

**SUBMISSION TO IPART ON PROPOSED
DLWC BULK WATER PRICING
2001/02 – 2003/04**

Coastal Valleys Customer Service Committee

May 2001

EXECUTIVE SUMMARY

This submission argues a number of key recommendations:

- All beneficiaries must be identified so costs can be shared equitably.
- Pricing is on a valley by valley basis. Costing also must be on a valley by valley basis.
- More accurate, timely and transparent data is required from DLWC.
- A short-term determination should be made because of the difficulties in obtaining sufficient and timely data from DLWC.
- Bulk water prices must be based on real driving factors. The true causes of river environmental problems should be identified on a valley by valley basis.
- State Water should operate as an independent business
- The anticipated increased costs for unregulated streams are due to extra resource management for the benefit of the whole community and therefore must not be borne by consumptive users.

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Appendix 1 Coastal Valleys Customer Service Committee Business Plan 2000/2001

INTRODUCTION

This submission by the Coastal Valleys Customer Service Committee (CVCSC) represents the collective view of a committee made up of a diverse representation of consumptive users.

There are some issues where members of our committee have differing views. Those views are not discussed in detail as committee members can make representation independent of this submission.

It is the vision of the Coastal Valleys Customer Service Committee to work towards 'improving life with water' for coastal rural bulk water users.

The purpose of the CVCSC is to represent customers in their respective valleys by providing advice to State Water on the effective management and delivery of rural bulk water and asset management.

When the CVCSC developed its Business Plan for 2000/2001 (Appendix 1) one of the major objectives of the CVCSC encompassed Water Pricing and included:

- Review DLWC water pricing strategies and proposals.
- Prepare recommendations for discussion with State Water
- Represent the recommendations of the committee to IPART if required.

The CVCSC process has required a strong commitment from all stakeholders – State Water, the Department of Land and Water Conservation and identified consumptive users. State Water has worked hard to provide information required by the Customer Service Committee; DLWC have been far less forthcoming.

Many of the issues impacting on the coastal valleys are common to other customer services areas but there are a significant number of issues that are unique to the coastal valleys. The health of our river systems and the factors that impact on it are quite different to other river systems.

For example:

1. Urbanisation and industry are largely confined to the coast, with substantial impacts
2. The proportion of total river flows that end up as estuary inflows on the coastal valleys is high compared to inland systems.

These are just two illustrations of how coastal valleys differ from other service areas and therefore the importance of identifying all beneficiaries and impactors so that equity can prevail.

The process of this submission has been to address the points raised in the Department of Land and Water Conservation submission. The numbers on this document refer to the corresponding sections in the DLWC submission.

The role of the Coastal Valleys Customer Service Committee

State Water has cooperated with the CSC process. The CVCSC has an ongoing advisory role and, while the process has been frustrating at times, we are through the establishment phase and believe communication, as a two-way process, is improving.

Our CSC has developed a business plan to maximise our effectiveness as a committee. One of the reasons for developing the business plan was so, as a committee, we had adequate time to review and prepare recommendations. We gave our business plan to State Water and DLWC so they were aware of our priorities and time constraints.

The CVCSC has not been given an opportunity to have real input into the pricing submission by the DLWC. Due to timing the committee was given a very limited opportunity to comment before the submission was lodged.

The lack of consultation by the DLWC and the late provision of DLWC resource management costs means there has been no real opportunity for proper critical examination of those costs prior to the submission being sent to IPART. The committee recommends that IPART should make only a short-term determination then, after appropriate consultation with the customer service committees', a medium term determination can be made.

The CVCSC has many issues to address to achieve its objectives as a customer service committee. While another short-term determination focuses our attention on pricing issues for an extended time, our committee considers it necessary to repeat the process for the reasons outlined above.

Independence of State Water

The CVCSC appreciates the effort of ring-fencing State Water as a business so far; however the process has not gone far enough. We believe State Water should operate as an independent State owned corporation with the business being benchmarked against standard practice at every opportunity.

Identified Consumptive Users

This committee is concerned at the approach in the last determination that, in an effort to achieve COAG's requirement for full cost recovery, insufficient attention has been given to who are the real beneficiaries of rural bulk water supply. Currently, identifiable consumptive users are being asked to bear a disproportionate share of the burden, on a state wide basis. The whole of the community receives benefit, to varying degrees, in different valleys and so all beneficiaries should pay a fair share of costs.

We are not against the principle of full cost recovery provided proper consideration is given to those other beneficiaries including community, riparian users, industry and regional economic growth; in fact, to the benefit of the whole of society.

We are particularly concerned that user share ratios in the coastal valleys do not reflect the very highly urbanised and industrialised nature of many of our communities. The coastal valleys have low rates of extraction from the maximum possible yield of the river system. This of course places much greater emphasis on resource management issues and cost sharing ratios should be adjusted accordingly.

Likewise, as far as infrastructure costs are concerned, much of the economic growth to date and potential for future benefit is because of secure water availability, yet the major part of maintaining that infrastructure (and for new or improved infrastructure) is expected to be paid for by the readily identifiable consumptive users although they comprise only a minor proportion of beneficiaries.

The committee believes that the percentage cost sharing principles should be set on a valley by valley basis. IPART acknowledges that the water charges are different in each valley to reflect local circumstances, yet it has failed to recognise, by setting state-wide user shares, that the individual cost drivers which make up these water charges are different in each valley. The committee would like to see IPART correct this anomaly by setting user shares of costs based on the same water source as the presently set water charges.

2. BULK WATER OPERATIONS

2.4 Total Asset Management Plan

The committee recognises the effort that has gone into the TAMP as a good starting point, heading in the right direction but needing further refinements. We accept it is the best available information but expect refinements and cost impacts will be reflected in future pricing submissions.

The committee is seeking to have major cost elements over the period of the determination, benchmarked, and to have State Water include these as a component of the next submission.

3. RESOURCE MANAGEMENT

The Coastal Valleys Customer Service Committee challenges DLWC's claim the: 'Environmental problems exist in NSW rivers and groundwater systems due to water regulation and extraction. Full cost recovery is an incentive to reduce water extraction.' That statement is incorrect and very misleading regarding the impact of irrigation in the coastal valleys.

This has been a common theme throughout the Healthy Rivers Commission enquiries on coastal rivers to date. We would like to refer the tribunal to the following document published by the Healthy Rivers Commission: '*Securing Healthy Coastal Rivers – A strategic Perspective*' April 2000.

In the coastal area, identified consumptive use is a small percentage of annual flows (outside the Hawkesbury-Nepean Basin the Hunter River has the highest extraction of any coastal river – extraction within this river system is less than 5% of total annual average flows). Other factors have contributed to environmental problems, where they exist. In this area water extraction is not the cause of our problems. Most water extraction is carried out on an efficient needs basis, to state that increasing the cost of so doing will reduce extraction shows little understanding of irrigators' needs. It also demonstrates that DLWC's purpose is to limit extraction rather than manage extraction.

As previously pointed out to the Tribunal, the actual cost of bulk water to the irrigation user in the coastal area is more like \$100/ML after allowing for energy and labour costs involved in applying this water. This high cost of application surely creates the deterrent to waste this resource.

The first paragraph of the DLWC submission highlights the committee's concern that the cost of recoverable resource management functions is a public good and the proposed recovery of costs from identifiable consumptive users is inequitable.

3.1 Recoverable Resource Management Functions Metering and Monitoring.

The committee acknowledges the need for enhanced metering and monitoring provided it is done on a cost-effective basis. The committee also accepts charges for costs incurred directly as a need to meter water consumption, consistent with the commercial viability of the cost collection. However, it objects to accepting any obligation as an identifiable consumptive user to carry costs attributed to metering and monitoring for the purposes of strategic water resource planning and resource management.

Water management planning and annual implementation programs

Likewise, the water management planning and annual implementation programs identify the beneficiaries as the broader NSW community and therefore identifiable consumptive users should not be singled out to contribute to an unidentifiable benefit proportion.

Unregulated metering and monitoring.

Again, public good is the nature of the planning component under unregulated metering and monitoring.

Water use compliance.

Water use compliance is a regulatory function and the beneficiaries include the broader NSW community.

3.2 Cost Sharing

The committee supports the principle of *Beneficiary Pays*. The application of this principle must be equitable.

Where possible:

1. Mechanisms are in place which identify all beneficiaries.
2. Beneficiaries meet their obligations
3. There is no excessive burden on any customers during implementation of pricing reform as in the principle – Minimise Dislocation.

This process can identify beneficiaries, including the environment.

Benefit from the product is defined as public good if:

- Its use does not reduce the quantity of the water available to be used by others, and
- It is not feasible or impossible to prevent others from deriving benefit from the product, and
- There are multiple users (including those who may not be readily identifiable).

Many of the DLWC products meet these criteria and it is inequitable and unfair to allocate an uncertain cost proportion to only those readily identifiable consumptive water users who may or may not even want the benefit of the product.

An example of such situation is that of consumptive water use by licence holders in the Hunter River Valley where it is well accepted and reported in the Department's own literature, that only 5% of the average annual flow is extracted for consumptive use and yet there is obvious and economically quantifiable benefit derived by the broader community and discernible interest groups. Commissioning of the Pokolbin pipeline delivering 5000 ML of low security water per annum is expected to generate \$800 million of general economic benefit for the valley. Surely it would be inequitable and unfair to expect readily identifiable water extractors from the Hunter River resource to bear the only cost contribution?

The committee believes that if IPART follows these principles then the following subproducts should have their cost share ratios changed:

PA2 The rationale for the existing 70% share of costs is based on meeting statutory functions for non-chargeable groundwater users. The committee considers the rationale for setting the users percentage share at 70% in IPARTs July 1998 determination is the same as for PA1. It is not possible to justify the users

paying any greater share of this subproduct than PA1 as the process undertaken for work is essentially the same and the cost share should be 50%.

- PB1 The rationale for the existing 50% share of costs is based on meeting statutory functions and meeting the needs of the broad community. It is not possible to justify the users paying any share of this subproduct and the cost share should be 0%.
- PB3 The rationale for the existing 70% share of costs is based on meeting statutory functions and meeting the needs of the broad community. It is not possible to justify users paying any share of this subproduct and the cost share should be 0%. The committee considers the rationale for setting the user's percentage share at 70% in IPART's July 1998 determination is the same as for PB1. If IPART does not accept the 0% then the user's share should be the same as PB1 ie 50% as the process undertaken for work in PB3 is essentially the same as PB1. In this latter event the committee will expect a clearly defined rationale from IPART.
- PC4 User percentage shares should be set on a valley by valley basis, the same as for water charges. For example Glenbawn Dam, in addition to providing the same community benefit as other DLWC dams, provides some 14% of the total volume for flood mitigation. Water users do not benefit from this extra capacity and should pay only 90% of 86% (ie 77.5%) of the current water charges for all PC4 costs associated with Glenbawn Dam. If consideration is given to the benefit accruing to the general community of having a secure water supply in this heavily industrialised and urbanised area, the 90% starting point would be greatly reduced.
- PD3 The committee agrees with IPART that it is more appropriate that these costs be recovered by way of charges imposed on the impactor that is causing the salinity problem.

The committee questions whether sufficient account has been undertaken of

- the salinity discharge schemes such as the Hunter River Salinity trading scheme being self funded
- dryland salinity being the biggest contributor to salinity in the river systems on the coast and tablelands and questions why water users have to pay for this management.
- the use of spray irrigation on coastal rivers having been proved not to contribute to groundwater salinity. And in this case the committee refers the tribunal to the Hunter River Salinity project undertaken in the early 1990s.

The committee does not believe that it is possible to justify the users paying any share of this subproduct greater than 15%. This again highlights the need for users' percentage shares to be set on a valley by valley basis, the same as for water charges.

- PD5 The rationale for the existing 70% share of costs is based on meeting statutory functions and meeting the needs of the broad community. The committee does not believe that it is possible to justify the users paying any share of this subproduct and the cost share should be 0%. The committee believes the rationale for setting the users percentage share at 70% in IPARTs July 1998 determination is the same as for PB1. If IPART does not accept the 0% then the users' share should be the same as PB1 ie 50% as the process undertaken for work in PB3 is essentially the same as PB1.
- PE1 The DLWC already has the ability to recover doubtful debts and allowing the customers to pay twice for water delivered to others does not provide any incentive for DLWC to recover debts therefore PE1 should be set at 0%.

4. COSTS AND REVENUES

4.2 Cost Allocation Process

While the Department of Land and Water Conservation says its financial system enables identification of the funding source at a job level, this has not been provided to the committee. The CVCSC has also asked questions like whether Natural Heritage Trust (NHT) funds are included in resource management costs paid on a share basis by identified consumptive users.

4.2.2 Cost Sharing

Fixed Charges versus Usage Charges

In coastal regulated rivers the majority of State Water costs are fixed, even if not one megalitre is sold. Due to the comparatively small dams and small allocations applicable in these valleys we believe the major portion of cost recoveries from identifiable consumptive users should be by way of fixed costs. Actual costs of supplying water are minimal and pricing should reflect these costs. Allowance should also be made for the fact that some of the structures could be classed as 'political' dams that were never going to be economically viable. Should the few identifiable consumptive users served by these dams be expected to 'carry the can' for past errors forever?

4.4.2.2 Cost of Capital

The committee considers the 7% discount rate quoted is not consistent with the economic climate (see 4.4.3.4)

4.4.2.3 State Water Renewals Annuity – Category 2

The committee notes that while it might be more efficient for the NSW government to have NSW Treasury manage cash reserves centrally, it is not necessarily true that it is more efficient for customers.

4.4.2.5 State Water Capital Annuities – Category 4

The CVCSC does not consider annuities should be charged on works required as a result of under funding preventative maintenance by Treasury.

It is our understanding the TAMP process has identified a 'catch-up phase' in maintenance and renewals. Those historical management decisions should not be a cost to identified consumptive users.

4.4.3.4 State Water Return on Capital

The committee submits that the purpose of government investment (funded predominantly from general taxation) is to create an efficient and effective environment to facilitate wealth creation actively within the community. Collection of a commercial return on that investment capital from water users (beneficiaries) amounts to the government saying it wants a return on capital for investment funds collected by general taxation which is the equivalent of double taxation.

If a rate of return on investment (ROI) is to be imposed, the committee submits that the rate should reflect the current medium term market cost estimates for capital and, in any case, be no greater than the current 10 year Commonwealth Treasury Bond Rate. However the committee reiterates that the principle of a return on this type of investment capital is double taxation by stealth.

4.6 Medium Term Costs and Revenue

As stated previously, we believe IPART should seriously consider making a short-term determination at this stage with a longer-term determination in the future allowing time for appropriate consultation with the CSCs.

4.6.3 Cost not yet incorporated into full cost recovery

Unregulated River Metering and Monitoring Costs

The committee has a concern with unregulated compliance costs – these costs have been included in the budget but, as monitoring is not taking place, there are currently no costs involved. We understand these costs may occur shortly but again believe it is important that only efficient metering costs be expected to be financed and then only when those costs are incurred.

5. PROPOSED BULK WATER PRICES

5.2.2 High Security / Low Security Ratios

The committee recognises the differing opinions held by the diversified organisations represented on the CVCSC and the individual organisations will make separate representation to IPART regarding appropriate ratios.

5.2.4 Wholesaler Discounts

The committee questions the need for wholesaler discounts and asks the question 'Where are the economies of scale made to justify a wholesaler discount?' We support the DLWC's position to discontinue discounts.

5.2.5 Transitional and Long Term Subsidies

We are aware of these long-term subsidies and believe that if true user share was introduced which reflected the low percentage of water used by identifiable consumptive users in coastal valleys, as against the share that should be properly borne by the public in this industrialised and urbanised coastal area, the need for transitional long term subsidies would be reduced if not completely eliminated.

5.3 Unregulated River Prices

Previous submissions for unregulated streams have not shown a great shortfall in collections because of the very low level of service provided. Most anticipated increases in costs are due to extra resource management costs that we believe is mainly a public good and should not be a charge on the few identifiable consumptive users.

5.3.1 A higher level of management

A concern is, since the 1989 IPART determination, DLWC has classified all farm dams as unregulated streams. Dams built prior to the Amnesty with a capacity above the landholders harvestable right have to be licensed by DLWC. Many irrigators receive no service whatsoever for these dams yet are deemed to be customers of State Water. These irrigators have borne all costs of infrastructure and maintenance and perceive no benefit in the licence fee they are expected to pay. They are providing their own water, yet must pay when they receive no service.

The committee understands the area based charges are an interim arrangement until all licences are converted to volumetric allocations; however the committee repeats the view that metering has to be undertaken on a cost effective basis. The committee feels there is a need to highlight again the fact that monitoring is a resource management issue and therefore a community responsibility for costs.

During periods of low flow (on unregulated streams) environmental flow management is just as important as the management of consumptive users and should be considered resource management under subproduct PB1.

5.3.5 Pricing for Metropolitan Water Utilities

The CVCSC supports the concept that the metropolitan water utilities charges should be brought into line with other users charges. The committee doubts whether the proposed 20% increase will be sufficient to do this.

5.4.1. Pricing 2001 – 2004

The committee would like to reiterate the point that while metering costs are the responsibility of the identified consumptive users, monitoring is for community good and should not be the responsibility of the identified consumptive users.

The committee also considers there should be consistency between ground and surface water.

6. IMPACT ASSESSMENT

6.1.2 Results

The committee is alarmed at what appears to be a deliberate attempt to convey a false impression of the effect of water charges on consumptive users.

The committee questions the validity of the industries used in the Gross Margin figures (Appendix 7) in that they do not reflect the predominate industries active in each valley.

The committee questions why the principal crops currently grown in the inland valleys are assessed but the crops assessed for the coastal valleys are not grown, or are grown only in small quantities. In the Hunter Valley the principal industries are power generation, dairying, pasture production and town water supply while no analysis is given for the North Coast and none of the unregulated streams are addressed.

The dairy industry, which is very active in the three coastal valleys, is under severe financial stress as a result of deregulation. A 20% annual increase in any cost is significant.

CONCLUSION

This submission details the key elements of our concern with the submission to IPART on Bulk Water Pricing 2001/02 – 2003/04, DLWC, April 2001.

We do adhere to the principles of COAG but also expect all beneficiaries to pay their share. We consider that identified consumptive users currently have to pay a disproportionate burden of costs. All beneficiaries and impactors must be identified and costs shared equitably.

The Department of Land and Water Conservation is not transparent with their costings, making an accurate assessment difficult. A short-term determination must be made because of the difficulties in obtaining sufficient and timely data. In addition, they have not displayed a cooperative approach that would allow us to be comfortable that we are paying real and identifiable costs to the resource manager.

Currently, bulk water prices are paid on a valley by valley basis. Costings also need to be on a valley by valley basis. Further, the true causes of river environmental problems should be identified on a valley by valley basis.

State Water should operate as an independent business.

The anticipated increased costs for unregulated streams are due to extra resource management for the benefit of the whole community and therefore must not be borne by consumptive users.

This submission was compiled by the Coastal Valleys Customer Service Committee. A list of members, and the organisations they represent, is included in the attached business plan.

APPENDIX 1

**COASTAL VALLEYS CUSTOMER SERVICE
COMMITTEE**

BUSINESS PLAN 2000/2001

Adopted 19 October 2000

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Coastal Valleys Customer Service Committee Business Plan 2000/2001

VISION, GOALS AND OBJECTIVES

Vision

It is the vision of the Coastal Valleys Customer Service Committee (CVCSC) to work towards 'improving life with water' for coastal rural bulk water users.

1.2. Purpose

The CVCSC will represent customers in their respective valleys in providing advice to State Water on the effective management and delivery of rural bulk water and asset management.

1.3. Goals and Objectives

The CVCSC will pursue short, medium and long term goals that will ensure effective and efficient delivery of bulk water services by State Water, and will assist them to tailor these water products and services to better meet the customers' needs.

The CVCSC will also provide a mechanism for customer consultation on operational activities, pricing strategies and service levels for customers in the coastal region of NSW.

Coastal Valleys Customer Service Committee Business Plan 2000/2001

STRATEGIC OUTLINE

2.1 Context

In the 1998 Independent Pricing and Regulatory Tribunal (IPART) water pricing determination, a recommendation was made to establish valley based customer forums which would give customers representing regional areas of NSW a direct say in the operational and asset management decisions impacting their rural water delivery service.

The CVCSC was established as a response to that recommendation and has been formed to represent key stakeholders, and to cover regulated and unregulated rivers and groundwater in the coastal region.

2.2 Critical Strategic Issues

The following key strategic objectives of the Committee have been identified:

- Effective resource management policies and procedures.
- Effective asset management policies and procedures.
- Optimal performance of service delivery.
- Effective water pricing levels and structures.

2.3 Key Areas of Endeavour

The key areas of endeavour of the Committee will change from time to time depending on emerging issues and priorities, the availability of information and resources, and the proximity and program of IPART hearings and determinations.

It is important however that a clear focus is maintained in order to progress the goals and objectives that are stated above. Focus and progress will be achieved and monitored by the establishment of an annual review of the goals and objectives of the Committee.

This review will be conducted prior to the end of each financial year and will be conducted in two parts. Firstly the review will assess performance against the goals of the Committee in the preceding year, and secondly it will recast annually the activities and goals of the Committee for the following year.

The outcomes of the review will be incorporated into a Business and Operating Plan, and will therefore set the agenda for the Committee for the ensuing 12 months.

2.4 Resources

Resources available to the Committee are as set out in Appendix 1 - Customer Service Committees Terms of Reference (June 1999).

Coastal Valleys Customer Service Committee Business Plan 2000/2001

OPERATING PLAN

3.1 Outline

The Terms of Reference included in Appendix 1 have been used as the basis for the development of the 2000/2001 Operating Plan.

For the purposes of the Operating Plan the Terms of Reference have been grouped into six generic areas as follows:

- Water Pricing
- Service Provision
- Asset Management
- Communication
- Business Performance
- Committee Performance

The Committee has been given a range of objectives against each of these areas either within the Terms of Reference, or within the available literature. These objectives are outlined below in order of priority.

3.2. Structure

3.2.1 Water Pricing

- Review DLWC water pricing strategies and proposals.
- Prepare recommendations for discussion with State Water.
- Represent the recommendations of the Committee to IPART if required.

3.2.2 Service Provision

- Provide input into the development of customer surveys and review outcomes.
- Review service requirements and recommend appropriate service levels.
- Seek to align tariff and service levels.
- Assist in the development of a dispute resolution process between State Water and customers.
- Review billing policies and recommend systems for improvement.

3.2.3 Asset Management

- Review the Total Asset Management Plan.
- Review and comment on Asset Management priorities.
- Review asset renewal strategies.
- Review asset maintenance strategies.

3.2.4 Communication

- Assist in the development of a customer communication strategy.
- Review the implementation and outcomes of the customer service strategy.

3.2.5 Business Performance

- Review State Water Annual Financial Reports and Budgets.
- Develop recommendations with respect to cost structures and expenditure levels of State Water.

Coastal Valleys Customer Service Committee Business Plan 2000/2001

- Review and recommend appropriate debt management strategies and alternate funding options.
- Review and comment on existing accountability and performance reporting framework.

3.2.6 *Committee Performance*

- Develop an appropriate performance reporting framework.
- Produce an appropriate annual performance report.

**Coastal Valleys Customer Service Committee
Business Plan 2000/2001**

3.3 Timetable and Responsibilities

The following objectives have been set by the Customer Service Committee in priority order for the financial year 2000/2001;

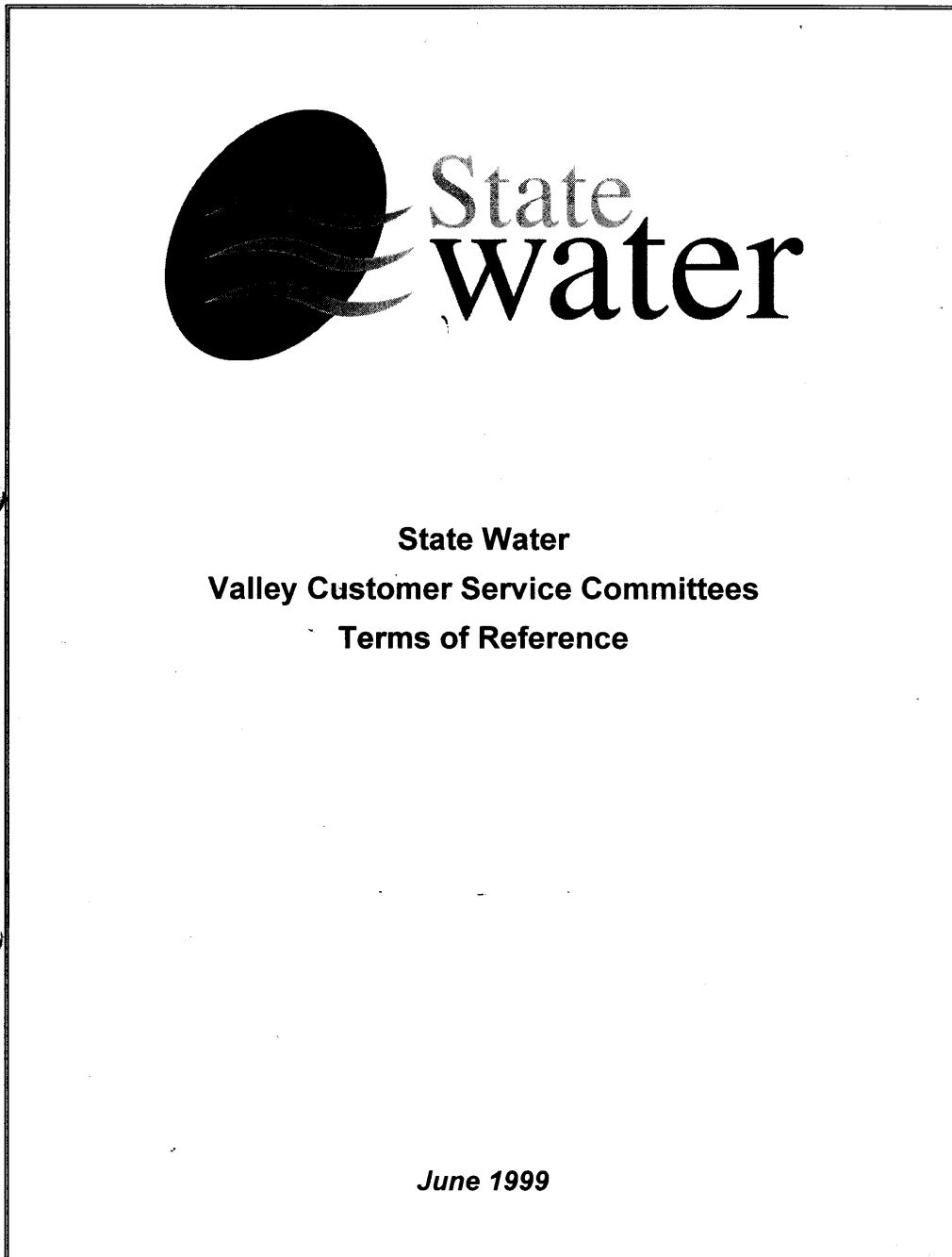
Objectives	Responsibility	Target Date	Completion Date
<p><i>Water Pricing</i></p> <ul style="list-style-type: none"> – Review DLWC water pricing strategies and proposals. – Prepare recommendations for discussion with State Water. – Represent the recommendations of the Committee to IPART if required 		<p>Dec 2000</p> <p>Dec 2000</p> <p>Jan 2001</p>	
<p><i>Service Provision</i></p> <ul style="list-style-type: none"> – Provide input into the development of customer surveys and review outcomes. – Review service requirements and recommend appropriate service levels <ul style="list-style-type: none"> a. Crystallise current service levels with SW and DLWC b. CSC reviews service levels – Seek to align tariff and service levels. – Assist in the development of a dispute resolution process between State Water and Customers. – Review billing policies and recommend systems for improvement. 		<p>2001/2002</p> <p>Dec 2000</p> <p>2001/2002</p> <p>2001/2002</p> <p>Mar 2001</p> <p>Ongoing</p>	
<p><i>Asset Management</i></p> <ul style="list-style-type: none"> – Review the Total Asset Management Plan. – Review and comment on Asset Management priorities. – Review asset renewal strategies. – Review asset maintenance strategies. 	TAMP Sub-committee	Dec 2000	

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Objectives	Responsibility	Target Date	Completion Date
<p><i>Communications</i></p> <ul style="list-style-type: none"> – Assist in the development of a customer communication strategy. – Review the implementation & outcomes of the customer service strategy. 			Oct 2000
<p><i>Business Performance</i></p> <ul style="list-style-type: none"> – Review State Water Annual Financial Reports and Budgets. – Develop recommendations with respect to cost structures and expenditure levels of State Water. 		Nov 2000 Dec 2000	
<ul style="list-style-type: none"> – Review and recommend appropriate debt management strategies and alternate funding options. – Review and comment on existing accountability and performance reporting framework. 		June 2001 In draft form	
<p><i>Committee Performance</i></p> <ul style="list-style-type: none"> – Develop an appropriate performance reporting framework. – Produce an appropriate annual performance report. 		June 2001 June 2001	

APPENDICES

4.1 State Water : Valley Customer Services Committees : Terms of Reference



**Coastal Valleys Customer Service Committee
Business Plan 2000/2001**

**State Water
Valley Customer Service Committees
Terms of Reference**

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Coastal Valleys Customer Service Committee Business Plan 2000/2001

1 CUSTOMER SERVICE COMMITTEES

1.1 Introduction

As part of the Water Reform agenda and a requirement of the Committee of Australian Government (COAG), the Department of Land and Water Conservation (DLWC) has separated the role of service provision of rural bulk water from resource management (both policy and regulation). This institutional separation is intended to reduce potential conflicts of interest and to achieve greater clarity of accountabilities across DLWC.

Initially State Water (service provider) will incorporate all functions of rural bulk water delivery into a single business, providing transparency for reporting and clear identification of all true and direct costs associated with the delivery of rural bulk water to customers.

In the past, DLWC's major vehicle for consultation with its clients was through water user associations. In recent years, this has changed with Government encouraging the broader community to be involved in water management issues (eg. TCM).

In line with the Government's Water Reform program announced in August 1997, committees representing key stakeholders and natural resource management agencies have been formed in each valley covering regulated and unregulated rivers and groundwater. The purpose of the River Management Committees in particular, is to make recommendations to the Government on the actions needed to achieve the river flow and water quality objectives.

With the establishment of State Water and the formation of Water Management Committees, a review of existing Advisory Committees and Boards is essential to ensure an ongoing mechanism for customer consultation on operational activities, pricing strategies and levels of service for consumptive users within individual valleys.

Coastal Valleys Customer Service Committee Business Plan 2000/2001

1.2 Proposed Terms of Reference

Customer Service Committees will represent customers in their valley in providing advice to State Water in:

- identifying customer service requirements
- determining appropriate service levels in relation to tariffs
- influencing billing policies
- negotiating water pricing strategies for recommendation to IPART.
- advising on appropriate debt management strategies
- preparing and implementing customer communication strategy
- determining asset management priorities, including asset renewal and maintenance; and, ensuring that minimum expenditure is sufficient to meet safety standards and limit system failures
- developing Annual Operating Plans
- resolving disputes between customers and State Water
- developing an appropriate performance reporting framework.

Customer Service Committees will provide a forum for feedback to, and seek input from, customers.

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2 THE ROLE OF COMMITTEE MEMBERS

2.1 Nomination and Appointment of Members

Members of the Committee should be nominated by relevant stakeholder group(s) within the individual valley, not by individual application. The Director General, Department of Land and Water Conservation will declare appointments.

The (*insert valley*) Customer Service Committee will include members representing the following (*the structure of Committee will be specific to the valley*):

- Riparian irrigator(s) from the regulated stream(s)
- Riparian irrigator(s) from the unregulated stream(s)
- Groundwater irrigator(s)
- Irrigator(s) from irrigation schemes and corporations
- Stock and Domestic water user(s)
- Local Government delegate(s) (eg Town Water)
- Industry (eg Power Generation)

Final constitution of the Committee including the total number of representatives will be by r
3gotiation with individual Valley water users. The total number of representatives for any term of office is a minimum of 8 and a maximum of 15.

2.2 Qualifications Required by Members

All members of each CSC are to have:

- demonstrated proof of representing the constituents of their nominating user group
- good communication (oral and verbal) and conflict resolution skills
- an understanding of the codes of conduct for committee meetings
- an understanding of State Water and bulk delivery of water in their local valley
- an understanding of customer satisfaction and service requirements
- an awareness of water infrastructure and asset management

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2.3 Role of Members

Appointed members have a responsibility to:

- consult with a broad cross section of their interest group/s on issues relating to the (*insert valley*) Customer Service Committee.
- contribute to Committee discussion to report the views, needs, issues and priorities of their stakeholder group/s
- provide feedback to their stakeholder group/s on activities, priorities and the direction of the Committee.
- attend all Committee meetings.
- respect the confidentiality of the Committee.

2.4 Agency Representation and Responsibilities

Department of Land and Water Conservation is the primary agency and will be represented by senior officers from State Water and the relevant Region. Agency representatives will not be eligible for membership to the Committee and do not have voting rights.

Other agencies may be invited (as required) to attend specific meetings. Those agencies may include

- National Parks and Wildlife Service
- NSW Fisheries
- Environment Protection Authority
- NSW Agriculture
- others as appropriate

Agency representatives have a responsibility to:

- contribute to Committee discussion to report the direction, needs, issues and priorities within their area or portfolio
- report business performance in accordance with the Customer Service Guarantee
- provide technical information and support to the Committee
- consult with stakeholder and customer groups within the valley
- provide feedback to central office/agencies on activities, priorities and the direction of the Committee
- attend Committee meetings
- respect the confidentiality of the Committee.

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2.5 The Chairperson Role

The Chair's role includes-

- chairing Committee meetings with impartiality
- acting as Committee spokesperson
- representing the Committee at various forums and meetings.
- ensuring information is disseminated to all relevant groups in the local valley, regardless of whether they are represented on the Customer Service Committee or not.

2.6 Secretarial Support

Secretarial support may be provided by a local temporary employment agency under NSW Government contract.

The primary responsibility of secretarial support is to ensure the effective functioning of the Committee.

In particular, secretarial support will:

- undertake administrative duties of the Committee
- provide meeting minutes, agenda's and reports as required
- provide support to the Chair provide individual support to Committee members (as required)
- provide support to individual members in networking back to their stakeholder groups
- provide interface between Committee and stakeholders (including DLVVC)

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3 OPERATING PROTOCOLS (Please refer Appendix 1 Code of Conduct)

3.1 Terms of Reference

The Terms of Reference outlined in Section 2.3 must comply with the instruments and legislation governing State Water (eg- Operating Authority, Water Access Authority, Statement of Financial Performance, Water Act, and other relevant legislation or regulations).

3.2 Terms of Office

The Chairperson will be elected by Committee members for a two year term. All members will hold office for two years and be eligible for re-nominate for a further two year term. CSC members can renominate to their CSC after one term absence from the committee.

3.3 Deputies

In the absence of the Chair, the Chair will nominate a deputy from the members.

A deputy may not substitute for the member for more than half the meetings held in any 12 month period without the agreement of the Chair.

The Deputy, when representing the Chair, will have the same delegated authority in making recommendations as that of the appointed Chair.

3.4 Vacancies

A vacancy will arise if a member:

- dies
- resigns in writing to the Chairperson
- is absent from three consecutive meetings without leave being granted by the Chair
- becomes bankrupt or insolvent becomes
- mentally incapacitated, or
- is convicted in NSW of an offence punishable by penal servitude or imprisonment for 12 months or more, or convicted in another jurisdiction where the offence, if committed in NSW would be offence so punishable.
- is no longer a resident of the valley area where the member was nominated by a stakeholder group
- is no longer a customer of State Water
- is no longer a member of the stakeholder group they represent

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Appointment to vacancies will be in the same manner as the original appointment.

3.5 Reimbursement

Private individuals or representatives of non-profit organisations may claim reasonable expenses covering the cost of travel, accommodation and incidentals. Expense claims are to receive prior approval by the State Water Area Customer Service Manager.

3.6 Quorum

A quorum will comprise two thirds of members and the Chair.

3.7 Conflict of Interest

All members of the committee must complete a declaration of pecuniary interests. Copies will be held by State Water and the committee.

Any such disclosures will be recorded in the minutes of the meeting.

Non disclosure of pecuniary interest does not necessarily invalidate any decision and should be at the discretion of the Chairman.

Please refer to Appendix 2 definition of pecuniary and non pecuniary interests.

3.8 Decisions and Recommendations

Decisions and recommendations will be the consensus decision of the full committee.

If a unanimous decision cannot be reached, a member(s) may submit a dissenting report to State Water upon notice to the Chair that they intend to do so.

3.9 Members

The Chair will lead the Committee. Meetings will be closed to the public. However nonmembers can be present to make presentations for a particular agenda item or discussion, at the invitation of the Chair and with the agreement of the majority of members.

Meetings will be held quarterly with extraordinary meetings called **only** by State Water if required to address specific issues.

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The location and starting time of the meetings will be a decision of the Chair, upon the advice of the members.

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3.10 Records

A full and accurate record of the proceedings of every meeting shall be kept in a manner to be determined by the Chair.

Records of meetings should be provided to each Committee member and representatives of State Water within one month of the conclusion of any meeting.

3.11 Confidentiality

Where material provided for discussion and consideration is identified as confidential, this status will be respected by all members and the group they represent.

3.12 Discretion

It is accepted that, for effective consultation, members will need to discuss agenda papers and minutes with the organisations they represent, subject to the exercising of reasonable discretion or confidentiality when declared by the Chair,

The Chair will be the official spokesperson of the Committee and any sub-committee.

3.13 Sub-Committees

Sub-committees can be established to assist the Committee in connection with any function.

The full Committee will determine operating protocols of sub-committees.

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4 MEMBERS' EXPENSES

Claim for reimbursement for members' Committee related expenses is determined by State Water in accordance with the following terms.

The Department of Land and Water Conservation will meet travel and accommodation costs of non government members attending meetings of the (insert Valley) Customer Consultative Committee.

Itineraries and estimates of expenditures will require approval by the Chair and State Water **prior** to incurring expense.

The following guidelines are provided to assist members in submitting claims.

4.1 Claims

Where a member wishes to claim reimbursement for expenses incurred for attendance at Committee meetings, or other approved official travel subject to the appropriate approvals having been granted, the claim should be submitted on the standard claim form. Program Support Officer will coordinate forms.

4.2 Air, Rail, Taxi and Bus fare

Travel expenses will be reimbursed, subject to approval provisions being met, where travel is specifically for the purpose of attending scheduled Committee meetings, or other official business determined by the Chair and State Water.

Members must submit their used air tickets (or boarding passes) and original receipts for reimbursement by the State Water. Reimbursement will be for the value of economy class travel.

Taxi, rail and bus fares may be claimed by submitting tickets or cab receipts.

4.3 Accommodation and Meals

Members may submit a claim for reimbursement for accommodation and meals while absent from home for the purpose of attending Committee meetings. Claims must be supported by original receipts and will be based on actual expenses. Accommodation costs will cover up to, and including, the cost of staying at a 4 star hotel/motel.

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4.4 Sifting Fees/Remuneration

The issue of remuneration for committee members will be voted on at the inaugural meeting. These costs are to be reported to IPART as a cost of running the valley.

The Public Sector Scale will be applied to any sitting fees. Current sitting fees are

- \$183 full day or
- \$92 half day.

All remuneration will be subject to PAYE (pay as your earn) tax under Australian and NSW law and will be reported as a salary cost for the committees to IPART.

4.5 Use of Personal Motor Vehicles

Reimbursement of private motor vehicle usage will be made on a rate per kilometre. To enable the Department of Land and Water Conservation to pay for motor vehicle usage, it is required that the vehicle carry a valid comprehensive insurance policy providing insurance or indemnity against all of the following:

- liability of the Crown and the Committee member to pay for loss or damage to property arising out of the use of the vehicle by the Committee member for official travel
- liability of the Crown to pay for loss or damage to the vehicle incurred through any incident while being used for official travel
- liability of the Crown and the Committee member for any claims resulting from personal injury or damages as a result of any incident while being used for official travel

Proof that this requirement is satisfied must be maintained before approval for private motor vehicle use is granted. Reimbursement for motor vehicle usage will require verification that the comprehensive motor vehicle insurance policy is still valid; this provision will be deemed to be satisfied by a copy of a valid comprehensive insurance policy indicating the above cover.

The rates to be used to claim vehicle usage are listed in Appendix 3 (Expenses Claim form).

These rates will be tied to the current NSW Government approved mileage rate and will be adjusted on any occasion where the NSW Government schedule of private motor vehicle usage rates has been altered.

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5. APPENDICES

**Appendix 1
CODE OF CONDUCT**

1. Principles

Members of the committee must*

- 1.1 Ensure that the work of the committee is not compromised or affected by any direct or indirect pecuniary or non-pecuniary interest.
- 1.2 Ensure the confidentiality of information dealt with by the committee
- 1.3 Act in good faith for proper purposes without exceeding their powers
- 1.4 Be frank and honest in their official dealings with each other.

2. Confidentiality

- 2.1 All material dealt with by the committee shall be treated as confidential, unless otherwise determined by the committee. Any member tabling a document may identify it as not being of a confidential nature, and seek the committee's agreement to that status.
- 2.2 Information available to members must not be used to obtain any advantage, whether direct or indirect, for themselves or for any other person or body.
- 2.3 Confidential information available to members must be used in ways that are consistent with the obligations of members to act impartially, with integrity and in the public interest.
- 2.4 Where confidential information is provided to a committee member, care must be taken to ensure that the information is kept secure, and that numbers of copies are kept to the minimum necessary. If such information is to be disposed of by a committee member it must be destroyed.
- 2.5 Members should avoid investments or business activities in relation to which they might reasonably be perceived to have access to confidential information which might give them an unfair or improper advantage over other persons.

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3 Improper or Undue Influence

- 3.1 Committee members must take care not to use their position on the committee to influence any other member of the committee, or State Water staff, for the purpose of obtaining any advantage for themselves, or any other person or body, whether that advantage is direct or indirect.

4. Public Resources

- 4.1 Financial, material and human resources are provided through the various Government agencies in order that the committee is able to perform its functions. All these resources should be used for the work of the committee only, and be used effectively.

5. Gifts, Gratuities, Hospitality

- 5.1 Members must avoid giving any indication that gifts, gratuities or hospitality relating to their membership of the committee will be accepted, either for themselves or for any other person or body, or that these may influence decisions.
- 5.2 Members may accept only token gifts and modest hospitality. Hospitality is modest when it is more than the committee member would provide in return to that person, people or company.
- 5.3 If any gift, gratuity or hospitality of other than a token kind is offered, full and prompt disclosure must be made to the Chair, or the full committee as appropriate.

6. Notification of Suspected Corrupt Conduct.

- 6.1 Section 11 of the *Independent Commission Against Corruption (ICAC) Act* requires that the principal officer of each public authority report to the Commission any matter that is suspected, on reasonable grounds, to concern corrupt conduct.
- 6.2 In the case of members of the committee, any matter that is suspected, on reasonable grounds, to concern corrupt conduct should be reported to the chair.
- 6.3 A member may report suspected corrupt conduct to State Water.

Appendix 2

DEFINITION OF PECUNIARY AND NON-PECUNIARY INTERESTS

Pecuniary

A pecuniary interest is when Valley Based Customer Service committee member (or another person or body with whom the committee member is associated) could personally receive a financial or similar material benefit from a decision or decisions made by their **committee**.

Non-Pecuniary

A non-pecuniary interest is when a Valley Based Customer Service committee member has an interest in their committee's decision-making but would not personally (or another person or body with whom the committee member is associated) financially benefit from such decisions.

If a committee member is uncertain if their interests are either pecuniary or non-pecuniary, the simplest solution would be declare all such interests.

Why include this definition in the Valley based Customer Service Committees Terms of Reference?

The reason for referring to pecuniary and non-pecuniary interests is to encourage the committee to protect itself and its members from any possible claims of a conflict of interest in their advice to Government. It enables the committee to demonstrate that it has taken this precaution and be in a position to- be able to clarify whether there is an actual or perceived conflict of interest.

How to declare a pecuniary or non-pecuniary interest

Committee members should declare their pecuniary and non-pecuniary interests by-

- completing a statutory declaration, a copy would be kept by the committee and State Water-, and
- declaring their interests at the beginning of each meeting.

It is Independent Commission Against Corruption best practice that generally it is up to Government or Ministerially-appointed committees to decide whether the interests declared by its members are pecuniary or not. The chair can then ask the committee whether the members concerned should either-

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- a) leave the room while decision-making takes place, or
- b) be allowed to speak to the resolution but not be part of the decision-making (whether consensus or other decision-making process).

Committees may also vary the procedure in (a) and (b)