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Good Afternoon,

Thank you for providing AlburyCity with the opportunity to make a submission on some of the questions posed within the *Alternative Funding Models for Local Water Utilities – Issues Paper*.

As the only large, Local Water Utility (LWU) drawing water from the Murray River, we are responsible for leading regional advocacy that will hopefully influence eventual outcomes from this process.

We recognise that a primary issue is in affordability to provide water & wastewater infrastructure which supports the future growth of regional and remote communities. We also acknowledge that economies of scale (in terms of revenue base) provide advantageous benefits to the larger LWU's, that cannot be realised by the smaller LWU's.

Into the future, this could become a further issue once NSW aligns with other jurisdictions and adopts more stringent requirements around the production of clean, safe drinking water – known as Health-Based Targets (HBTs). This may necessitate substantial upgrades (and expenditure) on water treatment infrastructure to ensure that public health risks are mitigated, commensurate with upstream hazards within a LWU's water catchments.

Upon reviewing the Issues Paper, the following observations and responses to specific questions, are made:

General Comments:

- Currently, government sponsored grant funding (through the Safe and Secure Water Program) has extremely restrictive criteria and is primarily concentrated on (and favours) larger projects. Accordingly, a revisit of the grant funding guidelines may be prudent to assist in enabling greater access to capital funding. Loans (incl TCorp) and other private products are an option for funding and are generally underutilised by LWUs. However, we recognise that greater access to loan products in funding the positive benefits of system and service upgrades (in respect to water quality, security and compliance), might also have negative impacts on an LWU's operating result through increases in interest and depreciation expenses.
- There could be opportunities to increase regional collaboration and engender an adoption of geographical pricing boundaries. This could promote potential cross-subsidisation between community groups and/or separate councils/LWUs and might be addressed through Joint Organisation (JO) models. These aim to achieve economies of scale through collaboration, but it is acknowledged that the sustainability of JO's (such as Regional Water Alliance Programs) rely on membership commitment, contributions and the delivery of shared services. Regional collaboration could go some way to tackling affordability challenges, but will probably be unable to address the financial sustainability matters of all member LWU's.
- Councils are required to offer rebates to pensioners for water and wastewater accounts, with a State Government reimbursement of 55% being applicable. However, the rebate is out-dated and has not been indexed since 1993. Any expansion of rebates to renters, healthcare card holders and low-income households could certainly assist with affordability, but may prove to be tokenistic unless the

government is able to fully fund these rebates and then index them accordingly to prevent negative impacts on the operating results of LWU's.

- We also feel that the paper's omission of the '75/25 rule' in its considerations (under the *Best Practice Management of Water Supply and Sewerage Guidelines* - which requires at least 75% of residential revenue from water usage charges for 4,000 or more properties (or 50% for < 4,000 properties)) could prove problematic in better understanding all aspects of an LWU's sustainability during periods of extended drought conditions.

Challenges from current funding models:

- **Q3** – The key challenges in obtaining funding for water and sewerage infrastructure upgrades and investment stem from the short-term nature of the political cycle relative to the long-term nature of infrastructure planning and implementation. This presents problems for gaining access to grant funding which could be applied for major infrastructure upgrades, as the tangible delivery of short-term outcomes (desired under most funding deeds) is only able to occur once LWU's have already spent many years on resourcing, due-diligence and planning. This is problematic within LGA's that are constrained financially and operationally, and are unlikely to have had the time and resources allocated to being able to achieve any short-term implementations of infrastructure.

Funding Model Principles:

- **Q4** – The creation of collaborative utility arms within the Joint Organisation (JO) framework, and the participation of LGA's within these, could be taken into account when calculating government subsidies for local water utilities. This would engender Government confidence in the capabilities of LGA's in delivering desired infrastructure through the ability of neighbouring Councils to leverage resourcing, knowledge and cost sharing from the membership of the JO.

Minimum Levels of Service:

- **Q7** - Any Levels of Service proposed and regarding community outcomes for water and wastewater need to be developed, tested and approved so that they are able to suit the operational contexts of the community(s) being serviced. Subsequently, a 'one-size-fits-all' approach will be unable to achieve the same benefits for all, noting the geographically disparate nature of the communities serviced by the majority of LWU's.
- **Q8** – Metrics to be considered for Minimum Service Levels should be customer outcome-focussed and could include: Response times to supply disruptions (water), Average duration of planned & unplanned interruptions (water), Average times to attend spills & blockages (sewer), Average times to rectify (sewer). They should be easy to understand and measurable within an LGA's existing data acquisition capability. Perhaps information from an LWU's Annual National Performance Reporting (NPR) could be used to establish the Service Level 'baseline' from which rolling averages (taken over a defined period) could be applied in superseding the 'baseline'...
- **Q9** – Currently, engagement data is lacking to suitably inform the basic needs and expectations of customers regarding Service Levels and their Willingness to Pay in respect to water and sewer services. These engagement activities are intensive and costly, and could be beyond the capabilities of some regional and remote communities. Within the Victorian regional context, equivalent engagement activities have cost around \$200K – which is significant for smaller communities. Additionally, there is the requirement for significant and ongoing, data collection and analysis expenditure to verify customer satisfaction against the Service Levels.
- **Q10** – The barriers for setting measurable Service Levels are wholly linked to an LGA's understanding of its customer base and their servicing expectations. This requires a comprehensive dataset to have been collected in relation to the services provided to each community. At present, the NPR framework provides some of this information, although it is often 12-24 months out of date, and so might not reflect current organisational performance.
- **Q11** – The challenges associated with monitoring and reporting against Minimum Service Levels include cost, resourcing and data acquisition.

Alternative funding options:

- **Q17** – The challenge for LWU’s in leveraging the scale and expertise of State Owned Corporations (SOCs) has been due to the differences in legislation under which the entities operate, and the metro-centric nature of the SOCs. As the SOCs are able to draw upon a far larger revenue base, their resourcing and expertise is largely focussed on providing the high-cost infrastructure and systems necessary to service their future needs. Comparatively, the regional and remote LWU’s have a far smaller revenue base and resourcing level, and this only just allows them to meet basic operational needs. This disparity between the organisations is not helped by legislative differences and the commercial nature of these entities. SOCs are currently bound by legislation to achieve specified rates of return for government shareholders. Accordingly, the ability of SOCs in offering any support to regional/rural councils is therefore limited unless a Service Level Agreement (or similar) can be developed that clearly defines each Party’s expectations around the delivery of commercial services and how they might assist in improving LWU sustainability. This will create similar operational baselines and common, over-arching business drivers between LWU’s and SOC’s.

AlburyCity looks forward to participating in the upcoming consultations and reviewing any public submissions on this matter.

Should you wish to clarify any of the above responses, please do not hesitate to contact me at your convenience.

Kind Regards,

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