

INDEPENDENT PRICING AND REGULATORY TRIBUNAL

PUBLIC HEARINGS INTO REVIEW OF BACKLOG SEWERAGE SERVICES
FOR GOSFORD CITY COUNCIL
Tribunal Members

Dr Michael Keating AC - Chairman
Mr James Cox

Held at the Quality Inn the Willows
512 Pacific Highway
GOSFORD NORTH NSW 2250

On Friday, 14 October 2005, at 9.30am .14/10/05 1
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I N D E X

Page No. Organisation and Representatives

GOSFORD CITY COUNCIL
(Rod Williams, Steve Diffey and Paul Jupp)

DEPARTMENT OF ENERGY UTILITIES & SUSTAINABILITY
(Sam Samra)

MOONEY-CHEERO PROGRESS ASSOCIATION
(John Andrews)

PUBLIC INTEREST ADVOCACY CENTRE
(Jim Wellsmore)

CONCLUDING REMARKS

1 THE CHAIRMAN: I would like to welcome you all to this
2 public hearing, which is being conducted by the tribunal
3 into the pricing of backlog sewerage services in the
4 Gosford City Council area. I am Michael Keating and I am
5 Chairman of IPART; and the other member of the tribunal is
6 my colleague Jim Cox, who is the Chief Executive of the
7 tribunal.

8
9 As you may be aware, the tribunal is conducting this
10 hearing under section 11 of its act. The tribunal has
11 actually previously considered the issue of charging for
12 backlog sewerage services. Some of you may remember back
13 in July 1997 the tribunal determined the methodology for
14 fixing capital contributions for backlog areas in the
15 Gosford local government area. In fact, Jim was the
16 Chairman of the committee that made that determination.

17
18 On 14 March this year the then Minister for Energy &
19 Utilities, the Hon. Frank Sartor, wrote to the tribunal
20 advising that residents in backlog sewerage areas of
21 Gosford faced additional cost, due in part to changes to
22 the funding arrangements to local government under the
23 Country Towns Water Supply and Sewerage program. I think
24 that letter is widely available.

25
26 The Minister mentioned in his letter that the
27 additional costs represent a significant new impost on
28 property owners within the backlog sewerage areas of
29 Gosford. The manner in which costs are shared in Gosford
30 differ from the mechanisms in place in both the Sydney
31 South Coast area and the Hunter region and to address these
32 concerns the Minister has requested that the tribunal
33 review its 1997 determination in relation to backlog
34 sewerage services in the Gosford area and to examine the
35 possibility of spreading the additional backlog sewerage
36 costs over the entire Gosford Council customer base.

37
38 Given that it has been some eight years since the
39 original determination was made back in 1997, the tribunal
40 has decided that it would be appropriate to review that
41 determination insofar as it relates to Gosford and having
42 regard to current circumstances. As a part of the review,
43 the tribunal in August released an issues paper which set
44 out key aspects of the review process. The issues paper
45 also outlined some of the matters the tribunal considered
46 important to this review and, as you will be aware, also
47 put forward two potential charging options.

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1
2 In the issues paper the tribunal called for
3 submissions from Gosford City Council, residents of backlog
4 areas and other stakeholders. The tribunal has received a
5 number of submissions and expresses its appreciation to
6 those who have gone to the trouble of assisting the
7 tribunal by providing their views. Some of the
8 organisations that have made submissions to the tribunal
9 will be presenting a case to this hearing today and I can
10 assure you that all of the submissions received will be
11 considered by the tribunal in developing its findings and
12 recommendations. The submissions made by the council,
13 together with all the other submissions, are on the
14 tribunal's web site for anybody who wants to look at them.

15
16 Before commencing proceedings today I would like to
17 say a few words about the process for this hearing. I
18 think you all have available to you a timetable which
19 indicates the order of the presenters and I hope it also
20 indicates the time schedule, because I would like to stick
21 to the time schedule, otherwise it will be unfair to some
22 people later in the proceedings.

23
24 For each organisation appearing after their
25 presentation there will be a period for questions. Those
26 questions will come from the tribunal and its secretariat.
27 As this hearing is principally to inform the tribunal, the
28 opportunity for questions to presenters will be limited to
29 the tribunal and its secretariat, and the members of the
30 secretariat who will be assisting us in that respect are
31 Colin Reid, who is the Director of Water, and Richard
32 Warner, who is Program Manager of Metropolitan Water
33 Pricing.

34
35 However, while the questioning of the presenters will
36 be limited to the tribunal and its secretariat, I do
37 propose that at the end of the hearing before we close
38 that, if anybody feels that some issue has been overlooked
39 or hasn't been effectively presented, or they feel their
40 position has been misrepresented, I will allow an
41 opportunity before we close the meeting for anybody to put
42 their view in that context.

43
44 We will commence proceedings today with the
45 representatives from Gosford City Council, and I would ask
46 them to come forward and state their names and positions
47 for the record before commencing their presentation.

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3
4 MR WILLIAMS: My name is Rod Williams, I am the Director
5 of Water and Sewerage for Gosford City Council. Steve
6 Diffey is the Manager, Regulatory Services, and Paul Jupp
7 is the Project Manager for the Mooney Mooney scheme that we
8 are discussing today.

9
10 I would just like to perhaps by way of introduction
11 make a bit of a comment about the need for pricing, and I
12 guess uniform pricing, also user pay principles and also
13 that Gosford is required to comply with DEUS requirements
14 and IPART requirements and that both these requirements
15 meet the requirements I guess of the COAG.

16
17 Gosford City Council is committed to user pays
18 principles and also has supported the position of both DEUS
19 and IPART in its pricing. It is difficult to imagine that
20 this hearing is about the removal or abolition of the user
21 pays principle and therefore it is a bit confusing as to
22 whether the changing in pricing was in regard to the
23 reduction from the 67 per cent to the 50 per cent or
24 whether it was for all the areas that are currently
25 determined to be backlogged within the Gosford City
26 Council, because whatever you would want to choose would
27 change how the impact might be on the rest of the
28 community.

29
30 One of the things that we looked at in our
31 presentation was perhaps Mooney Mooney and Cheero Point
32 being just a special case, and I guess the argument that
33 the council has was that, if it is a special case, what
34 makes it a special case; is it an equity within Gosford and
35 Sydney or Gosford and Hunter, or an equity between Mooney
36 Mooney and the rest of the community in Gosford.

37
38 The view taken by council was that what we should do
39 is keep our current position as currently within the rest
40 of Gosford, and that is that each person should pay their
41 full cost for the provision of water and sewerage services
42 less any subsidy that might be relevant.

43
44 Having made that introduction about what the Council
45 position is, we will go through the presentation, if I
46 could.

1 The Gosford City Council regional sewerage scheme was
2 set up in the 1970s and one of the things I just wanted to
3 comment on here was that the original backlog areas really
4 were within the regional sewerage scheme and so all those
5 people in what was then determined to be the backlog areas
6 paid a contribution to that sewerage scheme, even before
7 they came into being within the sewerage scheme. The areas
8 of Mooney Mooney, Cheero Point and Fishermans Parade
9 weren't in the original scheme and therefore they didn't
10 make any contribution to that regional scheme before it was
11 implemented. The scheme there was paid for by the
12 residents within this defined area through sewerage loan
13 charges and the IPART 1997 determination into backlog
14 sewerage services took this situation into account.

15
16 So Mooney Mooney and Cheero Point, being outside that
17 original scheme area, was covered by the IPART
18 determination of backlog sewerage services, that
19 determination setting capital contributions payable by
20 landowners based on the cost of the assets to service that
21 backlog area. Mooney Mooney and Cheero Point is part of
22 the State Government's priority sewerage program and that
23 is why we have moved ahead to sewer that area along with
24 other Gosford communities.

25
26 In 1999 all Gosford City Council priority sewerage
27 program communities were assessed by the EPA as being in
28 the highest priority range for provision of sewerage
29 services and the department managing the utility also
30 independently assessed all these areas as a rank 3.
31 However, there has been no funding provided for the other
32 areas that are outside the Mooney Mooney and Cheero Point
33 scheme.

34
35 Gosford City Council has been investigating the provision
36 of sewerage services to Mooney Mooney and Cheero
37 Point since 2001. The regional sewerage scheme formulated
38 with Sydney Water for those two areas was to provide
39 sewerage services to Mooney Mooney and Cheero Point,
40 Brooklyn and Dangar Island. As a result of the priority
41 funding for the priority sewerage program, each lot within
42 that area received \$3,000 plus the 67 per cent Country
43 Towns Water Supply and Sewerage program subsidy for the
44 project.

45
46 The local community was then under the determination
47 and the policy required to pay the balance in accordance

1 with the IPART 1997 determination. In February 2003 the
2 Gosford City Council advised the Mooney Mooney and Cheero
3 Point communities that the cost to the property openers
4 would be about \$5,000 to \$7,000 per lot. That would be
5 their particular cost that they would have to pay.
6

7 After community agreement to proceed we had a number
8 of meetings with the community, DEUS reviewed the funding
9 under the country towns scheme in 2004 and reduced the
10 subsidy from 67 to 50 per cent. This resulted in an
11 increase in cost to the owners of between \$3,000 to \$4,000
12 per lot. The subsidy reduction plus project delays have
13 increased the capital component to about \$12,000 per lot,
14 so the overall total cost was about \$12,000.
15

16 The Minister for Energy and Utilities - in the letter
17 read out by the chair - suggested that perhaps one should
18 look at the additional cost being spread over council's
19 rate base to reduce the cost to these communities. Council
20 views this as contrary to the COAG National Competition
21 Policy, DEUS best practice management guidelines and the
22 full cost recovery policy - that there be no cross subsidies
23 - and also as non compliant with the IPART determination.
24

25 The council wrote to the Minister requesting
26 reinstatement of the 67 per cent subsidy in February 2005.
27 It resolved that it not support the reopening of the
28 determination by council to proceed with the project on the
29 basis of no cross subsidy, that the minister be advised of
30 this decision and be asked to reinstate the 67 per cent
31 subsidy, the community be advised of the council resolution
32 and council continue with the preferred option to ensure
33 that sewerage services are available as soon as possible.
34

35 In February 2005 the Minister advised that 50 per cent
36 funding is available for the project, not the 67 per cent
37 that we requested. In May 2005 the Minister advised that
38 there was no special circumstances to reinstate the 67 per
39 cent as had been done for Clarence Town. The Gosford City
40 Council believes that there are special circumstances.
41 There was extensive community consultation on costs based
42 on the 67 per cent subsidy and significant community
43 expectation that the project would proceed based on the
44 original subsidy offer. During the funding review, funding
45 was frozen, delaying the project and increasing costs
46 because of that delay.
47

1 The current unsubsidised capital component is now
2 double the original cost identified in the feasibility
3 study. IPART asked Gosford City Council to consider two
4 options, to maintain the status quo, proceeding with the
5 project on the basis of no cross subsidisation on the wider
6 customer base. As mentioned, this area was outside the
7 original sewerage scheme and therefore was not determined
8 to be a backlog, therefore there has been no special rate
9 determination for this area, so they have not paid any
10 sewerage charges in the past.
11

12 The second option was determination of a special rate
13 for Mooney Mooney and Cheero Point that would involve
14 spreading part of the capital cost for the Mooney Mooney
15 project over the Gosford and City Council rate base. This
16 means that residents that have already paid for their own
17 sewerage schemes would be required to pay for another
18 sewerage scheme outside the original area. Council cannot
19 support this option.
20

21 The reason for maintaining the status quo is Gosford City
22 Council must comply with COAG principles and DEUS best
23 practice management of water supply and sewerage guidelines
24 and annual audits and also be able to pay council a
25 dividend. DEUS best practice requires minimisation of cross
26 subsidisation funding methodologies, and a special rate for
27 Mooney Mooney and Cheero Point would introduce such a
28 cross-subsidy. Council has avoided the introduction of any
29 cross-subsidies through the adoption of developer charges
30 in the 1980s. Residents of on-going regional sewerage
31 schemes have paid for their schemes. Residents of
32 Fishermans Parade and Daleys Point were required to pay a
33 contribution to ensure water and sewerage and they are
34 still paying their contributions.
35

36 If a special rate is struck for Mooney Mooney and
37 Cheero Point, residents of other unsewered areas outside
38 the scheme would expect to have their schemes subsidised by
39 the existing levels. The developer service contributions
40 are also based on full cost recovery, which could be
41 challenged if a cross-subsidised pricing arrangement is
42 introduced.
43

44 The setting of a special rate for Mooney Mooney and
45 Cheero would create a cross-subsidy precedent that could
46 affect other priority sewerage projects, other projects in
47 Gosford and other New South Wales areas. Pricing of

1 sewerage services outside the original scheme below actual
2 cost could encourage growth in those areas and promote
3 unsustainable environment outcomes.

4
5 The cost implications of maintaining the status quo is
6 the 67 per cent subsidy cost, about \$8,600 per lot; with
7 that subsidy being reduced to 50 per cent the cost is now
8 \$12,800 per lot. The overall impact on project costs of a
9 reduction of the subsidy from 67 per cent to 50 per cent is
10 nearly \$1,982,000. The special rate for Mooney Mooney and
11 Cheero Point would be an additional cost for local
12 government assessment of about \$15.90 or, if that was
13 spread over 20 years, about \$1.38. The Mooney Mooney and
14 Cheero Point resident would pay \$8,600 a lot. So what I
15 have looked at here is just the cost of the reduction in
16 the 67 per cent to 50 per cent.

17
18 As I have mentioned, it was a bit unclear to me, if
19 you are moving the principle of the user pay, where you are
20 heading for in terms of whether you will get the Gosford
21 community do pay for the full cost or just the subsidy.

22
23 The third point in there is a special rate across all
24 current identified priority sewerage Gosford City Council
25 areas. We put in those areas of Bensville and Kincumber
26 and the additional cost for one year would be \$40.87. The
27 additional cost for local government assessment is \$34.56.
28 This does not include other areas outside the original
29 scheme.

30
31 Gosford is a very large area covering 1,000 square
32 kilometres and there are a fair number of communities
33 outside. That is just for the areas that have been
34 identified by the Government as priority 3. So the impact
35 of all the 3 projects would be an additional impact of
36 \$40.87 on the current community.

37
38 In summary, council supports maintaining the status quo.
39 Council cannot support a determination of the special rate
40 for Mooney Mooney and Cheero Point due to contravention
41 of the COAG agreements and DEUS best practice
42 requirements; inequity to communities that have fully
43 funded backlog projects, such as Fishermans Parade;
44 inequity to residents within existing regional schemes who
45 have already paid for their contributions; precedence
46 created for other unserved areas to be subsidised by
47 existing Gosford City Council customers; and contradiction

1 of council's full cost recovery policy, upon which
2 developer service contributions are based in this local
3 government area.

4
5 Council acknowledges the impact of maintaining the status
6 quo on the Mooney Mooney and Cheero Point community
7 and continues to seek reinstatement of the full original
8 subsidy that was promised by the government. Thank you.

9
10 MR WARNER: One of the arguments put by council in
11 opposing spreading part of the backlog costs across the
12 community is that it is contrary to DEUS best practice
13 water and sewerage guidelines. Can you elaborate on that
14 and explain how spreading that cost contravenes those
15 guidelines?

16
17 MR WILLIAMS: The guidelines basically argue for a user
18 pay concept which aligns with both what IPART is proceeding
19 to do and also the COAG guidelines. What this is doing is
20 taking - as I mentioned, this is really not an original
21 backlog scheme but an area that lies outside the Gosford
22 City Council area, and what that would do is basically put
23 those costs back on to the community, the full Gosford
24 community, rather than the people in the outside areas
25 paying the cost of installing the sewerage.

26
27 THE CHAIRMAN: A follow up question: you essentially
28 emphasised cost recovery, user pay, but the very existence
29 of the Country Towns Water Supply and Sewerage program
30 means that there is a subsidy, and so I wonder whether that
31 means that there is user pay given the subsidy from that
32 source. In a sense I'm wondering whether it is not a
33 question of whether the subsidy comes from all the
34 taxpayers of New South Wales or some of it comes from the
35 taxpayers of New South Wales and some comes from Gosford
36 residents, whether that is not an issue.

37
38 MR WILLIAMS: I understand what you are saying and my
39 understanding is the reason these areas are identified as
40 priority sewerage schemes is because there is a benefit to
41 the community as a whole. Here we have a very unique
42 situation of the Hawkesbury River and its environs which
43 need addressing from a pollution point of view and I think
44 that is the same for all priority sewerage schemes, they
45 are seen as really a state priority. That is why that
46 funding is available, so I'm saying it does benefit the
47 whole of the state so there is a benefit there.

1
2 THE CHAIRMAN: You accept that it is not fully user pay,
3 there is a benefit to all residents in the state?
4
5 MR WILLIAMS: That is correct, yes.
6
7 MR WARNER: Just continuing on that line. Under the
8 Country Towns Water Supply scheme the Government is in
9 effect paying 50 per cent of the cost plus it has given you
10 \$3,000 for each lot, so you are getting over 50 per cent of
11 total recovery costs. Where there are benefits in terms of
12 the environment and public health to the wider community,
13 you have said that it is fair that the wider community
14 pays; but there will also be benefits to the general
15 residents of Gosford who use the Hawkesbury River as part
16 of their natural playground and those sorts of things.
17 Don't you think there is some reason for spreading some of
18 that additional cost over the residents of Gosford more
19 generally?
20
21 MR WILLIAMS: The problem that I have, that I indicated in
22 the introduction, is if you vary the principle of user pay
23 and start looking at those other off site benefits that you
24 are talking about in terms of Gosford, how you identify
25 what the value of those is, I guess, and I don't know
26 whether Steve wants to make a comment on that, but that is
27 the problem I have, that here we have an arbitrary figure
28 moving from 67 to 50 per cent and spreading that difference
29 over the community of Gosford and not applying that to
30 other developer contributions or other areas that lie
31 outside the Gosford area. I just wonder how you draw that
32 principle, assess the value of what that community was in
33 terms of sewerage to the general Gosford community as a
34 whole.
35
36 MR DIFFEY: The issue of the country towns funding, if
37 that funding wasn't available in the first place there
38 would have to be grave doubt as to whether or not Gosford
39 would have taken part in this scheme at all because the
40 cost to the Mooney Mooney and Cheero Point residents would
41 have possibly been considered way out of their range. This
42 whole concept proceeded on the basis that there was funding
43 available, subsidised funding from the government, to help
44 out the community and help out environmental issues and
45 considerations.
46
47 Our argument is, we have gone ahead in good faith and

1 the goalposts have been changed, through no fault of the
2 Mooney Mooney and Cheero Point community or Gosford
3 Council, and now we are being asked to spread the
4 additional cost as a result of that change in funding over
5 the rest of the community that has already paid for their
6 scheme. As we have said, the Mooney Mooney and Cheero
7 Point community, Bensville, Kincumber, Patonga Beach, et
8 cetera, paid no contribution towards the existing regional
9 scheme that everybody else has paid for, so our argument is
10 relatively simple, in terms of equity why should the locals
11 of Gosford, who have already paid for their scheme, be
12 asked to pay for somebody else's scheme, even though we
13 acknowledge it is part of the Gosford community and there
14 are notional benefits for the wider community? The
15 argument that the original funding is in effect a subsidy
16 to me is interesting, but the point is the project probably
17 would never have got off the ground without that original
18 67 plus \$3,000 per lot for PSP communities.
19
20 MR COX: Can I ask a follow up question here: I am a bit
21 uncertain about your position. Obviously you would like to
22 get the 67 per cent subsidy reinstated?
23
24 MR DIFFEY: Absolutely.
25
26 MR COX: You may or may not be successful in that, that is
27 not for to us say, but suppose you are unsuccessful, it
28 remains at 50 per cent, would you still then support the
29 residents, if you like, having to pick up that
30 contribution?
31
32 MR WILLIAMS: The Gosford Council position is, no. The
33 areas that have been identified as a priority sewerage
34 scheme would result in an additional cost of \$40 per
35 ratepayer across the community. That is only for the
36 immediate ones that have already been assessed at level 3.
37 There are a lot of areas outside the Gosford area, Spencer,
38 Mangrove Mountain, which aren't in that equation, so the
39 point is, where do you stop? If you really have a policy
40 of providing sewerage to all the local communities that are
41 within the area - and we are talking about 1,000 square
42 kilometres - that would really have a very high impact on
43 the local residents. The other issue is that it may
44 promote some unsustainable development if you start
45 providing cheap water and sewerage services to areas way
46 outside the Gosford residential area.
47

1 MR COX: Council's position is if the subsidy from the
2 government is 50 per cent, the other 50 per cent should be
3 picked up by the residents of Mooney Mooney?

4
5 MR WILLIAMS: Yes. We don't know how long the piece of
6 string is. Just on the face of it we are talking about \$40
7 per resident. As I said, there are a lot of other areas
8 that could be seweraged within the Gosford City Council Shire
9 area, the Council area, that would blow that figure out.

10
11 THE CHAIRMAN: Just further clarification: So what that
12 means is that, whilst as your colleague put it you may not
13 have gone ahead with this project in the first place if the
14 subsidy had been 50 per cent, you now are committed to the
15 project if the subsidy is 50 per cent?

16
17 MR WILLIAMS: Yes. That has been through the discussions
18 with the community, the community wishes to proceed on
19 that basis.

20
21 MR WARNER: When you decide which areas to sewer, do
22 you undertake some sort of cost benefit analysis where you
23 seek to quantify the costs and the benefits to residents and the
24 wider community and the health benefits and the
25 environmental benefits?

26
27 MR WILLIAMS: That is correct. Any area that we do want
28 to sewer, there is also the community consultation that
29 goes through, an assessment of the cost, just like there
30 was here originally, and discussion with the community on
31 whether to proceed with that area. As I indicated before,
32 this wasn't a backlog area, it wasn't part of the Gosford
33 sewerage regional scheme, but an area identified as being
34 of significant environmental benefit.

35
36 MR REID: There seems to me two main reasons why the cost
37 to the residents has increased. One obviously is a
38 reduction in the Country Towns subsidy, the other is
39 increasing costs of the project itself. You have alluded
40 to some of the reasons for that increase. I am just
41 wondering if you can elaborate on those, please?

42
43 MR WILLIAMS: I will get Paul to comment on that in a
44 minute, but just looking at the cost indices for water and
45 sewer services across Australia, in the last two or three
46 years there has been an increase of about 50 per cent
47 because of the pressure on the industry to meet

1 environmental requirements and also the shortage of
2 professionals and the drag in the construction industry,
3 that there are a lot of projects now being undertaken
4 because of drought and the need for environmental projects.

5
6 The other issue is the fact that there has been a
7 year's delay as well, so both those things have made there
8 be a significant increase. Maybe Paul can comment on what
9 the quantum of the increase is.

10
11 MR JUPP: In regard to the original costs, they were based
12 on feasibility estimates at the time, so they were
13 upgraded, and because of delays there have been cost
14 increases, so that is one of the reasons why the costs went
15 up. Another reason was due to the EPA requirement
16 requiring more stringent effluent discharge criteria. That
17 also put the price up. It is roughly about half. Going
18 from 67 per cent to 50 per cent on the Country Towns
19 subsidy accounted for roughly half of that rise and the
20 other half was due to those other reasons.

21
22 MR REID: In the absence of this scheme proceeding,
23 presumably the local residents would have to incur costs
24 themselves for on-site systems, even though those on-site
25 systems may not deliver the same overall environmental
26 benefits that connection to the main system may deliver.
27 How do the costs compare of what those residents will be
28 paying on an ongoing basis for on-site systems to what
29 costs there would be for connecting to the main sewer
30 system?

31
32 MR JUPP: I don't have the figures at hand but the area at
33 Mooney isn't susceptible to these on-site systems insofar
34 as the ground conditions aren't conducive to absorption of
35 effluent. So the council, under the health regulations,
36 would be looking to close up those defective systems so
37 they would eventually be no longer pump-out systems, which
38 will cost a lot more.

39
40 MR WILLIAMS: To add one thing to that, there is an
41 economic benefit to the residents by having the sewerage
42 there in that some of the land will be able to be
43 subdivided. There is a fairly large amount of pressure to
44 develop some of that area a bit more and that development
45 can't proceed unless there is a regional sewerage scheme.
46 As Paul mentioned, the problem with septic tanks is that
47 they are very effective but are very expensive to operate.

1
2 MR JUPP: This was looked at in our options study that we
3 carried out, retaining existing septic tank systems was
4 looked at and ruled out as a non cost effective option.
5
6 MR REID: You raised some questions about the extension of
7 the Country Towns scheme to some of these other backlog
8 areas, still with high priority. That hasn't been
9 clarified, there still remains uncertainty about that.
10
11 MR WILLIAMS: I guess I was raising two questions there.
12 One was the question, in my own mind, about the reasons
13 behind opening the determination, whether it is purely in
14 relation to the Mooney Mooney scheme and also purely in
15 relation to the reduction in the subsidy from 67 to 50 per
16 cent or whether you are looking at also making it across
17 all the priority sewerage projects that are within the
18 Gosford area. I am not sure what the intent was. Could
19 you just elaborate that question?
20
21 MS REED: Sure. On the assumption that the intention
22 would be to widen, or include within the determination, so
23 it would apply to all the high priority sewerage areas, do
24 you have a firm indication from government as to whether
25 the Country Towns subsidy would apply beyond these two,
26 Mooney Mooney and Cheero Point?
27
28 MR WILLIAMS: The answer to that is no. Although these
29 other areas that have been identified as requiring sewerage
30 have been identified as 3, there has been no commitment by
31 the Government to provide any funding at all.
32
33 MR DIFFEY: We have actually received confirmation in
34 writing saying that - we made the point that all PSP areas
35 in the Gosford area were ranked equally by DEUS's own
36 independent ranking, at a ranking of 3 in a scale of 1 to
37 10. We therefore assumed that that would give equal
38 priority to all of our PSP areas. We received confirmation
39 earlier this year that in fact a line had been drawn within
40 the rank 3 underneath Mooney Mooney and Cheero Point, so
41 there was 50 per cent funding available to Mooney Mooney
42 and Cheero Point and no funding at this point available to
43 the rest of the PSP projects. That, of course, is up for
44 review, but that is the current status, which of course
45 would put in great jeopardy any opportunity for council to
46 extend to those communities what we are doing at Mooney
47 Mooney and Cheero Point.

1
2 MR REID: Just going back to the issue of no
3 cross-subsidisation, obviously within the Gosford area the
4 costs of providing services would vary street to street,
5 house to house, across suburb to suburb, if you like,
6 across the whole of the area. I am just wondering how far
7 it is possible to take this question of non subsidisation,
8 if you like, and where is a reasonable starting and
9 stopping point and how that might apply in this particular
10 case?
11
12 MR WILLIAMS: That was really defined back in the 60s and
13 70s when the original sewerage areas were defined. As I
14 mentioned before, areas like Mooney Mooney and Cheero Point
15 are I guess a long way from the Gosford sewerage area and
16 each of those cases has to remain on a case-by-case basis.
17 Certainly where there is an extension of a residential
18 development that is currently there the developers are
19 expected to pay the full cost under the IPART determination
20 of servicing that area. Gosford supports that position, so
21 I think it is really a matter of horses for courses and
22 clearly defining what can be connected to the current area
23 and what can't. I accept your point that there is a
24 difference of costs from one house to the next because you
25 actually have to extend the service, but you have to draw
26 the line somewhere.
27
28 MR DIFFEY: Fishermans Parade and Daleys Point couldn't be
29 serviced under the original scheme. However, when the
30 residents there banded together to get development carried
31 out, they paid a hell of a lot more per lot than the rest
32 of the community had for their sewerage scheme. It was a
33 user pays arrangement. There was a subsidy involved, they
34 did not pay full cost, but I guess we are asking for the
35 same principle that was applied at Fishermans Parade to be
36 applied at Mooney Mooney and Cheero Point.
37
38 MR WILLIAMS: There was a considerable benefit to the
39 people there because it did allow further development at
40 Fishermans Parade to proceed.
41
42 MR DIFFEY: As is the case at Mooney Mooney and Cheero
43 Point.
44
45 MR REID: In coming up with your costs per lot, the cost
46 that individual residents would bear, given that there is
47 that issue of further development that will occur, I am

1 wondering what assumptions underlie your calculations in
2 that regard?

3
4 MR JUPP: We have allowed for a certain amount of growth
5 in the area but limited in the residential, on the
6 residential side of things. It is only another 40 or 50
7 lots that would result from subdivision. That is what we
8 have allowed for. We also have other commercial interests
9 coming into the scheme, the main one being the Department
10 of Ageing and Disability, so we have limited them to a
11 number which is based on their existing, at the time, load
12 they were putting into the system from their water
13 consumption.

14
15 MR DIFFEY: It is also fair to say that even though there
16 is nothing available at the moment, we have assumed that if
17 we were to extend servicing to the current PSP areas of Bar
18 Point, Patonga Beach, et cetera, then there would be some
19 CTWSS subsidies available to those projects, and that has
20 been incorporated in the projected costs. If those
21 subsidies are not available, the viability of proceeding
22 with those projects would have to be questioned. That is
23 why drawing lines in equal ranks is interesting to us, to
24 say the least.

25
26 We are here to do the best we can by the community and
27 we no way want to disadvantage the community that we have
28 gone to in good faith. However, if the goalposts change
29 midstream, it is a bit difficult for us to suddenly say,
30 well, we can't proceed with the project, or, no worries, we
31 will pick up the tab. Unfortunately, we can't just pick up
32 the tab, it has to be paid for somehow, and we are saying
33 we don't believe it is fair for the rest of the community,
34 which has already paid for their sewerage schemes, to pick
35 up the tab for another part of the community that didn't
36 contribute to their scheme. So it is an issue of equity
37 and precedent for us as well as best practice and user
38 pays.

39
40 MR REID: You have indicated the private benefit that
41 these residents would gain through connection to the
42 sewerage system. Obviously one of the issues that may
43 arise for individual residents is affordability, their
44 ability to afford the charge. What measures does council
45 have in place and what funding arrangements is the council
46 suggesting where some individual residents may have
47 affordability problems in relation to the charge?

1
2 MR DIFFEY: Basically we acknowledge just that point,
3 there has been a significant cost impost imposed as a
4 result of a number of regulatory issues, one being
5 obviously DEUS's reduction in the funding, the other being
6 EPA's changing the goalposts with respect to water quality
7 requirements. We basically give people three options: One
8 is to pay the upfront contribution, get it out of the way,
9 pay their \$12,800 and live happily ever after; another is
10 to spread the cost over 20 years based on loans with
11 appropriate finance costs, if you like, loan costs. Much
12 of the original scheme, the 20-year regional scheme, did
13 that. The third is we do have a hardship policy where we
14 do look at exceptional circumstances. In that case we
15 would look at making a debt against the property to be
16 recovered upon sale of the property at an appropriate time.
17 But obviously that would have to be considered on a
18 case-by-case basis by a hardship committee which works
19 under council's hardship policy.

20
21 MR COX: You have obviously referred to a number of equity
22 arguments in your presentation. I guess another equity
23 argument that might be made is that it is unfair that
24 people at Mooney Mooney pay much more than people in
25 Brooklyn just over the side of the Hawkesbury River. I am
26 interested in understanding why you think less weight
27 should be put on that last equity argument than some of the
28 others you have emphasised?

29
30 MR WILLIAMS: Without unwinding my argument too
31 strongly, I would tend to agree with you, the residents there
32 do see there is an inequity and I guess the issue for the
33 Gosford Council is that the Sydney Water scheme is basically
34 state owned, they make contributions to the government and
35 therefore the Government can do what it likes with Sydney
36 Water, but in Gosford it comes back to the community and
37 also whether this is the thin edge of the wedge. Certainly
38 if IPART determines it wishes to provide special
39 circumstances for Mooney Mooney and Cheero Point then I
40 don't think council would have any objection, provided the
41 principles are fairly clear as to why IPART is proceeding
42 in that way.

43
44 It is the other issues that follow on from that. The
45 \$40 is not just the end of where it might stop. We also
46 have a large development that is going on within the
47 Gosford City Council area, sorry, the Gosford CBD, and a

1 number of future developments, and we really want to be
2 quite clear where we stand in relation to their
3 contributions to our water and sewerage schemes.

4
5 MR DIFFEY: We acknowledge that people across the river
6 probably consider themselves more part of that community
7 and Sydney than being part of Gosford, unfortunately that
8 is where the line is drawn. The great inequity for us is
9 that Brooklyn residents have the ability to spread their
10 costs over the whole of a 4,000,000 population base,
11 whereas we only have 160,000 people to spread it over.
12 That is the inequity. It is far less inequitable for the
13 people picking up the tab in Sydney than it is for the
14 people in Gosford if that is what IPART determines.

15
16 So the argument that there is an inequity across the
17 river is accepted, but the ability to pay and spread the
18 cost is clearly a huger inequity. 4,000,000 compared to
19 160,000, clearly they are paying a much bigger component
20 than people on the south side of the Hawkesbury.

21
22 MR WARNER: Just a couple of additional questions. You
23 raised concerns that providing subsidised sewerage
24 facilities in Cheero and Mooney Mooney would in fact
25 encourage unsustainable growth in other areas by extension,
26 or if you provide subsidised sewerage services to those
27 areas too. My question is, doesn't council's general
28 planning powers give it the ability to control growth
29 rather than the provision of sewerage, and I guess the
30 second part of that question is, if we just limited any
31 special consideration to properties that already exist
32 wouldn't that obviate this pressure on growth?

33
34 MR WILLIAMS: It is a bit hard to answer that question
35 without knowing where you are going to draw the line. As I
36 said, if it is just limited to Mooney Mooney and Cheero
37 Point and a reduction from 67 to 50, that is one thing, but
38 if it is changing the way that we deal with developers and
39 also other areas within the Gosford Council area, that
40 could make a big difference.

41
42 As to the issue of whether there are planning
43 controls, you would acknowledge that local government
44 planning controls are very limited. People do have a right
45 to develop on their property subject to LEPs or whatever
46 might be in place, and quite often there is quite extensive
47 development within the Gosford shire that is outside the

1 local CBD area or local residential area and at the moment
2 those areas are subjected to putting on their own septic
3 systems or, in some cases, if they are large in number,
4 small treatment plants. There are a number of golf course
5 communities that are looking at being developed on Mangrove
6 Mountain and our view is that they should put in their own
7 sewerage scheme to provide for the residential areas being
8 set up.

9
10 MR DIFFEY: It is probably fair to say if those
11 undeveloped areas felt they could go to council and get
12 some degree of subsidisation from the existing ratepayers,
13 if we set that precedent in this case, that will put a
14 little more impetus into their argument to try to develop,
15 whereas if they know they have to pay \$50,000 or \$100,000 a
16 lot to develop and pass that cost on to the people that are
17 buying the land, what we are saying is we believe that sort
18 of attitude will encourage unsustainable growth, if you
19 like, or growth with unsustainable environmental outcomes
20 because it is cheaper for them to do so - therefore a
21 greater inducement to develop in those areas. We have a
22 lot of areas in that 1200 square kilometre area that could
23 easily fall into that category that have not been party to
24 any part of this presentation.

25
26 MR WARNER: My last question is, as part of this exercise
27 the tribunal will clearly have to verify and probe the
28 costs put forward by council. Some representatives of DEUS
29 have volunteered to assist us in that regard. I take it
30 you would not have any objection to that sort of process?

31
32 MR WILLIAMS: No. The costs are in the public realm, and
33 the cost of development with Sydney Water, it is fairly
34 clear-cut what the costs are. The golf course communities,
35 some of these developments that we are talking about within
36 Gosford itself, some of those are just on the drawing board
37 and some don't exist.

38
39 THE CHAIRMAN: Thank you very much for your
40 presentation.

1 DEPARTMENT OF ENERGY UTILITIES AND
2 SUSTAINABILITY

3 THE CHAIRMAN: I now call on the representative from the
4 Department of Energy Utilities and Sustainability to come
5 forward.

6
7 MR SAMRA: My name is Sam Samra and I am Senior Manager,
8 Water Utility Performance, in DEUS. I am here to make the
9 DEUS presentation, following on from our written submission
10 which is on the tribunal's web site, as you mentioned.

11
12 Just to recap what has already been discussed this
13 morning, the status quo at the moment with the capital
14 contributions required for Mooney Mooney and Cheero Point
15 would be about \$12,800 based on the determination of 1997
16 from IPART number 4.2.

17
18 As again was mentioned this morning, the adjacent areas
19 in Sydney and Hunter, and also that particular sewerage
20 program in Wyong, were all determined as requiring
21 a maximum residential contribution of \$3,000 in the IPART
22 determination 34.1 of 1997. So, as was raised this
23 morning, these are very high contributions now that are
24 arise in Mooney Mooney and Cheero Point and no doubt will
25 also arise in the other priority sewerage program areas
26 with that perception of inequity with respect to the other
27 three large water utilities.

28
29 The central issue was really covered in the IPART
30 determinations which determined that these areas in the
31 priority sewerage program being rated as having very high
32 public health benefits and environmental benefits to the
33 wider community and local community was basically the
34 driver for IPART deciding to limit the contributions to
35 only \$3,000 in those other three utilities and I think that
36 needs to be taken on board now.

37
38 We also note that the priority sewerage program was
39 determined in fact after the IPART 1997 determination, so
40 that is basically additional information into the pool
41 where these particular areas have all been determined as
42 having very high broad health and environmental benefits
43 and, as was mentioned this morning, with the eight years
44 that has lapsed it is now quite appropriate to have another
45 look at that issue.

46
47 The Department of Energy and Utilities suggests that

1 the basis for funding the backlog sewerage areas in Gosford
2 within the PPS program would be to require the residents to
3 meet a quite significant part of the capital cost and, as
4 was mentioned this morning by Gosford, these residents have
5 not been part of the regional scheme, so I think it is only
6 reasonable that they pay a significant component of the
7 capital cost. However, we believe that it is appropriate
8 to spread the remainder of the capital cost across the full
9 Gosford customer base to ensure affordability to the
10 individual customers.

11
12 I would underline at this stage that this whole discussion
13 in terms of the IPART determination is with regard to the
14 existing houses and lots in these PSP areas and it does not
15 cover any new subdivisions or developments, which
16 would be covered by separate IPART determinations on
17 development charges, which requests full cost recovery to
18 be in place.

19
20 In view of the broad benefits to the wider community,
21 we believe there is quite a strong case for spreading part
22 of that capital cost.

23
24 If we look at other sewerage utilities in New South
25 Wales, whilst Gosford with a population of 160,000 is quite
26 small compared to Sydney's 4,000,000, in fact Gosford is
27 huge compared to utilities in country towns where they go
28 down to populations of 3,000 or 4,000. Even among the
29 large ones - in fact, there are I think only 17 sewerage
30 utilities in New South Wales other than Gosford that have a
31 population of over 30,000 - these are on the slide - and
32 there are quite a lot in the coastal areas that you would
33 be familiar with as well as quite a number of large inland
34 towns.

35
36 The impact of spreading costs in these towns is
37 obviously much greater on the local community than is the
38 case in Gosford. And every single one of those large
39 utilities has actually already made the decision to spread
40 the cost of serving their backlog areas across their
41 broader community. None of these have higher capital
42 contributions or higher annual charges for residential
43 development to backlog areas to be increased. There is one
44 footnote. The Clarence Valley Council was only nominated
45 last year, and there was Grafton and Maclean and some
46 others that were amalgamated into the one council area. Of
47 course, at the moment they all have pre-existing charges in

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1 place, so that is why they are the exception, because they
2 basically have the charges that applied to each of the
3 council areas prior to amalgamation.

4
5 If we look at sewerage in country New South Wales,
6 there is a total of 101 local water utilities providing
7 sewerage systems. Of those, there are only 14 small ones
8 that have separate annual residential sewerage charges for
9 constituent towns, and a large part of that would be to
10 backlog sewerage towns which have higher charges than the
11 broader community. These are mostly quite small
12 populations in the range of 5,000 or so. The largest among
13 them is Moree, which has a population of 10,000. On that
14 scale, Gosford is a giant with its population of 160,000.

15
16 So we looked at a couple of options for spreading the
17 costs for the PSP areas. The overall objective I believe
18 should be to arrive at some reasonable affordable costs for
19 the areas, that should require some reasonable contribution
20 from the local community because they have not been
21 involved in payments for the Gosford regional sewerage
22 project, but the quantum of the contribution should remain
23 reasonable, and that is a matter of judgment which no doubt
24 the tribunal will consider.

25
26 We just considered a few possible combinations. The
27 first one is where there is no change to the status quo, no
28 special recognition of the community, the broad community
29 benefit, that would arise and therefore the higher capital
30 contributions, just under \$13,000, for Mooney Mooney and
31 Cheero Point to remain.

32
33 There are a couple of options, one and two, which you
34 will see in the next slide, where you do some spreading of
35 the percentage of the capital cost, and a third option
36 where there is a fixed contribution plus spreading of the
37 50 per cent of the remainder of the capital cost. The
38 merit of this one is that it discourages inappropriately
39 high standards because the resident still has to keep on
40 paying for half of the capital cost involved over and above
41 the fixed contribution, which aligns with IPART's
42 determination 4.1 for Sydney, Hunter and Wyong.

43
44 Basically those four options comprise the existing
45 one, with no spreading of cost; option one, spread 50 per
46 cent of the cost; option 2, spread 33 per cent of the cost;
47 and option 3, require a fixed contribution of \$3,000, which

1 is what IPART had determined in determination 4.1, plus 50
2 per cent of the remainder of the capital contribution. If
3 we align those options for Mooney Mooney and Cheero Point
4 where the Council submission indicates that at the moment
5 there would be a residential cap it will result in a
6 capital contribution of \$12,800, option 1 would result in a
7 reduction of \$6,400, therefore a capital contribution of
8 \$6,400; option 2, a capital contribution of \$8,500, that is
9 based on the reduction of 33 per cent; and then option 3
10 would require a capital contribution of \$7,900 per lot, and
11 that is based on 50 per cent of the calculated amount above
12 \$3,000.

13
14 If you look at what impact that would have on the
15 Gosford annual sewerage bills, what we have considered
16 there is basically spreading those capital costs into the
17 Gosford sewerage charges over the next 20 years, again all
18 based on that value of \$12,800, the cost that is reported
19 for Mooney Mooney and Cheero Point, so the percentage
20 increases resulting would be, for option 1, 1.5 per cent;
21 option 2, 1 per cent; and option 3, 1.2 per cent. In
22 brackets are the corresponding increases in dollars to the
23 bills, which is roughly between \$3 and \$5.50. Really, if
24 you look at what impact backlog sewerage has provided in
25 other country towns in the state, basically I can assure
26 you there are many cases where increases of around 10 or
27 even 15 per cent have been accepted by the local community
28 in order to serve the backlog sewerage areas. So on that
29 scale these figures are very moderate indeed.

30
31 What I would like to mention here is that, as you know, the
32 total number of lots in the priority sewerage program was
33 determined at 607 lots and in addition to Mooney Mooney
34 and Cheero Point there was also Little Wobby Beach,
35 Bensville, Bar Point and Patonga, and of course among
36 those only Mooney Mooney and Cheero Point have been
37 developed to the stage where there are very clear projects
38 identified, costed and preliminary designs developed. For
39 the others there has not been project development analysis
40 at this stage. Therefore, as of today, we don't know what
41 the actual capital costs will be in those other areas.

42
43 It is quite plausible that at least some will result
44 in higher capital contributions than have been determined
45 at the moment for Mooney Mooney and Cheero Point.
46 Therefore, to be cognisant of that, suggests that maybe it
47 might be appropriate for the tribunal to consider putting

1 some limitation on capital contributions, and our
2 suggestion is to say, okay, if the calculated capital
3 contribution required exceeds \$8,000 then to only include a
4 part of that amount, possibly 20 per cent could be a figure
5 to look at, so if you do that it is important to make sure
6 that these projects are quite rigorously analysed and
7 developed and there are not too many bells and whistles
8 because essentially what it means is that the residents
9 will only pay a relatively small part of the capital cost
10 of providing the service, so it needs to be based on
11 accurate figures, therefore they avoid unnecessary
12 enhancements.

13
14 There is a example there. If in one particular area
15 the calculated capital contribution came out to, say,
16 \$13,000 per lot, applying that arithmetic you would have a
17 reduction of 20 per cent above \$8,000, so \$8,000 plus 20
18 per cent of \$5,000, resulting in a total contribution of
19 \$9,000. That would result I think in maintaining
20 reasonably affordable capital contributions in the other
21 areas, notwithstanding that today we don't know what the
22 capital projects involved will be.

23
24 I would just like to, in relation to some of the
25 points raised by Gosford Council, say that if IPART was to
26 make applicable determinations for the six priority
27 sewerage areas, that would have no impact on any other
28 backlog areas in Gosford Council. That needs to be
29 underlined, and certainly areas like Spencer and Mangrove
30 Creek would be unaffected by the determination. Similarly,
31 any development charges in both the priority sewer and
32 program areas and anywhere else all need to be determined
33 in accordance with the relevant IPART determinations and
34 they also would be unaffected by decisions on how the
35 existing residents in the priority sewerage programs have
36 their capital contributions determined.

37
38 Again, as I indicated earlier, where Gosford is with
39 other local water utilities in New South Wales, they
40 basically have decided to spread the cost across the broad
41 customer base for their backlog sewerage areas, so I feel
42 that basically it is quite appropriate for Gosford to take
43 a similar approach. Thank you.

44
45 The best practice management guidelines basically are
46 this document now on the screen and is available on the
47 DEUS web site. It is basically across a broad front of

1 areas and is trying to help and guide the local water
2 utilities to move to best practice performance, including
3 efficiencies and standards of service. However, in
4 developing those guidelines the department was cognisant
5 that both Gosford and Wyong are affected by pricing
6 determinations by the tribunal in regard to both annual
7 charges and to their development charges, so there is a
8 particular provision inserted in page 5 of the guidelines
9 in order to provide a satisfactory regulatory framework
10 that Gosford and Wyong councils are only required to comply
11 with the relevant IPART determinations in order to meet
12 their obligations for pricing and development charges in
13 their best practice guidelines. That prevents having two
14 separate sets of requirements on them. As long as Gosford
15 meets the IPART determination, its ability to be eligible
16 for Country Towns program opportunity funding and to pay
17 any dividends pursuant to section 409 of the Local
18 Government Act will be unaffected.

19
20 MR WARNER: In your submission you suggest that the
21 tribunal's review should be expanded to cover other
22 communities such as Bar Point, Bensville, South Kincumber,
23 Little Wobby Beach and Patonga, and there will be
24 classified A areas by the EPA. However, Gosford Council in
25 its presentation indicated that there was no certainty of
26 funding in relation to those, particularly funding under
27 the Country Towns Water and Sewerage scheme area in the
28 same way that Mooney Mooney and Cheero Point have been
29 funded. Will those communities actually qualify for
30 funding under the Country Towns scheme?

31
32 MR SAMRA: As Gosford indicated, the determinations to
33 date have been that only Mooney Mooney and Cheero Point
34 have been selected as being eligible for funding under the
35 Country Towns program. We do have an interdepartmental
36 committee that is called a prioritisation committee for
37 that program which looks at all the applications that are
38 received from the local water utilities and determines
39 which are the highest priority and therefore which ones
40 receive funding. That is a process that is carried out
41 each year. That committee will each year look at all the
42 applications that have been received and prioritise those
43 in accordance with the funds that are made available for
44 this work by the State Government. Obviously at this stage
45 I can provide no advice on that. That is yet to be
46 determined.

47

1 MR WARNER: I think you also mentioned, and you can
2 confirm this, that of the 607 lots in the Gosford area that
3 are covered by the priority sewerage program you said that
4 they should fall under any revised program, or revised
5 mechanism, that the tribunal might put forward, so
6 effectively you believe they should be provided with a
7 subsidised sewerage scheme also; is that correct?
8

9 MR SAMRA: What we believe is that the tribunal's
10 determination should provide for a process to determine
11 reasonable capital contributions for those six priority
12 sewerage areas and it was the other four over and above
13 Mooney Mooney and Cheero Point.
14

15 MR WARNER: I think you mentioned or advocated the
16 introduction of a cap. As a contrary to that, wouldn't it
17 be better to actually do some sort of assessment of local
18 community benefits versus private benefits - I mean
19 environmental benefits, public health type benefits, and
20 look at them in that way, as a cap seems a little bit
21 arbitrary?
22

23 MR SAMRA: I agree that a cap is arbitrary but we need to
24 be guided by the EPA analysis which categorises these as
25 all top priority areas. It is quite clear that the State
26 of New South Wales sees that sewerage services should be
27 provided to these areas and certainly, as the responsible
28 local water utility, Gosford Council should take up that
29 challenge and provide the service. Obviously all those
30 lots are eligible for the priority funding program of
31 \$3,000, so that is already on the table for council, and
32 obviously council might apply for further funding under the
33 program. But the underlying responsibility rests with the
34 council. Just in the case of Sydney and Hunter, they are
35 proceeding to sewer their backlog sewerage areas in
36 accordance with the tribunal's determinations, where the
37 bulk of the cost is being spread across the wider community
38 that they serve.
39

40 THE CHAIRMAN: Can I just press that a bit further. I
41 think it is accepted that in an area identified as a
42 priority area there are environmental benefits --
43

44 MR SAMRA: And public health.
45

46 THE CHAIRMAN: That is not an issue. I can't quite see in
47 relation to the previous question - you said that is

1 justifying a cap. No one disputes that there are
2 environmental benefits by extending sewerage to these
3 communities, and health, but why does that justify a cap?
4

5 MR SAMRA: I guess the cap is probably fairly arbitrary,
6 but if the calculated contribution was \$15,000, the
7 likelihood is that the projects won't proceed. Therefore
8 in terms of the outcome that the New South Wales community
9 thought appropriate, which is to provide a sewerage service
10 to these areas, that outcome would fail, so it is really to
11 try to achieve the right outcome, which is that the backlog
12 sewerage service is provided. And I think to do that you
13 need to have some reasonable limit on the required capital
14 contribution.
15

16 We have done some analysis and studies in terms of
17 individual small towns of providing backlog sewerage to
18 those towns where the town was going to meet the full cost
19 of that service, and some of the sort of results we got was
20 that if the effective annual sewerage bill was around \$600,
21 or in that vicinity, most of the small towns would agree to
22 proceed with that service. One example would be Baradine
23 near Coonabarabran, they got a backlog sewerage scheme
24 about two or three 0years ago where the result was that the
25 cost to the local residents was \$600 per property, and of
26 course Coonabarabran Council - I don't have the exact
27 numbers, but the population is only something like 3,000.
28 That is why when I get down to those very small populations
29 they can't afford to carry too much of the cost of
30 providing a backlog sewerage to a separate little town.
31 When you have got required bills of around \$800, \$900, say,
32 for a small town, the response we got is that the town
33 people would not proceed with the sewerage scheme.
34

35 MR REID: You made reference to a number of country towns
36 that have made a decision to spread the cost across the
37 whole community. I just wonder whether any of those are in
38 the situation that Gosford is in where within a defined
39 area people have made a contribution over a number of years
40 for sewerage and are now in a situation where, as put
41 before us, they are now being asked to pay an additional
42 amount. Is there an analogous situation in these other
43 country towns?
44

45 MR SAMRA: Yes, it is quite common when providing a
46 sewerage service that as soon as the sewerage scheme is
47 identified and accepted by the community, to start the

1 residents are required to pay a sewerage loan rate and then
2 the scheme would be designed, constructed and commissioned.
3 And the big difference is obviously because of Gosford's
4 size it took 20-years to go from when a decision was made
5 to when the last lot within the sewerage scheme area was
6 served, whereas in most of the others it was much shorter
7 periods.

9 The answer to that is, yes, that is quite common, but
10 notwithstanding that councils, when further backlog
11 sewerage areas have been determined, the decision that
12 basically universally has been decided by the other local
13 utilities in the state is to carry part of the capital cost
14 by the broader community and essentially have a uniform
15 annual sewerage charge across the whole area. The only
16 exceptions are those quite small ones where that wasn't the
17 case.

19 MR REID: And has that led to inappropriate development in
20 some areas where people have seemed to be subsidised
21 heavily?

23 MR SAMRA: I believe not because by definition the backlog
24 sewerage areas only provide backlog funding to the existing
25 lots, so any additional subdivision is required to pay the
26 normal developer charges, and that process basically takes
27 care of that quite well.

29 MR COX: As I understand your position, an important part
30 is that there are benefits to the broader Gosford community
31 to justify them paying part of the cost?

33 MR SAMRA: Yes.

35 MR COX: When I was driving from my home this morning I
36 actually stopped off at Mooney Mooney Cheero Point - rather
37 surprised the locals - and my observation is that it is a
38 long way from Gosford. I'm not sure that the benefits
39 provided to the residents of Gosford are really any
40 different to the residents of Sydney of having a better
41 less polluted Hawkesbury River. Do you want to comment on
42 what the benefits to the wider Gosford community might be?

44 MR SAMRA: Firstly, the proximity of these areas, they are
45 nevertheless closer to the Gosford residents than they are
46 to the rest of Sydney or to the rest of the state. I
47 certainly agree that it is appropriate that there be

1 funding from the broader community to these areas. And, if
2 we look at what the tribunal determined in the case of
3 Sydney, Hunter and Wyong, basically the spreading of costs
4 was determined, that it would be paid for by the residents
5 of the water utilities, so to some extent Gosford has
6 actually had an additional bonus, an injection of capital
7 funding into the pot, whereas on other utilities have only
8 had the \$3,000 priority sewerage program funding and the
9 remainder of the additional capital cost has been met by
10 the residents of that area.

12 MR COX: I don't think you have answered my question.

14 THE CHAIRMAN: I will ask an easy one then. I am just
15 seeking a little bit of clarification. There is some
16 confusion. I don't unfortunately have Minister Sartor's
17 letter to hand but my recollection is that he invited the
18 tribunal to reopen its 1997 determination because of the
19 reduction in the CTWSS program from 67 per cent to 50 per
20 cent. We have heard today that the increase in the cost
21 which results from that reduction from 67 to 50 per cent is
22 only half of the cost and in your presentation you seem to
23 be implying that we should address the total amount of
24 increased cost up to that \$12,800 figure rather than the
25 part that results only from the reduction of the CTWSS from
26 67 to 50 per cent.

28 So I'm really seeking, one, confirmation that you
29 think we should look at the total increase in the cost, not
30 just the bit that is due to the State Government's decision
31 to reduce the subsidy; and, two, if that is the case, we
32 should look at the total increase in costs, which you are
33 then inviting us to pass on to the citizens of Gosford.
34 Wouldn't it be fair to say that that determination was made
35 in 1997 and reflected the prices in 1997. There have been
36 price increases all round the place since 1997, not for
37 sewerage but for all sorts of things - the most immediate
38 one is petrol - so if we were to reopen any price
39 determination that was made back in 1997, or whenever,
40 would you expect that people would expect that they would
41 be paying some more? They are paying more for water and
42 sewerage under our recent determination, quite a lot more,
43 so I am a bit intrigued why you think in this particular
44 case we should stick with the 1997 determination for this
45 particular group. I can understand the shift from, the
46 Minister wants us to, if you like, examine the possibility
47 of offsetting the reduction in the government subsidy, but

1 I'm not so clear on why we should offset all the other
2 increases and costs.
3
4 MR SAMRA: In the Minister's letter of 14 March 2005, the
5 additional backlog sewerage costs had been estimated by
6 council to be approximately \$6,000 per lot. In Gosford
7 Council's updated submission, that figure now has become
8 \$7,200 per lot comprising \$4,200 due to the reduced Country
9 Towns funding and \$3,000 due to higher project costs. Now,
10 I think that increase largely includes price escalation
11 with inflation, so I think escalation is not part of that,
12 the CPI increases --
13
14 MR COX: Let me remind you that the price of water and
15 sewer services in Gosford has gone up a lot faster than CPI
16 since 1997.
17
18 MR SAMRA: As I say, that value would comprise - really,
19 the underlying concept behind the Minister's letter was for
20 you to come up with a determination which results in
21 reasonable/affordable capital contributions by the
22 residents of the priority sewerage program areas and it is
23 basically what the Minister's letter was saying, look,
24 these increased at the time of \$6,000 due to these higher
25 environmental standards that the EPA requires and due to
26 the higher project costs determined as the project was
27 developed, as well as the reduction in Country Towns
28 funding, so the underlying view behind that was to say,
29 okay, whilst we have got the 1997 determination, how should
30 IPART review that so that it comes up with capital
31 contributions required, still significant, required from
32 the residents but that remain reasonably affordable.
33
34 THE CHAIRMAN: I perhaps should correct that comment I
35 just made. I have just reminded myself that we are still
36 to do the longer-term price determination for Gosford's
37 water and sewerage prices. We only did a one-year
38 determination, nevertheless it is very likely that the
39 determination for Gosford will be influenced at the very
40 least by the sort of determinations made for Hunter and
41 Sydney Water so that I think it is fair to say that there
42 have been significant price increases and that further are
43 at least a possibility. Thank you very much. We will take
44 a short break.
45
46 SHORT ADJOURNMENT.
47

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1 MOONEY-CHEERO PROGRESS ASSOCIATION
2
3 THE CHAIRMAN: I welcome the representative for the
4 Mooney Mooney-Cheero Point Progress Association - and we
5 shortened it to Mooney-Cheero.
6
7 MR ANDREWS: I am John Andrews, the Secretary of the
8 Mooney-Cheero Point Progress Association. I am
9 disappointed I was not given the opportunity to show you
10 around this morning, Jim. Strangers in Mooney Mooney are
11 always apparent. It is a small place.
12
13 I thought my job is to personalise this a little, so
14 this is Mooney Mooney now on the screen. Shown is where I
15 live, and I'm standing on the verandah there. These houses
16 around here are usually on two lots, though this house here
17 is on three lots; this house is on one; I'm on two. When
18 you get down to the straight lots, you can see the
19 differences in sizes. This is a house that has been
20 recently built and was allowed to be built so large because
21 of pump-out. Clearly if you are on pump-out, or sewerage,
22 there is no restriction on where you dispose of your
23 effluent, whereas when I built I had to change my design in
24 order to ensure that I could dispose, that I had sufficient
25 land area in my front yard to dispose of my effluent, which
26 is what I do, so my front yard is a sewerage farm and the
27 plants grow very well.
28
29 You might have seen the Central Coast Express
30 Advocate. I have a tank just here, it cost me about eight
31 years ago \$4,000, it's a concrete tank, it's about two
32 metres tall and about a metre in diameter. It cost me
33 \$6,000 to dig a hole for it because, you will understand,
34 there is a lot of rock around here. My sewerage system
35 works fine. It's inspected every three months by somebody
36 who is licensed by Gosford Council and it works well. We
37 look after it and we, if you like, live in our own muck.
38 We don't share it around at all.
39
40 The system we use is an aerated water treatment
41 system, which is a secondary system. Our neighbour, the
42 person who owns this property, doesn't live there. That is
43 an old house that is probably about 50 years old. They
44 have a septic tank, which is a primary treatment only, and
45 in their case the septic tank is here and the effluent from
46 the septic tank seeps into the area down here towards the
47 water's edge. If there was any seepage from my front yard

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1 it would be apparent under the house, and it is not; and in
2 this case of my neighbour, there is a tank here which has a
3 pump to take it up to the front for it to be pumped out.
4
5 This is a four-car garage and this is what we might
6 think of as inappropriate development when sewerage is
7 allowed.
8
9 The whole of Mooney Mooney was initially the
10 Hawkesbury River Camping Lot's estate and I would imagine
11 this is why every lot is quite small and why I, for
12 instance, had trouble finding enough space to dispose of my
13 effluent.
14
15 I will show you two more quick pictures of the area.
16 You would not want to live anywhere else, would you, if you
17 look at that picture. This is Brooklyn, the top is Dangar
18 Island, this is the railway bridge, this is Sydney off to
19 the right, and that is the highway bridge and the twin
20 bridges. This is Peat Island at the bottom, all the
21 property at the bottom is Peat Island and the village of
22 Mooney Mooney is down the bottom left and Cheero Point to
23 the left off the photograph.
24
25 Around here in the middle you see some buildings, and
26 those are buildings relating to the oyster farming that
27 goes on in the vicinity. The property in the middle there
28 is the Mooney Mooney Workers Club, where we should be
29 meeting today, could have saved yourself 30 kilometres.
30
31 There has been mention of the fact that Mooney relates
32 to Brooklyn, it relates to Berowra for the local
33 supermarket and the local shopping centre is at Hornsby.
34 Apologies to Heather, but the local Gosford papers don't
35 get distributed in Mooney, so when the Gosford Councils put
36 out a notice, we don't see it. But I should say that I
37 felt that Rod's presentation this morning was accurate and
38 I had no particular problem with it, though I have got some
39 issues to raise.
40
41 If I just show you one last photograph, when you are
42 driving on the F3 there is a little break in the trees and
43 if you look left you will see Mooney Mooney, as depicted
44 here. To the left is the north and to the right is south.
45
46 I felt it was very difficult to organise a
47 presentation, so it seemed it me the simples thing was to

1 go through the IPART document and pick up points as I came
2 to them, though I have to say I cheated, and you will see
3 where I have cheated.
4
5 We have already heard that rocky land does not take up
6 water very well. It is difficult to dispose of. There has
7 been a lot of discussion about the equity in taking up the
8 actual costs and all these sorts of things. Let's
9 understand a few things. There are differences in the
10 running costs for sewerage from house to house. There are
11 differences in the capital cost, and this is quite
12 straightforward, you would expect that. I understand at
13 Daleys Point there is a lot of sand and digging a hole for
14 a pipe is fairly easy and that at Mooney-Cheero it is
15 pretty hard. One of the things that was picked up by DEUS
16 was that the developments should be appropriate, and I
17 understand that we have in the proposal an appropriate
18 development. The low pressure system is something that the
19 residents are happy with.
20
21 There are a couple of issues here that we are not
22 talking about. Clearly the residents of Mooney-Cheero
23 accept that a plan was put to us by Gosford Council but we
24 saw some inequities in that, particularly vis-a-vis our
25 friends in Brooklyn, but we were accepting of it. And
26 then, of course, as has been indicated, somebody moved the
27 goalposts and we were asked to have another meeting and
28 "Here are the new costs, what do you think of those?".
29 Well, our self-interest is apparent, I will not labour it.
30
31 The Peat Island plant, though, as I understand it
32 there are three parties to the proposal to sewer the area.
33 One party is Sydney Water, another party is the State
34 Government, which owns Peat Island Hospital, and the third
35 party is Gosford Council representing the residents. Paul
36 Jupp made reference to, whatever the department is
37 currently called but it used to be called DOCS, and they
38 own a large parcel of land, and we understand that they
39 have plans to sell that land and develop it.
40
41 So when we are talking about development, there are
42 two sorts of development we should talk about, we should
43 talk about subdivisions and lots that are presently not
44 used but we should also talk about the State Government and
45 what it might do with Peat Island. The former mayor showed
46 the residents a plan for the development of the area, which
47 included 250 houses I think, so your determination should

1 take into account development that the State Government
2 might encourage.

3
4 One of the reasons I would expect for us being a
5 priority area is that the sewerage plant owned by Peat
6 Island is in pretty poor condition, therefore there is a
7 lot of bad effluent coming into the river from Peat Island.
8 It would be a good idea to stop that and it would be a good
9 idea for us to all recognise that this is an issue. It
10 seems to me there has been an elephant in the room we are
11 not recognising.

12
13 The other thing I think we should mention here is that
14 when the area was reticulated for water this exacerbated
15 the problem enormously. Septic systems which had coped
16 with low volumes of water suddenly couldn't cope because
17 everybody was using town water. Quite clearly sewerage
18 reticulation should closely follow water reticulation.

19
20 I have spoken about my option for on-property
21 treatment and you can understand that, having spent
22 \$10,000, I'm personally not all that happy to spend another
23 \$12,000 or \$13,000, whatever it is. But the residents made
24 a decision that we should be sewered because of the issue
25 of public health. We all have neighbours in the area who
26 don't look after their systems. We all have neighbours who
27 can't be trusted to do the right thing with on-site
28 disposal. To me this is the public health issue, it is not
29 an issue of proximity to the river, though that is clearly
30 the case, and in the case of Peat Island it's pretty crook.

31
32 I have a reference to another recent study that was
33 done in the estuary which indicates that water quality is
34 not presently a problem. There are a number of people who
35 would prefer to do their separate sewerage on their
36 property. There is a report which I understand Gosford
37 Council and Hornsby Council have participated in called the
38 Brooklyn Estuary Management Study and, as a member of the
39 Hawkesbury River Environmental Protection Society, I have a
40 summary here which indicates that "apart from Sandbrook
41 Inlet, which is the inlet next to Brooklyn, it is clear
42 from the above that water quality is not a significant
43 issue in the study area." That information should
44 obviously form part of your consideration.

45
46 My understanding is that the oyster farmers are going
47 out of business due to disease in the oysters. I

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1 understand that this disease has nothing to do with the
2 effluent. I participated in a discussion with oyster
3 farmers some years ago and they had no problem due to the
4 fact this part of the river is flushed out very well, and
5 the estuary report I just referred to I understand also
6 indicates that there is strong removal due to tidal
7 considerations. Hopefully the oyster farmers will come
8 back but we are not sure.

9
10 We should also indicate that part of the river problem, apart
11 from sewerage, is that dams have reduced the flow of water.
12 That influences the Gosford City dams on Mooney Mooney
13 Creek, the Gosford City dam on Mangrove Creek
14 and, of course, the Warragamba Dam, all of which have
15 contributed. There are a lot of suspended solids in the
16 river and my understanding is that there are old residents
17 who can attest to the fact that some beaches in the Lower
18 Hawkesbury which are now muddy used to be bright yellow
19 sand. Certainly there is a channel leading into the public
20 wharf at Mooney Mooney which the oyster farmers have
21 indicated silts up and that silt is clearly coming from
22 well up river, not from local problems.

23
24 Potential housing explosion - that is a reference to
25 Peat Island. There is a problem, I have shown you a big
26 house that was only able to be built because of pump-out,
27 but clearly the council can develop a local environment
28 plan which reduces the potential, and my understanding, my
29 strong belief, is that it should do so because there are
30 enormous problems present and future with the stormwater
31 run-off.

32
33 One of the other things that I think we should
34 indicate is that everybody these days is giving attention
35 to catchments and not simply to one side of the river. We
36 need a whole-of-river approach.

37
38 In one of the sections of the report it refers to
39 encouraging people to participate in new sewerage schemes.
40 The residents of Mooney-Cheero have been happy to adopt a
41 situation where no one is able to opt out.

42
43 There was not a section called 3.2, as on my next
44 overhead, but it seemed to me that consumer protection is
45 something that should be looked at. I understand it is one
46 of the four issues for the tribunal. And who is the
47 consumer? Is it the property owner who needs protection,

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1 is it the commercial operator? The workers club is now the
2 owner of the Mooney Mooney Workers Club and plans have
3 been displayed which include small motel units in that area.

4
5 THE CHAIRMAN: I am sorry to interrupt, but you are
6 getting near the end of your time, so just a warning about
7 that.

8
9 MR ANDREWS: I appreciate it, thank you. Of course, there
10 is the State Government as a developer.

11
12 I have already referred to the three parties there
13 under joint works, Gosford City Council, the residents and
14 Peat Island. One of the interesting things that was raised
15 in a meeting with Minister Sartor is the Priority
16 Sewerage Program applied first or is the Towns applied
17 first. Clearly it would in our interests if the percentage
18 was applied before the fixed \$3,000, but that appears not
19 to be the case.

20
21 Option 1 refers to the residents getting a windfall
22 relating to increased property values. One of the effects
23 of the current rating system is that any increase in value
24 is fed back to the council in increased rates, so let's not
25 be too precious about that.

26
27 Option 2 - I got excited by the undesirable
28 cross-subsidies. I am not too sure if "undesirable" refers
29 to commercial inefficiency and bad policy or whether it is
30 just "I don't want to pay for you." I suspect it is in the
31 last one. But the rating system itself is a cross-subsidy.
32 There are cross-subsidies galore. I have a photocopy of my
33 current rates notice and there is a residential rate, then
34 there is a domestic water based charge, then a coastal open
35 space rate, a regional library rate, a sporting facilities
36 rate, an environmental levy rate and a water safety rate.
37 These are all cross-subsidies.

38
39 The people of Mooney-Cheero do not have sporting
40 facilities, they do not use the beaches, the ocean beaches
41 - there is a special rate to pay for surf-livesaving
42 facilities I understand. Undesirable cross-subsidies are
43 everywhere. I'm not familiar with the COAG or National
44 Competition Policy and all that sort of stuff, but I think
45 it's a bit precious to get up in arms about
46 cross-subsidies. Residents in Cheero have been continually
47 complaining about paying for a water service charge, I am

1 sorry, a drainage charge, when there are no stormwater
2 control facilities at all. We don't have kerbs and
3 guttering and we do not have pathways. Mooney and Cheero
4 are about 3 or 4 kilometres apart. If you walk from one to
5 the other you have to walk in front of Arm Cove, which is a
6 dangerous thing, and we have asked for Council to build a
7 path. We actually don't want the council to build paths in
8 our streets because we like them the way they are, but
9 there are other things that it could do that it does not
10 do.

11
12 Appendix 1 refers to protection from monopoly. I
13 think there is only one area that we need protection from
14 and that is from the State Government changing its mind
15 every now and again. Thank you.

16
17 THE CHAIRMAN: Thank you very much. I will ask the
18 secretariat to go first.

19
20 MR REID: Is it compulsory to join the scheme? I know you
21 said that all the residents volunteered.

22
23 MR ANDREWS: We understood from Gosford Council that
24 there was no ability to opt out and we were accepting of that.
25 This goes with our view that it is a public health issue
26 and that we can't trust our neighbours.

27
28 MR REID: In your submission you note that the residents
29 of Mooney Mooney and Cheero Point see the cost differential
30 between the southern and northern banks of the Hawkesbury
31 River as being inequitable. You also suggest that a
32 process used to apportion costs to backlog sewerage
33 services should be common across New South Wales. With
34 this in mind, do you think that the residents of the
35 Greater Gosford area should be asked to contribute to the
36 Mooney-Cheero sewerage scheme and, if so, would the
37 residents of Mooney Mooney and Cheero Point be willing to
38 subsidise the sewerage systems of other communities that
39 might be serviced in the future such as Bensville, South
40 Kincumber, Patonga Bay?

41
42 MR ANDREWS: Clearly the residents of Mooney-Cheero
43 have a self-interest in reducing these costs to zero if possible
44 but we have tried to resist making some sort of specious
45 argument on that score. We are not happy with Gosford's
46 argument that once you start a particular process then you
47 should stick to it. It would appear to us that the

1 arrangement in place in Gosford is unusual throughout the
2 state and it would appear to us that it would be helpful if
3 IPART came to a conclusion which helped them move away
4 from that to a more standard approach. In our submission I
5 think that is a reasonable position to take.

6
7 Could I make the point that the current corporate plan
8 refers to sewerage infrastructure addressing the
9 installation of infrastructure to areas attracting State
10 Government subsidies. I can't see anything here which
11 indicates that the council intends to sewer any areas other
12 than those that attract subsidies. This refers to some
13 earlier questions.

14
15 MR REID: Gosford Council basically outlined a number of
16 payment options, an up-front payment, an annual levy and,
17 in the case where affordability may be an issue, then
18 obviously on the sale of the house. Do you accept those
19 options or do you have any alternative options in that
20 regard?

21
22 MR ANDREWS: We were very happy with the process that
23 was
24 put in place by Gosford Council and DEUS and we had
25 excellent public meetings and they were well attended and
26 the residents were accepting of the proposal put forward.
27 They did from the beginning indicate to our local member,
28 our local state member, who bears my name, that we thought
29 it was inequitable between us and Brooklyn, and her comment
30 was that it was our fault because Gosford had the
31 opportunity to vote for Sydney Water to take over the
32 system in Gosford and had voted against it, therefore it
33 was our fault.

34 This is a silly way to do business. It seems to me
35 that the state should have a common approach and that the
36 tribunal is in a position to help Gosford move to a more
37 common approach.

38
39 MR WARNER: Just picking up that point, you talk about
40 this common approach of proportional costs across the
41 state. Can you be more fulsome on what your view is on how
42 that might be done?

43
44 MR ANDREWS: DEUS indicated ways in which the various
45 things like Daleys Point might be fenced off, and also
46 referred to a cap. I don't think as residents we are in a
47 position to advise you on public policy.

1
2 MR WARNER: I just thought you might have a view.

3
4 MR ANDREWS: One view is the smaller the fee the better
5 and the other is fairness. There is an appearance of
6 inequity unfairness.

7
8 MR WARNER: One other question - this deals with the
9 current disposal options. You mentioned that there are
10 people on pump-out absorption systems. Do you know what
11 proportion are on pump-out versus absorption?

12
13 MR ANDREWS: No, a couple of years ago the council did a
14 big study, there was a change in the State Government
15 regulations and council did a big study. We had to pay \$30
16 for them to come and inspect, so I am sure it has the
17 information regarding that.

18
19 MR WARNER: You are not on pump-out yourself, but do
20 you
21 have any idea from talking over your side fence what they
22 are currently paying for pump-out services a year?

23
24 MR ANDREWS: No, I don't know. Because of the house that
25 has been built two doors from me I'm apprehensive about
26 what has happened with the arrival of pump-out and
27 apprehensive about what might happen down the line and I
28 would like to see some local environment plans which
29 inhibit that.

30
31 THE CHAIRMAN: I might ask a question: You referred to
32 what is fair. That is very much a primary consideration
33 for us, so it's also a very difficult concept where you
34 will get more than one opinion.

35
36 MR ANDREWS: I am pleased it is your job.

37
38 THE CHAIRMAN: That is very much what we are concerned
39 with. Now, the proposition has been advanced that fairness
40 is to whoever benefits the parties, and you have referred
41 to examples of where in the practical world some people pay
42 who probably choose not to benefit in the sense of, say,
43 the library, they could go to the library but choose not
44 to, possibly for very good reasons, that it is a long way
45 away.

46
47 MR ANDREWS: My family goes to Hornsby library.

1 THE CHAIRMAN: You do not go to Gosford library because it
2 is a long way away. That gets to the point of my question,
3 that, as my colleague Jim remarked, he visited Mooney
4 Mooney this morning and it is a long way away from most of
5 Gosford, and you really reinforced that today when you said
6 you don't get the Gosford newspaper. I am just wondering
7 in your mind why you think it would be fair for the
8 residents of Gosford, who are a long way away, to be asked
9 to pick up the extra tab?

10
11 MR ANDREWS: I was approached a couple of days ago by a
12 journalist from the Central Coast Express Advocate and this
13 issue ended up on the front page of the paper. I don't
14 know that I could confront a resident of Gosford and
15 explain to him why he should pay that.

16
17 I appreciate that fairness is a difficult thing and
18 this is why I for one won't go there. I think the only
19 point I would like to make in terms of fairness is that
20 this question of user pays I think is a hairy one and there
21 are many, many situations, including the basic rating,
22 where it is not user pays and I appreciate that we all
23 benefit.

24
25 If I sell my property, I will get a higher price for
26 it, but within the current scheme of things everyone in
27 Gosford will benefit because whoever owns it will pay
28 higher rates. As they say, what goes around comes around.
29 Some of the things that are on that list that I pay for are
30 well in excess of DEUS's \$4 for 20 years - well in excess.
31 I think it is a silly issue, sorry.

32
33 MR COX: The question I would like to ask, the impression
34 you have left me with is that the benefits of this scheme
35 are very much benefits that are enjoyed by the local
36 residents in terms of better health; is that correct?

37
38 MR ANDREWS: Yes. It is a public health issue. If we
39 open the kitchen window at times we get a very strong
40 whiff, which indicates that muck is flowing down our
41 neighbour's land. But it is also true, there was a
42 pump-out truck in the street the other day and you should
43 smell that truck. Yes, our amenity will be improved
44 dramatically by a good standard of sewerage management.

45
46 MR COX: I guess that is something that we all think about
47 in deciding what is fair. It is probably not the only

1 consideration but it is a consideration.

2
3 MR ANDREWS: Yes, our self-interest is clear. It seems to
4 me that I didn't have to make that point too strongly.

5
6 THE CHAIRMAN: We very much appreciate your coming
7 and putting your point of view to us and giving us a bit of
8 local flavour. Thank you.

9
10 PUBLIC INTEREST ADVOCACY CENTRE

11
12 THE CHAIRMAN: Lastly I would like to call on the
13 representative of the Public Interest Advocacy Centre.

14
15 MR WELLSMORE: My thanks to the tribunal members. My
16 name is Jim Wellsmore and I am from the Public Interest
17 Advocacy Centre. We are based in Sydney, so I guess the first
18 thing I would want to say is that I am not here today to really
19 try to push the view of my centre onto residents of Gosford
20 or the residents of the communities in question. All we
21 really want to do with our submission on this issue is to
22 just try to give some support to option 2, for reasons I
23 guess of broader principle.

24
25 Having said that, I guess there is a limit to how much
26 I need to say because some of the other speakers have
27 probably covered quite a few of the points that I would
28 want to make.

29
30 The issue of cross-subsidies is an interesting one for
31 us. I suppose you would have to say that PIAC isn't as
32 bothered by cross-subsidies as an issue of matter of
33 principle as some other stakeholders might be. Certainly
34 as the point has already been made this morning, there are
35 a lot of cross-subsidies, including in water and sewerage,
36 but elsewhere in the community. The community generally
37 understands quite a few of those cross-subsidies. They
38 certainly accept a lot of those cross-subsidies. And Sam
39 Samra made the point about other communities serviced in
40 terms of sewerage and water by councils and their
41 willingness to appreciate the way that cross-subsidies
42 operate to the greater good or the benefit of the broader
43 community. So we are quite interested in something along
44 the lines of option 2 because it seems to us to pick up
45 some quite important principles.

46
47 The previous speaker alluded to this as well, that one

1 of the things that also concerns me in discussions about
2 equity and fairness in terms of economics and how much
3 people should pay is the issue of, well, "You know I paid X
4 for Y and I don't see why the next person to come along
5 should not equally pay X for Y." I just don't think that
6 actually falls into the definition of what you count as
7 equity. There is a whole series of considerations that we
8 say needs to be taken into account in terms of equity and
9 it is not just, you know, "I paid so much for my I-Pod and
10 I'm upset that the person came along and got it on special
11 next week." It is much deeper than that, particularly
12 around central services and when looking at the sorts of
13 costs we are essentially talking about in backlog sewerage.
14
15 Affordability is an important issue but so also is the
16 issue of horizontal equity, and that equally relates to the
17 question of the standard of service, and the Progress
18 Association graphically displayed I think the differences
19 in the standard of sewerage service and the impact that has
20 on people living in different parts of Gosford.
21
22 Perhaps I might just make a quick point from my
23 perspective about the issue of the geographical spread of
24 the population. The drawing of those council boundaries
25 is, if you like, a fairly arbitrary exercise. If one goes
26 back in history I am sure there is good reason for
27 boundaries. But it strikes you a little bit like the
28 carving up of Africa in the post colonial era. I live in
29 the suburbs in Sydney, I am a resident of Hornsby, but if I
30 was to drive to the local shopping centre I have got
31 Macquarie just down the road but Westfield at Parramatta is
32 closer to me than Hornsby, so do I have a greater interest
33 in what is done in Parramatta than Hornsby or where should
34 my contribution to the community through my rates go?
35
36 You can draw that distinction anyway you like. People
37 in Brisbane are closer to Canberra than they are to Cairns,
38 yet for the people in Cairns, the seat of State Government
39 is in Cairns, so I'm not sure that is very helpful.
40 Certainly it is difficult to quantify what the benefit to
41 the whole of the Gosford region and the residents of the
42 region might be but I think there is a lot to be said just
43 for seeing the community as that, as a community.
44
45 I think there are some other issues, rates has been
46 mentioned, that are important, but other perhaps less
47 tangible considerations, patterns of future development,

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1 for example, do we want to encourage or discourage small
2 outlying settlements? Does that mean there is a greater
3 push to have higher density residential development within
4 the Gosford area? Does the community think that is a good
5 or a bad thing? I don't know what the answers are to those
6 things and I suppose to some extent it might be that stuff
7 is well outside what the tribunal is able to really weigh
8 up and to bring to bear.
9
10 To finish up, for reasons of broader principle we
11 would want to encourage the tribunal to give serious
12 thought to taking up option 2. Basically it breaks down
13 for us to a choice between having a small number of people
14 paying a large cost for a benefit which will accrue, yes,
15 to those small number of people but also to the wider
16 community; as opposed to having a small number of people
17 benefitting from a large number of people paying a very
18 small cost. For us looking at option 2, and reading the
19 issues paper from the tribunal, it strikes us that option 2
20 actually sets up an approach which we would hope would be a
21 bit more sustainable long term and which might actually
22 avoid the need to reopen the determination quite so quickly
23 perhaps in the future, but we are quite pleased the
24 Minister was concerned about the social equity implications
25 of backlog sewerage. That is usually our job, so that is
26 kind of nice.
27
28 But option 2, it seems to me, sets up a frame work
29 which allows the tribunal and council and others to take
30 account of subsequent backlog sewerage areas as they might
31 arise.
32
33 Finally, quite interesting was Sam's sort of third
34 option, option 3, the magic option 3, and perhaps that does
35 at the end of the day represent a pretty good compromise.
36 Again, I think that has the advantage of perhaps
37 establishing a framework which can be taken up and used
38 into the future and not just for this immediate area of
39 concern, so, thank you.
40
41 MR REID: Some things you have already covered, but in
42 your submission you note that you are concerned with the
43 affordability of sewerage services, and this is a
44 particular issue in the case of Gosford given the relevant
45 disadvantage of many residents in the area. Do you
46 consider in making decisions on these services that the
47 tribunal should be more concerned about ensuring the

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1 affordability of services rather than avoiding
2 cross-subsidies in the pricing regime?

3
4 MR WELLSMORE: That is a pretty easy question for me. I
5 suppose for us we would always be more concerned with
6 affordability. Cross-subsidies raise issues obviously that
7 are very weighty and if one gets away from the purist
8 argument about all cross-subsidies are inherently not a
9 good thing, there are obviously some elements of
10 cross-subsidies, if you have too large a cross-subsidy it
11 can have an undesirable effect, so a development can in the
12 long term play out in a negative way. I would not just
13 say, just let cross-subsidies run, we don't care at all.

14
15 If it is an argument about economic efficiency, yes,
16 as the previous speaker said, the user pays approach, that
17 is more and more prevalent in the community these days. If
18 it is a preference between that and affordability, we take
19 affordability every time as being the overriding concern.

20
21 Having said that, I am not in a position to
22 necessarily give you chapter and verse about what the socio
23 economics are of Mooney Mooney and Cheero Point. As I say,
24 for us, looking at option 2, it does not just address those
25 comments, it can be potentially applied across all the
26 other backlog sewerage areas that will come up in the
27 future.

28
29 MR WARNER: I think you have answered the question I had
30 prepared, so I will ask a couple of others. You have
31 argued for the sharing of costs across communities. Apart
32 from the tribunal's option 2, do you have views on how this
33 process might be done or are you quite satisfied with
34 option 2?

35
36 MR WELLSMORE: You are talking in relation to backlog
37 sewerage?

38
39 MR WARNER: Yes, alternative options. Are there any
40 alternative options?

41
42 MR WELLSMORE: I suppose no, not really, is the short
43 answer. Sam's option 3 throws interesting extra irons in
44 the fire and it is worth a good look at but, no, I have not
45 done much thinking about the mechanics of it. You can go
46 all the way from the extreme of having State Government
47 paying for everybody's backlog sewerage down to every

1 resident in the state paying a small contribution over
2 time. That is the way it works in other industries.
3 Electricity networks, for example, I am paying, I will not
4 get a new electricity network in my street in a hurry, but
5 there is a contribution from my electricity fees that pays
6 for other people.

7
8 MR WARNER: Wouldn't you agree that residents making some
9 sort of contribution at least keeps their expectations at a
10 reasonable level, like, if you had a cross-subsidy,
11 everything was paid for them, then they would want
12 presumably a gravity system that bore through rock and
13 ended up being very expensive, so it is balancing this
14 issue of gold plating versus getting something that is
15 reasonably cost effective too.

16
17 MR WELLSMORE: I guess that is a fair point. I guess it
18 goes back to my earlier remarks about cross-subsidies,
19 there are some undesirable things that can flow from them
20 and the gold plate may be one of those. I am not sure,
21 though, that Gosford Council would necessarily want to
22 spend a lot of money producing a Rolls-Royce sewerage
23 system for Cheero Point. I'm not sure how much the
24 residents actually get to make those choices themselves in
25 the future but, again, looking at the idea of option 3, it
26 is a compromise and I think that is probably quite
27 workable, quite sustainable, and to the extent where our
28 concerns about socio impacts are justified, to include
29 that, and that does go a long way to meeting those
30 concerns.

31
32 I suppose as much as anything we are not here to
33 necessarily speak on behalf of the Gosford residents. It
34 might be that the Mooney-Cheero Progress Association will
35 have a different view or a view to express on that more
36 than me.

37
38 MR COX: Just one question from me. I suppose one of the
39 things that does happen if you decide to spread some of the
40 charges to Gosford residents is that periodic charges to
41 Gosford residents will tend to be higher. Michael has
42 already referred to the fact that water and sewerage prices
43 in Gosford increased quite substantially this year and it
44 is a fair bet that there will be some increases down the
45 pipeline. We don't know how much yet. True it is that the
46 additional contribution to charges for Mooney and Cheero is
47 not particularly great, Gosford Council has said though

1 that there is more down the track. At what stage do we
2 stop worrying about the periodic charges?

3
4 MR WELLSMORE: As you know, in an ideal world I suppose
5 my view would be that the price of everything would just stay
6 the same forever. Our approach is not to argue against
7 price increases just as an automatic reaction. We are well
8 aware that from time to time prices go up for very, very
9 good public interest reasons.

10
11 I suppose your question is the complete
12 decision-making, which you know far better than I, behind
13 the determinations that the tribunal makes and will make
14 obviously in the next little while. But, yes, if you add
15 it all up there is potentially quite a number of these
16 little bits of extra charges coming through but I would
17 still be of the view that they are very minor, quite
18 marginal, compared to even modest increases that the
19 tribunal might find it necessary to introduce in the next
20 determination.

21
22 Going back to my initial premises, if some increase is
23 in the public interest I guess you are back to, I
24 understand this is difficult for the tribunal to do, but
25 weighing up the larger benefit to the whole of Gosford
26 community through a very small increase in their periodic
27 charges to account for a sort of spreading across the whole
28 population of a small number of backlog sewerage. Yes, I
29 can see a point where it becomes theoretically a problem
30 but I don't think we are anywhere near that point at this
31 stage. We are concerned with what the tribunal wants to do
32 with water and sewerage charges, and you will hear from us
33 of course, but equally we are not necessarily of a view
34 that there is no way you can put the price up. At some
35 point that has to happen. I don't know that that really
36 helps you.

37
38 MR COX: No, but we have shared the problem.

39
40 THE CHAIRMAN: I would like to thank you for that. I look
41 forward to you not asking us to discount future increases
42 in Gosford by the amount they might have to pay.

43
44 MR WELLSMORE: I will do my best.

45
46 THE CHAIRMAN: Thank you for that.

47

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1 I did say at the opening that I wanted to offer the
2 opportunity to anybody on the floor who feels that there is
3 something that perhaps has been overlooked, or that needs
4 clarification or whatever, so the opportunity is open now
5 to anybody on the floor.

6
7 MR ANDREWS: It seemed to me that one thing that I did miss
8 out on was making the point that historically
9 Mooney-Cheero, and many of the places on the river, are
10 places where lower socio-economic people live. I have not
11 seen any statistics on it but I must admit that I was
12 attracted to the area not only because of its natural
13 beauty but because it is an area where there is a mix of
14 people, and certainly there will be some people who will
15 have difficulty paying for their sewerage.

16
17 MR WILLIAMS: I have just want to reiterate a point that
18 John made in that the major beneficiary of the sewerage of
19 this area will be the State Government because it is the
20 largest landholder and it will be able to benefit by the
21 subdivision and sale of those blocks of land.

22
23 MR SAMRA: I would just like to clarify two issues. The
24 statewide median for typical residents for sewerage is \$375
25 and the present Gosford sewerage is \$347, so that is 3 per cent
26 already below the statewide average. Secondly, the issue
27 of benefits to the broader community, I would just like to
28 mention to the tribunal that the small town sewerage
29 program which was developed in country New South
30 Wales was developed by a group comprising the EPA, Health,
31 Local government and ourselves to identify the areas where
32 there was major public health and environmental benefit in
33 providing backlog sewerage. It came up with a total of 150
34 towns, which includes the Gosford sewerage program and
35 towns, and a major concern in that process was that the
36 benefits would accrue to visitors who were going to those
37 towns. As Mr Andrews said this morning, what they get
38 when they visit that town is they don't get the whiff from the
39 collection from septic tanks and the public health risks
40 which we have in many of these failed towns with septic
41 tanks where we have photographs of gutters flowing with
42 sewerage because of the number of septic tanks. You can
43 imagine the impact of that on the local community and local
44 visitors, so that is a very important issue, and that was a
45 driving force as to why the Government created the small
46 towns sewerage program and provides additional funding for
47 that compared to any other backlog sewerage.

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1
2 MS McCANN: Pam McCann, Gosford Council. Just one point
3 there I wanted to stress is that Mooney-Cheero was not
4 under the definition of backlog and it has been referred to
5 over and over this morning, and I just wanted to stress
6 that under the definition of backlog, which is where there
7 is an obligation to provide that service where you haven't
8 physically got around to constructing it, that has not been
9 the case at Mooney. That is the crucial point. It was
10 included under the backlog banner some years ago when we
11 were sewerage another area purely for an expedience point
12 of view to fit in with an IPART determination - it was
13 actually the Fishermans Parade project, to enable us to
14 have a way of paying for that service within the time frame
15 to suit the community.

16
17 It has been labelled backlog and I just want to stress
18 that it is not actually backlog, there was no commitment
19 given by council a number of years ago. If it was under
20 the Gosford regional sewerage scheme it would have been 30
21 years ago, so I want to stress there is none. There is a
22 very big difference and that is why the community has been
23 asked to pay for this over the next 20 years rather than
24 the last 20 years, which is what would have been the case
25 under backlog. Thank you.

26
27 MR SAMRA: I would like to clarify that under the small
28 towns sewerage program backlog, towns were defined as any
29 town, any existing urban area where there was a
30 demonstrated need of high public health benefit or
31 environmental benefit from providing a sewerage service, so
32 what has been described for Gosford it has occurred to me
33 is what other towns where the original sewerage scheme was
34 developed for a town would normally cost, but some years
35 down the track there could be some towns distant from the
36 main areas where there has been urban growth and there is
37 an absence of satisfactory sewerage services and high
38 public health and environmental risks. That is really what
39 determined the content of the small towns sewerage program,
40 so basically it was urban areas in non metropolitan New
41 South Wales which did not have an articulated sewerage
42 service where there was demonstrated high public health and
43 environmental risks.

44
45 THE CHAIRMAN: Thank you.
46
47

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1 GENERAL COMMENTS

2
3 THE CHAIRMAN: Unless there are any other comments, I
4 would like to wrap the meeting up. I think it's possibly worth
5 me just making a few points in terms of what we have heard
6 today, and I do thank the people who have presented today,
7 for their contributions.

8
9 There are a couple of things I can say. I think the first thing
10 that might be worth observing is what we need to take as
11 a given, at least as far as IPART is concerned, is that the
12 starting point is that the priority sewerage program
13 is a program which is determined by government, not
14 by IPART, and it will decide who is eligible for it and it
15 decides what rate of assistance will be given. So the fact
16 is that it is they who decide whether to reduce it from 67
17 to 50 per cent. As far as IPART is concerned, it has to
18 take that as a given. We operate, if you like, within that
19 framework of government policy.

20
21 The second point I want to make is that in the opening
22 remarks the representative from Gosford City Council
23 questioned exactly what were the issues we are
24 investigating. Let me say in relation to that that I think
25 IPART does always need to have regard to possible
26 precedents. I emphasise possible precedents because in my
27 experience what some people see as a precedent, others
28 don't, but we do have to have regard to precedents.

29
30 In that context I think we have to consider the
31 implications beyond the citizens of Mooney and Cheero Point
32 because there will certainly be some people who will see
33 that whatever we decide for Mooney and Cheero Point,
34 certainly where it is to their advantage, they will argue
35 that there is a precedent. We need to anticipate that, I
36 think.

37
38 The only way you can reduce the precedent, if I can
39 put it that way, is if there was some way of describing
40 Mooney Mooney and Cheero Point as different, that there
41 were particular circumstances applying there. And I would
42 have to say I don't think we have been told that today.
43 Obviously we will consider what we have been told but I
44 didn't get the sense that we were being told that there was
45 some reason that we could isolate whatever we decided for
46 Mooney-Cheero Point.

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1 The crystal issue in this, the central issue, is about
2 who will pay. That really raises a critical issue of what
3 is fair. As I indicated a little earlier, one way of
4 looking at fairness is in terms of who benefits and the net
5 benefits. I acknowledge in that context that net benefits
6 could depend on your conception of how many things should
7 be included and the representative of the Progress
8 Association made the valid point that if we just don't
9 focus on sewerage alone, but look at a wider set of
10 benefits for the community of Gosford Council area, there
11 are a lot of swings and roundabouts and so on, so that
12 issue of who benefits is partly influenced by what wider
13 consideration you give to it in terms of defining what is
14 at issue.

15
16 A second way of looking at fairness has been put to us
17 and that is there is a limit to what the householder can
18 afford and is that fair that you ask people, or in effect
19 compel people, to go beyond, for want of a better phrase,
20 their taxable capacity. In that context I think we have to
21 consider the adequacy of the Gosford scheme that does exist
22 to help people who can demonstrate that they can't afford
23 to pay.

24
25 The final observation I want to make is that in our
26 issues paper we put forward two options. In a sense they
27 were two extreme options. One was the status quo, which
28 meant that all the increase in costs is passed on to the
29 present Mooney Mooney and Cheero Point residents, and the
30 other option was that all the increased costs be passed on
31 to Gosford residents as a whole. I think today we have
32 heard from DEUS that, well, it has provided us with some
33 intermediate options which might be described as a
34 compromise or another way of looking at it rather than two
35 extremes, and I just want to assure you that we will have
36 regard to both possible mid-way options between the two
37 extremes. The extremes were useful in flushing out the
38 issues, if you like, but it does not necessarily mean that
39 is the final answer.

40
41 With that, I would like to thank you all again for
42 your attendance and for your participation. I close the
43 meeting. Thank you.

44
45 AT 12.20PM THE HEARING WAS ADJOURNED

46
47

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