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Report to the Policy and Finance Committee
from David Benham, Divisional Manager, Utility Services

Water Services Agreement With Wellington City Council

1. Purpose

To update the Council in relation to the Water Services Agreement (WSA) with Wellington City Council (WCC).

2. Background

The current WSA expires on the 30th June 2001. This was a one-year agreement that was put in place pending the outcome of the water integration study. Now that water integration will not proceed as proposed, WCC intends to undertake the services we provide in a different manner.

3. Services Currently Provided by Wellington Regional Council

The table below summarises the various activities that we undertake within the WSA using staff from three separate WRC Water Group departments to do the work. The value of the contract is in the order of \$3.5M per annum.

	Activity	WRC Department
1.	Planned maintenance	Network
2.	Unplanned maintenance	Network
3.	Meter Reading	Network
4.	Mark Outs	Network
5.	System management, pumping station and reservoir maintenance	Distribution
6.	Engineering drawing maintenance, counter service, subdivisions and building consents	ECG
	Total Activity Included in WSA	

In addition our Engineering Consultancy Group (ECG) provides a component of water supply related capital works design and contract supervision.

4. What Will Happen Now

To allow a smooth and orderly transition we have suggested to WCC that a twelve month roll over of activities would, in our view, be the best way forward. We have offered to roll the current arrangements for a further 12 months for the same price but at the same time have indicated to WCC that if a shorter period is required then we could not provide the current services at the same price.

Wellington City Council has now confirmed that they do not want a 12-month roll forward and their requirements are as follows:

Activity	Plan	WCC Comment	WRC Action
Planned and unplanned network maintenance and meter reading	5 month contract (with WRC) with decision to be made whether work will be thereafter undertaken by CitiOps or a contractor chosen through a competitive tender.	WCC to formulate decision on CitiOps once a review of the WRC costing structures have been reviewed to determine competitiveness. WCC have copies of the WRC Network Section Wages Staff (CEA) and WRC (CA). In the first instance, WCC (HR) group to review these documents for consideration.	<ul style="list-style-type: none"> • Await feedback from WCC HR review (for compatibility, issue flagging, etc.). • WRC to provide 5 month cost (fixed base fee and unit/hourly rates – as per current costing model) noting any cost variance from present cost (and detailed reasons for the increase).
ECG work	5 month contract (with WRC) then transferred	Discussions and planning underway with WCC and WRC asset information teams.	<ul style="list-style-type: none"> • WRC to provide 5 month cost (fixed base fee and unit/hourly rates – as per current costing model).
System Operation, Reservoir and Pumping Station Maintenance	3 year contract to be negotiated with WRC		<ul style="list-style-type: none"> • WRC to provide 3 year cost (fixed base fee and unit/hourly rates – as per current costing model).
Capital Expenditure Design Services	A long term contract, subject to mutual agreement from both parties with a potential guaranteed component to be negotiated with WCC	<ul style="list-style-type: none"> • Both parties need to be satisfied that there is value to be added by this arrangement. Guaranteed component needs to be defined. 	<ul style="list-style-type: none"> • Stavros (WCC) to meet with John M (WRC) to agree terms and conditions.

The effect of this is that potentially 25 – 30 of our staff may become redundant on 1 December 2001. The estimated redundancy costs will be between \$500,000 – \$600,000.

We are currently developing an appropriate charge to WCC to meet their various requirements.

I will keep you informed as to developments.

5. Recommendation

That the report is received and the information noted.

DAVID BENHAM
Divisional Manager, Utility Services