



25 March 2015

Mr Malcolm Alexander
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BY EMAIL: fundingreview@lgnz.co.nz

RE: *Local Government Funding Review – A discussion paper*

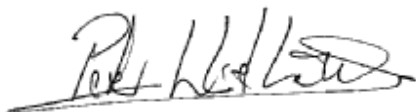
Dear Malcolm

1. Thank you for the opportunity to comment on the funding discussion paper. We believe it to be a useful contribution to the ongoing debate around local government's role, the functions it carries out and the funding of its activities, particularly critical infrastructure such as that pertaining to the delivery of water services.
2. The list of functions and responsibilities tabled in Part 2 of the paper would lead one to suggest that a number of those functions may be more properly the responsibility of, both from a management and financial point of view, central government. Aside from the example of water services (as discussed in later parts of the paper), environmental protection, emergency management and a number of planning and regulation areas could well be worthy of consideration. There are a number of examples in the paper that support this point – often expensive interventions that may have benefits well beyond the 'local'.
3. We note that on its release the discussion paper received largely negative comment from central government figures. This was unfortunate in that the focus of that comment was almost solely on the suggestion of additional local taxation such as expenditure, transaction and poll taxing, and appeared to give little attention to the suggestions in the paper regarding alternative delivery mechanisms for infrastructure.
4. We strongly support the suggestions in Part 5 for a broader discussion on regional management and funding of network infrastructure. As you will be aware such an approach is taken elsewhere, most recently in Tasmania with creation of the publicly owned TasWater. Significant economies of scale have been demonstrated and a 'sole-focus' approach to water management has resulted in improved customer delivery and network management and operation.
5. Similarly, consideration of 'public utility' models is a useful suggestion. The separation of policy and regulatory function from service delivery is increasingly the norm in other jurisdictions and has resulted in positive outcomes. Both the

Tasmanian and Scottish models, whilst different in some aspects, have demonstrated how an exclusive focus on the delivery of water services has resulted in improved environmental and health outcomes, particularly for smaller, financially constrained communities.

6. The suggestion that water infrastructure could be 'co-funded' in a similar manner to the Transport Agency model requires more consideration, not least in terms of identifying a funding source. Road funding is substantially supported by various road user charges and fuel taxes. There are currently no similar charges in reference to water use.
7. While water metering and volumetric charging may be considered as such a charge, it differs from those applying to roading. Metered water charges do not generate enough revenue to be viewed as funding sources for capital projects. They do however raise awareness and reduce consumption and this reduced consumption can extend the 'working life' of both water supply schemes and waste treatment facilities. Kapiti Coast DC is the most recent adopter of water metering. With a relatively modest 21,000 meters, a significant reduction in water use has already been recorded in what can be a water supply constrained delivery area.
8. Finally, it must be noted that criticism regarding consultation on the introduction of the National Policy Statement on Freshwater Management, the drinking water standards, and the contestable drinking water subsidy programme does not seem appropriate in a document of this nature. If it is intended to engender a reasoned discussion on funding issues confronting current local government institutional arrangements, is it not better to focus on that rather than criticising previous central government policy initiatives?

Yours sincerely



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