

Memorandum From the Kenepuru and Central Sounds Residents' Association (**KCSRA**)
to:

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Dear Sirs

As you are aware there were challenges in getting our issues and solutions documented at the 24 January 2023 workshop on the Sounds Future Access Study (**Study**) so the KCSRA representatives undertook to provide more detailed "*Additional Issues and Evidence*" and "*Possible Solutions*".

Structure of this memorandum

Part A of this memorandum addresses significant issues we have with the efficacy of the existing Kenepuru Road network maintenance and recovery processes and with the accuracy and relevance of historical cost data to this Study.

Part B of this memorandum outlines a possible solution/process matrix for the Kenepuru Road network (**KR**).

Part A – Additional Issues and Evidence

1. Independent Review of Marlborough Roads and Historical KR Cost Data

1.1 Given the Study will inform decisions on the future of Marlborough Sounds' roads, and that cost data will inform that Study, it is simply imperative that cost data utilised is both accurate and relevant. As it stands KCSRA see historical cost data as falling short of this.

1.2 KCSRA has significant concerns with the accuracy of information on maintenance and recovery costs that have apparently been presented to Stantec for the Study to this point. Moreover, it is generally accepted that the existing Marlborough Roads management structure is inefficient and thus we have substantial concerns with the relevance of historical cost information to the Study in general.

1.3 The importance of the Study, coupled with the potential magnitude of both the inaccuracy and inherent inefficiency of historical cost data, means that, in our view, the Study should be placed on hold until:

- An independent, transparent and professional review/critique of the efficacy of the existing Council and Marlborough Roads structure and contractual arrangements entered into;

- A transparent and detailed review and reconciliation of all actual costs incurred on KR maintenance and recovery over the last 10 years; and
- The normalisation of this data for both inaccuracies within that data and for inefficiencies identified in the Marlborough Roads structure and contractual arrangements.

1.4 Given Stantec has been materially involved in KR maintenance and recovery projects KCSRA suggest that this review is best undertaken independently. Using a big 4 accounting firm - with both the commercial consulting capacity to address the efficacy of the complex Marlborough Roads arrangements and contracts, the analytical accounting expertise to compile and reconcile a detailed cost history and the ability to normalise that history for inaccuracies and inefficiencies that are identified in the review - would be appropriate .

Section 2 and 3 following provide more detail and background behind the data accuracy issue and structural and contractual inefficiencies issue respectively.

2. Inaccurate Information

- 2.1 Inaccuracies in data can arise through mis-classifying costs, mis-describing costs, incorrectly transcribing costs or by simply using inappropriate cost sources.
- 2.2 An example is on page 32 of the draft 24 January 2023 workshop notes where it records *"\$30M for KR for July 2021 – annualised over 10 years would be \$3M, compared with \$800k – already considered high cost"*
- 2.3 KCSRA query the basis, support or source for the view that \$800K is considered 'high cost' for KR maintenance. We inquire as to whose opinion that is and what is the basis for that opinion ?
- 2.4 Further, the \$30M in 2021 recovery costs noted by Stantec is, we understand, in fact only an estimate made before the recovery even began. The *actual spend* on physically recovering K Road from the 2021 event to date has only been \$5M – albeit with some residual work left to do on 4 KR sites to get back to an unrestricted level of service.

3. Historical Inefficiencies

- 3.1 KCSRA are of the view that the maintenance and recovery of Sounds Roads has been plagued with ineffective and inefficient contractual arrangements and contractual performance.
- 3.2 KCSRA believe this is a result of past and existing contractual arrangements not being fit for purpose and the lack of ownership by Waka Kotahi/Council of the need to strive for efficacy in maintenance and recovery processes. KCSRA believe another factor is the lack of professional roading engineering expertise within Council.

Some examples of how this has manifested into material cost inefficiencies follow:

- i. The Marlborough Roads maintenance contract as entered into with Fulton Hogan Ltd and Hebs Construction Ltd is, as we understand it, a fixed price performance based contract (modelled on state highway maintenance contracts) that is heavily reliant on a high degree of performance monitoring and measurement that is simply not practicable for KR. As a result regular maintenance has simply not occurred on KR (and is still not occurring) with the consequence of significant road damage occurring in rain events.
- ii. A lot of the \$5M on 2021 event damage was in fact attributable to what had been a lack of basic maintenance of the water carriage systems because of this – i.e. they were blocked or otherwise inadequate for the event.
- iii. Moreover, a lot of the \$5M spend on 2021 recovery costs were, as we understand it, for undertaking work that was basic maintenance work that simply hadn't been undertaken by Hebs Construction Ltd under its now expired fixed price maintenance contract tenure.
- iv. KCSRA understand that under their Marlborough Roads contract Fulton Hogan Ltd and Hebs Construction Ltd are also the contracted parties to Marlborough Roads for road recovery work. We also understand that this is essentially 'time and cost' work with little incentive on the contractors to work efficiently and limited practical scope for Marlborough Roads to demand that. This results, in KCSRA's view, gross inefficiencies arising, including workers and equipment being transported from around the country to Marlborough and into the Sounds and accommodated on cost-plus recovery notwithstanding the availability of suitable local resources. It results in (very) leisurely on-site work practices, and over-engineering. Moreover, the remoteness of much of the KR means that monitoring time and costs engaged by outside contractors is not feasible to the effect that it is likely that over-recording of time and thus costs has been facilitated. Further, Fulton Hogan Ltd and Hebs Constructions Ltd are seldom themselves to be seen - with their role in recovery work seemingly rendered down to that of sub-contractor facilitator and in the process effecting, KCSRA believe, an unnecessary level of margin onto gross time and cost charges.

- v. \$4M was spent on K Road 2021 recovery 'Preliminary and General' matters against the \$5M on actual works. Whilst we are now advised that 'some of this' \$4M was barge subsidies (which are of course not a relevant cost here) there nonetheless appears to still have been an inordinate amount spent on design and/or engineering work much of which, as far as we know, is yet to be finalised.
- vi. A practical example of these inefficiencies is spoil dumping. Currently trucks can literally travel for up to an hour one way to dump a single load of slip material - and then all the way back to the slip site again for another load. We are seeing no real impetus from Marlborough Roads to address this *significant* inefficiency notwithstanding efforts by KCSRA to facilitate more and better spoil site options (with DoC) seeming to go nowhere.

Of course, we would be happy to discuss these examples in more detail at your earliest convenience.

PART B – Potential Solutions

1. As noted at the workshop, KCSRA believe that *efficacy of transportation* must be the **key** Study metric *not* affordability.
2. KCSRA see the objective of the Study is to identify and cost a range of *practicably viable* options. We say 'practicably viable' because '*viable*' is the threshold used by Waka Kotahi¹. KCSRA do not see determining *financial viability* as a role of Stantec or the Study.
3. On that basis, we offer the following solution options/processes for the Study in relation to KR. Note that where we refer to 'costings' below any reference to historical costs should of course be normalised for the errors and inefficiencies as noted above.

Level of Service

- a. As a minimum maintain the KR transport system to an agreed level of service that facilitates day to day movement of both people and household goods (such as firewood, furniture, mattresses, building supplies etc.) both *around the community* (to maintain local social and economic cohesion and connectivity) and in and out of the area if and as needed.

¹ See for example *Tiro Rangī: Our Climate Adaption Plan 2022-24* – page 20

- b. KCSRA do not believe there is any part of the KR zone where water access could practicably and economically work as an alternative in this regard. As such we see the base case as being maintaining the full K Road network to at least some level of service.
- c. There is a need for a one-off upgrade of the water carriage system along the full K Road network to cater for more intense rain events. This applies irrespective of the level of service that K Road is to be maintained to. As such this should be costed as a discrete one-off exercise.
- d. Beyond that, costings should start with a full recovery of K Road to its pre-July 2021 level of service and the maintenance of that level of service.
- e. Costing should also be undertaken to a level of service accommodating the base level of connectivity as noted in a. above – i.e. sufficient to handle light trucks and vehicles and trailers up to a total length of around 13M.

Management Options

- f. Under either option geological instability (e.g. Te Mahia to Tara Bay) would be ‘adaptively managed’ through a road management plan that might incorporate:
 - a. A portfolio of spoil disposal sites – this is long overdue and should be set up around vulnerable areas to deal with evolving over-slips - along with appropriate concessions and approvals for other spoil disposal measures such as de-minimis rules, guidelines, concessions or approvals for dumping spoil below the road at certain known slip sites.
 - b. Council having templated contractual terms and protocols for the engagement of local individual operators to perform both a revolving programme of regular water carriage maintenance work and non-complex event recovery work. Other permutations of utilising local resources, such as Council providing and maintaining its own yard(s) of water carriage clearing and slip recovery machinery/equipment (to say nothing of road metal stocks) within the Sounds are obviously possible here as well.
 - c. Adopt an under-slip management policy along the lines of:

- A. A default approach of hillside retreat;
 - B. Where underside retention is necessary look to use simple and cost effective solutions such as the Opus Railway Iron Wall – Standard Detail;
 - C. As above, a one-off upgrade of all water carriage systems. This is critical around at risk under-slip sites;
 - D. As above, a revolving water carriage maintenance programme using locally based equipment and labour. This is critical around at-risk under-slip sites;
 - E. A pro-active focus on at risk under-slip areas where hillside retreat might be challenging. This would include pro-active planning and scoping of options such as re-routing the road above or below an under-slip site or the possibility of property acquisition and resale to facilitate effective hillside retreat;
 - F. The securing of under-slip sites from the 2021 and 2022 events that are not yet adequately secured;
- g. The Study should cost the one-off installation of a heavy vehicle/emergency access barge/ferry site at or around Broughton Bay. This would act as both an alternative water transport entry/exit point in/out of Kenepuru in the event there was road damage beyond Broughton Bay and also as a dedicated/scheduled ferry or barge service point within Kenepuru for heavy vehicles in the event there are heavy vehicle restrictions on KR.

North Side of the Kenepuru

- h. Under any scenario costing should facilitate heavy vehicle access being maintained around the entire north side of Kenepuru Road. This to facilitate the extensive farm and forestry activity on the north side of the peninsula. Under any scenario costing should also incorporate reliable heavy vehicle access into the Kenepuru as far as Broughton Bay.
- i. Where there are heavy vehicle restrictions the dedicated ferry or barge would facilitate drive on – drive off livestock, logging and fuel truck movement across the Kenepuru Sound to (say) Waitaria Bay to service the farming and forestry network on the north side of Kenepuru Sound. This would also provide heavy vehicle transportation to other barge or ferry stations within the Kenepuru as required. The efficacy of this for heavy vehicle users would be determined by the nature of the road restriction (e.g. would it still facilitate water, sewage or furniture trucks getting to houses by road), the matrix and quality of the ferry access

points within the Kenepuru Sound, and the nature, reliability and regularity of the dedicated ferry service.

Next steps

We hope this feedback on your request for additional evidence and possible solutions is useful. It occurs to us that a meeting might expedite matters more efficiently.

We look forward to hearing from you.

Andrew Caddie

President

Kenepuru and Central Sounds Residents' Association Inc.

January 2023