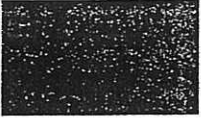




Minister for Fair Trading
Minister for Land and Water Conservation

Level 31, Governor Macquarie Tower,
1 Farrer Place, Sydney NSW 2000
Tel: (02) 9228 4700 Fax: (02) 9228 4711
Email Address: office@aquilina.minister.nsw.gov.au



Mr Phillip Perram
General Manager
Bathurst City Council
Private Bag 17
BATHURST NSW 2795

Y02/2486

26 February 2003

Dear Mr Perram

On June 28, 2002 I provided Council with copies of a brochure on best-practice pricing of water supply, sewerage and trade waste. To facilitate the introduction of best-practice pricing and to provide guidance for all NSW Local Water Utilities (LWUs), I have arranged for the Department of Land and Water Conservation (DLWC) to prepare *Water Supply, Sewerage and Trade Waste Pricing Guidelines*. Three copies of the guidelines are attached for Council's use.

As appropriate pricing is fundamental to effective management of water supply and sewerage businesses, the state government considers it important for all LWUs to set best-practice tariffs for water supply, sewerage and liquid trade waste. Such tariffs reflect the cost of providing the services and comply with the Independent Pricing and Regulatory Tribunal's (IPART) *"Pricing Principles for Local Water Authorities"*. The IPART Pricing Principles are consistent with the Council of Australian Governments' (COAG) Strategic Framework for Water Reform which was agreed to by all Australian governments.

The pricing guidelines provide methodology and procedures for setting equitable tariffs that provide appropriate pricing signals to encourage customers to balance the benefits and costs of using the water services. This will encourage efficient water use, assist in avoiding or deferring the need for new capital works and help to protect our valuable water resources and the environment.

In addition, as Council would be aware, appropriate pricing is a pre-requisite to eligibility for financial assistance towards the capital cost of backlog water supply and sewerage infrastructure under the government's Country Towns Water Supply and Sewerage program.

DLWC will support LWUs in implementing best-practice pricing including a series of regional workshops and a help desk.

Yours sincerely

John Aquilina, MP
Minister

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**10 CHANGE OF RATING STRUCTURE - SEWER ANNUAL CHARGE
(26.00010) - Item prepared by Bob Roach**

Recommendation: That Council proceed to introduce an annual sewer charge for all rateable properties within the Council area as outlined in the report.

Report: Council at its Working Party held on 11 July 2002, received a comprehensive report on the present rating structure relating to sewer rates and charges. Councillors will recall that the present rating structure is as follows.

- An Ordinary Rate levied according to one of three Categories or one Sub-Category, on a minimum amount or an ad valorem amount,
- plus a Special Sewer Rate levied on all properties connected to the sewer or on properties not connected that are within 75 metres of Council's sewer mains on either a vacant land minimum or an occupied land minimum or an ad valorem amount,
- plus an Additional Sewer Charge levied on properties with a connection to Council's sewer system, which is greater than a normal load. E.g. flats, hotels, motels, aged care units, etc,
- and a Charge in lieu of a Sewer rate levied on properties that are exempt from the sewer rate under section 555 of the Local Government Act, 1993.

Council has received advice from the Department of Local Government that it is required to review its sewer rating structure and introduce a cost reflective user pays sewer charging system by 1 July 2004. Councillors will recall that it introduced a user pays water system from 1 July 2001. This system is now up and working extremely well and very little problems have been encountered or are being encountered.

Council has the following options available.

- (a) To introduce an annual sewer charge levied on all properties connected to sewer or on properties not connected that are within 75 meters of Council's sewer main.
- (b) An additional sewer charge levied on properties with a connection to Council's sewer system which is greater than a normal load (eg, flats, hotels, motels, aged care units, University etc).
- (c) A charge in lieu of an annual sewer charge levied on properties that are exempt from the sewer rate under Section 555 of the Local Government Act 1993.

A full report detailing the calculation of the proposed annual sewer charge will be presented to Council's November meeting.

48 Item 10 CHANGE OF RATING STRUCTURE - SEWER ANNUAL CHARGE (26.00010)

MOVED: Cr L Schofield SECONDED: Cr M Tudor

RESOLVED: That Council proceed to introduce an annual sewer charge for all rateable properties within the Council area as outlined in the report.

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TO THE POLICY COMMITTEE MEETING
HELD ON WEDNESDAY, 26 NOVEMBER 2003

General Manager
BATHURST NSW 2795

1 USER PAYS SEWER PRICING (26.00010) - Item prepared by Toni Dwyer

Recommendation:

Report: Councillors are aware that Council has received advice from the Department of Local Government that all Councils must consider the introduction of a user pays sewer system by 1 July 2004.

Council has received a preliminary report at its meeting held 20 August 2003. Council resolved that it would introduce this change.

Council staff are currently working on applying State Government guidelines to sewer pricing. This involves carrying out research on obtaining the best way of determining the Sewerage Discharge Factors to non-residential properties.

Councillors will be shown a complete Powerpoint presentation of the options available with the exception of non-residential properties as Council has been unable to collect all relevant information to determine the sewerage discharge factor (SDF) prior to the presentation of this report.

When this is completed, a full best practice model will be presented to Council for assessment of the implications and to make the necessary modifications if required. It is expected that this will be completed in time for the February Policy Committee meeting.

Yours faithfully

R Roach
CITY TREASURER

30 Item 4 USER PAYS SEWER PRICING (26.00010)
MOVED: Cr K Stapleton SECONDED: Cr P Welsh

RESOLVED: That the information be noted.

4 USER PAYS SEWER PRICING (26.00010) - Item prepared by Bob Roach

Recommendation: That the information be noted.

Report: Councillors will recall that they have received several reports in relation to the implementation of a new user pays sewer charge. Council is required to introduce a best practice sewer charge to commence from 1 July 2004.

Considerable work has now been completed on this charge and a presentation will be made to the Working Party of Council to be held on Wednesday, 10 March 2004, when several options will be put together with a detailed explanation of the proposed introduction of this new sewer charge.

Councillors will have the opportunity to raise matters in relation to the charge at this Working Party.

TO THE POLICY COMMITTEE MEETING
HELD ON WEDNESDAY, 26 NOVEMBER 2003

General Manager
BATHURST NSW 2795

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MOVED: Cr K Stapleton SECONDED: Cr P Welsh

RESOLVED: That the information be noted.

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LWUs should adopt the following pricing principles when setting water supply tariffs:

1. Usage charges should be set to reflect the long-run marginal cost of water supply.
2. Residential water usage charges must be set to recover at least 75% of residential revenue.
Non-residential water usage charges should be set to recover at least 50% of non-residential revenue.
3. To encourage water conservation, high water consuming residential customers should be subjected to a step price increase (expressed as an "excess water charge") of at least 50% for incremental usage above a specified threshold. This threshold should not exceed 450 kL/a per household.
4. LWUs must bill at least three times each year (and preferably every quarter) to improve the effectiveness of pricing signals.
5. In situations where large cross-subsidies for non-residential customers currently exist, LWUs should develop pricing strategies that target the removal of these cross-subsidies over a 5 year period.

With a higher proportion of water supply revenue obtained from usage charges, LWUs' revenue will be more greatly affected by annual weather variations. LWUs may therefore establish a revenue fluctuation reserve of up to 10% of turnover. LWUs can draw on this reserve to assist them to cope with wet years or drought water restrictions where water sales are lower than predicted. Dry years will result in a corresponding increase in demand and revenue.

For guidance in developing and implementing best-practice pricing tariffs refer to Appendix B.

b) Sewerage Pricing

Best-practice **sewerage** pricing involves a uniform annual sewerage bill for residential customers. For non-residential customers an appropriate sewer usage charge is required for the estimated volume discharged to the sewerage system, together with an access charge based on the capacity requirements that their loads place on the system relative to residential customers.

For guidance in developing and implementing best-practice pricing tariffs refer to Appendix B.

c) Liquid Trade Waste Pricing & Approvals

Best-practice **liquid trade waste** pricing requires appropriate annual trade waste fees and re-inspection fees for all liquid trade waste dischargers. These fees are in addition to the non-residential sewerage bill.

The LWU must also levy an appropriate trade waste usage charge for trade waste dischargers with prescribed pre-treatment³, and appropriate excess mass charges for large trade waste dischargers (> about 20 kL/d) and for dischargers of industrial waste.

³ Prescribed pre-treatment comprises the equipment shown in Table 4.1 of 'Concurrence Guideline for Discharge of Liquid Trade Waste to the Sewerage System', DLWC 2002, or any pre-treatment facilities deemed appropriate by the LWU.

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**10 CHANGE OF RATING STRUCTURE - SEWER ANNUAL CHARGE
(26.00010) - Item prepared by Bob Roach**

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A full report detailing the calculation of the proposed annual sewer charge will be presented to Council's November meeting.

City Treasurer's Report to the Council Meeting, 20/08/2003.

GENERAL MANAGER

MAYOR

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48 Item 10 CHANGE OF RATING STRUCTURE - SEWER ANNUAL CHARGE (26.00010)

MOVED: Cr L Schofield SECONDED: Cr M Tudor

RESOLVED: That Council proceed to introduce an annual sewer charge for all rateable properties within the Council area as outlined in the report.

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MEMORANDUM

TO: SENIOR RATING OFFICER
FROM: CITY TREASURER
DATE: 21 AUGUST 2003
SUBJECT: **ITEM 10 CITY TREASURER'S REPORT TO COUNCIL ON
20 AUGUST 2003 – SEWER ANNUAL CHARGE**
FILE: RR:AB:26.00010

At Council's meeting held on 20 August 2003, Council resolved to introduce an annual sewer charge for all rateable properties within the Council area as outlined in the **attached** report.

Councillors have been advised that a full report detailing the calculation of the proposed annual sewer charge will be presented to the November Council meeting.

Would you please work with me in finalising this report no later than the middle of October 2003.

R Roach

CITY TREASURER

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MEMORANDUM

TO: CITY TREASURER
FROM: DIRECTOR OF CORPORATE SERVICES
DATE: 3 DECEMBER 2003
SUBJECT: **ITEM 13 – DISCUSSION FORUM – POLICY COMMITTEE –
26 NOVEMBER 2003 – USER PAYS SEWER PRICING**
FILE: DS:AA : 26.00010 ✓

Please find **attached** minutes of the Policy Committee meeting held 26 November 2003 from the Discussion Forum on User Pays Sewer Pricing for inclusion in future reports to Council.

Please put in place the necessary actions.

Thank you for your assistance.


D Sherley
DIRECTOR OF CORPORATE SERVICES

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