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The Clerk  
Local Government & Environment Committee  
Parliament Buildings  
WELLINGTON  
Friday 18 June 2010

### **Submission on the Local Government Act 2002 Amendment Bill**

The Social Credit Party's submission intends to focus on three aspects of the Bill:

- a) Democracy and accountability,
- b) Funding of infrastructure and utilities, and
- c) Contracts and the private sector.

#### **a) The Democratic Process**

We note that one of the "principles" underpinning the Bill reads "that local authority decision making should be clear, transparent, and accountable." A glaring omission is the word "democratic", the emphasis being put on the idea of "prioritisation" which is no substitute for proper democratic discussion. Too often, referenda conducted to gain public opinion lack sufficient information on which to base decisions. The excuse can then be made to defer even high priority choices on the grounds there are insufficient funds.

As for what voting system should be employed, we advocate the Single Transferable Voting (STV) method as the fairest way to ensure proper representation on councils.

#### **RECOMMENDATION:**

**THAT ALL LOCAL AUTHORITY ELECTIONS BE CONDUCTED USING THE SINGLE TRANSFERABLE VOTE (STV) SYSTEM.**

A reminder that local authorities are empowered to levy rates by legislation. The principle which ought to be observed, then, is "no taxation (rates) without (proper) representation".

#### **b) Funding**

In its submission to the Local Government Commission (April 2007), Local Government New Zealand (LGNZ) expressed concern "about a lack of

adequate tools for revenue raising and reliance on rates as the basis for local government funding." There was also concern about the compliance costs of "unfunded mandates".

Sadly, local bodies have been operating under the mistaken belief that Reserve Bank nil, or low, interest facilities are not available to them any longer. This, in spite of the Public Finance Act (1989) - as reprinted with amendments in 2005 - stating clearly that all government borrowing (on its own or others' behalf) can be negotiated with any source within or outside of New Zealand by ministerial direction and on any terms thought fit if in the national interest. A policy which reduces borrowing from private overseas sources, and so lessens the strain on the country's balance-of-payments, would surely be favoured for local government. Doubts as to the capability of the RBNZ to fund local government essential capital works have lately been dispelled in light of the multi-billion facility provided the systemic banks as "quantitative easing" during their liquidity crisis.

***RECOMMENDATION:***

**THAT THE BILL INCLUDES A CLAUSE PERMITTING LOCAL GOVERNMENT ACCESS TO RBNZ CREDIT-LINES TO FUND ESSENTIAL INFRASTRUCTURES, UTILITIES AND ENVIRONMENTAL PROTECTION.**

This recommendation complies with the requirement of the present Local Government Act for policies to adhere to the principle of sustainability.

In no way can present funding practices be deemed sustainable with principal/interest ratios generally making loan cancellations impossible, as per these typical examples:

- 1) In its 10-year plan (2009/19) the Kapiti Coast District Council allocates \$20.4 million for interest repayments but only \$13.2 million as principal.
- 2) The South Taranaki District Council's 10-year plan proposes spending \$99.1 million on interest over this period but only \$43.8 million in actual loan repayments.
- 3) \$66 million is allocated for interest in the Marlborough District Council's 10-year plan with \$40 million going to principal repayments. Meanwhile further borrowing is planned amounting to \$929.2 million at an estimated interest rate of 7%.

Social Credit is concerned that the Bill makes no mention of the financial institutions which own council debt. Wanganui District Council, for instance,

borrowed largely from the Westpac, BNZ and ANZ banks at interest rates varying between 6% and 9%. This means that council infrastructures are already partially privatised. Hence the WDC allocating \$4.2 million as debt-servicing for water services alone for the next financial year.

Although responses to our party submissions to selected council draft plans state that no RBNZ facility is available for local bodies, we find no written evidence that such access is prohibited. If such legislation does exist, we wish to know which political party advocated and introduced it and the names of the politicians who voted for a diminution of our economic sovereignty.

Reference to a "fiscal envelope" in the Bill, reminds us of the Rate-capping Bill (a private members Bill) which failed to pass under the last Labour-led Government. Capping spending while underlying costs, such as debt-servicing, continue to mount is no solution to the funding problems facing local government.

As for the proposed rise in the Goods and Services Tax (GST), its addition to our rates must be stopped. This tax-on-a-tax is not ethical. At 15% it creates an even bigger burden on households, its imposition being in proportion to future rises in rates. Its removal can be more than compensated for by, for instance, a half-cent turnover tax on the stock and money markets.

***RECOMMENDATION:***

**THAT THE BILL INCLUDES A CLAUSE STIPULATING THE REMOVAL OF THE GST ON RATES.**

**c) Contracts and the Private Sector**

In November 2002 the United Nations Committee on Economic, Cultural and Social Rights issued a statement declaring access to water a human right, asserting that water is a social and cultural good, not merely an economic commodity. Echoing this statement is that of New Zealand Maori, i.e. "water is a taonga". The UN declaration defined water as "fundamental to life and health" adding that the human right to water "entitles everyone to sufficient, AFFORDABLE, safe and acceptable water for personal and domestic uses," (emphasis ours).

The point we make is that inviting private contractors to manage (for their profit) our public water supplies will eventually raise the price of potable water, as experienced overseas. We are aware of large private infrastructure funds already seeking utilities where inelastic demand and low credit weighting risks would ensure steady returns to private investors, be they pension funds, insurance companies, trusts or corporations.

Social Credit has been observing the accelerating progress toward what amounts to privatisation in all but name, ever since the NZ Business Round Table published its 1995 document: "Reform of the Water Industry". We note that several of the advisers back then have been appointed more recently to government task forces promoting a "deepening of the capital markets" by allowing local bodies to borrow in foreign currencies. The Business Round Table document claims (p.117) that "water services are essentially 'private' in nature"(compare this to the UN statement) and that (p.116) "Corporatisation has distanced (Local Authority Trading Enterprises) from direct political (read "democratic") control by their local authority owners. The BRT was concerned that "community interests...may conflict with the commercial objectives of council companies".

***RECOMMENDATION:***

**THAT THE PROVISION OF PUBLIC WATER SERVICES BE FUNDED INTEREST-FREE BY THE RBNZ, WITH MANAGEMENT DIRECTLY UNDER THE CONTROL OF DEMOCRATICALLY ELECTED COUNCILS.**

We find much of the content of the BRT document and that of the Society of Local Government Managers (SOLGM) 2007 submission to the Local Government Managers (SOLGM) 2007 submission to the Local Government Commission reflected in the Bill. This is most disturbing at a time when our nation needs more democracy, not less. Were the philosopher, Karl Popper, with us today he would remind us of his treatise: 'The Open Society and its Enemies'. And like ourselves, he would see that the most transparent aspects of the Bill are the aims and motives of the corporate arguments on which it is based.

**Note:** We wish to appear before the Parliamentary Select Committee detailed to hear submissions on the Bill.

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