

28 April 2017

Local Government Commission
PO Box 5362
Wellington 6140

Dear Sir/Madam,

SUBMISSION FOR WATER NEW ZEALAND ON DRAFT PROPOSAL FOR WAIRARAPA DISTRICT COUNCIL

Introduction

1. Water New Zealand Water New Zealand appreciates the opportunity to provide its views on the Local Government Commission's (LGC) draft proposal for a Wairarapa District Council, which would combine the existing three territorial authorities in the region.
2. Water New Zealand is a not-for-profit organisation that promotes and represents water professionals and organisations. It is the country's largest water industry body, providing leadership and support in the water sector through advocacy, collaboration and technical support. Members are drawn from all areas of the water management industry including regional councils and territorial authorities, consultants, suppliers, government agencies and scientists.

Comments

3. Water New Zealand neither supports nor opposes the proposed amalgamation of the three territorial authorities. Water New Zealand's interests are in seeing water services in the Wairarapa delivered more efficiently regardless of whether the amalgamation goes ahead.
4. Key challenges currently facing smaller districts, such as the Wairarapa, in their delivery of three waters include:
 - Low levels of compliance with drinking water standards.
 - Increasing societal expectations for water quality.
 - Capability and capacity constraints including an aging workforce.
 - Ability and willingness to pay for infrastructure investment.
5. These challenges mean that some parts of the NZ population are receiving a much lower standard of service than elsewhere in NZ. Without a change in the way that water services are delivered, this disparity will only get worse over time.

6. Increasingly, three waters services in NZ and overseas are shifting towards alternative delivery models, involving larger scale organisations that can deliver economies of scale in the use of asset and infrastructure management capability, for example. These models have the potential to deliver higher and more consistent levels of service to customers at lower overall costs.
7. Scottish Water, for example, is a national water services provider that has been operating for over a decade. The average cost for delivering water and waste water services to household customers in Scotland is now more than £50 below the average cost in England and Wales compared with a higher average cost before it was established. Alongside these direct cost savings to customers, there has been a lift in service levels and asset performance (e.g. reduce leakage and interruptions), as well as improvements in risk management, capital delivery and customer service.
8. In NZ, a business case is currently under development for a Council Controlled Organisation (CCO) for the delivery of three waters for Hamilton City and the Waikato and Waipa Districts. A report has estimated the potential savings for the three councils to be \$468 million over 28 years, with \$107 million saved over the first ten years¹. While the scale of potential savings will not necessarily be the same in the Wairarapa², the potential benefits have not yet been explored to that extent and should be.
9. CCOs are not a panacea, however. Each situation should be assessed on a case-by-case basis to determine if potentially higher governance and compliance costs justify the expected benefits. Provision also needs to be made for good data and information to be generated to track operational performance after any new entity is established. In addition, communities sometimes fear that use of CCOs is the first step to privatisation and that communities will lose control of these basic services. It is important that good governance and accountability arrangements be investigated to provide protections for communities for any future governance model that aims to achieve benefits of more joint work at a larger scale.
10. Water New Zealand wants to see the region's councils working more closely with Wellington Water regardless of whether the amalgamation goes ahead. Wellington Water is already providing support to two of the councils (South Wairarapa and Carterton) and there is a lot more it can offer, from individual collaborations to more formal shared services agreements. Options could include providing as needed project support, capability building and training initiatives, assisting with asset management on significant projects, or inviting the relevant Mayors to sit on the Water Committee as a non-voting (observer) member. More work on alternative models with Wellington Water and/or as a separate CCO is required on how to best meet Wairarapa communities' expectations and needs.

¹ <http://www.waterstudywaikato.org.nz/uploads/files/Summary%20Part%20A%20-%20Final.pdf>

² By way of comparison, the population of the three Waikato districts is approximately 252,000 whereas the population of the three Wairarapa districts is just over 41,000 (Source: Statistics New Zealand, 2013 Census data).

11. The LGC has noted that, “a combined council will be better placed to manage future demands for infrastructure and public services by being able to manage these through a single structure, without the duplication inherent in the existing arrangements. The additional organisational scale will provide scope for more secure employment of the necessary skilled staff... and more standard approaches across the enlarged district”³.
12. The proposal does not provide much analysis about whether and how the new council can overcome future challenges in its delivery of three waters services. It is possible that an amalgamated council will not, on its own, be enough to overcome these challenges. In particular, any new council will still struggle to compete for and retain the necessary capability. If the proposal for a new council goes ahead, it is imperative that the question of how to best deliver three waters services is considered up front during the set up phase. It will be especially important that, during any transition, existing capability and institutional knowledge is utilised well and retained where possible.
13. The proposal does outline how rates for wastewater services will be ring-fenced, at least until 2024, but there is no mention of what would happen to the drinking water and stormwater components of the rates. The three waters need to be considered as a package as they have interdependencies.

Conclusion

14. Water New Zealand thanks the LGC for the opportunity to provide feedback on this proposal and is happy to elaborate if required.



John Pfahlert
Chief Executive

³ <http://www.lgc.govt.nz/assets/Wairarapa-2017/Deliberation-on-Wellington-Reorganisation-Draft-Proposal-March-2017.pdf> (page 20).