

5 February 2025

Competition Policy team
Ministry of Business, Innovation and Employment
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Wellington 6140

Teenaa koutou katoa,

Waikato District Council | Te Kaunihera aa Takiwaa o Waikato (Council) wishes to provide feedback on the proposed levy to recover the Commerce Commission's costs of administering the new water services regulatory regime. Council has also provided detailed feedback as part of the Waikato Region submission with our neighbouring territorial authorities. This submission was provided by Co-Lab – a CCO owned by 12 councils in the Waikato and Bay of Plenty regions.

Waikato District is a territorial authority located in the northern part of the Waikato Region, between Auckland and Hamilton. With a population of 85,968 in the 2023 Census, it is the second most populous territorial authority in the Waikato Region after Hamilton City, and the 11 most populous of the 67 territorial authorities in New Zealand.

The district is primarily made up of smaller settlements, with the majority of residents living in rural areas. The seven towns of Waikato District with populations above 1000 people (Huntly, Ngaaruawaahia, Tuakau, Pokeno, Raglan and Te Kauwhata) have a combined population of 35,064, 40% of the district's population. The dispersed communities of Waikato District, covering a large geographic area with the majority of residents living outside the main population centres, is important context to consider for the two main concerns that we raise in this submission.

The first main concern is that this is an unbudgeted and unexpected expense that does not fall within Council's planning timeframes. As you will be aware, the Government provided territorial authorities with an option to defer their Long Term Plans (LTPs) by one year, due to the changing political landscape and water services legislation. This was an opportunity that Council accepted, and Council is currently preparing our Draft LTP for public consultation in the coming months.

Certainty on the levy structure appears to be unlikely before Council is scheduled to consult with the public on the Draft LTP, and this is an important addition to Council's Draft LTP that would need to be clearly communicated with our residents and ratepayers.

The second main concern is that the levy is yet another addition from successive governments to the growing financial burden imposed by regulatory authorities. This is despite the objectives of the Local Water Done Well legislation seeking to ensure that water services are delivered at the lowest possible cost to consumers and businesses.

Council believes that the rationale provided, that regulated suppliers should bear the costs, is problematic. It overlooks the fact that this approach places the entire cost burden on ratepayers. Given that everyone benefits from high-quality water services, there is a clear role for Crown funding to ensure a more equitable funding model.

Crown funding would provide greater efficiency by eliminating the administrative burden of the levy from both the Commerce Commission and territorial authorities. A 100% Crown funded model would also provide greater incentive for cost containment within the regulatory authorities. Council acknowledges that a tax-funded approach is still a cost that our residents and ratepayers would have to bear, however central government has a wider suite of tools available to achieve a more fair and equitable approach to taxation, compared to local government property rates.

Without such Crown funding, and without adequate time to incorporate finalised regulatory costs into Council's LTP, there is a significant risk that other essential, planned works may remain incomplete to cover the costs of regulation.

While the proposed levy structure is not supported by Council, we wish to provide some feedback on this proposal if it is the approach that the Commerce Commission ultimately adopts. Council does not support the sole use of population-based apportionment for the following reasons:

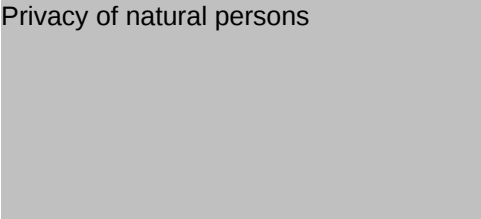
- a. It does not adequately account for the different circumstances of different councils, such as rural communities that are not using or connected to water services, or communities that have a small resident population but have systems that are geared towards peak holiday loading (such as the town of Raglan within Waikato District).
- b. It disproportionately burdens those councils and communities like Waikato District, with a high proportion of rural residents who do not have water and wastewater services – the approach lacks equity and could adversely affect the reputation of the councils and service providers serving these communities that are disproportionately impacted.

We acknowledge that the current data may be insufficient to base the levy apportionment on serviced population or water volume, Council would prefer these metrics once they are standardized and become more reliable. Council recommends that future reviews consider these more nuanced metrics to promote greater fairness and equity.

In summary, Council recommends a Crown funding approach for the regulatory scheme for New Zealand's water services. However, if the Commerce Commission is to adopt a levy scheme as proposed, it is critical that there is a 1-2 year transition period, during which the Commerce Commission's cost are partially recovered through the levy and the remainder funded by the Crown. This would help to minimise our first main concern about the timing on this levy not lining up with Council's planning timeframes.

Ngaa mihi,

Privacy of natural persons



Craig Hobbs
Chief Executive