

Open letter to the CEO, the Mayor, and Councillors of Queenstown Lakes District Council

6 June 2016

Dear Mr Theelan, Mayor Van Uden and Councillors

Objection to authorisation of an open tender for the Glenorchy Sewerage Scheme

At the last Council Meeting - on May 26 2016 - members of Sustainable Glenorchy Inc raised concerns about the proposed Glenorchy Sewerage Scheme (GSS), including issues with the application for discharge and the proposed procurement process.

It has been confirmed by Mr Theelan that the Council will be asked, later this month, to authorise an open tender for a sewerage scheme for Glenorchy. This letter is in response to that impending decision.

At this point we are not concerned with debating the best options for reticulation and treatment because, at this point, there is insufficient information to do that. What we *are* concerned about is process. Our position is:

1. Firstly, that Council has not fulfilled its obligations under Section 77 of the Local Government Act (LGA) - which requires **all reasonably practicable options** to be assessed in terms of their advantages and disadvantages); and
2. Secondly, that the preferred approach to procurement – detailed in Mr Theelan’s June 1 correspondence - does not allow the Council to do that.

We believe that it is Council - in consultation with the community – that must decide which scheme will best meet Glenorchy’s needs; not an uncompetitive contract market.

Evaluation of any tenders received will not fulfil Council’s obligations under the LGA because not all practicable options will be represented by the tenders. This position is a reasonable one to take given: the uncompetitive contract market (acknowledged by Council); the small size of the scheme; and Council’s clearly stated preference for a hybrid gravity (HG) sewer. It is also very unlikely any tenderer will propose to ‘stage’ reticulation or use existing infrastructure to reduce the costs of the scheme. Therefore, an open tender will not result in the most cost effective solution.

What Council must do to comply with the Local Government Act

So far three whole-town reticulation options have been evaluated based on CAPEX and OPEX. According to Hadleys the ‘high level’ CAPEX estimates for these schemes are all around \$20 000; that’s \$10 000 more than was considered affordable for a connection in Cardrona.

The costs of paying upwards of \$20 000 for a connection over a 15 year term plus a targeted rate of \$500-\$800/yr is likely to be prohibitive given that onsite discharges of <2000L/day comply with current ORC rules. Plan Change 6B may change the status of some discharges but it’s possible that the costs of complying with new discharge rules (post 2020) may still be the most cost effective option for residential homeowners, given that the ORC currently has no evidence of pollution from Glenorchy’s discharges.

Council must now consider other, more cost effective reticulation solutions including:

- A) Staged or partial reticulation options i.e. reticulation of large volume discharges, properties unable to discharge onsite and new development; and
- B) Whole-town STEP reticulation, assuming the use of existing quality, watertight infrastructure

N.B. Solution B was assessed and recommended in 2007.

We ask that **all** practicable options are then evaluated using the Better Business Case (BBC) model, giving consideration to the various advantages and disadvantages including (but not limited to):

- 1) accurate, comprehensive CAPEX (including compliance costs)
- 2) accurate, comprehensive OPEX (including compliance costs)
- 3) resistance/resilience to seismic hazard (including liquefaction) and ground settlement
- 4) potential for infiltration/exfiltration
- 5) ability to buffer peak loads/storage capability
- 6) ability to reduce financial risk and reduce water use by measuring wastewater flows from individual properties and charging according to volume produced.

The evaluation of CAPEX in (1) must be based on a financial model that does not pass the costs of future development or growth in Tourism to existing homeowners. After the re-evaluation requested by Council, the 'initial' STEP option is the lowest cost option by \$640 000. But that advantage was not reflected in the cost per dwelling equivalent figures which were reported as being higher for STEP than the more expensive HG option (\$19 200 for STEP and \$18 800 for HG).

In addition, all practicable treatment plant options must be evaluated (they haven't been) and other discharge sites must be considered and evaluated (specifically, other options on the Peninsula Reserve). Consultation - including a document posted on QLDC's website - led the community to believe that access to the Peninsula Recreation Reserve would not be compromised by a discharge consent. That is no longer the case; therefore, other practicable options must be evaluated.

An objective and comprehensive assessment of all practicable reticulation, treatment and discharge options should be followed by the process that was authorised by Council (June 30 2016). That is:

1. Firstly, more detailed design and costings of the preferred options;
2. Secondly, taking the final project plan to the community for a vote of support; and
3. Thirdly, staff reporting back to Council to get approval to proceed with the tender process.

The last point we will make is that STEP reticulation is a practicable option. We understand that Council has a preference for the HG option. That appears to be based on perceived problems around accessing private properties to ensure compliance with tank maintenance. The Waimakariri District Council deal with this issue by desludging all tanks every three years with the cost of that being part of the targeted rate. They inspect the tanks at the same time as the tank is de-sludged and report no trouble with compliance. Many District Councils manage STEP and Pressure Sewers and they will all have mechanisms for dealing with this issue – most likely by-laws or easements. These can be costed and form part of the CAPEX and OPEX for a STEP or Pressure Sewer option. These options must not be de-valued simply because Council doesn't WANT to deal with compliance; rather, Council must objectively cost and evaluate all options and choose **the most cost-effective solution. That is the legal requirement and that is what the community wants.**

The recommendation to authorise an open tender must not be passed by Council. To do so would be to breach its statutory obligations under the LGA. We request that Council evaluate all practicable options using the BBC model and then proceed with the process that was authorised on June 30 2015.

We would appreciate hearing your views on this matter.

Kind regards

Bruce Farmer, Trish Fraser, Dr Carolyn Dakin, Niki Gladding, John Glover, Dr Paul Chapman, Mike Spencer, Paul Fraser

Executive Committee, Sustainable Glenorchy Inc