

# The water debate

## A personal view

At the 2016 Water New Zealand conference Malcolm Alexander talked personally about 'scary issues' facing the water sector in this country. By **Alan Titchall**.



Malcolm Alexander.

**B**efore launching into his presentation Malcolm Alexander made it clear that he was talking personally and not as the chief of the Local Government association.

However, he did add that some of the ideas he was to talk about were to be presented to the association's National Council at the end of last year as part of its future strategy.

"I will do my best to give you my take on the position, but whether to say that is also the view of the National Council – that remains to be seen," he said.

The future issues this country faces in the water sector are significant and to some – quite scary, he said, defining these into politics, funding, quality, and service, but also cautioning that there was no crisis and "no need to panic".

"Provided we all have a common understanding about what those issues are, how they might be addressed, I firmly believe they can really be solved."

One of the key questions to be answered concerns whether our 3 waters – fresh water, the management of wastewater and stormwater – are 'fit for purpose'.

"That makes it, not simply an engineering, an economics, or an environment question, but at its heart, also a political question. This is because communities and their elective representatives, whether they be local or central, are going to make the decisions that matter and which will frame the regime going forward."

**"I subscribe to the view, and I think just about everyone does, that no one owns the water. It's about who gets to use it. But, if anyone does own the water, then it's the Crown on behalf of the people of New Zealand."**

That process is political and why the water debate is difficult, he added.

And politically, water responsibility looks "untidy".

"For example, water quality sits with the Ministry for the Environment, while the national infrastructure sits with Treasury. The issues of risk and resilience sit with the Ministry of Civil Defence and Emergency Management and with Treasury and with the Department of Internal Affairs. Network mandatory competition policy sits with MBIE. And our sector deals with infrastructure and the regional councils deal with quality and allocation.

"And intertwining all those processes and institutions are processes such as the Land and Water Forum, which has been going for several years. It has been considering water quality issues with little, at least to my mind, discussion, of how quality rules connect to infrastructure, investment and affordability. The forum's leadership position is very complicated and fragmented. Things could be better. A policy debate of the magnitude of water needs to be far more ramped up than it is at present."

The debate over water policy is focused on two key elements, he said: What water quality standards ought to be in place; who should have access to water, and on what basis?

"A lot of work has been done on national board policy.

Indeed, over the next two years or so, across New Zealand, as part of the implementation of the National Policy Statement on freshwater quality, communities will determine the quality standards that will apply in their catchments.

“That process is ongoing and LGNZ regional centres are working hard and closely with central Government on the road going forward. This is necessary work. But it is one thing to set a standard and it is another thing to implement it.

“In my view, meeting those standards, and whatever they prove to be, must involve consideration of the delivery of better infrastructure, particularly wastewater infrastructure. That will not be cheap. It will not be easy.

“Already we are seeing resistance to costly projects in areas of rural New Zealand. That resistance is understandable. The projects are expensive and the population base to pay for them is small.

“This goes to another debate with a LGNZ initiative happening – is the present funding model for local governments fit for purpose?

“That is a debate for another day, and I won’t say more about that other than to say what we do know – because this

... we haven’t needed to do that because catchment allocation had head room – there was plenty of water.

“That head room is disappearing and whether an approach that relies solely on administrative decision making can endure is questionable in my view.

“It is my personal view and ultimately the fairest and most sufficient manner to allocate water between competing uses and fully allocated catchments will probably be through the provision of some form of a pricing.” Malcolm hastened to add that this is about ‘allocation’ and not water ‘ownership’, which are different things.

“I subscribe to the view, and I think just about everyone does, that no one owns the water. It’s about who gets to use it. But, if anyone does own the water, then it’s the Crown on behalf of the people of New Zealand.”

Like any network business, 3 waters network owners are not going to invest in more infrastructure without assurance that the water will be there to use.

“That is why the coming debate is not so much around agriculture, but urban growth. Auckland, Hamilton, Tauranga ... these three cities are experiencing phenomenal

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is locked in for a generation – is that further demographic change in rural, provincial, and metropolitan New Zealand is likely to exacerbate the affordability concerns.

“Consequently, for reasons such as those, it is not possible, in my view, to separate the water infrastructure and water quality debates. It is time for us to coherently consider these matters together.”

A further complication is access and allocation, he said.

“In the past New Zealand has been blessed with clean water to meet a growing demand. That age is drawing to a close. Increased demands from industry, from agriculture and growing urban communities are now increasingly stressing the system.

“Incumbents are defending their existing rights of use, others seek access. In some cases the expansion of urban demand and agricultural lands brings forward that debate and that trend is going to continue in my view.

“But again, from a global view, there seems to me that ultimately human need will trump other means, or to be direct – people vote, cows do not.

“New Zealand operates the first priority system for water consents under the RMA. As those consents come up for renewal, there are probably going to be challenges to whether the existing rights holder should continue to have advantage of that incumbency.

“There are four different ways of dealing with that. You can make some sort of administrative decision, or you can use an economic instrument to do that. New Zealand has traditionally not used economic instruments in the water space

growth. They are extending their networks. That water has to come from somewhere in what is essentially an allocated catchment.”

### **Lack of integration**

On the subject of moving forward Malcolm told conference delegates that he intended to advise the LGNZ National Council that LGNZ needs to collaborate with all arms of central government interests and stakeholders.

“And in a manner that meets the immediate needs and demands of different New Zealanders. But what we should not do is continue to accept the present silent approach to policy development. It will not work, it will end in tears.

“So the whole water debate and infrastructure quality allocation needs to be joined up and integrated in one place. Decisions and actions in another need to be understood and costed and a plan made going forward about how we are going to meet those costs.”

### **Three waters infrastructure and cost of regulatory framework**

“We have done a lot of work in this space and we have reached a clear view with our members on what we consider the best route forward.”

In summary, he said, it goes like this:

1. Water infrastructure is owned by communities. Communities and their elected representatives must make decisions concerning that infrastructure – provided they are accountable for those outcomes.

2. The focus should be on operational excellence and ensuring that the right procedures are in place and that there is sufficient capital to renew and extend networks to meet the required standards.
3. The introduction of private capital to any network is for the present owners to determine, not central Government. The country needs to focus on operational excellence not wasteful ideological debates about competing ownership models.
4. It is appropriate that a lean regulatory framework to govern operational excellence of networks be formalised to ensure that those networks continue to deliver for their community. In this regard we believe the co-regulation model now operating in the gas industry is appropriate.

“As someone who has had experience in most of the network industries in the regulatory frameworks, I am personally satisfied that the co-regulatory model would provide an appropriate level of assurance to local and central Government.”

An appropriate regulatory regime needs to focus on five elements, he added.

1. First, institutions need to ensure that there is effective management and investment in assets.
2. That the regime is effectively covering costs.
3. That the regime promotes efficient usage so therefore

water meters from a demand management point of view are a smart thing to do.

4. Learning and growing from experience.
5. Understanding customers’ needs and expectation.

A regime that does not deliver those five methods will not endure, he said.

“A co-regulatory model which has independent and governance, married with the presence of assets owners at the board table, or where the regulators stay close to what is happening on the ground – that’s how the gas industry works and it is working well.”

Some view the CCO model before Parliament as a solution looking for a problem, said Malcolm.

“That in my view is a little harsh, as I personally think the CCO model has merit. But the reaction in our sector shows how politics matter and that Bill is now delayed.

“Forcing change on owners of property without first developing their buy-in to those proposals is never going to work. New Zealanders just do not like it.

“It is always best to lead a horse to water, rather than shoot and drag it. So, what we promote is to allow communities to work through together in their different ways, operating how best suits them, and on what their district can afford – which over time will meet those five objectives. So we continue to discuss that idea with central Government and it is a work in progress.” **WNZ**