

Submission to the Ministry of Business, Innovation and Employment

Commerce Commission levy for the economic regulation of water services



24 January 2025

The Timaru District Council (Council/ we) thanks the Ministry of Business, Innovation and Employment for the opportunity to submit on the proposed Commerce Commission levy for the economic regulation of water services.

The officer contact for this submission is Andrew Lester (Drainage and Water Manager), who can be contacted at andrew.lester@timdc.govt.nz.

Council is broadly supportive of the proposal. We accept that it is important and necessary for water services to have an economic regulator, and that it is most equitable for exacerbators to pay on a per-capita basis. Further, we accept that it is most administratively efficient for local authorities to fund the levy directly rather than, for example, each household being sent an itemised bill.

Notwithstanding this, we express a wider concern: that this proposal, and the accompanying proposed levy for The Water Services Authority – Taumata Arowai, are yet additional examples of unfunded mandates from central government, insofar as historically central government costs and responsibilities – funded from general taxation – are being assigned to local authorities.

Individually, the proposed two levies are not necessarily significant to Council's finances. As the costs will likely need to be passed onto ratepayers, they will, all other things being equal, result in local council rates increasing by approximately 0.33% per annum.

However, the cumulative impact of ongoing unfunded mandates is very consequential, and, as outlined in a 2024 NZIER research report¹, a substantial contributor to ongoing rates rises. It is hypocritical for central government to apportion blame to local authorities for historically high rate increases when its actions are a key cause.

This highlights that the existing local government funding framework provides few tools to allow Councils to raise revenue to meet unfunded mandates and its other responsibilities

¹ NZIER. 2024. Cost impact of central government reforms. A report for Local Government New Zealand.
https://d1pepq1a2249p5.cloudfront.net/media/documents/Cost_impacts_of_central_government_reforms.pdf

(irrespective of the changes that may occur to the “four wellbeings”). Council urges central government to incorporate a reform of the current funding model into the local government legislation that we understand is due to be introduced in mid-2025.

Finally, we note that the levies are an add-on to the significant responses required by local authorities to the broader water reforms under successive governments. The local government sector is being impacted at multiple levels; the government should consider this cumulative effect when making decisions, especially for regions where local authorities are not as well-resourced and resilient as others.

Thank you again for the opportunity to comment on this consultation. Please do not hesitate to contact us if you have any questions or wish to discuss aspects further.

Ngā mihi

A handwritten signature in blue ink, appearing to read 'Nigel Bowen', with a small flourish at the end.

Nigel Bowen
Mayor