



LOCAL GOVERNMENT and SHIRES ASSOCIATIONS of NSW

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Our ref: R94/0155 Out-2785

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17 May 2001

Mr Thomas Parry

Chair

Independent Pricing and Regulatory Tribunal

PO Box Q290

QVB POST OFFICE NSW 1230

Attention: Kumar Rasiah

Dear Mr Parry

Thank you for the **opportunity** to comment on the submission **of** the Department of Land and Water Conservation to increase bulk water prices from 1 July 2001.

Together, **the** Local Government Association of NSW and the Shires Association of NSW **represent** all 1.73 local councils in New South Wales. Special-purpose **county** councils and **waste** boards **are** also members.

The **Associations** have **encouraged** councils to consider the **inquiry** being conducted by the Independent Pricing **and** Regulatory Tribunal into bulk water charges by **promoting** the review, the availability of **the** Department of Land and Water Conservation's submission, and the **opportunity** to **comment**.

The Associations work **closely** with the **Local** Government Water Directorate of **NSW** and are represented on the Directorate's Executive Committee. The Directorate is a **technical** advisory body established in 1998 to assist New South Wales councils which operate water and **sewer businesses**. Currently, 86 councils which provide water and **sewer services** in regional New South Wales **are members** of the Directorate.

The Associations have reviewed the Directorate's submission, **dated** 10 May 2001, to the Tribunal on your review of bulk water prices **and** generally endorse the Directorate's position.

It is **the** Associations' policy that **the** role of Local Government in natural **resource** management be enhanced. **The** Associations work through **their** own policy development role **and** direct assistance to **councils**, **and** in partnership with a range of State agencies, most notably **the** Department of Land and Water Conservation, to **better** understand and define **the** role of Local Government in natural resource management, with regard to both areas of traditional involvement **such** as **the** operation of water and sewerage services, and newer and expanding areas such as **catchment management**.

'Natural resource management is one of a number of areas where Local Government experiences a gradual transfer of responsibilities from the state to the local sphere, directly through such aspects as the Water Management Act 2000 and its requirements that councils have regard to integrated water cycle management, and indirectly through the increasing expectations of the community. It is the Associations' experience that the current catchment management planning processes under way in New South Wales are identifying Local Government as a key implementation agency for catchment management objectives and initiatives which under *alternative* strategies might have been the responsibility of state agencies and self funded authorities. Further, it is no surprise that in disbanding the Hawkesbury Nepean Catchment Management Trust, the State Government has recognised the value of the Trust's Local Government Reference Group and made a commitment to the Group's continuation as a vehicle for coordinating investment and prioritisation of works in the catchment.

The Associations welcome these trends which uphold the strengths of Local Government; its expertise and credibility, its accessibility and efficiency, and its local democratic accountability. However, we are concerned that this trend of increasing expectations and responsibilities is occurring in a climate of continued rate pegging by the State Government and financial stringency, especially in regional New South Wales.

Hence we are concerned at proposals for increased bulk water charges which, if approved, could transfer resources from local communities to the State Government without corresponding opportunities for Local Government to recover its own natural resource management costs. Further, we are concerned with any proposal that might recover the State's costs of water management from town water consumers disproportionately, rather than from the whole community who benefit from water management activities.

The Associations are concerned that the Department's proposal assumes certain levels of involvement by the Department in water management activities across all catchments. The Associations understand that the Department's involvement varies from catchment to catchment and within the broader catchment groups defined by the Department's customer service committee areas. Using such broad areas to determine the units to which charges will apply may not accurately reflect actual costs and therefore, not reflect properly a beneficiary pays approach. The inclusion of the Tweed Catchment with other North Coast Catchments for charging purposes, for example, assumes that the Department's involvement across all North Coast catchments can be costed and recovered across the grouped catchments. In fact, this may disproportionately recover from Tweed customers in whose catchment the Department's involvement is relatively minor.

The Associations would like to see councils' own expenditure on water and other natural resource management which, in partnership with the Department and other state agencies, makes up the package of management activities, recognised by the Tribunal. Council expenditure should be incorporated into the Department's costings and then discounted in the Department's charges to councils, credited to councils' accounts or recovered to councils through some other appropriate mechanism.


Some of councils' natural resource management costs cannot be built into water and sewer charges and passed onto town water customers, but are part of general council budgets for environmental activities. Not only do councils have no avenue to pass on these general costs to non-rate paying beneficiaries like the Department, but in a climate of rate pegging, are

faced with finding resources for natural resource **management** within severely constrained budgets. Unlike the substantial percentage increases in charges proposed in the Department's submission, rate increases for **councils** continue to lag behind consumer price **increases**.

The Associations understand that **the** Tribunal has called for tenders to review the capital **and** operating expenditure of the **Department's** State Water business. **The** Associations would be pleased to **facilitate** communication between the Tribunal's consultant, when appointed, **and** councils to **ensure Local** Government input into this review.

In conclusion, the Associations draw attention to **the** increasing role for **Local** Government in water and natural resource **management**, and councils' support for the Department of **Land** and Water Conservation in this regard. We would be pleased to receive **recognition from** the Tribunal **for this** contribution and support **for** the principle that the Local Government contribution to natural resource management be taken into account in calculating the Department's **bulk** water charges.

Yours sincerely



Murray Kidnie
Secretary