

10 February 2023

Finance and Expenditure Select Committee  
Parliament Buildings  
Wellington

Lodged via: [Water Services Legislation Bill Submission - New Zealand Parliament \(www.parliament.nz\)](http://www.parliament.nz)

Dear Members of the Finance and Expenditure Select Committee

**Submission from the Manawatū District Council on the Water Services Legislation Bill**

The Manawatū District Council (MDC) thanks the Finance and Expenditure Committee for the opportunity to submit on the Water Services Legislation Bill (the “Water Services Bill”).

MDC is a participating Council of Communities 4 Local Democracy – He hapori mō te Manapori (“C4LD”). MDC submits in support of the C4LD submission.

In addition to the key concerns and recommendations contained in the C4LD submission on the Water Services Bill, this submission includes examples and issues that are unique to the Manawatū District.

**Cross-subsidisation**

MDC is particularly concerned about the potential financial impact of new section 334 that allows a Water Service Entity (WSE) to levy geographically averaged charges on residents of the Manawatū District. As noted in MDC’s submission on the Water Services Entities Bill, and outlined below, MDC has been proactive and invested well in three waters infrastructure.

*Manawatū Wastewater Treatment Plant*

MDC has proactively and successfully upgraded the Manawatū Wastewater Treatment Plant in Feilding and is in the process of constructing pipelines and pump stations to centralise the treatment of wastewater from our villages to this treatment plant.

Between 2012 and 2022, MDC spent \$23.2M on upgrades to the Manawatū Wastewater Treatment Plant. MDC’s upgraded Manawatū Wastewater Treatment Plant in Feilding includes an irrigation system that enables the disposal of treated wastewater to land rather than the Ōroua River, over the summer months.

A further \$1.18M is budgeted for 2022/23. Part of this budget is being spent on the construction of wetlands that will add an extra filtration process and contribute to further improvements in the ecological condition of the Ōroua River. MDC also has plans to separate trade waste from domestic wastewater and to dispose of nutrient from this waste to land.

*Manawatū Wastewater Centralisation Project*

One of the key projects in the 2018-2028 Long Term Plan was the Manawatū Wastewater Centralisation Project. This project involves the development of infrastructure to pipe untreated and/or pre-treated wastewater from the villages of Halcombe, Sanson, Rongotea, Awahuri, Cheltenham and Kimbolton to the Manawatū Wastewater Treatment Plant in

Feilding for treatment and disposal. Key benefits of the Manawatū Wastewater Centralisation Project include improved environmental outcomes for the Ōroua River and the removal of treated wastewater discharge from over 100 kilometres of waterways across the district. This initiative also increases internal efficiencies through reducing the number of discharge consents that Council must hold and administer.

MDC has spent \$10.1M on the Manawatū Wastewater Centralisation Project to date, with \$8.4M budget remaining. This initiative capitalises on the significant investment already made by the ratepayers of the Manawatū District in the upgrade of the Manawatū Wastewater Treatment Plant.

#### *Feilding Water Strategy*

MDC also has a confirmed programme in place through its 10 Year Plan, 30 year Infrastructure Strategy and 3-Waters Asset Management Plan to increase the resilience of Feilding's potable drinking water supply (total budget of \$6.47M from 2018-2028). These works will ensure a safe and complaint supply of drinking water for Feilding residents now and over the next 30+ years.

#### *Manawatū residents subsidising upgrades elsewhere*

MDC is concerned that the powers given to WSEs under new section 334 may result in Manawatū residents subsidising new infrastructure upgrades in other areas. Residential rates in the Manawatū District have been among the highest in New Zealand for many years, due to residents already paying for a higher level of service for wastewater.

The Manawatū District is included in the Eastern-Central Water Service Entity's service area, along with the Palmerston North City Council and other metropolitan areas such as the area within the Wellington City Council's jurisdiction. According to the Palmerston North City Council's website, their preferred option for managing, treating and discharging the city's wastewater has indicative costs of \$426 million and annual operating costs of \$7 million.<sup>1</sup> An article in the New Zealand Herald dated 11 April 2022 stated that the cost to upgrade a wastewater pump station and rising main on Taranaki Street in Wellington would cost \$24 million<sup>2</sup>.

MDC understands that there are benefits to charging geographically averaged charges in some instances. MDC has harmonised targeted rates in instances where the burden for new infrastructure would be beyond one community's ability to pay. However, residents willingness to pay for upgrades within their own District is likely to be much higher than works occurring outside of their District, due to lack of connection and shared communities' interest. Expecting our ratepayers to pay for water, wastewater and stormwater upgrades in other areas would effectively make them pay twice. This is unfair and unethical.

The C4LD submission recommends that that *“where cross-subsidisation occurs, that the WSE be required to make transparent to water consumers in its region where that cross-subsidisation is occurring and why.”* MDC considers that rather than just making those decisions transparent to water consumers, decisions around whether or not to charge a geographically averaged price should be made in consultation with those communities affected.

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<sup>1</sup> [NZ's highest treatment for city wastewater confirmed | Palmerston North City Council \(pncc.govt.nz\)](https://www.pncc.govt.nz/news/2022/04/11/nz-highest-treatment-for-city-wastewater-confirmed)

<sup>2</sup> [Wastewater pipe upgrade on Wellington's Taranaki St to cost \\$24m - NZ Herald](https://www.nzherald.co.nz/water-wastewater/news/wastewater-pipe-upgrade-on-wellington-s-taranaki-st-to-cost-24m-2022-04-11/)

***Decision sought:***

- That section 334 of the Bill be amended so that prior to the board of a WSE making a decision on whether or not to charge a geographically averaged price for any water services, the board must consult with those communities affected.

**Rural Water Supplies**

MDC generally supports the provisions within the Bill that enable local government-owned mixed-use rural water supplies to be transferred to an alternative operator (such as the farming community served by the supply). However, MDC is concerned about the requirements associated with an application to transfer, including:

- the requirement for the alternative operator to prepare a transfer proposal and business plan; and
- to pay all costs associated with:
  - an independent assessment of the transfer proposal; and
  - a referendum on the transfer proposal (if applicable).

MDC administers rural water schemes in Stanway/Halcombe and Waituna West to meet residential and agricultural needs. MDC also administers two rural water supply schemes that are community operated (Kiwitea and Ōroua No. 1). MDC is concerned that the costs associated with Part 8, particularly in relation to the independent assessment of the transfer proposal and the costs of conducting a referendum, should one be required, will essentially rule out small-scale alternative operators. MDC considers that greater consideration should be given to rural water schemes already in operation.

MDC is of the view that existing alternative operators that can demonstrate that they meet the minimum requirements of providing an asset management plan, funding and pricing plan, water safety plan, and any feedback from Taumata Arowai, be able to apply to retain operation of their water scheme rather than having to apply to the WSE (including all the documentation and costs that come with the preparation and assessment of the transfer proposal) to have the operation transferred back to them.

***Decision sought:***

- That Part 8 of the Bill be amended to allow alternative operators of small mixed-use rural water schemes to continue their operations (i.e. without transfer to the WSE), providing they can demonstrate that they meet the minimum requirements of providing an asset management plan, funding and pricing plan, water safety plan, and any feedback from Taumata Arowai, to the WSE.

**Section 336 – Pass-through Billing**

MDC strongly objects to section 336 of the Bill that empowers the chief executive of a water service entity to authorise the local authority or authorities in its service area to collect charges on behalf of the water service entity. MDC agrees with C4LD and Taituarā that local authorities should not be compelled to carry out the water services billing function, even if local authorities are to be provided with reasonable compensation for carrying out this

function. The water service entities should be required to introduce and operate the billing function on establishment.

**Decision sought:**

- That section 336 of the Bill be withdrawn and that the Committee agree with the recommendation of C4LD that water service entities be required to introduce and then operate on start-up the billing function.

**Support for other submissions**

MDC supports the Taituarā submission. In particular, MDC expresses its support to the following recommendations:

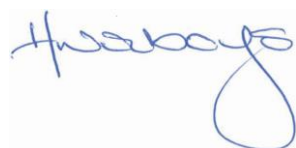
- Recommendation 8 that seeks amendments to clause (2) of section 257 to clarify what is meant by territorial authorities, regional councils and transport corridor managers working with water service entities in the development of stormwater management plans.
- Recommendation 20 to add a provision which requires water service entities to set charges in a manner consistent with the current funding and pricing plan.
- Recommendation 25 to delete proposed new section 342 and clause 63, making WSEs liable for rates in respect of all three waters assets.
- Recommendation 46 to amend clause 27, Schedule 6 of the Local Government Act to exclude amendments to the 2021/31 long-term plans, thus enabling local authorities to demonstrate accountability to the community and manage the financial consequences of their delivery of water services to 30 June 2024.

**Decision sought:**

- That the Committee agree to the recommendations contained in the submission by Taituarā.

MDC **wishes to be heard** with respect to this submission and requests a speaking time that is close to that of C4LD.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Helen Worboys', with a large loop at the end.

Helen Worboys  
**Mayor, JP**