



Our Ref: WF/VG: 1833/08(2) (39187)

21 March 2011

Mr Michael Deegan
Natural Infrastructure Coordinator
Infrastructure Australia
GPO Box 594
CANBERRA ACT 2601

Dear Sir,

**ROUS WATER RESPONSE TO THE REGIONAL TOWNS WATER QUALITY
AND SECURITY REVIEW.**

Rous Water thanks Infrastructure Australia for the opportunity to respond to the above report prepared by AECOM Australia Pty Ltd.

Rous Water believes that in preparing this report on behalf of Infrastructure Australia, AECOM has failed to access the large volume of performance data and information that is available concerning NSW Local Water Utilities. In doing so, AECOM has failed to present an accurate portrayal of regional water supply systems in NSW.

In January 2009, the NSW Government released a report setting out the results of an Inquiry into Secure and Sustainable Water Supply and Sewerage Services for Non-Metropolitan NSW.

The findings of that Inquiry and the annual performance data published by the NSW Office of Water provide a much broader and more accurate assessment of the performance of Local Water Utilities in NSW than the snapshot assessment undertaken by AECOM and should have been utilised by AECOM to accurately portray the performance of NSW Local Water Utilities.

Whilst it is understood that the brief to AECOM was to focus on those utilities that serve towns with populations of between 2,000 and 15,000 residents and on a reticulated water supply, the report extrapolates its snapshot findings to recommend a reform path for the whole of regional Australia's Water Industry. Section 1.4 of the report confirms that with respect to NSW, the towns investigated are not a standard sample and as such, the data may be statistically skewed.

NSW has had comprehensive reporting by all local water utilities in place for many years and as stated above the results of these reports are published by the NSW Office of Water annually.

By its own admission the sample set for NSW utilised by AECOM is skewed and unrepresentative, AECOM have taken a "snapshot" and failed to utilise recent reporting and statistical evidence on the performance of the whole of the NSW Local Water Utilities in formulating its recommended reform path.

Rous Water notes that the report touches on a number of issues in the water industry, namely:

- Compliance with the Australian Drinking Water Guidelines.
- Best Practice Management Framework.
- Improved Water Pricing.
- Development and recruitment of a skilled workforce.
- Catchment based water management.

Rous Water acknowledges that these are key issues affecting the provision of water services in regional Australia but it rejects the suggestion that State owned regional water corporations would resolve these issues as suggested by AECOM.

There is no evidence to suggest that State owned water corporations would deliver the suggested outcomes. The report finds that after 16 years of State Owned Water Corporations in Victoria, *"poor water quality and water security planning are still evident in some parts of the State"* and *"operating revenue for Victorian Water Utilities nearly doubled from 20008/09 to 2009/10. This has been driven predominately by increases in pricing approved by the Essential Services Commission ... the overall operating profit forecast was for a loss of nearly \$45 million across the 15 utilities for 2009/10"*. Also for NSW at least, there is evidence that where locally owned electricity assets have been resumed by the State Government to form State Owned Corporations, prices to consumers have risen dramatically, no improved levels of service can be demonstrated, dividends have been paid to the State Government prior to setting aside funds to augment infrastructure resulting in the need to sell assets to gain appropriate capital injections and there is considerable political turmoil resulting from the perceived mismanagement of the infrastructure by the State.

Clearly, Stated Owned Corporations fail to deliver the reforms claimed by AECOM. Rous Water as a County Council constituted under the NSW Local Government Act recommends the County Council model as the appropriate vehicle for reform in NSW. This recommendation is consistent with our submission to the NSW Inquiry. A copy of that submission is appended to this submission.

The County Council model satisfies all the reform objectives of the AECOM key recommendations, it has a proven track record for the delivery of high quality water services in regional NSW and being owned by the local community enjoys wide acceptance of its initiatives in the community.

The key features of the County Council model are:

- Whilst Rous Water is constituted under the *Local Government Act 1993*, constituent member Councils have a vested interest in the sustainability of the county given that it is a single purpose authority specifically charged with the delivery of bulk water services across the region.
- Any surplus achieved by the County Council can be retained by the County for investment in improved levels of service in endeavouring to meet agreed performance standards. Alternatively, a State Owned Corporation is seen to pay a dividend to the State prior to meeting service levels.
- The footprint of the County Council can be catchment or sub-catchment based, thus satisfying this key objective of the AECOM report.
- A County Council can be constituted at a size that satisfies the “*economy of scale*” objective perused by AECOM in their recommendation of a State Owned Water Corporation. This then provides the opportunity for the County Council to address:
 - **Compliance with the Australian Drinking Water Guidelines:** it should be noted that existing County Councils in NSW already demonstrate high performance levels with respect to the ADWGs.
 - **Best Practice Management:** again, existing County Councils demonstrate compliance with Best Practice Management Guidelines in NSW as prescribed by the NSW Office of Water.
 - **Improved water pricing:** the economy of scale and the regional footprint, positions a County Council to achieve appropriate water pricing.
 - **Skilled staff:** the County Council model would provide sufficient scale to both attract, retain and train skilled staff. In recognition of its responsibility to the local community and the water industry, Rous Water supports traineeships and apprenticeships and currently has the following positions in its staff structure:

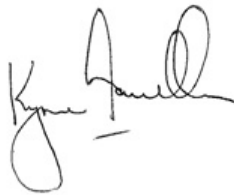
- Cadet Civil Engineer
 - Trainee Water Treatment Plant Operator
 - Apprentice Electrician
 - Administration trainee
- **Regulation:** County Councils are regulated in NSW by the principle regulators of:
- NSW Office of Water – Best Management Practice Guidelines
 - NSW Department of Local Government – Finance and Governance
 - NSW Health – Drinking Water Quality

Whilst the multiple “masters” provides some regulatory inefficiencies and should be subject to reform at State level it does ensure the performance of the County Council is carefully regulated, whilst maintaining the development of strategic direction through local ownership and decision-making.

In conclusion, Rous Water finds the report by AECOM to be based on insufficient investigation and consultation resulting in inaccurate and inappropriate findings. In saying this, Rous Water recognised that there are key issues in the delivery of regional water services in Australia that need attention and possible reform.

For NSW, Rous Water recommends the County Council model that has a proven track record and can deliver the objectives of Infrastructure Australia.

Yours faithfully



Kyme Lavelle
General Manager

Attachment: LWU Submission

Ballina
Byron
Lismore
Richmond Valley



24 April 2009

Mr Hans Wesseling
Manager Water Utilities Policy
Department of Water and Energy
GPO Box 3889
SYDNEY NSW 2001

Dear Sir

**Submission on the report of the Independent Inquiry into Secure
and Sustainable Urban Water Supply and Sewerage Services for
Non-metropolitan NSW**

Thank you for the opportunity to submit a response to the Report of the Independent Inquiry into Secure and Sustainable Urban Water Supply and Sewerage Services for Non-Metropolitan NSW. Rous County Council (trading as Rous Water) has considered the Report in detail and believes that an agreed Northern Rivers regional position in response to the Report has now been reached.

Rous Water has, since the release of the Report in December 2008, been proactive in its effort to consult with Councils in the region represented by the Northern Rivers Regional Organisation of Councils (NOROC): Ballina, Byron, Clarence Valley, Kyogle, Lismore, Richmond Valley, Richmond River County and Tweed. Consultation was focussed on establishing a whole-of-region position that responded to the recommendations of the Independent Inquiry.

The NOROC at its 27 March 2009 meeting requested that Rous Water coordinate and facilitate a workshop for Councils in the Richmond Valley region (Kyogle, Byron, Ballina, Lismore City, Richmond Valley and Rous Water) in an attempt to formulate an agreed position for that region. The purpose of the workshop was two-fold: to review the recommendations of the Independent Inquiry, and identify and agree on a Richmond Valley position with regard to water reform. An agreed position supported by Rous Water was achieved and this was conveyed by NOROC to the Independent Inquiry on behalf of the Councils in the Richmond Valley region.

Rous Water considers that its involvement in the consultation and workshop facilitation was integral in the outcomes achieved. This further demonstrates Rous Water's capability of effectively consulting and facilitating outcomes with its counterpart Councils in a complex and politically sensitive environment.

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It is proposed therefore that NOROC and the State Government in the future use Rous Water as a vehicle for coordinating and facilitating the objectives of water reform for the region.

The following responds to the recommendations of the Inquiry for this Council and is supported by resolution no. 34/09 of Council's meeting dated 20 April 2009.

Alliances

It is Rous Water's position that the principles of an alliance and any subsequent binding arrangements are the key for achieving the objectives of the Inquiry and water reform in this region.

Rous Water proposes the following entities with regard to the formation of potential alliances within the NOROC region:

1. Tweed Shire Council as a single entity with an unchanged geographic footprint covering the entire Tweed River Valley.
2. Clarence Valley Council working either alone or together with Coffs Harbour City Council, with the current alliance on Shannon Creek Dam being the basis for future cooperative ventures.
3. The Councils of Kyogle, Byron, Ballina, Lismore City, Richmond Valley and Rous Water form an entity for the Richmond Valley Catchment, Brunswick River Catchment and Evans River Catchment including that part of the Clarence River Catchment that is currently in Kyogle Shire.

The following comments relate to proposal 3. above.

Models

Rous Water has considered the merits and uncertainties associated with the conceptual models recommended by the Inquiry and has concluded that the binding alliance model is undefined and does not represent an effective or economic vehicle to achieve the Inquiry objectives. Whilst the corporation model is better defined, it is considered to be inappropriate to achieve the degree of reform required in the Northern Rivers region. It should be noted that a new entity, whatever the model, would necessarily have to undertake functions such as bulk potable water and strategic integrated water cycle planning.

Rous Water supports a County Council model and firmly believes that it is the most appropriate option for the Northern Rivers region. Rous Water, as a County Council, provides regional planning and operation of the community's bulk water supply spanning our four general-purpose Council areas. In this regard, the Northern Rivers region has extensive experience and therefore familiarity with this current model and it has proven its capacity to deliver in many of the key objectives of the Inquiry, namely:

- Financial self-sufficiency
The construction of the recently completed \$42million bulk water supply expansion – the Wilsons River Source – was entirely funded by the local community and provides a secure water supply for our region for many years to come.
- Environmental and public health
Rous Water's drinking water quality management plan is recognised by NSW Health to be industry leading.
- Respond and plan in advance to the challenges facing the industry.
Rous Water has, through the services of CSIRO, undertaken industry-leading analysis of the effects of climate change on our regional water supply and has planned to effectively manage the outcome. Planning for the region's future water sources has commenced and is complemented by a comprehensive demand management program to ensure the most effective use of current water sources. This includes compliance with the NSW State Government best practice guidelines.

As a single purpose authority Rous Water remains vigilant and focussed on the reliable provision of high quality water.

The Preferred Model

It is proposed that there are two ways in which a new County Council encompassing the roles of Rous Water may be formed, namely:

1. Alter the Charter of Rous County Council to enable new expanded functions,
or
2. Dissolve Rous County Council and create a new County Council.

Option 2 would result in a new County Council that would utilise the existing assets and resources of Rous County Council. Option 1 however provides a preferable alternative involving the simple amendment of Council's Charter to encompass the desired functions and geographic footprint.

The marginal cost of operating a revised County Council as proposed in Option 1, which incorporates additional responsibilities for an expanded area and also the current functions of Rous Water plus additional strategic planning functions, is unlikely to exceed the cost of creating and operating a binding alliance that incorporates Rous Water and the General Purpose Councils in the Northern Rivers region.

There is a need for detailed planning to develop the identified model beyond the current conceptual stage. At this point in time each Council has many questions that need to be answered prior to formally considering the question of being party to a revised County Council model.

Rous Water has recommended to NOROC that it build on the successful workshop facilitated by Rous Water and appoint Rous Water to carry out the investigation and planning for a new model. Rous Water has further recommended to NOROC that it apply for seed funding from the NSW State Government to fund the coordination and facilitation work being undertaken by Rous Water.

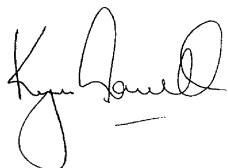
CONCLUSION

Rous Water has demonstrated that the County Council model is capable of achieving many of the Inquiry's objectives. It is therefore recommended that the County Council model be retained as the preferred option in relation to the Government's objectives for water reform in the Northern Rivers region.

In this regard and as outlined previously, Rous Water offers its services to the Region and the State Government to assist in achieving those objectives.

For further inquiries please contact the undersigned on 02 6621 8055.

Yours faithfully



Kyme Lavelle
General Manager



Col Sullivan
Chair