



Comment to the New Zealand Productivity Commission
on the Issues Paper, *Using Land for Housing*.

December 2014

Introduction

1. A not for profit incorporated society, Water New Zealand promotes and enables the sustainable management and development of the water environment. With 1500 corporate and individual members Water New Zealand's membership is large and diverse, including Territorial Local Authorities, Council Controlled Organisations, water and wastes services providers, the major consultancies involved in providing engineering, planning and research services to the industry, Crown and other research institutes involved in the water and wastes environment, academia, members of the legal fraternity and training providers.
2. We welcome the Commission's intent to investigate local planning systems and the funding of infrastructure, particularly in relation to water services. We have previously offered comment on these matters in relation to reform moves in terms of both local government and resource management legislation.

The Planning Environment

3. While the issues paper has precluded reviewing the role or purpose of the Resource Management Act we would like to draw the Commission's attention to the following matters.
4. In an earlier Government discussion document, *Resource Management – Summary of Reform Proposals 2013*, matters listed in the contents section of the proposals included planning, national consistency, effective consenting, council performance, freshwater reform, and other matters. The latter included housing affordability and subdivision issues.
5. This mixture of planning and environmental matters suggests there may be a case for broader structural reform. When the RMA was originally promulgated in 1991 it coupled together planning functions, such as in the then Town and Country Planning Act, with the environmental protection functions found in the Water and Soil Conservation Act and similar legislation. At the time of promulgation various commentators opined that this "blending" placed New Zealand at the leading edge, globally, of environmental law reform. The fact that no other jurisdiction has followed the "leader" would cast considerable doubt over this assertion.
6. Attempts to introduce new projects or developments by considering in each case, social, cultural and economic factors along with environmental considerations has proved to be problematic. A litigious atmosphere, inconsistent decision making, and often highly polarized views have not resulted in either the environmental outcomes or seamless planning framework the proponents of the legislation envisioned. This in turn has impacts on the affordability of housing developments.
7. This then raises the question - is it not time to consider separating out planning, council performance and environmental functions into their own legislative domains?
8. An investigation into the development of a Planning Act, covering all land use issues be they urban or rural; inserting all council performance requirements into the Local Government Act; and the development of a specific Environmental Protection Act that captured all existing and proposed environment related regulation, could well remove much of the acrimony, debate and often considerable cost that currently hampers true "resource

management". It would also more closely align our environmental management system with that found in comparable jurisdictions.

Provision of Water Services

9. (NB: In this commentary 'water services' should be taken to cover water supply, sewerage and the treatment of sewage, stormwater drainage, and flood protection and control works.)

10. We note the Commission is to consider alternative methods for funding infrastructure and giving consideration to vesting infrastructure in Council Controlled Organisations.

11. We have previously commented on the fragmented nature of water services delivery in this country and the desirability of separating that delivery out into stand-alone, publicly owned, water specific entities. In support of this we would reiterate a brief summary of the current situation. The policy, regulation and delivery components of New Zealand's urban water infrastructure system have developed in a fragmented and ad hoc manner rather than being purpose built. This fragmented approach reflects that taken with management of New Zealand's freshwater generally.

12. The Department of Internal Affairs website shows that the country currently has 12 city councils, 54 district councils and 1 Auckland Council. This amounts to 67 councils, or "Territorial Authorities", responsible for the management and delivery of reticulated water services, i.e. potable water, wastewater and stormwater. In addition, 11 regional councils are responsible for the management of some 425,000 kilometres of rivers and streams, 4,000 plus lakes and 200 plus aquifers¹.

13. The management of what many consider to be one of our most critical and valuable resources rests with 707 territorial councillors, 67 mayors, 11 regional chairs and 116 regional councillors. Collectively this structural arrangement employs 25,000 staff, although it is difficult to determine exactly how many are directly involved in water management. This, by any standards, is a highly fragmented management arrangement and is at variance with the approaches taken to water management in similar jurisdictions.

14. Having 86 businesses to provide water governance for 4.4 million customers does not allow for a coordinated or strategic approach and it is notable the first National Infrastructure Plan (2011) rated water infrastructure as New Zealand's worst performing infrastructure asset and the most in need of attention.

- Rural-urban demographic change trends are likely to exacerbate affordability issues;
- there is no external price control regime and no market to establish price;
- bundling water charges in rates gives domestic customers little information on the cost or value of services;
- relationships with customers are administrative rather than contractual - as occurs with other utility services;
- customers are not well informed on water services; and
- water services are the classical utility service – natural monopolies with high capital costs.

15. Other utilities (gas, telephony and electricity) are delivered without local political input, raising the question of the value added by such purview of water services.

¹ "Our water", Ministry for the Environment and ministry for Primary Industries, INFO714, July 2014

16. By and large economies of scope and scale are not being achieved under current arrangements in New Zealand.

17. Other countries have reformed their urban water infrastructure systems. Common features include:

- assigning lead responsibility for policy to one central agency;
- fit for purpose regulation including independent oversight;
- security of funding;
- placing delivery at arms-length from, or complete removal from local political input;
- rationalisation of delivery to achieve economies of scale; and
- network pricing.

18. Examples include Scotland, England and Wales, the Republic of Ireland, Victoria and Tasmania in Australia.

19. Scotland is worth mentioning as an exemplar of what can be achieved through reform. The independent economic regulator of the one business supplying the whole of the country reports 40 per cent savings in operational costs as a result of the reforms instituted over a decade ago. Substandard infrastructure has been brought up to speed. The 2012 Scottish National Infrastructure Plan reports no pressing capital expenditure requirements for water infrastructure – the only infrastructure sector to achieve this status, and arguably stunning testament to the success of the reform programme.

20. In response to Question 60 regarding the advantages of the CCO model, we would reiterate:

- it de-politicalizes the provision of water services;
- it encourages a far greater level of customer focus;
- greater efficiencies result; and
- the organisational focus is entirely on service provision.

Conclusion

21. Security of funding is fundamental for the maintenance of good quality water infrastructure. In many areas of the country critical water infrastructure is suffering because of the wide range of activities local government is currently involved in. This results in expenditure being made on some activities while core water infrastructure is deprived of the funding required to meet requisite standards.

22. In conclusion and specifically in reference to housing affordability, it is notable that TasWater, a CCO entity servicing the population of Tasmania and relatively recently established, has waived current water and sewerage connection charges. With Government support, it is making application to the Tasmanian Economic Regulator to permanently abolish such charges.² This could prove a useful example to inform the Commission's considerations.

² <http://www.news.com.au/national/tasmania/state-government-says-waiving-water-and-sewerage-connection-charges-boosts-development/story-fnn32rbc-1227139849255>

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