



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

14 January 2008

Dear Mr Sharples

The Tasmanian Division of the Property Council of Australia (Property Council) welcomes the opportunity to have further input into the future regulation of the Tasmanian Water and Sewerage Sector.

The Property Council has been a change champion in this area for a number of years and the Division congratulates the State Government and the Ministerial Water and Sewerage Taskforce on their sustained commitment to this significant reform.

The Property Council endorses the SAHA Paper: *Future Regulation of the Tasmanian Water and Sewerage Sector: Part A Proposed Position Paper's* observation there is no overarching water and sewerage policy which has lead to:

- An absence of infrastructure plans to service major urban areas;
- A serious lack of capacity in the system coupled with maintenance backlogs;
- Sizeable urban settlements with out water and sewerage services;
- Environmental degradation through discharge of septic effluents into the aquifer;
- 23 boiled water alerts across the state;
- Inequitable and unfair pricing policies; and
- Substantial cross subsidies within and between classes of properties in rating for water and sewerage services.

The thrust of the Paper is sound however there are some issues which require further clarification or development. The key issues for the Property Council are:

- The need for a integration of land use planning and infrastructure provision;
- Reliability of services;
- Further clarity on user pays and cross subsidisation issues; and
- Further clarity regarding the regulator's role as well as the scope and breadth of services under the regulator's purview.

**The Voice of Leadership**

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### **Integration of land use planning and infrastructure provision**

There is a need for a strong message within the Paper, particularly within the Executive Summary regarding the need for integration of land use planning and infrastructure provision. Both components are intimately linked to the success of the reform agenda however, a state strategic infrastructure plan is yet to be developed and regional planning is still being negotiated in the north and the south of the State.

The current disaggregated infrastructure planning and management, coupled with uncoordinated land use planning practices are incapable of addressing either the backlog of infrastructure or providing services for new strategic industries and developments.

The development of a strategic plan for the provision of infrastructure is crucial to the success of this reform and must be treated as a priority by the State Government.

While it is acknowledged that the State Government has committed to regional planning, the Property Council raises concerns regarding the timing of the water and sewerage services reform and its fit with the roll out of regional planning. Even with the reform of water and wastewater, regional planning to manage developmental priorities and the allocation of resources to finance essential infrastructure will be integral to achieving orderly development and a strong State economy into the future.

The proposal that Water and Sewerage Authorities develop and implement infrastructure plans will only be successful if their services are compatible with State and Regional planning.

Another associated issue is the separation of the water and sewerage services from the irrigation, hydro generation and storm water resources which would appear to be short sighted given they are one resource and the management of irrigation and domestic consumption is going to be key to the future.

### **Reliability of Services**

The issue of reliability is a key issue for water supply in terms of supply capacity for some of the regional areas, such as the East Coast. Similarly, poor performance breakdowns of wastewater pumping and treatment facilities are rarely addressed.

It will be important that the regulatory framework takes this into account and makes provision for incentives and sanctions within the framework.

### **Clarity on the issues of cross subsidisation and user pays principles**

The management of cross subsidies needs clarification.

In circumstances where Councils have failed to require water and sewerage services as a prerequisite to development, it would take considerable capital injections to install the required infrastructure. In addition where there is a lack of water and sewerage services either as a requirement or a provision, it is highly debatable as to whether land has been sold for development at prices lower than if services had been provided.

It is the Property Council's position that ratepayers in existing serviced areas should not be expected, as a principle, to subsidise the cost of capital for new infrastructure in currently unserviced areas.

There has been a long held view by some Councils that the use of property valuations (ie Assessed Annual Value {AAV}) is appropriate for the funding of water and sewerage services. However, AAV has caused significant pricing distortions within and between classes of property and given water and sewerage services are utilities they should be treated and priced as such.

The management of wastewater across the state and potable water, especially in the south of the State, demonstrates the misunderstanding councils have on management and funding of utility services. Water and wastewater, apart from Tasmania, are priced and managed as utility services in general conformance with the principles electricity, telecommunications and gas.

The Property Council supports a user pays principle however, there needs to be clarification as to how this would work. There is a need to clarify whether all capital, maintenance and operational expenses will be aggregated and costed against all customers. This issue sits at the heart of the cross subsidy issue.

Another issue which needs attention is the issue of charges of water and sewerage services subsidising other local government activities. While arguably not an issue to be dealt with within a regulatory framework it is an issue which is linked to the issues of current pricing.

#### **Clarification on Governance issues**

It is the position of the Property Council that there is to be no compromise in the adoption of best practice governance arrangements. However there is further work that is required.

In the Position Paper there is confusion between some of the roles of the regulator and the assets owner stewardship roles. In essence the regulator cannot have responsibility for stewardship of the water resource however the role can regulate to ensure the appropriate stewardship of the water authority.

In addition there is a need for clarification of the costs of regulation on water and sewerage services and the potential flow on effect to consumers as well as the scope and breath of services under the regulator's purview

### **Next Steps**

The Property Council looks forward to the continuing dialogue with the State Government and the Ministerial Taskforce on the development of the regulatory framework and the resolution of the ownership issue and pricing components.

For further information on any of the comments please contact:

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