

Summary by the Canterbury Employers' Chamber of Commerce On the Long Term Council Community Plan (LTCCP) 2009 - 2019

Introduction

The Canterbury Employers' Chamber of Commerce is a membership driven, not for profit business service organisation with approximately 3000 members. Its primary role is to assist members' enterprises to be as successful as possible with the ultimate objective of ensuring that greater Canterbury becomes the most desired place in New Zealand in which to live and do business.

The majority of the Employers' Chamber members reside in Christchurch and we note that the objectives of the Employers' Chamber are closely aligned with the stated objectives of the Christchurch City Council.

We thank the Council for giving us the opportunity to submit on its draft Long Term Council Community Plan. We intend to comment only at a high level and on those areas which are of specific areas to our members in the context of their role in the wider community.

We also note that in the past we have been critical of the level of actual and projected rate increases previously signalled by the Council and that we are supportive of the financial moves the Council is making to keep average rate increases to below 4% for the next ten years.

1. Council's Credit Rating

At the outset, it is important to emphasise that given the fundamental change in direction of the Council and its increasing dependence on borrowed money to finance various types of capital expenditure, it is critical that the Council's credit rating is maintained or improved. We know that the current Standard and Poors rating of AA⁺ was reconfirmed in December and that the Council is confident that its credit rating will remain at this level in the context for the forecasts in the LTCCP.

2. Treatment of Capital Expenditure

We note the Council's radical shift from a position where rates and corporate revenues have paid for the majority of new project costs to a strategy of where those revenues will now be used to repay the debt incurred on projects over varying time frames depending on the capital expenditure type.

We support this initiative provided the percentage of interest to rates is contained within a projected 7% figure which we understand to be reasonable within the context of the 15% limit which is regarded by Council as best practice. We would also request that the Council be as transparent as is commercially sensible in keeping its rate payers well informed of projected and actual capital expenditures and how those align themselves to the budgets set in the LTCCP.

We are supportive of the concept of intergenerational equity whereby today's rate payers pay for only their share of the City's assets.

We note that changes to practices within the Council that will deliver equity include;

- Depreciating assets at a rate that reflects the useful life.
- Limiting the amount charged to rates through depreciation to the total amount of the renewals and replacements (we understand that this will eliminate a 3% - 4% built-in rate increase attributable to depreciation per year).
- Funding that portion of capital expenditure incurred to meet improved service levels and increased demand which is not met by development contributions and grants through borrowing.
- Repaying those loans incurred to meet capital expenditure over thirty years.

We are supportive of these processes and acknowledge the Council's initiatives in these areas. We note that the total Council debt increases from an opening balance of \$204m to \$846m over the timeframe of the LTCCP. We also note that the most significant increases were Capital Works which we observe increases from \$10m through to \$590m by 2019.

3. Rate Projections

As stated in our introduction, we are pleased to see a marked reduction in forecast rate increases which are expected to be below 4% for the next ten years.

With the changes to depreciation and borrowing policies, which have resulted in these marked rate decreases against previous forecasts, we have no doubt there will be a temptation from certain sectors of our community to push for further expenditure by Council given an apparent reduction in rate increase forecast. We caution that we would see this as double dipping and would strongly recommend that the Council be vigilant in ensuring that rate increases do not exceed the forecast as projected in the draft LTCCP.

4. Cost Controls

In the context of the current economic environment, it is essential that the Council place a high emphasis on controlling cost within the organisation. We recognise that there is an increased organisational focus on efficient delivery of Council approved activities and that the Council has undertaken to hold staff numbers to current levels except where the Council has approved an increase.

We would suggest there is room for further efficiencies in this area. We note that the Council is building in an estimated 0.5% per annum growth for the Corporate and that this provides an allowance for additional cost based by the Council providing services to a growing community. We think it is important that those costs are directly aligned to the growth of the community and that we do not seek increased costs simply because an allowance has been made.

5. Support for Community Initiatives

We have closely examined the details of the Capital programme and support the general direction the Council is taking with regard to committed, obliged and growth orientated capital expenditure. We also are supportive of such activities as the Convention Centre expansion, Town Hall refurbishment and support of Tourism promotion. We are particularly conscious given our desire to create an environment attractive to business, that good infrastructure is essential in this city.

6. Support for Community Initiatives

One of the many important components of the city of Christchurch is the depth of its sport, arts and cultural activity. This is often identified as a key reason why people want to live and do their business here in this city.

For this reason, we consider it important for the Council to continue to support activities that are important to the community wellbeing but unable to be appropriately funded under current funding constructs without direct Council support.

Specifically we are strongly supportive of (and have direct representation with) the Royal Show, the Christchurch Symphony Orchestra and the New Zealand Air Force Museum. These are three examples of activities that make our city vital and different and we strongly recommend continuing Council support in these and similar areas.

7. Economic Crisis

At the Employers' Chamber we are dealing daily with companies that are facing extreme difficulty with respect to a downturn in demand resulting in pressures on profit, cash flow and working capital capability. Within this context we believe that the Council can play a role by supporting local business wherever possible, by controlling costs, paying its bills on time, by accelerating planned investment where this is reasonable and practicable and by encouraging its associated commercial entities to do the same.

The Council is a significant economic contributor to the region both through the redistribution of rate income and through revenues from its commercial activities.

We look forward to the Council playing its role as we work together through the economic crisis. As a part of this of course, it is going to be important that the Council remain prudent and that the financial burden it places on the community reflects the current economic difficulties.

9. Conclusion

The Employers' Chamber enjoys a close and constructive working relationship with the Christchurch City Council. We believe that through this relationship we can both make Christchurch a better place in which to live and do business and we look forward in continuing to play our role accordingly.

We would like to appear in person to talk to the submission and thank you for this opportunity.



Peter Townsend

On behalf of the Board of the Canterbury Employers' Chamber of Commerce

Draft Long-Term Council Community Plan (LTCCP) 2009-19

This is a submission from the Canterbury Employers' Chamber of Commerce to the Christchurch City Council Draft Long-Term Council Community Plan (LTCCP) 2009-19.

The Canterbury Employers' Chamber of Commerce wishes to make a submission in support of Christchurch Canterbury Tourism (CCT) in their quest to obtain an additional \$250,000.00 to spend specifically on the Australian market.

The Employers' Chamber of Commerce is very conscious of the fact that tourism is a key economic driver in the city, a major employer and a significant direct contributor to the regions' economy through transport, hotels and hospitality.

We know from our direct interaction with Chamber members that the Christchurch tourism sector is currently experiencing negative consequences of the world wide economic downturn. Without a continued and focused investment in tourism promotion there will be more difficulties within the sector including bankruptcies and redundancies.

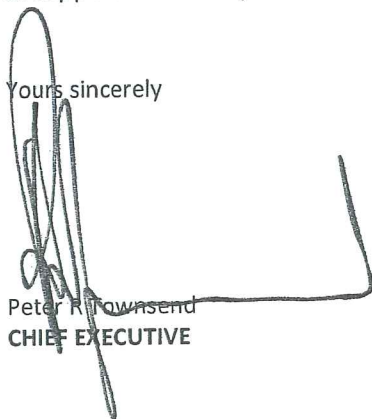
It is really important that the tourism sector remains in the healthiest possible condition because of its current contribution, its contribution in the short term and as a pre-requisite for maximising opportunities associated in particular with the Rugby World Cup in 2011.

Accordingly the Employers' Chamber of Commerce supports CCT in its submission for \$250,000.00 which will be spent specifically on the Australian market, targeted towards marketing and promotion both on-line and with joint ventures with airlines and other participants.

We understand the specific objective will be to drive increased visitor numbers from Australia.

We thank the Council for the opportunity to make the submission and would like to appear in person in support of this request.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter R. Townsend', written over a printed name and title.

Peter R. Townsend
CHIEF EXECUTIVE