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Tēnā koutou katoa,

Cover letter - Christchurch City Council submission on *Water Services Economic Efficiency and Consumer Protection Bill*

On behalf of the Christchurch City Council (the Council), thank you for the opportunity to make a submission on the Water Services Economic Efficiency and Consumer Protection Bill (the Bill). The Council appreciates the opportunity to make this submission to your committee.

Introduction

While we considered this Bill, the Council notes its ongoing concern at the pace of the Three Waters reforms. When we put this alongside the major overhaul of the Resource Management system and review on the Future for Local Government – both of which are integral to the function of councils – the pace of reform is stretching the resources of local government to respond, prepare and implement.

As the consultation period occurred over the Christmas break, there has been insufficient time for our staff and elected members to thoroughly assess the impacts and receive appropriate advice. This has been disappointing.

However, the Council acknowledges that this Bill represents a specific set of proposed changes and this submission focuses on the specifics of this Bill rather than our wider concerns.

Overview of Submission

The Council's submission explains our position in more detail for your committee's review and consideration, namely that:

1. Water services must be delivered efficiently and fairly for our community,
2. Information disclosure plays the most important part in regulating the entities,
3. Alignment of regulations and standards is ensured,
4. Meaningful engagement and consultation must be undertaken, and
5. Technical feedback to address ambiguity in the Bill is addressed.

Conclusion

Our Council continues to have reservations about the Three Waters reform programme and we strongly urge your committee to thoroughly consider the proposed legislation carefully.

Personally, I am encouraged by the Prime Minister's indication that he is relooking at these reforms. My personal view is that there are better ways to do Three Waters reform that improve service delivery while maintaining local involvement. This could have been done as part of the Future for Local Government review.

Thank you again for the opportunity to provide this submission. Our Council staff have worked hard over the Christmas break to review this Bill and consider its impacts in a thoughtful and meaningful way so as to help you in your role reviewing this legislation. We hope their work is properly reviewed by your committee and given greater consideration than with previous Bills relating to these reforms.

For more information or should you have any questions, then please contact David Griffiths, Head of Strategic Policy and Resilience (david.griffiths@ccc.govt.nz).

Yours sincerely,



Phil Mauger
Mayor of Christchurch

Christchurch City Council submission on *Water Services Economic Efficiency and Consumer Protection Bill*

Introduction

1. The Christchurch City Council (referred to hereafter as ‘Council’) thanks the Select Committee for the opportunity to provide comment on the Water Services Economic Efficiency and Consumer Protection Bill (the Bill) on behalf of our entire district (which comprises urban and suburban neighbourhoods, as well as small settlements and rural areas, including Banks Peninsula).
2. The Council reiterates our concern over the pace of change for water services delivery. The fact that this is happening at the same time as other major changes to how the council may operate in future (e.g., resource management reform and outcomes resulting from the Future for Local Government review) troubles us greatly, and we stress the need for complete coordination.
3. The Council also notes that the timeframe provided to review and respond to this Bill, along with the Water Services Legislation Bill, has not been adequate to allow for proper consideration.

Our top priority is to ensure water services are delivered efficiently and fairly for our community

4. We acknowledge that it is essential to establish an economic regulator. Given the significance and scale of the water services entities, there must be the appropriate mechanisms in place to ensure the long-term interests of consumers.
5. We agree with Taituarā that the key priorities for this piece of legislation are to ensure that our communities:
 - a) are not overcharged for services
 - b) have the appropriate protections in place if they are unhappy, or encounter issues with services
 - c) do not experience a loss of quality as a result of these reforms, and the transitional period.
6. However, it is unclear if this Bill will deliver these priorities, as it primarily defers responsibility to the Commerce Commission to interpret the legislation and come up with the required regimes.
7. With the present delivery for water services, there is the ability for customers to have some influence on how water services are funded and managed (e.g. local body elections, the consultation process in the Local Government Act 2002 on councils’ long term plans and annual plans). However, there will be limited ability for customers to influence the entities.
8. It will therefore be important to make sure the role of the Commerce Commission in legislation is tailored to three water services, and is not just repetition of other sectors which do not provide as critical a resource.
9. With this in mind, we are concerned at the distinct lack of reference to the role of councils throughout this Bill. In addition to holding the knowledge and experience of delivering three water services, councils are shareholders in the entities.
10. It will also be important to recognise that councils will also be consumers.

Information disclosure is the most important part of regulating the entities

11. We consider that the information disclosure elements of the Bill should deliver on most of the regulatory policy outcomes the Government has targeted for improvement, and should be the primary initial focus of the Commerce Commission. This is what is required to deliver on the policy outcomes indicated – quality information to support robust asset management; efficiency; and, transparency and accountability for expenditure and investment.
12. However, we have concerns about the lack of clarity of mechanisms that will be in place for oversight in between when the entities are fully established, and the dates by which the Commerce Commission makes its initial determinations, due on a staged basis from 1 July 2027.
13. We seek further clarity about the interim arrangements, to ensure a smooth and just transition.

Full alignment of regulations and standards is crucial

14. This Bill tasks the Commerce Commission with making quality regulations (e.g., section 15 and Subpart 5 to Part 2). However, it is unclear how these will align to existing quality requirements for three waters infrastructure, such as the Drinking Water Standards New Zealand, which is promulgated and administered by Taumata Arowai.
15. The Bill also states that the Commerce Commission will need to monitor the “quality of service” provided by water services entities. It is unclear whether in this context “quality of service” could include factors such as drinking water safety and quality. This provision in the Bill may result in an overlap of roles and responsibilities between the Commerce Commission and other agencies such as Taumata Arowai, with respect to water quality matters pertaining to drinking water, wastewater and stormwater.
16. We consider that the Select Committee should seek clarity over these questions, to ensure there is no duplication or unintended cross over between the roles and regulations of the Commerce Commission, and that of Taumata Arowai.
17. We also consider that there should be a requirement for the Commerce Commission to consult with Taumata Arowai and councils when developing its input methodologies and quality standards.

Meaningful engagement and consultation must be undertaken

18. As we stressed in our submission on the discussion document, it is hard to provide robust feedback without the detail of these regimes. We want to reiterate the importance of engaging with communities, representative groups, and councils, during the design of these regimes to ensure they are fit-for-purpose, fair and produce the best outcomes for water services users.

Technical feedback to address ambiguity in the Bill

19. We have also identified some areas of the Bill that provide uncertainty, or seem to overlook issues we consider important. For example:
 - a. Definitions of what is and is not considered to be stormwater infrastructure is unclear, and will lead to difficulty in implementation.
 - b. There is the ability for an OIC to bring forward the date of an initial price-quality regulation, and change review dates, in Auckland and Northland, but not Christchurch.
 - c. Consumers should also have the ability to seek pecuniary penalty orders and compensation orders, in regards to breach of service quality code.
 - d. Stronger direction should be provided in the purposes sections, which appear

facilitative rather than directive and lack meaning.

20. We urge the Select Committee to thoroughly review all elements of this Bill, and seek the appropriate clarity on the policy intent before reporting back.

Concluding remark

While we understand the intent of the Bill deferring responsibility to the Commerce Commission to design and implement the required regimes, the lack of detail within the Bill makes it difficult for submitters to meaningfully engage. We would welcome further opportunities to contribute to the design of the new regimes as they progress, and before they are finalised.