

# Reform of Tasmania's water and sewerage sector

## STCA Submission

The financial, project estimates and other data contained in this submission are preliminary in nature and are subject to verification

# Contents

- STCA position ..... 2
  - A solution - Local government reform ..... 3
  - A solution - State government reform ..... 4
- Overview of the submission..... 5
- Background information..... 6
  - Asset values (2004/05) Water..... 7
  - Implied profit (2004/05) Water..... 8
  - Rates of return (2004/05) Water..... 9
  - Asset values (2004/05) Waste water..... 10
  - Implied profit (2004/05) Waste water..... 11
  - Rates of return (2004/05) Waste water..... 12
- The purpose of the review..... 13
- The Councils' views of the need..... 14
- How do we know if the need is met?..... 15
- Is a review warranted?..... 16
- Is there evidence of systemic, region-wide failures?..... 17
- Is the scope of the review adequate ?..... 18
- Some key questions for the region..... 19
- The regional investment task..... 20
- Operational issues..... 21
- Financial issues..... 26
- Structural Issues..... 30
- Regulatory Issues..... 32
- Economic development issues..... 34
- Pricing Issues..... 35
- Planning issues..... 36

# STCA position

- The provision of water and sewerage services to the population of Tasmania is a Local Government responsibility and should remain so.
- A regional solution to the major issues that have been identified can be found
- The twelve councils in the South of Tasmania resolved, at their meeting of August 2006 to work together to improve the effectiveness and efficiency of water and waste water provision.
  - In early September 2006 the STCA wrote to the State Government requesting support for a whole of government approach by the State Government to work in partnership to resolve, among other issues, those that relate to improving the efficiency and effectiveness of water and waste water services as an important adjunct to:
    - economic development
    - settlement planning
    - headworks charges.
- As yet, no response has been received.

# A solution - Local government reform

- It is envisaged that the Southern Councils will enter into an agreement that will provide for the development of a comprehensive Regional Infrastructure Plan for Water and Wastewater based upon the Councils' collective knowledge of contemporary standards and community need.
- Produce a reliable set of combined financial and asset data;
- In partnership with the State Government, identify funding options including:
  - Options for, and barriers to, debt financing
  - Proposals for establishing an infrastructure fund with potential to source contributions from:
    - Local, State and Federal Governments
    - Private sector
    - Property owners
- Develop proposals for a more consistent regulatory framework in co-operation with other levels of Government

- **A solution - State government reform**

- It is envisaged that the twelve Southern Councils will support appropriate reform of State Government responsibilities in the areas of:
  - Land use and Strategic planning
  - Water resource security
  - Headworks
  - Environmental management
  - Relevant legislative provisions
  - Planning approvals for major infrastructure projects
  - Consistency of environmental standards over the long term
- It is also envisaged that the State Government will consider ways to consolidate its responsibilities for water and waste water under a single Minister

# Overview of the submission

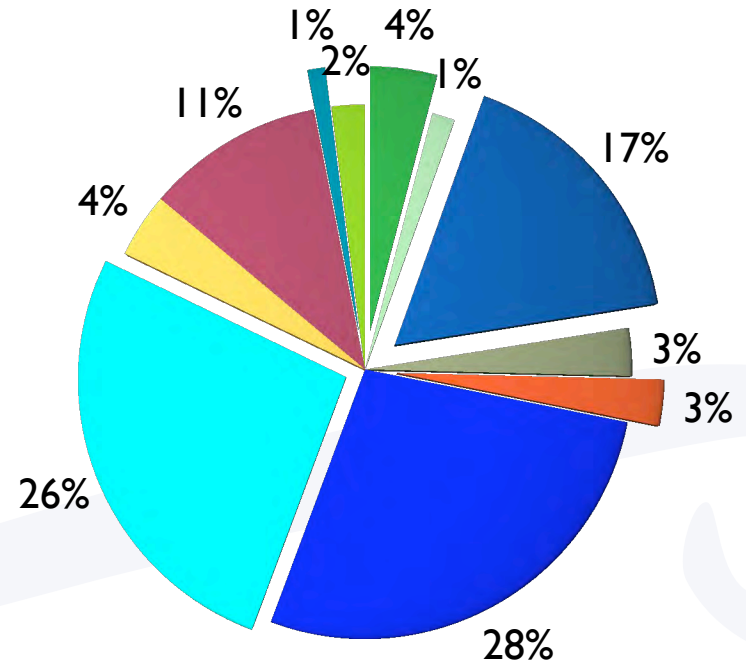
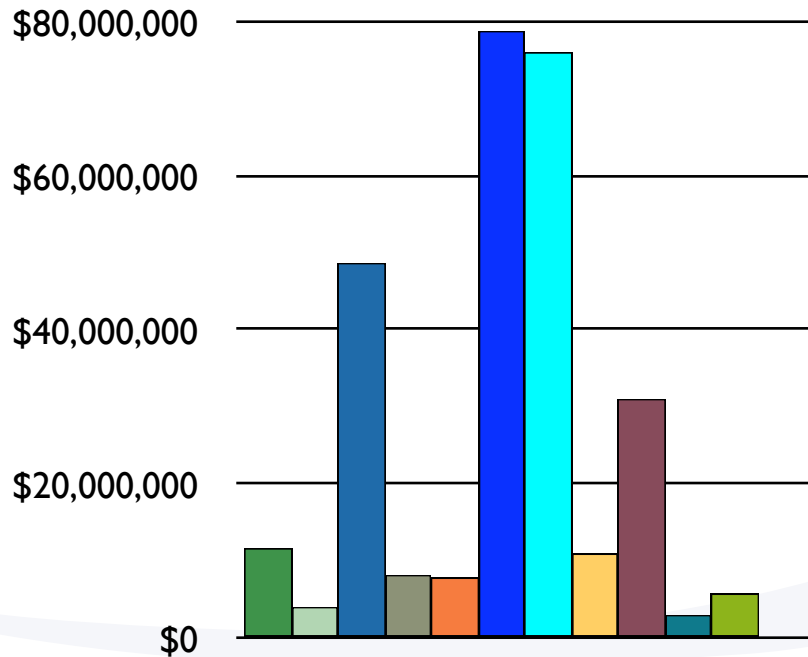
The State Government Task-force released an issues paper that identifies 12 issues. However, implied within those issues are a number of assertions and/or assumptions.

We have attempted to provide an overview of:

- The adequacy of the review scope
- An analysis of the issues
  - The assumptions/assertions identified by the Task-force that are in the issues paper (i.e. what the Task-force thinks)
  - An overview of the Councils' various responses as they relate to those assertions and/or assumptions (i.e. what Local Government knows)
  - A regional perspective (STCA perspective) on each assertion/assumption (i.e. what we can agree from a regional perspective)

# Background information...

# Asset values (2004/05) Water

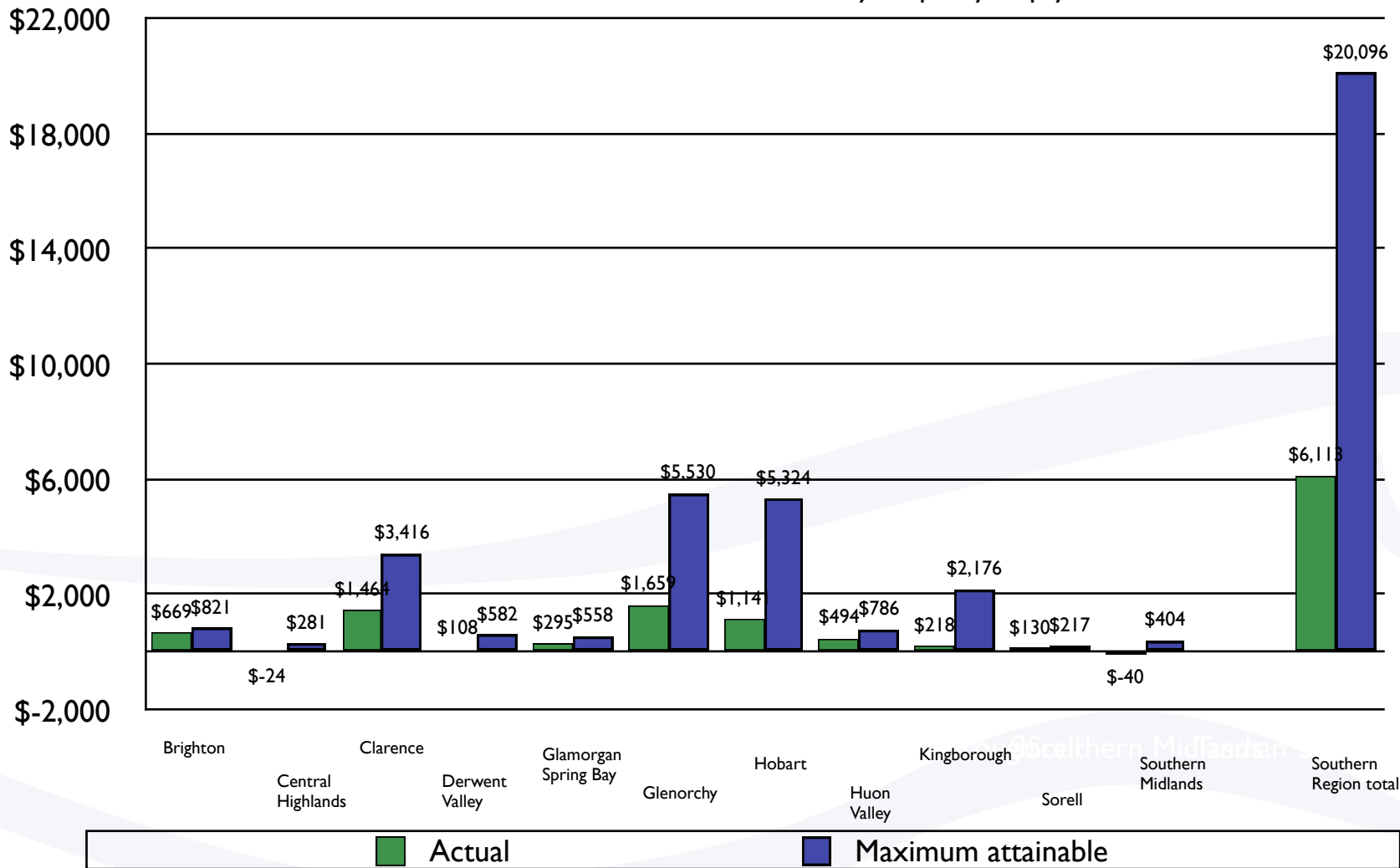


**Total written down value \$287,082,000**



# Implied profit (2004/05) Water - \$000

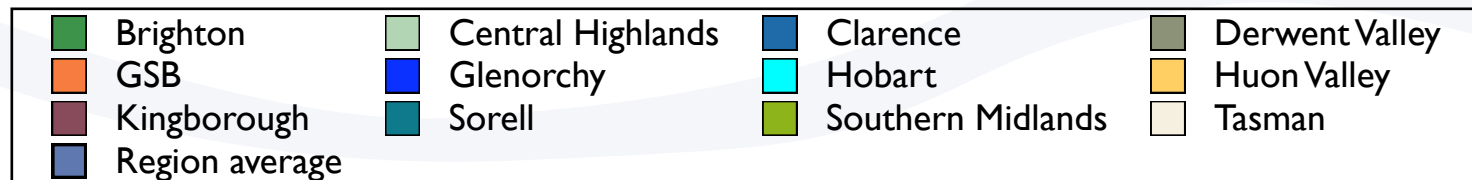
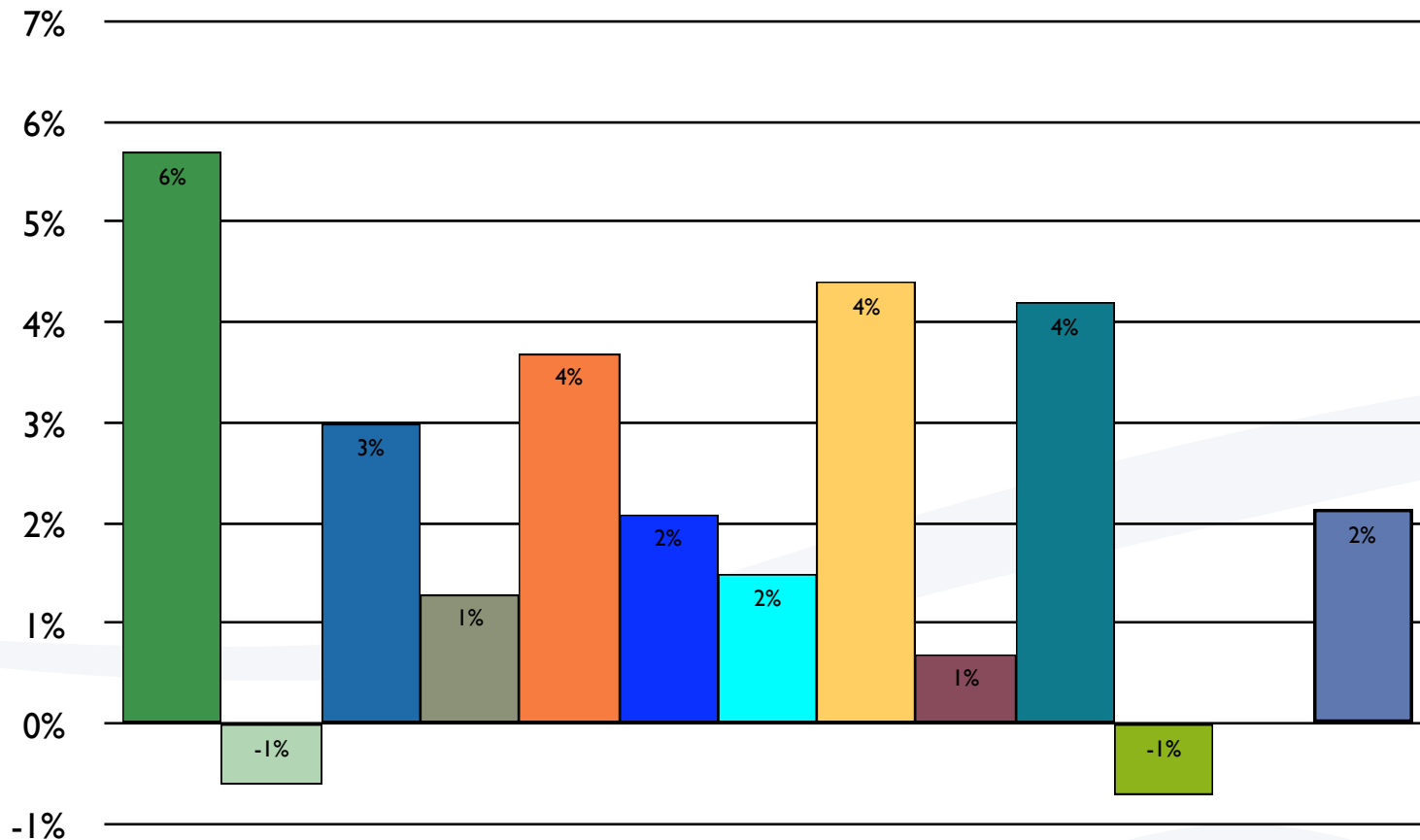
The following chart shows the difference between the maximum return that could be obtained if Councils were to achieve the 7% allowable under GPOC and the return that Council's have opted to achieve based on their assessment of the Community's capacity to pay.



**Aggregate difference in Southern region - \$13,983,000**

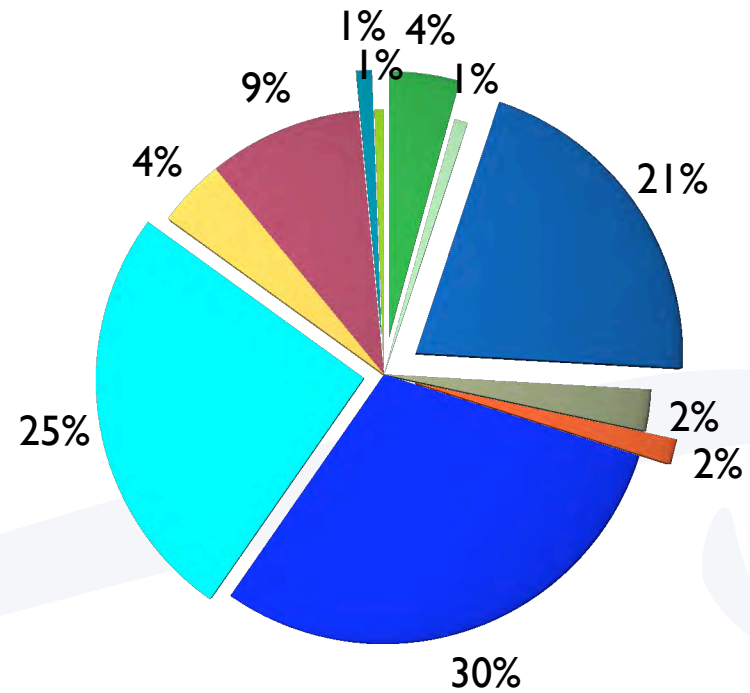
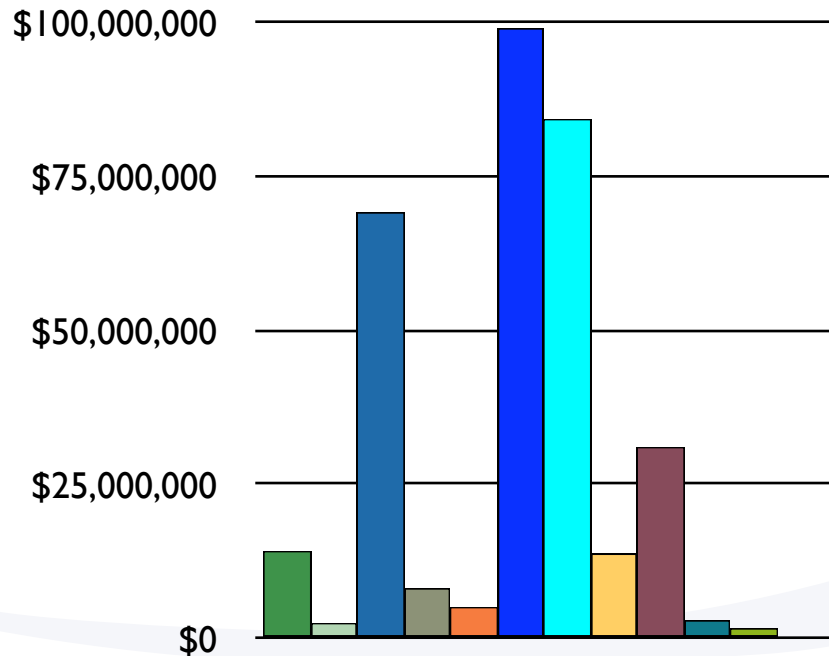
Source: Local Government Water and Wastewater Businesses, Cost Recovery Compliance Review 2004/05 Report

# Rates of return (2004/05) Water - %



Source: Local Government Water and Wastewater Businesses, Cost Recovery Compliance Review 2004/05 Report

# Asset values (2004/05) Waste water



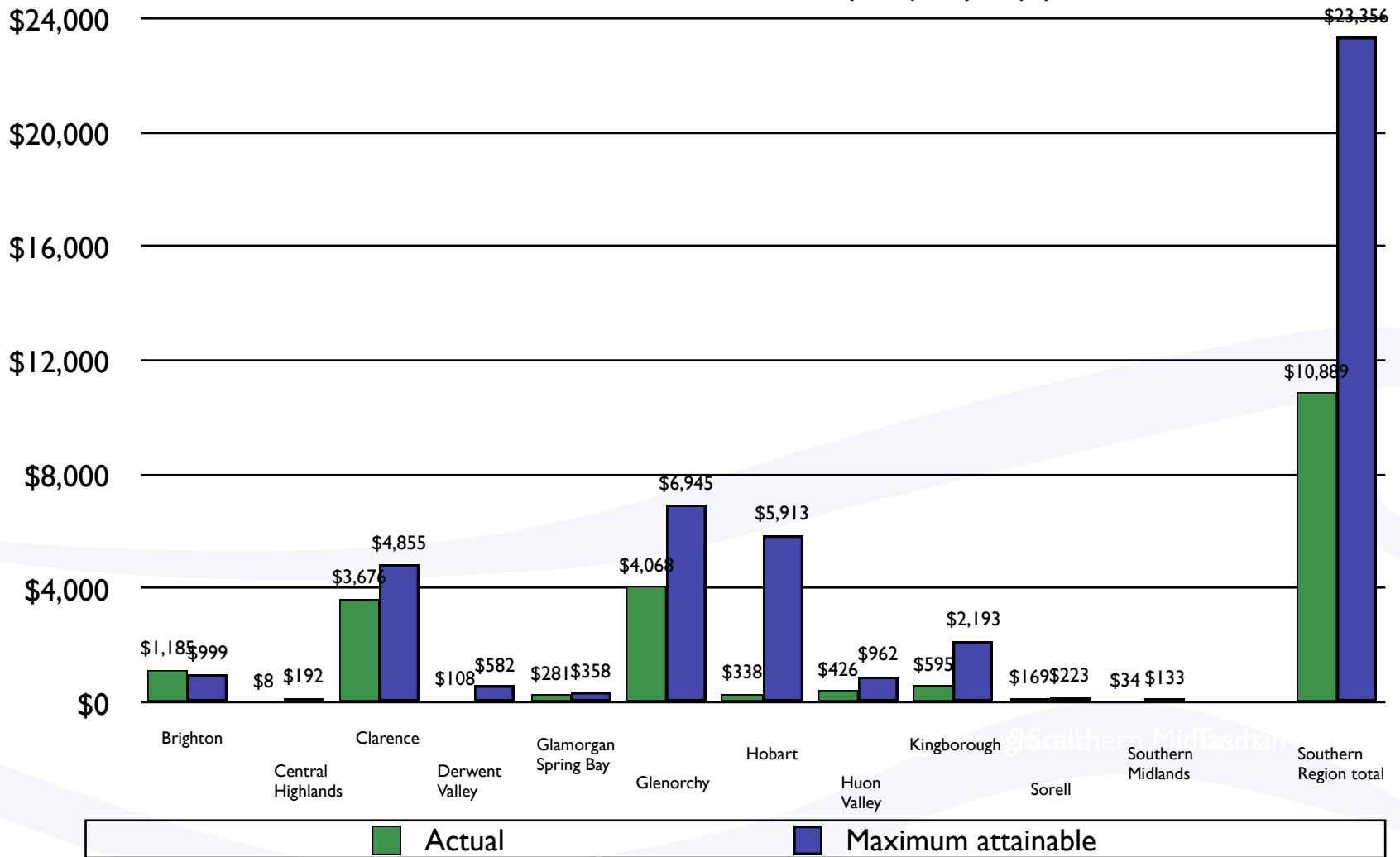
- |                   |                   |
|-------------------|-------------------|
| Brighton          | Central Highlands |
| Clarence          | Derwent Valley    |
| GSB               | Glenorchy         |
| Hobart            | Huon Valley       |
| Kingborough       | Sorell            |
| Southern Midlands | Tasman            |

- |                   |                   |
|-------------------|-------------------|
| Brighton          | Central Highlands |
| Clarence          | Derwent Valley    |
| GSB               | Glenorchy         |
| Hobart            | Huon Valley       |
| Kingborough       | Sorell            |
| Southern Midlands | Tasman            |

**Total written down value \$333,660,000**

# Implied profit (2004/05) Waste water - \$000

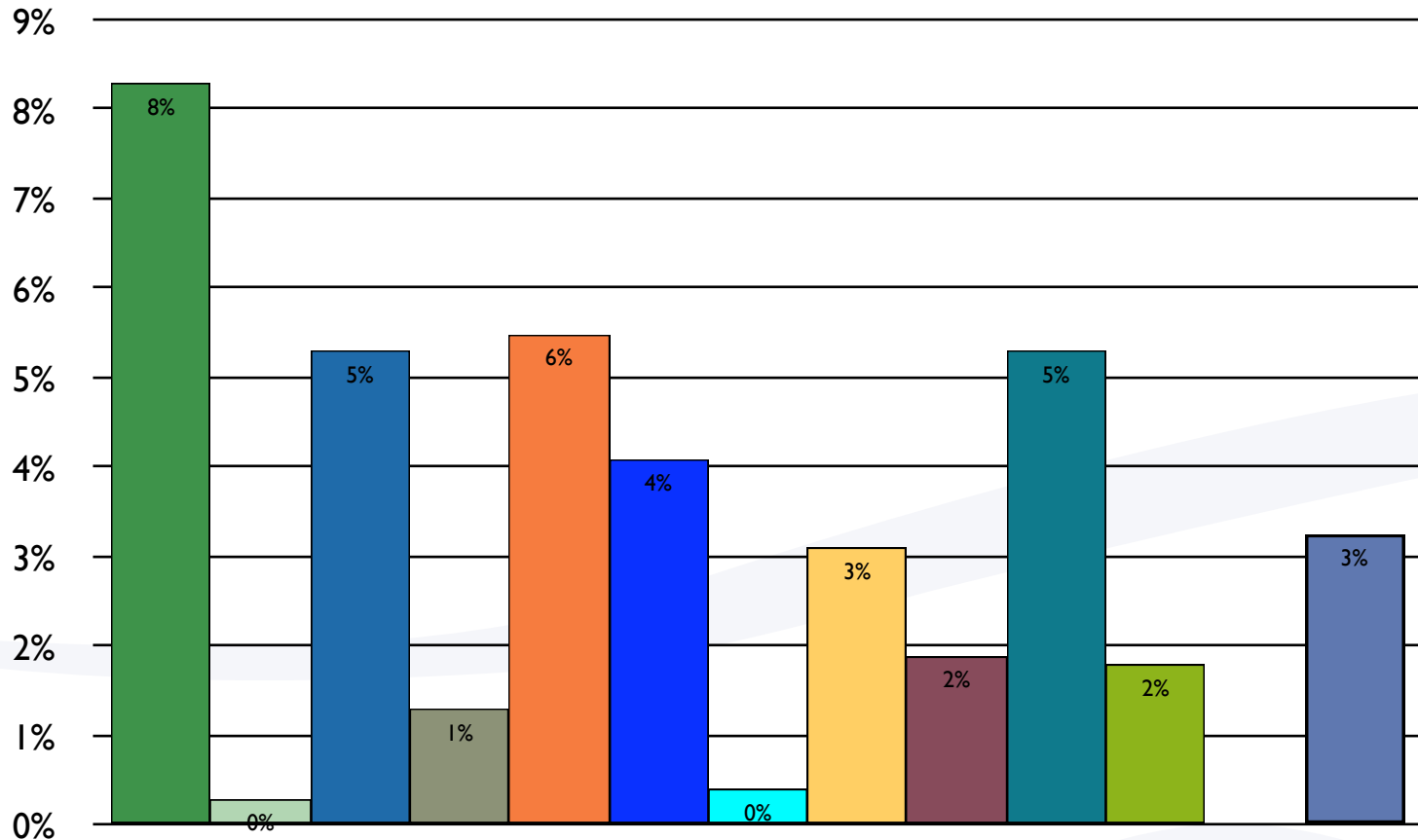
The following chart shows the difference between the maximum return that could be obtained if Councils were to achieve the 7% allowable under GPOC and the return that Council's have opted to achieve based on their assessment of the Community's capacity to pay.



**Aggregate difference in Southern region - \$ 12,467,000**

Source: Local Government Water and Wastewater Businesses, Cost Recovery Compliance Review 2004/05 Report

# Rates of return (2004/05) Waste water - %



Source: Local Government Water and Wastewater Businesses, Cost Recovery Compliance Review 2004/05 Report

# The purpose of the review...

The Tasmanian Government has stated that its intention is:

- To develop policy options for:
  - Structural
  - Regulatory
  - Institutionalreform of the water and waste water industry
- To ensure provision of:
  - Quality water and waste water
  - Cost effective water and waste water
- To deliver for the community:
  - Improved community health
  - Increased efficiency in service delivery
  - Improved environmental outcomes
  - Better use of scarce resources

Councils response:

- The Issues paper included many solutions that were implied rather than explicitly stated and that it was therefore difficult to respond adequately to the issues raised

Agreed Regional View:

- A clear statement of the methodology for the balance of the review, including outputs and timelines is required

# The Councils' views of the need

The 12 Southern Councils believe that their role is to ensure access by all Tasmanians, in their region, to water and waste water services, either reticulated or onsite, that comply with contemporary standards in a manner that is consistent with, and promotes:

- Environmental sustainability
- Good public health
- Social cohesion
- Economic growth
- Financial sustainability and viability of service providers

# How do we know if the need is met?

Under the current structure the need will be met where Councils (as the service providers) are able to satisfy the following criteria:

- Efficiently operate and maintain the existing systems
- Operate within the financial, regulatory and other constraints imposed by other levels of government, including compliance with COAG/GPOC guidelines
- Ensure systems are developed to remedy and respond to environmental and public health issues and concerns
- Integrate water and sewer services with land use planning strategies
- Plan and provide funds for future investment that will both make up for outstanding deficiencies and facilitate future growth and development



# Is a review warranted?

The Issues Paper broadly asserts that some Councils may not be developing, maintaining and/or operating water and waste water services that meet the needs of Tasmania.

Is this true of the Southern Region?

- **Yes** - in some instances, for example:
  - Changes in use over an extended period of time of properties in the Southern Beaches have led to environmental issues
  - Changes in demand on the East Coast as tourist numbers have increased has led to capacity problems
  - Limited scope to access funding has limited the development of infrastructure in the Central Highlands
  - Environmental issues at White's Beach and Stewart's Bay have highlighted the fact that there is limited water and sewerage infrastructure in the Tasman Peninsular

# Is there evidence of systemic, region-wide failures?

**No** - While there are potentially opportunities for improvement - as identified by the Councils themselves - the majority of Councils in the region believe that they:

- Operate their systems efficiently and effectively
  - Achieve a rate of return consistent with the GPOC guidelines
  - Are compliant with environmental guidelines
  - Are currently actively working to better align infrastructure plans with their planning schemes
  - Have forward financial and infrastructure plans that are sufficient to meet the needs of their communities
- Even the situations mentioned on the previous page should be taken in context and the appropriate perspective:
- Sorell Councils provides excellent service to Sorell and Midway Point
  - The East Coast Councils indicated that the peak demand is many times the normal residential demand and consequently system capacity and necessary capital investment is many times higher than it would be otherwise.

# Is the scope of the review adequate ?

The current scope of the review encompasses:

- Bulk water
- Water reticulation
- Waste water treatment
- Waste water reticulation
- Trade waste

## Council discussions

- Membership of the Taskforce - there is no Local Government representation on the Taskforce
- Stormwater - a number of metropolitan Councils felt that Stormwater was an integral part of their hydraulic systems that could not be separated from waste water treatment given the infiltration and treatment plant flow issues
- Re-use water - Several Councils saw re-use water and its distribution for agricultural use as a significant issue that should be included if the review was to be comprehensive
- Irrigation - there are a number of areas where irrigation water is supplied from the potable supply or where irrigators and domestic supplies compete for the same source.
- Scope - care must be taken to ensure that any extension of the scope does not increase the complexity of the review to the point where it cannot resolve the issues it set out to examine.
- On-site waste water - mitigating septic tank failure is a significant contributor to the required capital investment

## Agreed regional view

- A Local Government Representative should be part of the Taskforce
- Re-use schemes should be part of the review
- Storm-water in Metropolitan areas should be included in the review
- Irrigation - where irrigation is supplied with reticulated water should be included in the review
- Where sources of domestic supply compete with other users, including irrigators and the environment, those issues need to be taken into consideration in the review

# Some key questions for the region...

There are a number of key questions for the Southern region:

- How do those Councils in the region that require significant infrastructure investment, which they cannot currently fund, fund the required investment?
- How does the Region take advantage of opportunities for improved efficiency and effectiveness without losing the inherent benefits that exist in the current structure?
- On what basis could or should residents in areas that have already paid for water and/or waste water infrastructure through Council rates and charges and/or through the price of the development of their land, be asked to contribute to those that have chosen to buy a property in an unserviced area?
- Who should pay for the failure of on-site water systems when those systems were installed in good faith on the part of Council and land owner?



# The regional investment task

The investment task for the Southern region is approximately \$260 million. The capital expenditure that is essential to meet contemporary standards but cannot be funded by a combination of funding from the Council in whose area the problem/s exist and from contributions from property owners is:

- Southern Beaches\* \$25m (sewer)
- Glamorgan Spring Bay \$31.25m (Water and sewer)
- Central Highlands \$5m (water and sewer)
- Tasman \$4.7m (water) \$1.87m (sewer)
- Derwent valley \$1.2m (Granton reservoir if required)
- **Total: \$69.02m**
- **The overall investment that is planned and will be financed by Councils in the Southern region over the next 10 years is in excess of \$190 million**

\* The primary problem in Southern Beaches is the need for reticulated sewerage to overcome environmental and public health issues associated with failing on-site systems. The reticulation of water is not necessarily an essential component of systems up-grading. In fact the community may not want reticulated water. Hobart Water's systems will also need to be augmented if water were extended to these areas

# Operational issue 1

- Issue paper assertion:
  - Sub standard water quality provision
- Council response:
  - Huon Valley cited 3 areas that have reticulated water that have had problems - one system has been closed down already and the other two are programmed for closure. (266 individuals affected)\*
  - GSB has a boil water alert for Swansea (450\*\* individuals affected)\*
  - Central Highlands has 2 schemes that have boil water alerts (140\*\*\* people affected)\*
- Other issues
  - Capacity and resource security is a greater issue than quality for a number of Councils - (GSB, Huon, Central Highlands, Tasman)
  - Households with rainwater tanks have not been included in the review
  - No Council systematically tests water quality for those households on tanks
  - The percentage of the region that is affected by boil water alerts is approximately .4 of 1%
  - Councils in the South have significant visitors to their municipalities that should also be considered in the context of this review: Tourists - Number of holiday visitors to Touring Routes (12 months to June 06)  
East Coast Escape – 226,300, Heritage Highway – 200,700 Rivers Run – 176,800 Convict Trail – 287,200  
- and seasonal increases due to use of shacks by local people
- Agreed regional view:
  - The review needs to acknowledge that the issue of water quality is a subset of the larger issue of the capacity of Councils with small populations and lower revenues and limited access to capital funds to undertake the necessary improvements to infrastructure to secure supply of water.
  - The review should also include the activities of the Rivers and Water Supply Commission in allocating water to irrigators and other users as well as to Councils for supply of town water and in the lack of consistency between the Commission's approach and decisions of Councils regarding headworks charges.

\* 2003/04 Annual Report Quality of Tasmanian Drinking Water \*\* GSB Council estimate is 650 \*\*\* Central Highlands Council estimate is 300

# Operational issue 2

- Issue paper assertion:
  - Sub standard waste water effluent treatment
- Council response:
  - There are a number of areas where failure of septic systems may lead to public health and/or environmental issues, for example at:
    - Southern Beaches
    - White Beach and Stewarts Bay
    - Coles Bay, Iluka, Fisheries, Swanick
    - Lakes shack sites, Gretna, Wayattinah
    - Bushy Park, Lachlan, Westaway
    - Eggs and Bacon Bay, Randalls Bay, Southport
    - Mangalore and East Bagdad Road
    - Lauderdale
  - Councils are dealing with these issues on a case by case basis, in many instances through planned construction of mains system and in others through conversion of septic tanks to environmentally sustainable AWT systems
- Other issues
  - Many of the areas listed above have been affected by change of use as previously occasionally used holiday locations have become residential or commuter areas
  - All councils have adopted more modern technologies, requiring the use of systems such as AWT systems in preference to septic systems
  - There are about 26,000 septic systems and about 2000 AWT systems – a total of about 28,000 in the Region. On-site disposal, therefore, occurs on about 16% of rate-able properties
  - There are significant legacy issues as a consequence of the use of septic systems in many locations where the provision of off-site waste water treatment is likely to be impractical or disproportionately expensive
- Agreed regional view:
  - The review should acknowledge the impact of onsite waste water treatment and disposal and of the potential risk and consequences of failure of septic systems and the plans that Councils currently have to rectify this situation.

# Operational issue 3

- Issue paper assertion:
  - Lack of knowledge of asset condition
- Council response:
  - All Councils are currently actively taking action to improve their knowledge of the condition of hydraulic assets as progressive refinement of values of WDV of assets in recent GPOC reports will bear witness.
  - Many have devoted considerable resources to enable them to reach a comprehensive assessment of the condition of these assets – a process that is continuing.
- Other issues
  - nil
- Agreed regional view:
  - The review should acknowledge the inherent difficulty and cost of determining the condition of underground assets
  - A consistent assessment of asset condition will be a necessary precursor to developing a regional infrastructure plan



# Operational issue 4

- Issue paper assertion:
  - Staffing and skills shortages cause problems
- Council response:
  - Three of the 12 Councils in rural areas indicated that they had difficulty in either recruiting or retaining staff.
  - A number of the Councils have entered into arrangements either direct service contracts or memorandums of understandings, with Hobart Water.
- Other issues
  - There is an argument that Councils offer a broad range of work for both professional and operational staff that is attractive to many people. Reducing the range of activities that a Council undertakes may affect the level of interest that is currently shown by staff to work in the medium to large Councils.
- Agreed regional view:
  - The review should acknowledge that Councils currently offer a broad scope of opportunity for both operational and professional staff that may be reduced if significant services were taken away. This would negatively impact areas such as roads, stormwater and planning.
  - The review should note that the STCA is currently developing a process to obtain the services of consulting engineers and other key professional groups through a regional initiative which has the potential to reduce costs and create more effective career paths within the region.

# Operational issue 5

- Issue paper assertion:
  - There are opportunities for scope and scale
- Council response:
  - Councils indicated that there would be, in most cases, an increase in overheads for the remaining business operations should water and waste water be separated from their current business.
  - A number of Councils indicated that they could foresee significant diseconomies of scale and scope if land use planning and the planning and provision of infrastructure were separated.
  - A number of Councils also indicated that they felt that any economies of scale that could be reaped would be over the longer term and related to the opportunities for rationalisation of infrastructure.
  - It was also pointed out that in the short run the cost of transition to any new structure would be significant
- Other issues
  - The STCA, with the agreement of the Councils, has already suggested a project to look at opportunities to take advantage of potential economies of scale and scope in water and waste water, but is currently awaiting agreement from the State Government to adopt a whole of government approach.
- Agreed regional view:
  - Any structural change should be considered in the light of:
    - The impact on Councils' ability to perform the full range of their residual activities
    - The significant costs of transition
    - The current benefits obtained through the integration of capital works and maintenance activities between road, sewer, stormwater and water (horizontal integration)

# Financial issue I

- Issue paper assertion:
  - Inadequate historical investment in water and waste water
- Council response:
  - In the Southern region it is not universally true that there has been inadequate investment in water and waste water
  - The imperative to develop new infrastructure has been based on a number of factors of which previous Council decisions in respect to infrastructure provision is only one. Others mentioned by Councils include:
    - Recent changes in demand, frequently encouraged by other parties (for example tourism initiatives of the State Government, disposal of shack sites in the Central Highlands)
    - Long-term and gradual changes in property usages (for example holiday homes becoming permanent residences - often because they are more affordable)
    - The general community trend to higher expectations regarding the availability of potable water, the environmental impact of settlement etc.
- Other issues
  - Tasmania has experienced a period of rapid growth after an extended period of virtual stagnation
- Agreed regional view:
  - The review should take note of more recent developments and trends which have created the need for greater investment in infrastructure in more recent times.

# Financial issue 2

- Issue paper assertions:
  - Limited ability of Councils to fund infrastructure
  - Level of investment required is between \$100M and \$400 Statewide
  - Some Councils face considerable hurdles in meeting the costs associated with water and sewerage infrastructure development needs due to:
    - Itinerant populations
    - Constraints imposed by political process on raising funds to meet such needs.
    - Borrowing limits designed to prevent Councils from borrowing beyond their means
  - A critical issue that is uneven across all Councils.
- Council response:
  - The Issues paper assertions are accurate but only for a small number of Councils
  - The investment task has been estimated by all Councils in the Southern region over the next ten years to be approximately \$260 million. This is Capital expenditure that is essential to meet contemporary standards and includes renewal and new investment.
  - A number of Councils have been successful in accessing Commonwealth funds for capital projects.
  - These issues have arisen in part because of actions of the State Government (in aggressive promotion of Tourism) and in part as a result of trends that have obviated the need for the Government to devote resources to welfare housing.

# Financial issue 2

- Other issues
  - Of the total estimated capital required to be invested in the region over the next ten years, 26.55% or \$69.02M cannot be funded by 4 of the 12 Councils.
  - There are 19,396 rate-able properties in these four Council areas, which represents only 15.9% of the total of 121,573 rate-able properties in the Region as a whole.
  - There appears to be an assertion in the Paper that the only way in which this issue may be tackled is through creation of a single statewide or 3 regional vertically integrated structures that would hold assets of sufficient value to enable them to have access to and be able to service the necessary borrowings, and would also be in a position to attract Commonwealth funding from the total of \$2B that is available nationally.
  - The inherent cross subsidisation in such an arrangement does not have the support of all Councils in the Region.
- Agreed regional view:
  - This is a significant issue. It should be remembered, however, that there are mechanisms for Councils to acquire funds from internal sources:
    - Developer contributions or headworks charges for which a more reliable head of power is required; and
    - Construction rates
  - The existence of these mechanisms and the strengthening of the power to require developer contributions (headworks) generally should be included as part of this Review.
  - The costs as well as the benefits of structural reform should be carefully assessed.
  - There is a need to investigate each of the unfunded projects on an individual basis. It is noted, in this context, that the State Government has been part of the cause of generating these unmet needs or has been indirectly the beneficiary of other trends that have led to the availability of low cost housing. As such, it should make some funding available.

# Financial issue 3

- **Issue paper assertion:**
  - Inability of Councils to raise sufficient funds to recover costs of operations and maintenance.
  - Despite GPOC findings, other available data suggest the majority of councils do not recover sufficient revenue from water and sewerage to meet the costs of those services.
  - Implications that pricing decision-making by local politicians could be one of the causes of alleged under-recovery and that structural reform would resolve this issue.
- **Council response:**
  - Individual Councils have the option to determine the Rate of Return within the GPOC Guidelines and most Councils in the Region comply.
  - Most Councils have chosen to run Water and Sewerage as self-sufficient businesses with returns quarantined for new investment and most seek to keep charges to a minimum either separately or as part of the total rating package. Local politicians tend to ensure that Water and Sewerage rates or charges will recover costs and then exercise downward pressure on the General Rate.
  - Some Councils recover sufficient funds to enable what is effectively a “dividend” to be paid that is allocated to other Council functions.
  - Some Councils have made a policy decision that they will operate water and waste water on a break-even basis, based on their community’s capacity to pay and are therefore only likely to achieve rates of return at the lower end of the GPOC scale
  - Reliability and consistency of data appear to be underlying problems
- **Other issues**
  - Higher rates of return are possible and could be achieved if action were taken by Government to assume responsibility for these activities or if Councils were instructed to do so. However, this would inevitably mean increases in prices to consumers.
- **Agreed regional view:**
  - The Review needs to engage Councils on its assertion that, in spite of GPOC reports, they are not recovering sufficient revenue from water and sewerage to meet the costs of those services. This is disputed by most Councils.
  - It is vital that the review is able to establish a single, agreed, reliable data set as part of the essential preliminary work that is being undertaken.

# Structural Issues

- Issue paper assertion:
  - There is an implication that the many issues may best be addressed through structural change that would involve creation of a single statewide or 3 regional vertically integrated water and wastewater businesses.
    - This would:
      - improve efficiency and effectiveness by reaping economies of scale and scope,
      - enable suitably skilled people to be employed,
      - provide access to long term debt funding and to Commonwealth Grants.
    - Water and Sewerage services are delivered by such bodies in many other States in which these are effectively State Government activities.
    - There is a move away from local government provision of water and sewerage services to residents, towards more commercial arrangements between Government-owned business enterprises and customers.
- Council response
  - Generally Councils believe that the current ownership structure should be retained.
    - It is for the Review to show that the benefits of such a radical change would outweigh both short-term transitional costs and the long term effect on what remained of Council operations.
    - The fact that there are differing structural arrangements between the States is largely a matter of history and there is no evidence that there is a move away from local government provision where this traditionally occurred elsewhere.
    - It is noteworthy that in some other jurisdictions, a distinction is maintained between bulk supply of water and its reticulation.
    - The viability and sustainability of the remaining local government sector whose role would be largely confined to roads, solid waste, public health and whose capacity to exercise its statutory, strategic and economic development planning roles would be severely compromised are of real concern.
    - If structural change were to be effected, Councils generally would favour retention of ownership by Local Government subject to the interests of all shareholder Councils being protected.
    - There is no evidence that in States where water and waste water services are delivered by State owned and operated structures the many issues identified in the discussion paper have been resolved

- Other issues
  - What needs to be assessed is not the relative merits of this or that structure but whether the costs of change could be justified by the likely benefits both in the short and long term.
  - The major problem (affording new infrastructure to comply with contemporary standards) is being experienced by Councils whose jurisdiction covers only 15.95% of rate-able properties and 8.46% of the population of the Southern Region
  - It is easy to be diverted by the more pressing immediate issues at the expense of maintaining a long-term perspective. In the long run and given that the immediate investment issues can be resolved, the water and waste water sector is a large one. In State hands, such business(es) would have monopoly power and could represent an ongoing source of revenue that would, if prices were set to achieve rates of return at the upper end of the GPOC scale or higher, ultimately lead to a significant increase in costs to consumers.
  
- Agreed regional view:
  - Changes to structures should be considered only (as the Issues Paper affirms) after the costs and benefits of all available options have been thoroughly investigated.
  - Such options should include the use of Hobart Water (in the Southern Region) as a means by which operational efficiencies could be achieved in particular by the smaller Councils.
  - Compensation would be required for dividends and tax equivalents that are transferred from Hobart Water to Councils should a significant structural change be made



# Regulatory Issues

- Issue paper assertions:
  - Structural Reform elsewhere has clarified accountabilities by separating policy, regulatory and commercial and operational functions.
  - There is little statewide coordination of planning or the management of water and wastewater infrastructure in Tasmania
  - Future structural and regulatory approaches need to be developed with this principle in mind.
- Council response.
  - Councils have for a long time expressed a need for the development of Statewide and Regional Settlement, Economic Development and Infrastructure Planning.
  - Planning policies and Regulations need to be developed to achieve Statewide Environmental goals that would serve to prevent development occurring when and where necessary infrastructure plans are not in place.
  - A reliable legislative basis for the imposition of cost reflective headworks charges, developer contributions or community assets charges needs to be provided by legislation.
    - 9 of the 12 Councils in Southern Tasmania levy such charges. There is evidence that these are soundly based on a marginal cost of infrastructure methodology.
  - Current approval processes for the construction of waste water treatment plants and bulk water storages are long, convoluted and costly. These delays have the capacity to lead to the loss of access to Commonwealth which have not been able to be spent within the required timeframes.
  - Separation of the environmental functions from the former DPIWE is beginning to cause further delays to these processes
  - Councils face difficulties because of the continual incremental nature of changes to standards. State Authorities need to recognise that Councils must plan for infrastructure over a 20 to 30 year timeframe and they are unable to do this if reliable predictions about changes to standards over the same period cannot be provided to them

# Regulatory Issues

- Other issues
  - Review of the structure of the Water and Sewerage sector should be extended to the regulatory and policy structure within the State Government. It is noteworthy that there are three members of the Ministerial Taskforce and it would be possible to suggest still further members given the number of Agencies that are involved in Regulatory and Policy development activities in relation to Water. It is noted that at the Commonwealth level recent ministerial changes have led to the appointment of a single Minister for Water and the Environment.
- Agreed regional view:
  - That the regulatory and policy development functions at State Government level in relation to water and sewerage be better coordinated to ensure that environmental and statutory planning systems support and are integrated to achieve the objectives of the current Review.
  - That regulatory and policy development reform should be done in close consultation with Local Government at Local and Regional levels

# Economic development

- Issue paper assertion:
  - Inadequate infrastructure is constraining economic development
- Council response:
  - Generally there is little evidence that this is the case, however Tasman Council cited 2 examples and Glamorgan Spring Bay also suggested a number of instances where development had been constrained
  - A number of Councils, for example Clarence and Hobart, indicated that they are using infrastructure provision as a key driver of economic development
- Other issues
  - The redistribution of capital investment to areas of perceived high need, in a regional or statewide structure, may reduce opportunities for pro-active capital infrastructure expenditure
- Agreed regional view:
  - The review needs to bear in mind the inherent risks of changing the current structures if such changes lead to a decline in pro-active infrastructure provision in high growth areas.
  - A cooperative approach to the current review is essential to avoid the kind of inter-government conflict that has the capacity to compromise economic development

# Pricing issues

- Issue paper assertion:
  - Pricing by AAV send inappropriate pricing signals to consumers.
- Council response:
  - Half of the Councils in the region have introduced meters
  - The fixed component of any two part pricing system is, in the larger Municipal Areas where two part pricing has not been implemented would be approximately 80% with only 20% is attributable to the volume consumed. This means that the pricing signals from metered usage would be weak.
  - There is no supply scarcity in those areas supported by Hobart Water's bulk supply
  - In areas that do not have scarce supply, the primary reason for introduction of meters is equity - primarily to distribute water and waste water costs on a user pays basis
  - For those areas that use AAV as a basis for pricing the impact of re-distribution when transferring from AAV based charging to usage based charging will be from commercial properties to residential properties. The financial impact of this will be significant in those areas with high value commercial centres
  - For those same Councils there is no business case that supports spending the millions of dollars that would be required to be spent on metering and the associated reading and maintenance in preference to focussing that investment in areas that would improve the current infrastructure, water quality, efficiency and environmental impact
- Other issues
  - The State Government could legislate for compulsory metering if it felt the equity issues were of greater economic impact than lack of infrastructure in other areas.
  - There may be alternatives to metering that better reflect usage patterns than AAV
- Agreed regional view:
  - Alternative charging regimes could be investigated to achieve greater equity
  - Under the present regime it is the prerogative of each Council to determine its own policy on this issue

- **Issue paper assertion:**
  - Land-use planning and the provision of water and sewerage is in the hands of the same entity
  - Examples of disconnection between land use planning and the provision of water and sewerage - parallel drawn with electricity industry
  - Challenging for Councils to plan ahead because of lack of scale, limited resources and increasing community demand
  - Water supply and waste water management are considered in isolation of each other
  - State-wide planning is inhibited by a narrow focus of Councils' activities to each Municipal Area. An integrated and strategic view of the State's water and sewerage infrastructure is needed
  
- **Council response:**
  - It is acknowledged that it is essential to have consistency between land use planning and the provision of water and sewerage infrastructure in some cases in the past
  - Councils are acutely aware of this issue and reviews of the mutual consistency of land use and infrastructure planning have been completed by many Councils. Consequent amendments to Planning Schemes have been, or are in the process of being made.
  - The challenge to Councils to plan for the future is overstated in the issues paper. Nevertheless, providing underground water and sewerage infrastructure is more complex and costly than erecting poles and wires

# Planning issues

- Other issues

- Land-use planning and the provision of water and sewerage services, being the responsibility of the same entity is a strength rather than a weakness - if there are co-ordination issues currently, they would be worse if the functions were separated
- State-wide planning of water and sewerage, integrated with settlement and strategic land use planning is a joint responsibility of the State Governments. Current and previous Governments have been unable or unwilling to do anything about this.
- In the absence of state-wide plans, Councils have correctly addresses the needs of their own Municipal Areas and many have taken action to provide water and sewerage infrastructure as an incentive to the development of the local, regional and state-wide economy
- An example of the lack of policy and regulatory co-ordination at State Government level is provided by Hobart Water's recently released Draft Derwent River Drinking Water Catchment Management Plan. The plan is part of a strategy that is designed to ensure that supplies of high quality drinking water sourced from the River Derwent can be sustained in the long term. Water from the Upper Derwent currently constitutes about 60% of drinking water supplied to Greater Hobart. Management actions that are required to achieve this objective will involve Hobart Water having to deal with at least eight separate State Government departments, GBEs and other entities, including:
  - DIER
  - DPIW
  - DTAE
  - Department of Justice.
  - Hydro Tasmania
  - Tasmanian Fire Service
  - Forestry Tasmania
  - Hayes Prison Farm
- Agreed regional view:
  - State-wide and Regional settlement, strategic land-use and infrastructure planning is a crucial need that will have to be addressed whatever structure exists to provide water and sewerage services