

SUNZ Submission on Local Government Funding and Financing

Micro Case Study of a Local Authority under Funding Pressure - Whakapapa and Iwaka Villages

This submission is limited to a case study of a peculiar situation where the combined pressures of:

- Tourism Growth;
- Shrinking local population;
- Increasing national standards; and
- Greater national benefit than local benefit

Have combined to potential close a small local community.

Whakapapa and Iwaka Villages are within the Tongariro National Park and administered by Department of Conservation on behalf of a joint crown and Tuwharetoa caretaking arrangement for the National Park.

In that way they are a very unusual local authority with some peculiar problems. But problems that are representative of many other areas. They just, unfortunately, happen to all come together to put great pressure on the local infrastructure and community.

Background

DoC administer the National Park in the joint national interest and Tuwharetoa interest (local Iwi, beneficiary of a Treaty Settlement that assigns them joint supervision of the National Park with the Crown).

Residents of Iwaka and Whakapapa Villages are subject to licences to occupy, granted and administered by DoC. DoC have indicated they do not want to grant any more licences to occupy within the National Park and may prefer to see the population shrink rather than grow.

DoC provide local infrastructure in much the same way a local authority would normally do so. But there is no democratic accountability process. DoC are more accountable for National interests than local interests, but costs are borne by local residents.

DoC are in the process of consulting with the residents of the villages about a proposed upgrade to the wastewater system. Most residents accept the need for the upgrade but have concerns about the costs they bear. In particular because it appears the costs are driven by national rather than local interests. E.g. Tourism growth has put pressure on local infrastructure from day visitors, which local residents get no benefit from, although there is a national benefit.

By way of scale the day visitors are estimated to be about 500,000 against a local population of a few hundred or less.

Also the costs of the waste water system upgrade is also driven by increasing expectations around water quality discharge within the National Park. Which is more driven by national standards than local willingness to pay.

So in summary the Whakapapa and Iwaka villages are an extreme micro case study of what happens when negative pressures all combine. Including:

- External beneficiaries (tourism);
- Increasing National standards (not local demand as driver of investment need);
- Potentially shrinking population (several residents have indicated the proposed cost increases may force them to walk away).

Responses to specific questions

Q1 What differing circumstances across councils are relevant for understanding local government funding and financing issues?

The Iwaka and Whakapapa villages example is different in that it is not subject to normal democratic controls and it is an extreme example of a national interest overriding local interests.

Q5 To what extent is tourism growth resulting in funding pressure for local government? Which councils are experiencing the greatest pressure and how is this manifesting?

I would claim that proportionally Whakapapa and Iwaka villages are experiencing greater tourism growth pressure than any other local authority in NZ because the proportion of tourists to locals is higher than anywhere else and because the portion of those tourists that do not contribute to the local economy (day visitors) is highest.

This is manifesting as increased loading on the wastewater facilities (public toilets provided by DoC) and increasing roading pressure etc, without any means to easily pay for this, except charging non-benefitting local residents.

Q7 How is the implementation of Treaty of Waitangi settlements, including co-governance arrangements for natural resources affecting cost pressure for local government, is this widespread?

Tongariro National Park is subject to a proposed co-governance arrangement with the local Iwi (Tuwharetoa in the case of Whakapapa and Iwaka villages). If anything this might improve the

alignment of interests between the governing authority and local interests, compared to the current arrangements. Tuwharetoa, share DoC's strong natural resource guardianship ethic but also have a stronger interest in generating local (rather than national) economic growth.

Q16 How effective are council's long term planning processes in aligning decisions on capital investments and service levels with preferences and willingness to pay of residents, businesses and other local organisations?

Although DoC have done a very good job of consultation there is evidence of a conflict of interest between DoC's national interest drivers and local residents willingness to pay for the level of service aimed for. This is partly a function of the lack of democratic accountability and partly because of the benefits, of the tourism and local environmental standards to support that, lying largely outside those paying for the service.

Q27 How do councils manage trade-offs between the ability to pay and beneficiary pays principles? What changes might support a better balance?

DoC did a very good job at looking at cost allocation for the proposed upgrades, after some pressure by residents, and proposed cost allocation based on (metered) water usage, as a proxy for wastewater production. I supported this proposal, but I am unsure where it got to. I suggest such tools (metering of water and using it as a proxy for wastewater production) might be worth exploring for other councils.

Q32 Is there a case for greater use of certain funding tools such as targeted rates and user charges? If so what factors are inhibiting the use of these approaches?

In the case of Whakapapa and Iwaka villages a visitor access charge would be a great proxy for costs imposed by day visitors that impose costs on the village without bringing local economic benefits. However there are likely to be either legal or central government barriers to such an approach.

Q33 Under what circumstances (if any) could there be a case for greater central government funding transfers to local government? What are the trade-offs involved?

I think this should only occur where the national benefit clearly exceeds any local benefit. It should be done only to the extent that the national benefit exceeds the local benefit. The trade-offs would be transaction cost of proving this situation involved versus the inefficiency that would otherwise occur. However, I suggest, in the absence of the ability to impose a charge on day visitors to Whakapapa and Iwaka villages, that this would be the case for these villages and specifically to fund the proposed wastewater treatment upgrades. The preferred solution would be for central

government to allow and assist implementation of a process for charging day visitors, e.g. a national park access fee, but failing this a direct transfer from central government would be a good option.