



Water bottling - FAQs

1) How much water is used for water bottling in New Zealand?

Water bottlers are a minute user of New Zealand's freshwater – using only about 163 million litres of water annually.

By comparison, around 500 trillion litres of water flows through New Zealand's lakes, rivers and aquifers, and 10 trillion litres are extracted and used by New Zealanders every year.

This means the water bottling industry uses about 0.002% of the freshwater extracted for human use. To put it another way, if all the water used by New Zealanders was reduced to fit into a ten-litre bucket, the water bottling industry would use just two teaspoons.

2) How many companies bottle water in New Zealand?

There are around 52 water bottlers who are currently consented to produce bottled water for the domestic market in New Zealand.

The domestic market is, however, dominated by six major producers, who hold a combined market share of about 80 percent.

3) How many consents have been granted for water bottling?

We are aware of only 22 resource consents that have been granted for the sole purpose of water bottling and that are currently active.

From the available data, however, there are a further 57 resource consents that have been granted that could allow for the consent holder to bottle water. These consents, however, allow for the water to be used for multiple purposes, of which bottling water might be one.

In addition, a number of these granted consents have not been exercised. That is, while the consent holder has permission to take water, they have not done so to date.

4) How many foreign owned companies are involved in water bottling?

Foreign ownership is common in the water bottling industry in New Zealand because the industry is associated with high business risk, has large capital costs, there are distribution barriers and the market is extremely competitive.

While the cost to set-up a water bottling plant depends on many factors, including the nature of the water source, location, type and capacity of the plant, a typical large-scale operation will cost between \$10 million and \$40 million to establish.

In addition, the international water bottling market is dominated by a small number of very large multinational companies, meaning it can be extremely difficult for new entrants to establish their product in the market place.

Water is not a high-value product, with the average export price per litre from New Zealand being US\$0.64/litre. Given the overheads associated, including packaging and transportation, profitability is not high in the sector.

This is the reason why bottled water is often produced by either large multi-beverage producers, who offer water as one of their product choices, or multinational water companies that operate globally and have well established supply chains.

5) How many people are employed in the water bottling industry?

The water bottling industry employs around 916 people and pays an average salary of \$62,874.

Importantly, water bottling tends to be located in some of New Zealand's most economically struggling regions – including Northland, the Eastern Bay of Plenty, South Waikato and the Central North Island.

Despite its relatively small size, the economic benefits of the industry are substantial, with around \$60.7 million pumped into the local economy annually.

In addition, it is estimated that water bottling operations generated around \$28 million in profits in 2016/17, which would have been reinvested into operations, distributed to shareholders and spent in towns and cities to support our local communities.

6) How much bottled water is exported?

New Zealand exports a relatively small amount of bottled water – approximately 27.9 million litres every year – around 10 Olympic swimming pools.

The largest market for New Zealand bottled water is the United States, followed by China, Hong Kong and Australia.

New Zealand is a small exporter of water on the world stage, making up just 0.3 percent of the world's bottled water export market and generating \$23.7 million in export earnings.

7) Do water bottlers pay for water they use?

Water bottlers pay the same cost for water as all other commercial users of water.

It has long been the Government's position that nobody owns water and it therefore it attracts no charge.

The commercial use of water, however, requires a resource consent, which will stipulate how much water can be used and when. Local authorities may also charge a commercial rate for water if the water is collected, treated and transported by the relevant council to a water bottling plant.

The cost of this will vary between local authorities.

8) Why should companies be able to bottle water and sell it for a profit given water is a free resource?

The use of water for water bottling is no different to the use of water by any other large manufacturer who requires water to produce their product.

Soft drink manufacturers, alcohol producers and dairy farmers all use large amounts of water to produce their product – in fact it is estimated that it requires 1000 litres of water to produce one litre of milk.

To put it another way, why should a water bottler be charged for using a litre of water, whereas a brewery not be charged for using a litre of water just because they added flavouring and alcohol to the water?

9) Are companies making huge profits off New Zealand water?

Water bottling is extremely competitive and is dominated by a small number of very large producers.

Claims by some commentators and journalists that water bottlers are making huge profit are ridiculous and have been based on multiplying maximum production volumes by retail price. The water bottler only receives a tiny fraction of the retail price of bottled water.

Water is also not a high-value product, with the average export price per litre from New Zealand being US\$0.64/litre. Given the overheads associated, including packaging and transportation, profitability is not high in the sector.

And while the cost to set-up water bottling operations depends on many factors, including the nature of the water source, location, type and capacity of the plant, a typical large-scale operation will cost between \$10 million and \$40 million to establish.

In addition, economic analysis has shown that bottled water is elastic and demand for water is highly sensitive to price changes. It is estimated that a one percent increase in the price of water would lead to a 1.17 percent reduction in the demand for water. This means that for every ten-cent increase in a litre of bottled water, a reduction in demand of up to 20 percent could be expected.

10) The Government says it plans to introduce a royalty on the export of bottled water. Why shouldn't bottlers be required to pay a royalty given water is a publicly owned resource?

Royalties are paid to the government by companies extracting oil, gas and mineral resources. This is a reflection that under legislation, the Government owns New Zealand's petroleum and mineral

resources, and the payment of a royalty ensures the country receives a fair return from the extraction of these non-renewable resources.

Water is fundamentally different. It has long been government policy that no one owns freshwater. And unlike petroleum and mineral resources, water is renewable. In fact, it is estimated 500 trillion litres of freshwater flows through New Zealand lakes, rivers and aquifers annually, of which only 10 trillion litres (2%) is extracted for human use.

Of that 10 trillion litres, only 163 million litres are used for water bottling. Given the comparatively tiny amount of freshwater used by the water bottling industry, it would be manifestly unfair to target a royalty solely at the water bottling industry.

Contrary to public opinion, profitability of bottled water is not high, the sector is extremely competitive, and the imposition of a royalty would have a devastating impact on the sector, particularly among smaller boutique operators. It would likely see a number of firms shutdown or relocate offshore.

11) Does the New Zealand Beverage Council support charging for water?

The New Zealand Beverage Council understands that there are increasing demands on New Zealand's freshwater resources, particularly in some drier areas, and that a mechanism for water pricing may have some merit in ensuring a fair, efficient and optimal use of water.

Any water pricing system, however, must be equitable and apply to all commercial users of water. It would be unfair and discriminatory to only target water royalties or charges at water bottlers when they use 0.002% of the freshwater extracted for human use in New Zealand.

12) Why are we selling water offshore given the increasing demands on our freshwater?

Only a very small amount of water that is bottled in New Zealand is exported overseas – 27.9 million litres, or around 10 Olympic swimming pools.

This compares to five trillion litres of water that is used every year for irrigation and is a tiny fraction of the 10 trillion litres of water that is extracted for use by New Zealanders annually.

While there may be competing demands for New Zealand freshwater in some locations and during drier years, the impact of exported bottled water has miniscule impact on water availability.

13) How much does it cost to establish a water bottling operation?

The cost to set-up a water bottling operation depends on many factors, including the nature of the water source, location, type and capacity of the plant, a typical large-scale operation will cost between \$10 million and \$40 million to establish.

14) Who decides whether a bottling operation can be established?

The commercial use of water, and the establishment of a water bottling plant, requires a resource consent from the relevant local authority.

In considering the resource consent, the local authority will consider the environmental impacts of the operation, impacts on other users of freshwater as well as any other relevant factors (such as traffic impact, noise etc).

If granted, the resource consent will usually stipulate how much water can be used and for what purpose. It may also set limitations during certain times of the year when less water may be available, and what steps are required to minimise any environmental impact.

15) How is the water bottling industry regulated?

Bottled water is classified as a food and as such is covered by the Food Act 2014, and regulated through the Australia New Zealand Food Standard Code.

This Code outlines the physical, chemical and microbiological parameters for bottled water, including the definition of spring water and mineral water. All other water definitions (for example filtered, sparkling, distilled and purified) are covered by the New Zealand Commerce Commission, and its associated legislation, which requires that labelling must not be false or misleading.

16) Are water bottlers just using local town water supplies to bottle water?

While a very small number of low-cost operators may bottle water from the town water supply, the vast majority of operators bottle their water from sources such as natural springs or aquifers and aim to produce a superior product to tap water.

Consumer laws require water to be labelled accurately, and it would be unlawful to label tap water as spring, mineral or any other specialty water.

In addition, while the New Zealand Drinking Water Standards can be used as a minimum baseline standard for bottled water, in most cases New Zealand water bottlers use the Australasian Bottled Water Protocols, which set the standard much higher than town water supplies and which are based on the highly stringent International Bottled Water Standards, developed by the International Bottled Water Association

This ensures that most water bottlers in New Zealand are producing a high quality, pure and natural product that is superior to the water that comes out of the tap, and meets the standards consumers are demanding.