



Submission to Office of Living Victoria

**Developing the Metropolitan
Whole of Water Cycle Strategic Framework**

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1.1 Introduction

The Australian Water Association (AWA) has the goal of sustainable water management for Australia. It is the peak water association in Australia and has a membership drawn from government departments and agencies, water corporations, consultants, contractors, research and academic institutions other service providers and individuals. In Victoria the membership totals over 1300.

The AWA Victorian Branch hosted a workshop to consider the draft paper 'Developing the Metropolitan Whole of Water Cycle Strategic Framework' (**Paper**) on 1 October 2014. This submission is based on the comments collected during that workshop and other feedback provided by members.

1.2 Preamble

AWA congratulates the Office of Living Victoria (OLV) on the publication of the Paper. It recognises the importance of Whole of Water Cycle Management (WWCM) and many of the actions necessary to see it implemented. This submission identifies a number of issues which we consider need further work to ensure that effective implementation occurs.

We would be happy to meet with OLV and discuss these issues, and work with OLV to support implementation.

The Melbourne water sector provides water, wastewater and stormwater services for over 4 million people. These services include providing a healthy water environment for residents (safe drinking water and waste water removal and treatment), water for beneficial uses including industry, recreation and environmental values, environment protection of Port Phillip Bay and management of waterways and flood protection.

These services are undertaken by local councils, water authorities and catchment and land management bodies overseen by state government departments, including the ESC, EPA and Health Department.

It is estimated that over \$3 billion in operating costs and over \$1 billion of capital investment is spent annually to manage these systems creating over 10,000 direct and indirect jobs.

Further, a robust water sector creates the opportunity for commercial and industrial growth.

Current issues against which the proposals contained in the Paper should be considered include:

- Housing affordability – including the relative costs of the initiatives and how those costs will be met and the potential impacts on first home buyers if the costs are passed on as developer contributions rather than through rates, service charges or other forms of recurrent charging;
- The pressure to reduce water bills and the implications for water corporation expenditure, especially for ongoing maintenance of systems;
- The need for improved flood management in urban areas given the impact on weather patterns and ARIs, due to climate change.
- The role of local government, developers and water corporations in the implementation of WWCM initiatives.

1.3 Response to Developing the Metropolitan Whole-of-Water- Cycle Strategic Framework (2014-2024)

In summary, AWA supports most of the policy objectives and initiatives contained in the report. Our concern is with the lack of recognition of the challenge and need for follow through on implementation, including specific guidance about how to ensure that multiple parties who are involved in the implementation of WWCM will engage in the process to successfully produce holistic beneficial outcomes at least-cost.

This submission identifies key principles underpinning Melbourne's water supply system and the problems and obstacles to the implementation of WWCM which AWA considers need to be addressed for this to be successful.

AWA considers that a key policy driver for the framework is to maintain Melbourne's liveability status. This provides the key drivers for other policy directions:

- **Public Health.** Safe drinking water and removal of waste and flood protection are key to Melbourne's liveability. Reduction of heat island effect and provision of recreation amenity, for example through large canopy street trees and green open-space for exercise.
- **Waterways and the Bay.** The protection of the environmental and ecological condition of waterways and the Bay are central to the sustainable beneficial use of water in the environment for the people of Melbourne.
- **Affordability.** Pricing for water should be set in the context of the broad goals associated with the real cost of liveability in Melbourne, not arbitrary price setting. Beneficiaries of investment should pay. Those who damage the system (e.g. polluters) should pay and be penalised. Social equity and cross subsidies should be transparent.
- **Employment.** Security of water supply for industrial and commercial purposes should be safeguarded. This includes agriculture in the wider metropolitan context, as well as high water use industries such as food and drink and textiles.
- **Long Term Asset Planning.** By its very nature, asset investment is a long term proposition, significantly greater than the political cycle. Melbourne's liveability is a product of long term investment in infrastructure over the past 150 years. The key factors for planning are:
 - Maximise the utilisation of existing assets
 - Achieve multiple benefits from new assets
 - Stage investment to meet future supply and demand changes
 - Develop skills and expertise that are enhanced by our natural competitive advantage. For example, we have one of the largest land based sewage treatment systems in the world (WTP). Should we be net exporters or importers of enhancements to this technology? Where do we put our research and development investment? Are we a smart water industry or do we import all our expertise?
 - Understand the risk based assessment for economic investment and consider externalities (the triple bottom line). For example, water restrictions are used to plan for economic investment. The lower the expectation for restrictions, the higher the required investment. The social application of restrictions is a community decision (do you allow for public assets such as sporting arena to be watered while not allowing private lawns to be watered?)

In order to effectively and efficiently manage the system, **a robust and consistent decision making framework** is required. It is recognised that the management of the water sector is not broken, but could be improved and further integrated with other sectors. It is important not to lose the structural stability that has developed over the last 150 years.

The key areas of action are:

- **Single lead agency.** There should be a single overarching authority that has powers to create and enforce long term water planning requirements. This would be accountable to government, but separated to ensure long term liveability goals are maintained.
- **Regulation and Governance.** Clear regulation and governance requirements that provide significant net benefits to the community. A single lead agency could provide a single point of contact for the implementation of policy through statutory referral and approval methods.
- **Transparency.** How do we demonstrate that we have done the right thing? KPI's should fundamentally measure the effectiveness of implementation.
- **Integrated planning.** There needs to be a mechanism that brings the actors responsible for delivery of the outcomes together into one framework. At present it is as much good luck and the efforts of key individuals that leads to WWCM projects being implemented as any systematic policy implementation approach.
- **Community engagement.** There should be mechanisms recognised for communities to be involved in some aspects of WWCM project sponsorship and implementation.

Finally, any mechanism being pursued by OLV needs to lead to **collaboration** of resources and expertise throughout the water industry.

A key issue identified by AWA members across a number of organisational settings is the extent of 'siloism' within and between organisations. Work needs to be done to build better links between (and within) Councils, developers and water authorities.

Important actions are to encourage:

- **Building strong relationships between the private and public sector.** How do we get the best value through the interaction between experts in private industry (consultants, private operators and equipment suppliers) and the institutions?
- **Private investment.** What structures are required to get effective private investment, particularly below \$10million?
- **Information and skills sharing.**

In terms of the key questions posed in the Paper, we respond as follows.

Q1.

The relationships between the different levels of water resource planning are important, however it should be recognised that most implementation occurs at the local scale and the framework needs to facilitate and encourage local action and collaboration. At present there seems to be little traction between the subregional plans and local implementation. How are Councils, developers, water corporations and other players to be engaged?

Q2.

Many of the principles can be applied to regional centres. A key difference is that waterways 'draining' regional cities generally feed regionally significant water bodies relied on by urban communities or downstream irrigators, unlike Melbourne where the emphasis is largely on flood mitigation and water quality in Port Phillip Bay. Stormwater capture in regional cities is likely to take water out of downstream catchments. This will need to be recognised and managed in the water planning frameworks.

Q3.

We support an 'open source' approach in two ways. Firstly, any water systems modelling undertaken and any information relied on by OLV in its approach to water planning must be transparent and open to peer review.

We also support an 'open source' model in the sense of multiple sources of water within the overall urban water system. It is unfortunate that having contributed significant funds to the upgrading of northern Victorian irrigation system Melbourne ratepayers and taxpayers were denied access to a share of a cheap source of water. There has also been unreasonable political resistance to indirect potable re-use, which has been happening in an unplanned way for many years. We need a multiple water source model, similar to that adopted in other jurisdictions, eg Singapore.

Q4.

It is recognised that the Water Bill will not be passed in the current Parliament. Whether the Bill is re-introduced and in what form will be a matter for the next parliament. However while much of the Bill was supported, AWA considered that there were deficiencies particularly in relation to water planning frameworks. There is a need for more robust water planning and greater attention to over-allocation and over-consumption. This will be more important with the demise of the National Water Commission.

Q5 & 6.

There is a need for easier access to private capital and for mechanisms that allow private players to enter the market in conjunction with water corporations. It is recognised that the State Government is committed to public ownership of water utilities. However there are significant opportunities for the private sector to bring expertise and both intellectual and financial capital to the sector. To enable this there should be simpler ways for private purchase and operation of existing infrastructure and for private funding of new projects without the high transaction costs of PPP type models.

AWA considers that DEPI/OLV and DTF need to work together to produce a simpler contractual model which can be used for smaller projects. This is particularly the case if we are to get funding into the smaller local stormwater capture and reuse projects.

Generally speaking, there needs to be a robust probity model using tender type arrangements (even for unsolicited bids, which can be managed without disclosing intellectual property) to ensure value for money and an open competitive approach. In some cases there will be the opportunity for private sector investment as part of major development projects.

Q7.

We need to recognise the externality benefits from local water projects and work out a way of measuring and accounting for these. They include improved waterway ecology, recreation and amenity benefits and public health benefits. If not, many of them will simply be unfunded. Why should customers pay some \$4 to \$8 or \$10 a KL when you can order desalination water at an effective marginal price of \$0.80/KL?

Q8, 9 & 10.

The proposed network accountability model is weak and there is no effective accountability. Some options need to be considered. For example, why not amend Local Government regulations to require Councils to produce a local Sustainable Water Plan to give effect to regional plans. There could be a suite of projects that could be selected from. It does not need a prescriptive approach. There is no need to force Councils to waste time and money exploring a range of options if plans and regulatory requirements are already in place (eg for third pipe systems).

On the other hand a robust framework with good case studies and support, together with a requirement for local accountability would be a good move. It would have to be accompanied by some relaxation in rate capping to allow for local expenditure on initiatives. The plans should go through a public review process to ensure transparency and greater confidence and acceptance by those affected, prior to Ministerial approval thus providing both local and State accountability.

The alternative is to reverse devolution and vest all stormwater drainage powers to Melbourne Water as the metropolitan drainage authority. This would allow an integrated approach by a body with the expertise and experience at metro wide scale implementation. Alternatively, MW could assist Councils to develop the plans and maintain involvement without leading, however, Councils would need to be clearly accountable for the implementation of the local WWCM plans.

There are other options. One suggestion by members is the creation of a new body vested with MWC's current powers to manage all water sources within the metropolitan region. This body would also replace SRW and the Port Phillip CMA in respect of groundwater management and drainage and surface waters. It would therefore truly integrate all sources into a single management framework with a strong revenue base from the sale of bulk water..

Another option is the inter-agency model, provided there is clear accountability for each to act. For example, the model used for Port Phillip Bay Environmental Management Plan could be applied. This uses an inter-agency approach to deliver bay health benefits. Accountability of each agency is clearly defined to achieve overall holistic goals, actions plans identified, progress monitored over long-term. Plans re-done every 5-10 years through multi-agency working group. This would only work if there was adequate funding for implementation and the roles and responsibilities are clearly defined.

One way or the other there needs to be robust accountability. The current position is not effective. At present the body charged with implementation (OLV) has no effective statutory traction with developers etc and is not in a position to take control of local drainage catchments and drive implementation.

Q11, 12, 13 & 14.

We support the KPIs and the proposed role of OLV in monitoring (p.37, 3rd para). This is similar to the role previously performed on a national basis by the NWC.

The outcomes will assist to drive behaviour, but on their own have the potential to generate hostility and a further 'us and them' situation. Unless OLV can assist with funding and practical support it may fail. Councils are strapped for funds. Developers will often resist what is perceived as additional cost. There needs to be clear mechanisms for implementation which provide resources and decision-making power at the level of government where these things are being done.

For example, within PSP areas being driven by the MPA there may be scope for MPA and OLV together to work with developers to achieve improved outcomes. However the hard lesson experienced by some Councils like Melton and Casey is that GAA (now MPA) drive preparation of a PSP and DCP, without adequate attention to detail, so it is under planned, under scoped and under funded, then they disappear leaving Councils to try to implement the objectives and balance the books of the DCP.

OLV needs to find a way to lead intellectually in this space, but also to lead in a practical way, bringing Council planners and drainage engineers and others into the process, while recognising, as the Paper does, that there are significant geographic, climatic as well as socio-economic differences across the metropolitan area.

Data sets will have to be developed to support implementation of the KPIs. Other than Melbourne Water and BOM, who is going to pay for this and who is going to do it if not these agencies? AWA would be prepared to assist with the development and implementation of a system.

Q15 & 16.

The roles and responsibilities are not adequately reflected in the diagrams. The urban water cycle is not fully shown. For example, excess rainwater leaves water tanks or on-site detention and moves into the public stormwater system. Where is existing metropolitan indirect potable reuse shown?

Q17 & 18.

We generally support the scope of the proposed guidelines (refer page 42). However we remain concerned that OLV may be overcomplicating the assessment of options.

This is a difficult area which requires a balance to be found. We recognise that the system is complex and that different options may be viable in different areas. The need is to ensure that the process doesn't defeat itself before it gets started. That's why we have pushed for a suite of options to be developed and a series of case studies to help developers, Councils and consultants get to grips with some of this. If the sub-regional methodology is going to be applied at the local scale, who is going to pay? We consider that there is a need for greater clarity around these issues.

Q19, 20, 21 & 22.

They might be adequate planning documents at a metropolitan and sub-regional scales, but who is going to implement them and how at the local level?

On their own they are not adequate to 'achieve sound whole-of-water-cycle management at a sub-regional level' (OLV words). They won't achieve their objectives if they are too complex, too expensive, have no accountability, lack some regulatory teeth, have no effective leadership and fail to build goodwill with the key parties. This could all be done if appropriate implementation arrangements are put in place, or there is a coalition of forces who want to implement these initiatives.

The barriers are regulatory but also cultural and organisational. These are more significant. As some examples of the issues:

- Have you tried to get planners and engineers and developers etc working in one growth area in the same room talking through these issues to identify what is possible?
- In some Councils the planners don't understand water management at all and don't talk to their own engineers. In other Councils strategic planning and statutory planning are done in separate offices and they rarely talk.
- Some stormwater engineers don't want to think about new methods of dealing with stormwater – it is a flood problem not a resource.
- Similarly the response in water authorities varies from 'it's not our problem' to 'a great opportunity' etc.

Q23 to 27.

Local plans are patchy. There is a need for greater consistency of approach (albeit with different initiatives in different areas etc).

The governance and implementation measures are inadequate. One option might be local steering committees if one of the parties had legal responsibility to see initiatives implemented. You could have OLV taking a leadership role in coordinating local initiatives but this would need to come with 'a fistful of dollars' and some clear ideas as to who has what legal powers to get things done. At the moment (and even with the new Bill) there are too many gaps in legislation. The reality is that Councils don't have to do anything. Some Councils are responding to the WWCM agenda and local opportunities but many are not. Clause 56.07 (of Victorian planning schemes) and all the policy driven by MPA and in planning schemes just means Councils try to get developers to implement WWCM and pay. That some inner Councils are retrofitting projects simply reflects what funding programs are available. It is not sustainable unless the multiple values that water represents in the urban environment are recognised and factored in.

Who is going to review street tree policies so we get better canopy cover and more of Melbourne can enjoy the environment of the inner east? How do we get irrigation into volcanic soils of the western plains to improve the environment (and indirectly improve property values)?

What is the mechanism for getting local plans prepared and implemented? As far as we are aware there isn't one.

As we indicated above, it seems to AWA that either Councils should be mandated to prepare and implement local WWCM plans, a robust inter-agency model is developed or Melbourne Water takes over all drainage for the metropolitan area.

WWCM is often viewed as the planning for wastewater and stormwater utilisation, however this falls far short of its true potential. In order to reap the liveability and cost-benefits of WWCM, the potential to optimise and integrate local water resources must be considered in the planning, design and construction of all open-space and built assets. In this way, WWCM cannot be implemented by a single management authority without significant collaboration, including with local government, the water sector, planning authorities and the private sector.

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