

10. CENTRAL PLAINS WATER TRUST : QUARTERLY REPORT TO 30 JUNE 2004

Officer responsible General Manager, Strategic Development	Author Allan Watson Infrastructure Policy Leader, DDI 941-8303
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The purpose of this report is to provide a quarterly report to the two settlers of the Central Plains Water Trust, Selwyn District Council and Christchurch City Council, as required by the trust's constitution.

PROGRESS TOWARD ISSUING PROSPECTUS

Councillors will be aware that the focus of the trust and its associated company, Central Plains Water Ltd, is on marketing a prospectus to the farming community (but not excluding other investors) aimed at raising the \$4.7 million estimated to be required to obtain scheme resource consents. A September target has been set for the issue and while most of the technical matters that have to be incorporated in or reported as part of the prospectus have now been addressed, the trust had to face the real possibility that shortage of funds would prevent the prospectus issue proceeding and bring the work of some four years to an end.

During that time the trust made urgent efforts to secure the shortfall, and while not part of this reporting period, it is now pleasing to record that the City Council agreed at its meeting on 29 July to provide a bridging loan of \$300,000 to complete the prospectus process. This loan will be repaid given a successful prospectus outcome but could lapse if the minimum prospectus investment level is not reached.

PROSPECTUS ISSUES

This period has seen intensive work by the trustees and directors to determine answers that have to be clearly set out in the prospectus. These include:

The minimum acceptable total investment compared to the \$4.7 million target.

Dealing with oversubscriptions

Dealing with investment from landowners outside the scheme boundary

Allowing delayed payments

Accommodating groups who may want to proceed separately

Defining a scheme area

Determining the formula tying dollar investment to water availability

Means of incentivising the investment proposal

Transferability of shares and water rights

Modifying current MOU's and constitutions to match the prospectus proposals

Including audited accounts for CPWL

Formalising the commitment that CPWL has in relation to the advances made by CCC, SDC, CEDF, and the Ritso society

Assessing what can be said about the hydro-electric power potential

SCHEME DETAILS

At the same time the trust has undertaken scheme refinement and made a number of decisions to define the scheme that will be described in the prospectus and form the basis of financial analysis. Key decisions were that for prospectus purposes:

Scheme area will be 60,000 ha.

The reservoir volume will be 160 million cubic metres and have, in addition, dead storage that will ensure the valley floor is always covered in water.

The reservoir will be filled via a 9 cubic metre per second gravity canal. This is more expensive in the short term but eliminates pumping to storage.

Both Springfield/Sheffield and Windwhistle areas are included.

An open channel rather than piped distribution network.

EVENTUAL EQUITY IN A SCHEME

During this period the two Councils were requested to clarify the conditions under which advances have been made to Central Plains and identical resolutions were passed setting this out. Again this is needed for prospectus purposes.

CONSENTABILITY

The trust has commissioned Dr Ed Wylie QC to provide an opinion on scheme consentability for inclusion in the prospectus.

ALTERNATIVE FUNDING OPTIONS

The trust has been extensively briefed on a method of funding off-farm scheme construction that would allow all of the capital requirement to be borrowed, rather than seek a large landowner equity contribution. The single large borrowing would attract very favourable interest rates and be beneficial to the participating farmers.

NGAI TAHU REPRESENTATION

Approval was obtained from each Council to change the trust's Constitution to allow for two Ngai Tahu trustees rather than the one set down when the trust was formed.

TRUST REPRESENTATION

Both councils have approved the appointment of Messrs Catherwood, Haslam, Marsh and Palmer for a further term as trustees.

STATEMENTS OF INTENT

Draft Statements of Intent for both the trust and the company were presented to the Councils during this period and received approval.

Chair's

Recommendation: That the information be received.