

Media Release

Government outlines next steps for people of Canterbury

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Prime Minister John Key today announced the next step in the government's ongoing work to give people of greater Christchurch a clearer picture of what their future holds following a series of major earthquakes and aftershocks in the region.

Mr Key and Canterbury Earthquake Recovery Minister Gerry Brownlee today released a map of the areas of greater Christchurch where the land is unlikely to be able to be rebuilt on for a considerable period of time.

"Since September last year, the government has been working to provide certainty for residents, while recognising many people have their life savings tied up in their homes," Mr Key said.

"Today we have released the most up-to-date information we have about the state of the land in greater Christchurch."

Advice from geotechnical engineers has seen all greater Christchurch land divided into four residential zones – red, orange, green and white.

Residential red zones – which involve around 5000 properties – are where the land is unlikely to be able to be rebuilt on for a considerable period of time. Homeowners in this zone face lengthy disruption that could go on for many years, Mr Key said.

For people who owned property with insurance in the residential red zones on 3 September 2010 there will be two options:

- the Crown makes an offer of purchase for the entire property at current rating value (less any built property insurance payments already made), and assumes all the insurance claims other than contents; or
- the Crown makes an offer of purchase for the land only, and homeowners can continue to deal with their own insurer about their homes.

"The varying degrees of damage to the houses and land in the residential red zone mean it will take more time to develop these offers."

The reason current rating value is used to assess the property value is because this best reflects the value, and is the most up-to-date information available. Current rating valuations, which are what the Council's rates are based on, date from 2007.

"We hope to be able to come back to residents in the red zone with an offer of purchase within the next eight weeks," Mr Key said.

"Residents will then have nine months to consider the offer of purchase.

"In the meantime, if residents wish to leave their badly damaged homes in the red zone they should talk to their insurers about accessing any unused portion of their temporary accommodation allowances immediately."

Mr Key said the size, scale and complexity of the issues the government has been dealing with following the earthquakes means it has taken some time to get information to residents.

"Each subsequent earthquake since 4 September has made an already large and complex challenge more difficult.

"To put this in context, Treasury has estimated the combined cost of the first two Canterbury earthquakes to be equivalent to about 8 per cent of New Zealand's GDP.

"Damage from the 1995 Kobe earthquake in Japan was just over 2 per cent of Japan's GDP, Hurricane Katrina in 2005 cost about 1 per cent of US GDP, and the March's Japanese earthquake and tsunami disaster was an estimated 3-5 per cent of Japan's GDP.

"This has been a major event and the government is committed to getting things right for the people of Canterbury. We're moving as quickly as we can to give some certainty to those affected," Mr Key said.

Based on conservative assumptions, Treasury has estimated the net costs to the government to purchase all of the around 5000 properties currently in the residential red zone to be between \$485 million and \$635 million.

The final costs are still to be determined. Factors that may alter the final costs include the take-up of the offer, government property valuations and proceeds from insurers.

The costs are expected to be met from the Government's \$5.5 billion Canterbury Earthquake Recovery Fund.