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Hello

Canberra Region Joint Organisation (CRJO) comprises eleven members councils: Eurobodalla; Bega Valley; Snowy Monaro; Queanbeyan Pelegerang; Yass Valley; Upper Lachlan; Snowy Valleys; Goulburn Mulwaree; Hilltops; Wingecarribee; and Wagga Wagga; and Canberra Airport & ACT Government.

This submission to the review's [issues paper](#) is in addition to any individual submissions that have been made by member councils.

### Challenges from current funding models

1. What are the key factors that affect local water utilities' ability to recover costs through user charges?

The cost of providing water and sewerage services to rural and regional communities is relatively high compared with metro communities due to a variety of reasons, some of which relate directly to factors affecting LWU's ability to recover costs.

Factors include:

- high tourist numbers in some rural and regional areas with tourists obviously not contributing user charges directly. Tourism causes fluctuations in water consumption in and out of tourist seasons - access charges rather than consumption charges helps to address this and should be part of consideration of funding models. To meet peak tourism seasonal demand, water infrastructure must cater for the highest level, resulting in higher infrastructure capital and depreciation costs which are then unable to be recouped in user charges which are covered by the permanent, non-tourist community. Tourism also affects accuracy of modelling of user charges.
- Regional areas suffer more natural disaster, including rain events and drought and greater impacts from these natural disasters than metro areas, affecting water consumption, water needs and costs, not to mention placing pressure on capital works programs and funding needed, noting that water and sewerage infrastructure is ineligible for recovery funding under current state-federal arrangements
- Distribution of costs across users to actually cover all costs, including fixed costs regardless of population - such as depreciation and the cost of borrowing - would mean an unrealistic cost per user

2. What might be reasons for some local water utilities with similar size and remoteness to perform differently in terms of level of cost recovery?

Similarity of size and remoteness do not necessarily equate to similar costs nor cost inputs. Some reasons for this are:

- Varying water sources schemes, water treatment types, network lengths, water reservoir sizes not necessarily driven by population size
- Long distances between facilities/infrastructure and small communities serviced by infrastructure impacts operational costs for maintenance, monitoring, repairs, faults investigation
- Small population to cover costs
- Regional local water utilities are often required to own and operate dams with associated requirement for technical specialists and risk management, as well as legislative requirements around dam safety

- Larger population areas often subsidise smaller population areas
  - Remote inland communities are drier, affecting water quality
3. What are key challenges with obtaining funding for water and sewerage infrastructure upgrades and investment?
- Feasibility of water and sewerage capital projects in smaller population areas is, in all cases, dependent on external funding (grants) even taking account the possibility of inter-generational loans
  - Water and sewerage infrastructure is ineligible for recovery funding under current state-federal arrangements
  - High overheads, business case and pre-planning costs for small projects with very little access to funding assistance in the years leading up to capital construction phase
  - Delays in gaining approval for business cases, planning and design stages of projects
  - Conflicting advice from agencies during planning assessment/approvals for projects
  - Water and sewerage are not recognised as essential services in the same way as other essential services
  - Increasing legislative requirements, particularly environmental regulation such as biodiversity offsets, are significantly increasing the cost of water and sewerage capital projects.

### Funding model principles

4. What factors should be taken into account in calculating government subsidies for local water utilities?
- Impact of legislative changes, such as achieving health-based targets and dam safety requirements, should be assessed specifically for water utilities impacts and regional and rural impact and funding support provided to support compliance with increased legislative burden
  - Socio-economic status of users and communities which influences capacity to pay
  - Existing level of typical residential bill and subsidisation to address imbalances
  - Risk of service level failure compared with ability to fund repairs / works to address failures
  - higher costs of operational and capital works in remote areas
  - LWUs' capacity to deliver operational and capital works
  - Size of LWU's user base served by the infrastructure
5. What might be the typical costs for delivering water and sewerage services for a well-run local water utility?
- Question whether there is such a thing as a typical water and / or sewerage utility with widely varying water sources, schemes, licensing, allocations arrangements, catchment size and risks, peak demand due to tourism/seasonal influences, water and sewerage treatment types, network lengths, water reservoir sizes, user bases, workforce capability and capacity, access to and cost of labour and materials, environment (weather, disasters, topography) – all pretty much outside of the control of LWUs
6. What indicators could be linked to funding to drive ongoing performance improvements and deliver value for money for customers?
- Funding for capital works pre-planning, maintenance planning, preventative maintenance and planned replacement of infrastructure
  - Funding for implementation of operational improvements and failure prevention projects
  - Recognition of water and sewerage as essential services with resultant long-term planning, investment and monitoring

### Minimum service levels

7. Should the minimum service levels be applied universally to all towns within the area serviced by a local water utility, irrespective of size, remoteness or cost?
- Support minimum service levels being applied universally, in line with essential services nature of water and sewerage services
  - Recognition needed of different performance in different facilities being masked by aggregated data and reporting across larger areas
8. What metrics should be considered in minimum service levels?
- Human health and water quality
  - Environmental health – for sewerage outfalls in particular

- Designed somehow to account for aspects beyond individual local water utilities' control – see above at item 5

9. What is the existing evidence on current basic service levels, customers' needs for minimum service levels and willingness to pay in regional and remote communities?

- Some local water authorities publish performance data beyond best practice compliance reporting and that required by NSW Health, NSW EPA, dam safety and so on
- Customer surveys?
- Socio-economic evidence regarding capacity to pay

10. What are the barriers to setting measurable service levels?

- The infrastructure, and the financial and technical capacity to meet the service levels are not known. A State of the Assets report, reporting on technical and financial performance would be important first steps on the way.
- However, we must say that there shouldn't be two significantly different levels of service in Australia based on equitable access to service that is essential to human life.

11. What are challenges with monitoring and reporting against minimum service levels?

- Data quality
- Cost of data collection
- Tension between the imperative of data collection versus actual service delivery
- Differing automation levels affecting capability and capacity to measure and report
- Concern that evaluating reported data will fail to consider the individual situations of different local water utilities
- Ever increasing data collection, monitoring and reporting requirements

### Alternative funding options

12. What are the desired outcomes for addressing the challenges currently faced by local water utilities?

- Considering changing grant programs, in particular the current blanket 25% maximum contribution for capital projects, regardless of need/merit/planning quality/circumstances of projects - amount of external funding directly affects feasibility of projects
- Recognising that the individual situations of different local water utilities means that there needs to be a contextualised approach to regulating for performance
- Joining up via joint organisations, regional organisations of councils, county councils, regional alliances

13. What are obstacles to greater use of loans from financial institutions to fund infrastructure investments in water and sewerage services?

- Many councils already use loans extensively to fund capital works with inter-generational loan pay back periods and the cost of borrowing affects users charges
- Given the significant cost of water and sewerage capital works, loans for these works affects councils' financial bottom lines and sustainability
- Size of a council relative to size of loan needed for a major project
- Large loans may affect councils' borrowing capacity
- Financial performance ratios can be negatively impacted by higher levels of debt in water and sewer funds
- Political lack of debt appetite can be a factor

14. What measures would drive investment planning that takes account of climate change risks and ongoing costs of infrastructure maintenance?

- Capability-building for water and sewerage planners including addressing the shortage of training organisations
- Targeted programs to increase supply of qualified and experienced water and sewerage network and infrastructure planners
- Expertise to be made available to local water utilities for investment planning

- Funding programs specifically for capital works pre-planning, maintenance planning, preventative maintenance and planned replacement of infrastructure

15. Who are most at risk from high water bills in regional, remote and metropolitan New South Wales?

- Where there is aging infrastructure
- Where new large assets result in significant increases in operations, maintenance and depreciation
- Where significant loans have been used to fund capital works with long pay back periods and associated cost of borrowings
- Where natural disasters more frequently and to a greater extent damage water and sewerage assets
- Where increased regulatory expectations are harder to meet due to challenges associated with distance, network lengths, access to skilled labour, etc
- Low socio-economic users and relatively older population and communities, particularly given no increase for many years to state subsidy for pensioner rebates
- When councils are expected to take on aged assets from other authorities

16. What are examples of projects or operations associated with a funding model based on regional collaboration for local water utilities? What were the challenges?

- Central NSW Joint Organisation Water Utilities Alliance
- Orana Water Utilities Alliance
- Joining up via joint organisations, regional organisations of councils, county councils, regional alliances may be more appropriate for procurement and training than for operations and capital works delivery with many of these organisations devoid of operational and major works delivery expertise, capability and capacity

17. What has worked well and what have been challenges for local water utilities in leveraging the scale and expertise of State Owned Corporations?

- Technical expertise from state owned corporation is a good opportunity
- Very high cost of utilising state owned entities for technical expertise
- State owned corporations are under no obligation to assist local water utilities

18. How could government and local water utilities better partner with Aboriginal communities to improve their water and sewerage services?

- Recognising and designing user charges to ameliorate disproportionate cost of accessing water and sewerage services for low socio-economic communities
- Subsidisation of smaller, remote communities by larger, less remote communities (already occurs)

Thanks



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W: [www.crjo.nsw.gov.au](http://www.crjo.nsw.gov.au)

We stand on Country that always was and always will be Aboriginal land. We acknowledge the Traditional Custodians of the land and waters, and we show our respect for Elders past and present. We are committed to providing places in which Aboriginal people are included socially, culturally and economically through thoughtful and collaborative approaches to our work.