

Reform of Water and Sewerage Services

Glenorchy City Council, along with all Tasmanian councils, agree with the Treasurer Mr Michael Aird that we need to act quickly to ensure all Tasmanians have access to safe drinking water and environmentally acceptable disposal of sewerage.

We all agree that water quality and sewerage treatment problems in those municipalities that do not have the rate base to provide adequate infrastructure needs to be addressed quickly.

However it should be remembered that most Tasmanians already have access to very good quality water and sewerage services. Most councils and the water authorities are currently doing a good job and have planned for future infrastructure needs. Most of the \$1 billion that the Treasurer says is needed urgently to upgrade water and sewerage systems to meet modern standards and expectations has already been planned for by councils and water authorities, with funding plans already in place.

We are told that boiled water alerts affect nearly 5,000 Tasmanians directly, in 23 different water supply systems, along with many visitors. This is obviously a major concern and needs to be addressed urgently. However, to keep this in perspective, 5,000 people is only around 1% of Tasmania's population. Many of the 23 non-compliant systems are all in small towns or villages where the cost of providing a fully treated water supply far exceeds the willingness (or ability) of the locals to pay for the service. The other nearly 99% of Tasmanians receive reticulated drinking water from their local councils that consistently meets the Australian drinking water standards.

A few councils such as Glamorgan Spring Bay have found it difficult to meet the demands of their communities and transient populations; however most councils and the bulk water authorities have invested heavily in appropriate and well maintained water infrastructure.

We are told that there are approximately 15,000 properties on the urban fringes of major towns that are not currently connected to the reticulated sewerage network.

But, again, while a few councils, such as Sorell, have found it difficult to meet the demands of their communities and transient populations, the vast majority of Tasmanians consistently receive sewerage services that meet the State Government's environmental standards and sewerage treatment plant licence conditions.

The heart of the problem is not ownership by local government – it is the lack of support provided by the State and Federal Governments to the small number of mainly smaller councils that are having difficulty providing an acceptable standard of service.

Glenorchy City Council supports the kinds of regulatory reform proposed by the Treasurer - independent price setting, signals to encourage water conservation, minimum service standards and efficient and sustainable water and sewerage infrastructure. But we do not agree that to achieve these objectives the Government needs to take control of all water and sewer assets under one, state-owned authority.

Major structural change is not necessary to address the State Government's concerns. Together with appropriate regulatory reform, by far the easiest and simplest way to address the Government's concerns without the immense disruption that will occur through major structural reform is to introduce a new water and sewerage infrastructure levy to support those (few) councils that are currently unable to fund the level of infrastructure and services that their communities need.



The public and business community needs to be made aware that the reforms proposed by Government potentially have huge financial and structural implications – especially in the short-term. These include across the board introduction of water meters, an increase in the return required on water assets, increases in residential water and sewerage charges to pay for needed infrastructure and financial impacts on some councils which currently use revenue from water and sewerage assets to keep general rates lower than they would otherwise be.

It is important to understand that under the Government's proposed reforms, which include water meters and charges on the volume of water used, many people in low value homes will pay more for water.

Many people renting homes, for the first time, will directly pay for water and it is unlikely rents will come down to compensate. This will happen irrespective of any changes to the structure and ownership of water and sewerage assets. In addition, if councils lose ownership and the revenue from water and sewer assets, then general rates may also rise which will put further impact on low income families and add to pressure for an increase in rents.

The Treasurer says that the Government does not intend to make water and sewerage a cash cow for the State. At the same time the Government has also made it clear to councils that if it were to take over ownership of all the \$2 billion of water and sewerage assets it will not compensate the local communities who have paid for it.

The \$2 billion of existing local government owned water and sewerage assets, if generating the minimum 4.5% Government Prices Oversight Commission (GPOC) return on investment (currently encouraged, but not obligatory) to a new State Government owner, will generate a net profit to the State Government of \$90 million per year. Within 10 years, with all of the \$1 billion of new assets generating the GPOC maximum of 7%, the net profit to the State Government could be as high as \$160 million per year.

The best way for the State Government to reassure local government and the community that it doesn't want to make water and sewerage a cash cow for the State is to leave these assets in local government ownership.

While there will be long-term gains, establishment of the new water and sewerage organisation(s) will be a very complex and expensive process in the short-term.

If, as seems likely, the State Government moves to take control of all water and sewer services then Glenorchy City Council's position is to support the establishment of three regional, local government-owned authorities. This is the only model that is acceptable to Glenorchy and to most councils.

To try to force any other model on councils is likely to result in delays in achieving the proposed reforms and greater disruption to services.

Frank Pearce,
General Manager,
Glenorchy City Council



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