



14 October 2016

Independent Pricing and Regulatory Tribunal

2-24 Rawson Pl

Sydney NSW 2000

Re: Submission to Independent Pricing and Regulatory Tribunal Review of the Local Government Rating System

The NSW Water Directorate welcomes the opportunity to make a submission on IPART's *Review of the Local Government Rating System – Draft Report*. The NSW Water Directorate is a membership association that comprises 88 local water utilities across NSW. The NSW Water Directorate's mission is to provide leadership and support to the local government water supply and sewerage industry in regional NSW.

This submission strongly endorses Draft Recommendation 18. Furthermore, NSW Water Directorate recommends Local Water Utilities be required to quantify and report:

1. the value of the exemptions from payment of water supply special rates and sewerage special rates; and
2. the impact of these exemptions on the typical residential bill of other water and sewerage customers.

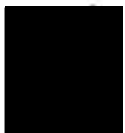
Furthermore, this submission recommends a review of chapter 7 of the *Review of the Local Government Rating System – Draft Report* to consider pensioner concessions for water supply and sewerage special rates and charges. NSW Water Directorate recommends that the current pensioner concessions for water supply and sewerage special rates and charges should be replaced with a pensioned concession scheme for water supply and sewerage special rates and charges which is fully funded by the State Government.

The implementation of these recommendations will improve the operation of ch 15 pt 6 of the *Local Government Act 1993* (NSW) and create consistency between pensioner exemptions for ordinary rates and charges for domestic waste management services and water supply and sewerage special rates and charges.

The NSW Water Directorate would like to thank IPART for the opportunity to participate in this review, and looks forward to improvement of the local government rating system.

As the peak body representing Local Water Utilities in NSW, NSW Water Directorate is keen to have an ongoing dialogue with IPART to improve the operation of ch 15 pt 6 of the *Local Government Act 1993* (NSW) and pensioner concession schemes.

Yours sincerely



Jeff Sharp

Chair

1 THE WATER DIRECTORATE

The Water Directorate is a voluntary member based organisation that represents 95% of all NSW local water utilities. Its mission is to provide leadership and advice to local water utilities. Our members:

- provide 89% of reticulated water outside metropolitan NSW
- manage \$23 billion in assets
- have 3.2 times more customers than Hunter Water

The Water Directorate was initiated by local government water and sewerage practitioners in 1998. Our founding members recognised that the structure and legislative framework for water authorities in NSW was not ideal following the abolition of the Department of Public Works which had previously acted as the overall co-ordinating agency and mentor for regional NSW. An industry specific association was formed to address the lack of coordination between government departments and local authorities as well as the declining level of technical advice provided by the state agencies.

Since our establishment the Water Directorate has provided consistent state-wide management tools at a low cost to our members. As a result, we have:

- invested more than \$3.5 million on developing relevant guidelines and technical documents to support industry best practice
- co-managed an \$8.73 million investment by the Federal Government and members in a water loss management program saving 5.5 billion litres of water annually
- advocated for local water utilities including responding to the Armstrong/Gellatly Review, and a whole series of other Government reviews undertaken by Infrastructure Australia, the National Water Commission, the Productivity Commission and Infrastructure NSW
- supported the industry with valuable information through on-line discussion groups, technical workshops and informal mentoring not provided by State Government departments.

2 ACRONYMS

Acronym	Definition
IPART	Independent Pricing and Regulatory Tribunal
NSW	New South Wales

3 COMMENTS ON ISSUES

Many of the issues identified in the *Review of the Local Government Rating System – Draft Report* are outside NSW Water Directorate’s scope, and NSW Water Directorate has offered no comment. NSW Water Directorate neither supports nor opposes any issues for which it has not offered comment.

The following issues are within NSW Water Directorate’s scope:

- Chapter 6.7.1 – Move exemptions from water and sewerage special charges, and Draft Recommendation 18
- Chapter 7 – Replace the pensioner concession with a rate deferral scheme, and Draft Recommendation 20

Draft Recommendation 18 – The *Local Government Act 1993* (NSW) should be amended to remove the current exemptions from water and sewerage special charges in section 555 and instead allow councils discretion to exempt these properties from water and sewerage special rates in a similar manner as occurs under section 558(1).

NSW Water Directorate members are responsible for the provision of water and sewerage services in regional and rural NSW, and charge water supply and sewerage special rates for this purpose. Although the water supply and sewerage special rates are included in the rates notice, these special rates are a fee for service rather than an ordinary council rate.

Provision of water and sewerage services to the lands described in s 555 of the *Local Government Act 1993* (NSW) may create a significant impost on Local Water Utilities, with the level of the impost varying with the size of the utility and the proportion of land that is exempt. Furthermore, the cost of the exemptions is borne by other water and sewerage customers who are not able to access exemptions.

NSW Water Directorate recommends that the *Local Government Act 1993* (NSW) should be amended to remove the current exemptions from water and sewerage special charges in s 555 and instead allow councils discretion to exempt these properties from water and sewerage special rates in a similar manner as occurs under s 558(1).

Furthermore, NSW Water Directorate recommends Local Water Utilities be required to quantify and report:

1. the value of the exemptions from payment of water supply special rates and sewerage special rates; and
2. the impact of these exemptions on the typical residential bill of other water and sewerage customers.

Draft Recommendation 20 – The current pensioner concession should be replaced with a rate deferral scheme operated by the State Government.

– Eligible pensioners should be allowed to defer payment of rates up to the amount of the current concession, or any other amount as determined by the State Government.

– The liability should be charged interest at the State Government's 10-year borrowing rate plus an administrative fee. The liability would become due when property ownership changes and a surviving spouse no longer lives in the residence.

Chapter 7 of the *Review of the Local Government Rating System – Draft Report* discusses pensioner concessions for ordinary rates and waste charges, though is silent on pensioner concessions for water and sewerage charges. Section 575 of the *Local Government Act 1993* (NSW) enables rate reductions for eligible pensioners for all ordinary rates and charges for domestic waste management services, all water supply special rates or charges, and all sewerage special rates or charges. It

appears water supply and sewerage special rates and charges have been omitted from the proposed pensioner rate deferral scheme, either by design or omission.

It is unclear whether the current pensioner concession scheme or the proposed pensioner rate deferral scheme would continue to apply to water and sewerage special rates and charges. In addition, it is unclear how the rate deferral scheme and concession for water and sewer will be calculated. The current concession available being allowed on the basis of 50% of a charge, should be removed to ensure that any concession can be applied efficiently and in a manner understood by concession holders.

Furthermore, it is unclear how the deferral will be managed and by whom, including the percentage funded, interest charge recipient and application if water and sewerage is not included. There are a number of assumptions which must be made from the draft report in this regard before any further concurrence could be provided.

NSW Water Directorate recommends that the current pensioner concessions for water supply and sewerage special rates and charges should be replaced with a pensioned concession scheme for water supply and sewerage special rates and charges which is fully funded by the State Government.

4 CONCLUSION

The NSW Water Directorate welcomes the opportunity to make a submission on IPART's *Review of the Local Government Rating System – Draft Report*.

This submission strongly endorses Draft Recommendation 18. Furthermore, NSW Water Directorate recommends Local Water Utilities be required to quantify and report:

1. the value of the exemptions from payment of water supply special rates and sewerage special rates; and
2. the impact of these exemptions on the typical residential bill of other water and sewerage customers.

Furthermore, this submission recommends a review of chapter 7 of the *Review of the Local Government Rating System – Draft Report* to consider pensioner concessions for water supply and sewerage special rates and charges. NSW Water Directorate recommends that the current pensioner concessions for water supply and sewerage special rates and charges should be replaced with a pensioner concession scheme for water supply and sewerage special rates and charges which is fully funded by the State Government.

The implementation of these recommendations will improve the operation of ch 15 pt 6 of the *Local Government Act 1993* (NSW), and create consistency between pensioner exemptions for ordinary rates and charges for domestic waste management services and water supply and sewerage special rates and charges.