

Response
To
Greater Wellington Regional Council
Long Term Plan 2018 to 2028
Revenue and Financing Policy Changes

April 2018

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1. Profile

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This is my first time that Wairarapa Voice Inc. has participated in a Greater Wellington annual or 10-year planning consultation process.

Wairarapa Voice Inc. members reside in Masterton District, Carterton District, and South Wairarapa District.

WAIRARAPA VOICE INC. REPRESENTATIVES DO want to speak to our submission at a Council hearing.

2. Summary Submission on GWRC Revenue and Financing Policy

Package of Options						
Which package of options for the funding of flood protection and public transport do you support?						
Option 1		Option 2		Option 3	Alternative Option	
Comprehensive change to Flood Protection rating policy.	Change to new transport policy	Status Quo for Flood Protection	Change to new transport policy	As for Option 1 with marginal changes	Maintain Flood Protection status quo until a truly comprehensive review has taken place	Maintain public transport status quo until a truly comprehensive review has taken place
The proposal to change the flood protection and public transport rating basis should be suspended until a real comprehensive review has taken place.						

Flood Protection		
Which options for the funding of flood protection work do you support?		
The proposed change	No Change	Maintain Flood Protection status quo until a true comprehensive review has taken place

Public Transport	
Do you support the proposal to rate for public transport as one network across the region?	
Yes	NO
Do you support the proposed differentials for public transport rates?	
Yes	NO
Given that the differentials are based on a fatally flawed review these should not proceed until a proper review is carried out.	

Transition Period	
Do you support the proposed three year transition period?	
Yes	NO
The whole proposal should be suspended until a real comprehensive review has taken place.	

3. Introductory Comment

The comprehensive changes proposed to the Revenue and Financing Policy have far reaching consequences for the future economic viability of Wairarapa. There is no evidence that these economic impacts have been considered by GWRC. They certainly haven't been consulted on in any meaningful way. Our own analysis calls into question the economic modelling of GWRC. The treatment of Wairarapa calls into question whether there are any benefits of remaining part of the Wellington Region.

We are told that the changes are as the result of the most comprehensive review of the Revenue and Financing Policy undertaken in 20 years yet the review only surfaces two aspects of the policy leaving other contentious areas seemingly untouched. We are assured by GWRC staff that the other areas such as regional parks and harbours have been considered in the review but, in the absence of adequate communication and consultation we have only their word on this.

The introduction of a change that has significant impacts should be subject to a comprehensive consultation process with full stakeholder identification and engagement, comprehensive scenario modelling and the like. To miscommunicate this change through a flawed consultation process based on a review that is supposedly comprehensive when it is nothing of the sort, is in our view unlawful and is certainly unacceptable.

The public consultation has been marked with confusion and a misrepresentation of the impacts of the LTP. The change to the financing of Flood Protection work has been introduced unexpectedly on the Wairarapa ratepayers in a way that could be seen as retributive and uncaring of its impacts.

A move to "those who benefit pay" has been put forward as the underlying justification for this change yet 'user pays' has been applied unthinkingly and in a way that smacks of retribution from GWRC for rejecting the Wairarapa amalgamation proposal. Perhaps a move to user pays could be accepted if there was a degree of trust between the ratepayers and GWRC that equity would apply over all costs that fall disproportionately on different parts of the region. But that trust does not exist and will never exist if GWRC continue this way of dealing with Wairarapa ratepayers.

We have no faith in the public transport cost modelling based on the same flawed review that gave rise to the change in flood protection rating. Our own analysis shows that the differentials used by GWRC are open to question and if different assumptions were used there would be a need to adjust the public transport rates burden in a way that is favourable to Wairarapa ratepayers.

Clearly GWRC's ability to model rates changes is almost completely lacking. For an organisation of GWRC's size with a disproportionate investment in an overly complex accounting system to be unable to produce multiple rating scenarios is an indictment on GWRC governance and management. To be told that what modelling is done is produced using an Excel spreadsheet based system is unacceptable in the era of data science.

There is an option that has been unexplored by GWRC and that is to maintain the status quo including for public transport; carry out a proper comprehensive review, worthy of the name; communicate the results of this revised review and consult on its findings; and following true consultation, action the measures agreed with the ratepayers.

That option has been added to the Submission Form and is the only action we can support.

4. Economic Impact

Wairarapa is the largest geographical component of the Wellington Region with the lowest population in both absolute and density terms. Wairarapa is the lowest paid district in the regional economy and has the least access to regional assets like the international airport, deep water port, regional parks, and high quality recreational harbours.

Wairarapa pulls its weight for the region by contributing both human resources and trade goods to the region with ~4000 people travelling daily to Wellington and the Hutt Valley for work, and substantial movements of both processed and un-processed primary produce to the airport, port and other destinations.

The behavioural changes that will be forced by the penalising of activity that could be impacted by flooding are far ranging. These include ratepayers being unable to insure their properties once an interdict is placed on it by local government which will mean loans cannot be secured against those properties and they become valueless. Who will pay for the change that has been forced upon today's ratepayers for decisions made by settlers 150 years ago? Farmers may have to abandon land hard wrung from what, a generation ago, were called swamps and draining them was seen as an economic wonder. Now that we recognise that what are now called wetlands are valuable, what consideration is being given to compensating these farmers and who will pay for that?

One of the oft cited benefits of belonging to the GWRC is that collectively we are better off together with wealthier areas paying a little more for the unpriced benefits provided by less wealthy areas and the costs of change are spread in a way that leads to the least dislocation. These unpriced benefits include the pressure Wairarapa takes off Wellington's housing and how Wairarapa allows Wellington to draw on a wider talent catchment without bringing transport use pressures. The collective risk spreading cuts both ways with Wairarapa ratepayers paying for earthquake resilience measures that disproportionately assist Wellington City.

The comprehensive changes proposed to the Revenue and Financing Policy have far reaching consequences for the economic viability of Wairarapa. There is no evidence that these economic impacts have been considered by GWRC. Certainly there has been no consultation on the long term impacts on insurability of property and the economic dislocation if farm land is abandoned to wetland.

The adverse impacts of unexpectedly large increases in costs call into question the benefits of being part of the Wellington Region and are likely to lead to re-litigation to form a Unitary Authority for Wairarapa.

5. Comprehensive Review

GWRC's documents on the changes to the Revenue and Financing Policy say that the changes are the result of the most comprehensive review of the policy undertaken in 20 years. This is implausible given that after a comprehensive review the changes only focus on two aspects of the policy leaving other contentious areas untouched.

For example, the comprehensive review does not touch upon general rates levied for harbour management nor general rates levied for regional parks. Both these tasks carried out by the GWRC are charged to Wairarapa ratepayers and yet Wairarapa has no managed harbours or regional parks.

A comprehensive review, worthy of the name, would have considered these matters as well as the way GWRC manages costs and assets. This clearly hasn't happened when GWRC are proposing ongoing rates increases well beyond inflation for the planning horizon and that GWRC continues to invest in a poorly run port company with no discernable strategic direction.

We believe that GWRC should take steps to carry out a truly comprehensive review which radically examines all revenue and financing matters before proposing any changes to the policy. To do otherwise would be inequitable and subject to possible sanction by the Office of the Auditor General, the Ombudsman or the High Court.

6. Public Consultation

The public consultation has been marked with initial obfuscation and what appears to be a willful decision by the GWRC to misrepresent the review and its impacts.

The consultation information is spread incoherently among a number of documents. The GWRC LTP Consultation Document includes narrative supplemented by some basic tabular analysis while the four page "Have Your Say" brochure on the Revenue and Financing Policy has the submission form but with virtually no information included.

The 1st page of the GWRC LTP Consultation Document says that the proposed average rates increase is \$30.89 a year or 6.7%. This is a number that applies to no individual ratepayer. Meanwhile the document is silent about the large actual rate increases in Wairarapa which range from a low of 31.84% to a high of 69.92%.

GWRC	Rates Increase \$			Rates Increase %		
WAIRARAPA	Residential	Rural	Business	Residential	Rural	Business
Masterton	99	132	272	66.00%	50.38%	69.92%
Carterton	78	153	85	42.62%	46.22%	31.84%
SW	87	160	151	42.23%	44.82%	36.65%

When challenged, the GWRC staff suggest that the percentage increase is irrelevant as the dollar quantum is "low". However a range of dollar increases from \$78 to a high of \$272 is much higher than the mythical \$30 and so the 'quantum is low' argument is null.

When further challenged on this the GWRC staff then suggested that the main reason for the huge rates increase was the change in QV valuations. Initially GWRC could not produce any analysis to back up this contention but have since done so. Stripping out the transitory effect of valuation changes, the rates increases proposed are still unacceptable.

At the public consultation meeting held in Greytown on 10 April, it was clear that:

- The meeting had been added to the schedule at the last minute
- The meeting had not been publicised
- The meeting was poorly structured with no effective facilitation and no effective process to manage questions from the floor

At the meeting held in Masterton on 18 April, it was clear that:

- GWRC had made more effort to publicise the meeting
- The meeting was poorly structured – PowerPoint and Talk is not the best approach
- The venue was substandard with background noise drowning out the speakers at time

However, it was clear that Masterton ratepayers did not support the meeting which must have been disappointing for the GWRC politicians and staff who made time for the meeting.

No meeting has been planned in Carterton, the geographical heart of the Wairarapa and the one town with a substantial auditorium space that would have allowed an effective meeting to be held.

GWRC must improve its ability to carry out proper public consultation. The Victorian Auditor General's Office document, modified by us with permission, for New Zealand is attached for your assistance.

7. User Pays

It has been argued that the changes proposed to the rating for both Flood Protection and Public Transport represents a move towards 'those who benefit pay' in that the people benefiting most from provision pay the most.

Where the transactions are between a user (customer) and service provider (vendor) this argument doesn't need to be made – if there is a value for value exchange then both parties are happy.

Where a user/service provider exchange takes place outside the market – which is the case with GWRC provided Flood Protection and Public Transport – there needs to be a high level of trust between the 'user' and the service provider because there is no objective value for value exchange.

Ratepayers in Wairarapa report that provision by GWRC is marked by over complicated investigation, over specification of requirements, unnecessarily long lead times, and unnecessarily high costs of provision. GWRC is seen as a Gold Plated provider.

GWRC is also seen as a poor communicator and has a reputation for rushed and superficial public consultation. Ratepayers in Wairarapa are largely ignored by GWRC with their needs seen as a low priority and any semi-democratic provisions are soon overridden in favour of lecturing and hectoring as evidenced by public statements by the Chair and the Wairarapa member at the time of the proposed Wairarapa amalgamation.

In light of Wairarapa experience with GWRC, the degree of trust is so low that any changes need to be handled very carefully with generous amounts of communication and consultation before any change is made to the status quo.

8. Public Transport

We have no faith in the public transport cost modelling based on the same flawed review that gave rise to the change in flood protection rating. Our own analysis shows that the differentials used by GWRC are open to question and if different assumptions were used there would be a need to adjust the public transport rates burden in a way that is favourable to Wairarapa ratepayers.

Until GWRC carry out a proper Revenue and Financing Policy Review the mooted changes to Public Transport should be placed on hold.

9. Rates Modelling

Clearly GWRC's ability to model rates changes is almost completely lacking. For an organisation of GWRC's size with a disproportionate investment in a complex accounting system to be unable to produce multiple rating scenarios is an indictment on GWRC governance and management.

As part of a proper review of the Revenue and Financing Policy the need for the application of data science to future modelling of policy scenarios should be explicitly considered.

There is no justification for any move from the status quo yet.