

24 March 2011

ATTENTION: MR MICHAEL DEEGAN

National Infrastructure Co-ordinator
Infrastructure Australia
GPO Box 594
CANBERRA ACT 2601

Dear Mr Deegan

DUBBO CITY COUNCIL RESPONSE TO THE “REGIONAL TOWNS WATER QUALITY & SECURITY REVIEW” BY AECOM AUSTRALIA PTY LTD

On behalf of Dubbo City Council I would like to thank Infrastructure Australia for the opportunity to respond to the above report prepared by AECOM Australia Pty Ltd.

Council is most concerned with the poor quality of the Review and the far ranging recommendations it contains with respect to governance of the urban water industry in regional NSW. In our opinion the report is based on limited and inappropriate data, inadequate depth and breadth of knowledge of the Local Water Utility (LWU) industry in regional NSW, biased preconceptions, circular logic, inadequate knowledge of the current level of sophistication of business planning and regulation of water utilities in regional NSW, and straight out errors of fact for key points of argument within the report.

In this regard there is much to criticise in the Report, and this is done in some detail later in this submission. However, the Report makes 12 specific recommendations in Chapter 3, and these are dealt with as follows:

1. Regulate or legislate compliance with ADWG.

This was legislated in NSW during 2010 and is no longer an issue for LWU's in regional NSW.

2. Establish independent review and reporting of compliance with the ADWG.

LWU's in NSW already report seven performance indicators annually to NSW Office of Water and NSW Health oversees all microbiological results for regional NSW (over 20,000 samples per annum). Detailed reporting is then published by the Office of Water annually (e.g. see pages 233 to 237 of the 2008/09 NSW Water Supply and Sewerage Benchmarking Report from Office of Water), and by WSAA Nationally for LWU's with more than 10,000 connected properties.

Neither the Office of Water nor LWU's believe it is necessary to introduce an additional level of bureaucracy in the form of an independent regulator.

3. Investigate appropriate responses to ADWG non-compliant results.

Agreed.

4. Improved reporting requirements nationally. (At present only LWU's with more than 10,000 connected properties are required to report).

Agreed, but despite repeated inferences to the contrary within the Report, LWU's in NSW irrespective of size, have been reporting all of the performance indicators of the National Performance Frameworks for many years now (since 1986). Although the Report infers that NSW LWU's have not been doing so, the opposite is actually the case, and therefore NSW has no problems at all agreeing with this recommendation.

5. Develop Guidelines for Best Practice Planning and Management of Water Supplies.

Agreed, but despite reported inferences to the contrary within the Report, it must be realised that NSW LWU's have been operating under Best Practice Guidelines more comprehensive than those recommended since they were first gazetted by the Office of Water in 2004, and then updated/amended in 2007. If National Guidelines were to be adopted they should also include strategic business planning and financial planning, asset management and integrated water cycle management as per the current NSW Guidelines. The NSW Best Practice Management Guidelines are considered to be the best in Australia and if any are to be adopted nationally they would be an excellent model to emulate.

6. Develop a self-assessment and audit tool for planning to operate within the Best Practice Management Guidelines at Recommendation 5.

Agreed, but again NSW already has this in place in the form of extensive checklists for strategic business planning, financial planning and pricing within the existing NSW Best Practice Management Guidelines. Inferences to the contrary within the Report are unfortunate.

7. Regulate or legislate the Best Practice Planning Framework at Recommendation 5.

Agreed. In 2008 Local Government, in response to the water reform process begun by State Government in 2007, recommended to the Government that the existing gazetted Best Practice Management Guidelines (from 2004 and 2007) should be made mandatory in the form of Regulation. This reform process has yet to reach completion, but if and when State Cabinet does recommend this course of action, it will have full industry support.

8. Investigate pricing structures to provide improved water pricing. (There are claims in the report that LWU's in NSW do not operate "commercially" and water pricing should be "more cost reflective").

It is not agreed that improved water pricing is needed in regional NSW. Pricing by NSW LWU's is of a high standard which complies with the Office of Water's Best Practice Pricing Guidelines released in 2002, and updated periodically since then. These Guidelines fully conform to NSW IPART requirements and those of the National Water Initiative.

Claims of non-commerciality and failure to cover costs are incorrect:

- Office of Water has been requiring NSW LWU's to prepare highly detailed Strategic Business Plans in a specified format since 1993. These SBP's require that LWU's recover all costs, including that required for current and future capital costs out to at least 20 years.
- 96% of all LWU's achieved full cost recovery in 2008/2009, the most recent data publicly reported, and the Office of Water is engaging actively with the remaining five utilities to ensure same into the future.
- In many instances lower prices in LWU's reflect greater efficiency of operation due to economies of scope achieved within the local government environment.
- Typical residential bills in NSW for water supply and sewerage have increased by only 2 percent over the past 14 years, and yet services provided have been of a high standard and secure, even through the worst drought in 100 years.

9. Develop a nationally consistent Water Treatment Operator trade qualification.

Agreed.

10. Improve the delivery of Water Treatment Plant Operator training.

Inferences in the Report that delivery of training in regional NSW is deficient are rejected. Training courses run by the NSW Office of Water providing high standard water treatment plant operator training are available to all regional water utilities in NSW. Courses are presented by experienced and respected professional operators, and involves written tests, mathematics tests, and on-site assessment of students back at their own plants. The Office of Water then follows up with regular inspections of all LWU's by a team of six full-time Inspectors who circulate around the State providing follow-up, feedback and mentoring of Council Operators with respect to Council's operations. 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 Office of Water in its annual performance report.

11. Include new Operator Training Requirements in the ADWG.

Agreed.

12. That the existing governance structure in NSW and Queensland be changed to one of:

- a) State owned Regional Water Corporations as exist in Victoria (preferred option);

- b) Catchment Planning Alliances without removing urban water utility functions from Councils; or
- c) State-wide Water Utilities.

Recommendations 12(a) and 12(c) are strongly disagreed with. Recommendation 12(b) may be acceptable in some parts of the State, but only subject to finalisation of the details involved. In this regard Dubbo City Council would be happy with a model based on the Lower Macquarie Water Utilities Alliance, of which this Council is a key member.

The Report bases its argument for Recommendation 12 on the contention that “implementation of the above recommendations (1 to 11) is unlikely to be achievable in NSW and Queensland without reform of governance structures. In particular, this reform will make it feasible for the majority of urban water authorities to achieve the recommendations associated with improved water pricing, best practice management and reporting”.

Given the responses detailed above to Recommendations 1 to 11 it is crystal clear that in regional NSW, these 11 recommendations have either already been implemented or are new initiatives at a national level which we would agree with. The whole basis of recommending change is a “straw man” that has been created throughout the Report just so that it can be knocked down in accordance with a pre-determined outcome. Hence the strong condemnation and rejection of this whole change of governance recommendation by Dubbo City Council.

Detailed Comments on the Review

The AECOM Review document is full of errors, inconsistencies, poorly researched data and consistent bias against NSW LWU's in favour of State Owned Regional Water Corporations model of governance in Victoria. The following comments are designed to highlight these flaws.

1. Page (i) “..performance reporting for utilities below 50000 connections is patchy and inconsistent..” Incorrect. All utilities above 10000 connections now report annually to the National Water Commission and are audited every 3 years. In NSW ALL water utilities, irrespective of connection numbers, have reported to the Office of Water annually for the last 25 years. This has been a requirement since 1986.

NSW has the most complete longitudinal record of reporting by water utilities of any State in Australia. In 2008/09 the Office of Water Performance Monitoring Report for NSW Water Supply and Sewerage ran to 77 pages of informative intra-State and inter-State statistics, and for the real lovers of detail, the Benchmarking Report for NSW Water Supply and Sewerage ran to a further 263 pages containing, in part, 66 easy-to-read Figures and 24 densely packed Tables of data. To say that data for NSW is “patchy and inconsistent” is misleading in the extreme. The fact is AECOM simply did not dig deep enough for the information they sought, either through ignorance of these Reports' existence or lack of sufficient budget to do so or lack of sufficient motivation to do.

2. Page (i) Key Finding (a). It is inferred that “full cost recovery” means earning “sufficient revenue to allow a dividend payment to State Government shareholders”. This demonstrates a complete misunderstanding of Local Water Utilities in NSW. Councils own the assets not the State Government. Although three Councils presently choose to have their LWU function pay a dividend to the COUNCIL (not the State Government), non payment of a dividend is a policy choice by the large majority of LWU’s and it is unreasonable to use this as a cause for criticism of the sector.

Most Councils choose to only recover sufficient revenue to cover the operations, maintenance and capital costs identified within their Strategic Business Plans, but not to make a “profit” simply to be able to declare a dividend. The Council’s ratepayers are also the shareholders in the water business. Money that would have been raised from water business customers is therefore left in the hands of those customers in the first place rather than be paid as a dividend to the Council, because the Council’s ratepayers are the ones who would benefit from the dividend in any case.

3. Page (ii) Key Finding (b). It is not true to say that “many utilities servicing regional towns are not recouping the costs of supplying water, let alone providing for capital improvements”, or that LWU’s “charging prices significantly lower than in major urban areas” are doing anything even remotely wrong. The NSW Office of Water has been requiring LWU’s to prepare Strategic Business Plans to a specified format since 1993. These SBP’s require, and ensure, that NSW LWU’s DO recover all costs, including that required for current and future capital costs. At the very 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 and/or the lack of postage stamp pricing as happens in large metropolitan areas. Postage stamp pricing in regional areas would likely disadvantage more customers than it would advantage.
4. Alliances are successfully leading to ADWG adoption across all LWU’s (page (ii) Key Finding (c)). The NSW Government has now mandated the adoption of ADWG (this only happened in 2010) and it is considered unfair, therefore, to criticise LWU’s across the board so soon after that policy decision has been regulated by Government.
5. Alliances are successfully overcoming skills shortages and training issues (page (ii) Key Finding (d)). In any case the industry has always been very well supported by the Office of Water in terms of basic training and mentoring for operators.
6. Page (iii) Key Finding (f). 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 perhaps 2% of the resource and in NSW are guaranteed priority access under the NSW Water Act. There is no substantive “conflict” involved. The flows involved are minor and the Water Sharing Plans in place make it

very clear that irrigators and other non-urban users expect to have their allocation reduced to ensure security of supply to towns.

7. Page (iii) 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 template 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, climate change in both a global and a NSW context, and undertake extensive consultation with a full range of catchment based stakeholders. These plans are very rigorously checked and vetted by relevant Office of Water staff before being signed off as acceptable. It is disappointing that AECOM, who has no doubt prepared IWCM Plans 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 valley-based committees which prepared these Water Sharing Plans, as well as on the standing Customer Service Committees of State Water, the bulk water provider for most of inland NSW, with these committees meeting on a quarterly basis. 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 (e.g. 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 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, however, that all towns in a particular valley share the same regime of water restrictions, as in the definition of what each Level of restrictions mean. This is now the case in the Macquarie Valley, for example, where by consensus Bathurst, Orange, Dubbo, Wellington, Narromine, Warren, Bogan, Cobar, Brewarrina and Bourke have adopted exactly the same definitions for their schemes of water restrictions.

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 dis-integrated approach evident elsewhere where numerous economies of scope and continued integration of the whole water cycle have been lost in pursuing a 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.

8. Page (iv) Key Finding (h). Generalities about national reporting, planning and management techniques are used to imply that NSW is not achieving now in those areas. The reverse is true. NSW has had comprehensive reporting by LWU's in place for the last 25 years (since 1986) which is the equal of anything developed more recently by WSAA under the NWI. The NSW Office of Water has been issuing and enforcing detailed planning procedures for LWU's to follow for the past 20 years, and the currently adopted NSW Best Practice Management Guidelines are without doubt the benchmark standard in Australia. If any management standards are to be adopted Australia-wide it is the gazetted NSW Best Practice Guidelines which should be adopted by all the other water utilities in the country. It is demeaning to the NSW Office of Water and NSW LWU's to imply that we do not already operate under world best practice management guidelines.
9. Page (iv) Key Recommendation (1). Mandating compliance with ADWG. The NSW Government and LWU's 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/Gellatley 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. 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.

Again the AECOM report is written so as to make it seem that the NSW industry opposes such a move, when in fact we welcome it and are only awaiting the gazettal of detailed Regulations under the Public Health Act to be able to implement same in full. Notwithstanding, increasing numbers of LWU's have already prepared Water Quality Management Plans utilising the 12 element framework within ADWG 2004, 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 (e.g. Bourke, Brewarrina, Cobar).

10. Page (v) Key Recommendation (2). Implementing a nationally consistent Best Practice Management Framework. NSW LWU's couldn't agree more. NSW already operates under the most advanced such Framework in Australia, in the form of the NSW Best Practice Management Guidelines, which were first gazetted as Regulation in 2004, and then updated in 2007. The Office of Water has gone to great pains to ensure the Guidelines comply with all COAG National Urban Water Planning Principles, NWI Pricing Principles and more locally, all NSW IPART Pricing Principles. It is disappointing, therefore, to see AECOM and Infrastructure Australia promoting the

impression, via this report, that NSW LWU's do NOT already operate under a well-established and highly credible Best Practice Framework.

11. Page (v) Key Recommendation (3) Improved Pricing. The NSW industry rejects the assumption that pricing reform is required in regional NSW. LWU's in this State operate under Best Practice Management Pricing Guidelines handed down from the Office of Water, and it is misguided and anecdotal to assert otherwise. These Pricing Guidelines were first published nine years ago in 2002 with the imprimatur of the NSW Independent Pricing and Regulatory Tribunal, and have since been checked to ensure they also comply with the requirements of the National Water Initiative. There is no evidence presented in the report at all that individual Councils are failing in any way to implement this State's adopted water pricing principles and practices. The report simply asserts there are problems and recommends the NWC should do a study.
12. Page (vi) Key Recommendation (5). Create catchment based Regional Water Corporations. Dubbo City Council rejects this recommendation out of hand. The recommendation is based on invalid assertions and/or assumptions, including:
 - "The larger corporate structure is likely to give rise to increased efficiency" – disagree. From the 2008/09 NSW Water Supply and Sewerage Performance Monitoring Report (page 59) the Operating Cost per connected property for Water Supply in regional Victoria 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. 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.
 - "...strategic decisions regarding maintenance and capital expenditure would no longer be made by local council General Managers". This is a very damaging and unsubstantiated allegation for a consultant to make. Notwithstanding that some "council General Managers" in NSW would be highly credentialed to make exactly these decisions because of their previous experience operating the LWU function of Councils, this sort of sweeping generalisation that implies unqualified people across the entire gamut of LWU's in NSW are regularly making strategic decisions (unwise ones is the inference) is totally unprofessional of the consultant and totally untrue.

Council General Managers do not make these decisions. They are ultimately made on at least an annual basis by the elected Council, the equivalent of a Board of Directors in any corporate structure. The statement made in the Report is irresponsible, and belies the facts that every LWU in NSW with more than 3000 connections now has a 20 to 30 year SBP, and the few remaining smaller utilities are rapidly completing same, often as part of an Alliance arrangement with their neighbouring larger councils; it belies the fact that long term asset management and fair valuation of assets has been firmly embedded in Local Government generally in NSW since 1993 and this alone acts as a brake on illogical maintenance and capital decisions being

made; and it belies the fact that some of the best and most effective water utilities in the whole of Australia can be found within the ranks of NSW LWU's.

13. There is an unchallenged assumption through the entire report that stand-alone Regional Water Corporations managing water supply and sewerage services are unarguably a superior governance structure to any other. This is a 19th and 20th century position which is not necessarily a reasonable one to take in 21st century Australia.

A wide range of benefits flow from Local Councils owning and operating water supply and sewerage in terms of sustainability, effectiveness and efficiency. Such benefits do not arise in some alternative institutional arrangement where an external organization owns and/or operates water supply and sewerage functions in isolation from Local Government.

In Local Councils significant economies of scope benefits arise in terms of:

- Ability to access true Integrated Water Cycle Management (IWCM). Councils control stormwater drainage systems, and will continue to do so because they are so intrinsically entwined with the Local Roads Network and most modern subdivision designs. With a separated institutional model the ability for a stand-apart water/sewerage utility to integrate stormwater harvesting for source substitution suddenly becomes 10 times more difficult than for the Council entity from which the water/sewerage functions have been removed.
- Ability to integrate Strategic Landuse Planning with strategic planning for water supply and sewerage infrastructure. Within a General Purpose Council the necessary water supply and sewerage servicing is automatically synchronized with land releases by way of well-tested internal processes. Land releases are approved and occur efficiently at Local Government level in sympathy with broader community objectives. The water utility service provider gets no “nasty surprises” out of the Strategic Planning process because the utility part of Council is an intimate partner in the whole Strategic Planning process, and the landuse planners at the Local Council are not dictated to by an external service provider as to where and when development “should” occur.
- Council's Statutory Landuse Development Control process fundamentally operates to ensure that developments at individual site level, neighbourhood or regional scale automatically meet agreed and accepted water supply and sewerage servicing requirements. Again, the water utility service provider receives no “nasty surprises” in terms of unbudgeted or unplanned extensions of service infrastructure for development approvals granted by a “separate” organization (i.e. Council).
- Council's Strategic Landuse Planning and Statutory Landuse Development Control processes are practically able to facilitate, by direct involvement of the Council's officers in different disciplines, the application of Water Sensitive Urban Design (WSUD) principles and practice at individual site level, neighbourhood or regional scale, and full IWCM involving stormwater harvesting, on-site rainwater tanks, and greywater reuse. A stand-apart separate water utility, on the other hand, would

struggle to facilitate either of these desirable and highly sustainable outcomes through lack of direct involvement in the Planning process and access to the powers of both the Local Government Act and the Environmental Planning and Assessment Act.

- Councils currently have plumbing control at the individual property level. One of the paradigms for water supply and sewerage for the future will surely be the greater use of distributed systems in the form of rainwater tanks and greywater reuse. This new paradigm can be much more effectively facilitated or mandated by Councils as presently constituted than in a separated institutional model of some form.
- Access to regulation of plumbing beyond the meter and before the boundary shaft gives Council direct access to the control of privately owned water-wasting taps and fittings for water conservation purposes; and infiltrating house drainage lines for management of sewerage scheme overflows and inflow reduction campaigns at the treatment plant. A separated institutional model makes this access and control harder to achieve, and probably less effective because of Councils' more general powers and the development control "levers" at their disposal.
- Councils' management of its own parks and reserves creates a powerful level of control over what typically represents between 10 and 20 percent of a regional town's annualized water consumption. By the direct involvement of Council officers from different disciplines with each other, Councils are able to easily align parkland irrigation practices with corporate water conservation and restrictions policies. Councils are easily able to arrange internally for source substitution from treated town water to other sources such as untreated raw water, water treatment plant backwash water, sewage effluent or harvested stormwater. A separated institutional model effectively destroys the internal nexus that makes these substitutions easy to achieve.
- Councils have other operations which can be major users of water and potentially major trade waste generators: Olympic pools and broader based aquatic leisure centres, civic centres, civic administration buildings, airports, depots, saleyards, showgrounds and caravan parks. As for parklands, management practices at all of these facilities can much more easily be modified by Council as the water/sewerage utility than by a separate stand-apart utility trying to influence behaviours from the "outside".
- Water and sewerage billing in a separated institutional model creates an obvious inefficiency. Instead of one property and customer database, two separate organizations (at a minimum) are required to maintain and update similar databases with essentially the same information. Councils have the most up to date information because they are the first to "know" when new lots are created and new houses are completed to the occupation stage. Two separate organizations will always have slightly divergent databases at any one time, and neither really has any business driver requiring them to continuously keep the databases as closely aligned as is desirable.

- It can be well argued that an holistic water conservation message delivered by a general purpose Council will have greater effect than that of a separate stand-alone utility. Councils are already delivering highly integrated “sustainability” messages because of their involvement in water supply, sewerage, stormwater quality, rainwater tanks, BASIX, solid waste management, solid waste recycling, Greenfleet, Green Power, State of the Environment Reporting, environmental controls and environmental planning generally. A Council branded message which is different to a message from a separate stand-apart entity may not be the most effective means of achieving true water conservation education within the community served.

All of these identified benefits of Councils continuing to control their own water supply and sewerage activities lead to significant gains at a local level in effectiveness, efficiency and long term sustainability. Whilst a “large” stand-apart water/sewerage utility may achieve some economies of scale, it will ALWAYS be at the cost of these identified “economies of scope”. In many ways large stand-apart water/sewerage utilities are a reductionist paradigm from the past where western societies sought to reduce complex operations (e.g. management of the water cycle for multiple purposes) down to their component parts in order to achieve “efficiency” gains.

In the future we should be looking to go the “other way” and trying to integrate what we currently do now to a higher degree. We should be combining our three water cycle components (water, sewerage, drainage), plus broader whole-of-community resources such as energy, transport and materials, even more closely with our landuse planning and development control functions to make communities more sustainable. This integration is best achieved at a LOCAL level within ONE organization rather than artificially disaggregating existing structures in search of perhaps illusory economic efficiency gains.

Stand-apart provision of water and sewerage services is not a very smart response to complex community needs in regional areas. It is one dimensional, simplistic, unimaginative and fails to deliver a full range of water cycle outcomes for the community served. Regional towns and cities have the great advantage over large metropolitan cities in that LWU’s are essentially a more sustainable institutional structure in the broadest sense. Sustainable towns and cities will be those that retain the integration of their local water cycles rather than dis-integrate them into water and sewerage in the hands of one jurisdiction; and stormwater drainage and other water sensitive urban landscape elements in another.

14. 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. Someone spent a lot of time on the internet looking up numerous marginally relevant sources and collating useless data which does nothing more than fill up unnecessary pages. The report’s Volume 2 consists of a grab-bag of available local facts mixed with generic non-information (e.g. an answer to one question about Dungog in the Upper Hunter Valley was that relevant to the whole of Hunter Water’s customer set, even though the latter 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).

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15. 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. Without quantifying the need for higher level treatment to achieve fit for purpose water quality, the statement in the Report is misleading. Surface water supplies in regional NSW generally 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, a comprehensive risk management approach is taken and if filtration can be avoided this is done so that the relevant customer base may not be charged more than is necessary. In any case, all potable water supplies are appropriately disinfected.
- Victoria seems to have a larger number of towns without filtration than NSW (53 localities relying on surface water supplies, according to page 11 of the AECOM report), perhaps because of a poorer history of investment by that State Government than in NSW. However the statement on page 1 of the AECOM report equally tarnishes the excellent reputation of the NSW Government in the provision of high quality systems for the vast majority of its regional towns and villages, and this is considered unreasonable.
16. 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 DECCW, 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 licencing process courtesy of the EPA (part of DECCW), and then a Section 60 approval process through the Local Government Act administered by the Office of Water. The statement made is a naïve and inaccurate one which should not have been made with respect to the State of NSW.
17. Page 2, Table 1 - it is incorrect to say water prices in regional NSW are “Not Regulated”. LWU’s are required to comply with Best Practice Pricing Guidelines issued by the NSW Office of Water in 2002, with such Guidelines being approved for use at that time by the NSW Independent Pricing and Regulatory Tribunal, IPART.
18. 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”, and “unreliable” to better characterise what has been done to the reputation of LWU’s in NSW.
19. Page 6, “Stage two and Stage three” - 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 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 at Appendix D1 of microbiological and chemical quality performance.

Both reports are readily down-loaded from the Office of Water web-site, and are available in a long time series going back more than a decade. A key to this reporting was, in turn, the detailed NSW Health Department’s water quality monitoring reports for EACH LWU in NSW 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 such as Council Annual Reports, Regional SoE Reports and NSW Health “summary spreadsheets”.

20. 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. It appears to be a preconceived hypothesis of the authors, but one they have been unable to confirm with any hard evidence in NSW, because it doesn’t exist. As previously stated 96% of all LWU’s achieved full cost recovery in 2008/09, and the Office of Water is “following up” the remaining five to ascertain why, and ensure this state of affairs does not continue.
21. Page 8, “...safe and reliable water supplies are not fully achieved in any State.” Agreed, but at 99+% of all microbiological tests passing in both NSW and Victoria, the later conclusion that NSW needs to be restructured to mirror what now occurs in Victoria is NOT an evidence based one. Just a few lines further on, the report adds that “poor water quality and water security planning are still evident in some parts of (Victoria)”. QED, the new structure has not proved any more capable of “solving” the problems than the old.
22. Page 8, “...over 370 water service providers (in Victoria) were amalgamated to 12 in 1994.” If it is accurate, this statistic is a significant condemnation of the fragmented state of the water industry in Victoria at that time. NSW is 3.5 times the size of Victoria, yet even at that time had only about 120 LWU’s. Today the number is 104. Were 1994 Victoria to be translated across the border into NSW today on a pro rata area basis, we would have 1,295 water service providers in NSW. Victoria needed to be restructured at that time – it would have been largely dysfunctional in many regional areas with so many small scale, independent utilities extant across the State. In our opinion, however, the Kennett Government may have erred in creating the model it did.
23. 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 point 15 above).

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24. Page 9, “Water pricing can play a significant role in raising revenue and reducing water consumption.” Agreed. 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, and in 2005/06 LWU’s were required to derive 75% of their revenue from Usage Charges. The result has been that since 1991 pricing and other demand management measures have achieved a 47% reduction in residential water supplied per connected property across regional NSW, yet the Typical Residential Bill has been maintained broadly unchanged (\$410 in 1999/2000 compared to \$430 in 2009/10), thus maintaining a strong and sustainable revenue flow for NSW LWU’s. The rest of Australia can certainly learn a thing or two from NSW on the issue of revenue raising versus reduced consumption if it so desired, and yet the Report infers (unreasonably in our view), that NSW is somehow deficient in this area.
 25. Page 9, “Water utilities that are operated as part of the local government structure experience rate pegging, reducing their ability to recover the cost of supplying water to consumers.” This is clearly incorrect, as any informed observer of NSW Local Government would know. Local Government’s Water and Sewer Funds trade quite separately to the General Fund, which IS subject to rate pegging, unlike the former, and have been trading very successfully on a full cost recovery basis, but without paying cost-shifting dividends to State Government as recommended within the Report.
 26. Page 9, the report 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 failing does NOT occur in regional NSW because the revenue raised stays with the LWU.
 27. Page 11, “...few States regulate adherence to the risk based framework set out in the ADWG.” This is no longer true in NSW, as from 2010 the Public Health Act was amended to mandate such compliance.
 28. 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, 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 two weeks 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.
 29. On page 38 the Report makes unreasonable generalised criticisms of all non-metropolitan water utilities when it talks of “fundamental problems ...repeated across all States and through numerous regional communities”. It is stated that: “there are communities without metering, many networks suffer from large water losses, distribution systems are not adequately managed to prevent recontamination events and consumer efficiency measures have not been put in place”. Such comments fly in the face of reality in regional NSW:

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- (i) The only town in NSW still not metered is Brewarrina, with 470 connected properties. Given that LWU's in NSW serve 791,000 connected properties, it is contended that 99.94% implementation of metering represents significant disagreement with the Report's assertion.
 - (ii) Large water losses are not a feature of NSW LWU's. Only 5 of the 29 LWU's appearing in the 2008/09 National Performance Report for Urban Water Utilities exceeded the rate of real losses per service connection per day reported by Sydney and Hunter Water, despite the much longer length of water main per connection endemic to regional water utilities. NSW has also been host, since 2007, to the world's largest and most extensive Water Loss Management Program, a \$22 million joint venture between the Federal Government, the NSW Local Government and Shires Association, and NSW Local Government Water Directorate. 75 individual LWU's have availed themselves of the technical and financial assistance available under that program. Whilst the Report's claims regarding "large water losses" may have foundation in other States, it is firmly rejected as being descriptive of the NSW situation.
 - (iii) Without data or examples upon which to base the assertion that recontamination is common across NSW, it remains nothing but an untested assertion. The 2008/09 NSW Benchmarking Report, for example, details the known reason for all boil water alerts issued in NSW during a two year period and lists five very specific sources of contamination which were discovered and remedied by the individual LWU's involved. Water Quality Management Plans in accordance with ADWG requirements are now mandatory as of 2010 and are being developed across the State. These will improve what is already a highly performing sector of the National industry, where microbiological compliance achieved for regional NSW in 2008/09 was 99.3%.
 - (iv) In NSW the performance of LWU's in the area of water conservation has been exemplary to date. The average annual water supplied per connected property has fallen 47% over the past 18 years (see the 2008/09 NSW Water Supply and Sewerage Performance Monitoring Report), with 87% of all utilities now reporting implementation of a sound water conservation plan. To assert that consumer efficiency measures are not in place in "numerous" communities across NSW is simply not true.

As is clear from the foregoing Dubbo City Council is firmly of the view that the report by AECOM Australia Pty Ltd is deficient in almost every respect. Should you wish it, myself and Council staff would be more than happy at any time to expand on the points made above?

Yours faithfully

Councillor Allan Smith
Mayor of Dubbo

