

Submission to: Productivity Commission

Local Government Regulatory Performance

Summary

Rural Water schemes would like to significantly reduce running costs by eliminating the need for local councils to be involved in the running of such schemes, as laid out in Section 130 Local Government Act 2002.

Background

Rural water schemes in New Zealand were first created in North Otago in 1955. These were schemes that were funded jointly by consumers and central government, with a loan raised from the local county council. The schemes supply water for the purposes of stock water and household supply, **not irrigation**.

The County Council administered the collection of water rates to pay back the loan, and became responsible for water quality (1956 Health Act).

The Schemes were run by committees of consumers on a volunteer basis

In 2001 the Waitaki District Council (WDC) had agreed to allow individual schemes to go through a privatisation process, so that the Council would not be involved in the schemes (see appendix privatisation pdf cover page).

At about this time, Central Government introduced what is now known as The Local Government Act 2002. Section 130 of the act made the local council responsible for the running of such schemes. As a result these schemes were unable to become independent from Council.

Case study

The following case study is based on The Awamoko Rural Water scheme. There are several schemes in North Otago that wish to have control transferred back to local committees, and their stories are similar to that of the Awamoko scheme.

When the Local Government Act came into force, the committee had no idea of the changes that were to happen. There has now been 10 years of frustration as council officers have removed capital sums from such schemes illegally, and set charges without consultation, despite the WDC having a Rural Water Bylaw which required consultation with the committee.

Over time, a more corporate style of running the scheme was adopted by the council, which resulted in the cessation of using the knowledge of the local farmers and other consumers,

who knew where the water pipes are and where potential problem areas are. The end result has been a large lift in the cost of scheme maintenance. Other costs spiralled out of control as the council employed staff to do tasks that the volunteer committee could do.

Over the next 10 years, we saw a massive increase in the cost of services provided by the WDC (see Graph appendix). In addition, the council insisted that the contractor had to be its wholly owned subsidiary, Whitestone Contracting.

Where to from here?

We do know of a similar scheme that has used Central Government to assist with the transfer of control (see Cold Creek appendix). But this is a very lengthy, inefficient and expensive process to undertake if every scheme has to go through such a process.

Recommendation:

We ask that Section 130 of Local Government Act 2002 be altered so that water schemes that are owned by the consumers, not local councils, have the right to become fully independent from their respective local councils, providing That the Ministry of Health is satisfied with water quality standards and treatment processes of such schemes' Public Health Risk Management Plan (so that the local council is not obliged to be responsible for water quality as per Health Act 1956).

Where such schemes supply larger townships, this may not be applicable. An example of a limit could be to limit such a transfer to schemes that supply at least 50% of their water for stock and that do not supply a township greater than 100 people.

Bill Malcolm

Secretary Awamoko Rural Water Scheme