

GCC FILE                    water and sewer  
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8 January 2008

Ministerial Water and Sewerage Taskforce  
Response to Preliminary Position Paper  
GPO Box 147  
HOBART TAS 7000

Dear Sir

**Re: Water and Sewer regulatory Reform**

The Glenorchy City Council considered the Part A Proposed Position Paper on Future Regulation of the Water and Sewerage Sector at its meeting last night.

In the Council's opinion, Part A of the Paper provides a reasonable summary of the current regulatory environment for water and sewer services within Tasmania as well as the kind of regulation that should be put in place, and which is already in place in other jurisdictions. However, there are a number of issues that create challenges or require clarification. In no particular order, these include:

1. The proposed arrangements are complex and unwieldy. Regulation ought to achieve an appropriate mix of simplicity and ease of implementation, administration and enforcement without being too light handed. The number of agencies that will be involved in establishing, monitoring and enforcing the regulatory environment is likely to create confusion and uncertainty for all involved unless there is very strong co-ordination and very clear roles and responsibilities. From the perspective of the new water and sewer entity(ies) it would be better if they could deal with one contact agency rather than multiple agencies.
2. The timeframe for development and implementation of this complex and strengthened regulatory framework is very tight. Will the government have the resources and capability to implement and administer it within the extremely tight timeframe that is envisaged?
3. The transition from council service provision to service provision by the new entity(ies) is extremely complicated and will necessarily take several years. In the meantime, councils will be expected to continue to provide services. The new regulatory environment should only apply to the new entity(ies) once the transition has occurred, and should not apply to councils during the transition.

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4. Page 10 of Part A includes a Government policy and social objective that “Regulatory outcomes should be consistent with explicitly articulated government policy and social objectives; both state and federal.” Local councils also play a key role in determining and implementing policy and social objectives for their communities, and these should also be explicitly taken into account.
5. The Part A paper indicates that integration with the planning system will be addressed later. While that's good to hear, where it is mentioned in the discussion paper the emphasis seems to be in relation to planning approvals only.

The Department of Primary Industries and Water (DPIW) is responsible, among other things, for demand and supply planning and ensuring the new entity(ies) plan within the parameters of a state-wide policy. The entity(ies) will be required to establish a 5 year “Price and Services Plan” – a publicly accessible strategic plan that addresses DPIW’s demand and supply planning.

It is therefore critical that DPIW’s demand and supply planning takes into account the priorities established under council settlement plans and planning schemes, which also ought to be consistent with regional and state land use planning. Regional planning and council planning schemes must be the drivers of the location and capacity of water and sewer infrastructure, not the other way around.

Regional or statewide demand and supply planning will be a major challenge for DPIW given the current lack of regional land use or settlement planning.

It is also essential that the 5 year Price and Services Plans be sufficiently flexible to adapt whenever council strategic priorities change – for example after regular planning scheme reviews, which are unlikely to occur in the same 5 year timetable.

6. It is also critical that the boundary be clearly established between infrastructure that will be provided by the entity(ies) as part of their responsibility for water and sewer, and any water or sewer infrastructure that others such as the government, councils or developers will be expected to fund. Councils should not be in the position of having to fund new infrastructure in the event, for example, that an amended regional or council planning scheme changes future demand patterns.
7. It is also important that the Price and Services Plans focus beyond the 5 years that they apply to and also take into account the much longer focus of planning schemes and the even longer lives of water and sewer infrastructure.
8. The relationship between the new entity(ies) and councils in the planning approval process requires clarification. Currently councils can refer planning applications to internal hydraulics staff for advice on the suitability and capacity of water and sewer infrastructure. Under the new structure, referral will need to be made to the new entity(ies). Will this be done either via:
  - a. councils approving planning applications subject to a condition that separate water and sewer approval be obtained? or

- b. a referral to the entity(ies)? In which case will the entity(ies) be required to meet timeframes that allow the current 42 day planning approval deadline to be met, or will the referral stop the 42 day clock? If the referral process has the effect of extending the 42 day approval period, this will represent a reduction in current service levels.
9. From discussions at the 17 December regulatory reform workshop it is clear that pricing for water and sewer services will be subject to approval from the new Economic Regulator, and that it will be on a nodal basis. In other words, it will differ from place to place dependent on the cost of providing water and sewer services. It is not clear how nodal is nodal – how may different pricing regimes will be set up throughout the State. While acknowledging that there is good justification for different pricing to apply in each of the three regions, and perhaps between urban and rural centres, from the point of view of community equity it is desirable that the number of pricing nodes be as few as possible.
10. Consumption based pricing, while technically more equitable for consumers and enabling consumers to adjust their usage to reduce their cost, will inevitably lead to significant transfers of water and sewer costs from the commercial and industrial sectors to the residential sector. It will also inevitably lead to a significant transfer of costs from higher valued residential properties to lower valued residential properties. On top of this, there will no doubt be ongoing statewide increases in costs for water and sewer in order to fund the additional capital works required in some parts of the State.

Water and sewer consumers who currently rent are likely to face a significant cost increase, as many of them currently only pay for water and sewer services through their rental payments. Many tenants will for the first time be required to pay for water and sewer services under a consumption based model, However there is no guarantee that property owners will reduce their rental charges to tenants following a transfer from rates based water and sewer charging to consumption based charging.

11. The State Government currently provides a 30% pensioner remission to rates and charges made under the Local Government Act, including water and sewer rates and charges. It is currently open to councils to offer additional support, however not all councils choose to do so, including Glenorchy.

It is understood that the new entity(ies) may be required to enter into Community Service Agreements that provide support or subsidies to take into account people who are disadvantaged. If that is to be included as a regulated requirement, it is important that the support continue to be provided by the State Government, rather than the cost of such support being shifted to the new entity(ies).

12. Part A does not address the probability that there may be some parts of the State – such as individual rural properties, small townships or private developments – that will not be able to receive regulated reticulated water and sewer services from the new entity(ies), or where the cost of service provision will be prohibitive.

13. No mention has been made of effluent reuse and trade waste in the Executive Summary or Section 1.1. It is assumed that this is included in the overall regulatory environment, but the specific regulation of these areas has not been dealt with in the Part A.
14. The strong linkages between the waste water (sewer) and stormwater systems has not been considered.

Should you have any enquiries in relation to the Council's submission, please feel free to contact me.

Yours faithfully

Frank Pearce  
**General Manager**