

## Business NZ recommendations to incoming Government: Water

New Zealand's agricultural and tourism industries and reliance on hydro generation all require adequate water yet uncertain supply is constraining investment and therefore economic growth.

The recent draft National Policy Statement on Freshwater Management does not coherently address allocation and use issues.

### **Key issues are:**

- Lack of information - It is often not clear how much water is available, making it difficult to allocate with certainty.
- Lack of pricing signals - For many domestic consumers the only charges they face are a flat annual rate as part of their annual local government rates bill; without pricing signals efficient use is not encouraged.
- Too many suppliers – More than 70 local authorities involved in water supply is less than optimal for cost-effective provision.
- Lack of property rights - There is a lack of security over water rights, with the length of consent to use water - typically 5-15 years - inadequate to achieve a return on large sunk-cost investments. While there is a presumption that consents will be renewed, this is not guaranteed.
- Inability to trade –The ability to transfer or trade the right to take water is essential for ensuring efficient allocation of resources. While technically the Resource Management Act allows water taking permits to be transferred among users in the same catchment area (Section 136) and some transfers do occur, this practice is not widespread. A market system for water could encourage investment in infrastructure, resulting in improved water quality, reduced leakage, fewer interruptions in water services and fewer customers receiving low water pressure.

**Business NZ recommendations:**

1. Amend the RMA to more clearly establish the security and duration of water rights and the ability to trade water rights
2. Encourage local authority action to establish systems for assessing of the amount of water available for allocation and metering its use
3. Encourage local authority action to establish a central registry of water allocation, rights, permit holders and transactions

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