

Report 99.318

4 June 1999

File: O/5/3/6

US99.318

Report to the Utility Services Committee
from Euan McQueen, Chairperson

1999/2000 Water Levy

1. Purpose

Each year the Council decides on the bulk water levy (paid by the four metropolitan city councils) for the ensuing year. The aim of this paper is to review the discussion so far and to put forward a recommendation to the Committee.

2. Background

In March this year there was preliminary discussion about the levy at the Utility Services Committee meeting. It was based on an officers' paper recommending that the levy be held at 1998/99 levels. The key reasons were:

- (1) In spite of indications of a financial surplus for the current year, it was still early in the year (to 31 March) to make a firm recommendation.
- (2) Major work is being carried out (due for completion in November 1999) on the value of assets held by the Water Group – from which depreciation charges will be determined. Without these figures, there is a risk attached to reducing from the current levy.
- (3) Any surplus achieved would be put to debt redemption which in the long run would benefit customers through reduced interest rates.

The Committee was divided on accepting these recommendations. Some argued that the Water Group should share its enhanced efficiencies (which produced the surplus) with customers, and that a levy reduction was a tactical strength in arguing for water integration, and that the intergenerational nature of the business makes it appropriate to accept a level of debt well into the future.

As Chairman of the Committee my view was:

- The decision needed further consideration.
- The decision should be debated ultimately at Policy and Finance Committee level, when representatives from the four city constituencies could be involved in the debate.

Since then discussion with the cities has shown a clear view that there should be a reduction in the levy. The figures range from 4% to 10%. The latter is patently unacceptable, as it implies virtually no repayment of debt.

Given this situation, the forecast debt redemption line with repayment scheduled to be completed by 2017, the slender likelihood of major capital developments being needed before 2020 (and quite possible later than then), there is merit in sharing our improved efficiency with the four cities. At the same time there is a need to monitor the application of benefits to the cities to see if it is applied to ratepayers' water bills.

3. My Position on the Levy

Hence I will be supporting the following position on the levy when we consider the officers' paper.

- (1) The water levy to the four cities for the 1999/2000 year be reduced by 4 percent on the current level.
- (2) The levy to 2000/2001 be reviewed in 2000 (as is normal) with a view to further reduction when information on asset values and depreciation levels is finalised, and in the light of 1999/2000 financial performance.
- (3) Informal monitoring be carried out to assess the degree to which cities pass on their reductions in wholesale water costs to their ratepayers.

EUAN McQUEEN
Chairperson, Utility Services Committee