
LOWER MACQUARIE
WATER UTILITIES ALLIANCE



RESPONSE TO THE NATIONAL WATER COMMISSION REPORT

URBAN WATER IN AUSTRALIA: FUTURE DIRECTIONS

June 2011

Joint Submission by:

- **Lower Macquarie Water Utilities Alliance**
 - **Centroc Water Utilities Alliance**
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Attachments

ATTACHMENT A: BEST PRACTICE COMPLIANCE (2010/11): CENTROC WATER UTILITIES ALLIANCE & LOWER MACQUARIE WATER UTILITIES ALLIANCE

ATTACHMENT B: CENTROC WATER UTILITIES ALLIANCE - DRINKING WATER MONITORING RESULTS

ATTACHMENT C: LOWER MACQUARIE WATER UTILITIES ALLIANCE - DRINKING WATER MONITORING RESULTS

1. INTRODUCTION

Although there do not appear to be any formal feedback or stakeholder consultation mechanisms in place, the Lower Macquarie Water Utilities (LMWUA) and the Centroc Water Utilities (CWUA) wish to submit this joint response to the National Water Commission's Report "Urban Water in Australia: Future Directions," April 2011.

We note that the Commission's Chair, Chloe Munro, in her Foreword provides the opportunity for such feedback. We also note that "the report's recommendations are largely addressed to governments," (Section 1.3, Page 3), but we consider that it is critically important that the Commission is appropriately and adequately informed about the governance and management of regional water utilities. (Local Government Owned Water Utilities or LWUs), particularly given the Commission's Recommendation that:

"Governments and service providers should undertake reforms in regional, rural and remote areas to ensure that there is sufficient organisational, financial, technical and managerial capacity to meet service delivery requirements and protect public health and the environment, particularly in New South Wales and Queensland", (Section 4.6; Page 49 of Future Directions Report).

We find it extraordinary that the Commission would put forward such a recommendation (which, if implemented could have profoundly negative impacts on Local Government in regional NSW and the communities served), without any perceivable consultation or discussion with those Councils and their communities.

Instead, the Recommendation only echoes the one put forward by Infrastructure Australia, based on a very poorly researched and, in many places, factually incorrect report prepared by AECOM. We note that the Commission's Report quotes quite extensively from the AECOM Report, without, apparently, any verification of the accuracy contained therein.

We would refer you to our response to Infrastructure Australia (March 2011), a copy of which is attached.

Although we agree with most of the Recommendations contained in Future Directions, our response focuses on the recommendation cited above. We aim to refute this recommendation, outlining our concerns with the AECOM Report (including discussion on the factual errors) and generally informing the Commission about the delivery of water supply and sewerage services in regional NSW.

If a sense of anger and frustration is detected in our submission, this reflects how our respective Boards and Councils feel and how local government in regional NSW generally feels.

We have not yet seen valid evidence or justification which would warrant the transfer of water supply and sewerage services from local government control to (State owned) water corporations. All we and our communities see are higher prices and a loss of control, aimed at delivering dividends (hidden taxes) to governments.

We strongly believe that the Alliance Model we have implemented for our 24 utilities represents the best long term solution for our communities.

We would welcome the opportunity to further discuss the current and future role of local government in NSW in terms of improving the delivery of water supply and sewerage services to our communities.

2. ABOUT OUR ALLIANCES

2.1 Introduction

The Lower Macquarie Water Utilities Alliance (LMWUA) and the Centroc Water Utilities Alliance (CWUA) are two operating and effective water utility alliances in New South Wales representing 24 local government owned water utilities (23% of NSW regional water utilities), with respectively, 27,200 and 75,200 connected properties (a combined total of 102,400 connected properties) and a total regional population of approximately 300,000 people. These alliances were collaboratively conceived with voluntary participation, to proactively address the issues raised in the New South Wales non-metropolitan water utilities inquiry.

(Refer: Armstrong I and Gellatly C, "Report of the independent inquiry into secure and sustainable urban water supply and sewerage services for non-metropolitan NSW", NSW Government, December 2009).

Section 2.1 and 2.2 below provide background information about our two Alliances.

We would also like to advise that both Alliances are currently cooperating in the preparation and implementation of a Regional Resource Sharing, Training and Mentoring Program which will be implemented in 2012.

2.2 The LMWUA

The LMWUA was originally formed in July 2008, as a collaborative Alliance of six Councils in the Lower Macquarie River Valley (the Macquarie River downstream of Burrendong Dam).

The Councils [Dubbo City, Bogan, Cobar, Narromine, Warren, and Wellington Shires] agreed, at a Workshop held in Nyngan in February 2008, to form such an Alliance (in response to the Water Inquiry being conducted in NSW); as a means of cooperatively developing resource sharing opportunities, implementing best practice water management for their communities and ensuring that the shortcomings identified by the NSW Water Inquiry were proactively investigated and, if necessary, addressed.

Subsequently, in May 2009, Bourke Shire Council and Brewarrina Shire Council were admitted as member Councils.

The Alliance's Vision and Objectives are:

Vision

The member councils of the Lower Macquarie Water Utilities Alliance commit to provide a unified approach to the sustainable delivery of water supply and sewerage services, and to achieve and maintain gazetted Best Practice by the earliest feasible date.

Objectives

The initial objectives of the Lower Macquarie Water Utilities Alliance (LMWUA) were:

- (a) Resource and staff skill sharing;
- (b) Water resource sharing opportunities;
- (c) Peer review of performance and mentoring where appropriate;

- (d) Development of shared best practice strategies;
- (e) Funding of best practice strategies and goals.

The Alliance operates under Section 355 (d) of the NSW Local Government Act (1999) and is headed by a Board, comprising the Mayors and General Managers of each member Council.

The organisational structure is shown in the figure below.

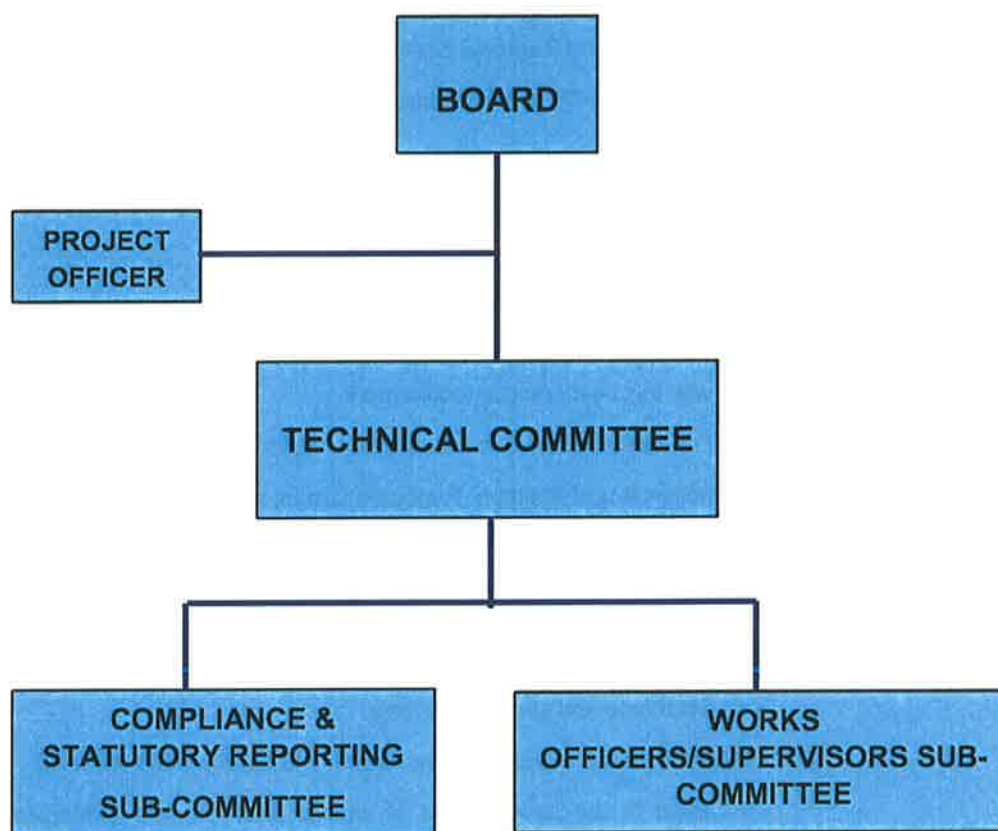


Figure 1: The Lower Macquarie Water Utilities Alliance: Organisational Structure

Our achievements to date include:

- Execution of the Deed of Agreement on 1 July 2008;
- Appointment of the Board of Management;
- Establishment of a Technical Committee;
- **Development of two sub committees ("special interest" groups), namely a Works Officers and Supervisors Sub Group, and a Compliance and Statutory Reporting Sub Group;**
- Development of secretariat and project management services;

- Resource sharing – some common operational standards have been adopted including uniformity in application of levels of water restrictions, and a specification has been developed for a regional reservoir cleaning contract;
- Best Practice compliance:
 - Identification of gaps in compliance by member Councils with Best Practice management & documentation to be completed;
 - Programs and time lines have been put in place to achieve Best Practice Management by all Councils;
 - Completion of the following **Regional Best Practice Management Plans**:
 - Integrated Water Cycle Management Plan (Evaluation Study)
 - Demand Management Strategy
 - Drought Management Plan
 - Drinking Water Quality Management Plan
 - Stormwater Harvesting Strategy
 - Formation of a Working Group to complete Trade Waste Policies for those Councils yet to comply with this best practice requirement.
 - Formation and operation of two Special Interest Groups:
 - a Compliance and Statutory Reporting Group, whose primary function is to work together in developing annual performance reports and EPA licensing reports;
 - a Works Officers and Supervisors Group whose objectives are to develop strategies for:
 - Resource and staff skill sharing
 - Peer review of performance reports and appropriate mentoring
 - Input to the development of shared Best Practice strategies and goals
 - Input to strategies aimed at funding Best Practice objectives
 - Management and planning initiatives;
 - The Technical Committee is developing policies for the joint procurement of materials and construction contracts.
 - Processes for peer reviews of member Councils performance reports and pricing structures have been developed
 - An operational budget has been prepared and adopted for the period 2010/11 to 2012/13.
 - Mentoring: This is seen by the Board as an essential element for the success of the Alliance.

Best Practice Compliance

Over the last three years, compliance with NSW best practice management requirements, across the LMWUA's eight (8) Councils, has **improved from 63% overall compliance in 2006/07 to 87% compliance in 2009/10** (an improvement of 38%).

Year	Water Supply	Sewerage	Overall
2005/06	65%	51%	59%
2006/07	69%	55%	63%
2007/08	73%	57%	66%
2008/09	86%	72%	80%
2009/10	94%	80%	87%

As well as aiming to achieve full best practice compliance over the next 12 months, the Alliance also plans to develop the following major best practice initiatives over the next three years:

- a Regional Business Plan, incorporating a Financial Management Strategy & Business Continuity Plan (to augment and incorporate all 8 existing Strategic Business Plans);
- a Regional Asset Management Plan;
- a Regional Quality Management/Assurance Plan;
- a Regional Environmental Plan.

2.3 The CWUA

Centroc (Central NSW Regional Organisation of Councils) is an organization which represents 17 local government owned water utilities, namely:

- Bathurst Regional Council
- Blayney Shire Council
- Boorowa Shire Council
- Cabonne Shire Council
- Central Tablelands Water (County Council)
- Cowra Shire Council
- Forbes Shire Council
- Harden Shire Council
- Lachlan Shire Council
- Lithgow City Council
- Oberon Council
- Orange City Council
- Parkes Shire Council

- Upper Lachlan Shire Council
- Weddin Shire Council
- (Wellington Council – is also a member of LMWUA)
- Young Shire Council.

CWUA represents approximately 240,000 people and covers an area of 70,000 sq. kms.

Centroc Organisation and Structure

▪ **Vision**

Central NSW is recognized as vital to the sustainable future of New South Wales and Australia.

▪ **Mission**

Centroc is recognized as the lead organization advocating on agreed regional positions and priorities for Central NSW, whilst providing a forum for facilitating regional cooperation and sharing of knowledge, expertise and resources; effectively nurturing sustainable investment and infrastructure development.

▪ **Objectives**

- **Regional Sustainability** – Encourage and nurture suitable investment and infrastructure development throughout the region and support members in their actions to seek from Governments; financial assistance, legislative and/or policy changes and additional resources required by the Region. This objective will be principally actioned by the Board with the support of the General Managers Advisory Committee (GMAC) of member Councils.
- **Regional Cooperation and Resource Sharing** – Contribute to measurable improvement in the operational efficiency and effectiveness of Member Councils through facilitation of the sharing of knowledge, expertise and resources and, where appropriate, the aggregation of demand and buying power. This objective will be principally facilitated by GMAC with the guidance of the Board.

▪ **Centroc Board**

Two delegates, (the Mayor and General Manager) represent Councils on the Centroc Board.

▪ **Executive**

The Executive consists of ten office bearers, eight of whom are selected at the Annual General Meeting. It comprises a Chairperson, Immediate Past Chairperson, Deputy Chairperson, Secretary/Treasurer and two elected members of Constituent Councils. The General Manager or his/her nominee of the Council that the Chair represents is automatically appointed as Secretary/Treasurer. The General Managers of all Executive Councils are elected automatically from the remainder of the Executive.

▪ **General Managers Advisory Committee (GMAC)**

To assist the organization in the conduct of its activities, a General Managers' Advisory Committee was established in April 2002. GMAC meets four times per year and at the direction of the Board, advises on administrative, planning, policy and resourcing matters of Centroc. The Chair of GMAC is the Secretary/Treasurer of Centroc.

- **Staff**

Centroc has evolved as a small de-centralised organization. In 2009/10, nine employees were spread throughout the region at various Councils, including two days a week of administrative support at the Chair Council.

This structure allows all Councils the opportunity to employ Centroc staff and be involved in the various projects, effectively spreading the benefit across the region. Centroc staff include:

Executive Officer, Learning and Development Manager, Sustainability Program Manager, Finance Officer, That's a Good Idea! Project Officer, Compliance and Cost Savings Manager, Climate eXchange Project Officer, Training and Program Support Officer and Chair Council Support Officer.

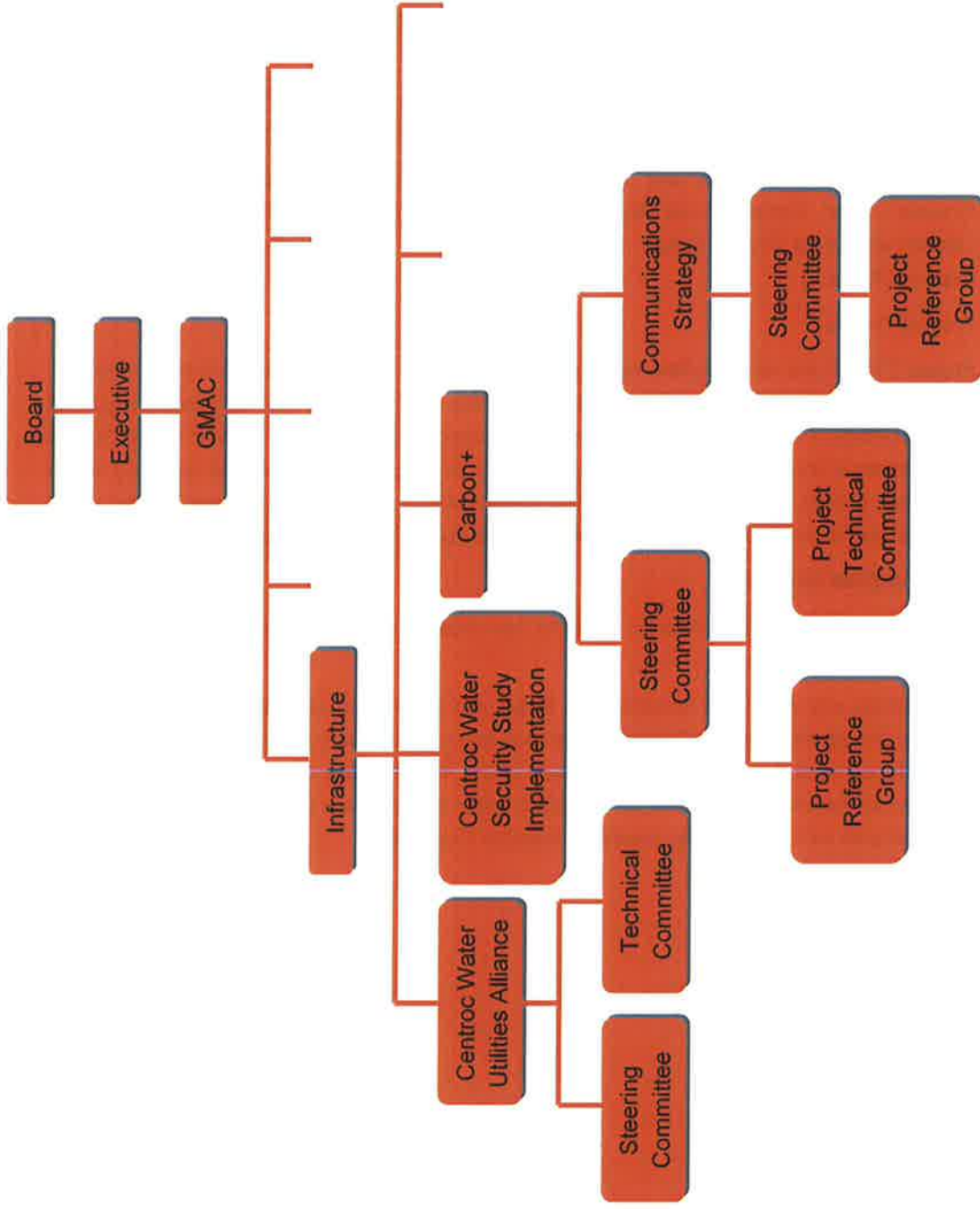
- **Project Teams**

Project Teams are an important component of Centroc's operation and vital to its success. Project Teams are formed to allow cross collaboration and the sharing of knowledge, expertise and resources. Teams are established on the recommendation of the Centroc Board (with a predetermined objective), participation is voluntary and reports are submitted quarterly to the Board and GMAC. Team Leaders are often appointed to Project Teams to assist the EO in the management of the Team, to set agendas and to advise GMAC on the activities of the Team.

- **Water Utilities Alliance**

The Centroc Water Utilities Alliance (CWUA) was established in 2010 along similar lines to the LMWUA.

The Alliance sits within the Infrastructure Group of Centroc and reports to the Board via the General Managers Advisory Committee and has been established under S 355(d) of the NSW Local Government Act (1993). The Structure of the Infrastructure Group is shown in the flow chart below, which demonstrates that Centroc water activities are embedded into the broader community as well as delivering results for member Councils.



Centroc Infrastructure Group Structure

As with LMWUA, the key objectives of CWUA include:

- * Resource and staff skill sharing;
- * Full compliance with Best Practice requirements;
- * Peer review of performance and mentoring where appropriate;
- * Development of regional best practice strategies;
- * Funding of best practice strategies and goals.

Achievements to date include:

A significant and nationally recognised achievement has been the successful completion of a Regional Water Security Study (the recipient of a number of state and national awards). The Centroc Water Security Study (CWSS) sought to investigate solutions to improve water supply security across the Centroc region. The study had two components:

- 1: An audit of existing infrastructure for bulk water supply; and
- 2: An options paper for improving water supply security.

The approach to the CWSS was built on extensive stakeholder engagement, analysis using triple bottom line principles and the integration of the management of water resources, recognising the need for holistic approaches to water management

As a result of this assessment, it was determined that over the chosen 50 year planning horizon, the following towns require water security improvements to cater for the new range of statistically generated extreme climatic events:

- Condobolin
- Bendick Murrell
- Mogongong
- Yeoval
- Tottenham
- Lake Cargelligo
- Lithgow
- Orange
- Peak Hill
- Mumbil
- Cowra
- Brundah
- Wattamondara
- Forbes
- Trundle
- Murrin Bridge
- Portland
- Clifton Grove
- Wellington
- Nanima
- Koorawatha
- Greenethorpe
- Cumnock
- Bogan Gate
- Tullamore
- Tullibigeal
- Oberon
- Parkes
- Geurie

The CWSS study also incorporated:

- water conservation & demand management aspects, including a recommendation for uniform levels of water restrictions across the region
- a major infrastructure augmentation program, involving:
 - Lake Rowlands Augmentation;
 - Lake Rowlands-Millthorpe Pipeline (CTW Trunk Mains D and F duplication) 2;
 - CTW-Orange Pipeline via Millthorpe;

- Lake Rowlands to Gooloogong Pipeline (CTW Trunk Mains P and C duplication);
 - Gooloogong-Forbes Pipeline (including connection to Parkes);
 - Woodstock-Cowra Pipeline (presently in planning);
 - Orange-Molong Creek Dam pipeline (lower priority action resulting from the level of surety around the security of Molong. There is an existing pipeline from Molong Creek);
 - New minor storage and water treatment facilities at Cumnock;
 - New minor storage water treatment facilities at Yeoval;
 - New minor storage at Condobolin (off-stream from Lachlan River);
 - New pipeline replacing existing channel and minor storage at Lake Cargelligo;
 - Burrendong-Wellington Pipeline;
 - Chifley-Bathurst Pipeline;
 - Chifley-Oberon Pipeline; and
 - Belubula Creek-Cadia Hill pipeline (already available).
- A continuation of best practice implementation
 - Consideration of climate change impacts
 - Benefits to other sectors (eg. partnering with towns with local irrigation operations)
 - Solutions to minimise carbon impacts associated with the infrastructure program

Other significant achievements include:

- * Funding procured for the “Carbon Plus” project aimed at limiting the carbon footprint of the Regional Water Security Study (which is nearing completion)
- * Creation of working groups and sub-committees;
- * Over \$1m in funded environmental programs;
- * Budgets and an Action Plan have been developed;
- * Work has begun on best practice in water supply management in the region where members have contributed over \$50,000 to instigate a best practice program which also has over \$50,000 of State and Federal funding to progress.

Centroc has also commenced seeking funding from both the State and Federal Governments for the infrastructure components.

- * Consulting Briefs have been developed to secure the following Regional Best Practice Plans & Strategies;
 - Regional Integrated Water Cycle Management Plan;
 - Regional Demand Management Strategy;
 - Regional Drought Management Plan.

These strategic initiatives will be completed in 2011/12.

- * Operator and staff training programs are currently being developed. Funding has been obtained under the Strengthening Basin Communities Program to develop a Centroc Regional Resourcing, Mentoring and Training Program. The Program will involve:
 - Identifying machinery and equipment that can be shared across councils in water utility management (for example pipe cameras, sewer cleaning equipment and other specialised equipment).
 - Identifying mentors in the region to support an informal network of practitioners.
 - Developing a formal mentoring program for the region based on gaps in skills in water utilities' management of existing staff.
 - Identifying training needs in the region with a view to collective purchase of these services within the region and developing water training packages with national accreditation.
 - Providing advice to workforce plans of member Councils regarding water utilities staff
 - Providing direction for the sharing of apprentices in the region to ensure they experience the best and broadest experiences on offer.

2.4 Summary Data¹

- combined population served by LMWUA and CWUA is approximately 300,000;
- total number of connected (customers): 102,400;
- total asset value (replacement value): \$1,500 million (2008/09);
- economic real rate of return (average across 22 of the 24 water utilities): 0.65% (2008/09);
- area served: approximately 120,000 sq. kms;
- annual revenue (2008/09): \$124 million.

¹ Source: NSW Office of Water, Performance Monitoring Report, 2008/09

3. WATER MANAGEMENT IN REGIONAL NSW: OVERVIEW

The following is a summary of the achievements of non-metropolitan (regional) local government owned water utilities in NSW (as published by the NSW Office of Water) ²

- Annual performance reporting and monitoring since 1986;
- Strategic business planning since 1993;
- **Overall compliance** with requirements of *Best Practice Management of Water Supply and Sewerage Guidelines* – **82%**;
- **Full cost recovery** is now being achieved by **96%** of NSW local water utilities (LWUs) for water supply;
- State-wide median '**average annual residential water supplied**' is 175kL/connected property, which has **fallen by 47%** over the past 18 years. The strong pricing signals provided have enabled NSW LWUs to **avoid over \$1 billion in capital expenditure** over the last decade for augmenting water supply headworks and treatment capacity and the associated increases in their typical residential bills;
- Results for key performance indicators from the National Performance Report 2008/09 for Urban Water Utilities indicate:
 - **For 'average annual residential water supplied' per connected property** (NWI indicator W12), 12 NSW non-metropolitan utilities are among the lowest 25 utilities reporting in the *National Performance Report 2008/09 for Urban Water Utilities*.
 - The NSW utilities are national leaders in providing strong pricing signals to encourage efficient water use:
 - The State-wide median residential water usage charge has increased from 79c/kL to 150c/kL (2009/10 \$) over the past 11 years. For this indicator (NWI Indicator P1.3), 13 NSW non-metropolitan utilities are among the highest 20 utilities reporting in the *National Performance Report 2008/09*.
 - The State-wide median residential **revenue from water usage charge** has increased from 25% to **73%** over the past 11 years. For this indicator (NWI Indicator F4), 14 NSW non-metropolitan utilities are among the highest 19 utilities reporting in the *National Performance Report 2008/09*.
 - However, the real State-wide median water supply Typical Residential Bill (**TRB**) has **increased by** only **5%** over this period (from \$410 to \$430 in 2009/10\$), as shown on page 5 of the *2008/09 NSW Performance Monitoring Report*.

² Source: NSW Office of Water; web site;

http://www.water.nsw.gov.au/ArticleDocuments/36/utilities_performance_nsw_performance_monitoring_report_2008_09.pdf.aspx.

- *National Performance Report for Urban Water Utilities* – all eligible NSW LWUs have reported annually since 2005/06, with 29 utilities reporting in the *2009/10 National Performance Report*.
- Drinking water quality – 2008/09 compliance with ADWG 2004 by NSW LWUs:
 - **Microbiological** – 88% of LWUs complied
 - **Chemical** – 96% of LWUs complied
 - **Physical** – 98% of LWUs complied.
- In 2008/09, the water supply for over **99% of the urban population** in non-metropolitan NSW **complied** with ADWG for both microbiological and chemical water quality.

4. POSITIVE ASPECTS STRENGTHS OF LOCAL GOVERNMENT OWNED WATER UTILITIES (LWUS) IN NSW

There are a number of advantages and strengths associated with local government ownership and management of water utilities in regional NSW, which appear to have been overlooked in the **Commission's Report (and the AECOM Report)**.

These are briefly summarized below:

i) Importance to Councils and their communities

Provision of water supply and sewerage services by Councils is a significant aspect of **every regional Council's overall undertakings**, often making up a **quarter or more of annual budgets and employing a significant number of the workforce**.

Many staff in regional Councils are **multi-skilled** and are able to work in diverse areas like roads, drainage, water supply and sewerage, thereby effecting **economies of scale and enhanced efficiencies**.

Water supply and sewerage services are also an important element of the community's understanding of and involvement in Local Government as a "one stop shop" to access essential services and deal with local issues. Local water utilities also have significant flow on effects on local and regional economies and employment.

ii) Proven success in delivering safe and secure water supply and sewerage services to the community.

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**³, including:

- compliance with Best Practice criteria
- high rate of achievement with full cost recovery
- an almost 50% reduction in annual residential water supplied over the past 18 years
- typical residential bills have increased by only 5% over the past 11 years
- **NSW non-metropolitan water utilities are among the highest rated performers in the Annual National Performance Report.**

iii) Integrated Water Cycle Management

The concepts of integrated water cycle management and water sensitive urban design are essential to minimize the impacts of urban development on the overall water cycle.

Local Government in regional NSW, because of the integration it provides to strategic water supply planning, water supply and sewerage provision, stormwater and drainage

³ Reference:

http://www.water.nsw.gov.au/ArticleDocuments/36/utilities_performance_nsw_performance_monitoring_report_2008_09.pdf.aspx.

management, strategic urban planning and land use development control; is **best placed to put these concepts into reality.**

Institutional models that result in the removal of water supply and sewerage functions from councils have the potential to severely disrupt the integration that currently exists, inevitably leading to reduced capacity to implement integrated water cycle management and water sensitive urban design.

iv) Economies of Scope and Scale

Council owned and operated water utilities afford **technical and managerial synergies** across their organizations via the **integration of engineering, asset management and corporate planning systems for water supply and sewerage, roads and transport, communication, waste management and 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 investments into water solutions.** Also 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.

In administrative terms, economies of scope arise from the **integration of information technology services** including the ability to provide one billing and customer service system for all community services (the “one stop shop”).

Large stand alone water supply and sewerage providers may well achieve some economies of scale but cannot capture the above listed economics of scope. Benefits commonly associated with water utilities covering larger regional areas; such as catchment based regional strategic water supply and demand planning and infrastructure delivery, can be readily achieved through **regional alliances of councils** without losing the economies of scope associated with the integration of water supply and sewerage functions and general purpose functions.

There is also the benefit of optimising the whole-of-town energy and greenhouse gas footprint, including transportation and other systems serving the urban form – optimising water and sewerage provision in isolation can be perversely sub-optimal in the broader context of a particular urban fabric.

v) Community Accountability

Local government in NSW provides a very clear framework for accountability.

Democratically elected councillors are effectively “Board” members and are responsible for the setting of strategic direction to achieve desired whole-of-community outcomes; including outcomes related to water supply and sewerage provision. Maintaining water supply and sewerage services as visible and accessible local operations within Local Government also contributes to accountability within the community and provides incentives for the provision of reliable customer service and serviceability.

Structural models that remove responsibility for water supply and sewerage services from Local Government and thus from elected local representatives, must necessarily address how decision makers would be accountable to the communities that are to benefit from and fund the provision of water supply and sewerage services. It is questionable whether such models can provide the appropriate incentives to ensure that decision makers integrate water supply and sewerage objectives into broader whole-of-community and sustainability outcomes.

5. COMMENTS ON RECOMMENDATIONS

5.1 General

Overall, the Boards of LMWUA and CWUA support the recommendations in the Commission's Report, particularly in relation to the need to:

- develop a national framework with clear and agreed objectives for the delivery of secure, safe, healthy and reliable services in an economically efficient and sustainable manner.

We would expect that such a framework would avoid complexity and minimise risks to the community and the environment. We are curious as to what form "rewards for good performance and sanctions for poor performance" would take.

- implement an agreed set of national objectives for the urban water sector and general principles to guide necessary reforms; taking into account the differences between metropolitan and non-metropolitan water utilities in terms of water supply sources, demographics and economics of scale and scope.
- explore opportunities for customer choice in pricing and consultation in objective setting, recognising the need to avoid complexity and to not disadvantage those in our communities who may be socio-economically disadvantaged.
- develop mandatory processes to require benefit – cost analyses and community engagement in the regulation of public health and the environment.

5.2 Specific comments on recommendations

5.2.1 Establishing overarching objectives for success

We support the recommendation that "customers and the community should be engaged in the process of developing an agreed set of objectives".

We would point out that, as part of our strategic business planning processes (in accordance with criteria set down by the NSW Office of Water under Best Practice Compliance), we already undertake consultation with our communities in identifying issues, setting objectives, agreeing levels of service and developing long term (30 year) forward capital works programs.

5.2.2 Institutional roles and responsibilities

We agree that governments should ensure that service providers, regulators and other parties have clear objectives and accountabilities which align with clearly specified roles, functions, resourcing and funding.

We believe, however, that the processes in place to specify objectives and accountabilities for regional water utilities are already well defined by the NSW Office of Water; but we also recognise a need to develop better options for resourcing and funding.

5.2.3 Customer & community expectations

Although we generally support the recommendation that “governments, regulators and service providers should ensure that the urban water sector gives a greater voice to customers through exploring opportunities for customer choice in pricing and service delivery, improved engagement in objective setting and improved customer protection frameworks,” we have some concerns regarding trade-offs and competition as they might apply to regional and remote areas and would appreciate further discussion and definition around these.

We would also caution against introducing complexity and/or processes weighted against the socio-economically disadvantaged in our communities in establishing opportunities for customer choice in pricing.

We also advise that our two alliances are working towards the development of a set of pricing protocols which we intend will apply across our member LWUs (with each Council retaining the role of setting prices relevant to their particular circumstances).

5.2.4 Pricing & economic regulation

We concur with the recommendation that “Governments and regulators should recommit to using pricing to promote economic efficiency; broaden the coverage of fully independent economic regulation across all urban water systems; and ensure that economic regulation is more flexible, to encourage innovation in price and service offerings and better reflect the value of water.”

This is with the proviso in respect of socio-economically disadvantaged groups outlined in 5.2.3 above.

5.2.5 Planning & other policy settings – National Urban Water Planning Principles

Firstly, we would like to inform the Commission that, in accordance with established best practice principles applying to LWUs in regional NSW, we already have processes in place which:

- Deliver urban water supplies in accordance with agreed levels of service (as per our respective Strategic Business Plans);
- Base urban water planning on the best information available at the time and invest in acquiring information on an ongoing basis to continually improve the knowledge base;
- Adopt a partnership approach so that stakeholders are able to make an informed contribution to urban water planning, including consideration of the appropriate supply-demand balance. (This has been enhanced with the creation of our Alliances);
- Manage water in the urban context on a whole-of-water-cycle basis. (In accordance with our existing Integrated Water Cycle Management (IWCM) strategies);
- Consider the full portfolio of water supply and demand options. (In accordance with our existing Integrated Water Cycle Management (IWCM) strategies and our Demand Management and Drought Management Plans);
- Use pricing where efficient and feasible, to help achieve planned water supply-demand balance;
- Periodically review urban water plans. (Our Strategic Business Plans are reviewed every 3 years and our IWCM strategies every 6 years).

However, we generally concur with the recommendation that “Governments should review and amend policy settings to ensure that there is a cohesive approach that allows an efficient portfolio of

supply and demand side measures to emerge and evolve over time, without direct and ad hoc government intervention. Responsible agencies and service providers should adopt risk-based approaches to supply demand planning. All parties should strive for greater transparency.”

Although we would point out that the aspirations embodied in the recommendation are not always achievable, or even relevant in regional and remote areas of Australia, especially in terms of water restrictions (which are understood and well supported by our communities).

We would also point out that water restrictions (under our Drought Management Plans) are only applied in periods of water shortages and emergencies. They are not used for demand management – each LWU is required to have independent Demand Management Strategies and Drought Management Plans.

We also have concerns about the barriers in place in NSW which make it almost impossible to develop and implement recycling / reuse projects (even for harvested stormwater).

We would recommend that a total review of the Australian Guidelines for Water Recycling: Managing Health and Environmental Risks, 2006 be undertaken, involving actual practitioners and professions with an understanding of managing the risks associate with reuse.

5.2.6 Service provision in rural & regional areas (particularly in NSW & QLD)

This recommendation echoes, and appears to be influenced by, the recommendation in the AECOM Report to Infrastructure Australia, which we have vigorously rejected.

Our rebuttal of this aspect of the AECOM Report is summarised below.

As outlined above, there is absolutely no evidence to support the contention that the larger corporate structure is likely to give rise to increased efficiency.

Further,

- there is no evidence of better water quality or reduced numbers of boil water notices in Victoria;
- there is no evidence of improved services to small communities;
- there is no evidence of a better, more qualified or better trained water utility workforce in Victoria. Our Alliance model is a demonstrated better alternative to achieving better, more efficient, utilisation of staff and other resources by the implementation of staff and resource sharing and development of regional training processes, with national accreditation.
- provision of service by local government owned water utilities is more effective, more transparent and more community focussed than the autocratic approach adopted in Victoria, particularly since a true (economic rationalist) approach of user pays is clearly flouted, with regard to appropriate implementation of developer charges.
- “The larger corporate structure is likely to give rise to increased efficiency” – we disagree. In terms of increased efficiency, the Operating Cost per connected property for Water Supply in regional Victoria in 2008/09 was higher than for regional NSW, QLD, WA and the ACT. For NSW the figure was \$330, for Victoria \$389. The Operating Cost per connected property for Water Supply and Sewerage Combined was \$670 for NSW and \$710 for Victoria. Likewise the median Economic Real Rate of Return for Water Supply and Sewerage in 2008/09 was 0.6% in regional NSW versus 0.4% in regional Victoria.

- Further, community resilience relies on communities. We would argue that any amalgamation agenda should carefully consider the need for regional Australians to have a sense of control and ownership over decision making, particularly around something as critical as water supply and management. We are dealing here with the most important of essential services.
- There is an unchallenged assumption throughout the AECOM report that stand-alone Regional Water Corporations managing water supply and sewerage services are unarguably a superior governance structure to any other. This is not a reasonable position to take in 21st century Australia. In 2007 NSW began a process of urban water reform that is still playing out through State Government processes. The Reform Strategy proposed by AECOM is underpinned by the major flaws in the Key Findings and the Recommendations (outlined below).

5.2.7 Markets & competition

Whilst we basically agree with the recommendation that “Governments, regulators and service providers should work actively towards a goal of more market determined bulk water prices and other market orientated options to promote efficiency and innovation, including through consideration of detailed implementation and transition arrangements,” we do not see its relevance to regionally based LWUs and would like to see a demonstration of community benefits, both in terms of cost and social impacts.

5.2.8 Water quality regulation & wastewater discharge standards

We fully agree with the recommendation that “Governments and regulators should better embed mandatory benefit cost analysis and community engagement in the regulation of public health and the environment (particularly for investment in wastewater systems) to ensure that obligations are cost effective and reflect community expectations.”

We advise the Commission that the NSW Government and LWUs themselves are already ahead of most other jurisdictions in moving to this very outcome. As a result of the NSW Water Reform process begun in 2007, the industry responded to the Independent Armstrong/Gellatly Inquiry by requesting that not only compliance with ADWG be made mandatory, but the gazetted NSW Best Practice Management Guidelines be made mandatory as well. It should be noted that the NSW Best Practice Guidelines and ADWG compliance were substantively voluntary in the past. Despite them being voluntary, there has been general compliance, which has been accelerated by the Alliances.

Although progress with the water reform at Cabinet level has been slow, the NSW Department of Health has already legislated (during 2010) to require compliance with ADWG by all water utilities in NSW, including LWU's, the first such definite move within Australia that we are aware of. We are only awaiting the gazettal of detailed Regulations under the Public Health Act to be able to implement same. Notwithstanding, increasing numbers of LWU's have already prepared Water Quality Management Plans [including all eight members of the Lower Macquarie Water Utilities Alliance, a group which includes some of the smallest and most remote LWU's in NSW (eg Bourke, Brewarrina, Cobar)], and the Centroc Water Utilities Alliance is also proceeding to develop a Regional Drinking Water Quality Management Plan to cover its 16 LWUs. (For information, we have included water quality compliance results for our 24 LWUs as Attachment A.

5.2.9 Water-sensitive cities & liveability in urban areas

We have no issues with the recommendation that “Governments and service providers should clarify the roles and responsibilities of service providers and other organisations in contributing to more liveable communities. Communities need to be supported by more appropriate funding arrangements based on robust evaluation of the full benefits and costs”; although, we would question the applicability of “more liveable communities” to regional and remote areas of Australia and would appreciate some sensible definition and clarifications in relation to “liveability” and “water-sensitive”.

6. COMMENTS ON THE AECOM REPORT

We note that the Commission's Future Directions Report cites the AECOM Report to Infrastructure Australia in the discussion on public health and environmental risks in regional and rural areas. (Page 33, Section 3.4.3).

We wish to rebut the allegations levelled against regional water utilities in terms of public health and environmental compliance, as follows:

i) Public health & Environmental risks in regional and rural areas (Page 33).

“In its report for Infrastructure Australia, AECOM (2011) found that water utilities servicing regional communities (particularly smaller water utilities) struggle to implement and comply with the Australian Drinking Water Guidelines due to:

- **their comparatively fewer human and financial resources;**
- **the relatively lower availability of technical knowledge and expertise;**
- **strong competition for skilled employees in regional areas;**
- **inadequate infrastructure to treat water and preserve water quality;**
- **poor processes for the operation and maintenance of existing treatment infrastructure;**
- **lack of reporting and insufficient intuitional incentive for utilities to comply with guidelines and licence requirements.”**

➤ AECOM: Key Finding c):

“regional communities, particularly smaller water utilities struggle to implement and comply with the Australia Drinking Water Guidelines.”

Response:

This assertion is based on out-of-date data (sourced from the 2008 Armstrong/Gellatly Report) and has selectively reviewed data from only 18 water utilities in NSW and a similar number in Victoria.

Of these, only 3 water utilities in LMWUA and 2 in CWUA (out of a total of 24) were considered (not assessed!).

A more accurate appraisal of the recent performance of our water utilities with respect to microbiological compliance is included as Attachments B and C which, we contend, demonstrates **an excellent record of compliance, when compared to other States; and, we provide these services to some very small communities.**

Much is made of Boil Water notices by AECOM.

Again, this is very poor research leading to erroneous conclusions and unsubstantiated recommendations.

The fact that some data was recorded in the Armstrong/Gellatly report should not be damning on NSW water utilities when no such data has been gleaned from other States.

We believe it would be a good initiative if all State Health agencies published this information and made it readily available to customers of water utilities. This might lead to some improvements in the management of water supplies and the security of public health in some of these State owned entities!

We would also like to point out that the Alliance models being adopted in NSW (like our LMWUA and CWUA; as well as initiatives in the Upper Hunter, Noroc and Ramroc regions, comprising more than 50 local government owned water utilities in NSW (or nearly 50%) are leading the way in the implementation of Drinking Water Quality Management Plans (which have now been registered as mandatory requirements by NSW Health).

LMWUA completed a Regional Drinking Water Quality Management Plan to ADWG 2004 requirements in 2010, covering 8 Councils; and the 16 Councils of Centroc are moving to achieve the same outcome.

➤ (AECOM Key Finding (d).

"A key reason for non-compliance is the absence of the necessary skills, experience and knowledge in water in many regional communities".

Response:

Again, this is not true.

There is a national shortage of skills, experience and knowledge, not just in regional areas and this, we believe, has been recognized not only by peak bodies like the Australian Water Association, but also the Federal Government.

In regional areas, the situation is much better than it might otherwise be, because the water supply and sewerage functions are managed by local government. The benefits of local government ownership are:

- **multi-skilling:** staff are trained and capable of efficient performance across a range of municipal activities, including water supply and sewerage, with the added benefit of efficiencies of scope.
- **resource sharing:** this has occurred across local government in regional areas of NSW for a long time and is being developed and enhanced under the Alliance model to which we subscribe.
- the **retention of these skills in regional areas retains employment**, but just as importantly, it means that these communities (some of these are very isolated communities) obtain a local service; something they would not get if the functions were centralised.

We would also like to point out that LMWUA and CWUA are:

- developing regional mentoring and training programs, specifically for water supply and sewerage operators. These programs will be nationally accredited training modules;
- developing protocols and processes for skills and resource sharing.

The statement that "treatment plant operators working in regional areas do not receive access to the same level of training provided in the larger metropolitan areas" is absurd and simplistic

and bears no relationship to the overall contention that centralisation of water utilities is the panacea.

The NSW Office of Water conducts nationally accredited, regional, training courses for water supply and sewerage operators, as well as in Trade Waste regulation.

To the best of our knowledge, we know of no water utility in regional NSW which does not take advantage of these programs.

➤ AECOM: Key Finding f):

“Achieving water security in regional areas is a relatively more complex task than in major urban areas because, unlike in Australia’s cities, towns in regional Australia often share the same water source and this resource may be utilised by a number of water utilities”

It is not true that achieving water security is more complex in regional areas. The fact that towns share the same water source is of little consequence. On regulated streams in particular, towns use only 2% of the resource and, in NSW at least, they are guaranteed priority access under the Water Act. There is no substantive “conflict”. The flows involved are minor and the Water Sharing Plans which are in place make it very clear that irrigators and other non-urban users expect to have their allocations reduced to ensure security of supply to towns.

The NSW Security of Supply basis (commonly referred to as the ‘5/10/10 rule’) has been demonstrated during the recent millennium drought, to be a sound and robust basis for sizing of urban water supply headworks in non-metropolitan NSW. No town water supplies in NSW “failed” during this period.

➤ AECOM: Volume 1; Page 1, “Snapshot of Water in Regional Towns” - “...many regional areas receive no water filtration, or comparatively less sophisticated treatment.” This is simply not true in regional NSW. For many decades (most of the 20th century) the NSW Government’s Public Works Department subsidised, and for the most part, built water filtration plants for towns and villages down to populations of 200, or less in some localities, where such treatment was warranted.. Surface water supplies in regional NSW receive comprehensive multi-barrier water treatment at the level of sophistication needed to assure a high quality potable water supply. Where source water quality is high and does not require filtration, it is not sensible to burden customers with the high cost of providing filtration, an approach in keeping with that of the risk-based management framework enshrined within ADWG 2004. Victoria, on the other hand, seems to have a larger number of towns without filtration (53 localities relying on surface water supplies, according to page 11 of the AECOM report).

➤ AECOM: Volume 1; Page 2, “....the way in which individual Councils or utilities return treated wastewater to the environment is not well controlled.” This statement is simply not true. Wastewater discharges in regional NSW are HIGHLY regulated and controlled by the Office of Environment and Heritage (OEH), after having been subjected to the scrutiny of a catchment wide IWCM Plan, a development application process through the Environmental Planning and

Assessment Act, a licensing process courtesy of the EPA (part of OEH), and then a Section 60 approval process through the Local Government Act, administered by the Office of Water. The statement made is, yet again, a naïve and inaccurate one which should not have been made with respect to the State of NSW.

- AECOM: Volume 1; Page 6, "Stages two and three of the consultancy..." It is completely incorrect with respect to regional water utilities in NSW, to claim that "there is little consistent, publicly available performance information on towns that fell within the target population range". Whilst the data the authors sought may have been "comparatively limited" in other States, the 2008/09 NSW Office of Water Performance Monitoring Report for NSW Water Supply and Sewerage ran to 77 pages of intra-State and inter-State statistics, whilst the Benchmarking Report for NSW Water Supply and Sewerage ran to a further 263 pages containing, in part, 66 graphs and 24 densely packed Tables of Data, including extensive reporting of microbiological and chemical quality performance reporting on water quality. EVERY LWU in NSW is required to report annually to the Office of Water on more than 130 performance criteria; and these are ALL included in the Performance Monitoring Report and each LWU is ranked against all others in the Triple Bottom Line report which is forwarded to EVERY LWU ANNUALLY. Both reports can be readily down-loaded from the Office of Water web-site. A key to this reporting was, in turn, the detailed NSW Health Department's water quality monitoring reports for EACH LWU which could have been easily accessed by the authors by direct request to Paul Byleveld and Sandy Leask, two of the "key stakeholders" actually interviewed by AECOM during Stage Three of their consultancy. The "local knowledge" that such sources of readily accessed data was available for NSW was clearly lacking in the AECOM team which undertook this consultancy, or else they would not have embarked on their own more expensive and less reliable quest to gather data on an anecdotal, hit-and-miss basis from other sources on the internet.

It is important to note that unlike other states, all 29 eligible non-metropolitan utilities have consistently reported their performance and met the rigorous auditing requirements of the National Performance Report for Urban Water Utilities.

- AECOM: Volume 1; Page 15, Two anecdotes from NSW, from August 2009, are used to "prove" that water quality results from LWU's in NSW as a whole are substandard – namely, Jindabyne and Smiggin Holes. One of these (Smiggin Holes) is not even a Council run facility, but a privately run ski resort within a National Park. The former was a sewage spill of about 0.8 megalitres into a very large lake (Lake Jindabyne), with a volume, when full, of 690,000 megalitres, from which the town draws its water. No E. coli were recorded in the town reticulation during the period of the spill, but a boil water alert was issued as a precaution. The alert was cancelled fourteen days later as there had still been nil instances of E. coli being recorded. These anecdotes may make for "good press", but in reality NEITHER example reflects poorly on the water quality provided to its customers by LWU's in NSW, and it is disappointing that the authors should seek to denigrate the industry as a whole with such flimsy so-called evidence. Please refer to the attachments for an accurate portrayal of microbiological results for the 24 LWUs in LMWUA and CWUA.

- ii) **AECOM (2011) found that “any utilities serving regional towns are not recouping the costs of supplying water, let alone providing for capital improvements. Many are charging prices significantly lower than in major urban areas, where economies of scale would be likely to mean lower costs.”**

Response:

This is simply not true and demonstrates, again, the lack of research undertaken in preparing this Report.

The NSW Office of Water has been requiring LWU's to prepare Strategic Business Plans (SBPs) and Financial Plans to a specified format since 1993. These SBP's require, and ensure, that NSW LWU's DO recover all costs, including those required for current and future recurrent capital expenditures (renewals, improved standards and growth).

At least a 20 year forward projection of capital requirements and operating costs is required but “preferably out to 30 years” is recommended, and generally achieved by LWU's in their published SBP's. In many instances lower prices in LWU's reflect greater efficiency of operation.

It should also be noted that NSW has been at the forefront of business planning for water utilities, and we would recommend that the model established in partnership with the NSW Office of Water should be adopted nation wide.

Also:

- “Less than full cost recovery is a common feature of water utilities servicing regional areas”.
(AECOM Key Finding a):

Response:

This is an extraordinary statement and simply not true.

As outlined in Section 3 above, full cost recovery is achieved by 96% of NSW local government owned water utilities. Where else is this the case?

- iii) **AECOM (2011) also found that:**

Under current pricing practices, funds are transferred from utilities to the government, often at the expense of new infrastructure, repair and replacement. Water utilities that are operated as part of the local government structure experience rate pegging, reducing their ability to recover the cost of supply water to consumers.

This is another example of the authors' ignorance of the way Local Government operates in NSW. Councils which provide water supply and sewerage services operate 3 independent financial systems or Funds – a General Fund, a Water Fund and a Sewerage Fund. The General Fund is subject to rate pegging by the State Government, but the Water and Sewer Funds **ARE NOT** subject to any rate pegging.

Also:

- ".....strategic decisions regarding maintenance and capital expenditure would no longer be made by local Council General Managers". (Key Recommendation 5).

This is another absurd statement.

Firstly, annual budgets prepared by staff, based on the Council and state government approved Strategic Business Plans and Financial Plans are resolved and adopted by Council, not the General Manager; after an extensive exhibition and public consultation phase.

This transparent and community driven approach is much advanced on the process adopted in Victoria where there is little or no transparency, no community input and oversight only by the State Essential Services Commission.

We think the Victorian approach is far too autocratic for adoption nation wide. Instead, involvement of the community and implementation of community wishes and needs, within the regulatory framework set down by NSW Health, the EPA (OEH) and the Office of Water, must surely be a more democratic way of delivering these services.

- "historical data shows (that) larger water utilities service their regional communities at relatively lower cost, with the annual water bill in Victoria being approximately 20% cheaper than the annual bill in regional NSW". (AECOM Section 2.8.1: Governance Arrangements: Supporting Evidence, Page 33).

Where is the evidence for this statement?

Reference to the 2008/09 Water Supply & Sewerage Performance Monitoring Report shows:

- **average operating cost for water in Victoria: \$389/connected property; compared with \$330/connected property in NSW**
- **average operating cost for water supply & sewerage combined in Victoria: \$710/connected property; compared with \$670/connected property in NSW**
- **median ERRR for Victorian regional utilities: 0.4%; compared with 0.6% in regional NSW.**

7. OTHER FACTUAL ERRORS IN THE AECOM REPORT

In addition to our comments on the specific AECOM references cited in the Commission's Future Directions Report, there are a number of other factual errors in the AECOM Report which are discussed in our submission to Infrastructure Australia (Section 5).

These are repeated in summary from below:

i) Executive Summary:

"17 of the 106 utilities (in NSW) failed to comply with Australia's water quality standards, while only half of the very small utilities had water conservation and demand management plans in place".

This is old information and was accessed from the NSW Water Inquiry Report prepared by Ian Armstrong and Colin Gellatly in December 2008.

This is an example of the very poor research applied to the AECOM Report.

Up to date information on water quality compliance can be obtained from NSW Health and up to date compliance with best practice can be obtained from the NSW Office of Water.

No data has been presented on compliance with water quality or best practice for the corporatised Victorian Water Authorities. Compliance with quality standards can be readily obtained via the Annual Report on Drinking Water Quality in Victoria.

It is quite scurrilous to suggest that local government owned water utilities are not capable of achieving satisfactory water quality standards; whilst the corporatised entities are efficient in this regard.

This is simply not true.

For your information, we have attached recent (2009 to 2011) water quality results for microbiological compliance for member councils of LMWUA and Centroc WUA. (attachments B & C)

As you will see, the results are very impressive in terms of microbiological compliance (99.1% overall) and we would invite comparison of these with the results for Victorian (and other) water authorities, across Australia.

We would also point out that New South Wales has a much better record of providing water and sewerage services to small communities (<1000 people), which is another aspect of poor performance of State owned corporations when compared to the service provision provided by Council owned (**community**) utilities.

In terms of water conservation and demand management plans, again, we contend that the information is out of date and that many water utilities have either complied or are currently working towards compliance.

In the case of the 8 Councils in LMWUA, all have complied via a Regional Demand Management Strategy and in the case of CWUA, the 16 utilities are cooperatively proceeding with same and this will be completed later this year.

Again, for information, we would refer you to Attachment A, which summarises compliance with best practice management for our 24 member utilities. Please seek similar summaries from other jurisdictions, especially Victoria, before judging the merits of and the relative (meaningful) compliance rates of those states.

We would also suggest that any review of service provision in relation to water supply and sewerage should also consider those communities of less than 1000; perhaps down to 200, as occurs in NSW Performance Monitoring

ii) Key Finding g):

There is more than sufficient water planning at a catchment level now in NSW. It is a Best Practice requirement for LWU's to prepare Integrated Water Cycle Management Plans (IWCMP's) which are at least the equal of anything prepared in other States. The standard recipe automatically requires a Council, or its consultants, to rigorously investigate the boundaries of the water system, detailed whole-of-catchment information, all catchment related targets and requirements, all legislative obligations, and climate change in both a global and a NSW context. It is disappointing that AECOM, who has no doubt prepared IWCMP's for LWU's in NSW, would then choose to "ignore" this background knowledge when preparing the current study for Infrastructure Australia.

More broadly Water Sharing Plans in NSW were some of the first developed in Australia. The report itself (page 27 of Volume 1) highlights the NSW approach as presumably best practice within Australia. Local Government is well represented on the various Catchment Management Authorities and the valley-based Customer Service Committees of State Water, the bulk water provider for most of inland NSW. Alliances of Local Water Utilities have now evolved covering much of the Lachlan and Macquarie Valleys which serve as inter-town planning bodies for water resource management (eg the recently lauded Centroc Water Security Study). LWU's in NSW are already closely networked with each other, Government agencies dealing with catchment-wide issues, and other community stakeholders. To suggest otherwise is simply incorrect.

There is no logic in the assertion that every town in a catchment should be on the same level of restrictions. Every town would be dragged down to the level of the least secure supply at great social and economic cost to the majority, yet for no benefit to the catchment as a whole. It is a reasonable suggestion that all towns in a particular valley share the same regime of water restrictions, as in the definition of what each Level of Restriction means, and this is now certainly the case in the Macquarie Valley, for example, where by consensus Bathurst, Orange, Dubbo, Wellington, Narromine, Warren, Bogan, Cobar, Brewarrina and Bourke have now adopted exactly the same definitions of water restrictions for their water supply schemes.

There are also considerable temporal variations within catchment areas which will, potentially, significantly influence the need to apply water restrictions. For example, from Orange to Condobolin, maximum temperatures vary by 8°C (38°C to 46°C) and a variation in evaporation exceedance of almost 1000mm.

The fact that NSW and Qld might be considered “oddities in Australia’s water resource management framework” does not then “prove” that the rest of Australia is right.

The continued integration of water and sewerage services within the control of Local Government is actually seen as a great advantage in those States over the disintegrated approach evident elsewhere where numerous economies of scope and continued integration of the whole water cycle have been lost in pursuing a faulty reductionist paradigm from the previous century.

It is a furphy to claim that water and sewerage utilities MUST be catchment based, as is evidenced by the highly effective way Councils in the Macquarie Valley have co-operated in the matter of water restrictions.

Why are SA and WA not viewed as “oddities” when compared to say, Victoria?

It is also not true that “in NSW the regulator reserves the right to overrule water restriction decisions made by water utilities to protect the overall security of the water resource”.

The power to apply water restrictions (under the Local Government Act, 1993) rests entirely with Councils. The State can reduce allocations (as it did in 2008 and 2009) which, provides a fairly clear trigger for Councils to introduce water restrictions, which they generally did. This applied to some (not all) of the regulated river systems in the State, principally in the Murray and Murrumbidgee systems.

This reinforces our view that the conclusions preceded any meaningful consideration of the real issues confronting water business management across Australia.

iii) Key Finding h):

We agree that water business reporting should be aligned across Australia and we would recommend that the performance model pioneered by the NSW Office of Water (and its predecessors) be adopted and implemented nationally.

However, a national approach to planning and management of water businesses is not a sensible suggestion; unless of course you wish to go beyond the recommendations and nationalise the industry!

Water planning and management across Australia is diverse and complex and is best left to the respective jurisdictions. A national set of guidelines would be helpful and again, we would recommend the NSW Best Practice Management of Water Supply and Sewerage Guidelines (2004 and 2007) as developed by the NSW Office of Water and implemented by local government owned water utilities in NSW, be adopted as the national model.

iv) Key Finding i):

“If water governance arrangements for water utilities in NSW and Queensland were on a catchment basis, as is the case in Victoria, significant benefits could be achieved”.

This is a conclusion which, we believe, was decided before any investigations were undertaken.

We dispute this assertion, as outlined above and in the next section, and as summarised below:

- no benefits have been substantially developed or presented;
- there has been no real attempt to quantify any benefits based on acceptable research findings; quite the reverse;
- we would contend that governance arrangements in Victoria are not strictly catchment based;
- what about SA, WA and Tasmania?
- we are not convinced by the logic of “efficiency gains” by centralised organisations and this report provides no real research to validate such claims. In fact, we contend that the Alliance model being developed in NSW, and demonstrated by the results achieved to date by LMWUA and CWUA, demonstrate more appropriate gains in a state the size and diversity of New South Wales.

The statement that “action is required now to address the institutional barriers to smaller water utilities delivering healthy water quality and security, as the costs of inaction will only continue to grow” takes no account of the significant gains made by alliances like LMWUA and CWUA and incorrectly asserts that Victoria is achieving substantially better water quality and water security results, which is not true.

- v) Much of the data collected in the Appendices with respect to individual towns is incomplete, out of date, irrelevant to urban water quality and very often wrong. For example, the answer to one question about Dungog in the Upper Hunter Valley was that, relevant to the whole of the Hunter Water customer set, even though it related to Newcastle, Maitland, Lake Macquarie, Port Stephens; in another example aquifer salination at Wellington was flagged as an issue when that town draws its supply entirely from the Macquarie River which does NOT have a salinity issue; in another example Bourke’s water rates from 2001/02 are reported, as if that could possibly be relevant in 2011. Similarly, Bourke is incorrectly credited with state average water consumption. It is, in fact, one of the highest users!).
- vi) Volume 1; Page 2, Table 1 - it is incorrect to say that water prices in regional NSW are “Not Regulated”. LWU’s are required to comply with Best Practice Management Guidelines, as issued by the NSW Office of Water in 2004 and updated in 2007.
- vii) Volume 1; Page 5, “Selection of water utilities” - We find it highly damning of the AECOM Report and its authors that they would choose towns for the study “for their known or likely water quality and/or security issues. Therefore it should be noted that the towns investigated are not a standard sample and, as such, the data may be statistically skewed. The information was gathered to provide an indication of the largest risks to water quality and security, rather than the likelihood of those risks.” Statistically skewed are hardly the words we would use to describe the results of this study and the “data” those results are supposedly based on. We would use instead terms such as “misleading”, “inaccurate”, “biased” and “scurrilous” to better characterise what has been done to the reputation of LWU’s in NSW.

- viii) Volume 1; Page 8, the first so-called "Key Finding" - "Less than full cost recovery is a common feature of water utilities servicing regional areas." This is simply not true in NSW, as has been addressed above. It is nothing more than a preconceived hypothesis which the authors have been unable to confirm with evidence, because it doesn't exist.
- ix) Volume 1; Page 9, "...many small towns are without water treatment because the increase in residential bills to recover the cost would be substantial." This is simply not true in NSW (see above). The statement in the report confirms that the primary authors are fundamentally ignorant of the true state of the water industry in regional NSW.

Also, on Page 9, "Water pricing can play a significant role in raising revenue and reducing water consumption." Apart from being so obvious that it is almost trite to make such a statement, NSW LWU's have been applying these principles in an exemplary fashion for more than a decade now. Pay-for-use pricing was introduced in NSW in 1996/97. Since 1991 pricing and other demand management measures have achieved a 47% reduction in residential water supplied per connected property, yet the Typical Residential Bill has been maintained broadly unchanged (\$410 in 1999/2000 compared to \$430 in 2009/10)¹⁰, thus maintaining a strong and sustainable revenue flow for NSW LWU's. Perhaps, the rest of Australia can learn from NSW on the issue of revenue raising versus reduced consumption?

The report also seriously criticises its own recommended structure (State owned regional corporations): "...under current pricing practices, funds are transferred from utilities to the government, often at the expense of new infrastructure, repair and replacement." This is certainly not the case in regional NSW, because the revenue raised stays with the LWU.

- x) Volume 1; Page 11, "...few States regulate adherence to the risk based framework set out in the ADWG." This is no longer true in NSW. From 2010, the Public Health Act was amended to mandate such compliance.

8. SUMMARY

Although we agree with most of the Recommendations contained in "Urban Water in Australia: Future Directions", we are astounded that the Commission has seen fit to recommend that "the NSW & Queensland governments should implement institutional and structural change in non-metropolitan urban water systems as a matter of urgency to meet the interests of customers and protect public health and the environment" This recommendation appears to be largely based on the findings and recommendations in the AECOM Report to Infrastructure Australia Report.

Not only is there no real evidence or valid justification for the AECOM recommendation that Regional Water Corporations should replace local government owned water utilities in NSW (and QLD) within two years, there are significant factual errors throughout the Report (as outlined in Section 6 and 7 above), raising serious questions relating to motive and bias.

We are also concerned that the Commission has not seen fit to include representation from regional water utilities and/or Councils in Stakeholder Workshops or reference groups.

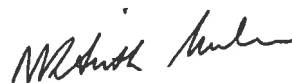
We would expect that in any future considerations of reform of regional water service delivery, such representation would be included.

We are pleased to be able to present some facts about water management in regional NSW (Section 3) and to outline our two alliances and our achievements; and to present them as a realistic model for future reform.

We would welcome the opportunity to further discuss the merits of alliances of local government owned water utilities.



Cr Phyllis Miller
Chair of Centroc
Mayor of Forbes Shire Council



Cr Rex Wilson, OAM
Chair of Lower Macquarie Water Utilities Alliance
Mayor of Warren Shire Council

ATTACHMENTS

- A: BEST PRACTICE COMPLIANCE (2010/11): CENTROC WATER UTILITIES ALLIANCE & LOWER MACQUARIE WATER UTILITIES ALLIANCE**
- B: CENTROC WATER UTILITIES ALLIANCE - DRINKING WATER MONITORING RESULTS**
- C: LOWER MACQUARIE WATER UTILITIES ALLIANCE - DRINKING WATER MONITORING RESULTS**

Attachment A

BEST PRACTICE COMPLIANCE (2010/11): CENTROC WATER UTILITIES ALLIANCE & LOWER MACQUARIE WATER UTILITIES ALLIANCE

Water Utility	Water Supply Best Practice Compliance	Sewerage Best Practice Compliance	Comments
CENTROC WUA			
Bathurst	100%	100%	Non-compliances: Nil
Blayney	NA	89%	Not a water supplier: Water by CTW Non-compliances: <ul style="list-style-type: none"> - Developer Servicing Plan (Liquid Trade Waste Policy requires updating in accordance with new Office of Water Guidelines)
Boorowa	70%	67%	Non-compliances: <ul style="list-style-type: none"> - Strategic Business Plans for WS & S - Water conservation strategy - IWCM - Complying non-residential charges
Cabonne	100%	89%	Non-compliances: <ul style="list-style-type: none"> - Developer Servicing Plan for Sewerage
Cowra	70%	78%	Non-compliances: <ul style="list-style-type: none"> - full cost recovery - residential usage charges for WS - IWCM - Complying non-residential charges for sewerage
Forbes	100%	100%	Non-compliances: Nil
Harden	80%	44%	Non-compliances: <ul style="list-style-type: none"> - Drought Management Plan

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			<ul style="list-style-type: none"> - IWCM - Trade waste Policy & TW charges - Developer Servicing Plan for Sewerage
Lachlan	80%	67%	<p>Non-compliances:</p> <ul style="list-style-type: none"> - Developer Servicing Plans for WS & S - IWCM - Complying non-residential charges for sewerage
Lithgow	70%	78%	<p>Non-compliances:</p> <ul style="list-style-type: none"> - residential usage charges for WS - Developer Servicing Plans for WS & S - Performance report for 2008/09
Oberon	70%	56%	<p>Non-compliances:</p> <ul style="list-style-type: none"> - Strategic Business Plans for WS & S - Drought Management Plan - IWCM - Trade waste Policy & TW charges
Orange	100%	100%	<p>Non-compliances: Nil</p> <p>(SBPs, water conservation plan & drought management plan currently under review)</p>
Parkes	100%	100%	<p>Non-compliances: Nil</p>
Upper Lachlan	80%	67%	<p>Non-compliances:</p> <ul style="list-style-type: none"> - residential usage charges for WS - IWCM - Trade waste Policy & TW charges
Weddin	NA	67%	<p>Not a water supplier: Water by CTW</p> <ul style="list-style-type: none"> - complying residential charges for sewerage - complying non-residential charges for sewerage - Trade waste Policy & TW charges

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Wellington	100%	100%	Included in LMWUA below
Young	90%	78%	Non-compliances: Nil
Central Tablelands Water	100%	100%	Non-compliances: Nil (Water conservation plan being updated)
Overall CENTROC Group	86%	81%	
LOWER MACQUARIE WUA			
Bogan	100%	78%	Non-compliances: - Trade waste Policy & TW charges
Bourke	100%	67%	Non-compliances: - complying residential charges for sewerage - complying non-residential charges for sewerage - complying trade waste charges
Brewarrina	60%	50%	Non-compliances: - full cost recovery for WS & S - complying residential charges for WS & S - complying residential usage charges for WS - complying non-residential charges for WS & S - Trade waste Policy & TW charges
Cobar	90%	78%	Non-compliances: - Developer Servicing Plans for WS & S - complying residential charges for S - complying non-residential charges for S
Dubbo	100%	100%	Non-compliances: Nil

Narromine	100%	100%	Non-compliances: Nil
Warren	100%	67%	Non-compliances: <ul style="list-style-type: none"> - complying non-residential charges for S - complying trade waste fees & charges
Wellington	100%	100%	Non-compliances: Nil
Overall LMWUA	94%	80%	
Combined Centroc & LMWUA	90%	81%	

Notes: 1. Elements of Best Practice in NSW (19 No.):

Water Supply:

- Strategic Business Plan & Financial Management Plan
- Full cost recovery
- Complying residential charges
- Residential usage charges raise >75% of water business revenue; >50% if <4000 connections
- Complying non-residential usage charges
- Developer Servicing Plan with commercial developer charges
- Water conservation plan implemented
- Drought management plan
- Integrated water cycle management plan
- Annual performance reporting (audited for those LWUs with > 10,000 connections)

Sewerage:

- Strategic Business Plan & Financial Management Plan
- Full cost recovery
- Complying residential charges
- Complying non-residential usage charges
- Complying trade waste fees & charges
- Developer Servicing Plan with commercial developer charges
- Liquid trade waste approvals & policy
- Integrated water cycle management plan
- Annual performance reporting (audited for those LWUs with > 10,000 connections).

2. LMWUA has completed the following regional plans and strategies:

- Regional Integrated Water Cycle Management Plan
- Regional Drought Management Plan
- Regional Demand Management Strategy
- Regional Water Quality Management Plan
- Regional Stormwater Harvesting Strategy

3. Centroc is proceeding to complete the following regional plans & strategies:

- Regional Integrated Water Cycle Management Plan
- Regional Drought Management Plan
- Regional Demand Management Strategy.

ATTACHMENT B

CENTROC WATER UTILITIES ALLIANCE DRINKING WATER MONITORING RESULTS

LWU	Micro. Results				Comments
	No. Samples	2009/10 Failures	No. Samples	2010/11 Failures	
Bathurst	179	1	103	2	98.9% compliance
Blayney	NA	-	NA	-	Water supply by CTW
Boorowa	52	0	32	1	98.8% compliance
Cabonne - Molong	54	0	32	0	100.0% compliance
Cowra	109	0	74	0	100% compliance
Forbes	68	0	39	0	100% compliance
Harden	71	0	52	1	99.2% compliance
Lachlan - Condoblin - Tottenham - Lake Cargelligo	47 37 43	0 1 0	46 21 38	0 0 0	98.5% compliance
Lithgow - Lithgow - Fish River	77 107	0 0	50 72	0 0	100% compliance
Oberon	122	0	71	0	100% compliance
Orange - Orange - Lucknow	146 53	0 0	87 35	0 0	100% compliance
Parkes - Parkes - Trundle	120 24	0 3	76 20	0 0	98.8% compliance
Upper Lachlan - Crookwell - Dalton - Gunning	53 28 32	0 0 0	36 17 32	0 0 0	

- Taralga	17	1	17	0	99.6% compliance
Weddin	NA	-	NA	-	Water supply by CTW
Wellington	77	0	51	0	100% compliance
Young	77	0	31	0	100% compliance
CTW	293	0	99	0	100% compliance
Totals	1886	6	1131	4	Overall compliance rate: 99.7%

Notes:

1. NA = not applicable
2. Most positive E.coli recordings resulted from sampling errors, with, generally no failures on repeat, replicate tests.
3. Cowra has implemented a boil water alert for supply to Koorawatha, a small village of 260 people. The supply is chlorinated but supply is via a long (30 km) main without re-chlorination. Council is rectifying this situation.
4. There are other minor exceptions in the NSW Health monitoring reports, but most of these relate to fluoride concentrations. They are not listed because all supplies are not required to test for fluoride. The NSW Health requirements are for monitoring of:
 - Fluoride (field result WSA)
 - Fluoride ratio
 - Fluoride (daily WSA)
 - Fluoride (weekly WSA)

The result which records the most exceptions is the daily result. Maintaining fluoride residuals in water supply where the raw water inflow to the treatment is variable on a daily basis (often on an hourly basis) is extremely difficult.

There have been some instances of aluminium exceedances at those plants using alum for coagulation and settlement

For the full range of testing required by NSW Health there have been **no** notices by NSW Health to correct.

5. **Note:** Combined Centroc & LMWUA microbiological compliance = 99.1%. Excluding the non-potable water supply results for Bourke, the overall compliance of the other 23 LWUs was 99.6%.

ATTACHMENT C

LOWER MACQUARIE WATER UTILITIES ALLIANCE DRINKING WATER MONITORING RESULTS

LWU	Micro. Results				Comments
	No. Samples	2009/10	No. Samples	2010/11	
Bogan	54	1	29	0	100% compliance
Bourke	60	9	70	8	87% compliance
Brewarrina					
- Brewarrina	41	0	37	1	99% compliance
- Goodooga	26	1	11	0	97% compliance
Cobar	31	0	30	0	100% compliance
Dubbo	107	1	94	0	99.5% compliance
Narromine					
- Narromine	53	0	31	0	100% compliance
- Trangie	53	0	31	0	100% compliance
Warren	52	2	20	1	96% compliance
Wellington	63	0	42	0	100% compliance
Totals	540	14	395	10	Overall compliance rate: (97.4%)

Notes:

1. Total number of samples: 540/full year (2009/10)
2. Most positive E.coli recordings resulted from sampling errors, with, generally no failures on repeat, replicate tests.
3. **There was one boil water notice issued by NSW Health in the 2 year period – namely at Warren which was determined to be due to poor sampling. The situation has now been addressed.** Excluding Bourke, compliance for the other 7 Councils was 99.1%. Bourke has a standing Boil Water alert for a **non-potable** (non disinfected supply) to the small communities of Byrock, Fordsbridge, Enngonia, Wanaaring & Louth– as a public health safeguard.

4. There are other minor exceptions in the NSW Health monitoring reports, but most of these relate to fluoride concentrations. They are not listed because all supplies are not required to test for fluoride. The NSW Health requirements are for monitoring of:

- Fluoride (field result WSA)
- Fluoride ratio
- Fluoride (daily WSA)
- Fluoride (weekly WSA)

The result which records the most exceptions is the daily result. Maintaining fluoride residuals in water supply where the raw water inflow to the treatment is variable on a daily basis (often on an hourly basis) is extremely difficult.

There have been some instances of aluminium exceedances at those plants using alum for coagulation and settlement

For the full range of testing required by NSW Health there have been **no** notices by NSW Health to correct.

5. There are other minor exceptions in the NSW Health monitoring reports, but most of these relate to fluoride concentrations. They are not listed because all supplies are not required to test for fluoride. The NSW Health requirements are for monitoring of:

- Fluoride (field result WSA)
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The result which records the most exceptions is the daily result. Maintaining fluoride residuals in water supply where the raw water inflow to the treatment is variable on a daily basis (often on an hourly basis) is extremely difficult.

There have been some instances of aluminium exceedances at those plants using alum for coagulation and settlement

For the full range of testing required by NSW Health there have been **no** notices by NSW Health to correct.

6. **Note:** Combined Centroc & LMWUA microbiological compliance = 99.1%. Excluding the non-potable water supply results for Bourke, the overall compliance of the other 23 LWUs was 99.6%.

