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Wednesday 23<sup>rd</sup> March 2011

Infrastructure Australia  
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To Whom It May Concern

**Re: Review of Regional Water Quality and Security – Comment on AECOM Report**

I am pleased to advise that Council has carefully considered the report currently available on Infrastructure Australia's Web site.

At a meeting of council held on 17 March 2011, it was resolved:

**"That Moree Plains Shire Council call on the Minister for Infrastructure and Transport, Hon. Anthony Albanese MP, to consult with local government and relevant NSW State Government agencies before acting on the report."**

Council's particular concerns are summarised below:-

1. The recommendations in the report will impact adversely on our communities with an unacceptable resultant decline in our population base;
2. The current efficient services will likely decline under the proposed management structure;
3. The report ignores objective data which shows strong performance of NSW Local Water Utilities;
4. The concept of dividends being paid to other levels of government is not acceptable to our communities who have worked hard to pay for existing infrastructure; and
5. Any funds available for system improvements can be effectively managed by Local Government.

A copy of the report considered by Council expanding on these points is attached for your information. Please give me a call on (02) 6757 3385 if you would like to discuss the particular issues as they relate to our community.

Yours Sincerely,

David Aber  
**General Manager**

Electronic Attachment.

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|---------------|-------------------------|---|
| REPORT TITLE: | 5.                      | REVIEW OF REGIONAL WATER QUALITY AND SECURITY |
| REPORT FROM:  | MANAGER WATER AND WASTE |   |
| FILE NUMBER:  | 01-0339                 | LETTER NO:                                    |

**SUMMARY:**

Infrastructure Australia engaged consultants Aecom to help identify opportunities to improve Australia's regional towns' water quality. The report recommendations, if implemented, will have a significant impact on Council's water supply operations. Infrastructure Australia is now developing a plan of action to respond to the findings and recommendations in the Aecom report.

**RECOMMENDATION:**

That Moree Plains Shire Council call on the Minister for Infrastructure and Transport, the Hon. Anthony Albanese MP, to consult with local government and relevant NSW State Government agencies before acting on the recommendations of the Aecom report.

**REPORT****BACKGROUND:**

Infrastructure Australia engaged consultants Aecom to help identify opportunities to improve Australia's regional towns' water quality and security to form practical recommendations for change at the Federal, State and Local Government levels.

Infrastructure Australia's initial infrastructure audit identified concerns that in many regional towns, water quality does not always meet health standards and that planning for security is often inadequate.

The review looked at a sample of towns across Australia with a reticulated water supply and populations of between 2,000 and 15,000 people. Towns near Moree included in the study were Bourke, Coonabarabran, Goondiwindi and Tenterfield.

The key recommendations of the Aecom report are to:

- Mandate compliance with Australian Drinking Water Guidelines through legislation and regulation
- Implement a nationally consistent Best Practice Management Framework for all regional water utilities
- Move toward more cost reflective water pricing
- Develop a more highly skilled workforce to operate and maintain water systems in regional water utilities by developing a nationally consistent trade qualification
- Reform the governance structure of regional water utilities in NSW and Queensland.

Infrastructure Australia is now developing a plan of action to respond to the findings and recommendations in the Aecom report and welcomes comments until 25 March 2011. The report is available on Infrastructure Australia's website: [www.infrastructureaustralia.gov.au](http://www.infrastructureaustralia.gov.au)

## Catchment-based, Government-owned Regional Water Corporations in NSW and Queensland

Aecom wrote:

*"The preceding recommendations can only be effectively implemented in NSW and Queensland if the current governance structures are reformed. Our preferred reform model would see the urban water utility functions currently performed by local government in NSW and Queensland transferred to Government owned Regional Water Corporations, the responsible boundaries of which would match catchments to the extent practicable. Each Regional Water Corporation would be governed by an independent board, with appointments to that board based upon expertise in water utility management. The board would appoint the senior management team of the Corporation. The board would report to a relevant Government Minister against a set of conditions in an operating licence. Compliance with licence conditions would be mandated via relevant legislation."*

Aecom argues that:

*"The larger corporate structure is likely to give rise to increased efficiency. Government would remain the sole shareholder of each corporation. Regional water Corporations would be large enough to warrant supervision by independent pricing and regulatory authorities in each state, and compliance licence conditions, including tariff setting, would be formally addressed by those authorities."*

Aecom identifies the following key advantages from implementing the preferred governance model:

1. The Regional Water Corporation (RWC) Board and management would have unambiguous objectives related to the efficient and effective management of the RWC.
2. The larger size of each RWC is likely to have a better chance of attracting appropriately qualified professional staff.
3. The larger customer base of each RWC means that the expense of "lumpy" capital assets required to improve water quality and security in smaller towns can be spread across a larger number of customers, spreading the impacts from increases in residential bills.
4. In time, RWCs may be able to raise capital on wholesale financial markets in their own right.

Other governance structure options briefly mentioned in the Aecom report include:

1. Larger State-based utilities in NSW and Queensland
2. "Mandatory" regional alliances as an interim stage in the progression towards Regional Water Corporations.

## Discussion

Every year, NSW councils participate in the NSW Water Supply and Sewerage performance monitoring and benchmarking reports. These reports show that the vast majority of NSW Councils complied with the 2004 Australian Drinking Water Guidelines for both chemical water quality and microbiological water quality.

A media release published by the Local Government and Shires Association (see Appendix) identifies that Infrastructure Australia has failed to consult with key stakeholders and that: *"The Report barely brushes on the NSW Review and also conveniently ignores objective data which shows the strong performance of NSW LWU's and solid improvements in quality, productivity and water security that have been made by this sector over the past decade."*

Water infrastructure assets are the community's assets. The key issue for Local Government is who should control the community's local water supply infrastructure assets? It is sensible that Local Government should retain this control. Communities have paid for these assets and there is no justification for these assets being taken over by another level of government. Further, it can be argued that maintaining professional staff in each community helps to assist those communities

achieve their quadruple bottom line goals through maintaining critical organisational population mass. If any funds are available for system improvements, then these funds can be effectively managed by Local Government.

However, this needs to be balanced against the possible advantages that may be achieved by managing water schemes through catchment-based government-owned regional water corporations.

Aecom's proposal will have a negative impact on four (4) Community Strategic Plan and Delivery Program/Operational Plan outcomes, as detailed below.

### **COMMUNITY IMPLICATIONS:**

The Aecom report recommendations, if implemented, will have a negative impact on one Community Strategic Plan and Delivery Program/Operational Plan Outcome.

#### **S3. Sustainable services and facilities provided to residents, businesses, community groups and visitors**

Local Government is the organisation best able to provide sustainable services to local communities. Local Government is well situated through an Integrated Management Planning Process which includes community input and feedback to provide sustainable services and facilities to the community. Local Government is best able to respond quickly to meet community expectations. Regional Water Corporations by their very nature have the tendency to take the Local out of the decision making process.

### **ECONOMIC IMPLICATIONS:**

The Aecom report recommendations, if implemented, will have a negative impact on the Community Strategic Plan and Delivery Program/Operational Plan Outcome:

#### **VE3. Adequate infrastructure provided to support our economy**

Rural communities have fought hard over the years to have their water supply systems provided and maintained to an acceptable standard. The infrastructure provided has been at considerable expense to the community. The concept of dividends being paid to other levels of government is not acceptable to our communities. This risk of asset stripping also cannot be over looked.

### **ENVIRONMENT IMPLICATIONS:**

No significant environmental implications have been identified.

### **LEADERSHIP/LEGAL IMPLICATIONS:**

The Aecom report recommendations, if implemented, will have a negative impact on the Community Strategic Plan and Delivery Program/Operational Plan Outcome:

#### **L4. Provision of efficient and cost-effective services by Council to the Moree Plains Shire community**

Moree Plains Shire Council is in the best position to provide efficient and cost-effective services to the Moree Plains Shire community. If Aecom's proposal is implemented, it is likely that the current efficient services will decline under the proposed management structure.

## **FINANCIAL/OPERATIONAL PLAN IMPLICATIONS:**

Taking a holistic view, the excision of water operations from Local Government will leave a significant gap in the operational budgets of Local Government, as the critical mass of Local Government entities is a significant factor in effectively and efficiently providing a wide range of services. Water operations represents approximately 6-8% of Council's total expenditure. Regionalisation leads to fewer employees in town, which leads to fewer services which leads to a decline in population and the declining cycle will continue.