



16 April 2009

Draft LTCCP
Christchurch City Council
PO Box 237
CHRISTCHURCH 8140

SUBMISSION CHRISTCHURCH CITY LTCCP 2009-19

1. INTRODUCTION

The NZ Contractors Federation represents the civil construction and general contracting industry in New Zealand through branches throughout New Zealand. Its members are engaged in providing a wide range of services, on a contract basis, for both public and private sector customers.

The Canterbury branch of NZ Contractors Federation represents 130 contractors and associated companies in Canterbury. The majority of its membership is based in Christchurch. Members undertake a wide range of contracts including civil construction, road building, subdivision development, parks and reserves maintenance, demolition and recycling, provision of underground services including sewer, water supply, electricity reticulation and telecommunications, quarrying and mining etc.

This submission is made on behalf of the members of the Canterbury branch.

2. SCOPE

The scope of this submission is to

- Seek improved communication between the branch, council staff and the Council where appropriate
- Encourage the Christchurch City Council to advance elements of its capital works programme to provide work stimulus to Canterbury contractors
- Encourage the Council to change its policies in relation to the awarding of contracts for parks, reserves, water services and other maintenance
- Request the Council to review the need to retain City Care Ltd as a strategic asset.

3.1 COMUNICATION

It is noted that the LTCCP indicates that the Council works with local business groups and that the development of a prosperous economy is integral to achieving the city's goals.¹

¹ P57 LTCCP

Members of the Federation and the Canterbury branch contribute significantly to the city's development with the services provided and the innovation they bring to contracts, offering significant savings to the Council.

Over recent years a number of attempts have been made at establishing formal and less formal regular liaison with council staff. While there has been agreement and initial meetings they have not continued and communication lines have been poor.

As stakeholders in the construction of the city's infrastructure the Federation considers that there should be a close liaison with council senior management and staff responsible for capital works development, maintenance policy and contract administration.

It is recommended that regular, ongoing and purposeful contact be established and maintained with the council.

3.2 WORK STIMULUS

Contractors are concerned about the impact of the current economic recession on the industry. They are affected by declines in construction activity and subdivision development from the private sector and are concerned about the cost of retaining skilled staff, the availability of labour and the cost of training new staff to meet demand when the economy begins to grow again. In addition they face the cost of underutilised capital equipment.

The branch observes that tender pricing is reaching unrealistically low prices as businesses attempt to maintain work to retain staff or to merely stay afloat. However the low level of pricing is putting many businesses in jeopardy which will have serious effects on unemployment in the city.

It notes the comments in the draft LTCCP of the economic uncertainty and that the assumptions it makes along with other planning assumptions may not eventuate.² It further notes that the Council has taken a 'conservative approach in preparing key assumptions'.

However the branch considers that the Council has a responsibility to assist in stimulating the local economy in a similar manner to that of central government, which has provided additional funds to advance projects such as the Christchurch Southern Motorway. That stimulus should be through increasing expenditure on infrastructure development during the recession and bringing forward projects at this time.

² P5 LTCCP Summary

It is recommended that stimulus be given to the local economy by advancing construction of projects which will benefit all contractors including

- Christchurch bus interchange and suburban bus interchanges
- Avonside/Fitzgerald intersection
- Marshlands/Preston intersection
- Northcote Rd 4 laning.
- Lyttelton port access road

3.3 PARKS, WATERWAYS ETC. MAINTENANCE CONTRACTS

The Council decided in September 2008 to establish a process by which it would negotiate contracts for parks, waterways and water supply maintenance with City Care Ltd, owned by the Council through Christchurch City Holdings Ltd. The contracts under consideration were contracts given to City Care Ltd when the Council established the company in 1999 and were rolled over for varying terms in 2004.

Many of the contracts have yet to expire and will expire at varying dates until 2011.

It is expected that the contracts would be established for at least a further five and possibly as much as 10 years. This would mean that the Council would not have tested the true market value of the contracts, on an open market, for as much as 22 years from the date they were first awarded to City Care. We submit that this is excessive and is not prudent management of the Council's procurement policy.

At a time when the council is exercising 'a conservative approach' to avoid large rate increases the branch considers that allowing contracts to be awarded without establishing the true market value by tendering in the current market is not prudent and greater savings could be attained.

Such a policy is also contrary to the social responsibilities we believe the council has to supporting businesses that are also ratepayers in Christchurch city.

City Care Ltd is using the security of the Council's publicly funded support to compete against the Council's own ratepayers.

The Council is providing City Care Ltd with a privileged position from which it competes. This is not an even playing field and is not a fair way for Council to conduct its business.

The protection given to City Care Ltd means that Christchurch contractors are prohibited from competing with the Council business while City Care Ltd is free to openly compete with contractors in other markets in New Zealand.

The branch considers that the Christchurch City Council's policy is anti-competitive and does not support the Council's policy of being '*committed to facilitating regional economic development in order to enable broad-based wealth creation and higher incomes so that individuals, families, and communities can participate more fully in the life of our city*'³.

It recommends that

- the Council review the decision taken in September 2008 to negotiate contracts with City Care Ltd and openly tender contracts not yet awarded to City Care Ltd when they expire, and
- include in the LTCCP a policy that City Care Ltd be required to face open competition in all the markets it operates in, and
- include in the LTCCP a policy that all maintenance contracts be offered for tender.

3.4 CITY CARE LTD

City Care Ltd is not providing the Council with a good return on its investment.

The last Financial Statements⁴ published on City Care Ltd's website do not show what would be considered a good return on investment in the private sector and show a poor return for a public entity.

City Care's published financial performance does not indicate a record of giving good value for money to date.

It is noted that the LTCCP contains a note that *The Council owns shares in a number of major local companies through its wholly owned subsidiary Christchurch City Holdings Limited (CCHL). These companies include Christchurch International Airport, City Care, Lyttelton Port Company, and Red Bus. These and other companies owned or part-owned by the Council pay dividends to assist with the operating costs of the Council.*⁵

It is also noted that City Care Ltd is a strategic asset of the Council and as such is subject to the special consultative processes of the Local Government Act if consideration is given to disposing of the company.

However the LTCCP does not include any statement of the Council's policies with regard to the retention or disposal of the companies it owns.

City Care Ltd should not be considered a strategic asset of the Council given that it operates in a highly competitive market. Contractor Members of the Federation can provide all the services to the Council

³ P22 LTCCP

⁴ Financial Statements for the year ended 30 June 2006.

⁵ P32 LTCCP

that City Care Ltd provides. The company has no special features that could be considered 'strategic'.

It is recommended that

- the LTCCP include a statement of the Council's policies on the continued ownership and/or disposal of its companies, and
- the Council consider disposing of City Care Ltd, given that it is an underperforming asset and offers no special services that cannot be provided by other contractors, and
- that the Council include in the LTCCP a plan to dispose of City Care Ltd and undertake the necessary special consultative process.

4. CONCLUSION

The branch has limited its comments on the LTCCP to four specific points.

It is particularly keen to establish open communication channels with the Council to assist both the Council and contractors achieve their goals.

These goals would be assisted by the advancement of major capital infrastructure projects that would provide contractors with a continued flow of work during the current recession.

It is concerned that the LTCCP does not include any discussion of the Council-owned businesses or offer any explanation of the policies of the Council towards those companies.

5. HEARINGS

The branch requests an opportunity to present oral submissions to a hearing of the Council.

Contact should be made with the undersigned.



Peter Goodwin FCILT, ANZIM
Secretary