

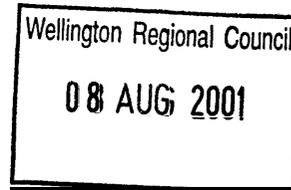


HUTT CITY
COUNCIL



7th August 2001

Mr Dave Benham
Divisional Manager
Wellington Regional Council
P O Box 11-646
WELLINGTON



FILE REF.:	
0	5
3	22
NAME	Int/Date
D. Benham	
TO ACTION:	

Dear Dave,

PROPOSAL FOR INTEGRATING WATER SERVICES

With the recent decision by your Council, the Wellington Regional Council/Wellington City Council/Hutt City Council water services integration proposal has effectively come to an end.

Wellington City Council and Hutt City Council believe that the consultation process on the integrated trust proposal has confirmed that there is significant support for the integration of water services in the Wellington area and that efforts to integrate water services should continue.

Wellington City Council and Hutt City Council have therefore resolved to develop a revised proposal for the integration of water services. We believe the concerns that arose during the recent consultation process can be addressed by a revised proposal and do not believe that changing legislation is necessary to achieve an acceptable form of water services integration. The resolutions of Hutt City Council and Wellington City Council in May 2000 and in July and August 2001 and the work which the Councils have already carried out on water services integration will form the starting point in developing a revised proposal.

Hutt City Council and Wellington City Council are anxious that none of the Councils in the Wellington area are excluded from participating in developing a revised integration proposal to put to their Councils. On the Wednesday 22nd August at 1.00pm, Wellington City and Hutt City are holding a workshop for those Councils and Iwi who wish to take part in developing the revised proposal. The objective of the workshop will be to confirm the criteria for water services integration and the types of integrated water services entity to be considered. The attached Project Programme document provides background to the project and a 'first cut' of the framework that the project group needs to consider and work through. Representatives from Upper Hutt City Council, Porirua City Council, Wellington

Tenths Trust, Ngati Toa and Te Runanganui will also be invited to attend the workshop.

The workshop will be held at the RDT Offices, 113-119 The Terrace, Level 8 (report at reception on level 7 – Terrace level). If you wish to attend please contact me on 4717676, 025 89 66 66 or anna@rdtpacific.co.nz.

Yours sincerely,



Anna Ross
Water Supply
Wellington City Council

cc Stuart Duncan, General Manager, Hutt City Council
 Stephen **Garlick**, Water Supply Manager, Hutt City Council
 Andrew McKenzie, Director, City Information & Infrastructure, Wellington
 City Council
 Paul Rogers, Water Supply, Wellington City Council

PROJECT PROGRAMME – WATER INTEGRATION 2001

Background

Since 1997 there have been several investigations and reviews of water services in the Wellington area. These reviews have included:

1. The Ernst & Young Review. (1997);
2. The WRC Lease Proposal. (1998);
3. The 4 Cities Initiative. (1999 – 2000);
4. The WRC/Wellington City water integration investigation. (1999 - 2000); and
5. The Wellington Regional Council/ Wellington City Council/Hutt City Council integrated trust proposal. (2000 – 2001)

Without exception these have indicated that there is scope for significant efficiencies in the way water services are provided.

In June 2001 the Wellington Regional Council resolved not to proceed with the Wellington Regional Council/ Wellington City Council/Hutt City Council integrated trust proposal. This proposal could not proceed further as it was based on participation by all three Councils.

Wellington City Council and Hutt City Council subsequently resolved to work together to develop revised options to achieve integration of water services which would as far as practical address the concerns expressed during the consultation process on the integrated trust proposal. This will involve building on the work to date including the outcomes of the public consultation process. Wellington City Council and Hutt City Council also resolved that Porirua Council and Upper Hutt City Council be invited to be part of the process and consideration to Wellington Regional Council participation be also considered.

Project Objective

To jointly develop a revised proposal to achieve greater co-operation and integration in the management of water services in the Wellington area, which meets criteria, defined by the participating Councils and addresses the issues raised during the public consultation process on water integration.

Proposed Process

1. Definition of Criteria

Four Resolutions of Councils May 2000

- Water services assets remain in public ownership and control.
- Quality and security of supply maintained.
- Significant savings.
- Flexibility to meet future needs

Resolutions of Councils July/August 2001

- Holistic approach to the management of water services incorporating water supply, wastewater and stormwater services.
- Public concerns at vesting of public water assets in a stand alone entity addressed

Other Criteria arising from Consultation

- Accountability
- Public access to information
- Control of water services by elected members
- Water Conservation

Iwi Issues

- Protection of Maori customary rights
- Kaitiakitanga consideration
- Ownership of water

Other Criteria

- Implementability
- Finite timeframes for Project Report (HCC / WCC by January 2002)
- Other??

2. Definition of Options (the 9 options)

Structural Options

- | | |
|---------------------------------------------|------------------------------------------------------------------------------------------------------------|
| ▪ Status Quo | Bulk supply from WRC and retail distribution by the 4 Cities |
| ▪ Fully Integrated Entity | Bulk supply & retail distribution in single arms length entity (E&Y recommendation) |
| ▪ Two Vertically Integrated Entities | 2 parallel arms length entities carrying out bulk supply and retail distribution (East Water & West Water) |
| ▪ Bulk Disaggregation | Separation of bulk supply into 2 entities. Retail distribution remains with the 4 Cities |
| ▪ Retail Distribution Entity | Bulk supply unchanged. Retail distribution combined into single arms length entity |

07/08/01

- **Joint Contracting** Bulk supply unchanged. 4 Cities retain existing structures but co-operate more closely on joint contracting of activities

- **Joint Management Entity** Single arms length entity jointly manages asset management & contracting activities. Asset ownership & policy remains with individual Councils. Could involve bulk supply and retail or just retail

- **Integrated Management Lease** The 4 Cities lease their water infrastructure to an in house Regional Council operation

- **Modified Status Quo** The existing structures remain with process improvements where possible

Legal Options

1. Existing Council structures
2. Joint business unit
3. Trust
4. Late
5. Company
6. Other???

3. Fit Analysis – High Level

- Options evaluated against criteria
- Acceptable options shortlisted

4. Evaluation of Shortlisted Options

- Descriptions of shortlisted options (how they would operate)
- Legal form (matrix of acceptable options)
- Detailed analysis
- Against criteria
- Financial analysis

5. Preferred Option

- Detailed description of preferred option
- How it would operate
- Performance targets (financial & non financial)

6. Provisional Implementation Plan

- Implementation actions
- Provisional timeline

07/08/01

Proposed Timeframe

	ACTION	AUG 01	SEPT 01	OCT 01	NOV 01	DEC 01	JAN 02	FEB 02	MAR 02	APRIL 02	MAY 02	JUNE 02	JULY 02	AUG 02
1	Establish working Group	█												
2	Definition of Criteria		█											
3	Definition of Options		█											
4	High Level Fit Analysis			█										
5	Evaluation of shortlisted options				█									
6	Definition of Preferred Option			█										
7	Develop provisional Implementation Plan					█								
8	Approval by Councils						█							

Proposed Action-Plan

AP's	Tasks	By When / Where	Who
1.	Full Council and Iwi Workshop (WCC/HCC/PCC/UHCC) to review criteria and test options. Agree options. TBC.	Wed 22 August RDT Offices (113 The Terrace)	Project Team
2.	High Level Fit Analysis and Evaluation Review. TBC.	Wed 5 September RDT Offices (113 The Terrace)	Project Team