrable to New Zealand, including the company's ability to force purchase land in exchange for shares, but as a delivery vehicle it has been highly effective. Within a decade of its establishment, the previously war-torn area was attracting major foreign and domestic investment and today Solidere is widely acknowledged for its successful regeneration of the political, cultural and historic centre of regional economic and social activity.

Canterbury models

Comparing the SCIRT governance structure in Figure 9 with CERA's in Figure 10 underlines further the uniqueness of the CERA arrangement. SCIRT differs from other models because it is an alliance structure with both client and delivery partners working together within the same entity. Again, however, operational decision making is separated from shareholding parties by a Board. The Board is partially independent, consisting of one member from each of the three client organisations and one from each of the delivery partners. The Board operates as the principal interface with shareholders, reducing the strategic load on management, and maintains significant expertise to oversee operations and inform overall direction.

CERA, meanwhile, retains very much a public governance structure, consistent with councils and other government departments. Senior level responsibilities are allocated according to a mix of activities and outcomes, inhibiting accountability, and the CEO manages five direct reports, reducing strategic capacity. Local government sits outside central lines of authority, impeding integration and creating an uneasy and at times unclear democratic environment. The Minister retains responsibility for some operational decision making and is not accountable to an independent Board. The Minister does ultimately report to a special committee of Cabinet, but this is a wholly political establishment with limited expertise to oversee rebuild performance.

Figure 9: SCIRT Governance Structure¹⁶

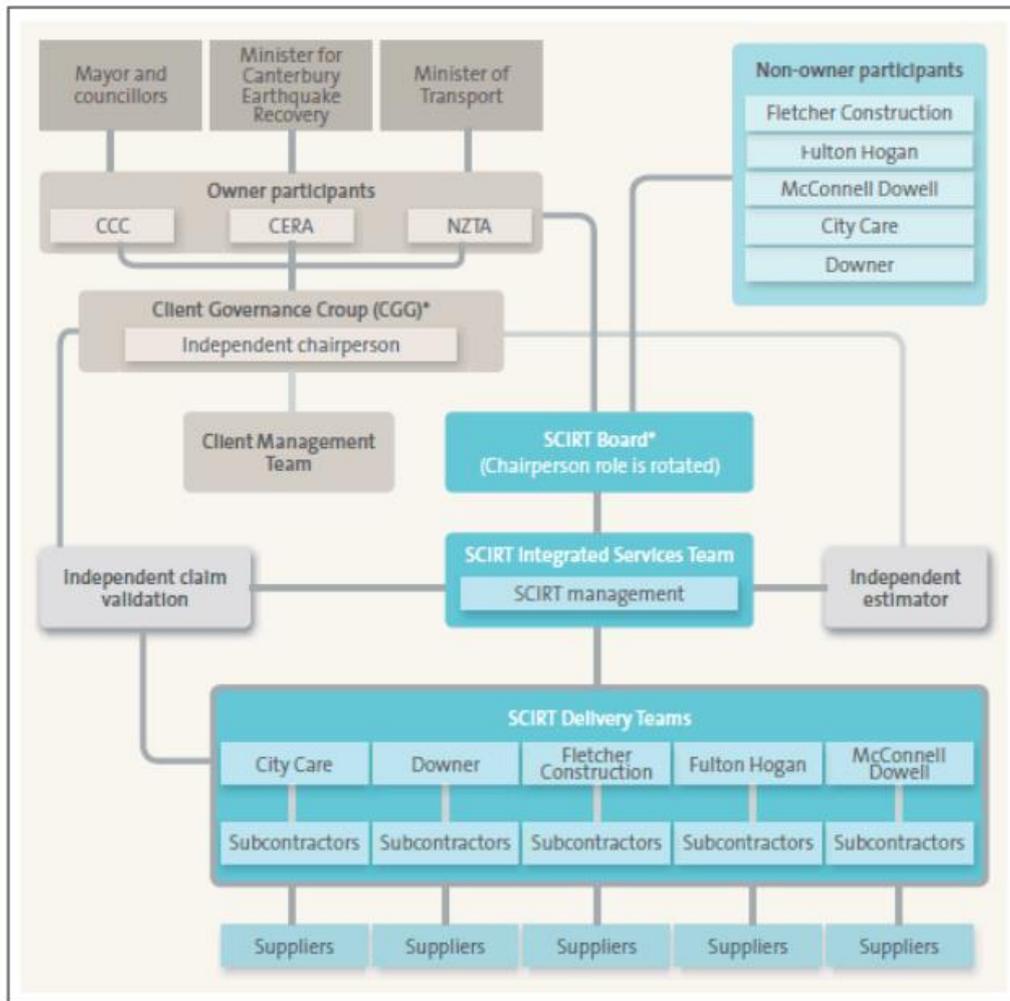
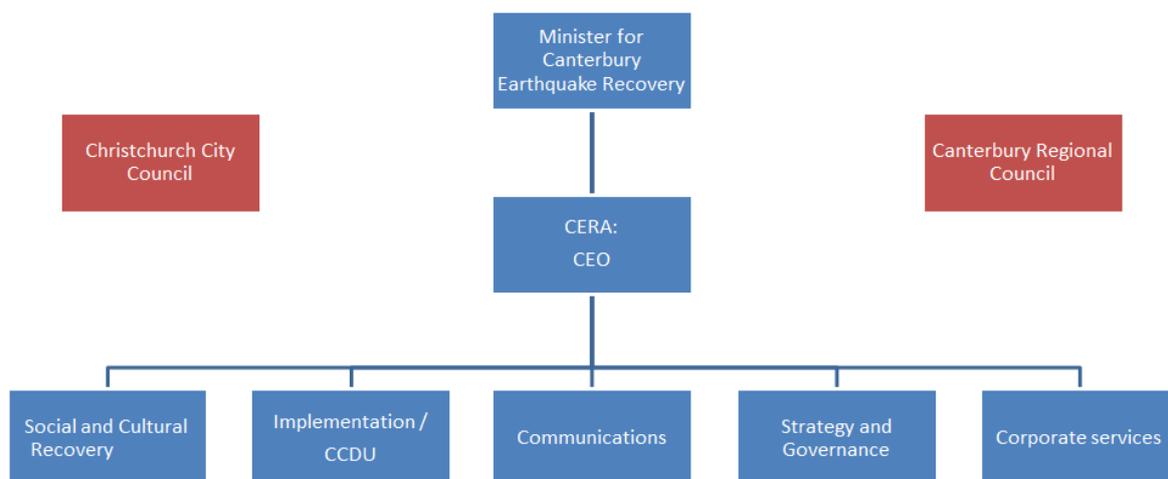


Figure 10: CERA Governance Structure



¹⁶ Controller and Auditor General, Effectiveness and Efficiency of Arrangements to Repair Pipes and Roads in Christchurch, November 2013.

Similarities across successful initiatives and their contrast with Canterbury provide insight into why progress is now experiencing obstacles. It is in fact difficult to find a governing framework similar to Canterbury's across any effective rebuild project worldwide. The global norm for even the most politically sensitive of projects is to deploy a professional Board between management and political leaders, thus delegating operational decisions to experienced experts and separating political decisions from commercial.

Potential delivery models for the central city

The most readily implemented model consistent with international best practice to assume responsibility for the central city rebuild would be a strengthened and more independent variation of what is currently in place. The preferred governance arrangement for the city centre rebuild would be configured to integrate the public sector investment programme and promote and support private investment. An indicative governance chart is set out in Figure 11.

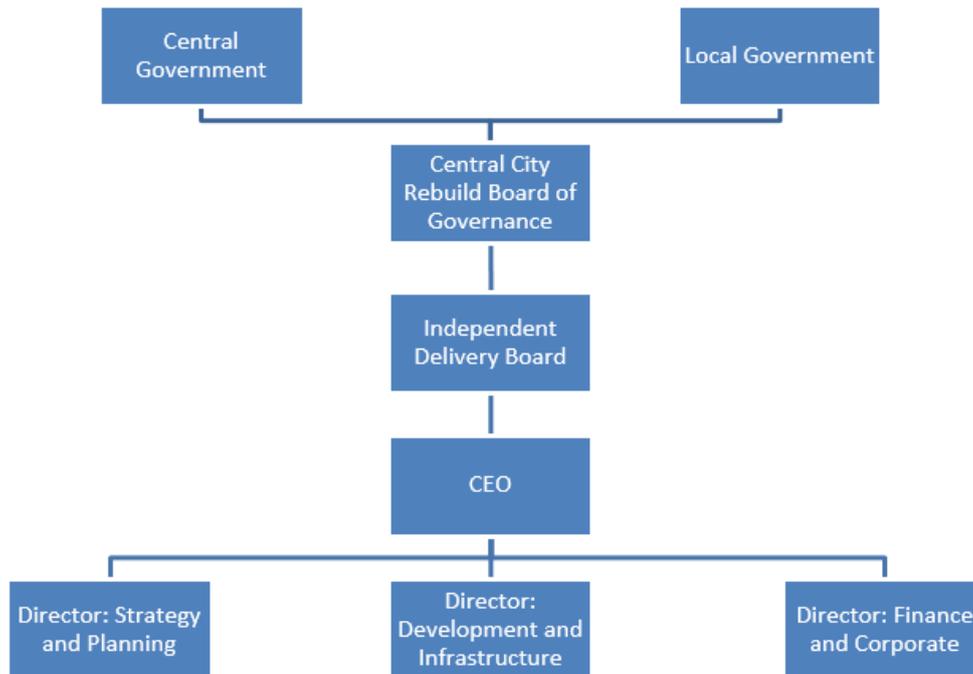
The Central City Rebuild Board of Governance comprises the two shareholders, represented by the Minister for Canterbury Earthquake Recovery and the Mayor of Christchurch City Council. It assumes responsibility for consolidating and harmonising shareholder objectives for the central city rebuild and the overall funding envelope. It appoints the independent board, identifies outcomes and performance metrics, develops annual statements of intent, agrees funding obligations and balances political imperatives.

The independent board operates as the interface between governing shareholders and management. Board members are appointed by the Committee on the basis of experience and expertise across key rebuild activities, including finance, planning and property management. The board provides strategic guidance to the CEO, who has responsibility for operational decision making.

The strength of this model is the delineation of political, strategic and operational decision making. Public ownership, control and accountability is maintained without compromising the expertise and experience necessary to successfully manage such a complex work programme. In establishing the entity and skills necessary to deliver a major redevelopment, there is also likely to be longer term commercial opportunities both in New Zealand and overseas.

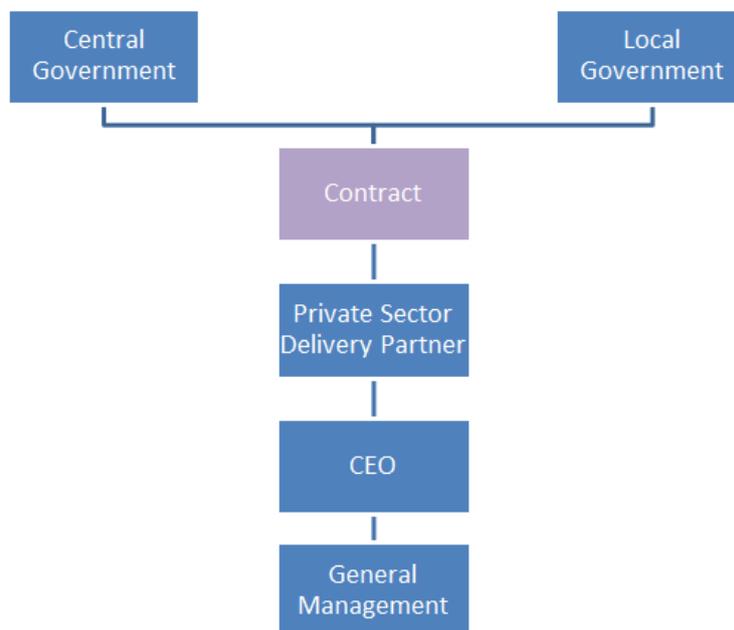
A potential weakness of this model is that the public ultimately retains risk for the central city rebuild, including commercial property demand and project sequencing and management. Accordingly, the cost implications from sub-optimal decision making, scope creep, funding challenges, political change and other factors will be assumed by tax payers and ratepayers. Expert leadership is designed to mitigate risk to shareholders, but many non-operational matters will remain beyond the control of management.

Figure 11: Option 1 – Enhanced Governance Structure for Canterbury CBD Rebuild



Alternative model: Intelligent Buyer approach

Figure 12: Option 2 – Intelligent Buyer governance structure



An alternative to a publicly owned and funded entity with independent Board is a privately owned and managed development agency wholly separate from the public, except through contracted performance conditions. Variations may include a private sector partner working in alliance with the public to deliver the central city blueprint, or a competitive tender to design, build, fund, operate and manage the anchor projects and public land holdings in the city centre for a concessionary period. An indicative structure is presented in Figure 12.

The strength of this model is risk transfer. Responsibility for delivering the rebuild is passed to a delivery partner and significant risks around capital raising, construction, project sequencing, geo-technics, skills access, property demand and other factors are moved away from public bodies. The private partner is required to deliver on contracted outcomes, but otherwise is granted flexibility to innovate and deploy expertise according to commercial objectives. Failure to meet contractual obligations results in penalties and abatements, while efficiencies increase private returns. The major attraction for the private sector is the opportunity to exceed expectations and fast-track development in the central city, increasing rental and other returns, while the public is insulated from construction cost blow-outs and slower than predicted property uptake.

The biggest impediment to this model is likely timing. Progress in the central city may now be too far advanced to offer the private sector sufficient scope to master plan, innovate and deliver a single, cohesive development. A perceived weakness is that public officials will lose control but not accountability for the central city rebuild and there may be an additional concern politically in selling a profit-oriented model to the general public. In both instances it is important to note that there is no evidence to show that the public is likely to be as effective as a contracted expert private sector partner in progressing public objectives on a project of this nature. The priority will be ensuring the contract is robust and accurately identifies all desired public outcomes.