

30 March 2011

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

TO WHOM IT MAY CONCERN

I write to you on behalf of both the Centroc Board and the Lower Macquarie Water Utilities Alliance (LMWUA) representing respectively 16 and 8 Local Government Areas in Central NSW, an area the size of Victoria with over half the population and a bigger GDP.

Water supply and security are a priority for both Centroc and LMWUA. Our region has worked collaboratively on a number of projects, including the national award winning Centroc Water Security Study (CWSS) which identifies solutions to secure water to 2059, in the context of climate change.

One of the recommendations of the CWSS is to tackle the delivery of water supply co-operatively. This has led to the development of the Centroc Water Utilities Alliance (CWUA), modelled on the neighbouring very successful LMWUA approach.

Both alliances are providing demonstrable cost savings and efficiencies through their:

- Collaborative approach to best practice;
- Sharing of resources, knowledge and ideas;
- Collaborative procurement;
- Training and mentoring programming.

This work is being undertaken on the solid basis via by local government management of water utilities in NSW where:

- the Office of Water has been requiring NSW Local Water Utilities to prepare highly detailed Strategic Business Plans (SBPs) in a specified format since 1993. These SBPs require that LWUs recover all costs, including that required for current and future capital costs out to at least 20 years.
- 96% of all LWUs achieved full cost recovery in 2008/2009, the most recent data publicly reported, and the Office of Water is engaging actively with the remaining five utilities to ensure same into the future.
- in many instances lower prices in LWUs reflect greater efficiency of operation due to economies of scope achieved within the local government environment.

- typical residential bills in NSW for water supply and sewerage have increased by only 2% over the past 14 years, and yet services provided have been of a high standard and secure, including through the worst drought in 100 years

Efficiencies of scope and community resilience rely on the retention of services at the local level. Care needs to be undertaken the communities served have a relationship with the entity managing programming as critical as water supply. In *Building Resilience in Rural Communities* 2008 the University of Queensland identified eleven indicators of community resilience including:

- Building Social Networks and Support
- Learning
- Positive Outlook
- Infrastructure and support services
- Leadership
- A sense of purpose
- Innovation and diversity

Clearly the retention of control over water utilities at the Local Government level will foster all of the above.

Further, according to Percy Allan in a recent ABC radio interview on the ABC where he makes reference to his recent book *What if Australia replaced mega states with smaller regionally based state governments*, there is no evidence to suggest that better economies of scale can be achieved via larger entities delivering services such as water utilities.

There are some economies of scale that can be achieved from amalgamation, but there are also huge diseconomies. To the extent that there are economies and things like rate collection, there's a very simple answer which is you can amalgamate the back offices of councils without actually amalgamating the councils themselves...

The one exception was with Kennett in Victoria, but the big efficiencies came from outsourcing, he forced them all to outsource. But the interesting thing is within ten years of his amalgamations, rates had blown out again in Victoria because of bureaucracies that started growing. (Percy Allan, Counterpoint ABC Radio March 2010)

As Percy Allan also notes, Local Government is providing these service with around 5% of total public expenditure. We are lean and mean and integral to the resilience of our communities.

At present we have a national government which spends 55% of the money, state governments which spend about 40% of the money, and local government which spends 5% of the money. There is no other developed country in the world that spends only about 5% to 6% of its tax dollar and other public revenues on local government. Every other developed country in the world that has been researched by Dr Hammond and others spends at least 10%, and most spend around 20% of their public purse on local government. And yet we've got this huge country with a huge city/country divide, and the infrastructure once you get out of the large cities is appalling. These regional cities of ours where I've done many in-depth studies, I've done more than I think anybody else in Australia, with my colleagues, are bereft of resources.(Ibid)

Both the Centroc Board and LMWUA believe that the nub of the problem is resourcing, not structure. Further, to support the resilience of regional communities, retention of control over utilities such as water is critical. Economies of scope for Council operations are afforded by managing water supply and sewerage services. This, and the value our communities place on having their say where it is heard best at the politically responsive **local** level, suggests that the way forward is to better resource local government, not restructure it into either larger entities or worse some type of State owned corporations taking out a dividend from our regional economies with a view to onselling to the private sector.

Having said that, water utilities in NSW are not subject to rate capping and their strategic business plans with 20-30 year event horizons have provision for asset renewal and development as required. They are subject to the ballot box where surely there must be some consideration of communities determining their own level of service regarding water supply.

We are confident that it is both good leadership and beneficial from a triple bottom line perspective to manage water locally – it can demonstrate the benefits of the CWUA and LMWUA models in dollars, environmental and social benefits. Service delivery is well priced, responsive to community, delivered in an integrated manner with storm water, sewer and water supply services provided in close consultation with planning and other Council functions as well as Catchment Management Authorities.

Please find attached the response to the Infrastructure Australia call for comment on the AECOM report regarding water utilities in Australia delivering quality and secure supplies to communities. Our response is scathing and addresses much of the terms of reference of your inquiry. So moved were one of our communities by the suggestion that the control of water supply would be taken from them that their local Chamber of Commerce provided a response. I attach this also.

We commend the CWUA and LWUA models to you and would be more than happy to provide further advice to assist other water utilities and/or communities with their service delivery.

Please contact the Centroc Executive Officer, Ms Jennifer Bennett with any enquiry regarding this matter on 0428 690 935.

Thank you for allowing this extended opportunity for response.

Yours sincerely

Phyllis Miller OAM
Chair