



Central Coast Council water price review –  
Information Webinar for the community

## Transcript

24 August 2021

Water >>

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## **Tribunal Members**

The Tribunal members for this review are:

Ms Carmel Donnelly, Chair  
Ms Deborah Cope  
Ms Sandra Gamble

Members of the Secretariat for this review are:

Ms Sheridan Rapmund, Mr Scott Chapman, Ms Jessica Forrest, Ms Carol Lin, Ms Kristy Mamaril and Mr Son Vu.

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IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders, past, present and emerging.

We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

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# 1 Central Coast Council water price review – Information Webinar

## 1.1 Welcome

**Mr Chapman:** Good afternoon everyone, let's make a start. Welcome to today's Information Webinar, it's great to have so many of you from the community. To ensure that we have an accurate record of the feedback we receive today, the Webinar is being recorded live to YouTube. However, it won't be made publicly available until after the event. We'll place a copy of the YouTube recording on our website in a few days.

IPART acknowledges the traditional owners of the lands on which we meet and the traditional owners of the lands and waters from which we are all dialling in from for this video conference today. We pay our respects to their Elders, past, present and future. We acknowledge the ongoing connection that Aboriginal people have to this land and recognise Aboriginal people as its original custodians. We would also like to acknowledge any Aboriginal or Torres Strait Island people who are present here today.

My name is Scott Chapman. I'm a Principal Analyst at the Independent Pricing and Regulatory Tribunal (IPART) and I'm leading the Central Coast Council Water Price review. With me today is the review team including Sheridan Rapmund, Jessica Forrest, Carol Lin and Kristy Mamaril.

I will be managing the information webinar today, so I'll start with a few housekeeping notes. Please keep your microphone muted if possible when you're not speaking to avoid feedback and background noise. We encourage you to keep your cameras on if your internet connection is up to it and you're comfortable doing so. That also helps us to connect in this virtual reality we're living in at the moment. If there any callers online, could you please tell us your name and if you are representing an organisation.

Thank you all for attending our information webinar. We also released an Information Paper on our Water Review Process for Central Coast Council on Friday 6th of August. Today we'll begin with a short presentation about our process for the upcoming review of Central Coast Council's water prices. Following that we'll open a q and a, or question and answer discussion to the floor, to give you the opportunity to ask us questions or to provide comments for us. Everyone's encouraged to share your views or ask questions. You can use the chat box function in Zoom to type your questions or use the raise your hand function as well. We will be taking questions at the end of this presentation, but you may type your questions into the chat box at any time. I will now hand you over to Kristy Mamaril to begin our presentation. Thanks Kristy.

## 1.2 IPART secretariat presentation

**Ms Mamaril:** Good afternoon everyone my name is Kristy Mamaril and I will begin with the first part of the presentation today. So we at IPART set the maximum prices the Central Coast Council can charge for the water, wastewater, and stormwater and other related services it provides in its capacity as a Water Supply Authority.

Central Coast Council is the only council whose water prices we regulate. We set prices for other water businesses including Sydney Water and Hunter Water, but we do not set prices for water businesses of other councils in NSW or other local water utilities in NSW.

To set prices we apply a standard water price review process. This process is applied to all water businesses we are required to regulate. Our water price review process is different to our special variations process. Our special variations process looks at the council's general income from general activities, which affects council rates. Our water prices review on the other hand looks at the council's water business in setting water prices.

Our standard water price review allows us to promote the long-term interests of customers. It ensures that decisions are based on best available information, that we engage with the community and are transparent. That we create incentives for the council to be more efficient and customer focused and that we meet our legislative responsibilities.

Our review of Central Coast Council water prices will run from September 2021 to May 2022 and it will involve a public consultation process, a review of the council's costs, and analysis considerations and decisions made by the Tribunal.

We will apply our public consultation process and engage with the community at various stages throughout the review. We start off by asking the council for certain information and in response it submits a written pricing proposal. Once we receive the council's proposal, we will publish it and then our review of prices begins.

We will release an Issues Paper and seek community feedback and this will be followed by a public hearing. Our water review process requires holding at least one public hearing for our Central Coast Council water price review, we will be holding 2.

After our first public hearing we will consider all feedback to develop our Draft Report and Draft Determination of prices. And once we publish these drafts, we will seek feedback again and we will hold a second public hearing. We will then consider all feedback, which will involve balancing opposing views and will then develop and publish our Final Report and Final Determination.

Our process allows for informed decision making. We will provide multiple opportunities to engage with and consult with community, through seeking submissions and holding two public hearings and this is to ensure we have listened to the community and have understood their views to inform our decisions.

We also engage with the council. We engage with the council to ensure we have the best available information to inform our decisions. We engage with the council to collect and verify information relating to costs, income, prices and bills and the information it may have on customer preferences, and we'll assess the information for accuracy and completeness. We also provide guidance on processes, technical issues and information and data requirements.

It is standard process to engage with the community, and with those who we review prices for. We undertake the same process when setting prices for other water businesses and engage with them for the same reasons, to collect and verify information, and to provide guidance.

We will also engage with consultants. We engage consultants for advice on the council's cost and what these costs should be, and how much the council requires to recover these costs. These consultants will work for, take direction and report to IPART. Our engagement with the community, the council, and consultants helps us to determine prices. I will now hand over to my colleague Jess who will continue on with our presentation on our water price review, with the key steps and decisions involved, thank you.

**Ms Forrest:** Thanks Kristy. Good afternoon everyone my name is Jess Forrest. There are several key steps and decisions in our review process. First, we decide for how long prices are to be set. Next, we review costs and set the council's required income. This required income reflects what is needed for the council to cover its costs of providing water, wastewater and stormwater services. Then we decide on how the prices should be structured. For example, by setting separate service prices, which are fixed and usage prices which are charged based on how much you use. We then set prices that allow the council to meet its required income. This is based on forecast customer numbers and water sales. We also consider the impacts of these prices to ensure that they are fair and reasonable and may adjust prices when necessary.

Our goal is to ensure you pay the right amount. We aim to ensure we set prices that are fair and reasonable. While there are a range of matters that we consider, including those under section 15 of the IPART Act, for this review our key considerations are: what cost should be. We look at the cost of providing good quality, healthy drinking water and treating wastewater and stormwater safely and consider whether these costs are reasonable and how they compare with the cost of other water businesses. We also look at the impacts on customers' bills and affordability and at the same time consider the long-term financial viability of and impact on the council. We also look at impacts on service standards, and consider the council's business systems for example, how their performance might be impacted. And we look at impacts on the environment and climate change in line with IPART's strategic plan.

We consider costs to determine what the council's income should be so it can run a viable and sustainable water business. For this we use a building block approach. This requires us to first look at what cost should be to deliver the council services. We look at what the costs are to provide you with good quality, healthy drinking water, and to treat your wastewater and stormwater safely, for example the costs of maintaining pipes and building what is needed to deliver these services. This includes the council's operating expenditure, interest, depreciation, taxation and working capital. Together these comprise what we call the notional revenue requirement, and this is what we use to determine prices. This is the amount needed for the council to run its water business viably and sustainably.

Our water price review only considers the council's water, wastewater and stormwater services for which we set prices. Our special variation process looks at the council's general income including most of its activities, excludes water, wastewater and stormwater.

While we seek stakeholder feedback and request information from the council in both processes, we do not hold public hearings for special variations processes or provide a draft report. This is because the special variations process is much shorter, typically only 3 months, whilst our water price review process on the other hand will span about 8 months, providing more time and opportunity for engagement with the community.

I'll conclude our presentation today with our timeline. We expect to receive the council's proposal in September and will release an Issues Paper shortly after that. We will hold our first public hearing in October or November, and then publish our Draft Report in March of next year. We will hold the second public hearing in March or April next year, and then we will release our Final Report in May. Prices will then apply from the 1st of July 2022. Thank you for your time. I'll hand back over to Scott now to invite you all to ask questions and make comments and let you know how best to do that, thank you.

### 1.3 Question and answer session

**Mr Chapman:** Thanks Jess. I'd now like to open discussion to the floor. I invite you all to please use the chat box to type in your questions or comments as well as your name in the organisation that you are from or use the raise your hand function to indicate that you would like to speak. We are keen to hear your views on any questions about our water view process at all, for our review of Central Coast Council's water, wastewater and stormwater prices. We've got a question from Joy, Joy do you want to ask what your question is please?

**Ms Cooper:** I need to find where it is, I actually asked it at the...

**Mr Chapman:** It was regarding consultants.

**Ms Cooper:** Who decides on the consultants, and is their brief published and made public for everyone to be able to see?

**Mr Chapman:** Thanks Joy. We'll just distinguish here between the consultants that we might use for a certain purpose in a review, and what council has chosen to use for whatever purposes it's using it for.

From our perspective, when we hire a consultant, we obviously look at the type of information or the type of advice we're looking at getting. We publish what we ask for, with the type of consultants that have the sort of skills that we're looking for the ability and the knowledge that that we're looking for advice on. That goes through a fairly rigorous or very rigorous procurement process from our perspective, and once that report is done, it's generally yes, the scope of works which we have set for that consultant, or those consultants or for that part of the of the review is certainly made public yes.

From council's perspective that's not really our concern. Council is free to undertake its own engagement of consultants and you probably have to ask the council or sort of seek information from them in that respect if that's sort of the question you're getting at Joy. We don't have any input at all into the types of consultants that council may or may not choose to engage or a purpose for that either. Does that answer your question Joy?

**Ms Cooper:** Sorry yes, I'm just trying to mute it so that it doesn't feedback through to others. Yep thank you.

**Mr Chapman:** No worries. Dave Lardner you had a question about conflicts of interest.

**Mr Lardner:** Yeah will the inquiry here, the submission inquiry, release any conflicts of interest that its members that are participating in this, may have in terms of involvement with Council, third party, private employment or individual contracts?

**Mr Chapman:** So just so I'm clear David, you're referring to the Tribunal members who make the decisions regarding basically what the final prices are is that?

**Mr Lardner:** and the people from IPART today?

**Mr Chapman:** I'm sure, look where IPART members or the Secretariat do have some conflicts of interest we need to make a declaration of that internally, it might be something I might need to follow that up take that one on notice Dave and whether we do or do not sort of make those declarations public or not.

**Mr Lardner:** Well they should be because as residents, as an aboriginal community member here on the coast, and also a ratepayer. There's a lot of a lot of angst anything to do with government here at the moment, and these sorts of things and we want full transparency, that's something that hasn't been of good governance to the community here in recent years.

**Mr Chapman:** Thanks David.

**Ms Towers:** Scott, can I just jump in there. It's Fiona Towers, I work at IPART on our IPART website the Tribunal members have a pecuniary interest register, that's on our website. So, anything that they've declared is placed on the website and it's updated regularly. The Secretariat members which are people here, we also have a conflict of interest or potential conflict of interest register where how we manage any perceived conflict of interest and that's reviewed by our audit and risk committee on a quarterly basis.

**Mr Lardner:** But will that be known to the residents, because there's a great fear of mistrust and angst at the moment up here on the coast.

**Ms Towers:** We totally understand that. The Tribunal actually at the moment, the organisation at the moment is looking at proactive disclosure of certain information, and that's one of the issues so we'll come back to you on the sort of staff's conflict of interest register.

**Mr Chapman:** We also got a third question from David regarding who the operator of the water services should potentially be. David do you want to.

**Mr Nash:** Yeah it was just a question regarding scope. I wondered if you had the scope to look at that, we felt that given that when I say we, the Patonga Progress Association. We felt that if the council was in dire straits in terms of its funding, through all sorts of different causes, that perhaps the sale of the water assets to Sydney Water might be a more efficient long-term solution rather than continuing to operate it themselves.

**Mr Chapman:** Thanks David. Look the ownership or divestment of a business or who runs it generally outside the scope our strict scope and requirements of how we run a review. We have a reference essentially to undertake pricing reviews for the water services delivered by Central Coast Council.

Now generally that would involve us looking at the structure of council, looking at what the efficient costs should be for the council to deliver those services, and yes also the quality and the levels of service that are being delivered. It doesn't mean that we would not potentially you know further explore, particularly if perhaps what you know structural or ownership. But it certainly would it's not something that's standard within our remit basically.

We certainly wouldn't be going and beyond our scope to sort of go and say we recommend that or you know investigate whether a certain business should or should not be divested or a joint venture created or anything like that, but we are interested to hear views on that for sure.

**Mr Nash:** But looking at the operating costs as per the last graph, if there was a substantial difference between operating costs as the foundation for the service, and other more efficient operating costs, you would bring that out in the report.

**Mr Chapman:** Absolutely so where we felt that where we're benchmarking, we looked at other water utilities as you know as a reasonable guide as to what efficient cost might or might not be, keeping in mind that every utility is a little bit different.

But where we relied on those benchmarks or those comparisons to make meaningful judgments or decisions, that would be something we brought out very clearly and front and centre essentially of our report. Particularly where we're relying on, or the Tribunal's relying on it, on those comparisons to actually use it as a mechanism for setting prices.

So whether we sort of look at Sydney Water or Hunter Water or other council water utilities in NSW or even around Australia, those sort of comparisons would be very clearly brought out and discussed in our reporting, and probably also in certainly the second public hearing in March or April, once we've been through that full process and got a Draft Report, so it's certainly something that would be, if not highlighted certainly, you know very forcefully put.

**Mr Nash:** Thank you that answers my question.

**Mr Chapman:** Thanks David. Kevin you have your hand raised.

**Mr Brooks:** Thanks and I might turn the video off, as I speak, so I haven't got a great connection here. I've got a comment, and then followed by a question if that's okay. First of all, and this is not the comment, just like to thank IPART for putting this this on and Kristy and Jessica for doing you know for an excellent introduction to the presentation.

The comment that I've got really first of all leading into the question is, that sort of when I look at the review methodology that you've set out. The second step there review costs and set council's required income and on the paper they've this is an abbreviated form here today; on the paper you said and ensure cost recovery for the council of those.

My concern here is if you look at Central Coast Council in the 3 years leading up to 2020 and this was in the administrator's report that employee-related costs is the whole council I accept, not just water, but it would be across there. Their employee related costs increased by about 32%. Now by the way their staff numbers over that period increased by 12.5% so their employee related costs went up two and a half times their increase in staff numbers, which suggest that a lot of money was flowing through into higher salaries, more senior managerial positions, you know relative to junior staff, perks and benefits and so on.

I mean in short it was being swallowed up by bureaucracy, it wasn't going that the money wasn't going into better services, it was being swallowed up into this black hole of bureaucracy. Now obviously once all those salary increases have gone through, and a lot of them occurred because of harmonisation where they actually harmonised up salaries in every single case, and never once harmonised them down.

Unfortunately, that's now gone into the cost structure of course. So then when you talk about your methodology being to review costs and enable councils to recover costs, if council is able to recover costs represented by 33% increase in employee costs over 3 years, well that obviously would translate into an extremely high rate increase.

And of course, one of things that IPART exists to do, it didn't come out in the presentation, but I've always believed IPART as a pricing regulator exists to protect ratepayers from monopoly pricing. Now we don't have a choice. I mean we even sometimes people throw out the council, you do have a choice, because you elect your councillors. Of course, that's nonsense, because there's 5 wards, so 80% of the councillors we don't elect anyway, even if we voted for the ones in our own wards. We don't have a choice here, it's a monopoly service.

Now in the private sector an organisation couldn't increase its employee cost by 33% in 3 years because it would go out of business. The only way it could do that was if it increased productivity and this has an extremely poor record on productivity. And I'm concerned that IPART doesn't seem to have a method of measuring productivity, probably has output per employees.

So now finally on to the question, then really sorry for the length and I realise I've realised I've used the soap box to probably push my luck to the limit there, but if I can now, if I can now just put the question.

The question is when you talk about allowing councils to increase income to recover costs, how do you stop councils, as in this case increasing costs totally unreasonably on salaries and perks for the bureaucracy, and then expecting ratepayers who have absolutely no choice where to go for these services to pay for it.

**Mr Chapman:** Kevin I understand the question entirely. I just at the beginning of my answer, I just want to distinguish again between rates and ratepayers and council and the water utility. So, everything I talk about in this forum basically is about the way we regulate water prices, so it's not quite rates but they're it's basically what customers pay for water and sewage services.

Your point is absolutely correct, where we say we set prices to recover costs, what we're saying, I think on the slides did mention this is about efficient costs. So just because any given water utility be it Sydney, Hunter, Central Coast or any other water utility which as you rightly say is an entrenched monopoly. Generally, our job and almost you know really very key part of our price reviews is to not say, what costs is council incurring, in this case, it's what cost should councils be incurring.

And if we find that a water utility in this case, Central Coast is not spending its money wisely or efficiently or delivering the best outcomes for the minimum inputs, then we will typically set lower prices than they've asked for. So, we'll set a level of efficient costs or costs they should be incurring, lower than what they actually are incurring.

And that means that customers, water and sewage customers don't pay basically for wastage and for inefficient operations and so it's a very, it's really the core in many ways of what our job is, to go and assess what those efficient costs or what the cost should be for delivering those services, which is sometimes very close to what is being incurred, and sometimes quite, there's quite a gap between what is being incurred and the services are being delivered, to what the utility should be incurring in delivering its services. Does that answer basically answer the question?

**Mr Brooks:** Well it answers it in theory, but I guess I'm not seeing a lot of evidence of that in practice in terms of previous IPART determinations, particularly I know you were talking about water, but the last SRV for example, where we were asked to stump up for these the cost of this bureaucratic excess.

The one point I'd just leave you with though is IPART doesn't have a method of measuring productivity. So, you might look at the costs and the costs might seem reasonable but it's probably because they're spending more costs on bureaucracy, and less on service. The total cost, what you really need is a method of measuring productivity, and by productivity I mean output per employee, not the way you measure in the SRV process, where you seem to talk just mention cost reduction initiatives, which you know random and can be dwarfed by cross increases elsewhere.

How do you know when they're being efficient, you might look at that cost, that costs might look reasonable to you compared to other authorities but it's all being, all that money, all that cost is being spent on the bureaucracy, none of it is being spent out in the community, where we still put it up with dirty, brown water.

**Mr Chapman:** Right I understand the point, what we typically do is you know and we do have you know quite a deal of experience in doing this, is going to look at the types of outputs that council, that a water utility is delivering in terms of its levels of service, in terms of the assets, it's got in terms of the business systems it's using, in terms of why it's managing its whole business and its assets and then to step backwards from that point to say well what have they got in place, what is best practice at the moment, how have they improved the way they do things, how have they revised and reviewed their whole business, how have they done their proper optioneering and procurement all those sorts of things that go into continually getting better at what they do.

When we set those efficient costs which is as I said a critical point for what the cost should be rather than what they are, one of the things we do look at Kevin is productivity growth, both in the economy more widely, and also sometimes specifically in a utilities or a water utility setting, just to have reference to essentially say well the rest of the economy is improving it you know getting better at delivering the services at 0.5, 0.8 or 0.25% per annum. This business should be doing that too and that's what we're going to basically enforce upon them. They cannot charge customers for anything other than basically what it should be doing as best practice, in terms of getting better and better and better and better every year at what it does.

Now you mentioned again the special variations process, this is going to reinforce a very different process we go through for the water supply. We have more time, we have more resources, we have a very structured, a very different approach to how we dive into a utilities business and its efficient costs and basically, I wouldn't draw too many parallels between the two processes at this stage.

So look I've heard you Kevin, I understand the point and you've nailed essentially what's very critical here, which is us making very key decisions about what the level of cost should be for business, and how they should be improving both the levels of service they're giving and the cost they're incurring to deliver that. And it's those costs, only those efficient costs, are those best practice costs essentially the customer should pay for. Anything over and above not customers remit generally to reward that kind of imperfection or, perfect's a strong word but you know inefficiencies in the business.

**Mr Chapman:** Next question, sorry Kevin.

**Mr Brooks:** Not wholly convinced Scott, but I don't want to hog it anymore.

**Mr Chapman:** Okay all right I'm happy to take this offline I'll talk to you later about it Kevin we have a long discussion about how that might work and it'll come out throughout this review and we're very happy again to take feedback both at our public hearings and through written submissions which the Tribunal pays a great deal of attention to. Okay from Mark, so Mark's got a question about water quality and the relationship to price which is another very pertinent and good question.

**Mr Skipper:** Yes do you want me to read it out?

**Mr Chapman:** Would you mind.

**Mr Skipper:** We're from the Davistown-Saratoga area which is towards the southern end of the Central Coast Council. We've had a problem for many, many years with poor quality drinking water. It's undrinkable on certain days. It's brown and smelly and it's got taste and Central Coast Council would have had thousands of complaints over the years and it hasn't been rectified, it's still undrinkable and it's unusable, you've got to bring in bottled water. It's great for flushing the toilets but that's it.

So, from my point of view I don't think we're getting what we're paying for and I think that IPART needs to have a serious look at this. We brought up previously and IPART didn't address it as far as we know, and it just continues on, and I know, we all know Central Coast Council's a basket case but they're not spending any money on ensuring water quality in our area.

**Mr Chapman:** Right, that's a really good question Mark. One of the things that we aim to ensure is that there's a set or a minimal or some kind of commitment from council to deliver a given level of service or a given quality of water in your case, and the prices, they're obviously a set of costs involved or efficient costs again to be able to do that, but it's very important that there are mechanisms in place or a way to hold a water utility to account for what it has given a commitment that it's going to do, and the levels of service required to, and the money it is being given to deliver those services.

And again the Saratoga issue and I remember this from like 15 years ago this was an issue so I look I haven't revisited since then but I do remember even when Frank Sartor was Minister, that this was something that was a sort of an on-and-off issue. So it's something.

**Mr Skipper:** It's worse in Davistown. So that's the end of the line for the waterfront to assume and it's worse there so that's the worst area.

**Mr Chapman:** Thank you, so that those types of issues are really important for us to be brought aware of and again we will, the way we would tackle this, we obviously would have to take all the feedback we can from customers and from stakeholders again, go and assess the types of systems or what the council is doing in terms of delivering those services, and the costs and the prices being awarded to do it, and very importantly how we or we put the mechanism in place so that you can hold council to account and there's some kind of accountability process in terms of your recompense, or consequences basically from not meeting certain targets or certain requirements.

And again it's going to be a key part of this review, accountability and really interested for that to come out through submissions and please stay engaged with the process because those sort of things are really critical for the community and for us to understand some of the real nuances in a system that in certain areas of a system that may not come to light through council's own proposals necessarily.

**Mr Skipper:** Okay thank you.

**Mr Chapman:** I've got a question from Graham Dooley regarding under expenditure and capital works.

**Mr Dooley:** Yes thank you. I've spent most of my career in the regulated water utility sector and I run a water company now that owns utilities in in two states. The last time IPART reviewed Central Coast Councils, there was quite a deal of commentary about the under expenditure on the forward capital program. And the forward capital program is one of those parameters that feeds into the cost model for IPART to determine prices. And as a result, there was the commentary but there was also a negative impact on the prices.

So instead of prices going up water and sewerage prices going up in the Central Coast Council actually went down on the basis of this under expenditure. It seems from the other commentary both in these questions and elsewhere, that the condition of the assets in the Central Coast Water area is not ideal and so you one would expect that over the next 10 or 20 years there'd be more capital going in. Now that will have an upward pressure on price there's no doubt about that.

But this capital program seems in the last determination to have caught IPART a bit by surprise. Are you going to put in any special mechanisms or any special reviews to assess what has happened since the last determination on the capital program, and whatever capital program you allow going forward, how is it actually going to be implemented.

**Mr Chapman:** Really good questions Graham. Again very insightful and I do know the name and I can't quite pick out from where, but I'm sure that we've run across each other at some point.

**Mr Dooley:** I think we have yes, I've been around a while, look at the colour of my hair.

**Mr Chapman:** I'm also a platinum blonde as you might say. So look when we go, you're right about capital expenditure. Central Coast did underspend its capital expenditure or the capital expenditures that we had used to set prices last time.

Now the way that we go an assess capital expenditure, or any kind of expenditures, we say well okay, where is the good justification underpinning this program, where's the justification for undertaking certain works, or spending a certain amount on capital versus operating expenditure, and vice versa and that all sort of flows down from things like a strategic business plan, and a very solid asset management plan, a procurement policy and all those sorts of big picture things, that give you a great deal of or can give assurance that the water utility has done exactly the right thing in terms of its planning, in terms of the way it's procuring its business, in terms of the way it's spending its money, and that kind of expenditure is really efficiently set out to deliver what the customers want in terms of levels of service, at as low a cost as possible. Not always cutting costs for the sake of it, because if services have still got to be delivered but is it reasonably well justified.

What we do is we go and look at well given the level of capital, operating expenses that has gone on, and is going to happen, is that going to be the minimum amount that is required to deliver the minimal services in the medium term, because sure we can cut costs and council can cut costs till the cows come home, but if it means that the service is going to start to suffer because pipes break or the water's dirty or sewage is overflowing then basically what's happening is it's simply not enough is being spent on the services being delivered.

Considered judgment about forward and historical capital and operating expenditure and at the same time we don't want to necessarily fix that in stone. If we're looking forward 4 or 5 years and council proposes to build certain things, the world does change sometimes, and so there needs to be some scope there for priorities to be changed around. Input costs might change in terms of operating versus capital expenditure and things like that so but basically, we look at how well a certain program is justified, and whether that is likely to produce the best outcomes at the lowest possible price. There's a whole lot of complexities around that Graham as you'd be aware of, but that's basically the sum of it. Fiona did you want to say something.

**Ms Towers:** Sorry if I could just add in there that we would we typically engage expert water engineering advice to review any capex and opex programs to make sure they're in the long-term interest of consumers, and that there's sufficient a reasonable expenditure to make sure the businesses are meeting the services at the quality they need, and at no higher cost than is necessary.

**Mr Dooley:** I'd be interested to follow this one, because I think there are two sets of issues here. One is what are the works required to deliver the standards of service that the people reasonably can expect and that's affordable, and then the actual mechanism of delivery and it seems in this second one, that the council fell down at least as reported in your last determination.

**Mr Chapman:** Yep thanks Graham. Look there's some something that we will usually, and will be again, something that we focus very closely on, and there'll be plenty of opportunity, plenty of detail to be chewed over by all stakeholders, once we make those Draft Decisions and consideration thereof.

**Mr Dooley:** I'll be interested to follow it.

**Mr Chapman:** Yep very, very welcome, very happy to have you. The next question is from Joy Cooper regarding population projections.

**Ms Cooper:** Yes with the state government population projection increase on the Central Coast and obviously then following on from that needing water security for those people that are to come here. Why should we be expected to fund that increasing population? Why shouldn't we just pay for the water that we receive ourselves, and not have to pay for other people that are coming to the Central Coast?

**Mr Chapman:** I'll just repeat my understanding of the question Joy, so it's basically about if there is population growth and new houses, new developments, those sorts of things and newer assets or expenditures required to keep the services going to those people, why should existing customers be compelled to pay for all of those all right basically.

**Ms Cooper:** Why should I have the cost for increased population on the Central Coast for future residents to have water supply?

**Mr Chapman:** Fair enough. Well the short answer is that there are a set of developer charges or capital charges essentially that water utilities or Central Coast at least can charge for new developments, and those charges are set up so that they recover a portion or a large portion or all of in some cases, all of the extra work, all the extra costs are required to deliver water and or sewage and or stormwater to a given development.

So, in that way households do, or there's a mechanism in place that households do pay those charges up front. It's a part of the, developer pays them, and customers come in and it becomes part of the house price and things like that.

And the way we take account of that is any money that's raised through developer charges we take off the cost of the business. So, if it costs \$200 million a year for instance to deliver services, I'm just making that number up, and there's \$10 or \$20 million from developer charges. We would set the amount of money that we need to raise from your prices \$10 or \$20 million lower to account for those developer charges that are supposed to cover the capital cost of delivering the services to them.

And in that way customers that do move into an area developers that build houses and there's pipes and pumps and parts of dams and all those sorts of treatment works those sorts of things, are there to service growth they pay for the additional capital costs of those up front. And so, you are in some ways protected from the cost imposition of costs from those customers to some extent. Now we'll have to wait and see from Central Coast's proposal just how much that equates to but that's generally the way we take that into account.

Another thing we do look at is population growth too, so council will forecast there'll be certain number of new houses, a certain number of new customers, water consumption figures, those sorts of things that are dependent to some extent on growth figures. We will be reviewing, revising sorry, not revising, we'll be looking at council's proposal in that space to see well are the growth figures reasonable given what's happening with COVID at the moment, is that going to affect the way that customers move into or out of the Central Coast, things like that. We'll not just be looking at the costs, we'll be also looking at the actual, are the actual growth forecasts reasonable based on evidence and up-to-date.

**Ms Cooper:** So you mentioned in some of the documents that I've read that you're looking at other ways of obtaining water, rather than just from the dams so from layman's terms, I would say that I would get a lower quality of water for me to drink, because it would be taken from the ocean and desalinated, rather than have it from the dam and pumped in.

I live at Green Point and I'm here with the Davistown gentleman, I have excellent water and I'd much rather have water out of the tap, than out of an out of a bottle. But if it's a case of having desalinated water, I personally think it's not as good quality, so for you, for the future planning that could mean that some would see that we get a lesser quality for a higher population.

**Mr Chapman:** Wherever there is proposed be large, particularly large capital works, that involve producing new water supplies, whether it be dams or desalination plants or other options now. We would certainly go and have a look at the justification for those capital works, whether it's about water security, or providing extra water, or different quality of water.

The sort of processes that council or any water utility has been through essentially, to justify those new projects will be front and centre of the reasons that we do that and part of that justification will be a water utility, potentially having discussions with this community about exactly those sorts of things.

If it is a more discretionary kind of issue, has council or water utility really discussed with their community the trade-offs that might occur between quality and price for instance and that would be something that would go into Tribunal's considerations about the type of cost that we include in prices going forward and the type of projects, which we view to be well-founded and justified.

**Ms Cooper:** Thank you.

**Mr Chapman:** We've got one from Aurora Walker.

**Ms Walker:** Yes, so I've written everything there, if you could answer that for me please.

**Mr Chapman:** Sure, so Aurora has asked if IPART can give essentially confidence that as a ratepayer, that we will actually take notice of feedback, and I absolutely can guarantee that you will. Both the Secretariat and the Tribunal Members themselves whose ultimate job is to make all the decisions, read every single submission and take every single submission into account in making that call.

**Ms Walker:** Yeah, that's all very well saying it, but I haven't had it translated into that. I've actually spoken with Sheridan earlier this year in January, and I've told her of my problem, and I was very unhappy. I mean I've had no feedback when I attended the meeting, they took all my details they never came back to me. So, what's the point of people attending a public hearing, when in actual fact IPART is not going to take any notice of them, that's first question.

Second question is that I spoke to somebody at IPART in February, who said that they were looking into the legitimacy of the actual stormwater charge, and my reasons for asking about this, and my complaint to IPART has always been about stormwater. We've had to pay a lot of money to actually put in two drains for stormwater on our property, but we're still being charged for stormwater.

And every time I've contacted council, they've said well that's just too bad. But as I said in February, I spoke to somebody at IPART who said that the discussion was a hot topic at IPART, yet nothing has come out of this, no feedback's been given to me, so there again I have to say I'm really not confident that our IPART is actually taking submissions basically and not they're not they're not looking into them, whatever the ratepayer is saying, you just basically do the opposite. So that's been my experience I'm sorry to say but I have to say what I believe is what's happened.

**Mr Chapman:** Look we'll take all that on-board Aurora; I really appreciate that feedback.

**Ms Walker:** But I want to know about the legitimacy of the stormwater.

**Mr Chapman:** Sure, okay, look in terms of the prices that we set through this review and I'm talking about here the water supply, sewage and stormwater services, that we're seeing prices for. We will certainly be investigating the types of services that are being delivered by council, the cost of delivering that, and as you say the legitimacy of those issues.

**Ms Walker:** Of the stormwater charges, I mean how legitimate is it. I've been told that IPART was looking into it. Why hasn't there been any feedback to the to the ratepayers, so you obviously know that there is a problem, you obviously know that this charge may not be legitimate, then why are our ratepayers still being charged all the time, year after year after year, even though they're doing the right thing by installing the stormwater drains to get rid of the stormwater. And it all feeds into the charges that the council is receiving from developers and all of that. So, we as Kevin said, where does this this end. We've just being charged, and we've got nowhere to basically turn to get justification

**Mr Chapman:** Okay Aurora, look I'll take all that on board. I'm sure that there are quite detailed issues with your stormwater, that I'm probably not going to be able to bring out in this forum, but very happy...

**Ms Rapmund:** Sorry Scott, it's about Aurora's had to pay stormwater developer charges, and the question is about paying ongoing stormwater charges, which go towards the maintenance of the stormwater network across the council area so are slightly different to I suppose stormwater costs than the stormwater developer charges for that infrastructure to service a property.

**Mr Chapman:** Right okay, I just understand the context now Aurora.

**Ms Walker:** And I live in a suburb, I live in Ettalong Beach, so it's not that I'm living out in rural area or anything like that, I'm as I said, I'm in a suburb.

**Mr Chapman:** Sure, okay Aurora look, I'm happy to have a long conversation with you offline because I just don't want to dominate this forum with this issue.

**Ms Walker:** That's fine.

**Mr Chapman:** Yep feel free to call, my numbers on the webpage, we can talk this through at great length.

In short there are the council has a whole bunch of pipes and assets obviously that need to recover the cost of, if it has been spent the efficient cost of, as far as stormwater services go, but there's a whole there's obviously all sorts of permutations around that particularly in your case, so I'm very happy to pursue that individually with you at any time, and of course take the Tribunal to take the feedback that we do and it does in terms of its written submissions to our reports, and through the public hearing again, we encourage you to come and have your voice heard. Graham Hankin, you've got a question.

**Mr Hankin:** Thanks, I've just been putting in a few more actually well, I'm just trying to work again which was my first question I think it was...

**Mr Chapman:** Ageing infrastructure, no sorry options for water and sewer, and Terrigal lagoon.

**Mr Hankin:** Look I sat in on all the webinars that council ran for exploring with the community the options for future costs for the next 10 years, with their booming population growth etc. It wasn't until the very last session that it became obvious that the existing infrastructure seems to be in a pretty poor condition.

And this was highlighted with Terrigal Beach having one of the worst beach reports for them probably for the last 10-15 years. And it came down to sewer and stormwater runoff, I don't know if you're familiar with it or not, but there's been a big state government, council investigation over the last probably a year and a half to get to the bottom of it, and there's something like 17 or 18 kilometres of sewer lines had to be relined, and this is just one small part of the of the Central Coast.

So, I think we are in a very poor condition because we will not be able to afford the further deterioration of this infrastructure. We've got that many sewer pumping stations, that surround Tuggerah Lakes, that are now contributing to poor water quality. The Expert Panel on Tuggerah Lakes has now said water quality is just at a crossroads, that in the next 5 years the seagrasses and salt marsh will just not survive.

**Mr Chapman:** Yeah, right.

**Mr Hankin:** And a lot of this, I think comes down to sewer infrastructure, so that's the basis of my question.

**Mr Chapman:** Right okay, thanks very much Graham, really good questions again. The ageing infrastructure or asset condition or asset performance is obviously a critical factor basically in the way that services are being delivered.

Now you've mentioned sewer overflows and probably stormwater runoff into Terrigal, into both the lagoon and at the beach I think down there, so a nice place Wamberal and Terrigal. And those are the types of issues if council is proposing or has spent money or needed to spend money, we would go back and on the advice of our consultants as well, and just have a look at the performance of that system why it's basically delivering those kind of services, if they're not up scratch basically, and the type of cost that should have been spent on it and are proposed to be spent in the future. And basically, make a judgment about, make a call about linking again costs, and prices to services, and that's basically the short of it at least. And there are a whole be a whole bunch of water, sewage and stormwater systems throughout Central Coast that all do the same sort of thing.

Look I'm just conscious that it's 3 minutes, we're going to have to wrap up in a couple of minutes time. We will put up some FAQs on our website and email them. Any questions and answers that we that we do have, out to stakeholders. But again go to my phone number, if you need to ask something specific that has not been able to brought up here, I'm very happy to have one-on-one discussions with people, if you're willing to do that.

So I apologise we just had more questions than I we can probably get through with the time allotted.

**Ms Towers:** Scott, if people got their hands up, if they could write into the chat their questions, because then we can put frequently asked questions on our website, its helpful.

**Mr Chapman:** Exactly.

**Mr Nash:** Will this recording be available?

**Mr Chapman:** Yeah, it'll be made available on our web page and you click through it basically brings up YouTube, and it'll be the whole thing will be made public as soon as we can. I got time for one or two more, one from Lorraine, about capital expenditure.

**Ms Wilson:** Yes, I was just wondering, and does IPART have any option or any jurisdiction in allocating or ensuring that council's expenditure includes a sufficient amount to maintain infrastructure, and upgrade work on its water system.

And I have to say we're farmers from Kulnura, so we're not on the water system, but I would hate to live at Davistown and be receiving brown water all the time, or water that's smelled, so it was just, I just wondered whether IPART had any ability to determine that.

**Mr Chapman:** Yeah, well in some ways it's our core job really, it's one of the critical things that we do, which is to basically say look how much should you get to maintain or to renew your assets, to make sure that they can deliver the services that the customer or community needs or wants or utility's required to deliver, at the least possible cost. So again, that really comes back to really what the fundamental middle of what our role is through this review

**Ms Wilson:** Thank you.

**Mr Chapman:** Okay we'll just do two more. I know Bob had his hand raised, don't know if he is still there, Bob?

**Mr Stacy:** There we are, unmuted. It's simple question and that's I think I've sent it to you several times. Reading the regulations, which on the copy I've got up here is as of the 9th of July this year, it actually says the maximum annual charge for stormwater management is \$25 for a residence, and I understand the people up in Kulnura have been charged a little bit more than that over the last few years and they've taken it off the one for the old Wyong group.

So there's inconsistencies in how it applies, and I've raised this with IPART before and like the other lady, have had no response, so which is so how do you ensure that you're actually obeying the law?

**Mr Chapman:** Okay so we are required to set maximum prices for the Water Supply Authority. Now the water supply authority delivers water supply, sewage and stormwater services, though I'm not a lawyer, so I'm an engineer but my understanding is and again don't quote me on this, is that \$25 maximum is about, it's under the Local Government Act, and it's about general rates for delivering stormwater services.

If it's delivered through the Water Supply Authority, which is basically council's water supply, storage and stormwater business, which is our whole job here. That \$25 does not necessarily apply.

**Mr Stacy:** But that's not what the regulations say.

**Mr Chapman:** Having said that, I'll have to take that on advisement Bob, because I am not a lawyer, but again happy to have this raised publicly, both through any written submissions and through public hearings, and look like I'm sorry, we don't have a legal team here to answer these questions, but that again we're very happy to pursue that and have that raised and take that as consideration.

**Mr Stacy:** All you're trying to do is make sure that it is legal, because you've got a process, people have asked questions, I know when we had all that public thing over the drainage a few years ago, it was raised and nobody came back with an answer.

**Mr Chapman:** Okay.

**Mr Stacy:** I think IPART is just a little bit exposed, it may be that you've got to go back to government and say look we want to change that number, we'll get rid of that. But the way it's written at the moment, could be causing us a problem.

**Mr Chapman:** Sure, thank you look, I'll have to tell I have to take that under advice. I'm not paid well enough or skilled enough to answer nuanced legal questions, but I am aware of the issue and the Tribunal, it will be something that we're very happy to hear from stakeholders and ratepayers on.

Last question I apologise again for having to truncate this session but anybody please that has any questions that don't get a chance to answer here, we will respond to or please call me directly Jara Millward from LEAD Disability, is it you got your hand raised, is that right?

**Mr Millward:** Yep Jara that's it. Thank you very much for taking my question and for doing this forum today. I've just got a bit of a quick question regarding the demographics and costing on how IPART works it out.

The Central Coast has one of the lowest median weekly personal incomes in the state and across the nation, as well as one of the most one of the highest unemployment rates and lowest education levels.

We have a great deal of issues on the Central Coast and affordability is definitely one of them, in recent times. Now as per the recent data that has been collected by the census we are all eagerly waiting to see if that's improved at all, but we actually predict that may have worsened for households across the Coast.

With the recent large increases to our rates and being a homeowner myself, it's put my family in a position of having to make changes on what we're able to afford, and what we cannot. Does IPART take it into consideration the income inequality that the Coast is facing for residents and how these increases, even to just something small like water, will negatively impact us all.

**Mr Chapman:** Thanks, Jara another good question. Look I've yacked on a fair bit about efficient costs and what the cost should be and setting prices to recover them. The other side of that equation is that council, sorry the Tribunal is required to and does put a great deal of story in customers' ability to pay and willingness to pay for services and the types of but basically, it's around affordability.

Basically, the process will go through and say okay here's the efficient costs, this is what council should be incurring, this is what prices we can or do set to recover that revenue, but if we do that what will that mean for customer bills. And if the customer bills are at this level, is the community in a position to bear those costs essentially, and we're conscious it's the same in every utility, there are there are wide disparities in the types of there are pockets of disadvantage, there are pockets of wealth, there are certain socio economic groups that are disadvantaged, or under hardship and all those types of issues are very important in the prices that we essentially come up with in the end. That those type of issues are really front and centre of the decisions that Tribunal makes and are required to make under the IPART Act.

One of the things we have to take account of is the impact on customers, and it's something that that is always considered very closely and carefully, and particularly in areas where there are areas of socio economic trouble, or disparity or disadvantage as I know there are on the Central Coast as they are in other places too, but certainly in the Central Coast so it will be something that we're already conscious of and in these times of uncertain or sporadic or lower or truncated income and wealth and problems with work with COVID etc it'll be again even, that focus will even be more heightened I think. So in terms of how and whether and to what extent we review that Jara, you can definitely rest easy, you'll be confident that that is something that will be, if not dominant, will be front and centre of Tribunal's considerations when they make their final decisions.

**Mr Millward:** Thank you Scott. Just to add to that briefly, in your experience with IPART have you ever come back with cost reduction?

**Mr Chapman:** We've almost always come back with cost reduction. So when we're setting water and sewage prices, general utilities will propose a certain amount we will look at that and more often than not going no, it's too much, the efficient costs are lower than that, and or customers are not necessarily in a position to pay all of that at the moment, so all of those considerations go into setting prices. It's much more common to set prices below what's been proposed to above, which is very rare.

**Mr Millward:** Okay thank you very much for that Scott.

## 1.4 Closing remarks

**Mr Chapman:** Okay, look well I apologise again for if we didn't get through everyone's questions. I hope that you've managed to put them into the chat of this forum, so that we can respond to them in writing. Again, at the webpage, my phone number is up there and feel free, and my email, I think. So, feel free to contact me if there's anything that you want to discuss further, or I haven't addressed or you're not comfortable, or you are not satisfied basically with the answers been given here today.

Generally, we hope that this has sort of at least clarified the process, the broad process we go through, and some of the issues that we will be considering, how we consider them. Our webpage will set out the review timetable, and particularly when we're calling for submissions to the pricing proposal, which council, which it is due in a week or two, in the next few weeks and the public hearings will be held.

So thank you again, and we appreciate your attendance here today, it has been very helpful for us, we hope it's been helpful for you too, and we're really looking forward to maintaining this engagement with our review and giving us the feedback in an ongoing way that you have so thank you again.