

Ian MacLennan

Oral Submission to TDC against the Waimea Dam and current commercial terms for irrigators - Page 1

Mayor Kempthorne, Councillors, TDC staff and fellow ratepayers

Thank you for this opportunity to submit to Council on the proposed Waimea Dam.

Now that the project cost has proven to significantly exceed \$100 million, I urge councillors to stop pursuing this proposed solution and the associated crony capitalist subsidy arrangements for irrigators.

Even at build cost of \$40 million this proposed scheme was not affordable by the irrigators who are the only "certain" beneficiary of this scheme.

It is telling, that in the WIL published disclosures to potential investors WIL stated **that a key risk is that the "modelled" flows from the river and the aquifers is not based on clear facts and evidence and there is a risk that the modelled gain in the aquifers from a low flow trickle of dam released water may not provide any recharge to the aquifers.**

To date no concrete and actionable evidence has been provided by TDC that the Richmond reticulation supply bores and aquifers will gain any benefit from Dam released water in long dry spells.

Council has heard from a respected water scientist who has studied the low flow measured freshes in the river and its tributaries that he had found no associated measurable inflow to any of the recording bores scattered around the plains.

I contend that the ongoing "workshops" held by council on the dam are unlawful, and the ad-hoc information presented "in committee" would not stand up to objective scrutiny. I do not believe the reasons for these workshops would stand up to the tests allowing such "closed meetings" and strongly believe these workshops are being used to muzzle those councillors who are rightfully seeking evidence based decision making made in public as required by the Local Government Act.

In the absence of any objective and robust financial "risk adjusted" modelling on the Dam having ever been prepared or presented to ratepayers or councillors, I have taken the time to prepare some financial scenarios to test the possible commitments being asked of General and Zone of Benefit Ratepayers, and I understand that council officers will be seeking an independent review of this.

What this analysis tells us is that a decision to proceed as current proposed will be an irrevocable cash commitment from this community to - over the next 25 to 40 years using TDC actual recent average interest rates - having to pay out between \$420 million and \$520 million and this assumes the WIL disclosed annual running costs for the proposed dam company are realistic when in fact these haven't been properly tested.

The financial model also shows that as currently proposed the cap on irrigator contribution will mean they only pay a maximum of \$136 million of the proposed life cycle costs for 80 % plus of the scheme benefits. This assumes the secret agreement with Irrigators allows inflation in Dam Company operating costs to be passed on.

What this means is that over the 20 to 40 year lifecycle a subsidy or wealth transfer of between \$200 and \$280 million will have been effected via a gross misuse of the councils rating powers. I note the model uses less aggressive inflation factors than the TDC LTP.

Such a subsidy is unjust and unfair and this level of commitment for ratepayers who already face rates and borrowing per ratepayer at nearly the highest in NZ means if the Dam proceeds they will be denied the capacity for council to step up to other infrastructure needs as they arise.

TDC's secretly agreeing to this Cap without reference to a modelled project lifecycle cost and risk adjusted scenarios shows extreme commercial naivety as does the guaranteeing of irrigator loans for their portion of equity. Irrigators have stated they have no intention of repaying these loans and should be facing a loan guarantee fee in the order of 2.5% to 5.0% if TDC was acting commercially, factoring the risks of default and protecting the general ratepayer position.

I note that the current LTP has council breaching its supposed debt cap in six of the ten years in the forward plan and this was before the costs blow out that TDC has already committed to WIL ratepayers will fund 100%

I note from the WIL prospectus the first \$3m cost escalation had been admitted so all further increase in costs falls solely on ratepayers through the TDC secret agreement with Irrigators!

Now that the Council has evidence this project is spiralling towards \$150 million and bearing in mind there are very high risks from the many unknown geotechnical and weather event factors it is highly likely the build cost will escalate well beyond \$150 million – it has to be accepted this project is simply not a goer.

I urge councillors to face the facts and reality and stop all further activity on this proposed white elephant.

There are many unknowns yet to consider - TDC may not get the proposed local bill to get the DOC land, TDC may not get a mutually acceptable agreement with Ngati Koata for access to their land, TDC has not yet seen the true land acquisition costs including replacement bridges and roading that needs to be allowed for, TDC does not yet hold resource consent to "store" and "manage" the detritus from the reservoir clearance activity specified by Tonkin and Taylor and Cawthron to ensure water released from the dam is less likely to cause serious issues for the river, nor has it set aside enough land at the dam site for that purpose etc etc.

For those councillors who have voted to support this in the past at least consider abstaining from further voting if you cannot bring yourself for whatever reason to vote against this obscene use of general rating powers and a scheme that might provide zero actual augmentation of usable water.

As there can be no more damage than has been the case for decades historically – I strongly urge TDC to engage with the Ministry for the Environment for a stay on invoking the Waimea River low flow restriction for a number of years to be agreed that will allow NCC and TDC to jointly research and agree reinforcement options for the potable supplies and for irrigators to find augmentation solutions they can afford.

I also suggest that if general ratepayers funding is to be considered to be used in any further scheme that the commercial model ensures in the life cycle of the proposed new infrastructure a fair return on investment flows back to general ratepayers in the fullness of time (after the debt repayment period). This will ensure new investment is fiscally sustainable and fair to all stakeholders, will avoid long run subsidies, and create a mechanism to raise capital for step growth new infrastructure in later years from those that directly benefit from the access to the water.

I also ask that any future proposals are grounded in "real evidence" not fanciful "Modelling" that hopes for things that may well not exist and may reflect a general situation as opposed to the specific scenario planned for.

Thank you for this opportunity.

Ian MacLennan BCA FCA