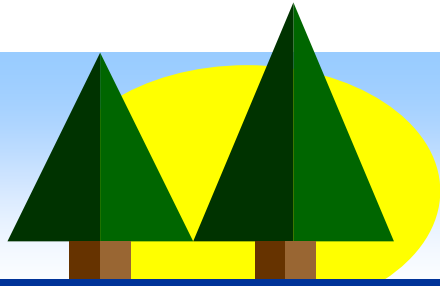


Author name: I. Carruthers

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Your submission for this review:

Please find attached a submission from the Avoca Beach Community Association



AVOCA BEACH COMMUNITY ASSOCIATION INC

PO Box 105, Avoca Beach NSW 2251 (ABN: 54 789 607 648)

E-mail: avocabeachca@gmail.com

IPART Review of Central Coast water, wastewater and stormwater prices

Summary

The Avoca Beach Community Association:

- Considers that important aspects of water services in Avoca Beach do not meet community expectations, particularly regarding capital investment.
- It is critical that Council invest in solving the severe water quality problem in Avoca Lagoon; and proceeds to replace the major water main that crosses the Lagoon.
- Recent very large general rate rises imposed on Avocans make many in our community unwelcoming of the prospect of any increase in water rates in 2022. But at the same time, our community wishes to see Council delivering a good standard of water services.
- We look to IPART to examine thoroughly the basis for any increase in water rates.
- We support IPART addressing explicit efficiency and performance measures for Central Coast water services.
- In principle, we support stronger pricing incentives to reduce consumer demand on water services, but think that some caution is needed on timing of introduction.
- We support water services pricing alignment across the Central Coast.
- We support the concept of consolidating stormwater charges, but again caution is needed on how this is implemented.

About Us

Avoca Beach is a small coastal district, with a village atmosphere, and a population of about 5,000. It has grown somewhat haphazardly over past decades and infrastructure, including the water supply and sewer system, are often inadequate due to age or failure to keep up with population growth. Avoca lagoon is one of the prized natural assets of the district, and probably the sewer system is one cause of its chronic very poor water quality.

ABCA has a substantial membership and is active in communicating with our community. The Association provides a vehicle to canvass local issues and to advance community interests with Central Coast Council, politicians and other parties.

Quality of Water Services

Our Community Association considers there are important deficiencies in the current delivery of water services in Avoca Beach. In support of that conclusion, we offer the following examples.

Example 1. The Round Drive Water Supply Main

The Round Drive, about 2km long, is a main carriageway for residents of Avoca Beach, and the public school is located there. Many years ago Council replaced about 1/3 of the ageing, iron, high pressure main that runs along its length.

The section which had not been upgraded had for years experienced repeated bursts in the main. High flows of water were discharged downslope causing damage to homes and gardens, sometimes serious damage. Residents made complaints.

Bursts in the main progressively increased in frequency. Council clearly were looking to defer and delay further capital expenditure replying that, across the LGA, water supply interruption benchmarks were being met.

In 2018 there were 4 major main bursts on The Round Drive – in May, June, August and September. On each occasion there was damage to properties, loss of water supply for many hours to about 100 homes, and great worry and distress for residents. The community made repeated representations to Council to commit to action. It seemed that only when a woman had to be carried from her inundated home by emergency services, with footage showing on prime-time TV news, that Council announced work on replacing the water main would proceed promptly.

Council did a good job on replacing the main. The problem for residents is thankfully resolved.

Other water mains in Avoca Beach also seem to break too often.

We accept that some level of water main breakage is inevitable and that Council works to meet an overall performance standard in the LGA. However, the case of The Round Drive seems to point to Council being insufficiently proactive in dealing with an emerging hotspot. It is one thing to meet averaged LGA performance; and another to allow a hotspot location to reach an intolerable situation for the community.

Example 2. Avoca Lagoon

Issues with water services have two dimensions with respect to Avoca Lagoon – water quality (sewer system and stormwater runoff) and water supply disruption.

Water quality in Avoca lagoon is chronically very poor: year after year it receives the worst score for water quality on the Central Coast (“F” rating), and in the bottom 5% in NSW.

At its best, Avoca lagoon caters for recreational fishers, swimmers, kayakers and users of other non-powered water craft. It is the training venue for our extraordinarily successful Avoca Kayak Club (Olympic medals and National champions) and Avoca Surf Life Savers. It is the home of Avoca Beach Scouts and the location for Aqua Fun, a popular tourist business. All of these are dependent on a healthy waterway, which now is highly degraded.

It is also a major wildlife haven and high value wetland, and home to endangered species such as the green and gold bell frog.

No definitive capital improvements have been put in place to reverse this decline in water quality. Yet the 2015 approved Coastal Management Plan for Gosford Lagoons, prepared by Council, identified several actions for Avoca Lagoon water quality. Our Association is pressing Council for an overall plan of action to redress this environmental degradation.

Council now has underway an examination of the catchment level pressures on the lagoon – this is encouraging, even though it should have been undertaken long before. We are also heartened that in recent weeks Council has commenced a sewer pipe inspection program in Avoca Beach and we earnestly hope that will be taken to completion in a timely way.

The sewer system is almost certainly one significant contributor to the poor water quality in Avoca Lagoon. It is essential that capital funding is available to undertake timely upgrading works where the inspection program identifies problems. (We expect that this could follow a similar pattern to the program in Terrigal where water quality problems also have existed.)

Stormwater may also be an important contributing factor requiring remedial actions

Regarding water supply, the Council submission to IPART identifies (p. 57) that one component of the proposed forward capital works program is replacement of the water main that runs beneath Avoca Lagoon. It refers to the lake bed condition making the main prone to breaking and the short window of time to fix a break before the communities of Avoca Beach and North Avoca run out of water.

We consider it essential that this capital works item proceed as proposed by Council.

In conclusion, we recognize that Council must make decisions about the optimal level of water services delivered in balancing the level of service/disruption against the revenue demand on the community through water rates. However, the experience of Avoca Beach residents would indicate that there is a legacy of failure to keep up the required capital and maintenance investment to deal with significant problems in a timely way, thus leading to action only at the crisis stage.

Proposed Water Services Rates Rise

Council has proposes a very large increase in water charges - on average, by 34% from 2022-23. Our Community Association is not equipped to analyse what should be the right level of charges in the period ahead – indeed, that is the role of IPART as the independent expert.

(We do note Council's observation (Table 1 of Proposal) that proposed typical new residential water bills would be less than levied by Gosford Council in 2013-19; and the information by Council and IPART that Central Coast water rates are among the lowest in NSW.)

However, we do consider that IPART should be fully cognizant of the current circumstances for residents and their relationship with Council. As a result of the enormous debt accumulated by the newly amalgamated Council, general rates of Avocans have just increased by 42% - 15% to address the Council deficit and 28% due to harmonization of rates across the Central Coast. This is a great impost on our community, especially to residents who are less well off.

As a result, any increase in water rates in 2022 will be unwelcome by many in our community.

But, at the same time, as discussed above, the community does want delivered a good standard of water services.

We look to IPART to make a thorough assessment of what water rates are justified in its next determination, and for a clear explanation to be provided in its report on the basis for its decision.

While IPART notes that the Central Coast is ranked in the top 40% of communities in terms of economic status, this average figure disguises there are many who are not well-off.

If IPART does determine that some level of increase in water rates is justified, we recommend it consider step-wise introduction, and any other measures, to soften the impact on those less well-off.

Performance Improvements

We agree with the point in the IPART issues paper that this review should examine Council performance in delivering water services. The recent failure in Council financial management has shaken community confidence in its Council, and it is imperative this confidence is restored. We are aware, that the new CEO is focused on restoring confidence.

It is important that Council demonstrably delivers best bang for the buck in delivering water services. Sound governance, strategic planning, efficiency in delivery, and a strong focus on measuring efficiency and performance against key indicators are all important to achieve that result. In turn, that will lead to a reduced call on ratepayers to fund the required level of operations and capital works.

We note IPART's observation that the absence of these efficiency performance measures for the Central Coast is anomalous compared to Sydney and the Hunter. It would be helpful if IPART in its draft report outlines in more specific terms what these performance measures of efficiency might look like, based upon best practice elsewhere.

Technical performance standards reporting on water services delivered (eg number of unplanned water supply interruptions and consumer complaints) are important, but insufficient. The community also needs to see that Council is delivering services services efficiently and that productivity gains are being made.

Nexus of Water Pricing Structure and Water Efficiency

A well designed water pricing structure has many benefits, including: incentive for consumers to reduce their annual water bill by using water more efficiently; in the longer term, deferral of investment in new water supply sources and therefore deferral of water rates rises; and greater resilience of water supply capacity to cope with droughts or other shocks like bushfires affecting water quality in storages.

- **Drought Water Supply Pricing**

The IPART issues paper raises the possibility of introducing higher water prices during droughts, which are projected to become more intense with climate change. It notes this has been done in the Sydney and Hunter regions.

At present, Central Coast Council addresses seriously falling water storage levels by a combination of tiered water restrictions (eg on garden watering) and public communications (“Waterwise”) – there is no price signal reflecting emerging serious water scarcity.

Consumers are well used to the concept of scarcity or abundance of a commodity driving prices up and down eg fruit and vegetables.

So, in principle, we see merit in the application of a price signal for water in times of drought as water becomes scarcer. However, this should be done in a way that the household water bill in a drought year is not greater than in a normal year – that is, the household is using less water but the unit price is temporarily higher. We note that this mechanism would help protect Council revenue to cover fixed costs of the water system.

However, we question whether the timing is right to do it now in this IPART determination:

- As discussed earlier, residents have been rocked by recent very large and unexpected increases in general rates. Changes to water pricing in this IPART determination should be confined only to those elements that are essential to happen now.
- This is the first time residents have become aware of this kind of charging arrangement, and some process of community familiarisation and consultation would seem necessary. It would be helpful if the IPART draft report would provide information advancing understanding of the concept.
- Blessedly, water storages are relatively high today – theoretically a good time to make such a change – but also giving opportunity to defer change for a period.

- **Balance of User and Service Charges for Water Supply**

IPART identifies that the Council proposal includes an 8% rise in the water supply usage charge (from 2.10 to 2.26\$/kL); and a 173% increase in the service charge (87.29 to 238.34 \$/year). It is not clear to us on what basis Council allocates costs for proposed activities to the demand/fixed categories.

We note that the Council proposal would make the fixed service charge a substantial fraction of the typical household water bill. (This contrasts with the retail electricity market where fixed costs are capped at a low level compared to usage costs.)

The result would seem to be a prospective dampening of incentive for consumers to use water more efficiently. And shifting the balance significantly towards fixed charges regressively penalises households with lower than water usage.

So, there does seem to be a case for reviewing the basis for how such price allocations are made between the two categories.

In conclusion, we suggest that IPART begin to address the issue of redesigning water pricing structure with the purpose of enhancing the pricing signal for efficient water use, within a determined revenue cap. This could be done by canvassing the issues in this IPART determination and signalling to Council and the community that it would intend to address this matter substantively in its next water pricing determination.

Pricing Alignment Across Central Coast

We support alignment of water services charges across the Central Coast.

As touched on earlier, general rates of the new Central Coast Council have been aligned across the Gosford and Wyong zones – at greater cost to the former. We note that alignment of water charges will favour slightly the Gosford zone – thus going a small way to even up the overall rates increases for households across the Central Coast.

Stormwater Pricing

IPART notes that the Council proposal is to for a 68% increase to stormwater prices. Clearly, IPART will need to take a very close look at the merits of the Council proposal for such an increase in revenue for this purpose.

In part, Council's stated purpose is to have water bills cover all stormwater costs. Whereas, at present some stormwater costs are met from general rates revenue.

On the other hand, the IPART stormwater information paper advances a view that costs could be consolidated within general rates.

We think it would be sensible to consolidate stormwater costs – that can help the community identify the true costs of water services and may assist Council's strategic planning.

It is difficult to make a conclusive judgement as to where in the overall Council rates structure consolidated stormwater costs should sit. In principle, it seems better to do it within the general rates framework – that is the way it is done in other Councils, and it seems to make a better linkage with catchment water quality and flood risk management and roads planning.

Whichever way it goes, the impact on overall rates paid by the community must be cost neutral,

But we think caution is needed on how changes happen. Council is in a delicate rebuilding phase at present which needs every ounce of senior management effort to put it on a sound footing for the future. Perhaps this warrants IPART consulting with Council over the coming months on an incremental pathway.

We note that another purpose of increased stormwater rates proposed by Council is to protect waterways and to protect properties from flooding. As noted above, we consider it essential that capital is allocated to address severe water quality problems in Avoca Lagoon.

Steve Fortey – President
[REDACTED]

Ian Carruthers - Committee
[REDACTED]