ABN 33 274 464 218

Taree Customer Service Centre:
26 Muldoon Street
PO Box 671
Taree NSW 2430
Ph: (02) 6592 4802
Fax: (02) 6555 8516
NH:KW

16 May 2011

The Productivity Commissioner
Urban Water Inquiry
Productivity Commission
LB2 Collins Street East
Melbourne VIC 3165

Dear Madam

Re: Urban Water Enquiry

Thank you for the invitation to further comment on your Draft Report into the Australian Urban Water. It is impossible to comment on all of the report's recommendations and the complete contents of the report as MidCoast Water (MCW) does not have the available resources to do so without the employment of an industry consultant. As such, MCW, in its role as a champion of the County Council model, will confine its comments to that area of the report as well as a reference to page XXI (conservation programs) and Draft Recommendation 6.2.

Conservation Programs

On page XXI of the overview, various examples are quotes from a report (Crase and Dollery 2005) which has examined subsidies paid to Melbourne for household water-savings investments. Attached for the commission's information is a paper by MCW's Manager Strategic Operations which details our water saving in the first twelve months of our water rebate program. The scheme's costs are nowhere near as high as the Melbourne report.

Draft Recommendation 6.2

Which says '*Governments should not provide subsidies for which supply augmentations and other urban water infrastructure where:*

- *It directs a utility to invest to produce a particular environmental outcome unrelated to its service delivery, responsibilities and the subsidy is commensurate with the costs attributable achieving the outcome*
- *A formal process has identified a particular community should be exempt from the requirement to fully remove costs through water charges'.*

With regards to the first point, would this include the costs of meeting the environmental flows that may be required under a river or groundwater management plan which are manditory in NSW?

Point three should be considered to take into account where there are currently no water or sewerage services available to a particular village. MCW has at least seven villages without these services and without government subsidies for capital expenditure, there will be no opportunity for these services to be supplied.

Reform in Regional Areas – (Chapter 13)

With regards to this issue, attached to this submission are copies of documentation that MCW supplied to Infrastructure Australia after the review of the Regional Water Quality and Security Report. By reviewing these documents the commission may gain a further insight into the County Council model.

However, there are some issues in the report that do need further comment.

"*Job losses and other community impacts"*

When MCW was formed in 1997, both the local councils were concerned about job losses. MCW decided that once all the bodies involved in the new organisation had transferred the designated water and sewerage staff to MCW, discussions would take place as to how MCW could outsources its administration and other areas such as vehicle repairs. Both councils were given an opportunity to provide these services on a contract basis but in typically local Government fashion, they both declined as they couldn't reach an agreement on how the services could be supplied. Both councils indicated that there would be a substantial increase in costs to MCW if they were to provide these services.

MCW decided to set up its own structures but all services which were not core business such as vehicle maintenance, lawn mowing, cleaning, water main flushing, stores etc were contracted out locally. This has meant that our communities have benefitted, jobs have been created and MCW costs contained.

MCW also decided that for the first two years any new positions would be offered on a competitive basis from our constituent councils. We would advertise these positions within both the Greater Taree City and Great Lakes Councils and would then have an interview process involving the applicants from both councils. The interesting aspect of this process was that each time MCW selected an employee from these councils, each council replaced the employee. There were no job losses from the formation of MCW.

Rate Pegging

Rate pegging has been mentioned as a reason for the cap on water and sewerage charges in Regional NSW.

It should be noted that rate pegging only applies to general fund rate increases. It does not apply to water and sewerage charges. Where it does affect these areas is when councils, particularly the larger councils, use their water and sewerage businesses to heavily subsidise the general fund and our submission to the NSW inquiry detailed how this happens.

Often councils, when they apply for a rate increase above the rate pegging limit, will suppress the water and sewerage rate increases so as to limit the 'overall council increase' when making an application to the NSW Local Government Department.

Loss of Council Income

When MCW was formed both councils were receiving approximately $1.535 million in fees from their water and sewerage funds. An agreement was reached that MidCoast Water would contribute, on a sliding scale over five years to both councils, a goodwill contribution or dividend:

	97/98	98/99	99/00	00/01	01/02
GTCC	635	435	335	251	186
GLC	900	785	680	500	390

In all, some $3.762 million was provided.

MCW has recently completed negotiations with the Glocuester Shire Council to provide water and sewerage services to that area from 1 July 2011. Gloucester Council has reached the conclusion that it can no longer provide these services at a cost effective rate to its customers. MCW believes that there are many other smaller councils that are in the same position but do not wish to acknowledge this.

Gloucester Council did not cross subsidise the general fund and both councils agreed that there would be some revenue effects from the transfer. MCW will provide a goodwill payment over the next four year as follows:

2010/11	2011/12	2012/13	2013/14
$80,000	$64,000	$48,000	$30,000

The County Council Model

On page 414 it is quoted '*The County Council model differs from the public corporation approach in that constituent Councils are not compensated for the costs of assets that are transferred to the County Council (under the corporation model the Councils, as shareholders, earn dividends). Member Councils may be paid dividends by the County Council, however, Armstrong and Gillatly (2008) observe that this has not been the case to date."*

We believe this statement to be incorrect. The council's water and sewerage assets belong to its customers or ratepayers, and funded by fees, charges and Government subsidies, developer charges and loans. When a County Council is formed, the assets and liabilities are transferred to the new entity as well as the customers so, in actual fact, the provider of the revenue and the assets are the same. In MCW's case we have provided some $370 million in asset upgrades and renewals over the last fourteen years as we inherited a run down water and sewerage system.

With regards to the payment of dividends, we have not provided any dividends to our local councils due to the need to:

- Upgrade the existing networks
- Provide new infrastructure for future growth
- Increase the levels of customer service
- Provide service extensions to uneconomic towns and villages
- Providing funding for environmental projects as per our Council proclamation

The Voluntary Regional Alliance Model

This model works up to a point but the biggest weakness is that it will not provide the funding necessary for the upgrade of water related services in small towns.

It is interesting to read the following comments on the various reports that have recently been released from the Director Infrastructure Services. Lismore City Council, in his report dated 10 May 2011, recommended to his council to enter into a Memorandum of Understanding with the Northern Rivers Organisation of Councils. The report says:

> *One common recommendation from these investigations is the formation of water entities which are larger than service Councils. The purported benefits include better utilisation of limited expertise and specialist skills, economies of scale in service delivery, management and administrative overheads, consistent application of best practice and sharing of costs over a larger base leading to more uniform pricing.*
>
> *Generally Local Government has not responded to the prompting of the Federal and State Governments for reform. The major sticking points are the removal of local control and accountability and the financial impact the removal of water services will have on most councils.*
>
> *The above reviews have prompted the examination of several models to manage water and wastewater supply.*
>
> *It would appear the model which best addresses the Federal, State and Local Government concerns is the 'Regional Alliance Model'.*

It does not fully address the objectives of any one level of Government; however, Local Government is at a point where some progress on reform needs to be demonstrated and the 'Regional Alliance' appears the only model where some degree of progress can be made.

The Director has recognised that change has to come, but acknowledges the shortcomings of the alliance model.

The alliance solution is a typical answer by Local Government when fronted by reform. By forming an alliance the councils hope that reform will 'go away' and they continue on as normal.

In closing, MidCoast Water would welcome the opportunity to further discuss our submission in Sydney on May 31.

Yours faithfully

NEIL HANINGTON
GENERAL MANAGER

WHAT'S THE VALUE OF WATER EFFICIENCY?

Graeme Watkins[1]
1. Manager Strategic Operations MidCoast Water

ABSTRACT

Water efficiency offers substantial benefits to our customers, the broader community and environment by delaying future capital works, less water extracted from the environment per household, reduction of residential electricity usage for hot water production and community involvement in resource efficiency.

Over the last 8 to 9 years our customer's water usage has declined while the number of connections has increased. This has been achieved without water restrictions. Most of the success has been attributed to the phasing in of a user pays system.

This has been seen as a 'stick' approach, what we needed to further encourage water efficiency was a 'carrot'.

MCW developed a broad rebate system to encourage existing households to convert over to more water efficient appliances.

This rebate scheme was introduced in January 2008 and has had over 2300 households take up atleast one appliance change over. This will save an estimated 70ML/yr or 30kL/household/yr. For expenditure of $222/household, annualised over 30 years suggests we have provided this capacity for about $0.60/kL which is about a third of our current cost to provide water supply.

With alternate water sources such as rainwater tanks water saving can be extended even further.

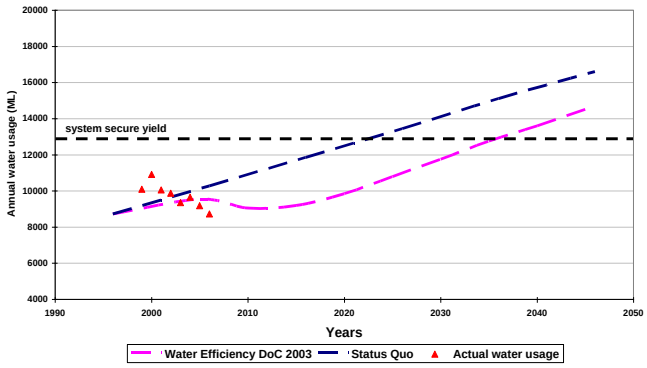
MAIN BODY

MidCoast Water (MCW) provides water and sewerage services to the urban areas of the Great Lakes and Greater Taree City Councils on the mid north coast of NSW. MCW has about 36,000 customers.

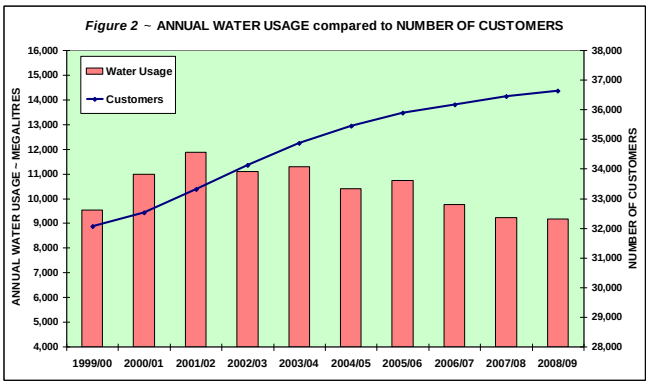
Part of MCW's sustainable management of water provides for the efficient use of water as the first component before alternative sources and recycling are considered.

Water efficiency offers a substantial benefit to our customers by delaying future capital works. With our current water supply headworks and status quo water usage compared to water efficiency usage, components such as increased storage and treatment can be delayed by 10 to 15 years as shown in figure 1. What this means to our customers is a difference of $80/year can be deferred. Other triple bottom line benefits such as environmental and social impacts can also be achieved.

Figure 1 Manning Water annual water usage forecast



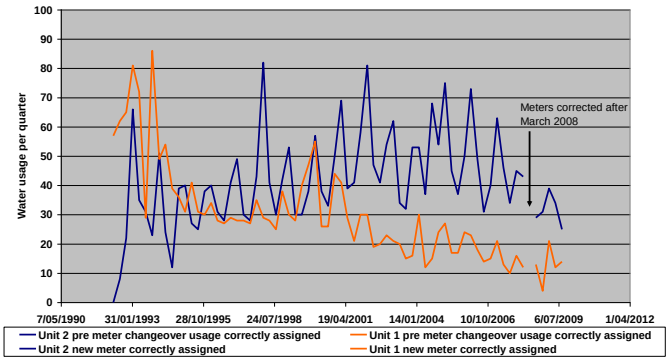
Over the past 8 to 9 years, without the effect of water restrictions our customer's usage has declined as shown in figure 2.



The decline in water usage has been in part community awareness but more than likely the result of the introduction of a 'user pays' system. The user

pays system commenced in 1998/99 at $0.35/kL to $1.95/kL in 2009/10. The pricing turning point was reached in 2001/02 at $0.55/kL. This is demonstrated in figure 3 where the meters of a duplex (2 units with a common wall) were incorrectly billed by accidental reversal of the meters such that Unit 2 received the bill from Unit 1 and Unit 1 received the bill from Unit 2. Both units are occupied by 1 person. As Unit 1 received a larger and large bill for usage they reduced their water usage. While Unit 2 who received a modest bill for usage continued to use water without apparent restriction. Once the error was corrected in March 2008 and the bills correctly issued, usage in Unit 2 reduced considerably.

Figure 3 two units adjacent to one another but meters rotated on billing system



However 'user pays' is seen as a 'stick' approach and what was needed was a more customer informative and friendly 'carrot' approach to ensure our customers moved to higher water efficiency.

To achieve water efficiency, an understanding of how and where water is used in the household would be beneficial to demonstrate that water could be saved. A sample of our customer's usage specific to our conditions would provide the data we needed. The information could then be used to drive our campaign to present the water efficiency message to all our customers, target education and rebates for older households.

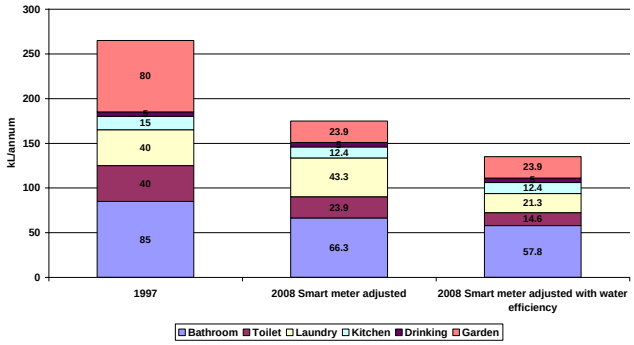
MidCoast Water has distributed about 120 'smart meters' over a range of our domestic customers for the purpose of evaluating water usage in the house and opportunities for water efficiency.

The period of analysis was leading into winter 2008 following 3 to 4 weeks of substantial rainfall. The smart meter results were adjusted to reflect how the smart meter participant's recent annual water usage compared to the rest of MCW's customers. From this comparison the average household used about 200 litres/person/day (L/p/d) including about 28L/p/d for outside purposes. The biggest single component of water usage was for the shower and clothes washing.

Leaks represented a small component of water usage at round 1% of total water used. Leaks represented about 10% of participating households and were associated with water appliance operation past what was normal use ie toilet and taps running for extended periods. There were no continuous underlying leaks. The low outside usage may be associated with the preceding wet period and cooler month.

Efficiency for just the clothes washing machine, shower and toilet were examined using 'best usage' of 60L/load for clothes washing, once per day for 5 minutes @ 9L/min for shower and 3.8L/flush based on a 3/6L dual flush toilet. Current usage of the participating house was used to compare with 'best usage'. The results suggested 47L/p/d could be saved by water efficiency overall. The greatest water saving was 51% of water currently used in clothes washing machines, 39% in toilet flushing and only 17% in shower usage. Clothes washing and toilet flushing will have very little impact on customer lifestyles. Figure 4 shows the water efficiency that could be achieved based on our smart meter data.

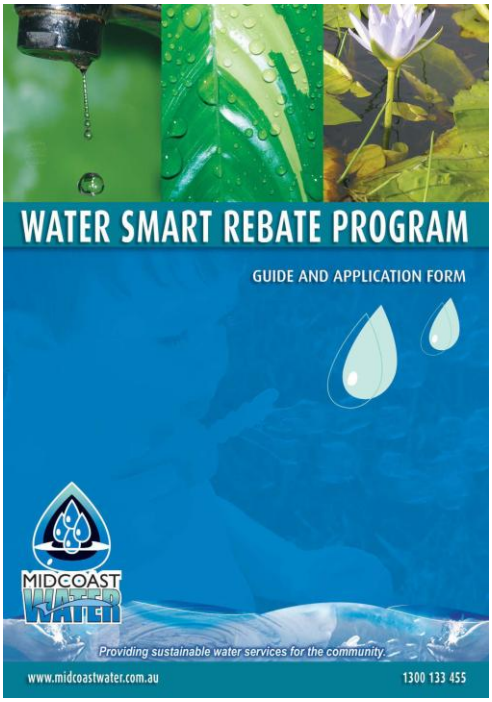
Figure 4 MCW Customers change in water usage in the typical household



Overall water usage may be reduced from 200L/p/d to 153L/p/d by adopting water efficiency just in the areas of clothes washing, showering and toilet flushing. Further reductions can be achieved by reducing outside and inside tap water usage.

MCW needed a way to encourage and reward our existing customers to become water efficient and convert over old water inefficient appliances.

MCW's direction was to develop a comprehensive incentive rebate scheme that allowed customer choice as to how each would tackle water efficiency.



Estimated water savings were made for each water appliance and these were converted to points for every 10kL/annum saved, providing a maximum point score of 20. The next important question to answer was, what water efficiency and each point was worth? A 'tripple bottom line' approach (financial, environmental and social) was made to define the value.

The financial impact of deferring capital works such as new water sources, through reduced demand was obtained,. From this a calculated nett present worth of costs was made. This provided a benefit of about $450 per household.

The environmental and social benefits are not as easy to quantify as the financial benefits. The environmental benefits covered issues such as reduced water extracted from the environment to supply each household. Reduced greenhouse gas emissions were also a benefit by using less water not only in cold fixtures, with less energy used to deliver and transfer water to and from each house but also less energy for hotwater systems at household level. Other environmental benefits for rainwater tanks, not necessarily providing water efficiency but providing an alternative water source, is reduced nutrients released into the stormwater system.

Social benefits include reduced infrastructure footprints on the community, education and socially responsible use of all resources.

Previous TBL assessments provided the split of financial, environmental and social, knowing the value of the financial component we could then provide an overall value of water efficiency of $1500 per household.

Not all options of water efficiency are suitable to all customers, so we limited the maximum points available to 15, selectable from the 20 available. This provided $100/point. MCW now had a value for water efficiency and a rebate points system which is shown in figure 5.

Figure 5 MCW rebate point system

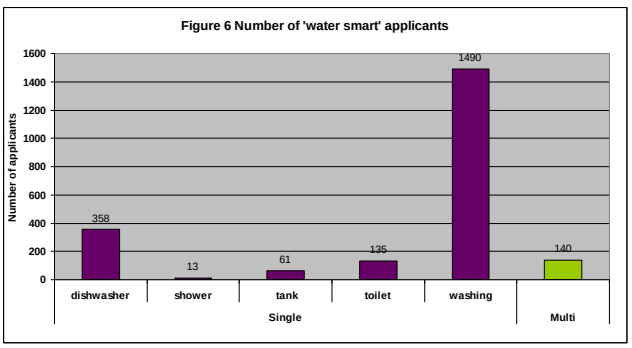
WATER SMART REBATE POINTS SYSTEM

ITEM	REDUCED SEWAGE FLOW	WELS STAR RATING WHERE APPLICABLE (TYPICAL WATER USE FOR APPLIANCE)			
SHOWERHEAD	☑	6L/MIN AVERAGE WATER SAVING 10kL/YEAR	9L/MIN AVERAGE WATER SAVING 5kL/YEAR		ALL WATER INEFFICIENT SHOWERS IN THE HOME MUST BE REPLACED TO BE ELIGIBLE FOR THE REBATE.
Rebate points	IF YOU DON'T WANT TO CHANGE YOUR EXISTING SHOWERHEAD, CONSIDER A RESTRICTIVE WASHER, AVAILABLE FROM MIDCOAST WATER OFFICES.	1	0.5		
TOILET(S)	☑	5 STARS (3/4.5L FLUSH) AVERAGE WATER SAVING 25kL/YEAR	4 STARS (3/4.5L FLUSH) AVERAGE WATER SAVING 20kL/YEAR	3 STAR (3/6L FLUSH) AVERAGE WATER SAVING 14kL/YEAR	TO BE ELIGIBLE FOR THE REBATE CUSTOMERS MUST BE CONVERTING FROM A SINGLE FLUSH OR DUDEE STYLE DUAL FLUSH (4.5/9L) TO A NEW MODEL. ALL WATER INEFFICIENT TOILETS IN THE HOME MUST BE CONVERTED TO QUALIFY AND BE INSTALLED BY A LICENSED PLUMBER
Rebate points		2	1.5	1	
WASHING MACHINE	☑	+4.5 STARS (<60L WASH) AVERAGE WATER SAVING 28kL/YEAR	4 STARS (61-80 L WASH) AVERAGE WATER SAVING 20kL/YEAR	3.5 STARS (81-100 L WASH) AVERAGE WATER SAVING 10kL/YEAR	
Rebate points		3	2	1	
DISHWASHER	☑	+4 STARS (12L WASH) AVERAGE WATER SAVING 15kL/YEAR			
Rebate points		1			
RAINWATER TANK	☒	GARDEN AND TOILET AND WASHING MACHINE AVERAGE WATER SAVING 110kL/YEAR	GARDEN AND TOILET OR WASHING MACHINE AVERAGE WATER SAVING 70kL/YEAR	GARDEN ONLY AVERAGE WATER SAVING 30kL/YEAR	
Rebate points Rebate points	for 2000 to 3999 litres for + 4000 litres	6 11	4 7	2 3	
GREYWATER	☑	GARDEN ONLY AVERAGE WATER SAVING 25kL/YEAR		ALL GREYWATER TREATMENT SYSTEMS APPROVED BY THE DEPT OF HEALTH	
Rebate points		2			

FOR MORE INFORMATION ON THE WELS RATING SYSTEM VISIT WWW.WATERRATING.GOV.AU

The rebate scheme has been available since January 2008 and will continue for 10 years to allow progressive uptake of water efficient appliances and rainwater/grey water systems. During this time MCW will also give away free restrictive washers as an alternative to shower head replacement.

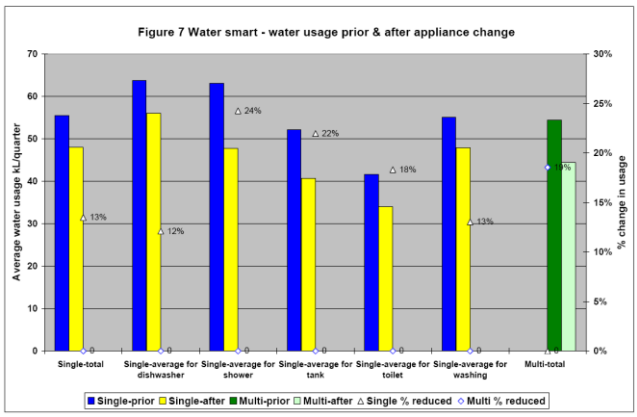
As of May 2009, 2340 participants have taken up the rebate and MCW has paid out $521,000 since the program commenced. This is an average expenditure of $222/household. Most have taken up a single rebate at this stage with only 140 taking up more than one rebate. Number of rebates by appliance is presented in figure 6 below where water usage was available for 2194 households with strata properties excluded as they are not individually metered.



An analysis of the data collected has been undertaken using pre and post quarterly water meter usage data from those households that took up the

rebate. Of the 2194 households only 1318 had a long enough period post appliance change over to allow evaluation. The quarterly water meter readings for a 12 month period post appliance change over and 24 months pre appliance change over were used to derive changes in water usage. The quarterly water meter readings are not necessary useful for this analysis as the quarterly readings are subject to seasonal variation and possibly also the general trend in less water usage. This analysis should be considered as an approximate method of comparison.

Households with multiple rebate claims had a slightly greater reduction in water usage then single claimants. The results of this broad analysis of quarterly water meter readings and its impact on change in water use by appliance altered is shown in figure 7.



Based on this analysis approximately 40ML/yr has been saved by these 1318 households or 70ML/yr if extended to all 2340 households. This represents about 30kL/household/yr.

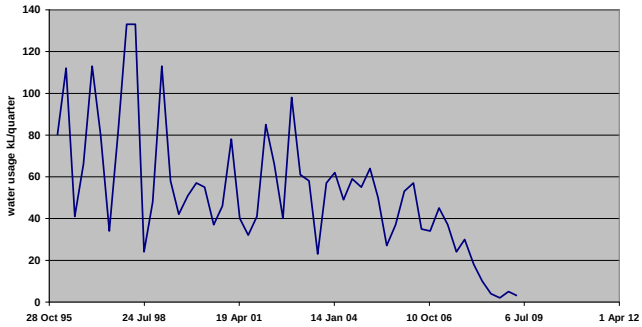
For expenditure of $521,000 we have reduced water need or provided a further system capacity of 70ML/yr, annualised over 30 years suggests we have provided this capacity for about $0.60/kL which is about a third of our current cost to provide water supply. Other benefits would include a slight reduction in wastewater flow and the energy to transport and treat wastewater flows.

Using our smart meter data we were able, on a smaller scale examine changes in water use more definitively. A number of houses with smart meters have converted some fixtures to more water efficient ones. The average water usage change is presented for these properties below and shows what practical water efficiencies have been achieved:

Fixture	Winter 08	Summer 09	% reduction
Shower	40 L/shower	35 L/shower	12.5%
Toilet	8.5 L/flush	5.1 L/flush	40%
Clothes washing	113 L/load	65 L/load	43%

Once a household is water efficient, alternative water sources can obtain even more savings on centralised water supplies. My house's water usage, as an example in figure 8 has water efficiency and a modest 8500 litre rainwater tank with about 80m^2 of roof area. The rainwater tank was connected to the whole house in early 2008. Approximately 90% of the water used can be supplied from the tank. I have gone from 110 to 120kL/quarter in the mid 1990's to 1 to 4 kL/quarter in 2008/09.

Figure 8 My water usage including water efficiency and 8500 litre rainwater tank



CONCLUSION

To encourage water efficiency in January 2008 MCW introduced a broad rebate system to allow the progressive conversion of old inefficient water appliances to more efficient ones.

Over 2300 participants have taken up one or more rebates as of May 2009. The cost on average has been $222/household to reduce water by 30 kL/household/yr. This capital cost annualised over 30 years suggests we have provided this additional system capacity for about $0.60/kL which is about a third of our current cost to provide water supply.

The incentive MCW has provided has demonstrated that a non asset solution is a good business investment that minimises or delays future asset creation options.

Response to: Regional Towns Water Quality and Security Review

March 2011

MIDCOAST WATER

Response to: Regional Towns Water Quality and Security Review

The general thrust of the review of regional water quality and security is a step in the right direction. No one can disagree with the following key recommendations:

1. Mandate compliance with the Australian Drinking Water Guidelines through legislation or regulation

2. Implement a nationally consistent Best Practice Management framework for all urban water utilities

3. Improved 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

MidCoast Water has already developed programs and policies for the above, for example, see the attached MidCoast Water's Employee Educational Assistance Programs which demonstrates our commitment to raising the standard throughout our organisation.

MidCoast Water has been recognised at a national level for our educational programmes. Over the last two years the Federal Attorney General's Department has funded two of our employees to attend 'The Industrial Control Systems Cyber Security Advanced Training' in Idaho Falls USA.

This training is conducted by the United States Department of Homeland Security in conjunction with the Idaho National Laboratories. MidCoast Water was the only Local Government body throughout Australia to be invited to attend (see attached report).

We note your report has been questioned by the Local Government Association and they, up to a point, have a fair case. The information as presented is only a snapshot and would not present a case for reform although reform is urgently needed in NSW.

The report focused on water quality and security, and while important, it ignored the state of sewerage services in regional NSW, regional Australia and the large urban authorities.

There is general agreement that all the large urbans have focused on water security over the past five years but wastewater has not been examined. MidCoast Water believes that future reports should focus in this area.

The issue is not about 'drought proofing NSW' but the effect of the adoption of environmental management plans for NSW river catchments. The intent of these plans cannot be questioned and these will benefit NSW in the long term. The problem is how NSW Local Government can fund these.

An excellent example is the Nambucca Shire Council which has a Draft Integrated Water Cycle Management Strategy which identified that some $180.9million dollars will be needed over thirty years if the council is to implement this strategy. This will be almost impossible for a council which has some six thousand customers.

A further example of problems in regional NSW is the following extract from a report to the Kempsey Council on 11 November 2008 from the Manager of Water, which states:

> *"..delays due to crisis management events have meant that there have been delays in the detailed programming. Examples of this crisis management are the Kempsey K5 pump station failure in May, Crescent Head rising main failure in August and the Hat Head aeration grid failure. Macleay Water has identified each such crisis and has created a minimum of a two-month recovery period until 'normal' work outputs are resumed. In the last 12 months there have been 6 major crisis managed incidences and two ongoing major concerns and these have resulted in inevitable delays in output as well as impacting upon staff members' resilience. It is evident that although there is now a healthy annual budgetary allocation for renewals, the past practice of poor workmanship, poor materials and poor prioritisation for renewals funding has established a catch-up renewals period for Macleay Water infrastruture of a minimum of 10 years.*
>
> *An example of the need to re-programme with previously unallocated funds would be the recent main break at the corner of Forth and Gladstone Street. This main break has resulted in the need to reconstruct not only the entire length of main along Gladstone Street but also the road intersection and a portion of road approximately 200m south along Gladstone Street. Originally, this water main replacement was programmed at priority 8 for this year but due to further breaks recently its priority has changed. This water main is an example of an asset that has failed well before the end of its life in 'age' terms and is not in a particularly aggressive environment. Given the recent break, the cost estimate for this job has considerably escalated and Macleay Water will now bear the main replacement and the road reconstruction from the mains renewals allocation. The revised estimates for this work are currently being determined along with the rescheduling of other projects this financial year."*

The issue MidCoast Water has with the report is the non recognition of the County Council model as an alternative for regional NSW.

Each of the models in the report would, at present, not be acceptable in regional NSW.

MidCoast Water has detailed the County model in our 'Vision for the Future' report.

There are at present, five County Councils operating in NSW which are:

- MidCoast Water
- Central Tablelands
- Rous
- Riverina
- Golden Fields

This concept was very successful in the electricity industry where the NSW electricity network was expanded and controlled by County Councils.

In the water industry the Riverina and Golden Fields County Councils were responsible for the expansion of the water networks in the Riverina region.

The reason that the water in the Manning/Great Lakes area was administrated by the County Council was that the four local councils could not agree on the appropriate body to run the Manning River Water Supply from the newly constructed Bootawa Dam. The old Manning River County was the selected model.

When MidCoast Water was formed with the coming together of the water functions of NorthPower, the water and sewerage functions of the Great Lakes Council and the sewerage functions of the Greater Taree City Council, there were immediate benefits for the region. MidCoast Water took over an ageing system and has over twelve years, spent over $370 million in refurbishing and expanding the water and sewerage infrastructure.

By combining the two council areas there was an immediate benefit to the Great Lakes Local Government area. The Great Lakes Council had an ageing wastewater plant which was situated in a residential area at Tuncurry and there was no alternative site available. Also, Great Lakes needed to provide wastewater services to the village of Nabiac and again, had no suitable sites for a treatment plant.

Once MidCoast Water was formed the problems were solved by the expansion of the Hallidays Point wastewater plant which, although it was in the Greater Taree City Council Local Government area, was ideally located to service both the towns of Tuncurry and Nabiac.

One of the greatest achievements of the County Council model was the planning for and the completion of the Shannon Creek Dam Project near Grafton in Northern NSW.

Despite the accolades for the project being claimed by both the Coffs Harbour and Clarence Valley Councils, the project was instigated by the Lower Clarence County Council (North Coast Water). North Coast Water was amalgamated in 2004 to become part of the Clarence Valley General Purpose Council.

Previously, North Coast Water consisted of delegates of the following Councils; Copmanhurst, Grafton, Maclean, Pristine Waters and Coffs Harbour and it planned, consulted and oversaw the $180million Shannon Creek Project which will drought proof the Coffs Harbour and Clarence Valley Local Government areas.

Mr Jim Fear, together with Mr Ian Preston, was the driving force behind the project. Mr Fear has provided the following thoughts on why the project was so successful.

It is my belief that the regional scheme would not have been built if the water supply was structured as it is today with Coffs and Clarence Councils as separate entities. It needed the County Council to make it happen. Recently I asked our County Chairman this question after he became a Clarence Valley Councillor and he agreed with my sentiment.

The main reason I believe, is that you need political/local support to get something like Shannon built. Under the current structure where you may get half an hour of Councillors' time once a month at the end of the meeting after you have talked about DAs for 2-3 hours is simply not enough. Combine this with the fact that you need to go to two separate Council meetings to try and get the same understandings at different times and to try and get them to agree to the same recommendations becomes quite impossible.

By having the County Council you had representatives from all Councils involved. In this case at the start there were six Councils involved as Clarence Valley did not exist, but even with two Councils involved, it is still important.

You had these Councillors for at least four hours per month dedicated to water, plus workshops etc. More importantly, they were not representing their Council as a committee as they are full members of the County Council and made decisions there without having to go back to their own Councils to get permission to make the decision, or get a recommendation from a committee approved.

As well as this, you had dedicated water staff at the County Council meeting every month, where as, at a normal Council meeting the water staff were not normally involved. You were relying on senior staff such as the General Manager and Works Director of both Councils to be informed enough to get the message across to the Councillors.

Basically the two key water staff members in this situation would have to discuss and convince the two senior executives from each Council, who then had to convince nine Councillors each indirectly without knowing everything, rather than the two key water staff talking direct to nine Councillors, then instantly making the decision.

Mr Fear is now the Senior Systems Engineer at SEQ Water Grid Manager.

Presently a study has been completed by the Central NSW Councils (CENTROC) which was aimed to provide water securities for the 17 Councils in the region.

The centrepiece of the strategy is the Lake Rowlands Project. Our colleages from the Central Tablelands County Council are more qualified to provide the details of the scheme. The main beneficiaries appear to be the following councils; Orange, Blayney, Lachlan, Parkes, Forbes, Central Tablelands Water, Cowra and Cabonne which are located in one of the grouping (Central Tablelands), which MidCoast Water has identified in its 'Vision for the Future' plan as being a stand alone County Council. If this was adopted and from the above comments from Mr Fear, the governance and decision making under a County Council would be streamlined.

It is not MidCoast Water's intention to comment on the corporation style models as it is believed that the gap between the present models and the corporation model is too great and it would be impossible to get agreement and the industry would stagnate while the arguments were taking place.

The mandatory alliance model that could be based on the existing Lower Macquarie model does, up to a point, deliver some sort of savings - but the weakness in the model is that each council does not have to adopt any regional strategies and it will not solve the financial problems associated with asset replacement or environmental flow outcomes.

The alliance model is a default County Council model with no decision making capabilities.

At present, this model has a management committee of sixteen, consisting of eight Councillors and eight senior staff. If the alliance proceeded to the point where they had reached agreement on a water and sewerage strategy for the whole region, it would have to go to eight councils for adoption. Under the County Council system the elected delegates to the County would make the decision.

MidCoast Water's vision for NSW was to reduce the number of Local Government water utilities from 107 to 14 County Councils. This excludes Sydney, Hunter, Gosford/Wyong and State Water. Our vision document sets out very clearly, our reasons and methodology behind our thinking.

It is MidCoast Water's belief that the County Council model is the best immediate solution for the problems in regional NSW.

ABN 33 274 464 218

Taree Customer Service Centre:
26 Muldoon Street
PO Box 671
Taree NSW 2430
Ph: (02) 6592 4802
Fax: (02) 6555 8516
NH:KW

18 March 2011

The Executive Director
Infrastructure Investment
GPO Box 594
Canberra Act 2601
Attention: Rory Brennan

Dear Rory

Re: Regional Towns Water Quality and Security Review

Thank you for your time which allowed Midcoast Water to put forward our 'Vision for the Future of Water and Sewer Services in Regional NSW' which we submitted to the *Ministerial Inquiry into the Delivery of Water and Sewerage Services to Communities across NSW*.

Unfortunately the NSW Government has not acted on any of the recommendations in the final report which, in our opinion, was a 'dog's breakfast'. The final report tried to satisfy the Local Government Councils in NSW, who for the most part do not see the need for change.

The NSW Regional Councils agree that there are issues with skills shortages, lack of finance and asset conditioning problems thoughout NSW, but refuse to acknowledge that there are too many water and sewer utilities throughout NSW. Their solution is to ask both State and Federal Government for increased financial support. As usual this is often a short term view. There is no doubt that particularly in NSW, there is a lack of funding for infrastructure upgrades despite the funds that have been injected into Regional NSW under the Country Towns Program. This program has virtually come to a standstill as the fund has been frozen for the last two years.

There is no doubt that the NSW Office of Water has improved the standard of reporting, and the introduction of Best Management Guidelines has led to an improvement in the operations of at least the medium to larger utilities in NSW. The weakness in the reporting system is that only those utilities over 10,000 customers have to have their statistical information audited once every three years. The remainder do not and it is not known if they carry out business under the Best Management Guidelines.

If there is to be an increase in financial incentives from the Federal Government then it should only be directed to those utilities that show a willingness to reform.

It is also interesting that under the suggested reforms for NSW, only the Lower Macquarie Alliance has realised that change will come and has set up an alliance model - which still will not solve the problems in NSW.

MidCoast Water is the only utility that has expanded its operating area since the enquiry. The enquiry recommended that the Gloucester Shire Council join with MidCoast Water to form either a county council or a council owned water utility.

On 11 March 2011, the NSW Government gazetted that the water and sewerage operations of the Gloucester Council will be transferred to MidCoast Water on 1 July 2011. Gloucester Council is to be congratulated on its decision in recognising that it could no longer look after these assets. Some of the smaller councils in NSW should follow Gloucester's actions.

Enclosed is MidCoast Water's submission on your report together with copies of our previous submissions to the NSW Government.

We will be willing to further clarify any information that may arise out of our submission.

Yours faithfully

NEIL HANINGTON
GENERAL MANAGER