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## News Alert

### INFRASTRUCTURE

## Mahuta digs in on three waters reforms

Patrick Smellie | Thu, 23 Sep 2021

The local government minister, Nanaia Mahuta, has given her strongest signal yet the government will press ahead with its [reform of drinking, waste and storm water services](#), despite a chorus of opposition from the assets' local government owners.

[Speaking in parliament's daily question time](#) session, Mahuta ruled out pausing the reforms, as some councils have sought.

"Pausing the reform discussions will not help to respond to the significant challenges facing councils," she said.

The issues had been discussed for more than two decades and it was time to do something about them, she said in answer to questions from the Labour MP for Palmerston North, Tangi Utikere.

"Many New Zealand communities are dealing with rising costs and unacceptable outcomes from their three water services. That is not good for the health of people or the environment," she said.

The reforms involve merging the 67 separately local government-owned water services entities covering the country and collapsing them into four large-scale, independently governed entities councils would continue to own, but would no longer be able to direct.

The model is required in part because the government has been advised that as much as \$185 billion will need to be spent over the next three decades. This is to keep pace with water services demand and to catch up in the many areas where councils have under-invested in water infrastructure, sometimes for decades.

Taking the assets off council balance sheets will also allow the entities to borrow more than they can when council-controlled because of strict limits placed on local government borrowing.

There has been vocal opposition to the reforms from many councils and [fears if the cities of Auckland](#) and Christchurch remain opposed, as they are now, the government will have to legislate the changes rather than implement them by consensus.

Decisions on that approach are imminent, with councils nearing the end of an eight-week consultation period with government officials due to end on Oct 1.

Media reports suggest the government is considering ways to allow more local input into water services decision-making, but soundings by BusinessDesk indicate no appetite for allowing localised governance.

To sweeten the deal, the government is offering a \$2.5 billion funding package, \$500 million of which is intended to ensure no council is left worse off by the reforms and another \$2b to ensure they are "better off".

Asked by Green MP Eugenie Sage whether legislation would be required to force the changes through, Mahuta said: "The case for change is compelling, is well understood, and needs to be addressed.

"We have shifted significantly the discussion into a space where I believe even councils cannot ignore the opportunity they have ahead of them."

Mahuta acknowledged the cost of new investment in three waters infrastructure would inevitably be borne by both taxpayers and ratepayers, irrespective of the reform model chosen.

Having examined some 30 different sets of modelling and ruled out numerous alternative options, including a 'regulation-only' approach to improving water services, the government was confident the work done for by the Water Industry Commission of Scotland (WICS) was "robust".

One of the primary sources of objection to the reforms has been competing interpretations of the data obtained from councils and used by WICS to reach its four entity recommendation.

The government believed its proposals would improve public health, environmental outcomes, the efficiency of how water assets were managed and governed, and would meet Māori interests in water quality improvement and management, Mahuta said.

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Patrick was judged New Zealand's best overall columnist and business columnist of the year at the Voyager 2021 Media Awards. He has more than 35 years' experience reporting and working in New Zealand politics and the commercial sector. A former Press Gallery chairman, he is an award-winning journalist and has worked for titles including *The Dominion*, *The Press*, *Sunday Star-Times* and *National Business Review*. He was the first NZ correspondent for *The Australian* and co-founded *BusinessDesk* in 2008.