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29 September, 2021

To:

Independent Pricing and Regulatory Tribunal

Via email / Submission

Re: Review of Central Coast Council Water Charges

Dear Members

I hereby submit my comments on the Central Coast Council water charges review.

I expect that you will have many submissions on this matter. I will therefore keep my comments brief. Please do not confuse brevity with quality.

I have read your Issues Paper, and not the comprehensive range of issues that you will be looking at. I also understand the very complex interplay of different interests, superimposed on the Council's precarious financial position at the moment.

There are some conceptual matters that I raise here.

1. Will decisions made in this review survive beyond the date that Council has resolved its financial issues? That is, if the structure for water payments is influenced by the financial situation, will the water revenue (rates) model be modified when Council has remedied its finances?
2. Does the fact that Council is almost unique in the structure of the water supply operations operate under the *Water Management Act 2000 (NSW)* add to the cost of supplying water and managing sewerage and stormwater? Would residents benefit if Council was brought into line with other metropolitan councils?
3. All responsible entities including Councils need to be accountable. I support introducing methods of accountability to this (and of course all) councils with regards to revenue and expenses. Key KPIs could include:
 - a. Cost increases ahead of population adjusted CPI (or PPI)
 - b. Quality of water delivered
 - c. Robustness of supply during periods of stress (droughts, etc)
 - d. Management of stormwaters in line with property protection and environmental issues

- e. An overarching responsibility to environmental protection (real protection, rather than supposed protection)
 - f. Standard OH&S issues
 - g. And of course, there needs to be a penalty for failure to meet KPIs –
 - i. Council member salary,
 - ii. staff bonuses,
 - iii. public and accessible documentation,
 - iv. etc
4. My preference is for the Council to be demerged, as the council area and property types are diverse. However, given that is unlikely, it is logical that rates (of all types) are standardised across the council area – with consideration for rate payer circumstances (ability to pay, etc) on an individual basis rather than a geographic basis
 5. Many properties in the old Wyong council area are rural and farmland properties. These properties supply their own water and manage their own sewerage. The cost of installing this capability is very large (water tanks, pumps, sewerage treatment, etc). It is not reasonable for these people (who do not use any council water or sewerage services to pay for these services.
 - a. If these properties also pay for community water and sewerage costs, then they are in fact paying twice – for their own supply and for the supply of the community.
 - b. If it is argued that it is “fair” that the cost of these community services is spread across all residents, then it must also be argued that it is “fair” for everyone to pay for the water and sewerage services (ie, the installation costs) of the rural properties not linked to “town water and sewerage”
 - c. There is no issue with all residents paying their share of stormwater charges
 6. I am not convinced that it is correct to argue that the cost of supplying water and managing sewerage is “less than” or “more than” other councils in Greater Sydney and Central Coast regions. This comparison is flawed
 - a. Some councils have specific benefits or disadvantages that result in the cost differential – eg, population density, topography, access to natural fresh water, connection to recycled water plants, etc.
 - b. It is not reasonable to justify increasing the cost of water supply to the “average” (or some other comparative level) because Central Coast Council may have specific supply benefits (or other matters) that are unique to Council. Hence a cost comparison to other councils is flawed
 - c. Each Council will have its own cost of supply, and so each council should have its water rates compared to its own “ideal” cost of supply, not the cost of supply for other councils.
 7. It is argued that the proposed cost increase is “one off” next year. This is not correct. The special percent increase being considered is certainly “one off”, but the impact is everlasting (through higher rates). So the increase is one off, but the impact is forever. It would be truly “one off” if the rates were increased for one year, then reduced back again. This is not what is being proposed.
 8. I actually do not object to a water related rate increase, as long as it is justified and considered, and structured “fairly” (I use quotes here, as “fair” is a subjective term).

9. I welcome the use of an independent consultant to assess the true cost of water supply. Given that the estimates for last year were so wide of the mark, we need a reasonable and independent way to estimate and review the true cost of supplying these services, as obviously the previous method (council estimators?) did not work.
 - a. Now would be an obvious time to argue that the costs of water supply will increase dramatically over the next few years – ie at the time of the price review
 - b. This is exactly what Council has done.
 - c. We need to review these cost claims, and also to check whether any cost increase will be perpetual or only over a few years. The applicable rates need to consider this yearly cost pattern, and be potentially flexible.
10. I notice on page 13 of the Issues paper a number of large water related capital costs provided by Council.
 - a. Are these typical of the ongoing capital costs for the Council?
 - b. Are these costs being brought forward to justify higher rates? What if the projects are suddenly “delayed” due to “reprioritisation” or “Staffing and resourcing” issues? Then part of the justification for the higher water rates disappears
11. I note Council has proposed a new method to calculate how capital values change over time (page 14).
 - a. This is a standard method to adjust costs to meet a predetermined outcome – ie, adjust the depreciation schedule
 - b. This change in depreciation schedule should be checked to see that it not only complies with AASB (accounting standards), but also that it meets best practice (as AASB standards can be “interpreted”)
12. Demographics – page 16 looks at the demographics of the Council area to see how the population compares to other regions of Greater Sydney and hence the ability to absorb a rate increase
 - a. Curiously, the comparison does not include Household Income, which I would have thought was pretty important for this analysis
13. Flexible pricing – page 18 asks the question of whether water rates should increase in periods of drought
 - a. This approach can result in “interpretation” so that rates are increased for other special purposes, or to redefine what a drought is
 - b. It would be more appropriate to retain the current water wise system of restricted water usage (this can be checked through individual household water usage), and related fines – rather than an across-the-board rate increase
 - c. Remember – governments are very good at keeping temporary measures in place for the long term

Thank you for the opportunity to make a submission to your review.

Kind regards

