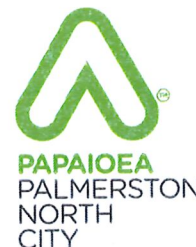


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Impacts of Commerce Commission Levy on Palmerston North Ratepayers

Palmerston North City Council, like councils across New Zealand, faces the ongoing challenge of balancing the long-term interests of our ratepayers with the financial sustainability of our organisation. Government-imposed rules and responsibilities often add significant costs, complicating our ability to maintain this balance. The recently announced commerce commission levy is a significant concern.

The introduction of a levy to fund the new regulatory regime for Local Water Done Well, including the Water Services Authority -Taumata Arowai (the Authority) and the Commerce Commission, will directly impact our ratepayers. This levy places the financial burden of regulating clean and safe drinking water—a benefit enjoyed by all New Zealanders—solely on local communities.

The water levy's lack of clarity and mechanisms for transparency further exacerbates our concerns. Without robust frameworks, the levy risks becoming a disproportionate financial burden on ratepayers at a time when affordability is already under pressure.

To mitigate the impacts of this levy and ensure its fair implementation, we request that the Government creates a clear framework for cost-sharing in the new regulatory regime for water. Clean and safe drinking water benefits all New Zealanders and visitors; its costs should not fall disproportionately on local ratepayers.

In addition, we provide the following considerations for change to the current levy proposal:

1. The current implementation date for the Commerce Commission Levy is for 1 July 2025. The Water Services Bill currently open for submissions indicates that ringfencing of water services revenue and required reporting requirements of this new regime will not begin until 1 July 2026. We believe that the commerce commission levy implementation should it proceed should align with the time period that the new financial requirements including ringfencing comes into force and not sooner.
2. Ringfencing should not be enforced until 1 July 2027 to give sufficient time for new water service delivery arrangements to be implemented and so as not to require Local Authorities to put in place systems and processes for meeting these requirements when a new entity is planned to be created to deliver water services. 1 July 2027 would give sufficient time for these entities to be fully operational.

3. Will there be provisions to reward high-performing councils or water services agencies via the levy structure? Even modest incentives could help encourage and recognize exemplary performance in managing water resources effectively.

Palmerston North City Council urges the Authority to consider the cumulative financial impacts of these levies and to implement measures that prevent undue burden on local communities. Our ratepayers deserve certainty and fairness as we work together to provide essential services.

We look forward to your response and to continued dialogue on these critical issues.

Ngā mihi nui

Privacy of natural persons

Waid Crockett
Chief Executive

Palmerston North City Council (PNCC) Response to Consultation Questions

Question	Response
<p>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?</p>	<p>PNCC does not agree with the levy being introduced from 1 July 2025, and that this should be aligned with when the new financial requirements including ringfencing is implemented, currently scheduled for 1 July 2026. The government must recognize the broader public benefit of the Water Services Authority's work and fund it accordingly without relying on councils to absorb the costs.</p>
<p>What are your views on the proposed levy design?</p>	<p>While PNCC does not believe the levy should be charged to local authorities, it offers these views. If the levy must be charged, then a risk based approach to setting the levy is welcomed, and that it should be apportioned to those who are consuming the differing activities.</p>
<p>How would the proposed levy design impact on your organisation (whether now or in the future)?</p>	<p>The proposed levy design places undue financial stress on PNCC and its ratepayers. This model assumes councils are the appropriate funding vehicle, which PNCC rejects. The government must recognize the broader public benefit of the Water Services Authority's work and fund it accordingly without relying on councils to absorb the costs.</p>
<p>Do you have any comments on how the levy design could be improved?</p>	<p>The levy design should have alignment to when monitoring and ringfencing provisions are implemented and not before.</p>
<p>Do you have any comments on the preferred option for apportionment of the levy to each regulated supplier?</p>	<p>PNCC objects to the apportionment approach as it unfairly penalizes councils by linking costs to population size, effectively passing on a national regulatory burden to local communities. Central government should allocate sufficient funding to the Authority from national tax revenue to avoid these inequities.</p>
<p>How would the proposed method of apportionment impact on your organisation (whether now or in the future)?</p>	<p>The apportionment approach places undue financial stress on PNCC and its ratepayers. This model assumes councils are the appropriate funding vehicle, which PNCC rejects. The government must recognize the broader public benefit of the Water Services Authority's work and fund it accordingly without relying on councils to absorb the costs.</p>

Do you have any comments on alternative options to apportion the levy?	The current proposal is based off water service suppliers paying for the preparatory costs of the economic regulator – for which PNCC is opposed to. However, consideration needs to be given for Watercare to also contribute from the same period as all other water service providers as they will also fall under this regime of regulation.
Do you see any issues with your implementation of the levy (receipt of invoices, payment and passing the cost on as you may determine)?	PNCC sees significant issues with the levy's implementation as it forces councils to act as intermediaries, collecting funds on behalf of central government. This places an administrative and financial burden on councils that is both unnecessary and inequitable. The government should fully fund the Authority to avoid imposing these additional responsibilities on councils.
Would the proposed implementation approach create any challenges for your organisation?	The proposed implementation approach is inherently problematic as it assumes councils should bear responsibility for funding and administering the levy. PNCC firmly believes that such national regulatory costs should be funded by central government. Shifting these costs to councils undermines the financial sustainability of local government.
Do you/your organisation have a preference for when the levy should be reviewed next?	While PNCC believes the levy should not exist in its current form, if central government insists on retaining it, reviews should be conducted annually initially to assess its impact on councils and ratepayers. However, PNCC strongly advocates for a funding model that removes the financial burden from councils entirely and places it back with central government where it belongs.

Conclusion

Palmerston North City Council appreciates the opportunity to provide feedback on the proposed Water Services Authority levy. PNCC strongly opposes the expectation that councils and ratepayers fund the Authority's activities. The regulation of water services is a national responsibility, and its costs should be covered by central government. Imposing this levy on councils is both inequitable and unsustainable, and PNCC urges the government to reconsider its approach.