

Demand management, water metering and privatisation

New Zealand is one of a handful of developed countries that does not use metering and volumetric charging to any extent as tools for managing domestic demand for water. Others include England and Wales, where a minority of households are metered.

Only 11 councils here meter all households, while a smaller number meter across only part of their jurisdictions. Given that it is demonstrably the single most effective tool in the demand management kit, the limited extent to which it is currently used is surprising.

Opposition to metering is generally based round one or a combination of the following premises: that water is a public good and it would lead to privatisation of water infrastructure which is a bad thing; that reticulated water services lend themselves to being natural monopolies which in order to best meet societal needs should be kept in public ownership; or that it would lead to inequitable social outcomes.

Without going into debate about the merits of any of the above assumptions, (all of which are demonstrably wrong), it is interesting to reflect on why this debate has gone on so long without being resolved.

In his 2001 report *Beyond aging pipes. Urban water systems for the 21st century*, the then Parliamentary Commissioner for the Environment pinpointed four major areas that needed to be addressed in order to improve matters.

These were:

1. The fragmented nature of water systems management and the lack of a clear central government 'home' for the necessary policy and legislation that underpin this essential resource and infrastructure.
2. The lack of stakeholder awareness and understanding of urban water systems and involvement in their management.
3. The community and political tensions surrounding the way we currently construct our water businesses: who owns, who manages and how water is valued and priced.
4. The lack of appreciation of the need to manage waters in an integrated way according to ecosystem principles.

In the intervening nine years very little has changed and uninformed debate on the third point continues.

Hon. Rodney Hide announced some modest initiatives to improve water infrastructure management before Christmas. Amongst these were an extension of the current 15 year limit on council contracting, (inserted into the Local Government Act in 2002 for political purposes rather than good public policy), to 35 years.

This will once again allow for build, own transfer schemes, such as Wellington's Moa Point wastewater treatment plant. Despite privatisation of urban water assets being specifically ruled out as an option by the relevant Cabinet Committee, the initiative was seen in some quarters as leading to that outcome.

Providing more opportunities for contracting in order to address some of the knottier issues round urban water infrastructure was either deliberately or mistakenly misconstrued. Build, own and transfer schemes by definition result in municipilisation, the very opposite of privatisation.

Has Water New Zealand done enough to lead the industry on these matters?

Last year we developed a public policy position advocating for water metering as a tool for more efficient management. Included within the statement is a position on ownership. It states "Water New Zealand supports continuing public ownership of potable water reticulation infrastructure." We argue from this position in public debate in this area.

In reviewing our communications plan at its December 2009 meeting, the Board agreed that Water New Zealand should continue to use any opportunity to advocate for its policy on metering and volumetric charging, as well as other tools for managing domestic water demand, and that it should not back off from public debate.

Expect more public engagement from us on these matters going forward.