

Just pull the plug on the dam

By Dr Trevor Le-Lievre

Full marks for perseverance. The Central Hawke's Bay District Council, having just had their proposal to invest \$5 million in the Ruataniwha dam defeated by an unanticipated groundswell of ratepayer opposition, have come up with a new innovative backdoor means to subsidise this scheme. This time it is by contracting to take water supply for the Takapau, Waipukurau, Waipawa and Otane townships.

Councillor Andrew Watts, the key driver of this initiative, heralds the population growth that this new abundant water supply will unleash from employment and new housing subdivisions. This projected economic nirvana is predicated upon a feasibility report considered by council's finance and services committee before voting to adopt the motion to take Ruataniwha water. However, the report contains some heroic assumptions and includes more disclaimers than there are currently CHB farmers hiding behind their doors as regional council water salesmen attempt to knock them down.

Economic growth will largely come from three high water-use industries and associated population growth. These three factories have materialised out of nowhere. They certainly do not appear in the Economic Solutions

report which informed the council report. It is not apparent why any processing industry would ever establish in CHB when the distance to Hastings is just 50km and there is underutilised industrial infrastructure in the northward city, and more to be realised if the recent Watties' announcement is a harbinger.

Another rationale is the security of supply that Ruataniwha dam water will herald. No supply crisis has been raised previously. In fact, to the contrary, Waipukurau and Waipawa townships have water consents in place to 2028 with Waipawa only drawing 25 per cent of its consent. Further, in the increasingly unlikely event that the

Ruataniwha dam proceeds then the regional council has promised increased flows of cleaner water, heralding an era of abundance.

Most importantly, the current cost of the water is zero. This is as it should be: water is a vital resource and as such a public good not subject to market forces. Yet Watts, in stating that "... water will not be free forever" echoes the determination of the regional council's Andrew Newman to commodify this natural resource. Once commodified, some consideration about who will own this resource is warranted. Tradable units in finite natural resources are extremely popular with large foreign-owned corporate investors, raising questions about long-term security of supply and

water cost.

Meanwhile, in Central Hawkes Bay, it is the ratepayers who will subsidise the commodification of this resource, once available for free. Water rates are estimated to rise at least 10.8 per cent each year. Actual increases are unknown due to factors concerning infrastructure requirements and eventual water price and uptake rate. What is known is that all CHB ratepayers on council-supplied water will pay, including those in coastal areas such as Porangahau and Kairakau who will not receive dam water. Conversely, those farmers who will disproportionately benefit from delivery of Ruataniwha water will pay no additional rates.

So, if CHB ratepayers neither need this water nor know how much they will be paying for it, why are their elected council representatives determined to knock square pegs into round holes to ensure that they sign up for their 2 per cent share of the total dam water capacity? No legitimate economic rationale has been posited. In fact, a major report released this week brings the viability of the dam itself into serious question. The report's co-author, economist Peter Fraser of Ropere Consulting, concludes that there is neither economic nor commercial rationale for the Ruataniwha dam and that it would be "less risky for ratepayers and taxpayers to simply subsidise the cost of feed supplements rather than investing in the dam".

The answer is again provided by Watts who states that "by us getting behind this it will bring confidence and momentum".

Indeed, much needed momentum given that Newman has been unable to announce a single completed water user agreement, nor name any current prospective institutional investor. Advancement of the Ruataniwha dam is now being driven by political and not any rational economic imperative. There are reputations at stake and awkward questions to be avoided, namely which dark hole have Regional Council ratepayers just poured an estimated \$15 million into?

The full CHB Council intend to vote on the committee's recommendation to take Ruataniwha dam water for municipal supply on Wednesday. This scheme is a "significant activity" under Part 6 of the Local Government Act (2002) and must first be placed for public consultation. Ratepayers should contact their elected representative before Wednesday and demand that this decision be placed on hold until a public consultation process is undertaken.

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