

19 April 2022

Wellington City Council  
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## Submission: Sludge Minimisation Project Funding Mechanism

### About the Chamber

The Wellington Chamber of Commerce (the Chamber) has been the voice of business in the Wellington region for 165 years since 1856 and advocates for policies that reflect the interest of Wellington's business community, in both the city and region and the development of the Wellington economy as a whole. The Chamber is accredited through the New Zealand Chamber of Commerce network and as part of our wider organisation is also one of the four regional organisations Commerce of BusinessNZ.

Through our three membership brands, the Wellington Chamber of, Business Central and ExportNZ, our organisation represents around 3,500 businesses across the central and lower North Island. In Wellington, our organisation represents over 1,300 business and organisation, accounting for 50,000 employees. Our organisation is one of the four regional organisations that make up the Business New Zealand family and is also accredited through the New Zealand Chambers of Commerce network.

The Chamber works closely with the Wellington City Council (WCC) to ensure Wellington's business community is consulted on the changes that impact them. Our advocacy remains consistent, and we continue to play a constructive role in the future development of our city.

### Introduction

The Chamber has concerns with the proposal and, in particular, the levy funding mechanism of the Sludge Minimisation Project. We recognise there is a need to address this issue, but aspects of the approach from the Council to the project have illustrated a concerning lack of rigour and meaningful engagement.

The Chamber wishes to note a deep concern that this consultation appears insufficient. There is a

lack of detail within the consultation background documents. We also have concerns with the survey question design and the consultation period timing.

We would like to see further clarification on the cost of the project to satisfy the concerns around uncertainty outlined in the audit of the Long-Term Plan. What are the long-term projections of costs for levy, and how will the cost burden be shared between commercial and residential ratepayers? What assumptions might change these costs?

We understand the levy is intended to be applied for a potential timeframe in terms of decades. A ratepayer might be concerned to discover that any reference to the proposed length of imposition of this levy is not easy to find. This information should be transparent and clear if the consultation is to be meaningful.

We are also concerned about the high cost of the project, given the impact on the city's commercial ratepayers. We would like further clarification on more affordable options and why these were discounted or not considered.

The proposed levy is an additional cost increase on business. We are concerned that there is not a clear rationale outlined why this levy was not funded from the council's general expenditure. The levy, as currently designed, places a further disproportionate cost onto businesses, compared to the way it would be funded under principles established for the general rating system.

## Key Issues

### Consultation Design & Information Concerns

Before we comment on the substantive issues of the proposal, there is an initial concern the Chamber would like to address and draw attention to, to enable better policymaking and consultation best practices in future.

The Infrastructure Funding and Financing Act 2020 (the Act) sets out a rigorous process to facilitate proposals such as this. Given the requirements of the Act, there will no doubt be further preparatory documentation and more detail available. It is disappointing that this consultation does not make more fulsome information available. Democratic debate would be best served by more clarity to help people to make an informed choice.

Further, the Chamber would like to express its disappointment at the consultation period provided for this project. The use of the SPV through the Act is a new and complex policy for businesses and our members are entitled to assume such essential council activity is funded through general rates or at very least that that city infrastructure is funded at the same proportion as some other council services.

The *six working day* timeframe for consultation over a major annual holiday is not feasible nor sufficiently democratic for Wellingtonians to have their say on their project.

Businesspeople risk having their voices shut out from the conversation by rushed consultation periods like this one. We have consistently raised this as an issue with Council over the past quarter, given the pressures of COVID 19 and the COVID Omicron outbreak.

The Chamber was unable to effectively engage with our membership on this issue given the insufficient timeframe. Future consultations must give more consideration to the time commitment required for thoughtful, constructive submission from the community so that all voices can be heard.

The design of the consultation questionnaire is also concerning. The Chamber believes it is not sufficient to gauge the public's opinion on the proposal given the increased rating costs the proposal contemplates. The wording of the survey questions is far from nuanced, and we consider the questions would not withstand academic rigour or methodology if their intention is to establish a useful empirical baseline for public opinion on the project.

We are disappointed at the lost opportunity here to engage with ratepayers and users – it leads us to reasonably question whether this is a meaningful consultation or a predetermined process. We appreciate that the Chamber has had discussions on this matter with Council officers, but we must raise our concerns because there is a loss of opportunity for wider consultation.

#### Why an additional and disproportionate levy for an essential Council activity?

Why is an additional levy proposed through the IFF mechanism, for what appears to be an essential Council activity? As would be expected with essential spending on council activities, this project should have been funded through general rates. We have to prioritise what money we have on the most important projects. The case for this needs to be made more clearly.

Businesses in Wellington already pay a significantly higher share of rates than counterparts in Auckland, Christchurch, and other major population centres.

On the March 8 2022 meeting of the Annual Plan/Long Term Plan Committee, the council resolved to increase the rates multiplier on commercial properties – from the already highest in the nation 3.25, to an even higher 3.7.<sup>1</sup> Doing so raises an additional \$8.5 million, relative to what would otherwise be paid by Wellington's Commercial ratepayers.

The structure of this levy continues the inconsistent cost burden on business. A commercial property would pay \$906.53 per year for a \$2 million property, where the same property, used for residential purposes, would pay just 278.63. One business we spoke to found this burden could add an additional \$18,000 per year for their property.

Businesses hold just 15% of Wellington's property value, and yet pay a significantly higher share, both of rates, and of additional levies such as this one. By introducing the sludge minimisation levy on top of rates, our members might observe the levy is a rates increase 'by stealth.' In short, the project's funding mechanism requires further explanation.

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<sup>1</sup> <https://wellington.govt.nz/-/media/your-council/meetings/committees/annual-plan-long-term-plan-committee/2022/2022-03-08-agenda-apltp.pdf>

### Independent Auditor Concerns on Project Overlooked

We also note the independent auditor's report on the 2021-2030 Long Term Plan, which indicated that funding for Sludge Minimisation was uncertain and the external mechanism was unclear. As the LTP's auditor report outlined:

*"...the Council has assumed that external funding investment in the Moa Point wastewater treatment plant will be obtained by using the mechanisms in the Infrastructure Funding and Financing Act 2020. The project is currently uncertain because funding has not yet been confirmed. If the forecast level of external funding is not received, the Council notes that the project would not be able to proceed and will have to be reprioritised. This could affect improvements to levels of service."*

The Chamber would like to be informed whether the current proposal satisfies the auditors' concerns. The response to the auditor observations should have been made clear to ensure high quality probity and transparency.

We express our concern that the project's funding was not approved through the Long Term Plan. Last year's LTP refers to a cost of \$147-208 million – a significant gap for a project with an unclear funding mechanism and given our concerns below.

### Ongoing Cost of the Project

The proposal is unclear on the ongoing costs of the project into the future. Further, only year one levy figures have been made available.

The details are uncertain about the total project cost and the out-years of the levy. The Chamber would like to be provided with future projections for the levy beyond just the first year. How will this be calculated, and what changes will need to take place? When will the levy conclude?

We are concerned that without this information, this leaves the potential for an already disproportionate levy on business to rise throughout the life of the Sludge Minimisation project. Further clarity would be useful on these points.

Even if the first year levy was considered acceptable, the Council is asking people to give assent to something for which they cannot be said to have informed consent because they do not have the full long-term breakdown of potential cost. In principle acceptance of one year of levy does not mean acceptance of a levy for multiple decades. The size of the project impost on ratepayers appears deliberately occluded.

### A further handbrake our region's economic recovery

The Chamber does not need to highlight the impact that COVID-19, lockdowns, and the outbreak of the Omicron variant has had on Wellington's CBD. We know our central city is under economic pressure and retail/hospitality atrophy, and further cost pressures risk tipping small business over the edge.

The levy, as currently proposed, would reach into the tens of thousands for a commercial property building in Wellington's central city. This would make a return to the office less affordable for Wellington business, and drive customers away from CBD businesses. A levy will be passed on to the

retail, hospitality and professional services businesses of Wellington – and ultimately to Wellingtonians as consumers.

We have welcomed a number of council initiatives to restore and reinvigorate our CBD in the wake of Covid-19. The Chamber was proud to work with Council, for example, to produce the Pandemic Response Plan – which featured a number of initiatives to help businesses in the city centre.

The Chamber's Central New Zealand Business Confidence survey found rising cost pressures shooting up the agenda for business, with increased prices now the second highest issue for business in our region.

All impost impacts on Wellington's economic recovery must strongly be considered going forward.

### The Chamber's Questions on the Project

1. Why was the project not funded from general rates? What justification is there for the IFF mechanism?
2. Does the proposed funding mechanism satisfy the audit concerns in the Long-Term Plan?
3. Given the increased and disproportionate cost on business, what other, lower-cost options were considered to reduce the financial burden on business? Why were these options not preferred?
4. What will the projections for the project be, beyond the first year?

### Consultation Questions

*Do you support Wellington City Council's aspirations to build a more sustainable future and become a low-waste, climate-friendly and resilient city?*

Yes.

This is a poorly constructed, unnecessary, and leading survey question. We would welcome the exact survey results as to how many people responded in the negative as we expect it to be very small, putting into doubt the utility of asking this question in the first instance.

*Do you support the development of a facility to de-couple wastewater sludge from the Southern Landfill?*

There is no way to answer this question fulsomely and meaningfully without the full costs, assumptions and project plan being available to all Wellingtonians for consideration and informed consent.

The Chamber is not opposed, in principle, to the de-coupling of wastewater sludge from the Southern landfill, or the creation of a sludge processing facility at Moa point. However, the Chamber

hopes that, given the increased and disproportionate cost on business, other, more affordable options can be considered to reduce the cost burden.

*In the LTP we have selected preferred options for facility location, technology and funding. Noting these, we welcome any feedback you might want to provide.*

See above.

*Do you have any feedback on how the proposed levy is shared between commercial and residential ratepayers?*

The Chamber wishes to express concern at the inconsistency between commercial rating policy, and the burden that this levy places on business.

It is concerning that the proposed levy is charged above and beyond an 8.8% rates increase, rather than funded through general rates.

## Conclusion

The Chamber does not contest that effective management of sludge is an essential part of basic city infrastructure – and well-deserving of investment. Instead, we are concerned that such an important piece of infrastructure was not properly funded or included under the long-term plan.

The consequence appears to be an effective further rates increase for Wellington, and one which falls disproportionately onto business. Further, the uncertainty in the project, such as the ongoing rates of the levy for the project's lifetime, risks an escalation of these cost pressures onto Wellington.

We hope these concerns will be addressed in the finalised proposal.

Ngā mihi nui,



Simon Arcus  
Chief Executive  
Wellington Chamber of Commerce