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Report to the Utility Services Committee
from David Benham, Divisional Manager, Utility Services

Water Connection Costs

1. Purpose

This report provides a response to Councillor Werry's request of the General Manager to provide the average costs per water connection in the four Wellington Metropolitan Cities.

2. Connection Costs

The following table, and appended detailed calculations, provide the various average connection costs for Hutt City Council (HCC), Porirua City Council (PCC), Upper Hutt City Council (UHCC) and Wellington City Council (WCC). This information has been calculated from 2001/2002 Proposed Annual Plans for each Council. The number of connections is the latest we have available which was provided in September 1999.

Water Costs Per Connection

	HCC \$'s	PCC \$'s	UHCC \$'s	WCC \$'s
Total Council Water Costs	312	294	324	331
Less Bulk Water Levy	171	158	185	198
Total Water Costs (excl. Levy)	141	136	139	133
Less Depreciation	60	39	42	32
Interest	18	11	9	6
Direct Water Operating Costs	63	86	88	95*
Capital Expenditure	32	39	89	158

* WRC's component of this cost is \$53 per connection.

3. **Comment on Connection Costs**

The key line that best enables comparison of efficiency of operation is that which is highlighted. These are the costs that are directly controllable by the water operators. The depreciation charges will depend on the age of the infrastructure and the particular lives assigned to the various assets. This will vary from Council to Council. The interest charge is a function of the Councils funding policy. The bulk water levy is set by the WRC and allocated on volume used.

Of interest is WCC's Direct Operating Costs of \$95, approximately \$53 is the component that the WRC charges the WCC through the Water Services Agreement (WSA). These services includes:

- planned and unplanned maintenance of pipe network and pumping stations
- managing the water flows and reservoir levels
- providing engineering drawing maintenance and a counter services for new connections and enquiries
- providing customer review and advice on town planning policy
- providing extensive reporting on performance.

The difference between \$53 and \$95 are WCC's own additional costs of providing the service.

As a note of caution, these figures should be treated very warily as different service levels may apply in the different cities. For example the Central Business District (CBD) area of Wellington City has particular service requirements which are more costly than residential areas. Also terrain, geology, the age of the infrastructure and methodologies of allocating overheads will have an impact.

4. **Water Costs Per Capita**

In the following table we have used populations of the cities to compare costs. These are populations estimated at 30 June 2000. While in our view costs per connections are the better measure, this comparison does bring the costs closer together.

Water Costs Per Capita

	HCC \$'s	PCC \$'s	UHCC \$'s	WCC \$'s
Total Council Water Costs	118	98	119	123
Less Bulk Water Levy	65	53	68	74
Total Water Costs (excl. Levy)	53	45	51	49
Less Depreciation	22	13	16	12
Interest	7	4	3	2
Direct Water Operating Costs	24	28	32	35*
Capital Expenditure	12	13	33	59

WRC's component of this cost is \$20 per capita.

The same caveats expressed about the connection costs should also apply to the above comparison.

5. Conclusion

While accepting the various operational differences between the Cities, the following conclusions can or may be able to be drawn.

- HCC's activities appear to be the least costly.
- WCC's other costs add \$42 per connection (or \$2.6M) to WRC's operational cost of \$53 per connection. On a population basis, the additional costs are \$15 per capita.
- WRC's cost of operating WCC's network appears to be competitive.
- PCC's bulk water costs are well below other cities on both comparisons – WCC's are the highest.
- WCC is investing significantly in its water infrastructure.

6. **Recommendation**

That the report is received and the information noted.

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Attachment