



Waitaki

DISTRICT COUNCIL

TE KAUNIHERA Ā ROHE O WAITAKI

ATTACHMENTS

UNDER SEPARATE COVER

Extraordinary Council

4 April 2025

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Water Services Delivery Option - Attachment 3

Attachment 3 Concept Consulting Letter 3



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28 March 2025

Paul Hope
Waitaki District Council

By email: phope@waitaki.govt.nz cc andrew.strahan@geoco.co.nz

Dear Paul

High-level review of Morrison Low report for the 'group of 4' southern District Councils

You asked us to review reports prepared by Morrison Low to inform decisions by the 'group of 4' District Councils for the Clutha, Gore, Central Otago and Waitaki districts.

You asked us to comment on, but not to re-run financial projections and to provide observations based on our expert knowledge of utility asset management and regulation.

We are preparing a fuller report, however, recognise Mayors and Councillors require a summary of our views as soon as possible and before our report is completed. Our views are, in summary:

1. The Morrison Low analysis is thorough, and it very likely reaches the right conclusion – that amalgamation is in the short and long-term interests of group of 4 water users.
2. We consider assumed benefits of amalgamation are cautious and will most likely be materially higher than the assumed 1.5%.

This is principally due to very material efficiency gains available from improved strategic and operational asset management maturity. These gains require minimum scale and are unlikely to be realised by any of the individual group of 4 entities.

3. The financial projections are reasonable, given inputs available at this point, but will require revision as entity composition and structure settle; and, as:
 - i. information quality improves. For example, consistent inputs, base year and forecasting practices across each network area
 - ii. *strategic and operational* asset management maturity grows, enabling optimisation of maintenance and renewal investment. Our experience is that investment in asset management maturity pays for itself very quickly and will be expected by your regulator.
4. It is important the group of 4, in addition to preparing its water services delivery plan for submission to the DIA, develops its understanding of and prepares for economic regulation by the Commerce Commission – expected to be in place from late 2025.

In our view, it is highly likely that each of the group of 4 and the water users in their regions will be better off combining their resources in the proposed joint CCO than on their own. This is principally

because of the economies of scale available in strategic and operational asset management, which we consider enable significant cost savings and operational flexibility.

We are available to discuss any of the summary views above. We will provide our fuller report in due course.

Yours sincerely

A handwritten signature in dark ink, appearing to be 'JC' followed by a stylized horizontal line and a small dot.

Jeremy Cain

Director, Concept Consulting Group Ltd

