

7 June 2011

Reference: jbv.p 061107  
Enquiries: Ms J Bennett: 0428 890 935

Productivity Commission  
Urban Water Inquiry  
LB 2 Collins Street East  
Melbourne VIC 3165

The Commissioners

**Re advice on cost savings to Centroc members of Water Utilities Alliance activities - as requested**

Thank you for giving time to the representatives of Centroc and the Lower Macquarie Water Utilities Alliance at the recent hearing on Urban Water in Sydney.

During the Centroc presentation a request was made by the Commissioners for more advice regarding the cost savings to Centroc members from undertaking the Best Practice Strategic works collectively. Some advice is also provided regarding the Lower Macquarie Water Utilities Alliance cost savings.

Through the Centroc Water Utilities Alliance, members are undertaking a regional approach to the suite of compliance based strategic works for best practice. Each Council is at different stages in each of these plans and some are being charged nothing for their inclusion while others are paying more significant amounts. All Councils will now go forward seeking upgrades to strategic work collectively deriving ongoing cost savings. The plans also identify further programming that can be undertaken collectively.

The table below averages the payments from members for the three plans under development. Actual dollars charged to individual Councils can be provided on request.

**Centroc Water Utilities Alliance  
Costs for Best Practice Plans & Strategies**

<b>Element of Best Practice</b>	<b>Cost for Council to do alone<sup>1</sup></b> \$	<b>Consultancy for Regional Strategy</b> \$	<b>Actual Cost per Council<sup>2</sup></b> \$
Drought Management Plan	\$12,000- \$15,000	\$87,086 Less \$50,000 grant =\$37,086	\$2318
Demand Management Plan	\$15,000 – \$20,000	61,750	\$3,859
IWCM	\$40,000 – \$60,000	251,750	\$15,734
<b>Totals</b>	<b>\$82,000</b>	<b>\$350,596</b>	<b>\$21,911</b>

Notes:

1. Cost per Council depends on size of Council & complexity of system, Bathurst Regional Council advised they paid \$200,000 for IWCM.
2. Have allowed for 16 participating Councils
3. Average saving per Council = \$60,089 for 3 major studies. (75% saving under regional alliance)
4. Over the 16 members engaging in this project this gives a total saving for the three studies across the region of \$961,424

The savings for the Regional Projects already completed by LMWUA (5 major Best Practice Strategies) are presented below:

**Lower Macquarie Water Utilities Alliance  
Costs for Best Practice Plans & Strategies**

Element of Best Practice	Cost for Council to do alone <sup>1</sup> \$	Consultancy for Regional Strategy \$	Actual Cost per Council <sup>2</sup> \$
Drought Management Plan	12,000 – 15,000	]	
Demand Management Plan	15,000 – 20,000	] 215,815	
IWCM	40,000 – 60,000	] (combined price)	26,977
Drinking Water Quality Management Plan	20,000 – 30,000	80,750	11,536 <sup>3</sup>
Stormwater Harvesting Strategy	15,000 – 20,000	69,795	8,724
<b>Totals</b>	<b>\$124,000</b>	<b>\$366,360</b>	<b>\$47,237<sup>4</sup></b>

Notes:

1. Cost per Council depends on size of Council & complexity of system
2. Have allowed for 8 participating Councils
3. Cost based on 7 Councils (Dubbo City Council had previously completed their Drinking Water Quality Management Plan)
4. Average savings per Council = \$76,263 for 5 major studies. (62% saving under regional alliance). Over the 8 member Councils, this yields a total saving of \$377,896. **It should be noted that these are notional costs and savings only because all 5 projects were fully funded by a Grant from DEWHA under the Strengthening Basin Communities Program**

Members of Centroc have collectively paid a further \$54,000 to run the CWUA program. The cost for this service to LMWUA was \$81,000 in 2009/10. This procures consultancy support. Some support from Centroc staff is also provided. This is not calculated but some advice in this regard can be provided. Suffice to say the numbers are not material. Also not included is the time taken by staff from member Councils attending meetings and the like.

The remainder of funding for the Centroc program has come from grants. More advice on the total funding through grants can be provided upon request.

Grants are more readily accessible regionally, adding another reason for taking the alliance approach. For example, most recently, Centroc has been successful in accessing funds for a regional training, workforce, mentoring, procurement and resource sharing plan.

This plan will engender further cost savings from collective procurement and resource sharing. It should also identify ways to better share the knowledge around the region in a sector which has issues around skills shortages. This is especially in the Centroc area where there are a significant and growing number of mining operations that offer competitive wages and consequently members report staff shortages in this sector.

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Yours sincerely

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Cr Phyllis Miller OAM  
**Chair**  
Central NSW Councils (Centroc)