



Country Mayors Association of NEW SOUTH WALES

Chairman: Cr Adam Marshall
PO Box 63, Gunnedah, NSW 2380
02 67402115

E-mail: countrymayors@infogunnedah.com.au
ABN 92 803 490 533

SUBMISSION TO INFRASTRUCTURE AUSTRALIA ON REPORT FROM THE REGIONAL TOWNS WATER QUALITY AND SECURITY REVIEW

The Country Mayors Association of New South Wales has as its members forty three (43) Councils from rural New South Wales. The Association was established to further the interests of regional and country areas in NSW by being an effective voice and forum for Country Mayors and General Managers.

All forty three (43) members of the Association are involved in providing water and sewerage services to their communities either individually or as members of a County Council established for that purpose.

The Association thanks Infrastructure Australia for the opportunity to make a submission to the report.

Comments address recommendations made in the report.

Implement a nationally consistent Best Practice Management Framework for all urban water utilities

Local Government water utilities in NSW are successful in delivering safe and secure water supply and sewerage services to its communities. This is demonstrated by the achievements in implementing best practice as well as the outcomes of the NSW Government's Inquiry into Local Water Utilities.

Under the NSW Office of Water's *Best Practice Management of Water Supply and Sewerage Guidelines 2007*, local water utilities are required to achieve best practice including determination of levels of service and pricing levels based on long term strategic business planning and cost recovery principles. Local water utilities operate as separate business units and expenditure and income streams are ring-fenced from those of other council activities.

The NSW Office of Water monitors and reports on performance of local water utilities in its annual *NSW Water Supply and Sewerage Performance Monitoring Report*. Local water utilities have continuously improved best practice management and made significant progress in their adoption of the criteria of best-practice management identified in the best practice guidelines including:

- 89% of local water utilities have sound strategic business planning in place covering 98% of the connected properties in their area of operation;
- 96% of utilities achieve full cost recovery for water supply and 97% for sewerage;

- The economic real rate of return for water supply and sewerage was 0.6% (median of 0.3% for water supply and 1.1% for sewerage). This figure is higher than country Victoria but lower than the capital city utilities; and
- 68% of local water utilities have commenced integrated water cycle management (IWCM) evaluation or strategy; with 46 utilities having completed an IWCM evaluation and 26 of which have also completed an IWCM strategy.¹

The 2008-09 performance report also acknowledges the continuing efforts to minimise the typical residential bill, which for water supply and sewerage is \$900 per assessment (Jan 2010\$), an increase of a total of 2% in real terms over the past 14 years. At the same time, 99% of the 20,700 samples tested for E. coli comply with the *2004 Australian Drinking Water Guidelines*; with 88% of local water utilities complying with these guidelines. Average annual residential water supplied is a low 175 kilolitres per property, which is 47 percent lower than that in 1991. This reduction is mainly due to strong pay-for-use water pricing signals with a median water usage charge of 150 cents per kilolitre together with implementation of water conservation and demand management measures by the utilities. In addition, the water restrictions imposed by 61% of utilities as a result of severe drought conditions have contributed to this outcome.

The excellent performance of NSW local water utilities in achieving efficient water use and avoiding real increases in their typical residential bill has also been acknowledged in the National Water Commission's *National Performance Report 2008-2009 - Urban Water Utilities*.

Improved Water Pricing

Decision making with regards to water pricing needs to be socially, environmentally and economically sustainable, responsive to local community needs, and flexible to enable local water utilities to respond to changing circumstances. Pricing decisions should continue to be guided by the best practice pricing policies required by the Department of Water and Energy.

Pricing for water supply and sewerage service is an important consideration in the determination of whole-of-community outcomes. It is essential to ensure that pricing decisions are responsive to community needs, based on local water supply and demand profiles, and integrate water supply and sewerage objectives into broader whole-of-community outcomes and sustainability principles.

Pricing decisions should continue to rely on the well-tested best practice pricing policies provided by the economic regulator; the NSW Office of Water. The office's Best-Practice Management of Water Supply and Sewerage Guidelines are based on general principles established by the Independent Pricing and Regulatory Tribunal NSW (IPART) and gazetted under the Local Government Act (NSW) 1993.

Pricing principles should be based on cost recovery considerations (i.e. the recovery of the long term operational and capital cost of providing water supply and sewerage services). The Association also supports water utilities being provided with the option to send stronger pricing signals to customers to encourage water conservation and demand management and facilitate the implementation of integrated water cycle management strategies. The Association supports a process of external audit of price determination by council auditors instead of price determination by a regulator (e.g. IPART).

Develop a more highly skilled workforce to operate and maintain water systems in regional water utilities by developing a nationally consistent trade qualification

In council-owned and operated water utilities technical and managerial synergies arise from the integration of engineering, asset management and corporate planning systems for water supply and sewerage, roads and transport, communication, waste management, or recreational services. Economies of scope also arise from the ability to effectively and efficiently coordinate strategic land use planning and land use development control with infrastructure intensive services such as water supply and sewerage services as well as private commercial and residential related investment into water solutions. Furthermore, the broad range of services provided by general purpose councils, affords the range of responsibilities required to attract highly professional staff and benefit from their skills and knowledge which would otherwise not be available.

Any improvements that can be introduced to improve training opportunities in rural Australia is supported by our Association. There are throughout regional Australia ample tertiary educational facilities such as universities and TAFE that can be accessed by water staff. Governments need to ensure that there are courses whether they be long term, short term or refresher available for staff to attend.

The Association would also support the establishment of in-house training conducted by departmental educators to provide instruction on the scope of the Australian Drinking Water Guidelines, how they should be implemented, why implementation is important and the consequences of compliance breaches

Reform the governance structure of regional water utilities in NSW and Queensland

In 2007, the NSW Government commenced an inquiry into the provision of water supply and sewerage services by council owned and operated local water utilities in regional NSW.

The purpose of the inquiry was to identify the most effective institutional, regulatory and governance arrangements for the long term provision of water supply and sewerage services, and to ensure these arrangements are cost-effective, financially viable, sustainable, optimise whole-of-community outcomes and achieve integrated water cycle management.

The inquiry's final report, released in January 2009, confirmed that institutional and regulatory arrangements should maintain Local Government responsibility for the operation and management of water supply and sewerage services and Local Government ownership of water supply and sewerage infrastructure and recommended models for improved regional cooperation. In summary, the recommendations of the inquiry included:

- Formation of 32 regional groupings out of the current 107 local water utilities, including some bigger utilities that remain as they are (stand-alone utilities).
- Two structural models for the governance of groupings that do not remain as stand-alone utilities: a binding alliance model comparable to a strategic alliance of councils but with mandatory membership and a corporation owned by member councils.
- That the function of groupings would be mainly strategic business planning (incl. asset management) and regional water planning. A takeover of operational functions or infrastructure was not recommended.
- Mandatory regulation (based on current best practice guidelines) including mandatory pricing regulation (charges based on proper business plan, oversight by independent body).
- Mandatory risk management according to Australian Drinking Water Guidelines.

Our Association strongly believes that to ensure an integrated and locally appropriate approach to water supply and sewerage management and achieve optimal whole-of-community outcomes for local communities, it is crucial that institutional and regulatory arrangements maintain Local Government responsibility for the operation and management of water supply and sewerage services and Local Government ownership of water supply and sewerage infrastructure.

Our Association acknowledges that regional solutions might be required to share professional resources, undertake catchment-based water supply and demand planning and potentially plan, fund and deliver infrastructure necessary to provide secure, safe and efficient regional water supply and sewerage services over the long term. However, regional solutions do not require the removal of water supply and sewerage functions from Local Government. They can be achieved through appropriately structured regional alliances of councils which maintain Local Government responsibility and ownership. This model captures the benefits associated with regional planning without having the disadvantages of institutional settings where water supply and sewerage functions are removed.

Therefore, our Association supports a binding regional alliance model as a preferred model to facilitate regional cooperation and resource sharing, improve local water utilities' capacity to meet best practice requirements, and coordinate member councils' strategic business planning.

Furthermore, institutional reform, particularly reform that would remove water supply and sewerage functions from Local Government, need to be thoroughly assessed against the impacts it might have on the financial sustainability of councils and on local and regional economies and employment. Water

supply and sewerage services are a major part of most regional councils' operations. They contribute to a critical mass of responsibilities that make councils financially viable and attractive for skilled professionals. In many councils, especially in smaller rural councils, water supply and sewerage services are a significant part of engineers' and senior officers' workload. Employees are often multi skilled and shared between general purpose functions and water supply and sewerage functions providing for efficient workforce flexibility.

Removal of water supply and sewerage functions from councils would eliminate these synergies effects and result in the departure of professional staff due to insufficient workload and challenges or because their services become unaffordable for councils. Loss of operations and staff in councils would have serious direct and flow-on effects on small communities and the affected families, particularly in rural areas where councils are often the largest employer.

Finally, given the geographic, demographic, climate related and socio-economic diversity in regional NSW and the resulting differences in water resource and demand profiles, it is important to recognise that a "one size fits all" approach to providing water supply and sewerage services will not be appropriate. Local Government is best placed to identify local requirements and community preferences and should therefore have the autonomy.

I hope that the above comments are of assistance to you when finalising your recommendations for the report

Yours faithfully

A handwritten signature in black ink that reads "Adam Marshall". The signature is written in a cursive, slightly slanted style.

Councillor Adam Marshall
CHAIRMAN