

Requesting Ministerial Intervention Regarding the Transfer of Waters Assets, Infrastructure, and Services from Hamilton City Council to the IAWAI Council-Controlled Organisation.

To the Minister of Local Government and the Deputy Minister of Local Government,

(as copied to the Mayor of Hamilton City as well as Hamilton City's Councillors and Members of Parliament)

As I am sure you are aware, Wellington's new Tiaki Wai water CCO released its 2026-2036 Water Service Strategy which projected that annual water bills for median residential connections would increase to over \$6800 by 2036.

In some ways, the situation is worse in Hamilton City with our new CCO named IAWAI.

My projections¹ indicate that annual water bills for median households will increase to somewhere between \$5000 and \$6000 in the year 2036 under IAWAI.

This amount might not be quite as high as projections for households down in Wellington.

However, the median household in Hamilton City is reported by IAWAI to be currently paying \$940 per year in rates for potable water supply and wastewater services.

If the water bills for a median household in Hamilton City increase sixfold to \$5640 per year, then that would place them within my range of projections for 2036. This magnitude of price increase represents a major burden on residents within Hamilton City, especially in circumstances of a well-known cost-of-living crisis.

Unlike Wellington's current situation, in Hamilton City we need to do our own projections about our new CCO because IAWAI has only released cost-per-median-household projections for its Water Service Strategy (WSS) until 2029.

Of related concern is that IAWAI is planning to deliberately run operational deficits until 2030 to keep the early-year price increases below those projected in the joint-CCO Water Service Delivery Plan² released in 2025. This practice is called "*price smoothing*" or "*debt smoothing*", which implies that households in Hamilton after 2030 will be burdened by some combination of higher public debt and higher water charges used to support that larger debt. This practice may also disincentivise IAWAI from achieving the efficiency gains and cost-effectiveness that they ought to be striving for.

In my opinion, greater efficiency gains and cost-effectiveness could be achieved with an in-house model using a combination of innovation, discipline, reducing the numbers of staff in bureaucratic roles, genuine receptiveness to community needs, and a much greater focus on technical/practical matters.

¹ Multiple extrapolations based on the limited information IAWAI and Hamilton City Council will provide.

² Note that in the 2025 WSDP some sort of averaged price increase across both Hamilton City and Waikato Districts is reported for projected water charge increases for a median household. The 2026 WSS revealed to the public that households in Waikato District are paying over threefold higher water charges than those in Hamilton City (at least on a median household comparison). I now strongly suspect that the magnitude of this difference was withheld from the public (and probably most Councillors) during 2024 and 2025 because it undermines the case for the joint-CCO model and also strengthens the case that the in-house model is in the best interests of Hamilton residents.

Hamilton's Mayor and many Councillors may expect IAWAI to deliver efficiencies of scale and reduce costs through more responsible procurement practices. With the separation of the CCO from the direct oversight and scrutiny of our elected representatives, many of us have doubts that IAWAI will be able to deliver the signalled efficiencies of scale. Although IAWAI often repeats the claim that it will deliver efficiencies over the in-house option, the CCO's public facing documentation provides little in the way of evidence or estimates of those efficiency gains.

Hamilton's new Mayor Tim Macindoe campaigned on "*Stop the Waste*" platform. As a candidate in that election, I endorsed at least three of the new Councillors and cooperated with them in a campaign to raise awareness of the exponentially growing public debt, the double-digit rates increases being used to support that debt, and the unwise/extravagant spending which was driving the increased borrowing.

The people of Hamilton took democratic action to significantly change the composition of the current council. This was done with the publicly-articulated aim of putting elected representatives in place with the skills, experience, character, and commitment required to scrutinise the council bureaucracy, analyse procurement practices to ensure cost-effective spending, reduce the waste, make investment decisions which are wise, focus on providing core services in a practical way, and return the Council to an operational surplus (something which Hamilton City Council has often projected, though rarely achieved in recent decades).

The formation of IAWAI takes a significant portion of Council business away from the direct oversight of those elected representatives. Waters services are one of the most important core services a council can provide and IAWAI is planning to increase public debt levels (and the associated financial burden on residents, current and future) to levels far in excess of what Hamilton City Council achieved during its worst decade.

For background, the Infrastructure Commission in 2025 published a report titled "*Paying it back: An examination of the fiscal returns of public infrastructure investment*". That report confirmed many of the suspicions of those in Hamilton City who were paying close attention to what Council was doing.

During the 2013-2023 decade, Hamilton has likely been paying over threefold more for growth-related infrastructure (on a per new resident basis) than many other tier 1 councils in New Zealand, and the analysis published by the Infrastructure Commission shows that Hamilton City Council is one of the worst performers in terms of attempting to make "*growth pay for growth*".

In my view the problem with Hamilton is not that the growing City needs more debt headroom/capacity for more borrowing. The major problem in Hamilton appears to be that the City was given easy access to many hundreds of millions in borrowing. This debt then fueled projects which were often unwise, unwanted, and or unnecessary. Even in situations where the infrastructure project was actually wise, wanted, and necessary, the costs were often obscenely high.

Possible reasons for such high infrastructure costs in Hamilton could include:

- Vanity projects and extravagant design choices to benefit the egos and status-signaling of certain elected representatives, senior bureaucrats, and/or consultants.
- Shoddy analysis, incompetent management, and low-quality planning leading to projects which were badly located, overpriced, or of an inappropriately large size. Others in Hamilton have no doubt informed you of issues with the growth modeling, market analysis, and housing affordability estimates being used by Hamilton City Council.
- Contractors and consultant overcharging the City Council for work and projects. Hamilton City Council uses easy debt to pay for large invoices with little incentive for reducing costs.

I have concluded that the elected representatives and the general public have been misled by Hamilton City Council bureaucrats and consultants in an effort to promote the joint-CCO option and dismiss/sabotage the perceived viability of the in-house option.

I have observed the following falsehoods and/or misunderstandings being promulgated by some senior officials and elected representatives since 2024:

1. That central government would not approve an in-house option for Hamilton water services.
2. That Hamilton City would definitely breach its debt limit if it did not form a CCO.
3. That forming a CCO was needed to access the higher (500% of revenue) borrowing limit from LGFA (implying that a ring-fenced in-house division was unable to borrow to 500%).
4. That supplying water services across council boundaries is only possible by forming a joint-CCO with neighbouring councils.
5. That "*price harmonisation*" is mainly about the change from charging based on capital valuation to volumetric charging (instead of it being mainly about water charges in Hamilton City needing to rise greatly to achieve equity with the approximately threefold higher charges typically experienced by households in Waikato District).
6. That the projection of a \$4347 annual water bill³ for a median household in 2034, is effectively for older in-house options and therefore not relevant to the joint delivery model (which would be named IAWAI).
7. That forming the joint-CCO will deliver affordability benefits to Hamilton households in terms of lower than expected water charges over a 10 year timeframe when compared to the in-house option.
8. That a +22% increase in population over the next 10 years for Waikato District and Hamilton City is still a robust estimate.

Even from my interactions with Councillors who are highly-competent and otherwise well-informed on many issues, I get the impression that views based on points 1-8 are entrenched within Hamilton City Council.

At the very least, can the relevant Ministers and/or their officials formally communicate with Hamilton City Council (the Mayor, all Councillors, and relevant senior officials) and clarify the accuracy or inaccuracy of points 1-8.

The general public also has a right to be informed by central government as to whether any of points 1-8 are inaccurate or misleading. In my view the legitimacy of IAWAI as an organisation rests on the premise that points 1-8 are mostly accurate.

IAWAI exists on very insecure foundations for an organisation aspiring to take on approximately \$2billion in debt and burden the residents of Hamilton City with paying for that debt. By design, that debt burden will impact generations into the future.

I also request that the Minister investigate the process used to create IAWAI, at least as far back as the December 2024 Local Water Done Well Business Case and how it was represented in the Agenda for Hamilton City Council meeting on the 12th of December 2024⁴.

³ See page 116 (IAWAI) Water Service Delivery Plan (WSDP) for Table 31.

⁴Pages 51 to 94 of Hamilton City Council Agenda 12 December 2024- OPEN,
<https://hamilton.govt.nz/assets/Uploads/Documents/Agendas-and-minutes/Agendas/Council-Open-Agenda-12-December-2024-v5.pdf>

Affordability for households and consumers was given an extremely low weighting in the 2024 Business Case assessment criteria (less than 12.5% of the total, and included within a broader "*financial efficiency*" category)⁵. In my opinion that "*financial efficiency*" category should have been weighted somewhere between 30% to 75% of the total assessment, especially if affordability for the ratepayer, household, or consumer is genuinely an important priority for Hamilton City Council and IAWAI.

Hamilton City Council staff declared that they had not modelled how "*affordability will improve for ratepayers due to efficiencies*". The recent publications about IAWAI (the WSDP and WSS) indicate that such modelling has either still not been done, or has been done and IAWAI has chosen not to release that information to the public. No detailed evidence of how IAWAI will be able to achieve significant cost savings over the in-house option has been presented.

Due to the impacts of "*price harmonisation*" with the more expensive water services that Waikato District are already receiving under Watercare (a well-established CCO), households in Hamilton City are predicted to face water bills which are considerably higher than the in-house projections developed prior to IAWAI as indicated by the following excerpt from page 14 of the 2026-2036 IAWAI Water Services Strategy.

Before IAWAI, ratepayers were facing steep increases in charges (by 2034: Waikato District \$8,124; Hamilton \$2,751). Neither council had the debt capacity to fund required investment. The 2025 Water Services Delivery Plan (WSDP) forecasts 22% average rates increase, with a further increase in depreciation funding requirements if assets had remained in councils further (to around 34%).

By reworking the capital and operating programmes, revenue, and debt settings, IAWAI has reduced the median residential increase in 2026/27 for both councils (6% for Waikato District and 18.5% for Hamilton, due to different starting points) compared with the councils Long Term Plan and WSDP forecasts. Future increases are well below WSDP

The 'loss leader'-type approach of using "*smoothing*" will end sometime after 2029, and water charges for households are likely to be much higher towards 2036 than the pre-2029 price rises indicate.

Had Hamilton City not joined IAWAI, the median household in Hamilton City was projected to have an annual water charge bill of \$2,751 in 2034. The 2025 WSDP combined Hamilton City and Waikato District together and arrived at an annual water charge bill of \$4,347 in 2034. Based on the those values, IAWAI (or more specifically "*price harmonisation*") is expected to cause households in Hamilton City to be paying \$1596 more (+58%) in projected water bills by 2034.

These are significantly higher projected water bills when compared to the in-house option.

⁵ See page 14 of the Local Water Done Well Business Case FINAL, December 2024
https://hdp-au-prod-app-hccnz-haveyoursay-files.s3.ap-southeast-2.amazonaws.com/5417/4235/2644/000_Business_Case_FINAL_2024_12_06.pdf

Where Tiaki Wai released its household water charge projections out to 2036, IAWAI is not releasing their new projections past 2029 (claiming not to have even modelled such "*price harmonisation*" scenarios⁶).

Extrapolating out the compounding increases, which can be calculated from data available in the WSS, we can estimate annual water bills for the median Hamilton City household at either \$3,746 (incomplete "*price harmonisation*") or \$4,115 (complete "*price harmonisation*"). This still represents an annual water bill between \$995 and \$1,365 higher (+36-50%) than what was expected pre-IAWAI.

See Table 1 and Figure 1 in the Appendix for these projections.

The IAWAI Water Services Strategy document is riddled with errors⁷ and is effectively a demonstration of what AI-generated slop looks like. The fact that so many consequential errors made it into the final version of this important document (put out for public consultation) indicates that IAWAI is not a competent and responsible organisation or it is being disrespectful to the public. I suspect it could be a combination of both.

I have attached the following documents.

- Council-Open-Agenda-25-June-2026.pdf, see pages 15-22 for my presentation to a previous council meeting and pages 36-41 for the "*IAWAI Readiness for Go-Live on 1 July 2026*" letter from Chief Executive Peter Winder.
- 24 June 2026 Open Letter to HCC.pdf for my response to the claims made in the "*IAWAI Readiness for Go-Live on 1 July 2026*" letter from Chief Executive Peter Winder.

Please contact me if you require further information on any of these matters.

IAWAI and the process leading to its creation needs to be thoroughly investigated as it has never been in the best interests of households in Hamilton City to form a joint-CCO.

At a minimum, there have been numerous and consequential 'transparency failures' from both IAWAI, and Hamilton City Council during the process leading to its creation.

Stopping the full establishment of IAWAI, until these issues have been resolved is important for the future of those living in Hamilton City.

A deeper investigation may uncover greater wrongdoing in the creation of IAWAI, though viewing the outputs of the organisation from the outside reveals much which is troubling to say the least.

Sincerely,

Dr John McDonald-Wharry

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⁶ <https://fyi.org.nz/request/34708-iawai-models-projections-and-costs>

⁷ See page 55 of some of the 2026-2036 IAWAI Water Services Strategy (WSS) for some of the worst examples.

Appendix

Table 1: Projected annual water charges (potable water + wastewater) for median households in 2034 for Waikato District and Hamilton City.

Source of values, notes , and or calculation assumptions	Geographic area	Projected annual water charge (median household) in 2034
Pre-IAWAI projection values as reported the 2026-2036 IAWAI Water Services Strategy on page 14. (likely sourced from LTPs) https://hamilton.govt.nz/assets/Uploads/Documents/Strategies/IAWAI-Water-Services-Strategy.pdf	Waikato District	\$8,124
	Hamilton City	\$2,751
June 2025 Water Service Delivery Plan (WSDP) From Table 31, Page 116 https://hamilton.govt.nz/assets/Uploads/Documents/Plans/WDC-HCC-Joint-Water-Services-Delivery-Plan-30-June-2025-Final-for-Submission.pdf	Combined (Hamilton City & Waikato District)	\$4,347
2026-2036 IAWAI Water Services Strategy (WSS) Page 23 of https://hamilton.govt.nz/assets/Uploads/Documents/Content-Documents/Environment-and-Sustainability/Water-Services-Strategy-summary-v2.pdf https://hamilton.govt.nz/assets/Uploads/Documents/Strategies/IAWAI-Water-Services-Strategy.pdf	No new (WSS) household affordability projections were reported past 2029.	
Extrapolated from the 3-years of price increase projections provided in the IAWAI's WSS Assuming that water charges continue to increase at 7.6%/year compounding increase for Waikato District and the 20%/year compounding increase for Hamilton City continue from 2029 through to 2034	Hamilton City	\$3,746
	Waikato District	\$5,176
Estimated harmonised pricing based on the sum of the relevant charges (water charges + wastewater charges) being collected as reported in the " <i>Prospective financial statements</i> " on page 29 of the WSS. By dividing the collected charges (water charges + wastewater charges) for each year by the projected number residential connections (pages 20 and 21 of the WSDP) we get an estimate of 13.1% in compounding annual increases in water charges . This is the applied as a compounding annual increase to predict a "harmonised" household charging to provide the reveune that IAWAI is seeking.	Combined (Hamilton City & Waikato District)	\$4,115

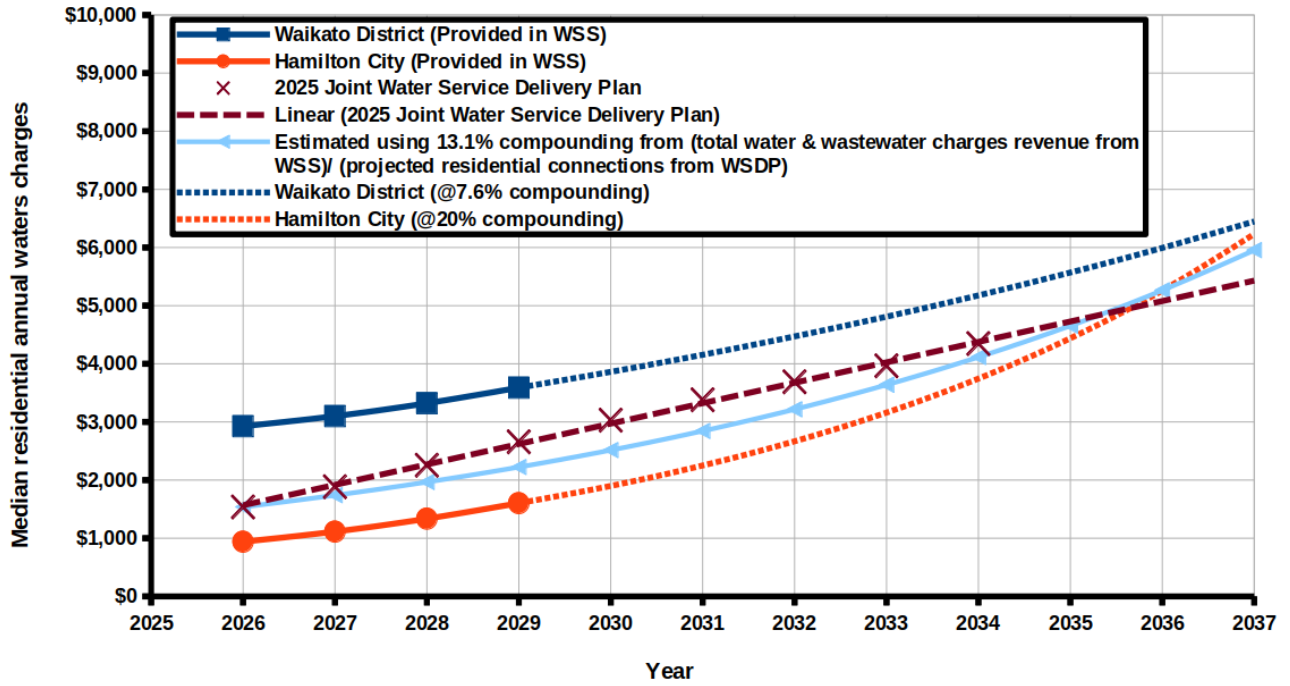


Figure 1: Projections for water charges (both officially released and extrapolated)