

**BEFORE A HEARINGS PANEL OF THE GREATER WELLINGTON REGIONAL  
COUNCIL**

**UNDER** the Resource Management Act 1991 (“the Act”)  
**IN THE MATTER OF** resource consent applications to Greater  
Wellington Regional Council pursuant to section  
88 of the Act to discharge contaminants to land,  
air and water  
**BY** South Wairarapa District Council  
**FOR** the proposed staged upgrade and operation of  
the Martinborough Wastewater Treatment Plant

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**BRIEF OF EVIDENCE OF PAUL CRIMP ON BEHALF OF SOUTH WAIRARAPA  
DISTRICT COUNCIL**

**STATEMENT OF COUNCIL CHIEF EXECUTIVE**

**DATED 17 April 2015**

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## EVIDENCE OF PAUL CRIMP ON BEHALF OF SOUTH WAIRARAPA DISTRICT COUNCIL

1. My name is Paul Crimp and I am South Wairarapa District Councils Chief Executive Officer. I hold a Bachelor of Business Studies Degree from Massey University and am a member of the New Zealand Institute of Chartered Accountants - Chartered Accountants College. I have been Chief Executive Officer at SWDC since June 2013. Prior to that I was Group Manager Corporate Support (for SWDC) from April 2010 to June 2013. I have been a resident of South Wairarapa since 1994.
2. As Chief Executive Officer, I am responsible for bringing well analysed policy options to Council and implementing the Council decisions in a manner which balances both the regulatory obligations of Council as well as the objectives of the community.
3. South Wairarapa District Council is committed to achieving it's stated goal of:

*“To collect, treat and dispose of wastewater from the urban areas of Featherston, Greytown, Martinborough and Lake Ferry so as to provide public health protection with minimal effects on the environment”.*
4. South Wairarapa District Council must address its wastewater obligations on a district wide basis within the context of the overall water catchment involved and has structured this application on that basis. This application for the Martinborough WWTP upgrade project is heavily influenced by the need to balance the pressures across Council's three main urban catchments.
5. South Wairarapa District Council has proven its commitment to achieving this goal over the last few years through a number of 'big ticket' items, including but not limited to:
  - a. commissioning a 100% discharge to land system at Lake Ferry;

- b. installation of UV treatment plants at Featherston and Martinborough (with the Greytown UV plant due to be installed soon);
  - c. purchase of 119ha land adjacent to the Greytown wastewater treatment plant for land treatment purposes (in addition to the 37Ha already owned);
  - d. making 110ha available at Martinborough (in addition to the 8ha already owned at the site).
  - e. The recent purchase of 170ha of land adjacent to the Featherston wastewater treatment plant for wastewater land treatment, along with 12ha it already owned.
6. This significant overall investment (c. \$9M) has occurred over the last three years, at the same time the strategic planning for the WWTP upgrades has been occurring. This necessarily constrains the ability of the Council to proceed with all stages of proposed upgrades in the short-term. The upgrades must be paced to be affordable to the community.
7. I also note that the recent unplanned investment in land at Featherston has meant that there have been some modest changes to the proposals. I am confident that the ultimate result will be the best one for the community and the environment.
8. As some submissions note, our Wastewater Strategy is still noted as “draft”. The document sets out Council’s intent and direction, and this has not altered since the strategy was developed in 2010. As it is an internal document that has been publicly consulted on, there is no need to convert it to “final” form. I do reiterate however, that the status of the strategy does not alter the commitment of this Council to implement its objective. The recent significant investment described above is clear evidence of that.

## SCOPE OF EVIDENCE

9. My evidence is structured as follows:
  - a. Scope of evidence
  - b. MWWTP Upgrade Project Objectives
  - c. Affordability
  - d. Term of consent and investment certainty
  - e. Tangata whenua concerns
  - f. Consultation
  - g. Conclusion

## MWWTP UPGRADE PROJECT OBJECTIVES

10. In 2008 Council set up a working group to ascertain the overall strategy and set the way forward in relation to South Wairarapa's four wastewater schemes. This Working Group consisted of the Mayor and all Councillors at that time, and considered input from various advisors and technical experts in the wastewater field. The work culminated in a document dated 15 December 2010 outlining what was from then referred to as the "SWDC Wastewater Strategy".
11. The overriding objective of the Strategy, as outlined earlier, is straight forward but aspirational:

*To collect, treat and dispose of wastewater from the urban areas of Featherston, Greytown, Martinborough and Lake Ferry so as to provide public health protection with minimal effects on the environment.*

12. Since 2008 the Mayor and Councillors have been kept informed of developments, and been directly involved in setting direction and decision making. The Working Group identified relatively early on that in order to achieve the best environmental outcomes, a district wide and catchment-based approach should be taken.
13. This MWWTP project and consent application is part of a wider body of work concurrently taking into account wastewater discharges for Featherston, Greytown, and Martinborough.
14. Council recognised that a district wide and catchment based approach was important across a range of factors, including those outlined below.

#### ***Environmental Factors***

- i. The Martinborough, Featherston, and Greytown wastewater discharges all ultimately terminate in the Ruamahanga catchment. Our strategy and forward works program is designed to ensure that the best environmental outcomes are achieved for the dollars invested.
- ii. The transition to discharge to land is carefully planned to ensure we are able to reduce the discharge to freshwater as quickly as possible, concentrating the effort on the most sensitive receiving environments, while still balancing the requirements across the catchment.

#### ***Financial (cost of servicing plants)***

- iii. In order to maximise the cost benefits of scale, our contracts should be let across the four wastewater systems (this has been implemented).
- iv. In approaching our wastewater operational and capital requirements across the entire network we maximise the pricing we are able to achieve, as the contractor is able to cover their overheads and profits from a larger revenue base. Contracting each

site individually would significantly increase the cost of operating and servicing the districts wastewater infrastructure, or alternatively a reduction in level of service.

***Rating base consistency***

- v. As we have one contract we charge all ratepayers connected to the wastewater system the same levy.
- vi. To differentiate between schemes would be difficult as it is nearly impossible to apportion costs to any one scheme with 100% accuracy, as this approach requires making financial assumptions.
- vii. By taking this district wide approach, cost fluctuations in one scheme are smoothed out and rates in one area do not have large increases and decreases.
- viii. In terms of affordability and fairness, the best way to manage costs is to spread the burden as evenly and widely as practicable
- ix. While there are options to widen the collection base, this is not currently on the agenda, as those outside the wastewater system often have their own environmental issues to contend with, manage, and pay for.

**AFFORDABILITY**

- 15. The proposed programme outlined in the application is based around the need to ensure the community are able to afford the proposed solutions. Affordability is achieved in this case by spreading the project over a reasonable period of time. Obviously such a significant programme of works affects the economic wellbeing of not only the current community, but future communities as well.

16. The Martinborough Wastewater project cannot be treated in isolation of the Featherston and Greytown Wastewater upgrade projects; such is the relative significance of the cost. As described earlier, Council's funding policy is based on a catchment approach. The combined management contract is significantly more cost effective than having four individual management contracts, as described in detail in evidence by Mr Mark Allingham. Capital spend is also balanced to ensure incremental environmental benefits are made at each site, not benefiting one site over another.
17. South Wairarapa District is in the unenviable position of having four wastewater systems to manage and fund, with a small contributor base for each.
18. South Wairarapa District as a whole is deemed to be "*less socio-economically deprived*<sup>1</sup>" than the national average, however this is a generalisation and the large rural sector makes the averages higher, for example the rural areas of Tukurumuri and Kahutara both have an index rating of 3 (not very deprived).
19. The report also states that "*the poorest people are most likely to live in Featherston judged to be decile 8 (out of 10)*" with Martinborough's index at 6 and Greytown's at 4. These statements are confirmed by an analysis of the number of rates accounts in arrears. These are predominantly urban based, and all three towns have at risk families.
20. South Wairarapa has 6,535 rating units, 3,167 rural and 3,368 urban/commercial. Of these between 600 and 800 are in arrears at any

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<sup>1</sup> Salmond C, Crampton P, Atkinson J, *NZDep 2006 Index of Deprivation*. The NZDep2006 index of deprivation was created from data from the 2006 Census of Population and Dwellings. The index describes the deprivation experienced by groups of people in small areas. Nine deprivation variables were used in the construction of the index, reflecting eight dimensions of deprivation. The variables used were the proportions of people: aged 18-64 receiving a means-tested benefit; living in households with income below an income threshold adjusted for household size; not living in own home; aged less than 65 living in a single-parent family; aged 18-64 unemployed; aged 18-64 without any qualifications; living in households below a bedroom occupancy threshold adjusted for household size; with no access to a telephone; and with no access to a car.

one time. In the order of 300 are in a state where we have had to demand payment from the ratepayers mortgagees. In summary, there is a significant group of urban ratepayers who face a continual financial struggle.

21. There are many residents who have no discretionary income, and for them even small increases in rates cause significant additional stress.
22. All households in the urban areas pay rates, regardless of whether the residents own or rent the property. Attached as Appendix 1 are three budget advisory analysis showing how little discretionary expenditure is available, and highlights the fact that even small increases are difficult to manage.
23. Council acknowledges that wastewater costs will need to increase; projections based around the three schemes we are applying for show an increase from \$412 pa currently to approximately \$1,000 pa in 2043, an increase of some 242%.
24. If the entire program were brought forward, for example, to be completed in the 2016 to 2020 financial years, the current level of rates would more than double from currently \$412pa to \$872pa within that timeframe. This equates to an increase of 117% per connection over that time. Other rate types will also increase of necessity, which is inevitable as there are cost pressures across the board including implementation of new legislative requirements and operational compliance costs.
25. Overlay this annual increase on the examples from the budget service, and the evidence of ratepayers who are already struggling, and it is apparent that in a few years' rates affordability will become a significant issue for many local families.
26. Rates affordability is a matter we consider and discuss often, particularly when dealing with the many families who struggle to balance their budgets. In addition to the numbers mentioned above, there are many families who only just manage to keep on top of things



an do not feature on our debtors profile, any acceleration to the increases in rates that would be required if the consent term was reduced would put real pressure on these ratepayers. This point has been reiterated to me during my discussions with budget advisory agencies.

27. While the Government has introduced standards that effectively compel significant changes any discharges to freshwater, they also heavily criticise rates increases and apply significant pressure to the sector to keep rates affordable. This last sentiment is reflected across the community and forms part of many discussions we have with individuals and community groups.
28. In my view, South Wairarapa District ratepayers cannot afford rates increases above that projected on the basis of the programme outlined in the application.
29. In order to offset potential financial cost further, the current proposed upgrade programmes across Martinborough, Featherston, and Greytown are designed to take advantage of borrowing cycles.
30. For example, we have two existing wastewater loans reaching maturity in 2024, and the programme revolves around taking out new loans to cover works planned across the three consents.
31. Taking additional loans out prior to 2024 will result in an avoidable rates spike and will place additional burden on our ratepayers for a period of time.
32. I have read Mr Allingham's evidence and the s42A Officers Report in regards to the appropriateness of the proposed 25-year consent term from an asset management perspective. The same equally applies from an affordability perspective. The current programme across all three sites has been aligned with funding rounds and considering maximum affordability. The suggested 25-year term will significantly impact upon that programme, in the means described above. As Mr Allingham

suggests, The proposed 35 year term is critical for the proposed three plant upgrade programme. Mr Geange has concluded there appears no fundamental reason that a 35-year term cannot be granted, given the conclusions which deem a 25 year term acceptable. From a financial perspective, a 35 year term remains our preference, but I would prefer to see a reduced consent scope of a 15 to 20 year consent that excludes Pain Farm (Stages 2A & 2B) to the proposed 25-year term incorporating all stages and all associated conditions relating to it. Stage 2 would then be subject to a separate consent application prior to the end of the Stage 1B consent term.

## LOCAL AUTHORITY CONSTRAINTS

33. To provide additional context to the affordability discussion above, I point out the purpose of local authorities was materially altered recently with the enactment of the Local Government Act Amendment Act 2012 whereby an obligation was placed on Territorial Local Authorities, and Regional Councils to:

*meet the current and future needs of communities for good-quality local infrastructure, ...in a way that is most cost-effective for households and businesses.* (Emphasis added)

34. The change in purpose was a clear signal by Government to Local and Regional Councils that a greater emphasis needed to be placed on rates affordability. This was in part a direct result of some Councils, including smaller Council's acting on independent advice, significantly overcapitalising in infrastructure and operational commitments.
35. Whilst "most cost effective" was not defined in the legislation, it is clear that consideration needs to be given to
- a. The options for delivery
  - b. The cost of that delivery

- c. The affordability to ratepayers at each of the community, business, and individual ratepayer level
36. In addition to the change in the purpose of Local Government, section 101 Financial Management states “*A local authority must manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community.*”
37. This specifies a significant constraint on how Local Authorities plan their forward projects and it is clear the legislation is designed for exactly this purpose. To achieve this prudence, SWDC has planned the WWTP upgrade programme (and other expenditure profiles) around gradual and predictable expenditures and therefore rates increases.
38. In general terms, regardless of the option taken, the cost of meeting our goal and obligations is in the order of \$10M per town. Council considers the most cost effective option is the one generally outlined, across the timeframes incorporated in all three applications.
39. South Wairarapa District Council is charged with maintaining an asset base of \$398M (2014). The majority of this asset base is infrastructural in nature and needs to be maintained and renewed on a very long term basis which requires careful planning (as described by Mr Allingham in evidence).
40. The nature of this asset base is that cost increases are unavoidable. As an example, the Local Government Cost Index prepared by BERL economists forecasts cumulative cost increases for local authorities of 35% over the next ten years. This increase is in the general cost base of general operational activity, and excludes new capital expenditure of the nature required for the upgrades to which these consent applications relate. This additional \$30M expenditure is significant for this Council and has required a comprehensive asset management plan to be implemented, as described by Mr Allingham in evidence.

41. In order to effectively plan for the long term sustainability of this entire asset base, long term management plans are required. While we are aware of the entire programme that is required within the three wastewater systems, we still need investment certainty to enable this information to be included with our other asset classes.
42. We are constrained by interest expense and debt level covenants, accordingly have to plan, for example, new borrowings for new works around the maturity of existing loans. If the consent term was for, say, 10 years we would certainly breach the covenants mentioned above as the majority of our current borrowing matures outside that timeframe. Local authorities generally borrow over very long terms due to the intergenerational equity principal and nature of the assets.
43. Our debt profile would make it difficult to achieve the necessary works to meet a consent term of much less than that applied for. Indeed if the term was reduced by any significant amount our preference would be to twenty years and we would have to exclude stage 2A and 2B. We would however accept a condition that within the term of that consent, and before expiry, a new consent would be lodged.
44. If the consent conditions were to retain stage 2A and 2B, with a shorter term, we would have to modify the implementation of solutions for the Featherston and Greytown wastewater systems. In essence, this would result in extending the timeframes for implementation at those two sites, which have more at risk receiving environments than the Martinborough site.

## **ENGAGEMENT**

45. In accordance with Council's consultation policy, SWDC has consulted widely on the proposed MWWTP project, and our other wastewater plant upgrade proposals.
46. It would be fair to say SWDC has struggled to receive much feedback on the districts' wastewater proposals. We have had to generally rely on

direct contact with stakeholders as general public meetings have been very poorly attended. Section 7.4 of our application outlines our consultation process, indicating that all key groups that you would expect have been consulted.

47. Despite arriving at the general preferred options some years ago, and constant exposure in Annual and Long Term Plans, individuals and organisations have generally chosen for one reason or another not to engage. Even a full front page article in the Wairarapa Times Age with the banner of \$34M only elicited one (positive) comment.
48. A very limited number of submissions have been received, some of these are from groups we would not have targeted
49. It is my view that we have adequately conveyed our proposals to the community, and given more than adequate opportunity for those who would have wished to provide input that process.

#### **THE MARTINBOROUGH WWTP PROPOSAL**

50. The Martinborough upgrade proposal, along with the proposals for Featherston and Greytown, will result in 100% of wastewater being treated to a very high standard, and by 2035 all wastewater will be discharged to land, except in exceptional circumstances.
51. The proposed upgrade is described in detail in the AEE, and has been summarised in other evidence. At a high level, the proposal for Martinborough WWTP involves a staged approach to upgrading the collection, treatment, and discharge comprised of
  - a. a two-part first stage including physical upgrades at the plant to improve its operational efficiency (which has already started), and irrigating up to 24% of the annual flow to land adjacent to the plant during low-flow periods in the Ruamahunga River no later than November 2017; and,

- b. The second stage includes discharging the remaining flow to Pain Farm (in two steps) which will result in the majority of wastewater going to land most of the time.
52. Council has investigated many options for the long term sustainable management of wastewater through this process. These are described in detail in the evidence of Mr Kevan Brian, and also summarised by Mr Mark Allingham in terms of the Council's asset management strategy.
53. Following receipt and analysis of expert advice, including a multi-criteria analysis (including cultural, environmental, community health and safety, and cost benefit), the staged discharge to land option was selected as the best practicable option. This option also directly aligns with Councils long-term wastewater strategy and in a reasonable and financially manageable timeframe.
54. In terms of the inclusion of the proposed instream standards as a consent condition, I cannot agree that these should be a condition of the consent and have concerns about this approach particularly where there is a risk of non-compliance. SWDC takes it's obligations very seriously, as highlighted by the recent significant investments in land, and acknowledges the need to monitor effects. Our approach has been to undertake this activity as part of the management plan. If this monitoring indicates any significant issues we would look at mitigating those - for example bringing those aspects of stages 2A and 2B forward sufficient to mitigate the problem, or some other technical response.
55. As Mr Allingham has outlined in evidence, unnecessarily low consent condition thresholds will only result in risk to SWDC in terms of compliance and enforcement. This would replicate the previous consent process where I acknowledge Council erred in its approach, by trying to give GWRC what it thought it "wanted to hear" in terms of quality standards, rather than proactively determining an appropriate quality standards reflecting actual environmental effects and working collaboratively with the regulator and the key stakeholders in

management. I do not wish to see that previous approach reiterated in the next consent, from which no party benefits.

### **Relationship with Tangata Whenua**

56. SWDC is committed to ensuring a strong and purposeful relationship with tangata whenua is maintained. The Maori Standing Committee has been established specifically to share information, ideas, concerns, and opportunities. Council is committed to ensuring this forum remains positive and valuable.
57. In terms of the wastewater strategy specifically, Council has a Wastewater Standing Committee through which all related matters get passed prior to any key decision. This has served a good positive forum for discussion over the last few years as the WWTP upgrade projects. With the introduction of the proposed Community Liaison Group, it is likely we will suggest the Steering Group will be disbanded. Tangata Whenua will be a key part of this Group.
58. A significant aspect in the development of the SWDC Wastewater Strategy and the move to land based treatment has been driven by recognition of cultural values associated with the mauri of water. In fact, from a purely financial and environmental perspective, a lesser level of commitment (perhaps even just to Stage 1B) to land treatment would have been enough. The proposal seeks to provide more certainty that this to all stakeholders.
59. I also note that the submission of Ngati Kahungunu raises some concerns about the term of consent, and the ability to recognise any outcomes of the Ruamahanga Whaitua process within the operation of the plant once consent is granted. I am advised however, that the RMA contains a process where the regional council can retrospectively apply any such change in standards where necessary. SWDC supports the Ruamahanga Whaitua process, and the objective to “clean-up” the Ruamahanga River for current and future generations. The SWDC Wastewater Strategy and

this application is directly aligned to the overriding objectives of the Whaitua Committee. SWDC will engage in any discussions as to how these objectives can be achieved over time.

## **RESPONSE TO S42A OFFICER REPORT**

60. I have read the S42A Officers Report and overall agree with its findings. There are however two key aspects of significant concern.
61. Firstly, I am particularly concerned that the recommended conditions will “set us up to fail”. We simply cannot be put into a position where compliance cannot readily be achieved. We accept there is a responsibility to manage the extent of the effects of our activities on the environment, and are satisfied that the measures proposed in the application will achieve this.
62. Secondly, the recommended reduction in term to 25 years causes significant concern. To commit to the full land treatment proposal including Stage 2B storage without a 35-year term produces an unacceptable level of financial risk to my Council. As discussed, any reduction in term would require a reduction in scope of physical works within the current term (i.e. removing Stage 2A & 2B). Whilst certainly not preferable, this is the only way in which the risk of a reduction in consent term can be managed.

## **CONCLUSION**

63. SWDC have taken a considered and robust approach in developing a sustainable long-term Wastewater Strategy that has begun to be implemented over the last three years with significant capital expenditure, investigation, and long-term commitment in planning. Resource consents are now required to enable the completion of that strategy over the next 35 years. A critical part of the strategy is the recognition by this Council that it must take a catchment management approach to balance the outcomes of its three main wastewater plants.



64. Council has proposed a solution for each plant that will result in all wastewater within the District being treated to a very high standard, and a staged transition to land treatment. The programme has been developed from the perspective of affordability to the local community, but equally importantly also considers the balance of the effects of the activities on the environment, and cultural values held by tangata whenua, an important partner in Council's delivery of its duty.
65. Council has publicised and engaged with stakeholders, and where possible, concerns raised have been included in the proposal. The major concern that couldn't be dealt with was where a desire to condense the programme was raised. This has also come through a number of the submissions. In a small community, this significant cost simply cannot be brought forward under current funding regimes in a manner that won't adversely and seriously affect the communities' most financially vulnerable families.
66. Increases of well over 200% in the wastewater rating component when taken across all other rating increases which will be required will have a significant economic effect on those families for what I understand on balance to be a relatively small environmental improvement after the implementation of Stage 1B. South Wairarapa ratepayers would struggle to meet the increased rates burden if the timeframes for implementation across the catchment are reduced.
67. Council is obligated under the Local Government Act 2002 to provide the most cost effective solution in delivering its infrastructure and services, in addition to its other regulatory obligations, including those under the RMA.
68. Council has investigated all options, and the solution proposed in the application is considered to be the best practicable option. Council is committed to regularly reviewing funding models and treatment technologies to ensure that it remains the best practicable options through the term of consent. Conditions of consent will ensure that any

adverse effects are monitored and analysed, and any irregularities quickly identified and resolved. Conditions also regulate the intention of Council to continue the engagement process with key stakeholders, with key performance, management, and compliance data made available.

69. To meet its obligations under the Local Government Act 2002, and taking into account its obligations in the rest of the catchment, Council in my opinion is best served to implement the proposed solution in the timeframes outlined in this application.
70. Because this application effectively maps out the solution to the final point, i.e. where impact on fresh waterways is all but eliminated, the proposal in my opinion provides a very good balance in terms of implementation and affordability.
71. Provided the two key aspects of concern are rectified, being the removal of unachievable compliance conditions, and the necessary term of consent, I consider the issue of consent will result in a positive and sustainable solution.

Paul Crimp

17 April 2015