

Infrastructure.K.Liddell.JR
Reference: 5393504
Phone: (02) 4974 2407



15 January 2018

PO Box 489, Newcastle
NSW 2300 Australia
Phone 02 4974 2000
Facsimile 02 4974 2222
Email mail@ncc.nsw.gov.au
www.newcastle.nsw.gov.au

Dr Peter Boxall AO
Chair
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket NSW 1240

Attention: Alex Oeser

Dear Chairman

Submission: IPART review of developer charges and backlog sewerage charges for metropolitan water agencies 2017

I write to make a formal submission on behalf of Newcastle City Council to IPART's review of developer charges and backlog sewerage charges for metropolitan water agencies. Council unanimously resolved to make a submission at its meeting of 28 November 2017.

Council's comments are confined to Points 21-23 of the list of issues for stakeholder comment within the Review and are provided below for your consideration.

Issue 21

The Hunter Water Corporation currently charges an annual Environmental Improvement Charge (EIC), which contributes to the cost of providing sewerage to established but unsewered areas in the Lower Hunter. The current charge is \$39.69 per annum and has been in place since at least 2002. It is currently being used to fund the connection of more than 400 properties in Wyee to Hunter Water's sewerage network; addressing environmental risk and social disadvantage. Over a number of decades, backlog/priority sewerage schemes have allowed for the expansion of reticulated sewerage services to service the Greater Newcastle area's growing population. The Newcastle local government area is highly urbanised, and the vast majority of developed lots are connected to Hunter Water's reticulated wastewater network, with a notable exception for the township of Hexham.

Hexham includes a mix of land uses, residential dwellings with a mix of light industrial/commercial operations, which are presently serviced by over one hundred on-site sewage management systems regulated by Council under the Local Government Act 1993. Hexham is located within an environmentally sensitive area as the Hunter River borders the township to the east while the internationally recognised Ramsar listed Hunter Wetlands National Park is located to the east and west. The area is also subject to periodic flooding.

The proximity of the on-site sewage management systems to the Hunter River and surrounding wetlands represents a significant risk of potential pollution to these waterbodies.

Council's inspection program of the on-site sewage management systems within the township has identified many systems have reduced performance with land application areas being affected during periods of prolonged wet weather. Operational performance of existing systems and potential upgrading to new systems are also constrained due to inundation/flooding and elevated groundwater levels in the area.

Council has previously nominated Hexham as a high priority area for the backlog sewerage services program and due to the above issues wishes to reiterate its support for the delivery of reticulated sewer to Hexham through this program. Additionally, both NSW Health and the NSW EPA have endorsed Council's view that the connection of Hexham is an environmental and public health priority.

In November 2015 the then Minister for Lands and Water, the Hon Niall Blair MLC, wrote to then Newcastle City Councillor and State Member for Newcastle, Tim Crakanthorp MP, advising that backlog sewer services would be provided to the townships of Hexham, North Rothbury and Raworth following the completion of the Wyee Backlog Project in December 2020 (copy enclosed). This letter states that NSW Health and the NSW EPA have endorsed the sewerage of Hexham for environmental and public health reasons. The EPA singled out Hexham for special reference in its letter, stating:

The EPA supports the sewerage of these areas based on environmental sensitivity criteria, particularly Hexham due to its proximity to the Hunter River and associated residential, recreational and commercial uses.

While Minister Blair no longer has portfolio responsibility for Hunter Water, Council is unaware of any subsequent change in Government policy on this matter. Minister Blair's letter identifies IPART as being responsible for the approval of backlog sewerage services to Hexham.

Council therefore reiterates the priority it places on completing this scheme for environmental health reasons, and urges IPART to maintain avenues for the delivery of backlog sewer services as part of the core business of the state's metropolitan water utilities. In regard to Hexham, the principal beneficiary of the backlog sewerage scheme is the environment, and IPART must allow financing mechanisms which allow this to be recognised. Consistent with the precedent set by the adopted financing arrangements for provision of backlog sewer services to Wyee (no cost to property owners), it would be inappropriate for the residents of Hexham to be required to pay a \$3,000 backlog charge.

Issue 22

Section 4.2 of the Review outlines the existing method for setting the maximum charge for backlog sewerage services. Section 4.2 then outlines a proposed funding hierarchy where the impactor is the first payee, followed by the beneficiary and the tax payer as a last resort. Evaluation of this hierarchy will be undertaken in the future to update the methodology for backlog sewerage charges. Council raises concern regarding the proposed methodology as many areas that require backlog sewerage delivery have socio-economic disadvantage. Indeed, the very lack of sewerage services is often a direct contributor to this socio-economic disadvantage. Hunter Water publicly argued in 2014 that its sewerage of Wyee via the Priority Sewerage Program would help overcome social disadvantage in the township in part because of the stigma of not being connected to a sewerage network. The proposed hierarchy may prohibit or reduce the capacity of sewer to be delivered to socio-economically challenged areas resulting in on-going environmental and health issues associated with the management of existing on-site sewage management systems. Council recommends that

alternative fee structures be investigated to address the concerns regarding the existing charge for backlog sewerage services.

Issue 23

Council supports the option of an annual payment being retained for backlog sewerage charges due to many areas having socio-economic disadvantage. The retention of a payment plan would enable payers to distribute the cost across a term rather than a one-off payment that could hinder the delivery of the service.

Council is available should IPART require any further information to assist the consideration of reticulated sewer service to the township of Hexham.

Should you require any further information about Council's submission, please don't hesitate to contact me on 4974 2407.

Yours faithfully



Ken Liddell
DIRECTOR INFRASTRUCTURE



The Hon Niall Blair MLC

Minister for Primary Industries
Minister for Lands and Water

RECEIVED

12 NOV 2015

IM15/26128

Mr Tim Crakanthorp MP
Member for Newcastle
414 Hunter Street
NEWCASTLE NSW 2300

Dear Mr Crakanthorp *Tim*

Thank you for your letter of 24 August 2015 concerning the sewerage of Hexham under Hunter Water's Priority Sewage Scheme.

In 1989 Hunter Water introduced an Environmental Improvement Charge (EIC) to fund the Hunter Sewage Project. Over the course of the proceeding 20 years, the EIC allowed for the expansion of the sewer network to an additional 20,000 properties in the Lower Hunter. The expansion of the sewer network has been accompanied by substantial environmental and public health improvements, as well as significant decreases in operational costs for householders. The EIC is set by the Independent Pricing and Regulatory Tribunal (IPART) alongside Hunter Water's other charges, and is presently \$38.37 per connected property, per annum.

In 2003 the EIC was extended for a further 10 years (to conclude on 30 June 2019) to fund the Priority Sewage Program which connected the townships of Kitchener, Lochinvar, Millfield and Ellalong to the sewer network.

In considering a further expansion of the EIC, Hunter Water has developed a Backlog Sewer Proposal in consultation with the NSW Environmental Protection Authority (EPA), NSW Health and local councils. This report considered ten suburbs across 5 local government areas that are presently unsewered, and ranked these suburbs based on cost effectiveness and environmental improvements.

The sewerage of 400 lots within the Lake Macquarie suburb of Wyee ranked highest in this assessment based on health and environmental factors. It is expected that all 400 lots will be able to connect from December 2020.

Following the successful connection of Wyee, Hunter Water is proposing to sewer the townships of North Rothbury, Raworth and Hexham. Preliminary planning is presently underway, and subject to approval from Hunter Water's regulator, IPART, the project is expected to commence following the completion of Wyee. The EPA and NSW Health have endorsed the sewerage of these townships for environmental and public health reasons.

Thank you for your interest in this matter.

Yours sincerely



The Hon Niall Blair MLC
Minister for Primary Industries
Minister for Lands and Water

5 NOV 2015