

Options for water and wastewater management – Q&As

1. Why is WDC considering a change to way it provides water and wastewater services?

We have an absolute obligation to provide the best and most cost-effective water and waste services to our community. That is the law. For some time, we have been considering how we can provide water and wastewater services in a better way. The Council has considered a number of options over a number of years.

More recently it has become clear (particularly given the issues at Havelock North) that all Councils will be required to meet higher and higher standards in the future – in terms of both drinking water standards and waste water disposal. We support that. Our priority is keep our people safe and protecting our environment in a way that's affordable. But those higher standards will come at a cost to our ratepayers.

As a smaller Council, Waikato District has some particular challenges. We are spread over a very large geographical area yet are experiencing huge growth. As an example, we have nine wastewater treatment plants, 78 pump stations and more than 290 kilometres of pipework to maintain.

Yet given the number of rural landowners, just over one third of our residents are connected to Council's water supply. This puts a large financial burden to pay for services on a small number of ratepayers. As standards for water and wastewater get higher, that burden will increase.

While we have great staff, our Council (like many Councils) is also struggling to recruit and retain the expertise we need to run our water and wastewater services to the standards now demanded. We are heavily reliant on outside consultants for help – and that comes at a cost.

It is clear that, on its own, Waikato District Council cannot provide the kinds of water and wastewater services our communities will need and should expect in the future. We cannot ignore this issue. We must to do something differently.

2. Why would Waikato District consider forming a company with Watercare and Waikato-Tainui?

Waikato District Council is strongly committed to improving the way it provides water and wastewater services. The Council has worked closely with Watercare for some time (see question 6) and our district and ratepayers have benefited from that relationship.

Waikato-Tainui is a co-governance partner for Waikato District Council, particularly in relation to issues which impact on the Waikato River. It is entirely right Waikato-

Tainui be included in discussions about water and wastewater, particularly given Waikato-Tainui's interest and expertise in river restoration.

While there is still work to do, initial investigations indicate it may make sense for the Council to expand its existing relationship with Watercare and to continue working alongside Waikato-Tainui around securing the best environmental outcomes. The early investigations suggest that, by doing so, Waikato District Council, on behalf of its ratepayers would:

- Have access to world-class expertise in water and wastewater (via Watercare) that we simply could not afford on our own
- Be able to build a far more resilient and stronger waters network across our district. This is particularly important given the growth we already facing.
- Be able to meet more stringent drinking water and environmental standards
- Get significant financial savings from joint procurement and cost-efficiencies
- Be able to attract and retain expert waters staff prepared to work in our district for a specialist waters company
- Have ready access to the resources and expertise available within Watercare and within Waikato-Tainui
- Be able to maximise the use of water for the district's economic growth.
- Get the advice and expertise of experienced, independent directors whose sole focus would be on ensuring our district has the most efficient and cost-effective water and waste water services.

3. Has a decision to form a company to manage water been made?

No. And any decision would still be some time away.

We have said for some time that we are discussing a possible expansion of our existing relationship with Watercare in order to improve the way we provide water and wastewater services. Those discussions also include Waikato-Tainui.

But there is still considerable work to do yet before any kind of formal business case and potential new model is put in front of Council.

4. When will a business case be complete?

The Council is likely to formally consider this issue in mid-August.

5. Has Waikato District Council discounted the non-asset owning model Hamilton and Waipa want?

No. We acknowledge Waipa and Hamilton favour a non-asset owning CCO. Each Council will do what's in the best interests of its own ratepayers. Our position remains the same; we consider an asset-owning CCO the best option for our district.

That position is consistent with professional advice offered over a number of years from a range of experts.

However Waikato District Council has not closed the door on any option and will not do so until more information is available and until the business case involving Watercare and Waikato-Tainui is complete. The Council will continue discussions with Waipa and Hamilton about their proposal to form a non-asset owning CCO. It will also consider investigating ways to work more closely with Watercare and Waikato-Tainui.

6. How long has WDC had a relationship with Watercare?

Waikato District Council has worked closely with Watercare since 2010 when it began providing wastewater services to the people of Tuakau and Pokeno. Since 2015 Watercare has also provided drinking water to both of those communities, under contract to Waikato District Council.

Watercare, through its service provider CityCare, already provides maintenance services for the north of the Waikato District.

In addition, Waikato District Council and Watercare have worked closely together on technical issues for a number of years. In some instances Watercare has provided resourcing and advice and well as technical expertise to the Council.

It is a long-standing and positive relationship that has benefited Waikato District Council and its ratepayers.

7. Why could Waikato District Council not provide these itself?

It could – but it simply wouldn't make economic or common sense.

Waikato DC has no wastewater plant to service Tuakau and Pokeno; the existing plant is owned and managed by Watercare, following a government decision made when the Auckland 'Super' Council was established. It would make absolutely no sense to build another plant when one is already there. It is most cost-effective for Waikato District ratepayers to share this resource.

Similarly, because it has infrastructure in place, Watercare can provide drinking water to Tuakau and Pokeno far more cheaply than Waikato District Council could supply it to those communities itself. Watercare can also provide maintenance services more cheaply simply because it is a bigger, better-resourced organisation that specialises in water services and nothing else.

Waikato District Council simply does not have the scale or resources available in-house to always provide the best service at the cheapest cost. Watercare is able to provide these services more effectively and cost-efficiently to the Council and these savings benefit all ratepayers.

8. What relationship does Waikato DC have with Waikato-Tainui?

A very positive and long-standing one. Waikato-Tainui is a key co-governance partner for Waikato District Council. It is entirely right Waikato-Tainui be included in discussions about major issues which impact on the Waikato River – as the issue of water and wastewater does.

Waikato-Tainui also has expertise in regards to environmental and other issues and that is very helpful to Waikato District Council.

9. Why might Watercare want to be involved in this company?

Watercare already provides water and wastewater services to Waikato District Council and has for some time. Watercare also takes water from the Waikato River and, like Waikato-Tainui and Waikato District Council, has a very clear interest in seeing the health of the river restored. In those respects, Watercare already has common interests in, and is part of, the Waikato community.

Watercare, as New Zealand's largest water company, also has significant technical and operational experience and expertise not always available to smaller organisations. It already shares that expertise with Waikato District Council and also works closely with Waikato-Tainui in a range of areas. It has for some time.

Watercare, as New Zealand's largest water company, believes it has an obligation to work across boundaries and alongside other water providers to improve the standard of water and wastewater services in New Zealand. New Zealand's health, social, environmental and economic success relies on water and on making best use of this raw economic resource.

Waikato District Council asked Watercare to join with the Council and Waikato-Tainui in investigating a potential change to the existing relationship between the three partners; it was not something actively sought by Watercare. Potential opportunities are now being investigated but any decision to form a company, or alter the relationship in any other way, will be a decision for Waikato District to lead and to make.

Before Watercare sought to make any change to the current arrangements, it would also need consider the needs of its own stakeholders, including Watercare's shareholder, Auckland Council.

10. Why might Waikato-Tainui want to be involved in this company?

Waikato-Tainui is a co-governance partner with Waikato District Council and is always included in discussions about major issues to do with the Waikato River. This issue no different.

Waikato-Tainui has had a Joint Management Agreement with Waikato District Council since 2010 and also has a long-standing relationship with Watercare. This is reflected in a Watercare/Waikato-Tainui Memorandum of Relationship signed in 1998.

In effect, the tribe has been involved in water and wastewater matters with Waikato District Council and Watercare for many years.

Waikato-Tainui's aim is to ensure the restoration and protection of all waterways. The tribe shares the Council's aim; it wants to see an improvement in environmental outcomes across the district, and in a way that is cost-effective and affordable.

This is particularly important to Waikato-Tainui given the majority of tribal membership, who are also ratepayers, live in the Waikato district. Waikato-Tainui works, on their behalf, to provide the best possible outcomes – environmentally, culturally, socially and economically. Continuing discussions about a potential new way to deliver services is simply part of that.

11. Will Watercare/W-Tainui have shares in the company and if so, how would it work.

Work is still underway on how exactly a CCO involving the three organisations might work. It is early days. There are still a large number of issues being worked through.

12. Is the model being considered an asset owning CCO?

Yes. However, we will assess whatever model emerges against the non-asset owning model already supported by Waipa District and Hamilton City Council. Both options are still very much on the table.

13. What would happen in regards to stormwater?

Under the model being investigated, stormwater services would be provided by the CCO under contract to Waikato District Council. It's likely the Council would retain responsibility for stormwater planning.

14. If the Council was to form a CCO, would there be a separate Board and CEO?

Yes.

15. Would Watercare and Waikato-Tainui have seats on the Board?

No decision on that has been made. A range of options are still being considered as part of the investigation.

16. What role – if any - would Tainui Group Holdings have in this company?

None. Waikato District Council has not had any discussions with Tainui Group Holdings about this issue.

17. Does this have anything to do with water allocation?

No. We simply want to provide the most cost-efficient and effective management of water and wastewater for Waikato District ratepayers.

18. Is Auckland Council aware of these discussions.

Yes. Waikato District Council already works closely with Auckland Council on a range of cross-boundary issues like transport, growth and environmental planning. Auckland Council has been kept informed of discussions, noting no decisions have been made.

19. How long have you been working on this proposal?

In May 2015, an independent report was presented to Waikato District, Hamilton City and Waipa District Councils which recommended the three councils form a Council-controlled organisation to manage water and wastewater. All three councils initially supported this model but this changed after the local government elections in October 2016.

Waikato District Council's position has not changed; it considers an asset-owning CCO the best option for our district and for the wider region. That position is consistent with professional advice from a number of experts over a number of years.

Hamilton City and Waipa District Councils now both support a non-asset owning CCO to manage water and wastewater. While that model will also be considered by Waikato District, we will also consider an option which sees an expanded relationship with Watercare and Waikato-Tainui. Each Council will do what's in the best interests of its own ratepayers.

20. If a water and waste water company was formed, would it cover over the whole Waikato district?

Yes, that is what is being discussed. But no decision has been made.

21. Who is doing the business case?

Senior Waikato District Council, Waikato-Tainui and Watercare staff as well as some specialist advisors when required (legal etc). When complete, the business case will be independently peer reviewed.

22. What has the business case cost Waikato District Council?

There is a budget of \$103,000 for this work.