

**Submission by ;**

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Please note that I am making this submission as an individual and not in my capacity as the Mayor of Western Bay of Plenty District Council.

### **MY BACKGROUND**

During late 1980/early 1981 The NZ Dairy Industry recognised that to be internationally competitive there was a requirement for rationalisation and automation of the packaging processes that were in use by the industry at that time.

In November 1981 I was employed by the NZ Dairy Board to centralise the purchasing of all packaging materials used in the export of dairy products from New Zealand.

Prior to my employment there were 54 Dairy Companies each with their own procurement processes and specification standards.

By March 1984, Industry Standards for all materials were in place, all procurement processes were standardised across New Zealand, a “Just in Time” delivery system was working and all transactions were digitised.

During the period from November 1981 to March 1984 the costs for Packaging were reduced by just under 25%.

During the period from April 1984 to June 1995 I was involved in the setting up and annual review of “Cost Models” for every product produced by a Dairy Company that was purchased by the NZ Dairy Board for export. Those cost models were based on “Current Appropriate Technology” that were agreed to by all producers of the product being manufactured.

Those two processes, standards and appropriate technology, enabled the New Zealand Dairy Industry to become the recognised world leading cost-efficient processors of milk into high quality dairy products.

In 2001 I was appointed the General Manager Milk Supply for Fonterra and in that role, I was responsible for the collection of milk from all Fonterra farms throughout New Zealand. The process of milk collection was fully automated, digitised and run from a central database in 2003, using the system that had been in place at Kiwi Dairy Company from 1997.

## **THREE WATERS BACKGROUND**

Since 2012 many Councils have been saying that the funding and financing tools for infrastructure are inadequate.

Since 2015 the OAG has been telling Councils they have not been investing sufficiently in their infrastructure.

I am aware that many councils have been operating under expired Resource Consents for their 3Waters infrastructure, a regime that has been acceptable to Regional Councils and District Health Boards as the “controlling authorities” for many years, maybe decades.

Central Government recently provided Auckland, Hamilton and Tauranga City Councils \$1 Billion interest free over 10 years via the Housing Infrastructure Fund for them to fund infrastructure. It should be noted that the application by the Western Bay of Plenty District Council (WBOPDC) for the same support from the same fund was denied on the basis that their, WBOPDC, approximately \$100 million investment had already been made and the fund did not allow for retrospective compensation – inconsistent application of fairness and equity.

In summary, the status quo whereby Local Government is solely responsible for the maintenance and renewals of their existing 3 Waters infrastructure and for the provision of Growth Infrastructure is not sustainable.

## **MY SUBMISSION**

### **Question answers**

- 1) Now that the Government has mandated the reform of 3 Waters in New Zealand, among other parameters, there is a requirement for an “Economic Regulator”. The role of the Economic Regulator is to ensure that all standards and facility operations to meet those standards are fair and reasonable to meet the overarching purpose of the 3 Waters reforms – (see “About the consultation” contained in the submission document).
- 2) In my opinion Stormwater operations should be left in the hands of the local authorities BUT the discharge quality standards and discharge volumes MUST be set by Taumata Arowai and aggressively compliance monitored by Regional Councils. Many councils use stormwater swales and overland flow paths as recreational areas.
- 3) Firstly, I firmly believe that Potable, Waste and Storm water costs for maintenance and renewals of existing infrastructure should be separate rates and fully hypothecated. Secondly, Potable, Waste and Storm water infrastructure, specifically required to meet GROWTH should be debt funded with recovery of those FULL costs being via Financial Contributions paid by developers. Finally, the role of the economic regulator is to ensure those rates and financial contributions are fair and reasonable.

- 4) Community and Private schemes should be left to Users to determine what is fair and reasonable as they are voluntary schemes devised by the users.
- 5) Absolutely FULL DISCLOSURE is required. Their primary role is to provide and efficient, effective service that meets the standards set by Taumata Arowai.
- 6) The Water Entities will be legislated to meet the standards set by Taumata Arowai. The failure of the status quo is that many providers have not met current standards and that is the fundamental basis for these reforms. Quality Standards and full compliance at all times is the basic role of the Water Entity.
- 7) There needs to be some price reality across New Zealand. By necessity, facilities need to be fit for purpose to meet the needs of the community they service. However, I firmly believe that the Economic Regulator should be responsible for providing a Cost Engineered Model using Current Appropriate Technology and Currently recognised processes and resources for each of those Community Facilities – from Largest to Smallest size.
- 8) A) I believe the Cost Models should be set up by July 1 2024 AND that a finite time period – 5 years – be given to the entities to meet those models.  
  
B) A complication is, that the capital costs to bring all operating facilities up to best practice standards, will take considerable time and in the interim cross subsidisation will be required.
- 9) A) The legislation should be in place as long as the Water Entities are in operation  
B) Compliance with Taumata Arowai Standards and Compliance with the appropriate Cost Engineered Model for their size of operation (primarily to minimise cross subsidisation).
- 10) A) ALL regulations should be fit for purpose and meet the needs of what the regulations are for. There will be some factors that are common but not all.  
  
B) The Water Entities must use FULL Hypothecation as mentioned earlier for maintenance and renewals of existing assets AND must use Financial Contributions paid by developers for the provision of GROWTH ASSETS.  
  
C) NO.  
  
D) All Treaty of Waitangi issues MUST be part of the Taumata Arowai Standards AND the Resource Consent Conditions. I am also of the view that there MUST be National Consent Conditions for all Resource Consents for each Water Entity and the Crown should be the issuer of those consents. Quite Clearly the status quo where Regional Councils have been responsible has been an abject failure. Our very own Council and a simple comparison to all others in the region is testament to that. Furthermore, how can a council operate any 3 Waters facility under an expired Resource Consent.
- 11) Must be sector specific.
- 12) The regulatory period should be in place for as long as the entity is.

13) A) Yes, they should for transparency and compliance purposes.

B) NO, if the entity has “Best Practice” asset management processes with 10 year fully funded details there should be no price shocks. Furthermore, using full hypothecation principles for each service, the costs are the costs and must be borne by the user for maintenance and renewals or by the developer for Growth requirements.

C) Appropriate Cost Engineered Models reviewed regularly should be the requirement and will deliver the required and agreed efficiencies.

14) A) Full hypothecation without POLITICAL INTERFERENCE (as we see with the Waka Kotahi process) allows for cost recovery against agreed Taumata Arowai standards.

B) Taumata Arowai set the standards and Resource Consent Conditions and therefore the 4 Water Entities are basically operating organisations with legislation operating standards to perform too. DON'T OVER COMPLICATE THINGS !!!!!

C) The role in this context is to create agreed Cost Engineered Models.

15) There must be a review process to ensure that Taumata Arowai is not setting unachievable, unrealistic or overly expensive standards.

16) The recognised failings of the status quo is that there has been no compliance oversight. In my view the monitoring of outputs should be fully automated with real time reporting to Regional Councils and for Regional Councils to be legislated to prosecute on a RISK basis agreed to by all 4 Water Entities and Taumata Arowai. If Government is not going to sort out compliance and aggressive prosecuting tool's, why are they doing anything in the 3 Waters space.

17) A stand alone body completely removed from any political interference. Once Taumata Arowai has set agreed standards it becomes a compliance operation – don't complicate things.

18) They are basic overhead costs borne by the operating entity and should be included in the hypothecated rate.

19) Why is there even a need for a levy. The entities are cost neutral and as said before using hypothecation for each service there is no need for levies.

20) NO!!!!

21) A) NO, the review process for Taumata Arowai Standards should avoid the need for any other review process.

B) The legislation sets the purpose – no need for any more bureaucracy.

22) NO that is what Taumata Arowai should be mandated to do.

- 23) NO, see answer to 22 above.
- 24) Only required if Government believes Taumata Arowai will fail. Don't set up Taumata Arowai to fail, that's the problem with the status quo.
- 25), NO, that's the problem with the status quo, one agreed standard for each service that a ALL suppliers MUST meet. No Exceptions.
- 26) Identifying and being consistent in the identification should be done by an outside organisation.
- 27) Treaty and Iwi implications are the domain of Taumata Arowai that is why the Governance has been set up in the way it has. Treaty and Maturanga Maori implications should be entrenched in the Taumata Arowai (INCLUDING Resource Consent Conditions) standards including waste water and stormwater minimum quality and discharge volume standards.
- 28) Consumer Protection should be appropriate for each type. 4 Entities should have different rules compared to Private User based systems.
- 29) The compliance and enforcement standards must be robust to the point where prosecution is instant and brutal. This is one of the real failings of the status quo and it must be fixed.
- 30) They have not done a very good job up till now in this space, so they must change if they are going to be part of the solution.
- 31) No need to incentivise. Consumer Engagement should be a fundamental cornerstone for every entity.
- 32, 33, 34, 35, 35, 36, 37,38, 39) No the review arrangements for Taumata Arowai must perform that function.
- 40) NO !!!, It is the obligation of the Water Entities to provide the appropriate connections and service that is required by communities like Marae. Central Government may have a subsidy arrangement to support the payment of rates, BUT NOT the Entity.
- 41) As answered earlier, the 4 Water Entities are cost centres and overhead costs must be recovered in the hypothecated rate for the service provided.
- 42) No Comment.
- 43) NO comment.
- 44) Set up Taumata Arowai with the right purpose, vision, values and enforcement processes. No need for a checker to check the checker.
- 45) No Comment
- 46) All information is public, so transparency is a given.