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Enquiries: Nicola Hoey

1 June 2011

Inquiry into Australia's Urban Water Sector  
Productivity Commission  
Locked Bag 2, Collins Street East  
Melbourne VIC 8003

Dear Sir/ Madam,

## **SUBMISSION: AUSTRALIA'S URBAN WATER SECTOR – DRAFT REPORT**

The City of Wanneroo would like to thank you for the opportunity to comment on Australia's Urban Water Sector Draft Report and congratulates the Commission for recognising this issue at a national level.

### **Background**

The City of Wanneroo (the City) is situated 22 kilometres north of Perth and with an area covering 685 square kilometres it is one of Perth's largest local governments and is the fastest growing region in Western Australia. Over the next two decades, the population of the City is expected to increase from approximately 150,000 to 300,000 people. In order to accommodate this significant increase, areas such as the East Wanneroo sub regional structure plan area; the Alkimos Eglinton District Structure Plan area and the Yanchep-Two Rocks District Structure Plan area; are proposed to be developed for residential, commercial and industrial uses. These changes in land use, combined with the impacts of a drying climate, population growth within the Perth region generally and the continuing requirements for water for horticulture industries, are putting pressure on the water resources within the City.

Potable and non-potable water in the City of Wanneroo is supplied exclusively from groundwater resources (the Gnangara Mound). The groundwater is also essential to a number of environmental assets including wetlands and underground karstic systems (and associated Threatened Ecological Communities listed under the *Environment Protection and Biodiversity Conservation Act 1999*). Increased population combined with reduced rainfall puts pressure on the resource as a water supply for current and future residents and the resulting increased extraction will also place stress on groundwater dependent ecosystems which the community is known to enjoy and value.

### **Submission**

Further to the previous comments provided by the City on the Discussion Paper, which are still valid and should also be referenced (refer to **Attachment 1**), the following comments are provided in relation to the Draft Report.

#### *Urban Water Supply*

Alternative water sources are often discussed by Federal and State Governments and water providers. A preference should be determined for provision of alternative water sources which

are based on clear arguments, such as those featured in the Productivity Commission's Draft Report on Australia's Urban Water Sector. For example, in Perth, the water available for drinking water and irrigation from the groundwater is almost fully allocated to predetermined sustainable limits. The information released by the Water Corporation to date seems to indicate that currently in drought years more water is abstracted from groundwater sources to ensure potable water supply. This places unsustainable pressure on the resource and groundwater dependent ecosystems and sends an inappropriate value message to the community. In the long term, rather than abstracting more groundwater from existing 'inland' groundwater schemes, there is a preference by the Water Corporation to securing the water supply by using new 'coastal' groundwater schemes, provision of further desalination plants, and recycling of treated wastewater.

The City Administration supports improving water security in the following ways in order of preference:

- a) Reducing per capita water use;
- b) Use of recycled water (at least for open space irrigation, toilet flushing and use in residential gardens); and
- c) Desalination.

Groundwater abstraction from the superficial aquifer above sustainable limits is not supported as the system is known to already be under stress. Reliance on further groundwater abstraction from deeper aquifers on the Gnangara Groundwater System is not supported as it has been shown that there is a high degree of connectivity between the confined and superficial aquifers and abstraction from the confined aquifers impacts on the superficial aquifer.

The draft report refers to aquifers as being a low cost source which should be considered for water supply augmentation. In referring specifically to Western Australia (page 125), mention is made of the WA government's decision to build a second desalination plant, and the report notes the cost difference in comparison to using the south-west Yarragadee aquifer.

Aquifers are probably the most environmentally sensitive water sources, where groundwater dependent ecosystems (GDEs) are involved. They are also the most inappropriate to use as drought-relief sources (as is currently occurring in the south-west of WA) as abstraction of additional water from them in dry years only exacerbates the stress which the GDEs are already under due to the reduced rainfall.

This is a clear disadvantage in using aquifers (with associated GDEs) as compared to using sources independent of rainfall such as recycling and desalination.

The City Administration's preferred two options (a) and b) listed above) are both more environmentally and financially sustainable and should not be dismissed. There are also many areas, such as those within the City of Wanneroo, where the integration and use of recycled water would have community support and these options should be explored and facilitated regardless of failures to introduce them elsewhere.

Further to the above, the City Administration has targeted the rest of its submission to providing feedback on the recommendations and information requests (where relevant) detailed in the Draft Report.

## Draft Recommendations

No.	Comment
3.1	<p>The City agrees that a common objective for the urban water sector across Australian, State and Territory Governments would be useful. However, more guidance is required to enable the Urban Water Industry to carry out analysis effectively to maximise the benefits to the community.</p> <p>It would also be useful for the above assessment methodology to be agreed by the Australian, State and Territory Governments.</p> <p>Where reduction of the water source also results in impacts on the environment, there may also be a social impact. For example, use of groundwater in the Perth Metropolitan Area combined with reduced rainfall is causing significant impacts to groundwater dependent ecosystems. This can result in the degradation of wetlands in large public open spaces which reduces their amenity and community value. The environmental and social impacts should be incorporated into analysis of the success of the Urban Water Industry.</p>
5.1	<p>City Administration supports the application of the six principles of good regulatory practice identified by the Regulation Taskforce in 2006.</p>
6.1	<p>City Administration supports the adoption of policy to allow for costs and benefits to be considered for all water supply.</p> <p>However, in the Perth Metropolitan Area, where most urban and rural drinking and irrigation water is supplied from groundwater, the water resource is fully allocated or over allocated. It would therefore be difficult to justify trading between rural and urban areas. Trading water from rural areas would also only be viable if the irrigation was not required for crop irrigation. In drought years, when the water trading would be required, it is also likely that rural areas would need the water allocated to them and would not have any excess water to trade.</p> <p>The trading policy in WA also limits trading to groundwater sub-areas. It is unlikely that urban areas and rural areas would be in the located in the same sub-area, again making the option of rural-urban trading unlikely.</p> <p>City Administration supports potable water reuse and any measures that will enable this outcome. For example, the City Administration would support the use of recycled water from the Alkimos Wastewater Treatment Plan for crop irrigation and/or irrigation of public open space, residential gardens and toilet flushing (whichever use is determined to be the most financially viable). It is not appropriate, given the drying climate, for treated wastewater to be pumped into the ocean without being recycled.</p>
6.2	<p>City Administration disagrees that Australian, State and Territory Governments should only provide subsidies for water supply augmentation and other urban water infrastructure. Given the population growth currently being experienced in the City of Wanneroo and more generally the Perth Metropolitan Area, many of the arguments against subsidising supply augmentation are unwarranted.</p>
7.1	<p>City Administration agrees that metering technology should be introduced to all new</p>

	<p>single and multi-unit dwellings and the case for retro-fitting existing single and multi-unit dwellings with separate metering technology should be assessed by utilities.</p> <p>The Water Corporation in WA can provide examples of third pipe groundwater supply systems where better metering would have made it easier to demonstrate the success of the project.</p> <p>Metering also allows for consumers to benefit financially through the introduction of water saving initiatives, however, the impact on housing affordability should be considered.</p>
7.2	City Administration agrees that all water users should be charged for the volume of water they use to encourage water efficient behaviour. Water rates should continue to be charged to owners.
7.3	City Administration agrees that more consumer choice in urban water tariff offerings should be available as this is likely to make consumers more aware of the water they use and its cost.
8.1	<p>City Administration disagrees that the use of water restrictions should be limited to times of emergency where a water shortage arises unexpectedly, or in areas where there are no viable new water sources available to augment supply and restrictions are needed to avoid running out of water.</p> <p>Given the public acceptance of water restrictions and Perth's drying climate, water restrictions should be used in conjunction with other methods for changing water consumption behaviour.</p> <p>Removal of water restrictions may also result in the community assuming that water is secure and water use will increase. There is, however, an opportunity to 'reward' consumers by removing restrictions in wetter years. This should, however, only be used once dams have reached a minimum level.</p>
8.2	<p>It is important to encourage people to value water. Education on the costs and benefits of water saving activities should be provided to the community, together with a clear explanation as to why any water restrictions in place are required.</p> <p>Regulators and developers may benefit from a greater level of education on assessing the relative merits of using prices, restrictions and water use efficiency and conservation measures to manage demand (rather than consumers).</p>
9.1	City Administration agrees that COAG should commission a review of concessions on utility services across all levels of government.
9.2	City Administration agrees that COAG should develop a set of best practice consumer protection principles for water utilities.
9.3	City Administration agrees that COAG should progress implementation of measures to support consumer advocacy and research.
11.1	City Administration agrees that retail-distribution utilities should be assigned

	responsibility for meeting security of supply standards and procuring water supply and services.
11.2	City Administration agrees that State and Territory Governments should draw up charters for urban water utilities incorporating best practice governance arrangements and governments' requirements for the performance of utilities and there should be public consultation on the charter.
11.3	<p>City Administration agrees that Governments should further improve governance arrangements for publicly-owned urban water utilities.</p> <p>It is particularly important that stormwater in WA is considered to be part of the water supply (as it replenishes aquifers directly and can be used to irrigate public open space). The City of Wanneroo has therefore set its objectives for urban water management through the development of a City Water Management Plan and Local Planning Policy. It would be beneficial, however, for other levels of government to acknowledge stormwater as an integral part of the system and provide adequate funding for retrofits of ageing infrastructure.</p>
11.4	<p>Price setting is not directly applicable to the City of Wanneroo, however, the City would appreciate consideration of a reduced pricing for irrigation of public open space given that:</p> <ul style="list-style-type: none"> <li>• It results in a social benefit to a number of residents; and</li> <li>• The water source is the same for potable and non-potable supply. Ideally the City would access irrigation water using bores, however where groundwater has been fully allocated, public open space can only be irrigated using potable water. The demand is the same and local government has to demonstrate water efficiencies through other processes; therefore the impact on the water source is the same regardless of pricing.</li> </ul>
11.5	City Administration agrees that the Australian Government should proceed with the scheduled independent review of the National Access Regime.
11.6	<p>City Administration agrees that environmental and health regulators should be more transparent and accountable in their decision making.</p> <p>In Perth it is important for environmental and health regulators to work more closely together when assessing urban water proposals and to establish agreed positions on water reforms, for example use of recycled water.</p> <p>It is also agreed that decision-making should be more transparent with review mechanisms developed. This would align the urban water decision making process with other decision-making processes.</p>
11.7	Refer to the comments provided in response to recommendation 6.1.
13.5	City Administration agrees that compliance with the health critical elements of the Australian Drinking Water Guidelines should be mandatory, and implemented via legislation and compliance should be reported annually and made available for public review.

13.6	<p>City Administration agrees that the Government of Western Australia should consider the costs and benefits of replacing the single, jurisdiction-wide public corporation model with a regional water corporation approach (horizontal disaggregation).</p> <p>Replacing the current model may result in:</p> <ul style="list-style-type: none"> <li>• Improved competition and therefore economic benefits to the community;</li> <li>• Better water resource management and planning; and</li> <li>• Opportunities for local government to become a water service provider increasing revenue and therefore investment in local communities.</li> </ul> <p>However, it should be appreciated that whilst such a structure can be considered it may not be viable at the present time.</p>
14.1	City Administration agrees that Government should implement the universally applicable reforms to policy, governance and institutions identified by the Productivity Commission where they result in economic efficiencies (which can be passed on the consumers).
14.2	City Administration agrees that State and Territory Governments should immediately commence enacting urban water reforms unilaterally.
14.3	City Administration agrees that progress against COAG agreed water reforms should be subject to monitoring.
14.4	The City agrees that an independent public review of the reform package should take place after five years.

### *Information Requests*

The Commission is seeking information in response to a number of questions. City Administration's response to the questions are set out below:

**Question 1:** How are developer charges levied in each jurisdiction, for both greenfield and urban infill developments? Do these currently provide adequate signals on the costs of servicing new developments? To what extent should developer charges be set periodically on an 'across utility' basis, or be specific to the development in question? Would more development specific charges, especially in high cost areas, encourage greater innovation? Would it be better for developers to build the required infrastructure according to standards set by the utility? If so, what issues would need to be addressed to operationalise this? What are the main impediments to introducing more efficient developer charges?

### City Administration Response

In WA the developer contributions for water infrastructure are part 'in-kind' (in relation to minor infrastructure works such as reticulation systems) and part monetary (in relation to 'headworks charges' for major infrastructure works such as distribution mains). In respect to the 'in-kind' contributions, the drainage infrastructure, residential water supply and sewerage is conditioned through subdivision. The conditions of subdivision cannot be cleared and therefore land titles cannot be issued until the local government (in the case of local drainage) or the Water

Corporation has approved the infrastructure designs and then approved the infrastructure that is constructed. The developer pays for the infrastructure to be designed and constructed, the infrastructure is then handed over to either the local government (in the case of stormwater drainage infrastructure) or the Water Corporation (in the case of residential supply and sewerage) for long-term management and maintenance.

This approach seems to be quite successful in greenfield areas but there are examples in the City of Wanneroo where the process may be an impediment to infill development. For example, the City consulted with the Water Corporation (the main water servicing agency in Western Australia) in the course of preparation of its Local Planning Policy 3.1: Local Housing Strategy (LPP 3.1), which will result in infill development in certain areas. It was clear from the Water Corporation response on LPP 3.1 that proposals involving large scale increases in density need to be supported by assessments of the existing services in those areas to determine the capacity to cope with the proposed density increases. Further, if upgrades to the services are found to be required, then strategies to provide for those upgrades also need to be put in place.

In now seeking to apply the provisions of LPP 3.1 to the areas of Wanneroo, Girrawheen and Koondoola, the issue has arisen as to who should be responsible for assessing and upgrading water supply and sewerage services. The above process, where the developer pays up-front, is difficult to apply given multiple ownership rather than one developer and infill occurring at different rates.

The Water Corporation has indicated that the City, as the relevant local government, should be responsible for implementing a process to facilitate infill development, which includes the tasks listed below:

1. Assessing the capacity of the existing infrastructure and determining what upgrades may be required;
2. Preparing and managing a mechanism to collect funds from developing landowners to fund the above assessment and any necessary infrastructure upgrades; and
3. Construction of any necessary infrastructure upgrades.

The City disagrees that the tasks are a local government responsibility as it does not have the expertise to undertake the required assessments and will not ultimately be responsible for the infrastructure. Furthermore, infill development is actually promoted by State Government policy and should therefore either be the responsibility of a State Government department or the water service provider. Further analysis on provision of water services in infill areas and also who is responsible for its timely implementation should therefore be included in the Productivity Commissions Final Report on Australia's Urban Water Sector.

**Question 2:** Are there regulatory inconsistencies between jurisdictions that are creating unnecessary burdens for urban water sector participants? How significant are these burdens?

#### City Administration Response

The most apparent regulatory inconsistencies in Western Australia are between the Department of Water and the Department of Health. The position held by the Department of Health restricts the implementation of water sensitive urban design and use of recycled water and can be a barrier to the implementation of best practice and more sustainable urban water design and planning.

The position of the Department of Health should align with other similar departments across the country to enable and facilitate the use of recycled water and stormwater harvesting particularly in 'Public Drinking Water Source Areas'.

**Question 3:** Do local government financing policies, including restrictions on rate increases, directly or indirectly influence the price setting or investment behaviour of council-owned utilities, and if so how?

City Administration Response

The City of Wanneroo is only directly involved in the Urban Water Sector as a manager of stormwater infrastructure. The priorities of the past involved simply ensuring flood protection. There is a significant amount of old drainage infrastructure that does not therefore meet any other criteria (e.g. improving water quality). A significant amount of retrofits are therefore required, not only to receiving bodies such as wetlands but also to improve the quality of water infiltrating into the groundwater.

As a growth Council, the City of Wanneroo is not in the position to undertake many of the stormwater retrofits that are required.

Yours sincerely

Len Kosova  
**DIRECTOR PLANNING & SUSTAINABILITY**