

17th November 2023

His Worship the Mayor Campbell Barry
Mayor of Lower Hutt
Chair, Wellington Water Committee
Hutt City Council
LOWER HUTT

Tena koe Mayor Barry,

Re: Investment advice 2024-34 from Wellington Water to shareholder councils

The board of Wellington Water is keen to signal to the Wellington Water Committee the high-level advice that is currently being delivered to your respective councils by our team. As you are aware this is ten-year, long-term plan funding advice for your 3-Water assets.

It is important that as a board we signal to the Water Committee, on a regional basis, the overall picture and the considerable risks as we see them. Our role is to give you unbridled information about the investment levels the company requires to reduce the chance of significant asset failure, and environmental damage as well as ensure the region has an adequate supply of drinking water over the short, medium and long term.

The region's exposure on its 3-water infrastructural assets is well canvassed. The board is resolute that elected members as decision makers register that the advice from Wellington Water will be that a \$7.6 billion total investment provision should be made by the region for the decade ahead. This compares with the \$1.9 billion that councils decided to invest in their last long-term plan period of 2021-31.. The \$7.6 billion investment level is deliverable, working on the basis of a 30% year on year uplift of works - that is building the capacity of the regional workforce to deliver on the program over time. Wellington Water has demonstrated this level of uplift is possible, as evidenced by the growth in our capital project from \$60 million to over \$250 million over the last five years.

The advice to councils from Wellington Water is that the regional focus should be as follows:

1. increasing investment in renewals to address backlogs over a 30-year period and reduce them to a long-term sustainable level,
2. having regional alignment to address the critical water supply risk, with coordinated investments in storage, metering and leak repairs, and
3. ensuring investment to meet increasing regulatory requirements.

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Wellington Water is concerned that significant under funding of the water assets will compound our critical risks and create new ones for the region. Currently the critical risks identified are as follows:

1. Inadequate water supplies to meet future demand and growth
2. Acute water shortage - a well canvassed risk for this summer and the ones following
3. Operational funding activities such as ongoing ability to carry out leak detection, condition assessment of assets, planned and reactive maintenance.
4. Unplanned critical asset failure
5. Treatment of wastewater - risk that investment levels are too low to address known failure risks or improvements required to meet consent compliance activities
6. People – Under-resourcing of our work can be de-motivating to a workforce looking for greater certainty. Concern about ongoing engagement and staff retention.
7. Supply of project design and contractors could be compromised if investment flatlines and market confidence in the Wellington Water pipeline is lost

Once ten-year funding is confirmed by councils next year, the board will re-assess them and update these risks and communicate them to the Wellington Water Committee.

Wellington Water has met with all iwi mana whenua groups, Rangitāne ki Wairarapa, Ngāti Kahungunu ki Wairarapa, Taranaki Whānui and Ngāti Toa Rangatira. The message is universally clear from them, that removing wastewater from waterways is a priority.

Wellington Water is currently at stage 3 of a 4-stage process of advising to council officers for long-term plan asset funding consideration. Everyone involved with the company recognises the significant financial pressures councils are under at this time, particularly the unsustainable funding environment that you collectively face. We respect that every council will make its individual decision about investment and the company will support those decisions and carry that work out on your behalf.

This letter is a high-level signal to councils from your Wellington Water Board that major additional investment is needed in the region. Wellington Water released advice last week that it could be as much as a billion dollars a year for the next thirty years. Continued deferral will ultimately endanger public health, increase wastage of precious water, continue considerable environmental and catchment impacts, inhibit or even stop housing growth and ultimately reduce levels of service for communities.

Our strong advice is that adequate funding over the next ten years needs to be signaled in long term plans so that important work can begin to ensure the above risks are not realised. The board recognises the difficult balancing act that councils are facing due to unprecedented cost pressures across all areas of your operations. Further, we understand that those funding demands risk compromising community affordability.

I am happy to discuss the above with yourself and the committee at any time.

Nga mihi,



Nick Leggett

Chair, Wellington Water Ltd