

While I recognise the financial situation facing the Council I am not in favour of selling assets unless it is absolutely essential.

The Council itself recognises the importance of maintaining a diversified income stream and reducing dependence on rates where possible. If we consider the entities in DCHL only Aurora Energy and City Forests have the potential to generate significant long term revenue. If any of the holdings were being considered for sale I would advocate looking at the possibility of releasing the airport share. All the flood forecasts resulting from climate change suggest that by 2050 the current airport will not be operable (see floodmaps.net or the NIWA Sea Level App). Divesting this asset while it still has possible value could be a wise move.

The Council suggests that they believe Aurora will be an attractive service and command a premium price. I agree with this sentiment and I believe it emphasises the long run potential of the company. While the shorter term is clearly restricted Aurora provides the Council the opportunity to invest in the provision of core services in a stable and growing market that should provide consistent returns once the company is properly reset. In any SWOT analysis the potential of Aurora would clearly be recognised in the Opportunities column.

Considering the alternative of a Diversified Investment Fund, I am concerned that the Council summary overestimates the potential returns and their sustainability. If we consider Kiwisaver funds as examples, the average returns over the last 5 years has been as follows – Defensive funds 1.2%, Conservative Funds 2.5% and Balanced Funds 4.25%. There are also wide variations so the Council could be just as susceptible to poor fund management as it has been with Aurora. In fact it would have less control. It is also relevant to point out the headwinds facing the global economy arising from climate change. Forecasts released earlier this month (see Kotz et al The Economic Commitment of Climate Change, Nature April 2024) suggest world incomes declining by an average of 19% between now and 2050. (New Zealand does better than average with a 10% decline). While there is a lot of uncertainty about actual figures there is no doubt world incomes will decline and the dominant economic paradigm based on monetarism that has been used since the 1970s is simply not fit for purpose in dealing with this crisis. I find it impossible to consider how financial markets (and hence investment funds) will operate in the future but I see more certainty of stable financial returns from the provision of a basic commodity with assured demand such as electricity.

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