



PSA

Etū



Three waters

Submission to the Finance and Expenditure Committee on the **Water Services Legislation Bill**

This submission is made by the Amalgamated Workers' Union of New Zealand (AWUNZ), E tū and the New Zealand Public Service Association Te Pūkenga Here Tikanga Mahi (PSA). We are the three largest unions representing workers in the three waters sector. Together we represent several hundred workers potentially affected by the legislation.

Overall position

We see the three waters reforms as an opportunity to build a better-functioning, more resilient system of water services management in New Zealand, and to retain, enhance, and more effectively utilise, our three waters workforce.

Our priority in the reforms is to ensure a fair transition for workers, where:

- they move into good jobs, with fair pay and working conditions, working for exemplary employers
- their voices are listened and respected to in the transition process, in the ongoing operation of their workplaces, and in decision-making about their work
- Their skills are supported and developed to the mutual advantage of the workforce, the entities and the community.

We are generally supportive of this Bill, as the provisions in it are necessary for the transfer of functions from councils and CCOs across to new Water Services Entities (WSEs). However, we have concerns and/or suggested improvements in relation to two important areas.

Subsidiaries

We want to see the delivery of public services stay in public hands, and for subsidiaries to be providers of good jobs.

We support co-ownership of subsidiaries between multiple WSEs

We support a model where WSEs can co-own subsidiaries that can carry out work at a national or multi-regional level, that individual WSEs may not have the capacity and capability to deliver themselves.

We see this as a sensible approach that can encourage the efficient use of resources by pooling effort in areas like support services, where standardisation and shared tools can encourage efficient and effective ways of working, and economies of scale can get more cost-effective deals (eg, on IT tools and resources).

We also see it as an opportunity for the water sector to build capacity and capability to undertake work that traditionally has in some areas been contracted out to the private sector. This could include building the capacity to undertake major infrastructure projects of a scale beyond the capacity of an individual WSE, or retain specialist expertise that could be shared among WSEs.

We do not support partial privatisation of subsidiaries

However, we don't support the current definition of subsidiaries in the legislation, as it provides for the delivery of services to be delegated to subsidiaries that can be partially privatised to return profits to shareholders. The proposed legislation requires WSEs (either individually or collectively) to have the majority of shares and control of boards, but it doesn't prevent minority shares from being sold off privately.

We believe this is contrary to Section 3(2) of the Water Services Entities Act 2022 which sets out the purpose of ensuring water services infrastructure is not operated for the purpose of generating profit for shareholders.

We also believe that it goes against the overwhelming public sentiment regarding three waters staying in public hands. Much of the debate around the legislation has focused on privatisation, and rightly so. New Zealanders don't want to see their water infrastructure be sold off. There is a tension between the obligations to shareholders of private organisations and the provision of a service for a public good. We believe this tension would be detrimental to the objectives of the Three Waters reforms.

We were supportive of the strong protections the Government put in the Water Services Entities Act 2022 to protect water infrastructure from being sold off, and we were pleased to see the Select Committee take a cautious approach to contracting out services which saw a reduction in the length of time a WSE could contract out to the private sector. We do not want to see the current Bill, and the provisions around subsidiaries, create an opportunity for elements of water services to be privatised by stealth.

It's also not clear how the ability to partially privatise a subsidiary would fit with the requirements in the Water Services Entities Act regarding divestment.

We recommend the legislation be amended to require subsidiaries to be wholly owned by WSEs (either by an individual WSE or a group of WSEs).

We want to see good conditions for workers in subsidiaries

We believe it is important to ensure the creation of subsidiaries can't be used to erode conditions for workers.

We support the requirement for subsidiaries to meet the same good employer provisions as WSEs. However these requirements are fairly general and don't, on their own, prevent subsidiaries from offering worse terms and conditions than their parent WSEs.

We support the portability of terms and conditions from Water Services Entities to subsidiaries on the same basis that the workforce will be moved from existing employers to those Entities. We believe that like for like work conducted by subsidiaries should be done on a no less favourable basis than by those directly employed by the Entities.

Charging

We support equitable access to water as a fundamental human right, and we believe any approach to charging should ensure that everyone has access to sufficient water to meet their basic needs regardless of their ability to pay.

We want to see sufficient safeguards in place to ensure that if a WSE decides to charge users based on water metering they do so using an approach that:

- acknowledges the provision of water as a right and basic human need
- ensures access to water for all people, especially those already facing financial difficulty, without putting at risk their ability to meet their basic needs.

We support the provisions in the proposed legislation that enable the sharing of costs equitably across communities (eg, the ability to set lower charges to remedy inequities in the provision of services, and ability to geographically average charges). We support the provision enabling the chief executive of a WSE to waive debts and penalties incurred by consumers in relation to water services.

It's important there are additional safeguards in place to ensure that volumetric charging for water doesn't further disadvantage already disadvantaged people. This could possibly include requirements on WSEs to provide a base level of water at a low fixed cost or at a lower rate.

We recommend that:

- **the charging principles under section 331 include a principle of ensuring everyone (especially low-income and vulnerable people) have access to water services regardless of their ability to pay**
- **the legislation enable and require WSEs to use mechanisms in their pricing that promote efficient use while reducing the financial burden on lower income people.**