



RESPONSE TO THE
NATIONAL WATER COMMISSION'S
2014 TRIENNIAL ASSESSMENT
URBAN WATER FUTURES

SUBMITTED BY:
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13 DECEMBER 2013

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WATER
DIRECTORATE



13 December 2013

Ms Kerry Olsson
Acting Chief Executive Officer
National Water Commission
95 Northbourne Avenue
CANBERRA ACT 2600

Dear Ms Olsson

Submission to the 2014 Triennial Assessment of water reform progress in Australia

The Water Directorate welcomes the opportunity to make a submission to NWC's 2014 Triennial Assessment of water reform progress in Australia.

The Water Directorate membership supports innovative ways to source, deliver and manage water and engage with customers and partners to optimise these decisions.

The Water Directorate would like to extend an invitation to meet with the NWC in relation to customer focus, efficient regulatory arrangements, clarification of the role of the urban water sector in delivering liveability outcomes and the implementation of further institutional reforms and policy settings.

Yours sincerely

A handwritten signature in black ink that reads "G. Mitchell".

Gary Mitchell
Executive Officer

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BACKGROUND

The Water Directorate is a membership association that comprises 98 local water utilities (LWUs) that supply water and sewerage services to approximately 1.9 million residents in regional NSW. Its mission is to provide leadership and support to the local government water supply and sewerage industry in NSW. The Executive Committee of the Water Directorate is structured such that it contains senior water supply and sewerage managers elected from all regions around NSW.

The Water Directorate is a voluntary member-based organisation that represents 96% of NSW LWUs. Water Directorate members represent 3.2 times as many customers as Hunter Water and provide 89% of the reticulated water outside NSW metropolitan areas. The Water Directorate provides LWUs with independent expert advice, technical support, shared industry knowledge, improved efficiencies and assistance with long term planning.

The Water Directorate was founded by local government water and sewerage practitioners in 1998 after they realised that with the abolition of the NSW Department of Public Works that the structure and legislative framework for water authorities in NSW was not satisfactory. The NSW Department of Public Works had previously acted as the overall coordinating agency and mentor for the water industry in regional NSW. Hence an industry-specific association was formed to address the lack of coordination between government departments and local authorities as well as the declining level of technical advice provided by state agencies.

Importantly, the Water Directorate has the capacity as well as a strong focus on communicating with its membership on issues that directly affect the water industry. The role of the Water Directorate is not replicated by any other organisation or government agency.

Since its establishment the Water Directorate has provided consistent state-wide management tools at a low cost to its members in NSW. We have been involved in a large number of activities promoting and encouraging the long term efficiency of the local government water industry. As a result the Water Directorate has:

- Invested more than \$3.5 million developing relevant guidelines and technical documents to support industry best practice;
- Co-managed with LG NSW an \$8.73 million investment by the Federal Government and LWUs in a water loss management program saving 5.5 billion litres of water annually;
- Advocated for LWUs in responding to the Armstrong/Gellatly Review and a series of other government reviews by Infrastructure Australia, the National Water Commission, the Productivity Commission and Infrastructure NSW;
- Supported the industry through technical on-line discussion groups, technical workshops and

industry leadership not provided by State government departments;

- Encouraged excellence in regional water engineering and operations through sponsorship for members' attendance at state and national conferences including young engineers and operators;
- Hosted Water Directorate Forums at the Local Government NSW Water Management Conference and at the Institute of Public Works Engineering Australasia (IPWEA) annual conference; and
- Supported best practice through the sponsorship of several annual awards including the IPWEA Excellence Award for innovation in water and wastewater, initiative the WIOA Operator of the Year awards and the joint AWA/ Water Directorate Conference Attendance Award.

At our planning meeting in November 2013 the Executive Committee agreed to participate in all the conferences and sponsorships of awards as listed above and to continue providing input to reviews of relevance sought by all levels of Government. A copy of our most recent Annual Review 2012/13 is available on our [website](#) at and sets out our goals for 2013/14 as

These projects are all considered necessary tools for the local water industry to operate effectively. For instance, technical documents that are not being prepared by other government departments, are funded and produced by the Water Directorate. A full list of our 30+ publications is available on our [website](#) in the online bookshop.

PREVIOUS SUBMISSIONS

In preparing this submission, it is appropriate to highlight other reviews of importance relative to NSW currently and in recent years. The NWC should refer to these matters in considering the advance of urban water reform in Australia as related to NSW.

Independent Local Government (NSW) Review Panel – 2013

The Commission would be aware of the NSW Government Independent Local Government Review (ILGR) Panel on the Future Directions for NSW Local Government (Future Directions Paper) which is currently with the NSW Government for consideration. A copy of the Water Directorate submission to the review panel can be found [here](#).

The Water Directorate supported the report findings that local government should retain its current responsibilities for water supply and sewerage and that LWUs are performing very well following the introduction of the NSW Office of Water's *Best Practice Water Supply and Sewerage Management Guidelines*.

State Infrastructure Strategy 2012-2032 – November 2012

In July 2011, Infrastructure NSW (INSW) was tasked with preparing a 20 year Strategy that assesses the current state of infrastructure and identifies strategic priorities. The Strategy was independent advice to the NSW Government on the specific infrastructure investments and reforms recommended if applicable.

The Water Directorate comments were confined to those relating to regional water authorities. The particular areas addressed were the Strategy's sections 12 *Water Infrastructure* (and in particular section 12.3 *Regional water and wastewater*) and 5.0 *Regional NSW*. The Water Directorate noted that the water infrastructure investments proposed by INSW are aimed at advancing the metropolitan areas, the mining and the irrigation sectors. The issues relating to local water utilities had not been addressed in any detail, and indeed there was no justification given for any of the recommendations relating to regional urban water services, other than a reference to "previous reports to Government".

The Strategy recommended the "merging" of existing LWUs from 105 to around 30, a term which appeared to be "stronger" than the term used in previous reports to Government of "aggregation". The Strategy also assumed that the cost and funding implications would be "revenue neutral to government". It was submitted at that time by the Water Directorate, and it remains our view that taking the INSW Strategy in isolation would be at great cost to non-metropolitan local communities, with very little net public benefit in return.

It was noted that the INSW report indicated "a number of reports to the NSW Government have recommended a review of the arrangements and aggregation of the NSW non-metropolitan sector".

That statement was true; however all of those reports were not consistent in their findings of the true state of the sector and their approach to future governance options. For example, the Productivity Commission report into the sector rejected previous studies by Infrastructure Australia and others, and the baseline research contained within those previous studies was substantially criticised. To indicate the level of misinformation contained within some of those previous reports, the Water Directorate included as an Appendix to this submission a copy of the Directorate's response to the Infrastructure Australia's review of the sector (prepared by the consultancy AECOM) which highlighted the many errors and misconceptions that do seem to exist "outside of" Local Government with respect to the current performance of LWUs. The full response addressing those erroneous points can be viewed [here](#).

NSW Local Government Acts Taskforce – October 2012

In 2012, the NSW Minister for Local Government, the Hon Don Page MP, appointed a four member Local Government Acts Taskforce to develop a new, modern Local Government Act to meet the current and future needs of the local government sector and the community.

The Water Directorate responded to that report in December 2012. The report and our [response](#) is available on the NSW Office of Water website. In our response the Water Directorate:

- Proposed a reduction in red tape and regulatory duplication through the removal of NSW Office of Water's role in S60-S63 of the *Local Government Act 1993*
- Supported the reform of the Local Government Act to address regulatory gaps and inconsistencies between LWUs and water utilities regulated through other instruments.

Infrastructure Australia, Review of Regional Water Quality & Security 2011 – The AECOM Report

As indicated above, the Water Directorate was seriously concerned that the NWC appeared to have relied on the report prepared by AECOM for Infrastructure Australia, *Review of Regional Water Quality & Security*, 2011.

In our submission to the NWC in response to the report "Urban water in Australia: future directions – 2011" the Water Directorate challenged and refuted many of the references to the AECOM Report in the belief that they were relied upon in the NWC's *Urban water in Australia: future directions paper*. A full copy of those matters, which remain extant, are contained within our submission at Paragraph 6 and can be found [here](#).

Productivity Commission's Draft Report -Australia's Urban Water Sector – 2011

In 2011 the Water Directorate submitted a response to the Productive Commission's draft report on Australia's Urban Water Sector. Overall our submission concurred with the recommendations contained in

the draft report, however, our main concern was the Productivity Commission used and referenced the AECOM report which we have previously stated was deficient in a number of areas.

On the other hand, we were pleased to note an endorsement of the local government water industry at the release of the final report when the Parliamentary Secretary for Sustainability and Urban Water, Senator Don Farrell, stated that nationally the “...sector employs 40,000 people in more than 250 utilities and local governments, delivering secure, good quality water supplies for Australian households and industries.”

A copy of our full response is available on our website [here](#).

Inquiry into Secure and Sustainable Water Supply and Sewerage - 2009

In January 2009 the NSW Government released a report detailing the results of its Inquiry into Secure and Sustainable Water Supply and Sewerage Services for Non – Metropolitan NSW (the Armstrong/Gellatly Report). The Water Directorate responded to that report in April 2009. The report and our response is available on the NSW Office of Water website at www.water.nsw.gov.au

The key elements of our response to the Armstrong/Gellatly Report were:

- support for the following models or combination of models for the provision of water supply and sewerage services in NSW:-
 - regional mandatory alliances
 - county council (service provision only)
 - county council (including asset ownership)
 - regional council aligned to catchments or sub-catchments.
- rejection of the ‘one size fits all’ solution
- rejection of the ‘Victorian model’
- recognition of skills shortages in some NSW Local Water Utilities (LWUs)
- belief that NSW LWUs are complying with public health regulations and that Sewage Treatment Plants are meeting EPA licence requirements
- most LWUs have undertaken fair revaluation of their assets to determine depreciation.

RESPONSES TO THE NWC THEMES

General

Whilst the National Water Commission identified six (6) thematic areas for consideration in their call for submissions, the Water Directorate generally believes that the issues discussed in our previous submissions, summarised above, already address most of the NWC themes. The following additional comments are provided in relation to each theme.

Theme 1: Efficient and Effective service delivery

Regional and remote water suppliers, often an arm of local government, find that the size of their organisation affects their capacity to deliver services. The ability to implement long term integrated planning strategies in an affordable way, with the revenue streams currently in place, remains a challenge.”

- How would you like to see the urban water sector collaborate in optimising efficient and effective service delivery?
- What do you see as the priority supply and demand management issues the urban water sector must address?

Long term planning in NSW is undertaken through the NSW Government NSW Office of Water’s *Best Practice Management of Water Supply and Sewerage Guidelines*. These guidelines include the requirement to have sound Strategic Business Plans (SBP), 30 year financial plans and 50 year asset renewal programs. All NSW LWUs with greater than 3,000 connections comply in this regard.

The NSW Office of Water has been requiring LWUs to prepare SBP and Financial Plans to a specified format since 1993. These SBP require and ensure that NSW LWUs recover all costs, including those required for current and future recurrent capital expenditures (ie. Renewals, improved levels of service and/or industry standards and growth).

There are 29 regional reporting LWUs with more than 10,000 connected properties in NSW of the 80 which report nationally. These LWUs are responsible for over \$11 billion in water and sewer infrastructure, which represents 9% of the national figure of \$120 billion in water and sewer infrastructure, reinvesting \$4.8 billion over the past three (3) years, which represents 27.1% of the national figure of \$17.7 billion. The urban water sector in NSW is therefore optimising the efficient and effective management of water supply and sewerage services to accord with NSW regulatory requirements and industry expectations.

The best reference by far to the true state of affairs is provided by the NSW Office of Water’s most recent official 2011-12 Performance Monitoring and Benchmarking Reports. The following points summarise the findings of these reports:

- the typical median water supply residential bill in country NSW has increased by only 5%, in real terms, over the past 17 years,

- 83 per cent of the local water utilities in NSW carried out water recycling, mostly for agriculture – an increase of 36% per cent from nine years ago,
- the total volume of recycled water in the 2011/12 financial year was 40 billion litres - which is 21 per cent of the volume of sewage collected - higher than country Victoria, the National Median and all the metropolitan utilities except for Adelaide,
- average annual residential water use has fallen from 330 kL to 155 kL per connected property - a reduction of over 53 per cent over the past 21 years, and is lower than country Victoria, the National Median and all the other Australian states and metropolitan utilities except Melbourne and Brisbane - this achievement was assisted by strong community engagement through demand management and education programs, together with strong pricing signals provided, with a median water usage charge of 199c/kL for the first step,
- the water supply for 97 per cent of the urban population in country NSW complied with the Australian Drinking Water Guidelines with 48 LWUs already implementing risk based drinking water quality management plans and the remainder to do so by September 2014,
- operation, maintenance and administration cost per property for water supply was lower than Brisbane, Canberra, Melbourne, the National Median and the country utilities in all the other states, but higher than Sydney, Hunter, Perth and Adelaide,
- 92 per cent of utilities have a sound strategic business plan and long-term financial plan,
- 92 per cent of utilities have a sound water conservation plan and 93 per cent have a sound drought management plan,
- water main breaks have remained much lower than all the other states and the capital city utilities, indicating good asset condition and appropriate investment in asset renewal programs,
- annual revenue was \$1,086M and the current replacement cost of the assets employed was \$25.2 billion, and
- overall compliance with the 19 requirements of the NSW Best Practice Management of Water Supply and Sewerage Guidelines is now 89 per cent, compared to 46 per cent seven years ago

The *2011-12 Performance Monitoring Report* also highlights a series of interstate comparisons on pages 15 and 16, which show regional NSW LWUs perform as capably as the water utilities elsewhere across Australia.

As outlined in these interstate comparisons no one jurisdiction is consistently any better than another for all comparators, and to make a sweeping statement that regional NSW needs to “brought up to national

standards” is not supported by the empirical evidence provided in the NSW Government’s own annual Performance and Benchmarking Reports.

The collaborative efforts by water utilities across Australia in providing performance and benchmarking data to regulators and the NWC is seen as a very positive approach to enable various organisations to understand and improve performance. There has been discussion on the effort required to submit data and the value of the NWC National Performance Reporting arrangements.

This discussion is not supported by the Water Directorate as we recognise the value and the ongoing importance in the reporting for comparison the range of issues confronting water utilities and business improvement opportunities.

The Water Directorate supports improved regional collaboration particularly for LWU’s with less than 10,000 connections. To ensure effective, efficient and sustainable provision of water supply and sewerage services in regional NSW, it is important to facilitate the sharing of resources and technical capacity among LWUs and to ensure the NSW Office of Water’s Best Practice Water Supply and Sewerage Management Guidelines and regulatory requirements are met.

Strengthening the arrangements for regional cooperation and resource sharing will enable councils to address challenges including:

- Implementing regional water resource planning and integrated water cycle management;
- Responding to uncertain (reduced) water availability;
- Responding to demand variations; and
- Building professional capacity to implement ever-increasing technical, environmental and water quality standards.

The Water Directorate supports the use of binding alliances and Regional Organisation of Council’s (ROCs) as well as county councils to facilitate this collaboration to support the smaller utilities (<10,000 connections).

The Central NSW Water Utilities Alliance (CWUA) and the Lower Macquarie Water Utilities Alliance (LMWUA) are examples of regional collaboration that benefits all of the members. Details of the LMWUA including history, objectives, outcomes, future projects and identified advantages of this alliance arrangement are provided in the attached Appendix A.

These Alliance organisations provide strategic direction to their member councils through a project officer who facilitates knowledge transfer across the member councils and coordinates procurement for strategic planning and best practice requirements on a regional basis. A committee and board structure provides

the strategic direction required by that project officer.

The Water Directorate believes that for enhanced strategic capacity in the provision of water supply and sewerage provision in regional NSW, councils should be permitted to choose between:

- Joining a binding alliance;
- Joining a binding alliance auspiced by a ROC;
- Joining a county council providing agreed management services only; or
- Joining a “full” county council where all assets and all operations are transferred from the constituent

The Water Directorate agrees that there is an urgent need for a cohesive approach to the ongoing development and implementation of appropriate supply/demand initiatives.

In this regard we would refer the NWC to the best practice criteria stipulated by the NSW Office of Water which require all LWUs in regional NSW to develop, implement and maintain an Integrated Water Cycle Management Plan, a Demand Management Plan and a Drought Management Plan.

The successful implementation of these strategies in an integrated way has resulted in enhanced security of supply and the management of demand with a reduced per capita consumption across the state, even during periods of extreme drought, as has been experienced at times over the 14 years up to 2013.

In relation to affordability the Water Directorate fully supports the Productivity Commission Australia’s Urban Water Sector Report 2011 recommendation (page 421) that stated;

“Jurisdictions should identify those regional utilities that are unable to provide safe and secure water and wastewater services for economic reasons. In doing so, the relative merits of alternative supply options (including moving to a system of self- supply) should be considered.

State and Territory Governments should subsidise the provision of water supply and wastewater services in regional areas where it is uneconomic for the utility to provide these services safely and efficiently. This funding should be granted via an explicit Community Service Obligation, and subject to periodic review.

The case for providing subsidy funding for capital works, financial incentives for reform and assistance for the affected local council’s should be determined by State and Territory Governments.”

The Water Directorate would also suggest that a similar strategic approach is required for water supply and sewerage asset management and the replacement of ageing infrastructure, with “simple and fit for purpose” systems in remote areas, rather than complex and high level technology solutions.

Theme 2: Aligning institutions and regulatory frameworks

Whilst there are advantages in regional and remote bodies assuming responsibility for water cycle management the administrative burden of aligning to regulations can be significant. The NWC considers that the urban water sector can achieve greater outcomes from better integration of policy, regulation and service provisions across the urban water sector.

- What do you consider to be the respective roles of economic, environment and public health regulation?
- How can regulation enable innovation?

The Water Directorate supports a national review of treatment and disposal standards and the associated cost of compliance and also supports the removal of barriers to water reuse and recycling.

In terms of public health and environmental regulation and compliance, the Water Directorate fully supports:

- Mandatory compliance with the Australian Drinking Water Guidelines ADWGs (as has been achieved in NSW with recent legislation under the NSW Public Health Act 2010 requiring all LWUs in NSW to comply), and
- Regulation of environmental discharge requirements.

In general, the Water Directorate believes that accountability to regulators and frameworks in NSW is very sound, continues to improve and provides sustainable levels of service to local communities and the environment.

LWUs in regional NSW are subject to the following regulation by external agencies:

- **NSW Ministry of Health** – regulates and monitors water quality in reticulated water supplies, including fluoridation of water supplies;
- **NSW Office of Environment & Heritage (Department of Premier & Cabinet)** – regulates licensed discharges to receiving waters, water supply extractions and volumetric entitlements, including water sharing plans and monitoring of waterways. The return of treated wastewater to inland rivers in NSW is highly regulated requiring development approval through the Environmental Planning and Assessment Act, licensing by the NSW EPA and approval by the NSW Office of Water.
- **Catchment Management Authorities** – responsible for implementation and funding of catchment action plans;
- **NSW Dams Safety Committee** – responsible for surveillance and monitoring of prescribed dams for both water supplies and regulated waterways;
- **NSW Office of Water** – responsible for approvals pursuant to section 60 of the Local Government Act (NSW) 1993, main regulator of the sector through the Best Practice Management for Water Supply

and Sewerage Guidelines, Integrated Water Cycle Management, Performance & Benchmark Reporting through the NSW Water Supply and Sewerage Performance Monitoring Report, management of the Country Towns Water Supply and Sewerage Program.

- **Independent Pricing and Regulatory Tribunal** – review of NSW Office of Water Developer Charges Guidelines for Water Supply, Sewerage and Stormwater; and
- **Department of Local Government** – responsible for compliance with Local Government Act (NSW) 1993 and ensuring the implementation of proper governance to the industry.

Water prices and developer charges in regional NSW towns are developed in accordance with NSW Office of Water's Best Practice Pricing Guidelines that fully comply with the requirements of both the NSW Independent Pricing Regulator (IPART) and the National Water Initiative.

NSW LWUs are committed to meeting the water and sewerage needs of their communities and they are committed to meeting the requirements of their complex operating environment. Therefore the Water Directorate welcomes the finding of the recent Future Directions for NSW Local Government paper and can confirm from NSW Government and National Water Commission publications that;

“Local government water utilities are performing very well. Accordingly, the Panel sees no case for major changes in the way they are being managed unless the Councils concerned identify a need to make adjustments.”

The Water Directorate is very supportive and proud of the achievements of its entire member councils, whether they are general purpose councils or special purpose county councils.

The Water Directorate believes that there is no obvious impediment to being a high achieving and highly acclaimed water utility that arises from being either a small or large general purpose council or a special purpose county council.

Our member councils have won numerous national and state awards presented by peak industry bodies including the Australian Water Association, LGNSW, Engineers Australia and IPWEA. The NSW Office of Water has highlighted many examples of excellent practice amongst LWUs in its various guidelines and documents.

The NSW local government water industry is a highly skilled and high-achieving sector of the Australian water industry as attested to by the benchmarking results published nationally by the National Water Commission.

However, the Water Directorate would welcome any initiatives which would make it simpler to implement reuse schemes, particularly in regional NSW and would support a review of the Australian Guidelines for Water Recycling with a view to better facilitation of reuse schemes in regional Australia.

In its submission to the NSW Government's Local Government Acts Taskforce the Water Directorate stated that it is seeking a regulatory model that is robust enough to allow flexibility in structural arrangements of the utilities to best support the services it provides to the community and remove regulatory duplication.

The Water Directorate suggested that appropriate regulation could be achieved either through a reformed *N S W Local Government Act* or a new specific Act for LWUs.

Considering the Better Regulation Principles, LWUs need legislation which enables them the same operational powers as Sydney Water and Hunter Water so they can make the best decisions for their water business, their customers and therefore their community.

Current areas of discrepancy that should be addressed include:

- management of waste or misuse of water
- ensuring permanent water conservation measures can be implemented as part of a portfolio of options
- flexibility around billing
- prohibited waste provisions
- access to existing and future easements system protection capabilities through compliance powers and penalties.

Regardless of which Act LWUs are regulated under, the Water Directorate supports the reduction of red tape and duplication of reporting to, and oversight by, regulatory agencies. Specifically we propose the removal of regulatory duplication and red tape brought about through Sections 60 – 63 of the *Local Government Act 1993*.

The current regulatory model creates confusion regarding roles and responsibilities, and limits the ability of local council owned water utilities to deliver the best outcomes for their community.

Further the revising of the *NSW Local Government Act 1993* or creation of a new specific Act would improve our businesses ability to provide services as modern water utilities by levelling the regulatory playing field.

Theme 3: Access to capital and private sector investment

Regional and remote providers face significant challenges in accessing capital necessary to manage the community's expectations of service. Challenges remain in both providing the environment for private investment and maintaining the capacity to manage the partnerships on an ongoing basis.

- What are the preconditions for attracting private capital investment into the urban water sector?
- Should more be done to encourage the entrance of private retail providers?
- How do we encourage more investment in regional and remote areas of Australia?

This option has been proposed by both State and Federal governments frequently in recent years and its viability remains very mixed depending upon which aspects of private investment are being considered.

However, there is no apparent market appetite for a private sector takeover of the provision of water and sewerage services. The recent end of such service provision at Bega Shire has clearly demonstrated this situation. The necessary pre-conditions of creating businesses of a suitable size and scope to be sustainable, let alone profitable, do not exist within regional NSW.

The Water Directorate is unable to provide any further detailed commentary on this theme in the timeframe allowed. A full and proper consideration would be required to comment on the options in this discussion including any outcomes emanating from the NSW Government Water Industry Competition Act (WICA) as they relate to the regulation of water recycling, roles, responsibilities and delivery of the best outcomes for the community.

The Water Directorate agrees in principle that market driven options are likely to promote innovation, but such initiatives are more appropriate for larger metropolitan water corporations, with little relevance to regional water utilities in NSW.

Of particular interest in this regard is the increasing level of customer dissatisfaction with the electrical energy retail sector, largely caused by changes to retail supplier options, billing and tariffs. Full details of the 45% increase in complaints during 2012/13 are contained within the NSW Energy and Water Ombudsman Annual Report located [here](#).

Theme 4: Investing in people: skills and culture

The diversity of business models within the industry can mean that ongoing investment in skills development and maintenance required to deliver on existing responsibilities varies.

- Are the challenges of an ageing workforce still a top priority issue?
- What will a future workforce look like (incl. cultural characteristics) and where do you see the critical skill gaps in the sector?
- How will the industry attract and retain people with the skills and qualities required to provide leadership across the sector?

Water Directorate research indicates that the “ageing workforce” remains a priority issue for many LWUs. However, other competing market sectors including; particularly the mining and resource sectors in many regional areas brings a level of added challenges to train and retain specialist staff.

The development and implementation of the proposed national approach to Drinking Water Operator Certification will provide both challenges and opportunities, with a long term benefit in the ability to better recognise and remunerate staff working within these critical skilled areas of the water industry.

However, NSW LWUs have benefitted from positive actions targeted at addressing specific skill problems. Economies of scope, afforded by having water operations combined with council’s general purpose operations, provide benefits of attracting staff of a calibre and breadth of experience appropriate to meet management requirements.

Any identified additional specialist skills required within Council’s water operations has been addressed by innovative approaches such as alliances between groups of councils, development of water industry trainee and existing worker training programs, use of consultants either by individual councils or upon a regional basis or by regional cooperation through agencies such as the Water Directorate and the Water Loss Management Program, in partnership with the Australian Government (Water Smart Australia Program).

The stated benefits of improved operator training are interesting observations, but somewhat alarmist to say the least. It would be useful if any evidence to support these observations was presented within the report.

The water industry training courses run by the NSW Office of Water provide accessible and high standard water and sewerage treatment plant operator training, available to all regional water utilities in NSW. This training is presented by experienced and respected professional operators, and involves written tests, mathematics tests, and onsite assessment of students back at their own water supply and sewerage treatment plants.

The training is at a Certificate III NWP07 standard in accordance with NSW TAFE requirements. The Office of Water then follows that up with regular inspections of all LWUs by a team of eight (8) full time

Water Inspectors who circulate around the state providing follow up, feedback and mentoring of Council operators. As another means of routine follow up, every LWU in NSW is required to annually report the qualifications and training provided for all of its operators to the NSW Office of Water in its annual performance report.

A major factor in staff retention and development of career paths for water treatment plant operators is the geographical limitations faced by widely dispersed regional communities.

Work opportunities afforded by the scope of operations undertaken by regional councils is considered to provide greater potential to retain the necessary operator skills within these communities when compared with a regional water supply model where, for career progression, an operator would need to move to a larger town or a regional headquarters. Under the current structure operators can, and do, move to larger towns to pursue a water career, however, they also have the opportunity to remain with their existing Council and broaden the scope of their skills.

Further, larger regional utilities would mean the removal of water functions from the current scope of works undertaken by general purpose Council staff and would make attracting staff more difficult, thereby presenting a much greater problem for regional councils.

Through the use of innovative approaches such as regional alliances between councils and cooperation between regional water utilities, such as the formation and role of the Water Directorate, lends to the attraction of skilled staff. The level of cooperation extends also to county councils and Council Owned Corporations that supply water to regional NSW.

The NSW [Water Trainers and Assessor Network](#) (WTAN) recently undertook research in relation to the training needs of local government water industry employees. Two reports were released in 2012, identifying the training needs of local government water industry employees in regional NSW. Research undertaken with councils in the New England Region and the Mid Coast & North Coast Region provide a comprehensive demographic and occupational profile of water employees in each council and the region.

The reports also offer a range of practical strategies to address attraction, recruitment, retention and training and development issues identified in consultations with the 27 participating councils.

Theme 5: A customer focused sector, an engaged community

In regional and remote locations where both bulk and retail prices aren't regulated, final prices are set annually in accordance with guidelines provided by the relevant government agency. The NWC would like to see customers able to express their values and preferences in urban water policy development and service offerings, including price, and the level and quality of service that best meets their needs. The NWC would like also to see investment decisions that incorporate customer and community values. The water sector needs to move beyond the current traditional engagement practices of consultation and market research approaches towards methods that engage with consumers and the community, for example, using social media, citizen juries, choice modelling and learning alliances, to name a few.

- What role do you see for customer engagement in urban water policy development and service provisions?
- Does pricing policy and economic regulation pose a barrier to customer engagement and choice in services? How?
- Whose role is it and who should pay to improve customer awareness and understanding of urban water issues?

NSW local government management provides its customers with a strong feeling of ownership of water and sewerage services within regional areas of the state. However, often aside from pricing increases, potential privatisation and water security issues during periods of drought, public interest in water and sewerage services is generally limited.

The success of the current service delivery provided by NSW LWUs is a significant factor in this high level of satisfaction and lack of desire by many communities to raise concerns in relation to urban water resource management issues.

The Water Directorate supports any initiatives that will focus service delivery to customers and regional communities. The Water Directorate has previously rejected out of hand any contention that the capacity and resourcing of service providers in rural and regional areas of NSW is inadequate.

There has been no justification for this contention in any report.

The Water Directorate believes that any proposed solution for regional water supply operators, in the form of larger corporatised regional utilities, is overly simplistic in that it ignores basic geographical constraints which dictate the work environment for most operators of regional water supply schemes regardless of the corporate structure within which they work.

For the majority of NSW councils the commercial structure under which they operate most closely aligns to that of a Co-operative, whereby dividends are returned to the shareholders (in this case: customers and community) in the form of lower prices. Co-operatives are a proven and successful form of commercial enterprise that has been used for generations, and run particularly by primary producers, to operate a business and return dividends equitably to members.

The Water Directorate strongly objects to any proposal that would strip water assets from their current

owners and place them in the ownership of government owned regional corporations or private companies.

The current legislative reporting mechanisms of NSW Local Government ensure that the community has an engaged say into the operation and service delivery of LWU's.

This includes the setting of prices, regulation, understanding of urban water issues and levels of service. The issue of switching options available in power industry and the level of customer dissatisfaction currently experienced with electricity providers in NSW is highlighted in our response at Theme 3 above with respect to the EWON Annual Report.

It is considered that the system of price setting in regional NSW is transparent and cost efficient. The current system of Council Management Plans, which are approved by elected Councillors, ensures appropriate local accountability in the water price setting process.

The Water Directorate supports community consultation in term of price setting and the development of appropriate levels of service. As outlined above this already occurs in regional NSW through the Strategic Business Planning process and Council Management Plans, a process which is working well in the interest of the community.

The current system of water and sewerage price setting in regional NSW relies upon a well-tested, light handed style of regulation by the NSW Office of Water via the gazetted "Best Practice Pricing Principles". These pricing principles have been developed by the NSW Office of Water with due regard to both the NSW IPART's and the National Water Initiative principles being firmly addressed and gazettal under the NSW Local Government Act ensuring that they have the force of statutory law.

Providing customer choice in pricing and service delivery may possibly have some applicability and benefits in larger metropolitan areas. However, it is considered that there are many issues with equity and complexity in regional areas, where price flexibility to meet service obligations may be difficult to achieve.

Theme 6: Contributing to liveable communities

In the urban context, it is the NWC's view that water often misses 'a seat at the table' in the broader urban planning discussions. In many ways the regional and remote service providers, with their link to local government, are much better placed to incorporate integrated water management opportunities. However it is unclear how local governments are addressing the concept of liveability and the important role that water plays in delivering this.

- How can the urban water sector more effectively influence decisions to support liveable communities?
- Do the challenges differ in major cities, regional and remote locations?

The concepts of 'water sensitive urban design' and 'liveable cities' are not often clearly defined or agreed. Nevertheless, as highlighted in the discussion paper regional communities often have a more integrated focus upon water cycle management than large urban centres.

The Water Directorate does not believe that there is any confusion about roles in delivering quality water supply and sewerage services within regional NSW. Perhaps the demonstrated benefits of local government owned water utilities in NSW effectively delivering these services in regional or remote locations has been grossly undervalued and/or not fully appreciated.

A major benefit in achieving positive environmental and social outcomes within local government areas, particularly as in relation to Integrated Water Cycle Management, Water Sensitive Urban Design and associated infrastructure provision, is the integrated approach provided by NSW local government facilitated by its existing powers under both the *Local Government Act (NSW) 1993* and *Environmental Planning and Assessment Act (NSW) 1979*.

As previously highlighted in this submission the NSW Government's *Best-Practice Management of Water Supply and Sewerage Guidelines, 2007* involve six (6) criteria:

- Strategic business planning and financial planning,
- Pricing and regulation of water supply, sewerage and trade waste (including pay-for-use water pricing, strong pricing signals, full cost recovery, commercial sewer usage, trade waste and developer charges and a trade waste regulation policy),
- Water conservation and demand management,
- Drought management,
- Annual performance monitoring – including annual 2-page triple bottom line (TBL) Performance Report and Action Plan by each utility, and
- Integrated Water Cycle Management (IWCM)

The current IWCM framework in NSW includes the identification of a LWUs 30 year strategy for water supply, sewerage and stormwater management services which will provide the best value for money

based upon a triple bottom line (TBL) basis of social, environmental and economic considerations. The IWCM strategy therefore needs to identify the best mix of capital works, non-build solutions, policies and operation and maintenance activities.

Currently 76% of LWUs reported in 2011-12 that they have commenced their IWCM evaluation or strategy. A total of 65 LWUs have completed an IWCM Evaluation, 33 of which have also completed an IWCM Strategy. Future 30-year IWCM strategies will also be developed to include assessment of the secure yield of the utility's water supply in accordance with the new climate variability guidelines.

Therefore LWUs have already commenced work and delivered many innovative solutions including major stormwater re-use projects to provide regional communities with secure and sustainable approaches to future water resources management challenges.

NSW local government undertakes stormwater, land-use planning and they deliver water supply and sewerage services, so they are actually better able to develop and deliver a truly integrated approach to water sensitive urban design and overall water management in their local communities.

LWUs have the ability to integrate all facets of the water cycle (water, sewerage and stormwater) by direct and seamless interaction on a day to day basis with other local government infrastructure including roads, stormwater drains, recreational areas and numerous water-using facilities such as swimming pools, airports, saleyards, community buildings and the like, all within the strategic and statutory landuse planning umbrella administered directly by each local government authority which is what creates and drives the very urban fabric and urban footprint requiring servicing with water supply and sewerage infrastructure.

SUMMARY

As outlined above, the Water Directorate generally agrees with the work to advance urban water reform in Australia.

The major concern has previously been and remains any suggestion that customers in regional NSW are not receiving adequate service and are exposed to water quality risks.

In accordance with the NSW Government's *Best-Practice Management of Water Supply and Sewerage Guidelines*, currently 92 per cent of NSW LWUs have sound strategic business and financial plans. The implementation of these plans will ensure the long term sustainability of these water and sewerage services for regional communities.

NSW LWUs have achieved consistently high standards notwithstanding the recent challenges of both drought and flood conditions. There has been a real increase of only 5% in the water supply median Typical Residential Bill (TRB) of \$490 over the past 17 years. The TRB is now lower than country Victoria, the National Median and all the capital city utilities, except for Melbourne. The median TRB for water supply and sewerage combined is \$1090, which involves a real increase of 10% over this period.

At the same time, 99.6% of all 20,100 samples tested for E.coli in 2011/12 complied with the *NHMRC 2011 Australia Drinking Water Guidelines*, with 97% of the LWUs complying with these guidelines. A priority issue for all LWUs is currently the completion and/or implementation of a Risk Based Drinking Water Quality Management Plan in accordance with the NSW Public Health Act 2010. A total of 48 LWUs have already completed and implemented a Drinking Water Quality Management Plan (DWQMP). The remainder of LWUs are currently completing DWQMPs in order to meet the regulatory target date of September 2014.

Average annual residential water supplied is low at 155 kilolitres (kL) per property, which is 53% lower than that in 1991. In addition to high rainfalls in 2010-12, the trend in reduction is due to the strong pay-for-use pricing signals with a median water usage charge of 199 cents per kilolitre (kL), together with the implementation of water conservation and demand management measures by the LWUs and some drought water restrictions.

The Water Directorate believes that local government owned water utilities are the best model for delivering services to regional NSW. Local government ownership provides:

- local representation and decision making;
- understanding of customer expectations;
- knowledge of local issues and priorities;

- the ability to integrate all facets of the water cycle (water, sewerage and stormwater) by direct and seamless interaction on a day to day basis with other local government infrastructure including roads, stormwater drains, recreational areas and numerous water-using facilities such as swimming pools, airports, saleyards, community buildings and the like, all within the strategic and statutory land-use planning umbrella administered directly by each local government authority which is what creates and drives the very urban fabric and urban footprint requiring servicing with water supply and sewerage infrastructure

We congratulate the NWC on its work and its passion in striving for improved levels of service in the water sector across Australia.

APPENDIX A – LOWER MACQUARIE WATER UTILITIES ALLIANCE (LMWUA)

History

1. The LMWUA was created in early 2008 as a working example of a MANDATORY ALLIANCE. This was a structural entity suggested by the LGSA and WATER DIRECTORATE in their joint response to the NSW Water Inquiry instigated in August 2007 by Water Minister Rees. It was suggested as a practical means of overcoming the performance shortcomings exhibited by some Local Water Utilities in regional NSW whilst retaining ownership by councils of their water utility functions.
2. The ARMSTRONG GELLATLY REPORT of December 2008 subsequently endorsed Alliances as a legitimate means of restructuring the industry, but coined their own term of “BINDING ALLIANCES” in lieu of “mandatory” alliances. As an industry we have largely adopted the new terminology as part of embracing the majority of recommendations made by Armstrong/Gellatly.
3. Six councils (Bogan, Cobar, Dubbo, Narromine, Warren and Wellington) met initially in Nyngan in February 2008 to explore the idea of an alliance and by July 2008 had signed a four year Deed of Agreement based on the “mandatory alliance” concept. Bourke and Brewarrina subsequently joined the Alliance in May 2009.
4. The initial Deed has now expired (as of July 2012). Although we have had a much improved document prepared for us by the law firm Marsdens, it was decided at Board level of the LMWUA that we not execute a new Agreement at this stage until such time as the NSW Government properly responds to the water inquiry which they themselves commenced back in 2007. The 2008/2012 Agreement has simply been extended ad hoc pending such a response.

Objectives

1. The overall objective of the LMWUA is to employ mutual co-operation to address short term deficiencies and impediments to achieving gazetted Best Practice, and to demonstrate long term sustainability of the Alliance and its member councils.
2. This objective is to be achieved by resource and staff skill sharing; exploring opportunities for sharing of licenced water resources; peer review of performance and mentoring where appropriate; development of shared best practice; and joint funding of best practice strategies and goals.

Governance

1. The LMWUA operates under the authorisation of Section 355(d) of the Local Government Act, 1993. Each Council retains its autonomy and staffing but has agreed to be “bound” by the decisions of the Alliance. If “binding alliances” are to become a permanent feature of the local government landscape in future the rewritten Act will need to develop some new methodologies about how an Alliance is to discipline or direct an intransigent member Council, perhaps by writing into it a tribunal process or involvement by the Minister for Local Government. Likewise it would be sensible to also include an Appeals provision for any aggrieved Alliance Council to seek redress outside of the Alliance to any perceived inequity.
3. Fortunately to date the LMWUA has been a model of consensual progress towards achievement of shared goals, but it is well known that councils in some regions of the State do not get on as readily and may need the benefit of additional “bindingness”.
4. The LMWUA is governed by a Board with each Council having two members and equal voting rights. The Board meets biannually.
5. Member councils typically appoint the Mayor and General Manager as their two delegates, with the exception of Dubbo where it is the Mayor and Director Technical Services.
6. It was agreed from Day One that Alliance projects would be funded on a per connection basis. This means in practice DCC contributes 60% of funding, Wellington 10%, and so on down to Brewarrina which contributes 1.8%.
7. In practice the small councils have not considered Dubbo to simply be a “cash cow”. They have even voted occasionally to contribute more to particular initiatives than they might have. From Dubbo’s perspective we see the relationship as a positive one because it is rapidly convincing Government that the industry in regional NSW is able to “lift its game” without recourse to more drastic structural options which would see Dubbo along with every other Council losing Water Supply and Sewerage functions and revenue.
8. Occasionally the Alliance has taken on the preconstruction stage of projects which attain compliance for one aspect of Best Practice by an individual member as a shared project, but once it reaches implementation stage then that individual Council takes on full responsibility for funding that particular project.

Structure

1. Operational matters are dealt with by a TECHNICAL COMMITTEE which meets bi-monthly. Member councils typically appoint their most senior water and sewerage staff to this Committee and/or their Director Technical Services. The Chair in our case is the Water & Sewer Manager from Wellington Shire Council.
2. The Alliance pays a professional consulting engineer as PROJECT OFFICER to service the Technical Committee and the Board. This involves writing Briefs for projects, calling quotes, assessing proposals and making recommendations on same, preparing grant applications, administering grant funds received, preparing Agendas, Minute taking and most other Secretariat functions generated by the structure of the Alliance. On occasions the Project Officer has also been engaged directly to assist individual member councils with particular projects they were struggling with or to progress projects which appeared to the Technical Committee to have “stalled”.
3. DCC has engaged the Project Officer since the inception of the Alliance and sought recompense from the other seven member councils on a per connection basis. This process has worked well to date.
4. In terms of other consultants engaged to undertake project work, this has been done through Wellington Shire Council, who are then paid back by the other Alliance members on this same basis.
5. Both of these arrangements are necessary because a Section 355(d) Committee is NOT a corporation in its own right capable of employing staff or entering into contracts, so one of the individual Council members has to be the entity issuing Orders and paying for services rendered. A useful addition to the new LGA would be a means by which Section 355 committees could employ staff, issue orders and enter into contracts more directly.
6. Below the level of the Technical Committee three SPECIAL INTEREST GROUPS have been set up:
 - A COMPLIANCE & STATUTORY REPORTING GROUP comprised of staff members from each Council charged with preparing Annual Performance Reports to Office of Water and EPA Licensing Reports. It is extremely important that these reports be ACCURATE & TIMELY as the information they contain is the ultimate objective evidence that the Alliance is performing satisfactorily, or not. Too often in the past “garbage” data had been allowed to issue from some of the smaller councils because insufficient effort and skill was put into the returns, to their ultimate detriment in terms of how professional or unprofessional their water utility functions appeared to be from the “outside”.

- A WORKS OFFICERS & SUPERVISORS GROUP comprised of treatment plant operators and reticulation supervisors. The Group's function is to mentor each other, improve operating procedures, implement Australian Drinking Water Guidelines (ADWG) Drinking Water Frameworks at all member councils (in accordance with the Alliance's Water Quality Management Plan developed in 2011/12), and where possible/appropriate share resources and materials.
 - A WEB SITE DEVELOPMENT GROUP comprised of web site administrators at each Council most involved with water supply & sewerage content. The LMWUA has its own website (www.lmwua.nsw.gov.au), developed in anticipation of the Alliance becoming an enduring entity once the NSW Government finally addresses the recommendations of Armstrong/Gellatly.
7. Sitting opposite the Technical Committee is the Alliance GENERAL MANAGERS COMMITTEE. The Chair of the Technical Committee, Project Officer and the Dubbo Director Technical Services meet once annually with the GM's to make sure commitment to the Alliance is maintained at that executive management level, explain in detail the strategies and projects proposed for the ensuing 12 months, and importantly to be assured that each Council is "comfortable" with the level of spending proposed in the following 12 months. Because the Technical Committee is comprised of "engineering" staff it would be possible for spending proposals not supported by all GM's to slip through to either Board level or implementation, so it is important once a year to ensure that the GM's and the Technical Committee are "on the same page" with respect to priorities and projects.

Achievements to Date

1. The LMWUA has achieved remarkable results in the five (5) years of its existence. Gazetted Best Practice consists of 19 elements which must be completed by each Local Water Utility in the State. For the eight members of the Alliance this represents 152 activities which need to meet Best Practice standard. Since 2008 compliance with these 152 elements has increased from 66% to 100%.
2. The following projects have been completed:
 - Regional Strategic Plans, including Council-specific chapters, in the areas of Integrated Water Cycle Management Planning, Demand Management Planning, Drought Management Planning, Drinking Water Quality Management Planning to ADWG requirements, and Stormwater Harvesting Plans.

- Development of a Regional Resource Sharing, Mentoring & Training Program (in conjunction with 16 councils in the CENTROC WUA).
- Development of Joint Alliance Policies covering Water Restrictions, Disinfection of Potable Water Supplies, Asset Management, Fluoridation, and Pricing.
- Site audits of all Alliance water and sewage treatment plants were conducted by Hunter Water Australia, including recommendations for improvement.
- Collaborative completion of all annual performance reports since 2008.
- All operators have now visited all other treatment plants within the Alliance and shared their knowledge and experience.
- Applied for and received a \$451,800 grant from Government under the Strengthening Basin Communities Program.
- Brewarrina Council has been assisted to install 500 water meters to remove it from the dubious distinction of being the last NSW water supply NOT metered; and to procure a badly needed new filter at its water treatment plant.
- Cobar Council was assisted to complete its Strategic Business Plan after the project seemed to be in chronic delay mode after some three years of development.
- Warren Council was assisted to implement Best Practice Pricing for its Sewerage Fund.

Future Projects

1. The next projects LMWUA will be working on are:
 - Regional Strategic Business Plan (under way December 2013)
 - Regional Asset Management Plan
 - Regional Quality Management Plan
 - Regional Environmental Management Plan
 - Regional Pricing Policy
 - Regional Business Continuity Plan

What Are The Advantages Of Binding Alliances?

2. The clear advantages to date of the binding alliance model have been:
 - Opportunity to pool resources, reduce duplication and form a common platform to develop initiatives.
 - Knowledge and resource sharing.
 - Cost effective delivery of joint projects (there is often an 80 to 90% saving involved in taking a regional approach in lieu of each Council procuring separately).
 - Co-operation instead of coercion leads to significantly better and more effective results.
 - Each community maintains ownership of its assets and involvement in the process.
 - Significant staff development has occurred.
 - There is uniformity of approach to resource management.
 - It is a catchment based approach.