

Dear Minister,

Following your announcement of the Government's three waters review earlier this year, we are writing on behalf of the Auckland Council group to put forward our early views on the three waters reforms.

We appreciate that the Government is engaging early. While we understand that there will be further opportunities for local government to provide more formal input in 2019, we consider that it is important to communicate our views to you before the scope of options are set.

We support your efforts to address challenges facing the three waters system. Effectively managing three waters is critical for New Zealand's public health and safety, environmental protection, and economic prosperity.

Auckland's context

Auckland is in a unique position nationally, being the only region where water and wastewater services are provided by an asset-owning council-controlled organisation, which has a specific legislative mandate. Auckland Council and Watercare have been through a significant period of consolidation. Since 2010, we have:

- combined multiple council stormwater operations into a single Healthy Waters Department – responsible for stormwater operations and planning
- vertically integrated Watercare to take over the management of both retail and wholesale management of water and wastewater services in Auckland.

A recent council review of three waters (under section 17A of the Local Government Act) showed that the current services are delivering value for money. However, it also found that we could be doing more to improve cost-effectiveness. The council, Watercare and Auckland Transport are taking active steps in this direction.

Regulation of the three waters

While the quality of Auckland's reticulated water supply is consistently 'Aa', the council group recognises there is a clear case nationwide for changes to the regulation of drinking water. The weaknesses in the current system were well explored by the Havelock North Drinking Water Inquiry, and in our view there should be changes which would see clear standards set, followed by effective monitoring and compliance by an independent regulator.

We support your move to look at environmental considerations of the three waters system, and acknowledge the scale and complexity of the problems. The council supports a catchment-based approach to managing water quality, including the adjacent coastal waters.

In regard to economic regulation, we support the principle of more protection and transparency for consumers but would need to understand more about the specific proposals before taking a definitive position. You would also need to look at how this works with section 57 of the Local Government (Auckland Council) Act 2009 (which requires overall costs to customers for water and wastewater to be kept to a minimum). We would be happy to engage with you about this.

Investing for growth and addressing water quality issues

Despite constraints on the council group's debt to revenue ratio, and therefore its ability to take on more debt, Auckland is investing for growth and addressing water quality issues:

- Auckland has a single vision for growth, which guides development.
- Watercare and Healthy Waters have a significant amount of planned capital works over the next ten years (\$5.5 billion and \$1.4 billion respectively). For example, Watercare will start construction of the \$1.1 billion Central Interceptor in May 2019. This project will significantly reduce the volume and frequency of overflows into the Waitemata Harbour.
- The council group is making other efforts to address the most significant environmental issues associated with three waters (including the SafeSwim initiative and other programmes funded by the recently introduced water quality targeted rate).

Changes to service provision of three waters

We strongly support the government's bottom line that three waters assets will remain in public ownership.

We appreciate the significant challenges facing some parts of the country in providing for and managing water. While we support the push for better regulation, meeting higher standards will mean more costs for some local authorities around New Zealand. If the Government believes that those costs should be met with subsidies, we are strongly of the view that those should come from central government taxes. Rates and local user charges are imposed to fund outcomes in the community they are collected from and should not be used to subsidise other communities.

We recognise that the Government is also looking to address issues of staff retention and lack of capability in some regions. Auckland Council is happy to offer its expertise to other councils on a contractual basis to achieve efficiencies of scale. Watercare is currently negotiating with Waikato District Council to provide water services for the Waikato district on a commercial basis. This is still at a very early stage and would be subject to a thorough assessment of potential risks and benefits before any final decision. However, it is a model that could spread the benefits of Auckland's scale and capability and deliver those benefits earlier and in a less disruptive way than structural change, such as amalgamation. We believe arrangements such as the above should be included as one of the service delivery options under consideration by the Government.

Stormwater

There needs to be careful consideration of whether any review of service delivery should bundle stormwater with water and wastewater. Water and wastewater are piped networks; stormwater is an open network and is more intrinsically linked with land use and transport decisions (roads are significant to stormwater because they are a major conduit into piped systems and overland flow paths). The council and Watercare are currently exploring whether there could be benefits for transferring aspects of stormwater to Watercare. We would be happy to share our findings with you when this has been completed.

Māori interests in the three waters

In Auckland there are nineteen mana whenua groups who have a high interest in the three waters. Auckland Council works with a Kaitiaki Forum who have prioritised water as a priority area of focus. We would support the Government engaging with Auckland mana whenua and Māori in this review and ensuring full consideration of their interests and impacts.

Conclusion

We look forward to seeing further details of the Government's proposals.

Yours sincerely