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### **Local Government Act 2002 Amendment Bill**

The National Council of Women of New Zealand (NCWNZ) is an umbrella organisation representing 46 nationally organised societies. NCWNZ has 28 branches throughout the country attended by representatives of those societies and some 150 other societies. The Council's function is to serve women, families and the community through research, study, discussion and action.

#### **Introduction**

The Economics Standing Committee welcomes the opportunity to comment on this Bill. We recognise the concern that local communities have about essential infrastructure, council services and rates that seem continually on the rise. There is also a groundswell of attention on environmental sustainability and conservation.

We applaud the principle that decision-making by local authorities should be clear, transparent and accountable. We welcome financial reporting in clear English. Two other principles set out in the Explanatory Note raise questions: will operating within a 'defined fiscal envelope' force a local authority to reduce services and neglect infrastructure repair in order to cap rates levels? Will defining 'core activities' preclude maintaining social and cultural assets and services in the face of the financial pressure of a 'defined fiscal envelope'?

#### **Public consultation**

We question the deletion of various clauses in this Bill which repeal avenues of public consultation from the Act.

Sections 91 and 92 of the Act outlining the process of community consultation in order to identify community outcomes are repealed by this Bill, along with references to the community consultation in other sections. The very definition of 'community outcomes' is altered to exclude community input. These changes remove the stakeholder community from the process of identifying community outcomes except during limited, defined periods when parts of the long term plan are reviewed.

Clause 11 repeals Section 88, which requires consultation when there is a change in the delivery of a council activity that is not included in the long term plan. This allows a council to privatise services with minimal consultation with the community. Although local bodies may

still choose to follow the special consultation procedure for certain issues, increasing financial pressure will force most councils to perform only what is mandated by the Act.

These aspects of the Bill are serious erosions of democracy that are not supported by the Ministries of Social Development or Justice<sup>1</sup>. Requiring a local authority to produce a pre-election report (PER) once every three years is not an adequate replacement for reducing or removing ongoing public consultation. It is doubtful that the poor participation in local elections will be enhanced by a PER, when public consultation has been eroded in non-election years.

### **Accountability and transparency**

Transparency and accountability are meaningless when avenues of consultation and submission are removed.

Although the Explanatory Note claims this Bill will increase accountability and transparency, we find in the actual text of the Bill that there is less information for public enlightenment. As more services are contracted out, financial information will be increasingly constrained by the commercial sensitivity of private enterprise.

The replacement of Schedule 10 – Council Plans and Reports – with Schedule 1 in the Bill will significantly reduce and ‘dumb down’ the information the public will have access to each year on the progress and funding of community outcomes. Local authorities are relieved of providing any in-depth detail of how community outcomes are identified, how they will be managed or how any consultation with local iwi will be achieved.

There is no definition of ‘significant’ to clarify what level of negative effects local authorities are required to reveal to the public. A petition requesting that basic contract details of commercial operators providing council services be made available for public scrutiny was rejected as too costly.

Clause 18 replaces Section 102, which removes special public consultation from policy decisions on liability management and investment. Although we are told that transparency is desirable, the public will not be consulted on debt and rising servicing costs of that debt, nor will they have a say on the ethics and/or sustainability of council investments.

### **Privatisation**

This Bill intends to ‘remove unnecessary barriers’ to councils contracting out services, thereby creating a ‘level playing field’ for commercial interests.

There is anecdotal evidence of a deep-seated aversion to privatising public assets in New Zealand. We have not forgotten the deregulations and privatisations of last century, when our services were promised to be ‘more efficient’ and competition would mean lower prices. In fact public assets and utilities in private hands became more expensive, less efficient and more damaging to our environment and standard of living. Some glaring examples are power companies, rail services, rubbish and waste collection, telecommunications and most rapaciously, banks.

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<sup>1</sup> <http://www.treasury.govt.nz/publications/informationreleases/ris>

Private companies have one aim: to make money for shareholders. Less funding is likely to go into maintaining infrastructure, and more into marketing and executive salaries. Power companies for instance, even those owned by the government, tend to choose the cheapest options for supply, with little regard to sustainability, efficiency or environmental damage - except in their advertising campaigns. Those huge pylons that caused such public dismay are now starting to pollute rural skylines, supporting cables that lose significant amounts of power with every kilometre.

The UN Committee on Economic, Cultural and Social Rights has declared access to water a human right, and that water is a social and cultural good, not merely an economic commodity. Maori echo this, regarding water as a *taonga*.

Therefore of most concern is Clause 31 which replaces Section 136: the change from a 15 year contract limit to 35 years for water services. A generation will be born and grow to adulthood never knowing that water was once a public utility for all to share, conserve and value. The contract length is dangerous enough. The new Section also removes management of water services from council responsibility.

A private company may harness local water resources for sale and export, which might increase profits for shareholders, but won't benefit the local community. Private management may not extend to dealing with any resulting waste products (eg plastic bottles, pollutants). Although they will still be bound by the Health Act 1956, there are still issues around public access to water in emergency situations such as fire or earthquake.

The dismal record of past private operators as regards core maintenance does not bode well for future water supply infrastructure. At the end of the 35 year contract, it is the public who will be picking up the tab for replacement of worn-out plant and machinery and repair of environmental damage. Relying on contractual stipulations to protect the public interest may not be adequate in unforeseeable circumstances and over such a long period.

Further, with management of what is basically a monopoly in the hands of a private contractor, local authorities will have responsibility but no genuine control over pricing. Elected officials and council officers, largely relieved of public consultation, will be advised on pricing not by their own engineers and managers, but by the CEO of a powerful international corporation, which answers to shareholders.

## **Comments**

One of the ostensible drivers behind this Bill is the ever-rising rates burden. Particularly hard hit are those on fixed incomes: superannuitants, families of the unemployed and solo-parent households. Also vulnerable are the working poor, whose incomes are scarcely adequate to meet family needs.

Through longevity, the majority of superannuitants are women. Most solo-parent families are headed by women, and women cluster in the lowest paid and least secure jobs. Yet the regulatory impact statements on this Bill have not included gender analysis, as called for by the UN Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW).

It is misleading to compare rising local body infrastructure costs to the Consumer Price Index, as they each measure a discreet portion of the economy and are driven by different pressures. While it might be desirable to keep rates down and find ways for local authorities to cut costs, the erosion of democracy or selling of assets and services will not achieve that outcome. If our own recent history teaches us anything, rates will continue to go up, not down, and services will be reduced in scope and efficiency.

All but lost is the concept of public ownership of a range of essential utilities. Once the province of elected authorities and managed for the public good, utilities are now the most sought after of private investments around the world because they are relatively risk-free. Essential services that everyone needs - water, sewerage, waste management, power, transport and banking - provide the most stable returns to shareholders, because whatever the price, we must have them to live in our society.

Interest-bearing borrowing from commercial sources forces many local authorities to use up to 30% of their rates income to service debt. Some capitalise the interest, which is like using one credit card to pay the charges on another. Increased transparency and accountability as set out in this Bill does not address the problem of rising debt, except by cost paring.

Councils would function more efficiently, and democratically, if they could access adequate and efficient funding. There are two ways the Government could help local authorities manage their services and the funding of those services.

1. The Government could remove GST from rates, as a tax on a tax. This would make a significant difference to the funds available to local authorities, especially when the most recent rise in the GST hits the economy.
2. The publicly owned Reserve Bank provided lines of credit to the major trading banks for 'quantitative easing' during the credit crunch. Similar funding should be provided to local authorities for public projects and capital assets. This funding could be supplied at cost (1% interest or less) so that ratepayers are not burdened with debt servicing at the expense of core services. Assets could be paid for only once, and future generations would not face the crippling debt mountain that continues to grow.

## **Conclusion**

The Government may be concerned about rising rates and costs, but this Bill will not be effective, and will rather cause both rates and costs to accelerate upward. Meanwhile, democracy will be further eroded in the name of cost-cutting, to the detriment of all.

However, we suspect that the true agenda embedded in this Bill is privatisation.

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