
AUSTRALIA'S URBAN WATER SECTOR
INQUIRY BY THE PRODUCTIVITY COMMISSION

Submission by:

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1. INTRODUCTION

Wagga Wagga City Council welcomes this Inquiry by the Productivity Commission into Australia's Urban Water Sector.

Although an Inquiry was launched in New South Wales in 2007 by the then Minister for Water, the Hon. Nathan Rees, MP, and a report has since been presented to the New South Wales Government by the independent panel set up to investigate water reform in the State, the Government has yet to reach a position or make an announcement as to a way forward. This is disappointing to Council and presumably to all Local Water Utilities (LWUs) in NSW.

The NSW Inquiry was established to review the governance arrangements for the long term provision of water supply and sewerage services; to ensure that such arrangements are **cost effective, financially viable and sustainable, which will achieve integrated water cycle management and ensure the optimisation of outcomes for the whole community.**

Council is very keen for the NSW Government to resolve this Inquiry and make a determination.

Wagga Wagga City Council has previously presented two submissions to the NSW Inquiry – initially in April 2008 and, then, a supplementary submission in April 2009 (this supplementary submission was a response to the Inquiry Panel's Report which recommended a **Sewerage** Alliance between Wagga Wagga City Council and Lockhart Shire Council and that Riverina Water should remain as is, providing **water supply** services to the Councils of Wagga Wagga, Greater Hume Shire, Lockhart Shire and Urana Shire. Council does not agree with this recommendation of the Panel).

In the Wagga Wagga municipality, Council provides sewerage and stormwater services; but water supply services are independently provided by Riverina Water County Council.

Wagga Wagga is a City of 62,904 people with a current annual growth rate of 1.6%. The City is situated in the Riverina region of NSW on the Murrumbidgee River.

The following is a summary of our previous submissions to the NSW Water Inquiry

2. KEY POINTS IN COUNCIL'S ORIGINAL SUBMISSION

By way of a summary, the following are the key issues presented by Council in its original Submission to the NSW Water Inquiry:

- Council is opposed to any State ownership or control of the water & sewerage assets
- Council favours an integrated, regionally based service delivery model
- Council currently effectively manages its own water related infrastructure, including sewerage, stormwater, urban salinity and effluent reuse as a holistic, integrated system
- Council is well resourced, its assets are well managed and maintained under our Asset Management Plan and our 30 year Forward Capital Works Program, which predicts expenditures of \$184 million on capital works and \$468 million on infrastructure maintenance over the 30 year timeframe of the Program, which is already in place

- Council is well advanced in the implementation of all Best Practice Management elements stipulated by the Department of Water & Energy.
- Wagga Wagga City Council has a significant background in providing regional leadership and believes strongly that it has the expertise and capability of providing the necessary expertise and leadership to manage a new Regional Water Authority based in our City.

3. OVERVIEW OF WAGGA WAGGA CITY COUNCIL

Wagga Wagga City Council occupies an area of 4,866 square kilometres and services a population of 62,904. The City of Wagga Wagga is the largest inland city in NSW and although 90% of the population resides in the city area, the LGA also includes the villages of Collingullie, Currawarna, Galore, Uranquinty, Mangoplah, Humula, Tarcutta, Ladysmith and Oura and surrounding farmland.

Wagga Wagga City Council currently manages an extensive sewer, stormwater, flood management, effluent reuse and salinity infrastructure.

The supply of water in the Wagga Wagga LGA is undertaken by Riverina Water County Council.

Vision and Mission

Wagga Wagga City Council prides itself as being one of the most attractive, successful and expanding cities in Australia. Council is focused on and committed to contributing to a vibrant growing community by providing excellence in leadership and delivery of best value infrastructure and services and supporting quality living in an improving sustainable environment.

The City is working towards growing into a Centre of Regional Excellence, that;

- Encourages its people to be involved in providing a well positioned and prosperous community-focused lifestyle for everyone
- Provides cohesive, enriched and forward thinking leadership
- Proactively participates in partnerships to enhance all aspects of community life, particularly education, employment and development
- Engages its community to focus on 'best value' infrastructure and services
- Employs, develops and retains people with a sense of pride, confidence and creativity
- Contributes to the efficient and effective management of the environment, community and economy for both present and future generations

Water Assets

To ensure efficiency and reduce environmental impacts from water usage, Wagga Wagga City Council manages its own water related infrastructure which includes sewerage, stormwater, salinity and effluent reuse.

Sewerage System

Council's sewerage service area covers 4,075ha and services the Wagga Wagga City and the villages of Forest Hill, Uranquinty, Tarcutta, Collingullie and Gumly Gumly. The sewerage system currently services over 21,200 residential and 1,610 non –residential properties. The network comprises over 530kms of gravity and pressure mains, 36 pump stations and six sewerage treatment plants.

Stormwater and Flood Management

Wagga Wagga City Council operates and maintains an extensive urban drainage and flood protection system that includes many kilometres of enclosed concrete pipes, open drains, channels, culverts, flood pumps and flood gates. An extensive levee bank system also forms part of Council's stormwater and flood control system.

Salinity

Wagga Wagga was one of the first urban areas in Australia to recognise the symptoms and adverse impacts of urban salinity and has developed and implemented management plans to deal with the causes. Since 1994 Council has installed over 140 piezometers around the urban area and set up a comprehensive salinity monitoring, education and revegetation program to reduce the impacts of urban salinity.

Council has also set up a network of bore pumps, pipelines and evaporation ponds to facilitate the management of salt accumulation and water logging in the worst effected areas.

A key cause of urban salinity in our City is the over use of water on lawns and gardens. This could be significantly alleviated by using appropriate demand management strategies. However, since Council is not responsible for water supply services in the City, we are not able to implement the necessary water conservation initiatives.

Effluent Reuse

Council has been reusing effluent (reclaimed water) from its sewage treatment facilities since the late 1960's for the irrigation of some of its parks, gardens and sporting fields. More recently, Council has also entered into a number of agreements with private users for the supply of reclaimed water for uses that are shown to be environmentally and economically appropriate.

Ultimately Council hopes to achieve full off-stream utilisation of all its treated effluent. Currently up to 4ML per day of treated effluent is re-used during the summer period.

Staffing

Council's sewer business employs 25 staff directly with the majority of operations and maintenance being undertaken by council's own staff. The City of Wagga Wagga is also fortunate to have access to experienced professional staff in house to undertake the management, planning, engineering and financial services related to Council's water related activities.

To ensure efficiency across the organisation, the Waste and Stormwater Services Division, which is responsible for the maintenance and operations of Council's water related infrastructure, has been recently restructured with the maintenance crews being multi-skilled to work across all of Council's water related infrastructure including sewerage, stormwater, flood management, salinity and effluent reuse.

Best Practice

Council has been working towards achieving best practice for its sewerage business and is largely compliant with all six NSW nominated best practice criteria.

Council's Strategic Business Plan (SBP) for Sewage was completed in August 2007. The plan addresses the development and operation of the City's Sewerage Business. This SBP is currently being reviewed and re-written.

A Development Servicing Plan (DSP) for Sewage was also completed in February 2007 and the majority of Council's major trade waste dischargers have been approved with concurrence from the NSW Office of Water. This DSP is also being reviewed in conjunction with the SBP review.

The requirement to undertake demand and drought Management activities only apply to LWU's responsible for water supply and although Wagga is not required to implement demand or drought management, we are actively expanding our effluent reuse network to reduce water demand and provide alternative sources of water.

Council is also part way through the process of developing an Integrated Water Catchment Management Plan for the municipality. The plan is being developed as a regional strategy, in

partnership with Riverina Water and the Shires of Greater Hume, Lockhart and Urana. To date the Evaluation Study has been completed and the full Strategy/Plan will be developed by 2011/12.

Council is also working with Riverina Water and Charles Sturt University to establish Wagga Wagga as a Global Water Smart City.

Financial Management

Council's sewerage business has proven to be financially viable and sustainable in the long term in meeting the agreed levels of service without relying on financial assistance from other levels of Government.

The current estimated replacement cost for the sewerage infrastructure including the Sewage Treatment Plants, Pumping Stations Sewer Mains and Reuse Pipelines is \$225M. Annual revenue derived from the sewerage business exceeds \$10M. The expenditure for the 2007/08 financial year is expected to be in the vicinity \$8.1M.

The community of Wagga Wagga is currently charged one of the lowest sewer charges in the State and the lowest by far when compared to similar sized LWUs

Over the next 30 years the planned capital expenditure for the sewerage business is \$184.2M with a planned operation and maintenance expenditure of \$468M.

Council is currently reviewing its ten year financial plan for sewerage services to include the increase in capital and operating costs for the Sewer 2010 suite of projects (as detailed below). It is anticipated that borrowings of \$40M to \$45M over a 30 year term will be required, depending on the agreed pricing option.

Sewer 2010 Project

In order to achieve optimum effluent quality levels and meet licence conditions, as set by the Department of Environment, Climate Change and Water (DECCW), manage risk, allow for future growth and maximise opportunities for re-use, Council is proceeding with the implementation of our Sewer 2010 Project.

The works involved under Sewer 2010 comprise:

- Augmentation/upgrade of Council's two main sewerage treatment plants (completed in early 2010)
- Augmentation of the sewerage collection network and one of the main pumping stations (proceeding).

The project is being delivered as a Design, Build and Operate (DBO) under a contract with Tenix Alliance Pty Ltd. The operation of the plants was handed over to Tenix on the 14 January 2008 and augmentation of the plants is now complete.

Wagga Wagga City Council has also implemented a program for the provision of sewerage services to a number of our smaller villages and population centres. Pressure sewer systems have been installed in some of the previously unsewered areas of East Wagga Wagga and in the villages of Gumly Gumly and Collingullie.

Council plans to continue with this program with the planned provision of sewerage services for the currently unsewered villages of Mangoplah, Oura and Carrawarna.

Environmental Compliance

Council has been working closely with the regulators, in particular the NSW Office of Water and the DECCW regarding the management of its water related assets.

Council currently meets quarterly with the regulators to discuss issues and report on the ongoing improvements regarding the management of our water related assets.

Council also works closely with the Murrumbidgee Catchment Management Authority (MCMA) on issues relating to urban salinity and water quality. Council and the CMA are currently working on a program to remove backyard rubble pits with new stormwater disposal mains to reduce the amount of stormwater entering the water table.

4. PREFERRED MODEL FOR WAGGA WAGGA CITY COUNCIL

4.1 Overview

Wagga Wagga City Council believes that the number of LWU's in country NSW can be reduced. However, to ensure the engagement and participation of the local community and to ensure that integrated management is achieved, **it is essential that the ownership, management and operations of water supply, sewerage services, stormwater, salinity and water reuse are undertaken locally by an Alliance of those Local Water Utilities (LWUs) which share a mutual inter-relationship in water cycle management (particularly Wagga Wagga City Council, Riverina Water County Council, Greater Hume Shire Council, Lockhart Shire Council and Urana Shire Council).**

Advantages of this model include;

- Adapted to suit local conditions and issues - in particular, the sensitivities of the Murray Darling Basin and the Murrumbidgee and Murray sub-catchments.
- Closely aligned with the local community and its stakeholders such as the CMA and Landcare groups.
- Continuation of community confidence in the provision of locally based customer service.
- Minimal disruption to the community and existing service agreements.
- Improved opportunities for the delivery of Total Integrated Water Cycle Management that includes water supply, sewerage services, stormwater, flood, salinity and reuse functions. Water supply and sewerage services are currently

spread across two organisations making integrated water cycle management less effective.

- Retention of existing workforce, skill base and local expertise.
- Improved opportunities to recruit and retain water management expertise.
- Distinct inland water management, separate from the significantly different issues of coastal water management
- Better able to comply with the tightening environmental and regulatory standards.
- Financially sustainable. Not reliant on funding from other levels of Government for renewals and augmentations, particularly for the smaller villages and rural communities.

As a result, Council believes that the best solution involves integration of these entities and operations into a coordinated arrangement, potentially, the Wagga Wagga Regional Water Alliance.

There may also be substantial additional benefits associated with expanding this relationship to incorporate the water supply functions in the area now administered by Goldenfields Water County Council, and the sewerage services and water cycle functions currently provided by the Councils of Cootamundra, Harden, Bland, Gundagai, Bland, Junee, Temora and Coolamon Shires.

The Alliance could be modelled on the successful co-operative arrangement developed by the 8 Councils in the Lower Macquarie Water Utilities Alliance, which we understand is favoured by the NSW Minister for Water.

A local example of this co-operative approach has been in the development of the Regional Integrated Water Cycle Management Evaluation Study, which involved Riverina Water, Wagga Wagga City Council and the Shires of Greater Hume, Lockhart and Urana.

In summary, Wagga Wagga City Council's submission proposes:

The establishment of a Regional Alliance of those LWUs which share a mutual inter-relationship in water cycle management; potentially incorporating

- Water Supply Services for those Councils where the water supply functions are currently provided by **Riverina Water and Goldenfields Water**
- Sewerage Service and Stormwater Service functions of Wagga Wagga City, and Lockhart, Urana, Cootamundra, Harden, Bland, Gundagai, Junee, Temora, and Coolamon Shires.

Such an arrangement still needs to be fully canvassed with the above organisations and Wagga Wagga Council intends to take a lead role in arranging the necessary consultation

A combined alliance of this composition would have an annual revenue base in excess of \$ 50 million (based on 2008/09 NSW Office of Water Performance Reports).

4.2 Current & Future Challenges & Capacity to Address Challenges

The major challenges that currently confront the water industry in regional NSW, and will continue into the future without reform, include:

- Growth potential
- Scarcity of water (particularly in drought periods)
- Asset degradation
- Financial viability/revenue capacity
- Financial management
- Customer service standards
- Skills and resource shortages
- Corporate Governance
- Environmental management
- Sustainability of small water utilities

Wagga Wagga City Council believes that an expanded regional Alliance, centred in Wagga Wagga, with assets valued in excess of \$800 million and an annual revenue stream of \$50 Million, will satisfactorily embrace, address and manage all of the above challenges.

4.3 Socio-economic Impacts on the Community

The proposed Model will deliver the following socio-economic benefits:

- Community ownership of the integrated water cycle management role
- Enhanced job opportunities in our region
- Retention & enhancement of the diversity of skills involved in total water cycle management
- A rationalized, affordable service delivery for water supply, sewerage and stormwater management
- Enhanced revenue streams with increased capital expenditure on asset management and maintenance
- Development of reserves sufficient to ensure efficient pricing mechanisms into the future with enhanced infrastructure and environmental management

4.4 How is the Community Interest Best Served?

Council believes that in delivering secure and sustainable integrated water cycle management services to our region into the future that the community's interests will be best served through:

- Decisions on local water, sewerage, stormwater, salinity and water reuse management and pricing are best made by people who live in the region.
- Local representatives determining best practice pricing.
- Sense of regional identity retained
- Improved and local customer service

- Economic/Environmental sustainability in service delivery
- Delivery of services through best practice and contemporary governance structure
- Demonstrating a commitment to Fourth Generation Water Management

5. CONCLUSION

The water reform model proposed by Wagga Wagga City Council involves the establishment of a Regional, Alliance.

The “Regional Alliance” could potentially encompass and incorporate the operations of water supply, currently provided by Riverina Water County Council and Goldenfields Water County Council, and the sewerage service, stormwater and water cycle functions currently provided by Lockhart, Urana, Cootamundra, Harden, Bland, Gundagai, Junee, Temora and Coolamon Shire councils.

The principal benefits of this model will be:

- An integrated delivery of the water supply, sewerage, stormwater, groundwater, salinity management and reuse functions of the water cycle across a strong, financially viable, regionally owned and operated professional organization.
- Enhanced job opportunities with a diversity of job functions and improved opportunities for skills enhancement and staff development programs.
- Affordable service delivery for a large and enhanced customer base.
- Enhanced revenue streams with increased capital expenditure on infrastructure and environmental management.
- Forward planning for capital augmentation and growth to ensure the long term viability of the business and its ability to maintain a high level of service for our customer base, whilst ensuring the long term integrity of the infrastructure assets.
- A more uniform and integrated system of pricing which will ensure equity and parity across the customer base.

Council would also appreciate an opportunity to be involved in the Commission’s consultation process and roundtable discussions

ERRATUM

Councils named at page 7 and 9 of the submission are incorrect in reference to Goldenfields. These should include Young (and a very small part of Narrandera) and exclude Gundagai.