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3 Waters – 3 Lies!

The Government's 3 Waters proposal is an ideological proposal to centralise control of water infrastructure; share governance with unelected (appointed) representatives and Iwi; and permit extensive nationwide cross-subsidy of water services provision.

It is a play being falsely dressed up in fanciful clothes and played to sweet music, to impress those who can't follow the plot and comfort those who don't care.

To promote and sell a proposal that has no benefits for ratepayers and water users (other than for those who might benefit from having others pay for their costs), the Government has offered bribes to local councils, and put forward (at least) **three lies** to scare and coerce the public!

The Three Lies

- 1) There is a water crisis
- 2) The proposal will result in lower water infrastructure costs and charges to users.
- 3) Those controlling assets and water services will represent users and payers – who will have a say.

1 - There is a water crisis

This is just apocalyptic language chosen to scare people into supporting the proposed actions, by focusing on isolated and outlier examples of areas where there have been problems.

The "crisis" tag is manufactured by Government to support its proposal and detract attention from alternative ways current problems could be addressed. No evidence has been provided to support the claims that there is any crisis or that there is anything generally unstable or immediately dangerous threatening the average New Zealand water user.

Yes, there are **some** problems with current water infrastructure and service provision in **some** areas, (Havelock North [poor water quality] and Kaipara [expensive sewage system] come to mind) but these have come about mostly a result of central Government failure to properly structure Local Authorities (LAs) and their financing, governance and management to do the job.

Most LAs provide good (and some excellent) water services within highly constrained limits (set by Government) and have already expressed willingness to cooperate and share scarce skill resources across LAs.



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Government has not shown why these problems cannot be addressed by the simple mechanism of:

- providing national water quality standards (We already have a Water Services Act and Taumata Arowhai for that);
- targeted funding for water infrastructure investment (and LA Council Controlled Organisations (CCOs)) made available at the Government's cost of funds (thus freeing up water funding from other constraints on LA funding);
- shared resources across LAs (as suggested by some and already provided for in recent amendments to the Local Government Act 2002 (LGA)); and
- central Government financial support (in addition to low borrowing costs) for areas that clearly cannot afford needed infrastructure.

2 - The proposal will result in lower water infrastructure costs and charges to users.

This is a multifaceted lie, carefully constructed as a misleading artifice of facts, invalid assumptions and false conclusions:

First we have the reliance on scale as offering “opportunities”. Since physical pipes, pumps and their installation do not have any cost savings from scale, the assumption is that overheads of planning, design and standardization will allow the same infrastructures to be provided at lower costs (contradicting the promise of no job losses). Here the invalid assumption is made that councils could not cooperate (e.g. through shared use of water CCOs) to achieve the same economies (which they could but this idea has not been evaluated). Also, any potential cost savings from avoiding duplication may well be offset by the higher cost of using fewer experts and the increased administration costs of having vertical bureaucracies. Finally, over-use of standardization will see costs being higher than needed from overprovision of capacity in some areas, without allowing a “fit for purpose” approach to minimize cost.

To prevent anyone from properly analysing (or criticizing) their modelling, Government has not released the models and their assumptions. They claim to have evaluated lots of alternatives, but these are just “straw men”. They have not evaluated any options that might be preferred to their own. Lack of full disclosure is the hallmark of those who seek to mislead by concealment.

Second we have reliance on leverage as lowering the cost of borrowing to finance infrastructure investment. While it is true that bigger entities controlling more assets and payers present lower repayment risks to lenders (and hence can get lower interest rates and borrow more), the proposal assumes that the current financing restrictions on Councils still apply.

T: 09 422 6347

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These restrictions limit LAs borrowing in relation to rating revenues and denies them access to a wider range of revenue through fees and charges for services. At the same time Central Government is forcing the provision of a wider range of social “wellbeing” services onto LAs, requiring them to fund more than just basic property related assets and services - which property rates were originally intended to pay for.

Limits on rate increases thus constrain LA investment and service provision. These limits are all set and controlled by central government through legislation, and the lie here is that the Government could not provide LAs with targeted finance for water infrastructure investment at its own (lowest) borrowing costs, and that it needs the proposed structure to achieve that. This is not true.

Third the Government intends to create 9,240 new jobs and promises that no jobs will be lost in LAs from the transfer of responsibility and activity to the new entities. Well...

9,260 new jobs will cost around \$520m a year at current average salary rates (and Wellington bureaucrats and scarce water experts will get more than that). So, if there are no cost savings and more costs for new jobs, promising lower charges for water users (in average) is a lie. [2 + 2 does not = -4]

Fourth the Government says that water structure investment needs \$185B over the next 30 years. We must take that as an established fact. Either it does or it doesn't.

That is around \$3,000 p.a. per household, even if borrowing to build them was FREE, and before the ongoing operating costs of managing the assets and providing the water services are included. So promising costs of water charges of \$1,600 or less p.a. is a lie. No-one can credibly believe that this scheme can halve the cost of pumps, pipes, systems and drains... and still employ more people.

3 - Those controlling assets and water services will represent users and payers, who will have a say.

The idea that users and ratepayers will have any meaningful say or influence over the water entities decisions is a chimera (a thing which is hoped for but is illusory or impossible to achieve). Its promise is a lie.

The proposed governance structure is not chosen for efficiency or effectiveness, or even equality of representation, but to support an ideological construct of partnership with Maori and a strategy of nationalization and control of infrastructure assets.

Governors in this proposal will, at best, be representatives of representatives. No water users (or payers) will have any direct representation. Appointments will be ripe for patrimonialism at the national level and insulated from ratepayer accountability. Iwi representatives will have 50% voting rights and thus a veto right over major decisions (a



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75% (supermajority) required). This will create opportunities for delay and inaction over disagreements between and amongst Iwi and others.

The proposal is an affront to democracy, disenfranchises water users and ratepayers by adding another centralized layer of decision making, will invite division and disagreement and will surface differences that should not be formalized in any country seeking social cohesion and unity.

Charging for water asset usage has not been clarified and, if left to the entities, does not rule out licence or royalty payments for use, over which ratepayers and water users will have no say.

Cross-subsidy between LAs and between rural and urban areas will not have any scrutiny or right of approval by elected members of each LA.

Under the current system, where problems arise from poor local governance or management, effects under the current model are limited to local ratepayers; there is no contagion across LAs and their catchment boundaries; and ratepayers can vote poor performing representatives out.

In centralized bureaucracies staffed by appointed governors and officials, that will not be possible. The risks are not spread nor decision makers accountable. While good decisions will benefit many, it is equally true that bad decisions will affect many.

Distributed management authority and responsibility, with accountability to ratepayers and users at the community level, will best minimise the damage from bad decisions and be more responsive to local and community needs. The Auckland experience has shown us how badly regional amalgamation plays out for remote or rural communities.

Put bluntly, central government has failed to honour the subsidiarity principle in its control of LAs, by denying LAs the authority to properly manage their affairs to the benefit of their resident and ratepayer constituents (who they represent). As a result of loss of community accountability, ratepayers have become less interested than they should be in voting for people who will do that job well and in the quality of representatives and their officials. Capable people are less interested in standing for LAs.

Excessive centralization undermines democracy and encourages power seeking and arrogant and autocratic decision making. This 3 waters proposal is a good example of that and, sadly, the Government is resorting to these lies as part of its propaganda campaign to support it.

William Foster
Chair
Northern Action Group Inc.
31 November 2021

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