newsroom.

Govt must pay to 'buy back' water networks from locals

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[Govt must pay to 'buy back' water networks from locals (msn.com)]

Nanaia Mahuta should know trust in local government is already low, and destabilising local processes does little to recalibrate the balance.

OPINION: The Government's approach to the three waters reforms has the potential to undermine local democratic process and create friction between local and central government. This is an unnecessary and disappointing outcome for a much-needed suite of reforms.

The rationale for undertaking water infrastructure reform is well understood. Aotearoa New Zealand's aging water infrastructure is failing. The Government estimates $120 to $185 billion of investment will be needed over the next 30 years to improve efficiency and the quality of service delivery. The Government argues that without amalgamating service delivery the costs to some rate payers could balloon.

The problem is the degree of system collapse is not uniformly distributed across the country. While some cities, like Wellington, have failed to upgrade their infrastructure, others, like Auckland and the Kāpiti Coast, have spent billions proactively upgrading their services.

Regional constituents also differ in their preferences over water service delivery. In Christchurch, many citizens are opposed to chlorination, for example, while in other regions chlorination is no issue. Losing decision-making authority over water is therefore a valid concern for many local voters and their representatives.

The solution to the financial problem is straightforward from an economics perspective. If the Government wishes to create an equitable playing field, it should compensate councils for their water infrastructure investment – essentially ‘buy back’ the infrastructure and services from local authorities.

This approach would have precedent under the Public Works Act 1981, which gives the Crown the power to acquire land for public works with due compensation given to affected private landowners. For councils, compensation payments under the three waters reforms could reflect the level of recent investment in water infrastructure upgrades.

England and Wales privatised their water in 1989 and the results have been counter to what economic theory would predict. Rather than costs falling for users and infrastructure improving, rates have disproportionately increased and infrastructure investment keeps falling.

Unsurprisingly, infrastructure buy-back has not been floated as a policy option in the three waters reform process, as it would add billions to the Government's reform bill. Instead, the Government has chosen to go over the heads of local authorities and into the pockets of local voters. Last month, the Government began running ads highlighting the costs of sticking to the status quo and emphasising the benefits of its three waters agenda.

Although the Government is clearly hoping the $3.5 million ad campaign will nudge voters towards pressurising their local representatives to adopt the new framework, the campaign risks leading to a loss of trust in central government on the part of some local authorities and a further rescinding of voluntary engagement in the reform process.

This approach to advancing the water reform agenda is surprising from a local government minister. Nanaia Mahuta should know trust in local government is already low, and destabilising local processes does little to recalibrate the balance.

There has also been a paltry effort made to address concerns over the loss of decision-making authority or to allay fears of future privatisation. Although there has been some indication rules could be included in legislation that would mitigate against denationalisation, these appear more of an afterthought than a central clause of any future law.

International evidence shows privatising water service delivery would not result in improved outcomes for users. England and Wales, for example, privatised their water in 1989 and the results have been counter to what economic theory would predict. Rather than costs falling for users and infrastructure improving, rates have disproportionately increased and infrastructure investment keeps falling.

Today, domestic water users in England pay 14 percent more than their Scottish counterparts and between 2002 and 2018 infrastructure investment by the 10 privatised English water companies was only 65 percent of what Scottish Water, which is publicly owned, invested per household.

WHAT'S YOUR COUNCIL'S POSITION? Ashburton; Auckland; Buller; Carterton; Central Hawke's Bay; Central Otago; Chatham Islands; Christchurch; Clutha; Dunedin; Far North; Gisborne; Gore; Grey; Hamilton; Hastings; Hauraki; Horowhenua; Hurunui; Hutt; Invercargill; Kaikōura; Kaipara; Kāpiti Coast; Kawerau; Mackenzie; Manawatū; Marlborough; Masterton; Matamata-Piako; Napier; Nelson; New Plymouth; Ōpōtiki; Otorohanga; Palmerston North; Porirua; Queenstown Lakes; Rangitikei; Rotorua; Ruapehu; Selwyn; South Taranaki; South Waikato; South Wairarapa; Southland; Stratford; Tararua; Tasman; Taupō; Tauranga; Thames-Coromandel; Timaru; Upper Hutt; Waikato; Waimakariri; Waimate; Waipā; Wairoa; Waitaki; Waitomo; Wellington; Western Bay of Plenty; Westland; Whakatāne; Whanganui; Whangārei

As pressures on water increase in New Zealand, ensuring communities and local authorities are engaged in water reform should be a central pillar of the Government's reform agenda. These water reforms have the potential to affect New Zealand's drinking water, storm water and wastewater policy for decades to come.

Making the reform process a democratic and engaging one will go a long way towards ensuring the outcomes improve water delivery for most people in most places.