Submission on Waitohi Picton Ferry Precinct Redevelopment Financing

MARLBOROUGH DISTRICT COUNCIL

A copy of the Consultation Document is available on Council's website.
Consultation options are on the reverse of this form

Submissions close at 5.00 pm on Friday, 4 February 2022

We encourage you to use our online feedback form at www.marlborough.govt.nz

Name: ______________________________

Organisation (if applicable): ______________________________

Contact person (if applicable): ______________________________

Postal address: ______________________________

Phone (daytime): ______________ Phone (mobile): ______________

Email: ______________________________

I agree that the above email address can be used as my service address for this submission ☐ Yes ☐ No

Do you wish to speak to your submission at a hearing? ☐ Yes ☐ No

Are you a resident of Marlborough? ☐ Yes ☐ No

Do you support council raising debt for Port Marlborough's share of the Waitohi Picton Ferry Precinct Redevelopment? If you do not support the preferred option or only partially support it, please specify which aspects of the proposed investment you do not support

☐ Yes, agree ☐ Agree, in part ☐ No

Reasons: ______________________________

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Please attach any supporting information

Please hand in this submission at a Council Customer Service Centre, send it to our postal address, or email it to portconsultation@marlborough.govt.nz.

Blenheim Customer Service Centre
15 Seymour Street
Blenheim 7201

Picton Library and Service Centre
67 High Street
Picton 7220

Postal Address:
Marlborough District Council
PO Box 443
Blenheim 7240

Consultation options

The proposal

Preferred alternative: Council raises $110M through the LGFA to on-lend to Port Marlborough to:

- Invest in Picton, future proofing the Port's infrastructure
- Realise higher dividends for all ratepayers
- Reduce the cost of borrowing for the Port
- Support the Port to cement a 60-year deal with its largest client, KiwiRail.

This transaction with the LGFA will not materially impact the Council's credit rating with S&P, nor would it limit the ability to borrow more funding for future Council projects as it doesn't impact the Council's "Debt Cap". Supporting this proposal would come at no cost to ratepayers. In fact, through the Port's increased returns, it will benefit all of Marlborough through increased dividends. This income, in turn, will contribute to reducing the need for future rates increases.

The alternatives

Alternative 1: Port Marlborough raises debt in its own name.

While the advantage of this option is that it does not increase Council's own debt, this is not the preferred option for the following three reasons:

- Port Marlborough's debt would appear on Council's consolidated balance sheet.
- Banks would require security, initially from MDCH and then Council. These securities could take the form of subscribed uncalled capital or Council guarantee, meaning that responsibility of debt still lies with Council.
- The cost of debt would be significantly higher for the Port than Council. Estimates of the interest rate charged to the Port under this option could be 1% to 1.5% percent higher than Council's rate with LGFA. This reduces dividends to Council and reduces the margin between the fee paid by KiwiRail and the cost of interest (i.e. increases the project's risk).

Alternative 2: The project does not proceed as planned, and the deal would need to be re-negotiated.

The highest risk in this option would be Government intervention and political pressure for the redevelopment to proceed at speed. The ferries have been financed and ordered, and the programme for construction has a tight timeline to meet the delivery dates. The consequences of Port Marlborough not proceeding are that the benefits that have been secured as part of the negotiation may be lost. Certainly what would be lost are not only the increased dividends, but also a reduction of approximately $1 million of existing dividends per annum. The current wharf and terminal are coming to the end of their economic life and in the near future will no longer generate revenue. As a result, the loss in cash terms to the MDC Group is far greater as there is also the cash represented by depreciation and the percentage of Post Tax Profits retained by the Port. The total loss would be over $3 million per annum. In a worst-case scenario, KiwiRail could look at alternative ports to secure service or the Government could look at compulsory purchase of part of the port.