Responses to questions

The Competition Policy team welcomes your feedback on as many sections as you wish to respond to, please note you do not need to answer every question.

Part 1: Levy structure	
1.	What are your views on the preferred option for a levy to fully recover the costs of the Commission's new functions from 1 July 2025 onwards from regulated water services suppliers, excluding litigation and Crown Monitor costs for Watercare? Please provide reasons.
	Invercargill City Council has a fundamental objection to the requirement to pay for the Commissions' new regulatory functions and then "work out an equitable yet efficient method to pass this on to ratepayers / water users". This represents a concerning trend in Local Government and ratepayers being required to fund Central Government functions. It raises the question as to what other Central Government functions will be required to be funded by rate payers in the future. The combined Water Authority and Commerce Commission levies, which are required to be collected from Invercargill City Council ratepayers for 2025/2026 is $302,810. To implement this will require a 0.39% rates increase as part of the FY 25/26 Annual Plan. The additional burden of paying for Central Government regulatory functions, on top of the significant forecasted 3 Waters infrastructure costs, increases the affordability and cost of living issues Invercargill City ratepayers are experiencing. We question whether there is scope to reduce the cost once functions are established and processes are in place. Further, we request that spend on the regulatory function be made visible to Council to ensure value for money and that costs are proportionate to the activity.
Part 2: Levy design	
2.	What are your views on the proposed levy design?
	While it is agreed that allocation of a levy by resident population is a simple approach for the regulator working out an efficient approach to apportion levy costs to commercial users will be problematic. The ideal requires this to be based on a volumetric charge and will require system and process development to support this. Invercargill City Council cannot expect general ratepayers to subsidise private schemes and commercial users.

3.	How would the proposed levy design impact on your organisation (whether now or in the future)? Please provide your assessment of the nature and extent of these impacts.
	The costs of ICC administering a levy recovery scheme on behalf of the regulator are not provided for in Annual or LTP Budgets and represent an additional cost for ratepayers. Existing teams will need to design and implement an efficient yet equitable approach to allocate and collect the levy on behalf of the regulator. Requiring each Council across New Zealand to define their own approach is not efficient and is likely to result in an inconsistent approach rife with cross subsidisation.
4.	Do you have any comments on how the levy design could be improved? Please provide reasons.
	The regulatory functions should continue to be a Central Government responsibility to deliver and fund. Once the outcomes of Local Water Done Well have been implemented, including setup of Joint / Individual Water Service Council Controlled Organisations – the approach to funding regulatory activities may then be revisited. If the levy is implemented as designed, it is recommended that detailed reporting is made publicly available on how levy funds were spent and their outcomes in improving water services.
Part 3: Levy apportionment	
5.	Do you have any comments on the preferred option for apportionment of the levy to each regulated supplier?
	While it is agreed that allocation of a levy by resident population is a simple approach for the regulator to adopt and apportion costs to Councils, it passes the issue the Councils to work out an efficient yet equitable method to pass the levy costs onto ratepayers and water users. The ideal is that the levy is calculated on basis of water connection and water use, it is understandable that there are data limitations preclude this. Consequently, resident population is an easy method to calculate this. Drawbacks with this approach are that Councils with higher visitor populations or multiple water supply schemes and/or wastewater treatment plants would not have this recognised in the value of the regulatory costs allocated to them.
6.	How would the proposed method of apportionment impact on your organisation (whether now or in the future)? Please provide your assessment of the nature and extent of these impacts.

	Key challenge is the diversion of Council staff to work through an approach to an efficient yet equitable approach to "passing on the cost.' The proposed approach and options would need to be defined, implementation approach and associated costs calculated and seek Council Decision for the proposed changes, consult on these, then secure Council approval to the required Annual Plan / LTP changes. Once approved, the system and process changes would then need to be implemented, to the 1 July 2025 timeframe. To deliver would likely require tactical solutions to be agreed and other high priority work to be reprioritised or deferred. Invercargill City Council is once again disappointed by the lack of appropriate timelines to meet new central government requirements.
7.	Do you have any comments on alternative options to apportion the levy? If another option is preferred, please provide reasons.
	First preference for these regulatory functions to continue to be a Central Government responsibility to deliver and fund.
Part 4: Levy implementation	
8.	Do you see any issues with your implementation of the levy (receipt of invoices, payment and passing the cost on as you may determine)? If so, what are those issues?
	Key challenge is the diversion of Council staff to work through an approach to an efficient yet equitable approach to "passing on the cost.' The proposed approach and options would need to be defined, implementation approach and associated costs calculated and seek Council Decision for the proposed changes, consult on these, then secure Council approval to the required Annual Plan / LTP changes. Once approved, the system and process changes would then need to be implemented, to the 1 July 2025 timeframe. To deliver would likely require tactical solutions to be agreed and other high priority work to be reprioritised or deferred.
9.	Would the proposed implementation approach create any challenges for your organisation? If so, what would these be in practice and are there solutions you wish to propose?
	Key challenge is the diversion of Council staff to work through an approach to implementation, associated costs and seek Council Decision for the proposed changes, then implement these, to a demanding 1 July 2025 timeframe.

10.	Do you have a preference for when the levy should be reviewed next? If so, why?
	Once the outcomes of Local Water Done Well have been implemented, including setup of Joint / Individual Water Service Council Controlled Organisations – the approach to funding regulatory activities may then be revisited.

General Comments:

The Government again calling for 3 waters submissions over the December January period requiring staff and elected members to shorten leave in order to see submission completed and approved is disappointing.

Thank you

We appreciate you sharing your thoughts with us. Please find all instructions for how to return this form to us on the first page.