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The Committee Secretariat
Health Select Committee
Parliament Buildings, WELLINGTON.
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Oral Submission on the Water Services Bill (No. 314 – 1)

While there are clearly issues with aging horizontal infrastructure and treatment plants, councils have, for around 100 years, with minor exceptions, provided a good level of water supply to consumers.

Waste water and stormwater treatment has been less than adequate though and continues to remain so.

But if bigger corporate style bodies as proposed in the 'reform' were the answer to those problems then Auckland, which has one, would have a near perfect supply and treatment system, but it doesn't.

What it does have is a body that is out of the control of ratepayers, that has a cost structure that is also out of control, and provides corporate salaries that are in the stratosphere.

For example

Watercare CEO - \$775,000

Corporate Affairs Officer - \$335,000

Chief Customer Officer - \$335,000

Chief Digital Officer - \$335,000

Chief Financial Officer - \$335,000

Chief Infrastructure Officer - \$335,000

Chief Operations Officer - \$335,000

Chief People Officer - \$335,000

Executive Programme Director - \$335,000

4 or 5 more on \$255,000

You are all in the wrong job. Those people get to have weekends off, a short trip to the office, and to go see the boat races.

Despite all that horsepower, or corporate-style money power, Auckland still has issues with insufficient water supply, aging pipes, and waste overflows.

If you've taken the time to read the extract from James Meek's book we provided with our written submission you will see that model hasn't worked in England either.

Access to funding is the real issue.

That issue is not going to change with a move to the corporate style bodies this bill and the Three Waters delivery reform programme proposes.

All it is doing is providing larger entities for private investors and a boost to the capital markets. The involvement of Crown Infrastructure Partners and the engagement with rating agencies supposedly being undertaken over the last couple of months is clear evidence of that.

The machinations of the private investor funding process are clearly demonstrated in the extract from James Meek's book, and, just as in England, water users in New Zealand will become the cash cows for investors – mainly from overseas – to extract large returns on their money.

I want to stop and ask you to consider where you think that investor money came from in the first place. If I asked each of you I would get answers like "they earned it", or "it's their savings" or things similar. All quite true. But I want you to go back further than that. Where did that money originate from?

It came from loans made by a commercial bank.

Up until last year, when the Reserve Bank started creating digital money and using it to buy government bonds - IOU,s from banks and investors who the government had borrowed money from - all money came into existence through the process of commercial banks creating money and lending it to their customers.

The only exception to that was the roughly 2.5% of the money supply that circulates as notes and coins, which the Reserve Bank had minted or printed. That means that 97.5% of all the money in use in New Zealand (and across the world actually) was created out of thin air by commercial banks.

If you want to confirm this you can check on the report of the 1956 Royal Commission on Money and Banking, NZ's Reserve Bank (reprinted on interest.co.nz) the German Central Bank, and the Bank of England to name just a few. All confirm that what I have just said is true. Money is created out of thin air by commercial banks when they make loans (they don't lend people's savings).

So that raises some interesting questions doesn't it?

If the underlying problem with our water and waste water systems is insufficient investment by councils in horizontal infrastructure (pipes) and

treatment plants, something the Steering Committee highlighted as one of the major drivers for the proposed reforms, then the single biggest thing that can be done to fix the problems is finding more investment.

If one of the main reasons for setting up the proposed larger corporate style entities is to seek more investment from the private sector (and it is) –

And the private sector investment is coming from the creation of money out of thin air by commercial banks (as I set out a short time ago) –

And the Reserve Bank can create digital money as it has done over the past year - \$128 billion dollars of it –

Then why doesn't the government authorise the Reserve Bank to create the digital money needed and lend it to the existing councils to fund the necessary investment.

Both options – private investor funding or Reserve Bank funding - involve the creation of new money.

The major difference is that the private investor funding will require water users and ratepayers to repay not only the loans, but also the profits of the private investors, whereas the Reserve Bank funding could be provided interest free – saving a great deal of money for ratepayers.

That money could stay in their pockets and be spent into their local economy or used by councils for other facilities. Councils would not need to impose the massive rate increases many are currently proposing.

In short, the corporate style entities will be more expensive to run, have to charge more for the services they provide in order to pay investors a profit, and be less democratic and accessible to communities.

It's not as if what we're proposing has never been done before. The first Labour government used a similar mechanism to fund the building of over 30,000 state houses, and Australia used it to build significant infrastructure about the same time.

We submit, therefore, that the so-called 'reforms', in respect of the formation of new entities, be scrapped, and that councils be properly funded, by way of interest free Reserve Bank funding, not private investor funding, to provide the high quality fresh water and waste water services New Zealanders deserve.



A handwritten signature in black ink, appearing to read 'Chris Leitch'. The signature is fluid and cursive, with a large, sweeping flourish at the end.

Chris Leitch, Leader