

Appropriate structural arrangements for the management of water resources have been considered by each level of government in Australia. The main conclusions of these considerations are represented below.

E.1. FEDERAL POLICY POSITION ON WATER MANAGEMENT

In its biennial assessment in 2007, the National Water Commission (NWC) recommended that COAG agree to a supplementary set of urban water reforms covering improved supply planning; diversification towards less climate-dependent sources of supply; open-minded consideration of all supply options (including purified recycled water); clearer community transparency regarding the risks to water supplies and levels of supply security; rationalisation of water restrictions; and a review of institutional, market and charging/pricing arrangements be incorporated into the National Water utilities. These recommendations were made as the NWC was concerned about “disappointing performance across most Australian jurisdictions in urban water planning. Urban water shortages in the current drought and the rush to invest in new urban water infrastructure are evidence of planning failure. The fundamental NWI outcome of reliable urban water supplies has not been delivered (NWC, 2007).”

A review of the role of smaller and less resourced local government agencies in the supply of urban water outside metropolitan areas was also recommended by the NWC.

“In some states, responsibility for the increasingly sophisticated tasks of urban water delivery remains with small and poorly resourced local government authorities. In the Commission’s view, such arrangements warrant fundamental reform (NWC, 2007)”.

Similarly, the Commission supports measures to increase competition and contestability in urban water supply, including examining the possibility of a national third-party access regime or agreed guidelines (analogous to other forms of infrastructure such as electricity, gas and railways). The NWC recommended structural reform of the water sector in order to create competitive pressure for water supply and delivery, and greater private sector investment and innovation and strong and independent pricing oversight in each state, and pricing regulation that encourages more flexible or market-driven pricing approaches to emerge in response to water scarcity.

These commitments were reiterated in the NWC’s July 2008 Position Statement.

Similarly, the Federal government recognises the links between climate change and water resource availability. Under climate change, the government believes that we can expect:

- Increased temperatures;
- reduced rainfall across eastern and far south west Australia;
- Increased rainfall variability;
- Increased evaporation;
- Significantly increased frequency and severity of drought;
- Changes in the frequency of extreme weather events, including flooding.

As a result, consideration of the risk of climate change in water resource planning is considered important by the Federal government.

E.2. LOCAL WATER UTILITY INQUIRY IN NSW

In response to the requirements of the Federal Government, the NSW Government undertook an Inquiry into Local Water Utilities in NSW in 2008. The following is a summary of the key recommendations of the Independent Panel’s report:

- **Good Governance:** The current 104 local water utilities be aggregated into 32 regional groups that are broadly based on submissions provided by stakeholders.
- **Improving Organisational Structures:** Three organisational structure options be considered for the regional groups of local water utilities. The models are: binding alliance; council-owned regional water corporation; and current structural arrangements for some large general purpose councils and county councils.
- **Improving Regulation:** The regulation of local water utilities be strengthened to require utilities to implement all relevant plans, guidelines and standards. This must be complemented by an adequate reporting and monitoring framework and the designation of a regulator with adequate enforcement powers.
- **Improving Pricing:** The regulation of local water utilities' pricing be strengthened to require utilities to establish prices in accordance with approved business plans and financial plans. Local water utility prices must be approved by an independent body. This body could be a government agency such as the Department of Water and Energy.
- **Cutting Red Tape:** The reporting and regulatory roles undertaken by State Government agencies be reviewed with a view to streamlining these requirements and to ensure a consistent approach across these agencies.
- **Consumer Protection:** The Energy and Water Ombudsman NSW scheme be adopted by local water utilities as a mandatory requirement, provided it can be demonstrated that there are net benefits in doing so.
- **Skills Shortages:** Several options could be implemented simultaneously to manage and mitigate future skills shortages: offer incentives to communities of small local water utilities to undertake training in areas identified as skills needs (e.g. engineering and planning); pool human resource needs amongst local water utilities; increase size of local water utilities; provide skill development opportunities for local water utilities staff; outsource skills needs to the private sector; and increase the capacity of training and development organisations.

E.3. CENTROC POSITION

The following is a summary of the key points in the position offered by Centroc in relation to the NSW Government Local Water Utility Inquiry 2008.

- CENTROC will not support significant structural changes or new layers of bureaucracy without a detailed impact assessment that would ensure that the expected outcomes will be achieved and there will be no adverse long-term impact on other stakeholders. The Inquiry is "strategic and largely subjective by nature" and therefore it is required to conduct a comprehensive analysis covering the councils' financial situation, assets condition, water supply and demand projections, IWCM plans and programmed works.
- CENTROC believes that mandatory participation suggested by the Minister would negatively affect co-operative activities in the region. CENTROC is concerned about the Lachlan catchment model proposed by The Inquiry, which includes a subset of CENTROC member councils and therefore could potentially result in the split up of the current organisation.
- CENTROC recommends a voluntary participation agreement, including 8 Councils and Central Tablelands Water as for Map 5 of the Inquiry, as well as the introduction of a 2-year interim period. A newly created Interim Working group would provide the Councils with technical advice regarding any conformance issues, completion of IWMC plans, grouping opportunities, etc. The group would report back to CENTROC and the new governing structure would ultimately be presented to DWE.

- The key advantage of this approach is that it benefits from current cooperative efforts, including the Water Security study, and facilitates collaboration between councils, either at an individual or at a group level. Furthermore, a “strategic and incremental” approach to the reform will allow urgent action to be quickly implemented, while providing enough time for analysis of possible arrangements, as well as a solid knowledge base for future governance.
- With regards to funding, all participating Councils should make a financial commitment, which has been initially designed on the basis of \$1 per connection. Thus, councils would generate \$72,000 per annum and it is expected that the DWE contributes with an equivalent amount.
- CENTROC supports implementation of beneficial regulation; however, this should be accompanied with regulatory impact assessment and exemption for disadvantaged LGWU’s. Joint efforts from the local and state governments should be made to ensure all LGWU are brought up to appropriate service standards.
- CENTROC strongly supports streamlining of reporting requirements in order to minimize reporting bureaucracy and duplication of communications with State and Federal agencies.
- CENTROC supports price determination in accordance with strategic business and financial plans, yet does not approve the involvement of IPART.

E.4. SHIRES ASSOCIATION OF NSW POSITION

The following is a summary of the key points in the position offered by the Local Government and Shires Association in relation to the NSW Government Local Water Utility Inquiry 2008.

- The Associations principally support the model of regional alliances of councils on the basis of its flexibility, low risk and quick implementation. Nevertheless, The Associations believe that councils should be able to choose from a range of organisational models, including county councils and regional water corporations, in addition to the alliance.
- The Associations generally support the regional groupings, however do not agree with the model of 15 regional groupings discussed in the inquiry report. The Associations believe that the NSW Government should allow extra time for councils to investigate regional groupings before the reform is implemented.
- The alliance will have two main functions: (1) guidance and coordination, which translates into high level regional strategic direction, including coordination of councils’ business planning and (eventually) management of regional infrastructure and (2) facilitation, by which the alliance will provide technical support and assist with knowledge sharing and best practice compliance. The member councils will still be responsible for development and implementation of the region’s strategic business plan, which must include the full-cost recovery principle.
- The alliance should be fully owned by member councils. The decision making body should comprise elected members and be supported by a technical body. Entering the alliance will be voluntary, yet withdrawal from it should not be allowed.
- The inquiry report recommends strengthening the regulatory framework as well as water quality and environmental regulatory requirements. Current regulatory arrangements need to be improved to avoid regulatory and reporting duplication among agencies and facilitate IWCM plans.

- The Associations believe that price should be determined by councils and that an independent external auditor should evaluate their strategic plans, cost allocations and price determination.
- The State Government should provide a certain level funding for infrastructure improvement, especially for financially challenged areas. Moreover, welfare and income support such as pensioner rate concessions should be fully funded by the NSW Government. However, it is questionable whether funding for certain activities such as meeting health standards or demand restrictions, should come from broader sources such as general taxation revenue.