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21 March 2011

Michael Deegan
National Infrastructure Coordinator
Infrastructure Australia
GPO Box 594
CANBERRA ACT 2601

Dear Mr Deegan,

Response to Regional Towns Water Quality and Security Review Dated 25 October 2010

Goldenfields Water County Council would like to thank Infrastructure Australia for the opportunity to respond to the above report prepared by AECOM Australia Pty. Ltd.

Enclosed is Council's submission to the review that it respectfully requests be considered.

Should you require any further information may be contacted on (02) 6977 3200.

Yours faithfully,

Paul Wearne
General Manager

ORIGINAL

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ORIGINAL

Goldenfields WATER



County Council

SUBMISSION

To Infrastructure Australia in response to
Review of Regional Water Quality
& Security

(March 2011)

Organisation Name:

Goldenfields Water County Council

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Submission Authorised By:

Goldenfields Water County Council

Introduction

This submission has been prepared by Goldenfields Water County Council in response to the Review of Regional Water Quality & Security (the Review) undertaken by AECOM Pty Ltd on behalf of Infrastructure Australia.

Goldenfields Water County Council (Goldenfields) recommends that the County Council model be considered as an effective alternative to the governance reforms of regional water utilities in NSW as proposed in the Review.

Goldenfields believes that the requirements to provide a service that is effective, reliable, affordable and safe is paramount however, our community expects and deserves its utility provider to be part of the community, be accessible and provide a high level of personal service.

This submission will demonstrate that Goldenfields as an example of a County Council has successfully delivered an efficient and effective service both potable and non-potable water to the 45,000 plus people living across the eight (8) the local government areas it serves.

Brief History of Goldenfields Water County Council

Goldenfields is a single purpose county council situated in the northern part of the Riverina area of NSW between the Murrumbidgee and Lachlan rivers. Goldenfields carries out water supply functions within the Local Government areas of Bland, Coolamon, Cootamundra, Harden, Junee, Temora, Young and part of Narrandera. Retail water distribution in the town of Cootamundra and the Shires of Harden and Young is undertaken by the local general purpose Councils, with this Council providing a bulk water supply to each.

The Governor's Proclamation establishing Goldenfields Water County Council, dated 24 April 1997, details the legal operating framework and principal objectives of the Organisation. Goldenfields commenced on 1 July 1997 combining responsibilities of the South West Tablelands Water Supply (operated by NSW Department of Public Works) and the water division of the Northern Riverina County Council which was the dual purpose water/electricity supply authority. Goldenfields covers an area in excess of 22,000 sq km, with more than 2,100 km of pipeline and includes a number of Special Rural Water Supply Schemes that supply farming communities. It has a retail customer base of approximately 10,500 with the Bulk Supply Councils retailing to a further 9,150 connections. Water is drawn from five (5) separate sources utilising surface and groundwater extraction; all of which are located outside Council's area. A complex network of treatment, pumping, storage and pipework installations are operated and maintained by Council in carrying out its functions.

A map showing the area serviced by Goldenfields Water County Council is attached as Appendix 1

Response to the Review

Infrastructure Australia engaged AECOM Australia Pty Ltd to conduct this review in order "to help identify opportunities to improve Australia's regional towns' water quality and security and to form practical recommendations for change at the federal, state and local government levels".

It should be noted that the NSW Government released a report in January 2009 detailing the results of its Inquiry into Secure and Sustainable Water supply and Sewerage Services for Non – Metropolitan NSW. Goldenfields responded to this report in March 2009. The report and Goldenfields response is available at www.water.nsw.gov.au.

While it is recognised that the Infrastructure Australia Report is National and as such broader in nature than the NSW Government report it is disappointing that elements of this report, together with a wide range of data readily available from public reports published by the NSW Office of Water, were not better used by AECOM to present a more accurate portrayal of regional water supply systems in NSW.

Many of the systemic problems perceived by AECOM to exist within NSW regional water supply systems are in fact the subject of NSW Office of Water policy or procedure documents that have been in place for many years. Examples of this are the Best Practice Management of Water Supply and Sewerage Guidelines released in 2004 and updated in 2007 that provide a high quality and consistent planning framework for regional utilities. This includes the preparation of Integrated Water Cycle Management Plans, which provide for planning at the catchment level. Also, Best Practice Pricing Guidelines were released in 2002 which fully conform with NSW IPART requirements and provide a sound basis for water pricing. The majority of regional water supplies in NSW already substantially comply with the requirements contained within these documents and where compliance has not yet been fully achieved are progressing towards full compliance.

Council notes that the final AECOM report makes five key recommendations:-

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

The Report also provides a suggested program for implementation of the recommendations as follows:-

- 1) Governance Structure reform in NSW and Queensland
- 2) Best Practice Management Framework and Reporting

- 3) *Improved Water Pricing*
- 4) *Regulation or Legislation of the Australian Drinking Water Guidelines*
- 5) *Develop a more highly skilled Workforce*

From the above recommendations those relating to mandating compliance with Australian Drinking Water Guidelines, implementing nationally consistent Best Practice Management Framework and developing a highly skilled workforce have validity. Those relating to Water Pricing and Governance Structure reform in NSW and Queensland are of particular interest to Goldenfields. While the Report does not contain significant detail on how these reforms may be implemented it does indicate that Local Government's role and responsibilities for water delivery and pricing could be completely removed, or at the least significantly reduced, should the Commonwealth Government adopt and implement the recommendations contained in the Report.

Of concern to Council is the apparent lack of consultation that AECOM have had with local water utilities and with the relevant State Government departments. In reviewing Volume 2 of the Report, it would appear that much of the data collected is incomplete and it is difficult to ascertain whether the data collection process was robust in nature.

References such as *"In particular, strategic decisions regarding maintenance and capital expenditure would no longer be made by local council General Managers"* and *"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"* demonstrates a complete lack of knowledge by the authors as to how Local Government operates in NSW.

The local government structure in NSW is such that strategic decisions regarding maintenance and capital expenditure for water supplies are made by the elected representatives (Councillors) that form the governing body. While the General Manager and staff can (and do) make professional recommendations in relation to expenditure, the ultimate decisions are made by the Council. Likewise, the water supply functions of councils (and water county councils) are managed separately and are not subject to rate pegging. These two important facts have been incorrectly reported in the Review and it therefore begs the question "What other liberties have the authors taken to support the recommendations made.

The Report states (in part):

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

The larger corporate structure is likely to give rise to increased efficiency. Government would remain the sole shareholder of each corporation. Regional Water Corporations would be large enough to warrant supervision by independent pricing and regulatory authorities in each state,

Summary

The Review infers that State Governments could be 'encouraged' to implement reform through incentive payments from the Commonwealth. While this may be beneficial to the States, previous corporatisation of publicly owned assets has led to the syphoning off of funds to state coffers rather than reinvestment on infrastructure.

While we do not believe that linking utility performance to State funding is a favourable means of achieving reform, Commonwealth Government assistance to the States could be helpful in achieving the objectives. To facilitate reform of the regional urban water sector, the Commonwealth Government could consider entering into funding agreements with the States, whereby successful and efficient implementation of agreed reforms by each State could attract a payment from the Commonwealth, in recognition of the costs of implementing wide-ranging reform.

"Some of the recommendations are not new ideas and parts of the country will be more prepared for the reform proposed than others. Ease of implementation also varies depending on the current arrangements in that State and the appetite of each Government for water reform.

Of the suggested program for implementation the Report states:

Water County Councils in NSW presently encompass up to eight (8) local government areas thus providing a larger customer base and do employ qualified professional staff. As a county council, Goldenfields services a number of rural and remote villages and farming communities and has successfully spread potentially exorbitant bills across its large customer base since its inception.

The county council structure does give rise to increased efficiency but also retains 'ownership' within the communities they serve.

The county council structure in NSW is already achieving many of these objectives. They are governed by a board of independent members representing water users from within their respective local government areas, with a prime objective of delivering efficient and effective water management to those areas. They have senior management teams comprising water professionals, currently report to the relevant government Ministers as prescribed by the Local Government Act 1993 and comply with licence conditions.

There are a number of key advantages from implementing this governance model. First, the Regional Water Corporation Board and management would have unambiguous objectives related to the efficient and effective management of the Regional Water Corporation. In particular, strategic decisions regarding maintenance and capital expenditure would no longer be made by local council General Managers. Second, the larger size of each Regional Water Corporation is likely to have a better chance of attracting appropriately qualified professional staff. Third, the larger customer base of each Water Corporation means that the expense of 'lumpy' capital assets required to improve water quality and security in smaller towns can be spread across a larger number of customers, spreading the impact from increases in residential bills. Finally, in time, Regional Water Corporations may be able to raise capital on wholesale financial markets in their own right, a funding option that is rarely available to local government in Australia.

and compliance with licence conditions, including tariff setting, would be formally assessed by those authorities.

Based on the above the following comments are offered in relation to the report recommendations;

- 1) *Mandate compliance with Australian Drinking Water Guidelines through legislation or regulation* - Mandatory compliance with ADGW Guidelines is supported. This compliance is well progressed within regional NSW, and has already been legislated for by NSW Health.
- 2) *Implement a nationally consistent Best Practice Management Framework for all regional water utilities* - NSW regional water utilities operate under a Best Practice Management Framework. A national standard that builds on this framework is supported.
- 3) *Move toward more cost reflective water pricing.* - NSW regional water utilities have in place a Best Practice Pricing Policy. A national standard that builds on this policy is supported.
- 4) *Develop a more highly skilled workforce to operate and maintain water systems in regional water utilities by developing a nationally consistent trade qualification* – The NSW Office of Water has in place well developed operator training courses. A national standard that builds on this model is supported.
- 5) *Reform the governance structure of regional water utilities in NSW and Queensland* – Significant structural reform of water utilities in NSW is not supported. Goldenfields opposes the State Owned Corporate model advocated by AECOM in the Review of Regional Water Quality & Security prepared for Infrastructure Australia, and advocate the retention and promotion of the County Council model, where supported by constituent Councils, as the most appropriate method of providing water supply services to regional NSW.

Should you require any further information please do not hesitate to contact me.

