SUBMISSION ON WATER SERVICES LEGISLATION BILL

8 February 2023

To: Finance and Expenditure Committee **Name of Submitter:** Horticulture New Zealand

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OVERVIEW

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Our submission

Horticulture New Zealand (HortNZ) thanks the Finance and Expenditure Committee for the opportunity to submit on the Water Services Legislation Bill and welcomes any opportunity to continue to work with Government on this Bill.

The scope of HortNZ submission is limited to matters directly related to the horticulture sector. HortNZ hasn't taken a position on other sections of the Bill, but understands growers hold a range of views which they may express through individual submissions.

HortNZ wishes to be heard in support of our submission.

The details of HortNZ's submission and decisions we are seeking are set out in our submission below.

HortNZ's Role

Background to HortNZ

HortNZ represents the interests of approximately 5,500 commercial fruit and vegetable growers in New Zealand who grow around 100 different fruits and vegetables. The horticultural sector provides over 40,000 jobs.

There are approximately 80,000 hectares of land in New Zealand producing fruit and vegetables for domestic consumers and supplying our global trading partners with high quality food.

It is not just the direct economic benefits associated with horticultural production that are important. Horticulture production provides a platform for long-term prosperity for communities, supports the growth of knowledge-intensive agri-tech and suppliers along the supply chain, and plays a key role in helping to achieve New Zealand's climate change objectives.

The horticulture sector plays an important role in food security for New Zealanders. Over 80% of vegetables grown are for the domestic market and many varieties of fruits are grown to serve the domestic market.

HortNZ's purpose is to create an enduring environment where growers prosper. This is done through enabling, promoting and advocating for growers in New Zealand.



Industry value \$6.87bn Total exports \$4.6bn Total domestic \$2.27bn

HortNZ's Resource Management Act 1991 Involvement

On behalf of its grower members HortNZ takes a detailed involvement in resource management planning processes around New Zealand. HortNZ works to raise growers' awareness of the Resource Management Act 1991 (RMA) to ensure effective grower involvement under the Act.

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Executive Summary

HortNZ's primary concerns with the Water Services Legislation Bill are the potential impact on the domestic supply of fresh vegetables, maintaining food security for New Zealanders, and protecting primary production on highly productive land in peri-urban catchments.

Horticultural land is often located close to urban centres and shares water sources and receiving waters with urban activities. If water is transferred away from highly productive land to provide lower cost water to support new housing and urban growth, it could undermine domestic food security and the potential of highly productive land to support primary production. Domestic food supply and food security rely on freshwater. Inevitable degradation caused by urban growth, including reduced recharge, increased peak flows, alteration of stream network functioning, and increased discharge of sediment, metals and hydrocarbons, will compromise the ability of freshwater resources to support food production.

It is essential that when water entities are deciding how to achieve their objectives, they are mindful of the impacts of their water abstractions and discharges on wider social, cultural and economic well-beings. The Bill should direct entities to cooperate with rural water and land users to seek water solutions that optimise outcomes across all well-beings and hierarchies of Te Mana o te Wai.

Amendments Sought to Water Services Legislation Bill

On behalf of growers, HortNZ seeks:

- An amendment to the functions of water services entities to add planning to their engagement process with territorial authority owners and mana whenua
- An amendment to the functions of water services entities to direct engagement with rural and urban communities and promote cooperation with rural water users
- An amendment to the functions of water services entities, to direct entities to deliver services in a manner that mitigates and adapts to the effects of climate change
- The inclusion of supply of fresh vegetables and maintaining food security for New Zealanders as a matter for Government policy statements
- The inclusion of Highly Productive Land as a matter for Government policy statements

- An amendment to the Government policy statements, to consider social, economic and cultural well-beings
- An amendment to clarify the relationship between Te Mana o Te Wai in Regional Policy Statements and the Water Services Entity Statements
- An amendment to ensure both urban and rural communities are included in assessments of water service entities
- An amendment to allow small mixed-use rural water services to include schemes where 50% or more of the water is for horticultural or agricultural use

PART 3

Submission

1. Commercial Water Use on the Urban-Rural Boundary

Commonly, horticultural growing areas are in peri-urban catchments. The water that growers rely on to grow crops for domestic food security is frequently shared with urban communities. The freshwater receiving environments in peri-urban catchments are often under pressure from stormwater and non-point source discharges, abstractions and hydrological changes related to drainage.

The way that water entities manage abstractions, discharges and stormwater systems and infrastructure in the peri-urban catchments and wider receiving environments will have a bearing on the domestic supply of fresh vegetables and food security for New Zealanders. This must be a consideration for water entities when they decide how to provide services.

Water entities should be required to develop Water Management Plans to separate the allocation and use of water for domestic (human drinking or human sanitation purposes) from other municipal users (industrial, commercial). End users on the municipal supply should be defined and benchmarked to ensure the allocation and use is efficient.

We are concerned about the focus of the Bill on enabling urban development, without considering impacts on broader well-beings. We consider this narrow focus will deliver poorer outcomes for food access and the economy.

Outcome Sought

We seek that the functions of water services entities include planning with territorial authority owners and mana whenua, direct engagement with rural and urban communities, and cooperation with rural water users. We also seek that both urban and rural communities are accounted for in water service assessments.

2. Transition to Low Emissions Economy

The way water services are operated will have an impact on both climate mitigation and adaption. Water services entities may reduce emissions in the design and operation of their infrastructure, and in the way they integrate with primary production to support a transition to a low emissions economy.

Diversification to horticulture presents an opportunity to reduce emissions, as growing fruits and vegetables produces fewer emissions compared with other forms of agriculture. Horticulture does require irrigation, but its water needs trade off with these climate benefits. It is important that decision makers can assess the benefits of water storage that

can provide for safe drinking water and urban water use while supporting the transition to lower emissions food production.

Outcome Sought

We seek a change in wording of the functions of water services entities to include both climate change mitigation and adaptation. We support the need for identifying and mitigating hazards and risks to this function.

3. Maintaining Food Security for New Zealanders

Food security is a nationally significant issue which needs to be addressed at a strategic level given its centrality to human health.

Food insecurity is both pervasive and detrimental in New Zealand, linked with poor physiological health outcomes and psychological distress¹. 174,000 (19 percent) of all children in New Zealand live in food-insecure households, according to a 2019 Ministry of Health study analysed household food insecurity². There are complex social and economic reasons why people struggle to meet their nutritional needs. Addressing the issue of food insecurity will be even more difficult, however, if regulatory pressure impedes growers' ability to supply fruit and vegetables, forcing healthy food prices to increase.

Outcome Sought

We seek that the supply of fresh vegetables and food security for New Zealanders are included within the Government policy statements. We also seek that water services entities are mandated to consider social, economic and cultural well-beings in the Government policy statement.

3.1. Horticulture and food security for New Zealanders

Over 80 percent of vegetables grown in New Zealand are for domestic consumption. Deloitte's report on the 'Pukekohe Hub'³ described three distribution channels: retail, food service and exports. In Pukekohe, the most heavily used channel was retail, which

¹ <u>The association of food security with psychological distress in New Zealand and any gender differences,</u> Social Science & Medicine 2011

² Ministry of Health. (2019). *Household food insecurity among children, New Zealand Health Survey* ³ The growing area that straddles the Augkland and Weikete boundaries and is a key producer of

³ The growing area that straddles the Auckland and Waikato boundaries and is a key producer of vegetables in New Zealand.

distributes 83 percent of produce to supermarkets and grocers where the fresh vegetables are bought by New Zealanders.

Similarly, KPMG's 2017 report on New Zealand's domestic vegetable production demonstrated that of the ten key vegetables that are staples of New Zealand diets, the vast majority are consumed or processed in New Zealand.⁴

For most vegetable crops, the domestic market is the primary market, but many growers produce export crops within their rotations for practical (soil health) and economic reasons. For example, onions are predominately grown for export, but growers rotate them with other vegetables crops to promote soil health. Export income provides greater economic resilience for those growers producing vegetables for domestic consumption.

New Zealand also provides fresh vegetables to the Pacific Islands, which, like New Zealand, are too remote to import this produce from elsewhere in the world. For example, in 2016, 76% of New Zealand's total exported potatoes went to Fiji, and 87% of exported kumara, 82% of exported cauliflower, and 75% of exported cabbage went to the Pacific Islands⁵. As an exporter, NZ plays a critical role in the food security of the Pacific Islands.⁶

Most vegetables imported to New Zealand are processed, which means that we rely on our own growers for fresh vegetables. Many fruit crops are also grown mainly for the domestic supply, including nectarines, peaches and plums, oranges, mandarins, feijoas, tamarillos, and strawberries⁷.

Otago University has recently modelled the potential health impacts of increased vegetable prices. This study found that the health consequences of an increase in vegetable prices of 43 - 58 percent,⁸ would be a loss of 58,300 - 72,800 Quality Adjusted Life Years and health costs of \$490 - \$610 million across the population.⁹

Therefore, it is essential that the supply of fresh vegetables to maintain domestic food security for New Zealanders is provided for in Government policy statements.

3.2. Recognition of vegetables within the National Policy Statement for Freshwater Management

The National Policy Statement for Freshwater (NPSFM) includes the Specified Vegetable Growing Area (SVGA) policy, requiring that when freshwater limits are set within

⁴ KPMG, 2017 New Zealands domestic vegetable production: the growing story.

⁵ KPMG, 2017 New Zealands domestic vegetable production: the growing story.

⁶https://wits.worldbank.org/CountryProfile/en/Country/WSM/Year/2019/TradeFlow/Import/Partner/all/Product/16-24_FoodProd

⁷ FreshFacts 2020

⁸ https://www2.deloitte.com/nz/en/pages/primary/articles/pukekohe-hub.html

⁹/www.hortnz.co.nz/assets/Environment/Reports-research/The-health-and-health-system-cost-impacts-ofincreasing-vegetables-prices-over-time.pdf

Pukekohe and Horowhenua, regional councils must have regard to (a) the domestic supply of fresh vegetables; and (b) maintaining food security for New Zealanders.

The SVGA policy relates to two areas within Pukekohe and Horowhenua. These areas are not the only growing areas that are important for the supply of fresh vegetables and supporting food security for New Zealanders. Rather they are recognised within the NPSFM because they are both important for the supply vegetables and have water quality below bottom lines. In most of these catchments, vegetable growing is not the dominant source of contaminants, although it does contribute. Evidence accepted by the High Court found that if freshwater limits were set in these catchments to achieve bottom line outcomes, and the design of those limits prevented intensive vegetable growing, then the supply of fresh vegetables and food security for New Zealanders would likely be threatened.¹⁰

There are other catchments within New Zealand that are also critical for the domestic supply of vegetables, including the Taruheru catchment in Gisborne. If, for example, Taruheru catchment freshwater limits were set to prioritise water supply to municipal activities and left insufficient water within freshwater limits for irrigation to support vegetable growing, then the supply of fresh vegetables and food security for New Zealanders would be at risk.

The vulnerability of the domestic supply of fresh vegetables and importance for freshwater (both abstractions and discharges) in maintaining food security for New Zealanders, means that it is of critical importance that these matters are considered by water services entities when they decide how to meet their objectives.

4. Highly Productive Land

Highly productive land (HPL) is recognised as a resource with finite characteristics, life supporting capacity and long-term values for land-based primary production and domestic food supply.

The productivity of HPL is dependent on access to water. If water is transferred away from HPL to serve urban communities, it could reduce the productivity and undermine the ability of HPL to support primary production reliant on irrigation, including low emissions fruit production and fruit and vegetables for domestic supply.

If urban activities degrade water quality within the same receiving environment as HPL, food security can be compromised. There may be insufficient assimilative capacity within receiving environments to receive discharges from both urban land and HPL uses like

¹⁰ MUAŪPOKO TRIBAL AUTHORITY INC v MINISTER FOR ENVIRONMENT [2022] NZHC 883 [29 April 2022]

vegetable growing. Examples of this can be seen in the Ngakoroa in Pukekohe and the Karamu in Hawkes Bay.

National direction should support water entities to take an integrated view that provides for all well-beings, prioritises primary production on HPL, avoids the transfer of water away from HPL and avoids urban activities that undermine the potential of the HPL resource to support future generations.

Outcome sought

We seek that impacts on primary production on HPL is a matter included within Government policy statements and that the Government lays out how water services entities consider social, economic and cultural well-beings of consumers and communities.

4.1. Recognition of the importance of water within National Policy Statement Highly Productive Land

The National Policy Statement for Highly Productive Land (NPSHPL) recognises that HPL should be protected for land based primary production, both now and for future generations.

The NPSHPL focuses on reducing the loss of HPL to urban development, which destroys the productive capacity of HPL. Freshwater limits for both water quality and quantity, however, can also affect primary production on HPL.

There is a risk that freshwater limits will be set that transfer water away from HPL to urban water users and prevent HPL from being used for viable primary production. This would in-turn remove HPL of its protection under NPSHPL and enable that land to be developed for housing, constraining the land available for food production.

The reason for this is that the NPSHPL provides a pathway for the urban development of HPL that cannot be used for viable primary production because of restrictive freshwater limits. This pathway is important to prevent a perverse outcome where land is protected for primary production by one regulation but cannot be used for that purpose due to the implementation of another regulation.

The Water Services Legislation Bill would direct water services entities towards options that serve urban development in an efficient manner, without adequate consideration of the wider social, cultural and economic impacts, including detrimental health impacts on urban communities due to adverse impacts on domestic food supply.

This risk is particularly relevant to horticultural land on the peri-urban fringe and is most likely to impact vegetable growing that supports the domestic supply of fresh vegetables and the maintenance of food security for New Zealanders.

5. Small Water Suppliers

At present, many growers use the same mixed-use system to supply their irrigation activities as well as packhouses, seasonal worker accommodation, or even neighbours who don't have access to municipal water supplies. According to the Rural Supplies Technical Working Group May 2022 Report, there are about 100 council-owned mixed-use rural schemes in New Zealand which will fall under the new legislation, and many more are privately-owned.¹¹ Under the Water Services Entities Bill and subsequent Water Services Legislation Bill, these growers will have to take on increased liability as "water service providers".

Integrated planning that considers uses beyond drinking water is essential. If there is an incentive for urban areas to siphon off too much water, rural mixed-use schemes – private or council-owned – will be left with reduced supply. If irrigation is the primary purpose of the scheme, drinking water for neighbours or workers' accommodation may be cut off. The Water Services Entities won't be ready to integrate these isolated rural communities for years, but there is a risk of lost water access right now.

To mitigate this unintended legislative effect, integrated planning must be a requirement for Water Services Entities, and rural communities need dedicated support and engagement around responsibilities under this new regime. Enforcement must also take a back seat during the transition period until rural communities are brought into centralised water schemes.

Outcome sought

The functions of water services entities and water service entity assessments should specifically include planning and engagement with both rural and urban communities. The threshold for the transfer of small mixed-use rural water services should be 50% of water used for horticulture.

5.1. Transfer of small mixed-use rural water services

The transfer of small mixed-use rural water services will allow growers who supply water both for irrigation and some drinking water to keep operating with independence. Taumata Arowai recommends that the threshold be 50% of water used for horticulture or agriculture, as opposed to the more restrictive 85% proposed in the Bill.¹² If an operator is using more water than not for irrigation, then it would be impractical to hold them to

¹¹ <u>Rural Supplies Technical Working Group DRAFT report back 6 May 2022 (dia.govt.nz)</u>

¹² Taumata Arowai, *Drinking Water Acceptable Solution for Mixed-use Rural Water Supplies*, October 2022 (p. 3)

the same standard as an urban water system. As Taumata Arowai suggests, point-source water treatment for the limited drinking uses in a rural setting is a much more workable solution.

6. Te Mana o te Wai

HortNZ considers that domestic food supply is included within the second hierarchy of Te Mana o te Wai. The recent high court decision relating to the SVGA Policy in the NPS-FM 2020 notes "Continuity of supply in fresh vegetables is important for national food security and human health". ¹³

Regional Policy Statements will outline freshwater visions and include an objective on how freshwater management within the region will give effect to Te Mana o te Wai Vision. Regional Policy Statement visions and objectives give effect to Te Mana o te Wai and have a broader scope than water services. In some catchments, there may need to be trade-offs between water used for second hierarchy activities, for example water for domestic food supply versus water for drinking, or trade-offs between third hierarchy activities, for example water to irrigate high-value low emissions horticultural crops versus water for urban industrial uses.

In our view, values in the second hierarchy of Te Mana o te Wai does not equate to an exemption from contributing to the costs of providing for the first hierarchy. This is particularly important in the context of a changing climate where investment in water storage, augmentation and recharge may be required to support freshwater ecosystem health. The investment in infrastructure that supports the health of freshwater and provides for drinking water and irrigation is likely to provide greater benefits than an approach where drinking water is afforded priority to the lowest cost water, without consideration of wider costs and benefits aligned to achieving the regional freshwater vision and regional Te Mana o te Wai Objective.

Outcome Sought

We seek a change to the wording of the Te Mana o te Wai Statement to link to the Regional Freshwater Vision, Regional Te Mana o te Wai objectives, and importantly the local approach to giving effect to Te Mana o te Wai.

¹³ MUAŪPOKO TRIBAL AUTHORITY INC v MINISTER FOR ENVIRONMENT [2022] NZHC 883 [29 April 2022]

6.1. Te Mana o te Wai within the Water Services Entities Bill and National Policy Statement Freshwater Management

In terms of regulation of water services, the Water Services Act provides that when exercising or performing a function, power, or duty under the Act, a person must give effect to Te Mana o te Wai to the extent that it applies to that function, power, or duty.

In the Resource Management Act (RMA), Te Mana o te Wai is applied in a different context and via the operation of the NPSFM and how that must be given effect to in a regional policy statement (RPS) and lower order documents. Te Mana o te Wai in the water services regulatory and governance system is something that water services entities (which are public entities) must identify and include as part of their operating culture.

In the RMA context, Te Mana o te Wai is a policy tool that will apply at the regulatory / rules level. The single objective of the NPS-FM is an elevation and strengthening in freshwater management of the fundamental concept and hierarchy of obligations in Te Mana o te Wai. The obligation to define and determine how Te Mana o te Wai applies is at the regional council level but requires that process to be community (including tangata whenua) led. Sitting at the RPS level the way in which Te Mana o te Wai is framed at that stage will determine how it will land at the next stages in the hierarchy of planning instruments.

The concept of Te Mana o te Wai operates at two very different levels between the water services and resource management legislation. The first is largely an operational and governance level whereas the second is at the regulatory level – in terms of regulation of operations.

We seek that the way in which Te Mana o te Wai is reflected in the operational and governance arrangements for the entities will be consistent with the RMA. How this will play out in the real world is still to be tried and tested, but our view is that the RMA policies and plans prevail in the planning and resource consent context. Furthermore, we find it difficult to understand how a single water entity might rationalise differences in how Te Mana o te Wai is expressed at a regional level (when water entities will span multiple regions) in their operations and governance.

In our view, how Te Mana o te Wai is articulated and determined in the RMA policies and plans trumps anything a water services entity may have developed in terms of its own Te Mana o te Wai strategies and policies.

Appendix A: Amendments sought to provisions within the Water Services Legislation Bill

Without limiting the generality of the above, HortNZ seeks the following decisions on the Bill as set out below, or alternative amendments to address the substance of the concerns raised in this submission and any consequential amendments required to address our concerns. Additions are indicated by *bolded italics underline*, and deletions by *italics strikethrough text*.

Provision	Support/oppose	Reason	Decision sought
7. Section 13 replaced (Functions of water services entities)	Support in part.	 We support 13 (c) and (d) in part. A well-planned approach is critical for considered and effective partnership and engagement. We support 13 (e) in part. We want to ensure that water services have a mandate to engage with community members in both rural and urban areas to understand their divergent needs and build working relationships. See Section 1. Commercial Water Use on the Urban-Rural Boundary. We support 13 (o) in part but seek the inclusion of climate change mitigation. The way water services are operated will have an impact on both climate mitigation and adaption. The Bill wording is only focused on adaption, which may undermine opportunities for entities to deliver water services in a way that reduces emissions. 	 13. Functions of water services entities The functions of each water services entity are— (a) to provide safe, reliable, and efficient water services in its area; and (b) to own or operate water services infrastructure; and (c) to <i>plan</i>, partner and engage with its territorial authority owners; and (d) to <i>plan</i>, partner and engage with mana whenua in its service area; and (e) to engage with consumers and <i>rural and urban</i> communities in its service area; and



		Water services may reduce emissions in the design and operation of their infrastructure and in the way they integrate with primary production to support a transition to a low emissions economy. See <i>Section 2. Transition to a Low-Emissions Economy.</i> We support the inclusion of climate change adaption and managing risks from natural hazards and wording changes proposed are to provide clarity. We support 13 (j) and (l) to ensure rural water suppliers get the technical support they need.	 (j) to collaborate with other agencies, organisations, and individuals in the water services sector; and (l) to build, maintain, and support the capability of the water services sector; and (o) to identify and mitigate hazards and risks relating to water services, including <i>mitigation of and</i> adaptation to the effects of climate change;
13. Section 133 amended (Purpose and content of Government policy statement)	Support in part.	There are matters of national importance in the way three water services are designed and operated, like domestic food security and the productive capacity of highly productive land. These matters may not be sufficiently considered by consumers, local communities or mana whenua, but, where appropriate, should be included in the Government policy statement. Domestic food security is at risk (particularly vegetable growing) with changes to water management.	 (1) After section 133(3)(a)(vi), insert: (vii) geographic averaging of residential water supply and residential wastewater service prices across each water services entity's service area: (viii) redressing historic service inequities: (<i>ix</i>) providing for the domestic supply of fresh vegetables and

Vegetable growing occurs within periurban catchments and shares freshwater environments with urban neighbours. The locations where vegetable growing can occur are constrained by physical and market factors. If water is transferred away from vegetable growing to serve urban communities or if the costs of remediating waterways fall disproportionately to vegetable growers, then the supply of fresh vegetables to New Zealanders may be threatened.

Much of New Zealand's most highly productive land is on the urban fringe. Care must be taken to ensure this natural resource is managed for future generations. The potential of highly productive land for food production, and primary production generally, must not be undermined by the transfer of water to lower rates for urban communities.

We have added these matters to the policy statement to prevent a perverse incentive for seeking the least expensive water at the expense of the supply of fresh fruit and vegetables for New Zealand. See *Section 1. Commercial Water Use on the Urban-Rural Boundary*

maintaining food security for New Zealanders

(x) Highly Productive Land

(2) After section 133(3), insert:

(4) Subsection (3)(a)(vii) applies only to a Government policy statement issued on and after 1 July 2027.

(3) Replace subsection 133(2)(e) with:

how the Government expects water services entities to take into account the social, economic, and cultural well-being of consumers and communities.



16. Section 144 amended (Water services entity must respond to Te Mana o te Wai statement for water services)		The activities of the Water Services are subject to RMA plans, although the context for Te Mana o te Wai is different within the NPSFM and the Water Services Act and Water Entities Bill. The Māori groups referred to in the NPSFM and the Water Entities Services Bill are different, and this may lead to inconsistency or conflict. We seek clarity about the relationship between the Te Mana o te Wai statement referred to in the Bill and the Freshwater Vision and Te Mana o te Wai Objective in the Regional Policy Statement. See <i>Section 6. Te Mana</i> <i>o te Wai.</i>	 (2) A response to a Te Mana o te Wai statement for water services must include– (a) a plan that sets out how the water services entity intends (consistent with, and without limiting, section 4(1)(b)) to give effect to Te Mana o te Wai, to the extent that it applies to the entity's duties, functions, and powers <u>and is consistent with the Regional Freshwater vision(s) and objectives for of Te Mana o te Wai</u>
22. Part 6 replacedPart 8 Transfer of small mixed-use rural water services234. Meaning of small mixed-use rural water service	Support in part.	Operators of services that are more for horticultural purposes than not should have the option for autonomy and flexibility in supplying their packhouses, seasonal worker accommodation, and any other on-site residences. See section <i>5. Small Water Suppliers</i> above.	In this Part, small mixed-use rural water service or service means a water supply owned by a water services entity that meets both of the following criteria: (a) <u>85% 50%</u> or more of the total volume of water supplied by the service is for agricultural or horticultural purposes; and (b) 1,000 or fewer dwellings (not being dwellings on farmland) rely on

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			the service for drinking water supply and other domestic household purposes.
 22. Part 6 replaced: Part 9 Service provider and assessment obligations Subpart 1–Assessment of water services 245. Access to drinking water supply, wastewater, and urban stormwater services must be assessed 	Support in part.	It is essential that access is urban areas is not prioritised at the expense of rural communities. Rural communities should have the same engagement and support in managing their water resources. See <i>Section 1. Commercial Water Use on the</i> <i>Urban-Rural Boundary.</i>	(2) An assessment must– (a) identify each <u>urban and rural</u> community and population within territorial authority district boundaries that receives the services; and

