



# REFORM OF TASMANIA'S WATER AND SEWERAGE SECTOR

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MINISTERIAL WATER AND SEWERAGE  
TASKFORCE

DISCUSSION PAPER

**DECEMBER 2006**

Reform of Tasmania's Water and Sewerage Sector  
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## 1. Introduction

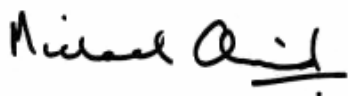
Water is our most valuable natural resource. Access to sustainable water and sewerage services is critical to ensure Tasmania is able to build sustainable communities and to maximise its economic development opportunities. However, there is growing evidence that Tasmania's water and sewerage infrastructure has not kept pace with the State's strong economic progress in recent years. In 2005, Engineers Australia undertook a nationwide assessment of infrastructure and ranked Tasmania as having the worst water and wastewater infrastructure in Australia.

Ensuring that Tasmania's water and sewerage infrastructure and service delivery can meet the State's current and future environmental, social and economic needs is a formidable challenge. Accordingly, the Premier has established the Ministerial Water and Sewerage Taskforce to identify the best way of achieving major long-term improvements in Tasmania's water and sewerage services and infrastructure, through a collaborative approach.

The Terms of Reference for the Taskforce are contained in Attachment 1 of this Paper, but broadly, the Taskforce's goal is to place the water and sewerage sector onto a stronger and more sustainable footing by considering a full range of structural, regulatory and other institutional reform options.

This Discussion Paper has been prepared by the Taskforce as a basis for engaging stakeholders in the initial consultation phase of its work program. It sets out the broad objectives the Taskforce is seeking to achieve in undertaking its review of structural reform in the water and sewerage sector, and highlights a range of issues that need to be considered in developing reform proposals.

The Taskforce welcomes comment on the issues highlighted in the Paper, or on other issues that stakeholders consider relevant to the reform of the water and sewerage sector. Submissions need to be made by 23 February 2007.



Michael Aird  
Treasurer and Chair of the  
Taskforce



David Llewellyn  
Minister for Primary  
Industries and Water



Paula Wriedt  
Minister for Tourism, Arts and  
the Environment

## 2. The Project

The purpose of the project is to develop policy options for the structural, regulatory and institutional reform of the water and sewerage sector with the view to delivering major benefits to the Tasmanian community in the form of quality and cost effective water and wastewater infrastructure and services.

The benefits of this would be reflected in the health of the community, increased efficiency in service delivery, improved environmental outcomes, and overall, the better use of scarce resources.

For the purposes of the Taskforce, water is defined as urban and regional reticulated (treated and untreated) water for residential and commercial use. Also, references to sewerage includes wastewater. Although important issues for future consideration, the review does not extend to water used for irrigation or for electricity generation.

The ultimate objective of the Taskforce is to establish the most appropriate structural arrangements for Tasmania, which will provide all Tasmanians with access to the most efficient and cost-effective water and sewerage solutions, which may or may not be reticulated systems. While the Government's objective is to develop a state-wide water and sewerage strategy, the initial focus of the Taskforce is to develop reform initiatives that primarily relate to the existing reticulated water and sewerage system.

Engaging with stakeholders is a critical aspect of the Taskforce's work program. The reform of Tasmania's water and sewerage sector is a significant challenge, particularly for local government, which is the owner and operator of the infrastructure.

The Taskforce is seeking the input of all stakeholders into the development of water and sewerage reform initiatives to enable the Government to make informed policy decisions to take the sector forward. The focus of this initial consultation phase is to explain the objectives in pursuing reform and to highlight a range of important issues that need to be addressed in considering reform options.

### 3. Objectives

The objectives that the Taskforce is seeking to achieve are:

- secure the long-term sustainability of Tasmania's water resources;
- improvement in the quality of water and sewerage services to Tasmanian communities;
- improvement in current water and sewerage infrastructure and planning;
- assurance that access to water and sewerage services is not a constraint to economic development; and
- greater efficiency and improved pricing signals through structural reform.

Conceptually, there are many structural options that could progress the water and sewerage sector towards these objectives. Initial investigations show that the experience in the majority of other Australian jurisdictions is a move away from local government provision of water and sewerage services to residents, towards more commercial arrangements between government-owned business enterprises and customers (see Attachment 2). The Taskforce intends to thoroughly investigate the costs and benefits of all available options in order to achieve its objectives.

## 4. Issues for Consideration

The water and sewerage task that confronts Tasmania is a significant challenge. The Taskforce has identified a non-exhaustive list of critical issues that it considers need to be addressed in the development of structural, regulatory and other institutional reforms of Tasmania's water and sewerage sector. These issues are in no particular order and are summarised in Attachment 3.

### 4.1 Significance of the water and sewerage industry

Water and sewerage in Tasmania is a very large business activity for local government. The total value of combined water and wastewater infrastructure in Tasmania is approximately \$1.7 billion. This is comparable to the combined asset value of Transend Networks Pty Ltd and Aurora Energy Pty Ltd, and the services provided are similarly essential to the community. The key difference is that ownership of water and sewerage infrastructure is held by 28 parties with varying degrees of sophistication in management and differing funding abilities.

The following table shows how the existing assets are distributed across bulk supply, reticulation and wastewater.

**Table 1: Asset Values, 2004-05**

	<b>Total Assets (\$ million)</b>
Bulk supply	
Hobart Regional Water Authority	189
Cradle Coast Water	70
Esk Water Authority	127
Council water assets	571
Council wastewater assets	725
<b>Total</b>	<b>\$1 682 million</b>

Source: *Local Government Water and Wastewater Businesses Cost Recovery Compliance Review*, Government Prices Oversight Commission, February 2006, and respective Bulk Water Authorities' 2004-05 Annual Reports.

The three bulk water authorities have returned substantial dividends to their owner councils in recent years. The following table shows a breakdown of their total returns for 2004-05 and 2005-06.

**Table 2: Real Rates of Return on Water and Wastewater Services**

	<b>Dividends (\$ million)</b>		<b>Tax Payments (\$ million)</b>		<b>Total (\$ million)</b>	
	<b>2004-05</b>	<b>2005-06</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2004-05</b>	<b>2005-06</b>
Hobart Water	2.8	3.4	0	0.6	2.8	4.0
Cradle Coast Water	0.6	0.7	0	0	0.6	0.7
Esk Water Authority	1.7	1.6	0	0	1.7	1.6
<b>Total</b>					<b>\$5.1</b>	<b>\$6.3</b>

In addition, each municipality generates returns from water reticulation and sewerage services. There is a wide degree of variation in the level of returns, as shown in Table 3.

**Table 3: 2004-05 Real Rates of Return on Water and Wastewater Services, Number of Municipalities**

Real Rates of return	Water <sup>1</sup>	Wastewater <sup>2</sup>
Negative	5	3
Less than 4 per cent	15	13
4 per cent or more	8	11

1 Only Tasman Council does not provide some level of water reticulation.

2 Only Tasman and Flinders Island Councils do not provide sewerage services.

Source: *Local Government Water and Wastewater Businesses Cost Recovery Compliance Review*, Government Prices Oversight Commission, February 2006.

The Government Prices Oversight Commission (GPOC) noted that many of the councils have not undertaken comprehensive asset audits, and so the cost recovery benchmarks may not accurately reflect the true cost of maintaining this infrastructure on a sustainable basis.

Data inconsistency is a concern in examining this issue. Notwithstanding the GPOC review findings, other data available to the Taskforce (sourced from local government) suggests that the majority of municipalities do not recover sufficient revenue from water and sewerage services to meet the costs of those services.

However, for those municipalities that truly earn positive real rates of return, the water and wastewater business activities generate cashflows that can be used to assist in funding wider council services. Changing the structural arrangements in the water and sewerage sector could have a meaningful impact on the ability of some councils to fund their activities (see below).

**Issue 1: Reform of the water and sewerage sector needs to take into account the historic investment, as well as current and future financial implications for local government from delivering water and sewerage services.**

#### 4.2 Australian Government water reform and State obligations

The Australian Government established the National Water Commission (NWC) in 2004, to oversee national water reform and advise governments on water reform issues.

The NWC administers the Intergovernmental Agreement on the National Water Initiative (NWI) . This is Australia's current framework for national water reform, to which Tasmania is a party. The NWI outlines around 70 key obligations that will be critical to achieving national water reform. The focus of these obligations include:

- working towards the removal of institutional barriers to trade in water; and
- promoting best practice water pricing, including:
  - promoting economically efficient and sustainable use of water resources, water infrastructure assets, and government resources;
  - ensuring sufficient revenue streams to allow efficient delivery of services;
  - facilitating the efficient functioning of water markets; and
  - giving effect to the principles of consumption-based pricing and full cost recovery.

In relation to urban water, the NWI objectives are to:

- ensure healthy, safe and reliable water supplies;
- increase water use efficiency in domestic and commercial settings;
- encourage the re-use and recycling of wastewater;
- facilitate water trading between and within the urban and rural sectors;
- encourage innovation in water supply sourcing, treatment, storage and discharge; and
- achieve improved pricing for metropolitan water.

Tasmania's specific obligations, and actions to achieve them, are outlined in the document titled *Implementation Plan for the National Water Initiative Tasmania*, September 2006. A copy of this document is available at [www.dpiw.tas.gov.au/water](http://www.dpiw.tas.gov.au/water).

Under this initiative there is funding available through the Australian Government Water Fund (the Fund). The Fund is a \$2 billion programme to invest in water infrastructure, improved water management, and better practices in the stewardship of Australia's scarce water resources.

To be eligible for this funding, projects must be intended to drive efficiency and improve performance in relation to service delivery. Jurisdictions are also required to report on whether the pricing structure reflects the true long-term cost of providing water.

**Issue 2: Reform of Tasmania's water and sewerage sector needs to be consistent with the State's obligations under the National Water Initiative. Reform outcomes would ideally ensure Tasmania is in the best position to access the Australian Government Water Fund.**

#### 4.3 Capacity issues and investment requirements

Rapid and substantial economic growth in Tasmania places additional stress on existing water and sewerage infrastructure. As a result, Tasmania faces significant challenges to enable its water and sewerage infrastructure to keep pace with demand.

Indeed, in many areas, existing water and sewerage infrastructure is reaching capacity and emerging as a binding constraint on new residential and commercial developments.

There are also issues in relation to the continued effective operation of existing assets. The Department of Primary Industries and Water (DPIW) has recently identified 33 town water supply and 58 wastewater treatment systems within Tasmania which require attention to meet contemporary standards.

The information available to the Government regarding the current status of the State's water and sewerage assets is patchy. GPOC has indicated that around half of the councils have undertaken, or have partially completed, some form of condition assessment of their assets.

Various estimates have been made by stakeholders regarding the level of investment required to bring the State's water and sewerage infrastructure to contemporary standards, ranging from \$100 million to \$400 million.

**Issue 3: The current status of Tasmania's water and sewerage assets and the investment task ahead needs to be established.**

To address information gaps, the Taskforce will conduct a high-level review to broadly assess the adequacy of Tasmania's existing urban and regional reticulated water and sewerage infrastructure and the nature and scope of investment required to meet needs into the future. The participation of local government is vital if this study, which will be completed by an external adviser, is to provide sound intelligence on this most important issue.

#### 4.4 Water Quality

During 2004-05, 23 council water supply systems operated with permanent boil water alerts in place. It is clear that in some council areas, sewerage and wastewater infrastructure is not delivering services at a level expected by residents. This is a vital issue for the health of Tasmanian communities and must be addressed. It also negatively impacts on Tasmania's brand. Pure water and pristine, natural environments are key to Tasmania's image.

Options to address the water quality issue need to be evaluated. Reticulated systems may not be the optimal solution for some communities.

**Issue 4: The health of Tasmanian communities and Tasmania's brand depends on high water quality. Options to address this issue need to be considered, particularly for the more isolated Tasmanian communities.**

#### 4.5 Long term planning and land-use decisions

Under the current arrangements, decisions on land use planning and the provision of water and sewerage infrastructure lies in the hands of the same entity, namely local government. There are examples in some municipalities where there appears to be a disconnection between land-use decisions and water and sewerage infrastructure provision and, as a result, serious issues have emerged, notwithstanding the commonality in ownership.

Interestingly, for other essential services, such as electricity, coordination does not appear to be such a significant issue, despite the absence of common ownership and the potential beneficial linkages to land-use planning.

Water and sewerage services need to be appropriately coordinated with long-term planning of residential and commercial/industrial development. Future structural and regulatory approaches need to be developed with this principle in mind.

**Issue 5: There is a need to better coordinate water and sewerage infrastructure provision with land-use planning decisions to ensure sustainable development.**

Furthermore, there is evidence to suggest that the combination of a lack of scale, limited resources and increasing demands from the community are leading to some councils finding it challenging to develop appropriate infrastructure with the long-term provision of services in mind. A lack of effective planning means that water supply and wastewater management are often considered in isolation of each other. This can, and does, lead to problems such as overlooking the impact that changes in one may have on the other.

**Issue 6: Future structural arrangements need to be consistent with ensuring that resources and capabilities are available to develop and maintain long-term plans for water and sewerage infrastructure.**

State-wide planning may also be inhibited by a narrow (but arguably legitimate) focus of council activities to their own discrete geographical areas within their municipalities. An integrated and strategic view for the State's water and sewerage infrastructure should improve overall development and planning. It may also lead to better use of the skills in the water and sewerage sector and assist with employee skill development.

**Issue 7: The water and sewerage sector needs to take a long-term strategic approach to infrastructure planning across the entire State and to efficiently use and develop existing skills.**

#### 4.6 Funding capacity

There is little doubt that some municipalities face considerable hurdles in meeting the costs associated with water and sewerage infrastructure development needs within their municipal boundaries.

This is particularly the case for municipalities with itinerant populations, where demand on water and wastewater infrastructure increases considerably during the tourist season. Infrastructure needs to have the capacity to accommodate such peaks. However, council income from such infrastructure typically reflects base municipal population levels, resulting in an inability to earn adequate revenues to enable a council's infrastructure to service peak demand.

Funding capacity is also an issue for municipalities where the capacity of existing infrastructure, such as water treatment plants and sewerage plants, has reached capacity and additional investment is required.

There is an unavoidable tension between funding new infrastructure through rate increases and the political implications of higher rates for residents for the elected officials.

In addition, borrowings by local government are controlled via the *Local Government Act 1993* to ensure that councils do not borrow beyond their means. These financing constraints may mean that some councils (particularly, but not limited to, small councils) may not be able to borrow enough to finance future infrastructure developments.

**Issue 8: Structural reform options need to consider the capacity of local government to fund infrastructure developments.**

The critical issue is that this situation is manifestly uneven across all municipalities. Some local governments, through the combination of scale and careful management, have appropriately matched residential and commercial development with the provision of water and sewerage infrastructure and are not facing immediate funding/resourcing concerns.

In addition, with the transfer of the Bulk Water Authorities (BWAs) from the State to local government in the late 1990s, those entities have invested resources into their maintenance and development, with a view to (local government) shareholder returns in the future.

**Issue 9: Structural reform options need to ensure that local governments are not penalised for appropriate decision-making in the past.**

#### 4.7 Economies of Scale and Scope

Tasmania's population is highly dispersed, which gives rise to diseconomies of scale. For example, the cost of providing appropriate water and sewerage services to the small towns within the Glamorgan-Spring Bay municipality is substantially higher than providing the same level of services to the same number of connections within a large urban municipality, such as Hobart or Launceston.

This unfavourable state-wide situation is arguably compounded by the existing structure of the water and sewerage sector, which sees the 'business' in the hands of 28 owners, each competing for skilled resources and operating at a sub-optimal scale.

In 1995, London Economics clearly identified that Tasmania could benefit from unit cost savings through the use of fewer, larger scale, wastewater treatment facilities.

These issues are being addressed over time under the existing structural arrangements. Some local governments, such as the Derwent Valley Council, are exploring opportunities for utilising the skills and asset bases of the BWAs to integrate through the value chain and deliver services on their behalf. In other cases, municipalities are seeking to enter cooperative arrangements to share resources and develop consistent planning schemes and other arrangements.

These improvements are likely to continue to occur, albeit slowly, over time. Such reform may eventually stagnate, as cherry picking of the best opportunities for integration will occur. However, it is unlikely that the commercial entities will willingly take over responsibility for water and wastewater in instances where it is not financially viable to do so.

More may be able to be achieved in a shorter timeframe through proactive integration. In relation to the water and sewerage sector, some of the functions that could benefit from integration include the development of quality management systems, benchmarking, design, accounting, financial systems, and personnel management.

Increased scale would improve the ability to attract and retain key staff. This is of particular importance given the skill shortages for engineering and technical expertise

that exists nationwide. Career opportunities for key staff would also increase, which would assist in retaining essential skills in Tasmania.

The existing BWAs are now well established and possess significant expertise in running water systems. Using these authorities as a catalyst for further horizontal and/or vertical consolidation of the industry would provide a solid foundation from which to build new diversified organisations or a single entity.

A strong case exists for further integration as a means of improving the long term financial viability of the water and wastewater businesses. Indeed, if Tasmania wishes to maximise its access to Australian Government funds, further reform is arguably needed in the water and sewerage sector to address the structural issues stemming from diversified control, a lack of strategic planning and the ongoing deterioration in the quality of infrastructure.

**Issue 10: Structural reform options need to consider the potential to capitalise on economies of scope and scale in a timely manner.**

#### 4.8 Appropriate pricing signals

There is little consistency in the way water prices are currently determined by councils. Some councils have established charges based on how much water volume residents consume. Other councils charge for water based on alternative methods, such as the Annually Assessed Value (AAV) of the property. This pricing methodology may not convey to the user the true cost of providing the service. The lack of consistency and absence of proper pricing signals to users leads to inequity across the State and customers not being encouraged to use water wisely.

Moreover, urban councils that do not have volumetric charges and have bulk water supply arrangements with the BWAs face a serious disconnection between costs of water supply (volume-based) and revenues (not volume based). This can give rise to inefficient signals as councils attempt to manage their cost pressures. This has the potential to create unmet demand in certain geographic regions and in certain sectors of the economy.

There have been consistent calls from key stakeholders within Tasmania, such as the Property Council of Tasmania and the Tasmanian Chamber of Commerce and Industry, regarding the need for pricing reform in some municipalities.

**Issue 11: Water and sewerage reform needs to ensure state-wide consistency in pricing and appropriate pricing incentives for all customers to encourage appropriate and sustainable water use.**

#### 4.9 Other potential impacts on local government

Revising structural arrangements in the water and sewerage sector could potentially have a significant impact on local government's planning processes and reduce the role of councils within its particular community. There is the potential for substantial changes to the constitution of the services delivered by councils and the costs of delivering those services through changes in scope.

Reducing local government's direct involvement in the delivery of water and sewerage services (eg. through vertical integration of the three BWAs) would mean that councils would assume less financial and political risk associated with maintaining increasingly expensive infrastructure from a small revenue base. They would be able to focus on providing service requirements in other areas that are truly unique to their municipality.

On the other hand, such a change of scope without a change in the fixed overheads of council activities, could fundamentally alter the financial position of some councils.

**Issue 12: Structural reform options need to be considered in light of the potential longer-term implications for local government. Strategies may need to be developed by the State and local government to address the implications of changes in the scope of council activities.**

## **5. Next Steps**

Stakeholders are encouraged to provide input on the issues identified by the Taskforce, and other issues considered relevant, through the preparation of written submissions.

Given the Taskforce's reporting obligations in March, it is imperative that submissions be received by 23 February 2007.

Submissions should be addressed to:

**Water and Sewerage Project Team  
Department of Treasury and Finance  
GPO Box 147  
Hobart TAS 7001**

Alternatively, submissions can be emailed to:

**[secretariat@treasury.tas.gov.au](mailto:secretariat@treasury.tas.gov.au)**

## Attachment 1 Water and Sewerage Ministerial Taskforce

### Terms of Reference

#### **Background**

Water is our most valuable natural resource and its sustainable supply is vital to our environment, business and economic development and to achieving an improvement in State productivity.

The future of water is a critically important issue nationally, and just as vital to Tasmania's future, given its central role in agriculture, energy production, industry and business and for building sustainable communities.

However, Tasmania's urban and regional reticulated water and sewerage sector has not kept pace with the State's strong economic progress in recent years and structural reform needs to be examined.

- In 2005, Engineers Australia undertook a nationwide assessment of infrastructure and ranked Tasmania as having the worst water and wastewater infrastructure in Australia.
- In addition to the three bulk water suppliers (which were transferred to council ownership in the late 1990s and which supply 18 councils), ten councils run water services (which administer 90 council-run water supply schemes). All but two councils in Tasmania run wastewater services to varying degrees and all but one council provides water reticulation services.
- During 2004-05, 23 council water supply systems operated with permanent boil water alerts in place. In some council areas, sewerage and wastewater infrastructure has not kept pace with demand.
- There is little state-wide coordination of planning or the management of water and wastewater infrastructure in Tasmania. Changes in demographics, technology and the larger geographic areas covered by regional economies mean that managing water and wastewater assets by historical council boundaries may no longer be appropriate.

The evidence suggests that strong leadership is required to ensure that the State's water and sewerage infrastructure and service delivery is able to meet the State's current and future environmental, social and economic needs.

Accordingly, on 26 September 2006, the Premier announced the creation of a Ministerial Water and Sewerage Taskforce (the Taskforce). The Taskforce is comprised of the Treasurer (Chair), the Minister for Primary Industries and Water and the Minister for Tourism, Arts and the Environment.

## Scope

For the purposes of the Taskforce's work, water is defined as urban and regional reticulated water for residential and commercial use. Also, references to sewerage includes wastewater. Although important issues for future consideration, the review does not extend to water used for irrigation or for electricity generation.

## Objective

The primary objective of the Taskforce is to drive improvements in Tasmania's economic infrastructure by identifying ways of achieving major long-term improvements in Tasmania's water and sewerage services and infrastructure, through a collaborative approach.

## Terms of Reference

The Taskforce is required to:

1. conduct a high-level review to broadly assess the adequacy of Tasmania's existing urban and regional reticulated water and sewerage infrastructure and the nature and scope of investment required to meet needs into the future;
2. examine structural, regulatory and other institutional arrangements in Tasmania and in other jurisdictions with a view to identifying a recommended approach for Tasmania;
3. advise on the likely financial and other impacts on key stakeholders (including local government and water users) and risks arising from changes to existing structural, regulatory and institutional arrangements;
4. consult stakeholders, particularly local government, regarding options for a state-wide water and sewerage plan;
5. prepare a report outlining options for a state-wide water and sewerage plan, including an implementation timetable; and
6. prepare a report for Cabinet detailing the progress and status of the project by the end of March 2007.

## Operating Protocol

### Meetings

Meetings of the Taskforce are to be held as often as required to meet the timeframes. A quorum comprises the Chair and one other member.

### Steering Committee

The Taskforce will be supported by a Steering Committee. The Steering Committee will be comprised of representatives from the Departments of Treasury and Finance, Primary Industries and Water, Tourism, Arts and the Environment and Economic Development.

The representative from the Department of Treasury and Finance will chair the Steering Committee.

#### Work program

A work program to assist the Taskforce in addressing the Terms of Reference will be developed by the Steering Committee and submitted to the Taskforce for its consideration.

#### Communication

The Steering Committee will prepare a communication strategy and submit it to the Taskforce for its consideration. Given the strategic nature of the project, the process of consultation will be organised to ensure that the Taskforce can present a comprehensive report to Cabinet. It is also important that the Taskforce actively engage with stakeholders, including calling for public submissions where appropriate.

## Attachment 2

### Water Infrastructure Models in Other Jurisdictions.

- In Queensland, New South Wales and Tasmania, local government has long had a key role in the provision of water services. In the other States and Territories various other arrangements have evolved.
- In Sydney, the Sydney Catchment Authority (SCA) has been established to work with the government-owned Sydney Water Corporation (SWC), which formerly had total responsibility for the city's water supply. SWC remains responsible for water distribution and wastewater services. SCA was established to provide, construct, operate, manage and maintain efficient systems for the supply of water. SWC operates under the *State Owned Corporations Act 1991* and the *Sydney Water Act 1994* and services a population of 4 million.
- In Melbourne, three government-owned companies (City West Water Ltd, South East Water Ltd and Yarra Valley Water Ltd) retail water. The bulk water supplier is the Melbourne Water Corporation (MWC), a government-owned corporation. The MWC operates under the *Melbourne Water Corporation Act 1992* and *State Owned Enterprises Act 1992*. It has responsibility for catchment management, wholesale water supply, sewage treatment and storm water and drainage management. The three water retailers operate under the *Corporations Act 2001* and operate subject to a license issued under the *Water Industry Act 1994*. They have responsibility to provide water, sewerage and trade waste services to 3.1 million customers.
- In Adelaide, the South Australian Water Corporation (SA Water) is responsible for providing water and wastewater services to 1.4 million customers in both metropolitan and country areas of South Australia. A privately owned water company, (United Water International Pty Ltd) provides water services to metropolitan areas under an agreement with SA Water. The Minister for Administrative Services sets the charges for water and sewerage services, after consultation with SA Water.
- In Western Australia, a government-owned corporation incorporated under the *Water Corporation Act 1995* called the Water Corporation that provides public water supply, sewerage and drainage services and bulk water to almost 2 million people across urban and regional areas.
- In the ACT, ACTEW Corporation (ACTEW) provides water and sewerage services to over 130 000 domestic and commercial customers. ACTEW was established in 1995 and operates in accordance with the *Territory Owned Corporations Act 1990*. ActewAGL, a joint-venture with privately owned energy company AGL, manages ACTEW Corporation's water and sewage assets under contract.

- In the Northern Territory, a government-owned multi-utility power and water authority (Power and Water Authority) provides services to larger and less remote communities.
- The Brisbane City Council is another example of Local Government in a major Australian city providing water services. Bulk water is supplied to Brisbane and neighbouring councils by Sunwater, which was established in 2000 under the *Government Owned Corporations Act 1993*. Sunwater owns and operates bulk water storage and distribution infrastructure and supplies irrigators, industrial and urban bulk water customers.
- Most organisations providing urban water services in Australia have experienced some degree of structural reform in recent years. Structural reform has clarified accountabilities by separating policy, regulatory and commercial and operational functions. The policy objective is to provide urban water businesses with clear commercial goals of customer service, while safeguarding public health and achieving environmental compliance in a sound business operation, free from conflicting objectives.

## Attachment 3

### Summary of Issues for Consideration

- Issue 1:** Reform of the water and sewerage sector needs to take into account the historic investment, as well as current and future financial implications for local government from delivering water and sewerage services.
- Issue 2:** Reform of Tasmania's water and sewerage sector needs to be consistent with the State's obligations under the National Water Initiative. Reform outcomes would ideally ensure Tasmania is in the best position to access the Australian Government Water Fund.
- Issue 3:** The current status of Tasmania's water and sewerage assets and the investment task ahead needs to be established.
- Issue 4:** The health of Tasmanian communities and Tasmania's brand depends on high water quality. Options to address this issue need to be considered, particularly for the more isolated Tasmanian communities.
- Issue 5:** There is a need to better coordinate water and sewerage infrastructure provision with land-use planning decisions to ensure sustainable development.
- Issue 6:** Future structural arrangements need to be consistent with ensuring that resources and capabilities are available to develop and maintain long-term plans for water and sewerage infrastructure.
- Issue 7:** The water and sewerage sector needs to take a long-term strategic approach to infrastructure planning across the entire State and to efficiently use and develop existing skills.
- Issue 8:** Structural reform options need to consider the capacity of local government to fund infrastructure developments.
- Issue 9:** Structural reform options need to ensure that local governments are not penalised for appropriate decision-making in the past.
- Issue 10:** Structural reform options need to consider the potential to capitalise on economies of scope and scale in a timely manner.
- Issue 11:** Water and sewerage reform needs to ensure state-wide consistency in pricing and appropriate pricing incentives for all customers to encourage appropriate and sustainable water use.
- Issue 12:** Structural reform options need to be considered in light of the potential longer-term implications for local government. Strategies may need to be developed by the State and local government to address the implications of changes in the scope of council activities.