

Auckland Council's Submission to the Finance and Expenditure Select Committee on the Water Services Entity Bill
1pm Wednesday 17 August 2022

Auckland Council supports the need for reform. With 67 water supply authorities across New Zealand, many lack the resource base and economies of scale to invest in good infrastructure and professional services.

Auckland supports the water quality and economic regulators to ensure uniformly high standards of fresh water and wastewater services everywhere in the country.

However, in considering reform, one size does not fit all. As Minister Mahuta said in her cabinet paper of 14 June 2021, "I consider it would be possible to exclude Watercare from the reforms on the basis that it already has many of the desired features of reform."

Auckland Council's CCO Watercare currently services over one and a half million people, larger than the proposed entities B, C and D. It can achieve economies of scale. Auckland Council in its ten year budget 2021-2031 has put aside investment of \$11 billion in water services. It has invested \$224m last year to ensure water supply resilience in face of climate change.

It has put in place a water quality targeted rate raising \$708 million to tackle wastewater overflows in our harbours.

We meter our water supply and have achieved good conservation with the lowest per capita usage in the country.

Our drinking water consistently meets the highest standards and the quality of wastewater treatment is also high.

There are few advantages in the proposed reform for Auckland and if Government wished to enable higher investment, it could, at very low risk to the taxpayer, provide a government guarantee to enable greater borrowing and investment.

It will under the proposed system, inevitably be the guarantor of the new WSEs.

The disadvantages of the reform to Auckland are very clear.

Aucklanders will lose control of 28 per cent of the assets they own and govern through their elected representatives on Council.

Auckland will contribute 90 per cent of the population and 93 per cent of the asset value of the new Water Services Entity A, but its share of governing votes by elected representatives drops to at best, 28 per cent.

Because of the complexity of the new governance arrangements, we have huge concern about the ability of Council on behalf of the people it is accountable to, to ensure the new WSE is responsive and accountable to them.

This is the unanimous view of Auckland councillors and the overwhelming majority of our local boards. 77 per cent of the 3457 Aucklanders who made submissions to Council on this issue

supported the position that their water services entity should be accountable and responsive to the public through their elected council representatives and 83 per cent said Auckland Council should have majority control on the new entity.

An independent representative survey of more than 2,000 Aucklanders showed 67 per cent wanted accountability to elected representatives and 74 per cent majority control by Auckland Council of the WSE.

We strongly agree with the Auditor General's concerns that the WSEs cannot be held to account like local authorities are and that the proposed arrangement will not enable the same comprehensive and effective public scrutiny and accountability. There will also be a significant reduction in audit scrutiny.

Auckland Council strongly prefers the CCO model which has worked well for us. Using this model, Watercare could provide water management services on contract to the three northern Councils as it does successfully for the Waikato District Council currently.

The amalgamated Auckland Council allowed strategically cohesive and effective planning and decision-making across the region. The three waters and other reforms risk fragmenting decision-making, planning and the provision of infrastructure for Auckland. There is no requirement for the WSE to align with Council's budgets, infrastructure priorities and processes. The separation of the stormwater function from Council's land use planning and freshwater management functions undermines the ability to take an integrated approach.

At the very least the Government's reform should hold off from taking stormwater functions from Councils at this time, until further assessment demonstrates that benefits outweigh costs from amalgamating the three waters under WSEs.

Auckland Council supports working in partnership with mana whenua. Council and mana whenua jointly developed our water strategy and we work in partnership in areas such as regeneration of the Kaipara Moana and of the Puhinui Stream. Watercare has strong Māori representation on its Board and Council works alongside the Independent Māori Statutory Board in all aspects of Council business. However, we believe that in exercising governance over \$13 billion of infrastructure assets, pipes and treatment plants, authority should rest with Auckland Council's elected representatives who are accountable to Aucklanders.

In summary, we support reform of water to ensure services enjoy economies of scale and professional management.

We oppose the governance model that takes away clear strategic direction and control by those who fund and consume water services through their democratically elected representatives. We believe that it will result in a diminishing of accountability and responsiveness by the new entities.