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Report to Utility Services Committee
From Murray Kennedy, Strategy and Asset Manager

Lease at Gear Island

1. Purpose

To update the Committee on one of the strategies to assist in the provision of water in an emergency.

2. Exclusion of the Public

Grounds for exclusion of the public under section 48(1) of the Local Government Official Information and Meetings Act 1987 are:

That the public conduct of the whole or relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist, i.e. commercial negotiations.

3. Introduction

A report to the Utility Services Committee in December last year (01.795) indicated a deficiency in planning for the provision of water in an emergency. In particular, an earthquake associated with the movement of the Wellington fault. Under this scenario, the wholesale water supply system is likely to take several weeks to restore. With our customer's systems, it is likely to be several months before all repairs are completed. These problems will also be noted in the Operation Phoenix report when it is published early next year.

A number of strategies are being developed with the City Councils to address the emergency water supply problem. Without a reticulated supply, households will be dependent on obtaining limited quantities of water in containers or collecting rainwater.

This report specifically evaluates a water bottling plant. Bottling in this context means the packaging of water in containers of various sizes. The containers could be made of plastic, glass or other materials.

4. Background

Until a few years ago, there were a number of manufacturing plants in the Wellington area that would have been capable of bottling water in an emergency situation. These included aerated water plants, a brewery and at an earlier date, milk bottling.

Now, as far as is known, the only bottling plant in the local area is a small juice factory in Petone.

For the first two to three days following a major earthquake, residents will have to be self-sufficient until roads are partly cleared and power is restored. After this period, there will be a need for containerised water as part of the water supply strategy.

The nearest plants currently dedicated to bottled water production are at Kaipoi, just north of Christchurch and at Putaruru. Hence, a bottled water plant in the Wellington area would be advantageous. With this in mind, the Dairy Board was contacted about a year ago to see if they were interested in bottling water. They indicated they had no interest at the time.

5. Proposal

Mr Barry Wilson, the solicitor who acts for Stagecoach, has put a group together who are interested in developing a bottled water plant. This outcome results from a chance conversation between Mr Wilson and the report author. Members of the group have considerable experience in the food industry and marketing of food products.

The concept is that the plant, to be owned by the “Petone Pure Water Company Limited” would be a normal commercial operation, except in an emergency. During an emergency, the plant would produce packaged water solely for distribution in the Wellington area at the direction of Greater Wellington and local emergency management staff. The water could be either sold through supermarkets and other retail outlets at a discounted price or delivered to households and institutions as directed. The details may well depend on the particular circumstances at the time but some principles need to be developed as part of this proposal. As systems are restored, the bottling plant would return to supplying its normal customers.

5.1 Site

For security of supply reasons, a water bottling plant should be adjacent to the well supplying the water. If Greater Wellington Water is to be involved in the project, this means a site at Waterloo or Gear Island. Space considerations dictate that only Gear Island is suitable. There is a strip of land between the water treatment plant security fence and the dead arm of the estuary. To obtain access though will mean relocating the Dive Club building within the site, the Club has not yet been approached. The proposers of the bottling plant have inspected the site and are comfortable with it. Their intention would be to construct a building of a reasonable quality with a high

quality facade facing Waione Street. Particular attention will be paid to the foundation design and structure so that the damage in a major earthquake is minimal. Gear Island is partly assigned to Greater Wellington Water and partly to the Landcare Division. Some land boundary adjustments between the Divisions would be necessary.

Hutt City officers have been consulted about the Reserve zoning of the Gear Island land. It has been indicated that a notified consent is much more likely than the need for re-zoning.

A land lease of 33 years would be offered if the project proceeds. A separate warehouse will be obtained near the site for storage of finished product but this will not involve Greater Wellington Water.

5.2 Water Right

Under normal circumstances, the bottling plant would not expect to require more than 50 cubic metres of water a day. As part of the arrangements, Greater Wellington Water would sell a right for this amount from the 83,165 cubic metres per day currently held for the Waiwhetu aquifer extraction. This right expires in 33 years. In the event the company relinquishes its lease before the expiry in 33 years, then the water right would automatically revert back to Greater Wellington Water. Under emergency provisions, larger quantities of water would be required. The plant would then bottle water that has been extracted from the aquifer under Greater Wellington Water's consent.

5.3 Water Quality

The bottling plant proposers are still evaluating the water quality and have yet to reach a conclusion on its suitability for bottling. Slightly higher iron levels than optimum are the main consideration. For this reason, they do not want the proposal made public at this stage.

6. Benefits

Apart from the emergency water supply benefit already mentioned, there are other benefits to Greater Wellington and other local authorities in the area. These include:

- Job creation – 6 fulltime jobs are expected once the plant is fully operating.
- The opportunity to have aquifer water bottled, for purchase by the Council, with a Greater Wellington brand.
- Investment in the Wellington area. The development is expected to cost in excess of \$1M.
- Enhancement of the aquifer water quality. Greater Wellington Water has always said the aquifer water is of a high quality. Bottling it provides an endorsement of this claim.
- The ability to supply bottled water in a minor emergency. For example, the supply of containerised water a few years ago when the Grenada North reservoir was shut for a few days was rather crude. Having the ability to bottle 10 or 20 litre containers at short notice is beneficial. The local authorities in the area may like to contract for emergency containerised water to cover this type of situation. Containers could be held in a common pool.
- Could readily enable the promotional supply of full (or empty) emergency water containers to all households with Greater Wellington Water logo together with TA's logos.

- Greater Wellington Water's laboratory will contract for water testing and independent certification of the bottled water quality.

7. **Greater Wellington Water Involvement**

The proposers have indicated Greater Wellington Water could take an equity share of up to 10% in the bottling plant. This may be a non-cash contribution through the value of the leased land, the water right and possibly future dividends. It is too early to advise the Committee on the merits of this.

The Council's solicitors, Oakley Moran, have advised that an equity investment is not possible under the current Local Government Act. However, the new Local Government Bill, if passed in its present form, would allow an investment of this type. The proposal is not dependent on Greater Wellington Water equity.

8. **Next Steps**

The proposers will complete their feasibility study over the next few weeks and will possibly be in a position to apply to the Hutt City Council for planning approval before the Utility Services Committee meets in February. In order to provide both parties with a level of comfort, a non-binding Heads of Agreement is proposed. The final decision on whether or not to allow the development to proceed at Gear Island will still rest with the Council.

9. **Recommendations**

It is recommended the Committee:

- (1) *receives the paper and notes its contents,*
- (2) *authorises the Divisional Manager, Utility Services Division to enter into a non-binding Heads of Agreement to allow development of the proposed bottled water plant at Gear Island,*
- (3) *directs officers to report progress to the Committee at the first Committee meeting in 2003.*

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