

# Kenepuru and Central Sounds Residents Association Inc

## Long Term Plan 2024- 2034

### Sounds Roothing Hearing Statement – 12 June 2024

#### Baseless Policy Breach

These proposals are largely about the repair of existing roads following two storm events. For us it is about the repair of the 150km Kenepuru Road network.

It is a mistake to try and rationalise a 'user pays' model for infrastructure costs when they are merely for the repair of existing infrastructure. Repairs give rise to no new benefit to anyone.

Moreover, a 'user pays' model for infrastructure can never be perfectly achieved. Trying to do so simply creates a new suite of inequities and complexities. Whilst one resident might use a road once a week, another will use it once a year, one will only use 100m of road whilst another will use 70km of a road, one urban resident may use the Sounds roads to visit 10 times a year for recreation, another might use them 100 times a year to visit family or for business.

It is because of this that the existing roading infrastructure model focuses on **access rights** - 'equal access rights equal cost share'. This model bridges all of the inequities and irrationalities that arise under any other model. It is simple, objective and fair. Relevantly in today's context, it also facilitates the sharing of risk across all of the region - ensuring that adverse events, when and wherever they do occur, are financially endurable for all.

The Councils 'preferred option' seeks to break this mould for Marlborough. It seeks to fractionalise and divide communities both within the Sounds and between the Sounds the non-Sounds community. It seeks to isolate the victims of extraordinary events into cost recovery 'silos' bringing unnecessary subjectivity, complexity<sup>1</sup>, unfairness and financial duress into the adverse event equation.

This **policy change** is also proposed **without any rational basis**. It is proposed because "*areas outside the Sounds receive significantly different levels of benefit*" and because the storms were "*a unique event that is significantly larger than any previous emergency event*". The Sounds' roads belong to Marlborough and are equally available to everyone in Marlborough. The storm events have not changed that. And the uniqueness or significance of an adverse event is, *of itself*, of no relevance to how repair costs are shared<sup>2</sup>. There is thus **no rational basis** to these proposals. There are also inconsistencies with other rural roads in the region having suffered similar damage per km of road but without being siloed off from the existing "equal access equal cost" model.

---

<sup>1</sup> Both conceptually and administratively – even the current model seems difficult to manage, for example we have seen more than \$200K of work assigned to the relatively short Manaroa Road when no-one saw anything done to the road and Marlborough Roads has no record of what the expenditure was actually for. These issues will proliferate for Council under the proposals as every cost, direct and indirect, will need to be carefully, rationally **and transparently** isolated and allocated to a relevant roading zone. These complexities will compound if budgeting is used to cost rates, with all variations to budget then needing to be tracked and allocated back to the respective road, zone or region.

<sup>2</sup> Refer to LTP document page 22. The relevance of references in the LTP document to what was a \$1.2b Kaikoura earthquake transport recovery cost are lost on us.

The lack of any rational basis, threshold or parameter for the proposed policy change for road repair costs means it cannot be analysed or consistently applied in the future. **This means the proposed policy change is an irrational and dangerous precedent.**

Even if this abrupt policy change could be rationalised for repair costs, how many other ‘silos’ will need to be debated, considered, created, and administered in the future ? What is the threshold for creating them ? Shouldn’t costs only be subject to targeted recovery if they are **above** the (albeit in this case undefined) policy breach threshold ? How complex will the rating system need to become over the next 30 years to be consistent with this (undefined) adverse event repair cost policy breach ? How many people will ultimately and unnecessarily end up in financial duress through the breakdown of the existing equal access ‘risk share’ model ?

There are also significant **unfairness** and **affordability** issues with the Council’s preferred option – as we note below.

So why is all of this being done - when the only real effect of the Council’s preferred option is saving non-Sounds ratepayers around \$55 a year in additional rates ?

### **Unfair Breach of Expectation**

The Council’s preferred option is also a breach of expectation. Sounds rate payers have been paying their *full* share of *all* road repair and recovery costs for *all* of Marlborough’s roads under the subsisting “equal access equal cost share” model and, moreover, will be required to continue doing so going forward. It is thus an affront to equity to suddenly and arbitrarily renege on this arrangement and deny these Sounds ratepayers the full benefit of this **region wide risk share model**. One that they have all been duly paying toward and that they **must continue to duly pay toward into the future**.

### **Same Issues with Proposed Sounds Sub-Zones**

These same fairness, complexity, inconsistency, subjectivity and **breach of legitimate expectation** issues arise with the Councils preferred option of breaking the Sounds up into subzones. How can Council suddenly, and without any objective basis, release one zone of the sounds from its inherent obligation to share equally in all Sounds road repair costs ? And how can a ‘zone’ be expected to remain liable to pay a full share of other zone event costs tomorrow if those other zones have not contributed a full share toward the cost of the first zones’ events today? Moreover, the Sounds **share similar infrastructure risks** so maintaining a risk share model across the Sounds **is a pertinent model**.

### **No basis for a 25% Non-Sounds weighting**

Even if a breach of the existing “equal access equal share” policy could be justified, Council has erred in promoting a 25% weighting for Non-Sounds ratepayers as its preferred option. It does this on the basis that a weighting of more than 25% would render Non-Sounds ratepayers facing a larger rate increase than ratepayers in a particularly low-damaged Sounds sub-zone.

The problem with this is that the lower rates payable by the low damaged Sounds sub-zone are completely offset by correspondingly higher rates payable by the higher damaged Sounds sub-zones. The comparison relied on by Council to promote a 25% weighing could **only** be relevant if, unlike Council proposes, the Sounds are **not** broken down into sub-zones.

Council also refers to the 25% weighting as currently used for Sounds Admin Rural ratepayers<sup>3</sup>. Unlike the balance of Non-Sounds ratepayers, Sounds Admin Rural ratepayers have no road access. Not only are Sounds Admin Rural ratepayers thus less likely to use Sounds roads than other non-Sounds ratepayers, they will also receive none of the significant indirect economic benefits brought to the region by Sounds roads. These come via spending by tourists, holiday makers, recreationalists and other visitors who come to the region to use the Sounds roads. They also come through the supply of goods and services to properties and activities that are developed around the Sounds roads. But these economic benefits only accrue to goods and service providers who are located on the regions roading network.

This flawed logic leaves the Council's 25% weighting as proposed for non-sounds ratepayers a baseless proposition.

Even if a departure from the subsisting 100% equal weight risk share model **could** be justified, then, given the **complete lack of any objective basis for determining an appropriate weighting**, a halving of the weighting for non-Sounds ratepayers would be more than appropriate. This would *at the least* distinguish Sounds Admin Rural ratepayers by recognising the indirect economic benefits derived by the non-Sounds ratepayer group from Sounds roads. It would still render Sounds ratepayers paying **twice as much** as Non-Sounds ratepayers (rather than **four times as much** per the Council's preferred option) and has a relatively minimal impact on Non-Sounds ratepayers – we estimate around **\$42 a year** more for the average non-Sounds ratepayer by 2034. We propose this as part of our **Varied Option 2(b)** below.

### **Affordability**

More than 40% of the Kenepuru zone residents are retired<sup>4</sup>. Many of these people have little income beyond their national superannuation. The Councils preferred option will **add** another \$1,250 per annum to the average Kenepuru Road rate bill by 2034 and more than double the current rates beyond that. Even if mortgage free this will amount to **6.5%** of the disposable income of someone living alone off national superannuation. It would see Council rates accounting for more than **15%** of their disposable income. It will be even more for properties with land values higher than average.

We have members advising us they cannot afford this increase and will be forced to make life changing decisions and sell their home. Others will need to make substantial financial sacrifices to stay and retain their retirement home.

The Council's preferred option is simply unaffordable for some Kenepuru residents.

### **Unfair loading of Stage 3 funding onto only Sounds roads**

It is also unfair that the Council's options b – d seek to load all of the differential rating burden arising from the 21/22 events onto *only* those areas with roads that are to be repaired using Stage 3 funding. Those who have already had \$140M of stage 1 and 2 funds spent on repairing their 21-22 event damage will not be liable for any differential recovery cost. On our calculations this means that Kenepuru Road ratepayers stand to be **unfairly** charged around **\$9.3M** under the Councils preferred option.

---

<sup>3</sup> This seems to be a belated addition to the equation as it was not raised as a basis for the proposed 25% Non-Sounds weighting in the Order Paper presented to Council on the proposals in February 2024.

<sup>4</sup> Page iv Marlborough Sounds Future Access Programme Business Case October 2023

This also means that any special rate raised pursuant to these proposals is not just funding Sounds roads repairs, it is funding the shortfall for all regional road repairs from the 21/22 events.

### **Kenepuru Marine Focus is Unwarranted**

The Sounds Future Access – Programme Business Case suggests a “major adaption response” is needed but this is **not** supported by the evidence presented.

There is an **apparent bias** throughout the business case analysis toward a marine focus for Kenepuru.

Marine investment proposals seek improved transport resilience but whether the marine improvements proposed would provide a cost effective improvement in resilience **has not been explored**. Expert opinion is it seems obvious that the proposed marine investment will be poor value for money and that spending \$6.5M on further investigation and regulatory set-up for this option would be a **waste of resources**.

No funding or rating increase should be provided for Kenepuru marine improvements unless and until it is **fully and honestly** recognised that any marginal improvement in marine transport efficacy from such would **begin and stop** for those limited periods of time in the future when roads are closed whilst slips are cleared and road access regained. Spending \$22M of Council money on a marine study and improvements for the Kenepuru is **exorbitant** and simply not warranted.

### **What are our Solutions ?**

#### **Varied Option 2(a)**

As per our detailed submission we do not support the Councils preferred option. Rather, we recommend a **varied version of LTP Option 2(a)**. Our option is the same as proposed as Option 2(a) by Council except that:

- The event costs are allocated evenly to all ratepayers by way of a **uniform annual charge**; and
- Sounds Admin Rural ratepayers retain their 25% weighting.

We recommend that Sounds Admin Rural ratepayers retain their 25% weighting because their relative interest in roading is unchanged by the events and Council has not explained why it is proposing they have a 100% weighting under this option.

On our calculations this varied option renders all properties with a uniform annual rate increase of around **\$302 per annum by 2034** (except Sounds Admin Rural who would face an additional **\$73** per year by 2034).

This variation on option 2(a) **addresses all of the issues identified** above with the Council’s preferred option, it will not render high value properties with high rate increases, and is only around **\$55 per year** more for the average Non-Sounds ratepayers than that payable under the Council’s preferred option.

#### **Varied Option 2(b)**

We also recommend that Council take a careful review of our **varied version of LTP option 2(b)**. This is the same as Councils Option 2(b) except that:

- **A 50% weighting** (rather than a 25% weighting) is applied to **Non-Sounds** ratepayers (except Sounds Admin Rural - who should retain their 25% weighting); and
- An adjustment is made to the amount recoverable from Sounds ratepayers for the **\$9.3M** of Stage 3 funding costs **unfairly** attributed to Kenepuru Road – as noted in the “*Unfair loading of Stage 3 funding onto only Sounds roads*” section above.

On our calculations adjusting for the \$9.3M of Stage 3 funding cost unfairly attributed to Kenepuru Road reduces the annual recovery from Sounds ratepayers by around **\$64** a year by 2034 and increases the amount for Non-Sounds ratepayers by around **\$9** a year by 2034.

This variation of Option 2(b) would also largely address the issues identified above with the Councils preferred option and renders the average rate increase for Sounds ratepayers by 2034 at around **\$330** and for Non-Sounds ratepayers at around **\$298** - which is only **\$51 per year** more for Non-Sounds ratepayers than what is payable under the Council’s preferred option.

This varied option 2(b) could also be effected by way of a **uniform annual charge** - but with one uniform annual charge amount set for Sounds Admin Rural ratepayers at a 25% weighting (around **\$86** a year by 2034) , one set for all Sounds ratepayers at a 100% weighting (around **\$330** a year by 2034) and one set for all other Non-Sounds ratepayers at a 50% weighting (around **\$298** a year by 2034). Applying this option by uniform annual charge will prevent high value properties facing high rate increases.

**Both of these options render the Non-Sounds ratepayers paying less than the average of \$316 per year that we calculate would otherwise be payable by the average Non-Sounds property under the existing rating system if no change was made.**

### **Conclusion**

Whatever proposal is adopted it is set to be here **for around 30 years**. Councils preferred option will divide communities, it is subjective, in places flawed and irrational, it is unfair and a breach of legitimate expectation, it is unaffordable for many, it will bring complexities, it will bring a new suite of inequities, and it will render adverse events of the future financially unendurable for many people.

**The Councils preferred option is far from fit for purpose and should not proceed in its current form.**

The Council’s preferred option stands to force substantial change to the life plans of many people in the Sounds.

We urge you to give careful consideration to the alternative options we have presented today.

The table at the end of this statement shows the Councils tabled options along with the varied options that we have presented today - **KCSRA Best Option A** and **KCSRA Best Option B**.

**Kenepuru and Central Sounds Residents Association Inc**

**12 June 2024**

**Long Term Plan 2024 - 2034**

**Table of Council Proposed Sounds Road Rating Options and KCSRA Varied Rating Options**

**Average Increase in Rates as at 30 June 2024**

		<b>Council Proposed Options</b>							
		<i>Base Case Illustration</i>		<i>LTP Option 2(a)</i>		<i>LTP Option 2(b)</i>		<i>LTP Options 2(c) and (d)</i>	
		<i>Average increase for the Sounds area, the Sounds Admin Rural area, and the Non Sounds area, with no change to the existing weightings and no Sounds Zones</i>		<i>Average Increase across the region if a 100% weighting for all properties, including Sounds Admin Rural</i>		<i>Average Increase with 25% Weighting for Non Sounds &amp; Sounds Admin Rural</i>		<i>Average Increase with 25% Weighting for Sounds Admin Rural and Non Sounds plus Separate Sounds Zones</i>	
Number of		Average		Average		Average		Average	
Properties		Per Property	Total	Per Property	Total	Per Property	Total	Per Property	Total
Te Aumiti/French Pass	896	215.64	193,212	290.35	260,152	674.41	604,271	505.12	452,588
Te Hoiere/Pelorus	162	215.64	34,933	290.35	47,036	674.41	109,254	323.06	52,336
Totaranui/Queen Charlotte	712	215.64	153,534	290.35	206,728	674.41	480,180	333.05	237,132
Kenepuru	930	215.64	200,543	290.35	270,024	674.41	627,201	1,224.15	1,138,460
Port Underwood	339	215.64	73,101	290.35	98,428	674.41	228,625	498.58	169,019
Sounds Admin Rural	1,451	46.81	67,917	290.35	421,295	146.39	212,412	146.39	212,412
Non-Sounds	22,297	316.38	7,054,312	290.35	6,473,889	247.37	5,515,609	247.37	5,515,609
Total	26,787		\$ 7,777,553		\$ 7,777,552		\$ 7,777,553		\$ 7,777,554

		<b>KCSRA Proposed Options</b>			
		<i>KCSRA Best Option A</i>		<i>KCSRA Best Option B</i>	
		<i>Average Increase using Council Option 2(a) but with Sounds Admin Rural retained at its 25% Weighting and the balance shared by UAC for Sounds and Non Sounds</i>		<i>Average increase using Council Option 2(b) but with K Road Stage 3 Funding equity adjustment allocated across all Sounds zones, a 50% Non-Sounds weighting, and no Sounds Zones</i>	
Number of		Total		Total	
Properties		Per Property	Collected	Per Property	Collected
Te Aumiti/French Pass	896	302.64	271,168	330.32	295,970
Te Hoiere/Pelorus	162	302.64	49,028	330.32	53,512
Totaranui/Queen Charlotte	712	302.64	215,482	330.32	235,190
Kenepuru	930	302.64	281,458	330.32	307,201
Port Underwood	339	302.64	102,596	330.32	111,980
Sounds Admin Rural	1,451	72.59	109,784	85.65	124,278
Non-Sounds	22,297	302.64	6,748,035	298.22	6,649,422
Total	26,787		7,777,552		7,777,553