



ATTACHMENTS

UNDER SEPARATE COVER

**Planning and Regulations
Committee Meeting**

2 March 2021

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Mackenzie District Council

2 March 2020

New Zealand Parliament
Parliament Buildings
1 Museum Street
Wellington 6160

Email: he@parliament.govt.nz

Dear Committee, Secretariate,

Submission: Water Services Bill

1. Introduction

The Mackenzie District Council (MDC) provides governance, leadership, and community representation for the Mackenzie District.

MDC represents the ratepayers and residents of the Mackenzie District and has responsibility for the provision of community water supply services. MDC's role in the provision of community water supply services, requires management of the existing water supply portfolio as well as upgrading and improving water supply service infrastructure to meet increases in demand on the system. In addition, MDC provides wastewater and storm water services to the District.

MDC are a considerable stakeholder in terms of water supply management in the Mackenzie District, with a strong interest in their continued operation in order to supply an agreed level of service to the community. In addition, MDC provides advice and support to the numerous micro water supplies and community schemes around the district.

MDC are familiar with both the intent of the overall Government water services reform program and proposed Water Services Bill which is a component part.

2. Structure of Submission

This submission provides a commentary on the provisions of the Water Services Bill and the associated Water Reform process.

The MDC's submission on the Water Services Bill is structured as follows:

- National context
- Mackenzie context
- Key areas of support
- Key areas of concern

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3. National Context

The Government is currently embarking on a significant programme of water services reform. In this regard Council has actively engaged with this reform process, having participated in the Department of Internal Affairs (DIA) stakeholder meetings and approved MDC involvement in the 'opt in scheme'. In doing so it has met its obligations relating to the DIA's Request for Information on water data and information request.

Accordingly, it is familiar with both the context and content of the proposed Water Service Bill; the subject of this submission

4. Mackenzie Context

Mackenzie District is a largely rural community covering a large portion of inland South Canterbury including the Southern Alps. The District, with a largely agricultural based economy contains significant water resources including Lake Tekapo. Combined with a small population of circa 6,000 people, these factors have historically favoured the provision of many small and farm-based water systems outside of the main townships.

The importance of the agricultural industry to the local economy cannot be understated. In 2018 agriculture in the Mackenzie District accounted for 27.1% of Regional GDP, making it the 4th best performing District in the Country. This share had increased by 6.1% from the year prior. This means that agriculture contributed \$63.0 million to the GDP in Mackenzie, for the year to March 2018.¹

MDC relies heavily on the rural community for their contributions to the local economy. The rural community makes a significant contribution to the local economy both directly and indirectly and it is important that the proposed requirements to manage water services do not impose a social and economic burden on the community.

Taking these factors into account the Council resolved in 2020 that with regard to the water reforms the following four Bottom Lines apply:

- (a) Local representation and voice in any future water entity – Any Water entity developed through the process **must enable both local and equal representation and Council must not lose its ability to influence and represent its community.**
- (b) Control on the Price of water – Pricing structures and controls on pricing must ensue equity across the entire region of any future entity.
- (c) The transfer of asset and debt must not negatively impact on Councils **ability to be a viable organisation** (i.e., is not reform by stealth).
- (d) **Costs and management of any stranded assets must be considered and catered for**, alongside central government speeding up the process that are looking at **what might “fill the gap” left by Waters.**

5. Key Areas of Support

MDC is in general support of the application of national standards for drinking water quality and the governments intent to bring safe and reliable drinking water to all communities across New Zealand.

In line with this MDC is in support of the Water Services Bill, subject to modifications being made as noted in later sections relating to the definition of a “Domestic Water Supply” and specifically in

¹ Ministry of Business Innovation and Employment, “Regional Economic Activity Web Tool”, accessed February 25, 2021, <http://webrear.mbie.govt.nz/theme/agricultural-share-of-regional-gdp/map/barchart/2018/mackenzie?accessedvia=canterbury&areatype=ta&left-zoom=1&right-transform=absolute>

application to farming operations.

MDC does have significant concerns relating to the associated water reform process that has signaled water services being removed from Council control. These are detailed in section 6 of this submission.

However, as a small Council MDC recognizes future benefit of the wide Water Reform process that will lead in time to:

1. Access to a wider pool of technical expertise through amalgamation of council teams with others, and the ability of larger entities to support employment of experts that can then operate across a wider geography.
2. An uplift in training opportunities and recognition of skills through proposed new certifications.
3. A larger pool of technical resource to assist over high workload periods e.g., during particular campaigns or when several projects are being implemented within the District concurrently.
4. Standardised drinking water quality across New Zealand that reduces community health risk.
5. Greater consistency in the application of drinking water standards and monitoring thereof.

6. Key Areas of Concern

We have considered the potential impacts of the wider water reform process and the implementation of the Water Services Bill as it is currently detailed against our four Bottom Lines for water. Key concerns for the McKenzie District are summarised as follows:

Community Representation

1. We are concerned that as a small Council the amalgamation of water services into a larger body will reduce our ability to influence how services in our District are delivered and “our voice” will be lost against larger population centres. The interaction and relationship between Council in our small community, particularly in relation to water supply is imperative because water supply is not just a service, it supports livelihoods.
2. In line with the above we are concerned that less spend will be directed to the Mackenzie District due to our size and that our needs will not be prioritized in the same way as larger centres.
3. We have developed strong relationships with local Runanga and query how this knowledge and input to water management will be retained in a larger water entity.
4. With a potential management hub remote from Mckenzie District we are concerned at the potential lack of speed to resolve and respond to daily water supply issues.
5. The change that has been tabled may result in staff changes with associated risk that many years of Institutional knowledge and access to valuable skills will be lost to our community.

Price of Water

6. We have a number of concerns relating to future pricing mechanisms for water supply associated with the de-coupling of water services to a new entity. Cost increases to our community are a key concern, as is potential inequality of pricing between rural/urban communities. No detail has been provided to us to consider in this regard.

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7. We understand an economic regulator is intended in the future. We are concerned that we will not be able to influence the price of water and that over time cost will become unaffordable for our community.
8. Compliance with the Water Services bill will bring a likely high cost burden to businesses including farms that are deemed to be suppliers rather than ²Domestic Self Supply.
9. Compliance with the Water Services bill introduces a number of activities not currently included within Council budgets, the inference is that these costs will become the responsibility of the new water entity that brings in our District. We are concerned that full costs for implementation have not been established and that high cost be passed directly to the community.
10. We also seek clarification on the substance and mechanism for cost transfer given the potential implications for customer affordability of rates and tariff charges.

Ongoing viability of our Council

11. Management of the three waters currently accounts for approximately 20% of the current MDC income via rates. With this budget removed the viability of the Council with our small rating base becomes a significant challenge. We are concerned about the Councils long term sustainability.
12. The DIA timeline is very ambitious and there is a risk the process of amalgamation is not successful – what risk mitigations are in place should the restructure not be successful?

Impact on our assets

13. We would like clarity around the process relating to transfer of our assets to a new water entity. We seek that transfer is at a genuine replacement cost and that Council are included in the valuation process.
14. At present Council works closely with developers to ensure that land developments not only comply with service standards, but also align with community expectations. Fragmentation through removal of Council control of water risks a sub-optimal outcome and clarity is required around how this will be co-ordinated in the future.
15. Overall, we consider that the value our Council provides to the community is at risk due to the threat to our financial viability and our value to community wellbeing has not been sufficiently debated through the reform process.

Water Service Bill Details:

In our view there is an over-riding issue with the Bills practical considerations relating to rural communities, with a number of situations not being appropriately considered.

In particular, within the Mckenzie District we have multiple farming operations. A typical farm will include a dwelling and farm buildings and at times may have higher numbers of contractors on site (e.g., for shearing). On-site supplies via bores or stream offtakes are common and importantly the greatest volume of water usually goes to stockwater.

Under the Bill most farms would be designated a supplier during itinerant use when contractors are on site. We consider that designation as a supplier is too onerous and not appropriate for a typical farm operation. In addition, it will drive additional and unnecessary cost into the operation of a sector

² Water Services Bill Part 1, Clause 10.

critical to the District and New Zealand's wellbeing.

We request the bill application to this typical situation be re-considered and that farm operations are either classified as domestic self supply or a new category is created to recognise this common situation.

16. Specific clauses of the Water Services Bill that we seek amendments to reflect farm operations include:

10-Meaning of domestic self supply and domestic dwelling

13- Meaning of point of supply

23 Duty of owner of drinking water supply to register supply

34 Unplanned supply of drinking water

7. Summary

MDC in principle supports the intent of the Water Services but has a number of concerns relating to the impact of its execution on District wellbeing.

Accordingly, MDC wishes to be heard in support of its submission.

MDC would be prepared to consider presenting its submission in a joint case with others making a similar submission at the hearing.

Yours sincerely

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