



RUAPEHU DISTRICT COUNCIL

Private Bag 1001, Taumarunui 3946, New Zealand
Telephone +64 7 895 8188 ▪ Fax +64 7 895 3256
Email info@ruapehudc.govt.nz
Website www.ruapehudc.govt.nz

12 February 2023

To: New Zealand Parliament
1 Museum Street
Pipitea
Wellington

Subject: **Water Services Economic Efficiency and Consumer Protection Bill**

Submission from: Ruapehu District Council
Private Bag 1001
TAUMARUNUI 3964

Point of Contact: Vini Dutra, Executive Manager Infrastructure

Email: policyplanning@ruapehudc.govt.nz
Phone: 07 895 8188

Council does not wish to speak in support of its submission.

The Ruapehu District ... where adventure begins!



1 ACKNOWLEDGEMENT

- 1.1 Ruapehu District Council (RDC) thanks the Select Committee for the opportunity to present its views on the Water Services Economic Efficiency and Consumer Protection Bill (the Bill). RDC supports the purpose and objective of the Bill and acknowledges that Aotearoa New Zealand faces significant infrastructure challenges to drinking water, wastewater, and stormwater services.

2 ABOUT US

- 2.1 The Ruapehu District is a land-locked area covering 6,733km², with a usual resident population of 12,309 (Statistics NZ, Census 2018). Ruapehu is one of New Zealand's largest districts by land area, however, has a relatively small and dispersed population base with one of the lowest resident population densities in the country (0.02 persons per hectare). The Ruapehu District has high levels of socio-economic deprivation compared to other parts of the country.
- 2.2 The Ruapehu District has a strong primary industry sector and despite Covid, it is also a growing tourist destination and enjoys a significant and steadily increasing number of visitors and non-permanent residents each year. The Ruapehu District receives approximately 1.2 million visitors annually, and although the district's usual resident population is lower, the population goes up to approximately 28,000 on our peak day.

3 SUMMARY

- 3.1 The Bill introduces economic regulation to regulate the price and quality of water infrastructure services in a market where there will be virtually no competition, as well as consumer protection measures. RDC supports the Bill's objective to regulate the price and quality of water infrastructure services and to protect consumers. Economic regulation will play an important role in securing overall public confidence in relation to the implementation of the reform.
- 3.2 Although RDC supports the objectives of the Bill, RDC has some concerns in relation to the Bill, including the following:
- a) The timing of the implementation of quality regulation;
 - b) The timing of the implementation of price-quality regulation;
 - c) Debt capacity and financial concerns in relation to WSEs;
 - d) How the WSEs' and Taumata Arowai's regulatory standards will align.

4 QUALITY REGULATION

- 4.1 Quality regulation aims to regulate the supply of water infrastructure services so that the services meet minimum quality standards. The first regulatory period starts on 1 July 2027 (unless delayed up to two years by Order in Council). The first regulatory period duration is three years. Subsequent regulatory periods are no longer than six years. RDC submits that the intention of rolling out quality regulation in the first regulatory period is unrealistic.
- 4.2 Quality regulation requires information. It takes time to gather the useful type of information that would support quality regulation. This information would include engagement with communities to understand what they require from the services. RDC agrees with and



endorses Local Government New Zealand's comment in their submission to the Bill where they state that they believe the earliest time for quality regulation to be introduced is in the second regulatory period, not the first. That will allow WSEs to utilise information obtained through the information disclosure regime and the first regulatory period.

5 PRICE-QUALITY REGULATION

- 5.1 Price-quality regulation aims to discourage excessive profits and to increase WSEs' efficiency. Price-quality regulation is a costly and complex form of regulation. There is an argument to be made that price-quality regulation would be a disproportionate regulatory burden, when gains in that area could be made by way of the information disclosure regime outlined in the Bill alone. Information disclosure has been effective in other sectors i.e., airports, which are regulated with information disclosure only, and it has been effective in driving efficiency. It also doubles as a soft form of price control because financial returns can be exposed to public scrutiny. RDC submits that the intention of rolling out price-quality regulation just three years into the new regime is unrealistic. If price-quality regulation becomes necessary down the track, it is likely that the regulator would be better placed to implement it with two or more regulatory periods of data available.
- 5.2 RDC agrees with and endorses Local Government New Zealand's comment in their submission to the Bill where they state that they believe the information disclosure component of the Bill should be given a chance to do its work, before a move is made to a more complex, onerous, and costly form of regulation.

6 DEBT CAPACITY AND FINANCIAL CONCERNS

- 6.1 In the short to medium term, the WSEs will have to borrow substantial amounts of money from different debt markets to ensure they are able to provide water services. This includes fulfilling their obligations under the allocation schedules that deal with the transfer and vesting of councils' waters assets and the payment of the associated debt and meeting their obligations in relation to their share of the "Better Off" funding commitments. WSEs will also need to meet compliance costs, including regulation and expected future investment requirements.
- 6.2 RDC shares the concerns of the local government sector regarding whether the WSEs will be able to handle their financial obligations without compromising their operations. The challenges of the transitional arrangements will make providing water services at an economical price challenging. RDC submits that financial assistance from central government should be made available to the WSEs, if required, so the WSEs' debt burden does not result in an increase of costs to consumers.

7 ALIGNMENT BETWEEN THE WSE'S AND TAUMATA AROWAI'S REGULATORY STANDARDS

- 7.1 Given the significance of the three waters reform and the work that has already been undertaken in relation to the establishment of Taumata Arowai, it is essential that some clarity be provided regarding how the economic and consumer protection regime outlined in the Bill aligns with the health and regulatory functions set by Taumata Arowai. It is essential that these two regimes align.
- 7.2 RDC agrees with and endorses the recommendation made by Taituarā in their submission to the Bill that an explicit requirement should be included in the Bill that the Commission consult with Taumata Arowai when developing input methodologies and quality standards.

