



Submission to the Finance and Expenditure Committee on the Water Services Entities Bill



Te Kaunihera-ā-Rohe o Ngāmotu

**New Plymouth
District Council**

Tena koutou katoa

New Plymouth District Council (NPDC) submits *opposed* to the Water Services Entities Bill and recommends it *not* be enacted.

We would like to present an oral submission to the Committee.

While there is a case for change, there is not a case for this reform

We have aimed to engage positively in the development of the Three Waters Reforms given the scale of the challenges to improve public health and environmental outcomes. Our letter sent to the Department of Internal Affairs during the '8-week period' was aimed at improving the Government's proposal. Our Mayor has been on various Government groups to help shape these Reforms positively.

We have taken this course of action because we agree with the Government that there is a case to change how three water services operate. We are deeply concerned about the public health implications from unsafe drinking water, the environmental outcomes from sewage overflows and the impact on Te Mana o Te Wai. There is a clear need for New Zealand to improve on these outcomes. We have begun to tackle these challenges through our Long-Term Plan 2021-2031 which significantly increased investment into three waters, so that over half of our capital expenditure is in the three waters over the next ten years.

We believe that communities will be able to address these challenges under an appropriate regulatory regime with the right incentives. We believe that enabling communities to decide whether to come together into regional Council-Controlled Organisations or water services cooperatives will provide communities with the best tools to address these issues.

We have concerns that, instead of trusting and empowering communities to address the challenges, the Bill results in the significant centralisation of power. It also creates new risks, particularly in the management of stormwater, but also in ensuring that communities all receive investment in their water services.

We remain unconvinced that these challenges require fundamental structural reform that removes democratic accountability for water services. Only if a more moderate approach is shown to not work should such substantial structure reform be undertaken. We do not believe the case for this Bill has been made and ask the Finance and Expenditure Committee to reject it.

We do note that our community has not been able to have its say on these proposed reforms until now. We therefore request that you listen to our community and give their feedback due weight during your consideration of this Bill. Our community is the ultimate owner of the three water assets, and their views should be the most important in this issue.

New Plymouth District has extensive three water assets

NPDC represents approximately 87,300 residents, predominately located in New Plymouth City or one of our many smaller townships. We also have a significant rural hinterland on both the ring-plain and in the hill country.

We operate four water treatment plants, supplying an average of 33 million litres per day via over 800 kilometres of pipes to about 84 per cent of our community. We have continued to demonstrate high compliance with drinking water standards. We also operate one wastewater treatment plant which serves 76 per cent of our community via almost 700 kilometres of pipes. Our stormwater network includes over 300 kilometres of stormwater pipes in our urban areas.

In total, these assets are worth \$0.8 billion, which is around one-quarter of our total assets.

We are already tackling the challenges facing our three water services

Our story is one that is similar to many parts of the country.

Following the Global Financial Crisis, NPDC faced difficult financial issues for several years. Successive Councils made decisions to 'sweat' assets and both operating and capital expenditure dropped in the three water activities.

In 2018 ex-cyclone Gita highlighted the lack of resilience in our water networks as around 10,000 households lost water for several days following a tree falling on a pipe bridge. Council responded in its Long-Term Plan 2018-2028 by putting in place significant funding to build a more resilient water network. This included funding to investigate the true state of our three water assets.

Unfortunately, the investigation findings were not good. Council had a backlog of around \$126m worth of three water assets past their operating lives, alongside a fresh wave of assets coming to the end of their lives in the near future.

In 2021 we took this unacceptable state to our community. We consulted on four options from do nothing, to a low investment level, a medium investment level or a high investment level. Almost 60 per cent of the submissions we received were in

favour of a medium option and almost 20 per cent wanted the high investment option. The overwhelming majority of our community understood and agreed with the need to invest properly in these assets.

Our Long-Term Plan 2021-2031 included nearly \$250m put to address three water renewals over ten years. We will have addressed the backlog, and all assets coming up for renewal, over a 20-year period.

There is also significant investment in the Long-Term Plan for water conservation (through installing water meters and related initiatives), improving stormwater management in Waitara, and constructing wastewater reticulation and treatment for the small towns of Urenui and Onaero. Almost half of our Long-Term Plan's capital expenditure is in the three waters services.

This significant work programme in the three waters is the main cost driver for rates over the next ten years. This involved a rates rise of 12 per cent last year, followed by nearly a decade of rates rises averaging six per cent per annum.

Our story shows that councils and communities are willing and able to undertake the necessary investment in three water services despite significant cost increases. As such, we do not agree that such a significant reform of the sector is required. Instead, the development of regulators and regulation, standards, greater infrastructure transparency and funding support will better support the existing Local Government sector to undertake this investment.

The Bill represents a significant centralisation of community assets

New Zealand is already a highly centralised country. The recent reforms to the polytechnic and health systems have already further centralised power. In comparison to other development countries, local government in New Zealand does not have significant and widespread service delivery, nor does it account for a significant proportion of government expenditure. Whilst this Bill technically leaves water services in local government hands, water services are now more part of central government than local government in reality.

The creation of four WSE shows little regard to the principles of local government and local democracy – that communities should be in charge of their future. Instead, the four WSE group communities with little or no commonality together. New Plymouth District is placed into the Western-Central WSE alongside communities in the Manuwatu-Whanganui region, the Waikato region and the Bay of Plenty region. This does not represent a 'community of interest'. There are significant geographic distances, with long drive times and no internal flights, involved within the Western-Central WSE, but it is arguably the second most compact of the four entities.

Our concerns about centralisation do not just fall to the structure of having just four entities. Of significant and real concern is also the provisions around the Government Policy Statement. The WSE will be required to give effect to the Government Policy Statement, and the Regional Representative Group's Statement of Strategic and Performance Expectations must not be inconsistent with the Government Policy Statement. As such, it is the most important strategic document for WSE.

The Government Policy Statement runs counter to the notion that these are still local assets and part of local government. Such Government Policy Statements are appropriate for Crown entities or where Government is providing significant funding, but not for entities that are part of the local government system. The Government has crafted a regime that gives itself more say and input into the operations of the WSE than the territorial authority owners or local mana whenua.

Furthermore, there is a significant risk that WSE will become subject and beholden to national political pressures as a result of the Government Policy Statement, which undermines the Reforms. Previous Governments have sought to place pressure on local authorities to reduce rate increases, and that pressure is part of the picture for why water assets have become neglected. Giving the Government the ability to issue binding Government Policy Statements gives a direct lever for future Governments to place financial matters above the need to invest. This could undermine the Reforms and lead to worse outcomes, not better outcomes.

The Government's role should be limited to regulation. If the Committee recommends continuing with the Bill then we would strongly recommend the Committee remove the Government Policy Statement provisions.

While we do not directly oppose the Crown intervention framework in the Bill, we do note that, again, there is no involvement in this framework for the owners of the WSE. If the Crown does determine to intervene in a WSE then it should be required to work with the territorial authority owners in putting in place the interventions. This is particularly important given that it is the Crown removing these assets from territorial authority control.

Stormwater Services should not be included in the new WSE

The inclusion of stormwater services within the scope of the proposed WSE highlights the lack of understanding on the differing nature of stormwater from drinking water and wastewater.

Drinking water and wastewater are utilities, i.e. closed systems with clear delineation from other assets and identifiable customers via connections. Stormwater services

are more complicated with multiple interfaces with other assets. Stormwater often traverses roads into stormwater pipes and then into streams within the parks network. Roads and parks act as secondary flow networks if the stormwater network is overloaded. Separating the management of stormwater from roads and parks creates opportunities for poor interfaces that worsen outcomes (whether for the management of stormwater, roads or parks).

The classification of stormwater networks differs across the country with territorial authorities classifying different transition points between roading assets and stormwater assets, and similarly between stormwater assets and parks assets. This reflects that stormwater is not a closed system.

Further, identifying the beneficiary of stormwater assets is not as clear as water and wastewater services. There are communities (such as Egmont Village within the New Plymouth District) that receive stormwater reticulation but do not receive water or wastewater. For these reasons we charge for water and wastewater via a targeted rate, while stormwater is funded through general rates. As such, charging for stormwater is more complicated, and will potentially be subject to more community disagreement.

Council is not aware of any comparable international jurisdiction that has included stormwater into dedicated water entities. Stormwater is typically managed by local government and roading authorities.

Council recommends that, if the Committee proceeds with the Bill, it removes stormwater networks from the ambit of the proposed WSE, and that stormwater remains with territorial authorities. If that occurs, we would then also recommend the Government focus on appropriately regulating stormwater for improved outcomes and explore co-funding opportunities.

If the Committee recommends continuing with including stormwater services in the WSE in this Bill, then we request the Committee consider two changes.

First, the Bill needs to include mechanisms for direct engagement between each territorial authority and WSE in relation to stormwater. There needs to be strong statutory assurance that WSE will work with territorial authorities in the management of stormwater services to ensure that there are not worse outcomes for stormwater, roads or parks.

Second, NPDC is relatively unique in being a territorial authority with some flood protection and control works. Usually flood protection and control assets are maintained by the relevant regional council. If stormwater is transferred to the WSE then NPDC will no longer have the experience and systems to manage those assets. This places our community at significant risk. As such, we request the Committee

include an expedited provision for NPDC to transfer its flood protection and control works assets to the Taranaki Regional Council.

The Bill does not guarantee that our community will receive investment

As stated above, NPDC is committed to investing in our community's three water assets. Around half of our capital expenditure in our Long-Term Plan 2021-2031 is in water infrastructure. Over the past two Long-Term Plans, we have developed a number of important strategic projects for our three water services as listed earlier.

The transfer of services to the new WSE places the delivery of these projects at risk. The WSE will take time to come up with its plans, and we have no assurances that any of our projects will continue. There is real concern that our communities will end up having to wait for much needed improvements that we have previously agreed to undertake.

Further, the Bill includes no assurances that our community will receive any investment in its three water infrastructure whatsoever. There are no provisions that require the WSE to ensure equitable distribution of investment or service levels across the WSE areas. The WSE may prioritise investment in a way that means some communities do not see investment for some time. With such large entity areas, places like Taranaki risk being under-invested in.

If the Committee determines to proceed with the Bill, then we recommend the Committee introduce new provisions to require WSE to invest equitably across their areas, strive for equitable service levels between communities, and include transitional provisions to require WSE to complete strategic projects identified by territorial authorities.

We reiterate our opposition to this Bill

New Plymouth District Council is opposed to this Bill. While there is a clear case for the sector to lift its performance, there is not a clear case for large-scale reforms that sever the links between local communities and the infrastructure that supports them. There are significant risks within the reforms for local communities who will no longer have the control over their assets to ensure their community is invested in.

We ask the Committee to reject this Bill, and instead for the Government to work with the local government sector on improving regulation, standards and infrastructure transparency.



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