

Water Reform – Getting to First Base¹

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Introduction

Reform of the water industry is certainly not for the faint-hearted. Water is so integral to our wellbeing, on so many fronts, and the politics is so intense, as to frustrate even the most determined rationaliser. But while the debate has been continuing for some time now, it remains quite shallow. Of course, reform must address both structure and process, and give clarity on sources of authority and the direction the industry is to take. But it must also address root causes and concerns if it is to avoid politically expedient solutions, or to even happen at all.

A concern for sustainable management of water, and sustainable services delivery, must lie at the heart of the reform process. Consequently, a clear statement of the requirements of sustainability is crucial if reform is to get to “first base”. In this short discussion, we review some of the issues around reform and show how a modern view of sustainability provides a platform for the way forward.

The issues

In support of this year’s “Advancing Water Reform” Conference in Rotorua, Water New Zealand very helpfully prepared a Discussion document, “The Future Face of Water Services in New Zealand”. This was designed to provide a “straw man” that would stimulate debate, but clearly presents the considered views of some of the industry’s leading figures. The issues identified in that document were:

1. an outdated policy foundation;
2. unnecessary complexity, with too many institutions providing input;
3. fragmentation within the industry, with too many suppliers;
4. the variable performance of providers, including inefficiencies, and inadequate attention to asset management – although the size of the country’s “infrastructure deficit” remains unclear;
5. insecure and limited funding;
6. the need for improved transparency and accountability.

All of these are real issues, and at a plenary session of the Conference, a number of participants gave verbal testimony to their validity.

At the Conference, we also heard of the priorities of Government, and the role that is being played by the collaborative Land and Water Forum. The clear message from Government was the concern to facilitate growth and development of irrigated dairying, while the discussion document focused

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on reticulated water services for cities, towns and small settlements. Whatever the Government's current priorities, reform of urban water services is not one of them – particularly as Auckland has already seen governance reform, and the process for Christchurch is subsumed in the larger one of recreating the city in the wake of the earthquakes of 2010 and 2011. Nevertheless, speakers were clearly of the view that the industry needs to be proactive in the reform of urban water services. For many, it seems, the focus is on reticulated water and wastewater services, which would seem to constrain the debate unnecessarily, especially with regard to stormwater.

Behind much of the debate at the Conference was clearly a concern about big vs small, centralised vs decentralised, and corporatised vs non-corporatised services, and the associated questions of transparency and accountability. These are old chestnuts, and attempts to resolve them in the abstract invariably lead to ideologically-based positions. Fortunately the political climate in recent years has changed somewhat, and solutions are now more likely to be pragmatic and performance-driven. Under these circumstances, thinking that is independent of scale is likely to be more useful than ideas based on assumptions about an optimum scale for management.

Transparency and accountability are universally considered to be important issues, and are used to support different positions on governance. There are those who see a more business-centred approach as a means to provide improved efficiency, transparency, and accountability, and those who see a more corporatised approach as potentially leading to the opposite result. Surprisingly, there is little discussion on precisely *what* service providers should be accountable for. In reality, there is no clarity on this, beyond respect for a range of national standards, for drinking water quality, fire flows, and so on. This is at the heart of the real issue, which is how to assess performance.

Assessing performance

At the Conference, numerous participants, ranging from from the representatives of Treasury's National Infrastructure Unit, to some of the consultants, argued that water reforms be founded in performance assessment: a baseline is required, including a statement of financial performance; visions and goals can be established with reference to improvements beyond this baseline; and, later, the effectiveness of the reforms can be determined from repeat assessments.

Unfortunately, it seems that buy-in to performance baseline assessments is not universal across the industry, and many of the providers who have not participated in the past may have had concerns about how the information would be used. Quite clearly, levels of trust within the industry do not support strong commitment to benchmarking, especially when that benchmarking presents a particular view of best practice, and presupposes high levels of specialist inputs, such as tend to be accessible mainly to larger providers. This perceived bias is not lessened by a report auditing process that uses consultants trained in specialised delivery of services.

At the broadest level, the low levels of trust within the industry were evident from the reluctance of Conference participants to authorise Water New Zealand to represent their views at wider forums.

If a performance baseline is a prerequisite to successful, evidence-based reform, what form should it take, and what should be its scope? It seems clear that some form of audited self-assessment is required, but, if there is to be any level of buy-in and ownership to be attached to the results,

providers need to have more input into the form of the assessment. This means that the WSAA benchmarking, while it may be informative and useful, is not appropriate as a foundation for any reform process. However, allowing input from providers means that the assessment has to be guided in some way to ensure it provides useful results. While guidelines are always required, what is most important is ensuring that the assessment is based on the one fixed point that we have, which is sustainability.

Sustainability – the fixed point for performance assessment

Sustainability, and sustainable development, have historically been associated with significant vagueness. While this may be appreciated by politicians, it has not helped in operationalising the concept. Now, as if to continue the merry-go-round, the focus of attention in high level planning is now shifting to the equally nebulous concept of resilience. Resilience, however, is a reactive concept. Organisations exhibit resilience after some severe test, or shock, or series of shocks. Sustainable development, in contrast, is a more proactive concept. It raises the possibility of a state of being where development is continuing, and sustainable. As such it is a term that has greater potential for motivating change among communities and businesses. Motivating for resilience, on the other hand, is a more bloodless affair. It demands a lot of attention to detail, anticipating adverse events, and putting in place measures to ensure their impacts are minimised. It doesn't support a creative, visionary response.

Resilience, of course, can be defined more expansively, as an enabling characteristic – that is, in enabling sustainable development. We are then required to anticipate the circumstances or shocks that would challenge our ability to achieve sustainable development. And that puts us back in the position of having to understand what sustainable development really is – and in particular, what it means for a provider of water services.

It really is not that complicated. Like any organisation, a sustainable service provider has to maintain its internal systems and processes, and weather out external change, disturbance, and shocks. It has to continue to deliver, over a long period of time, the functions and services that are needed by society, the economy, and the environment. In short, it must be nurturing, supportive, and stable. It has to make a positive contribution. It has to know what it is about. It has to respond to change when it occurs, and if the change won't go away, it has to adapt to it. This line of thinking leads to a simple set of seven axioms that describe the behaviour of healthy, sustainable providers. These provide ample basis for working with stakeholders to produce a set of performance measures. In summary, a healthy services provider is:

1. **Contributing** – it provides goods and services that are needed by communities and the environment. It is not wasteful or draining, and is not a source of harmful constituents or activities.
2. **Nurturing** – it is safe, caring, and regenerative..
3. **Supportive** – it respects the roles of its constituents, is non-inhibiting, fulfilling, maximising potential, and equitable.
4. **Stable** – it is strong, not fragile, continuing, protective, respectful and honouring of traditions, and not in any way capricious.
5. **Responsive** – it is reactive and resourceful, and has a strong capital base.

6. **Directed** – it is purposeful and self-organising. It is also energetic, inspired, motivated, self-sustaining, and confident.
7. **Adaptive** – it is resilient to change, accommodates change, and is innovative.

And of course in assessing the contribution of a provider to the community, we can see how it impacts the health and sustainability of that community, expressed in terms of the same seven axioms.

An organisation, or a community for that matter, is at once a business, a family, an ecosystem, and a knowledge system. Our seven axioms apply irrespective of which perspective we take. Consequently they provide the basis for a complete 7 by 4, 28-sector, quadruple bottom line, systems health model. Creative Decisions has been promoting this as a future NZ2100 standard for sustainability reporting for this country. In reality it is just an expression of common sense, that nevertheless asks searching questions about the health and sustainability of any entity.

In order to prepare a sustainability-based performance assessment, providers must first decide what each of the 28 cells in the performance matrix means for them, then choose performance measures, not all of which will be quantitative. The assessment will consist of statements or scores showing levels of compliance with the axioms in each of the 28 areas of performance, together with the evidence, in terms of the chosen measures.

Benefits of sustainability performance assessments

With this sustainability-based performance assessment approach, we learn about the organisation not just from the assessment results, but also from the measures that were chosen. These choices will have been informed by guidelines prepared in association with providers.

The benefits of the approach are:

1. It contains no embedded bias towards large systems and high levels of professional specialisation: it is completely scale-independent.
2. In providing a clear operational definition of sustainability, it provides a fixed reference point and common yardstick for the industry, which then has a goal as well as a means of measuring progress.
3. It is customisable, to reflect local realities, and is entirely compatible with existing principles- or values-based approaches.
4. Basing all assessments on the same high level NZ2100 framework, facilitates comparisons.
5. Performing the assessments in itself creates a collaborating community across the industry. Each provider has to make decisions about how it is to be implemented, and can join with others, to build an approach that best reflects their interests and concerns. This sense of working together represents getting to “first base” in the reform process.
6. Providers are left with a sustainability assessment framework and internal competencies that can be used to integrate assessments for all the other functions of local government – including stormwater. Thus we have a means for accommodating all three waters in a way that avoids preconceived notions of interactions and synergies.

So, what are the drawbacks? The approach requires work, but could be completed collaboratively, for the entire industry, within a year, including training and developing the necessary guidelines . Being axiom-based, would it lead to pressure for local government as a whole, or even the agencies of central government, to be assessed similarly? Would the process become unmanageable? Would it raise questions about the meaning of sustainability that is embedded within legislation such as the RMA and LGA? Quite possibly, these pressures would emerge, but in all cases this would be healthy for government, and for New Zealand.

Implementation

Apart from an application for Waitakere City Council, in support of their inaugural Assessment of Water and Sanitary Services, the axiom-based model has not yet been used in New Zealand. Although accolades from planners are not always seen as a good thing by engineers, the approach was praised by the New Zealand Planning Institute in their 2006 World Town Planning Day press release: “pioneering an ecosystem-led approach” ... “holistic approach” ...“minimizes politicking” “highly compatible with planning practice”. A presentation to the 2006 Adelaide Conference of the Environment Institute of Australia and New Zealand led to “best paper” recognition, and inclusion in the Institute’s professional journal.

This country now has considerable institutional expertise in indicator-based performance assessment, and we would expect competency-related impediments to uptake to be minor. Training requirements can easily be identified and met, along with preparation of the necessary guidelines for assessment and audit. Crucially, after completion of the assessment, the industry will have changed. Providers will be more collaborative, and speaking a common language, and they will have a basis for shaping, in a constructive way, the next stages of the reform process.

Conclusion

In conclusion, progressing reform within the water industry requires adopting a common language which can underpin a common assessment approach, and higher levels of trust. The seven sustainability axioms provide this, and applying them will help to build the collaborative competencies and sense of purpose and direction that will be needed in the future. By putting all three waters under the same scale-independent performance assessment framework, it contributes to integrated, collaborative management, without presuming interactions and synergies that may or may not exist. The axiom-based operational definition of sustainability provides the fixed point that the industry has so far lacked, but can now proceed to acknowledge and apply with confidence.

Footnote: Dr Luckman is a former manager of Engineering Services at Auckland’s Metrowater. Further information on the axiom-based sustainability approach can be obtained from the paper he presented to Water New Zealand’s November conference, entitled “Risk governance for sustainable management of water”. The paper is included on the CD of the Conference Proceedings and, with the permission of Water New Zealand, can also be downloaded, along with other relevant resources, from the Creative Decisions website, at http://www.creativedecisions.co.nz/free_public/downloads.cfm.