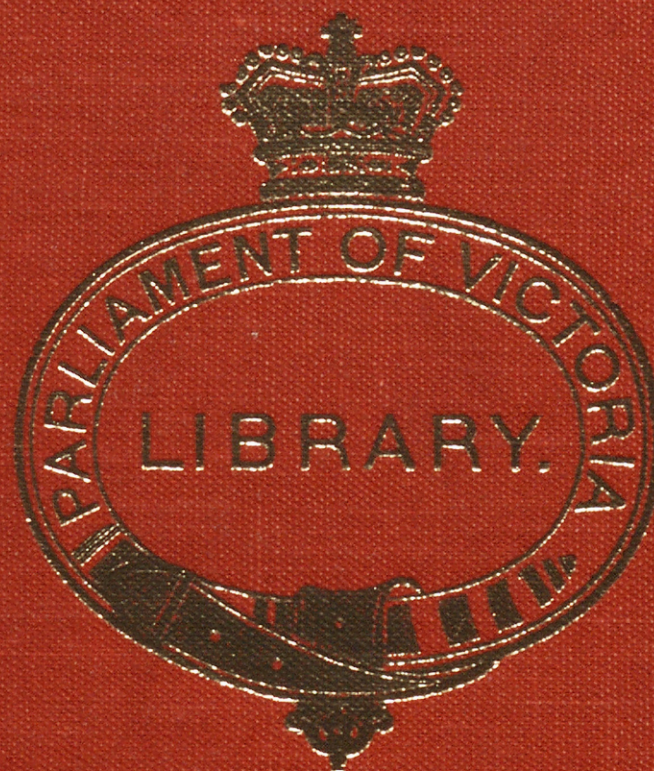


VICTORIA

MINUTES  
OF THE  
PROCEEDINGS  
OF THE  
LEG.  
COUNCIL

—  
VOL. 2  
SESSION  
1981 - 82







**MINUTES OF THE PROCEEDINGS**  
**OF THE**  
**LEGISLATIVE COUNCIL OF VICTORIA**

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**SESSION 1981-82**

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**VOLUME 2**

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PUBLIC ACCOUNTS AND EXPENDITURE REVIEW COMMITTEE

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TREASURY MINUTE RELATING TO

AUDITOR-GENERAL'S REPORTS FOR 1976-77

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*Ordered to be printed*

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EXTRACTED FROM THE MINUTES OF THE PROCEEDINGS OF  
THE LEGISLATIVE COUNCIL

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TUESDAY 8 SEPTEMBER 1981

- 12 PUBLIC ACCOUNTS AND EXPENDITURE REVIEW COMMITTEE -  
The Honourable A.J. Hunt moved, by leave, That  
the Honourables Clive Bubb, G.A.S. Butler, D.K.  
Hayward and N.F. Stacey be members of the Public  
Accounts and Expenditure Review Committee and  
that the said Committee have power to send for  
persons, papers and records.

Question-put and resolved in the affirmative.

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EXTRACTED FROM THE VOTES AND PROCEEDINGS OF  
THE LEGISLATIVE ASSEMBLY

---

TUESDAY 8 SEPTEMBER 1981

- 16 PUBLIC ACCOUNTS AND EXPENDITURE REVIEW COMMITTEE -  
Motion made, by leave and question-That-(a) Mr.  
Evans (*Gippsland East*), Mr. Mackinnon, Mr. Mathews,  
Mr. Remington, Mr. Richardson, Mr. Rowe, Mr.  
Walsh and Mr. Williams be Members of the Public  
Accounts and Expenditure Review Committee; and  
(b) the Committee have power to-(i) send for  
persons, papers and records; and (ii) commission  
any person or persons to investigate and report to  
the Committee on any aspect of the subject-matter  
under investigation by the Committee (*Mr. Thompson*)-  
put and agreed to.
-



TERMS OF REFERENCE

PARLIAMENTARY COMMITTEES (PUBLIC ACCOUNTS AND  
EXPENDITURE REVIEW COMMITTEE) ACT 1979

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SECTION 5

- 5 The functions of the Committee shall be -
- (a) to examine the accounts of the receipts and expenditure of the State and to bring to the notice of the Parliament any items in those accounts, or any circumstances connected with them which it may consider appropriate;
  - (b) to inquire into and report to the Parliament on any question in connexion with public expenditure which is referred to it by the Council or the Assembly;
  - (c) to consider and report to the Parliament how, if at all, the administration of Government programmes and policies may be carried out more efficiently, effectively and economically; and
  - (d) to report to the Parliament any alteration which may appear desirable to be introduced in the form or method of keeping and presenting the Public Accounts, or in the mode of receipt, control, issue or payment of the public money.

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R E P O R T

The Public Accounts and Expenditure Review Committee has the honour to report as follows: -

1.1 This report presents the Treasury Minute on the Committee's report upon the Auditor-General's Reports for 1976-77.

The Treasury Minute procedure is that, following presentation of a report to Parliament, the Committee forwards copies of the report to Treasury and the departments concerned for comment. The Treasury prepares a Minute which expresses a Treasury view of the departmental response. This Minute, together with Committee comment where necessary, is incorporated in the report for the information of the Parliament.

1.2 The Committee's report upon the Auditor-General's Reports for 1976-77 was tabled in Parliament on 8 May 1980. Departmental comments were forwarded to Treasury by 3 November 1980 with a request for a Treasury Minute to be prepared. The Treasury Minute was received by this Committee on 1 June 1981.

1.3 This report sets out the relevant extracts from the above report, together with the Treasury Minute received.

The presentation of this Treasury Minute completes the inquiry conducted by this Committee's predecessor into the Auditor-General's Reports for 1976-77.

REPORT UPON THE AUDITOR-GENERAL'S REPORTS FOR 1976-77

2.1 EXTRACT FROM COMMITTEE REPORT (page 2)

*Insurers' Guarantee and Compensation Supplementation Fund*

*Main Report pages 33-34*

6 In his report the Auditor-General commented in the following terms: -

*An audit report on the operations of the Fund for the period from the date of its establishment, 28th May, 1975, to 30th June, 1976, drew attention to several unsatisfactory features including:*

- (a) the fact that the legislation does not provide any clear indication as to whether the Treasury or the Insurance Commissioner is responsible for the administration of the Fund;*
- (b) the absence in the legislation of any specific power to examine the records of insurers in relation to the receipt and payment by any administering authority of the surcharge levy; and*
- (c) weaknesses in internal control and associated difficulties in establishing the correctness of amounts receivable and payable from the Fund.*

*The several matters raised by audit have yet to be resolved.*

12\* It is clear from the Committee's inquiries that some errors have occurred and that the amount of any discrepancy is difficult to ascertain. As legislative authority still exists to enable the reintroduction of the levy if desired, the Committee believes that administrative procedures should be reviewed. This review should put complete responsibility for the Fund with either the State Insurance Office or the Treasury.

\*The *Workers Compensation (Miscellaneous Provisions) Act 1979, No. 9297*, places responsibility for the Fund with the Treasurer and also gives the Treasurer the power to delegate to the State Insurance Commissioner any or all of his powers in relation to the Fund.

The Act also requires an insurer to furnish an auditor's certificate in relation to contributions to and claims from the Fund and facilitates inspection by the Insurance Commissioner of an insurer's books of account.

These amendments are to enable the accuracy of insurers' returns to be verified.

## 2.2 TREASURY MINUTE

The State Insurance Commissioner responded as follows -

As has been noted in the Report, the Workers Compensation (Miscellaneous Provisions) Act 1979, No. 9297, has clarified the position regarding the matters raised by the Auditor-General and discussed by the Committee.

Treasury notes the Insurance Commissioner's comments.

### 3.1 EXTRACT FROM COMMITTEE REPORT (page 12)

*Education Department - Property Purchases*

*Main Report pages 61-62*

35 Explanations provided in respect of the various property purchases appear to be logical and a common sense business approach seems to have been taken in respect of each purchase. The Committee is concerned, however, that the Education Department has adopted this approach without first having legislative authority. The Committee reiterates its belief that the Department, in consultation with Treasury and Audit Office personnel, should review its legislation and statutory rules so that proper authority exists for the Department to meet its objectives.

### 3.2 TREASURY MINUTE

The Education Department responded as follows -

Subsequent to the activities of the Department, covered by the report on the Auditor-General's Report for 1976-77, two significant amendments to legislation have altered the framework of authority under which the Department operates.

1 *Education (Further Amendments) Act 1978*

2 *Education (Further Amendments) Act 1979*

The wider powers provided within this legislation provide adequate scope for operations in the present environment.

Treasury commented as follows - The major objectives of the 1978 amendment to the Education Act, mentioned by the Department, were to enable the Minister of Education to establish agreements with local councils and community organizations in order to permit the joint use of both school and community facilities and so enable a better standard of facility to be provided and to broaden the interpretation attached to educational activities being carried out by School Councils. The 1979 amendments enabled a School Council to enter into contracts with any other school council; to be paid for works undertaken on their own behalf or on behalf of other school councils and, with the approval of the Minister of Education, to enter into agreements for joint developments of facilities or services.

Since the Department acknowledges that the amended legislation provides adequate scope for operation in the present environment the events and actions which were the subject of criticism by the Auditor-General in his report for 1977-78 should not recur.

#### 4.1 EXTRACT FROM COMMITTEE REPORT (pages 13-14)

*Department of Labour and Industry Annual Advance*

*Main Report page 95*

39 In the Auditor-General's Reports for 1974-75 and 1975-76 and again in 1976-77, reference has been made to the fact that the Annual Advance of the Department of Labour and Industry has not been reconciled since 15 January 1974.

Considerable work has been undertaken by the Accountant to reconcile the Advance Account as at 30 June 1975. As at the date of Mr. Waldron's appearance before the Committee the Account still had not been reconciled.

40 The Committee has noted further comments from Mr. Waldron to the effect that this reconciliation has still not been made. The Committee is concerned at the lack of satisfactory progress by the Department in reconciling the Advance.

#### 4.2 TREASURY MINUTE

The Department of Labour and Industry responded as follows -

On 7 November 1979 certain recommendations were made to the Director of Finance for reconciling the Departmental Advance Account. A copy of that letter was sent to the Auditor-General. On 18 March 1980, the Assistant Director - Accounting advised that, having regard to all the circumstances, the Treasurer had approved of the adjustment of the Account by charging various amounts to certain Votes of the Department of Labour and Industry and Ministry of Consumer Affairs.

The Account was adjusted by charging all the relevant amounts to the Votes on 29 April 1980 (reference 05/2195)

Treasury agreed that, as stated by the Department, a reconciliation of the Advance as at 30 June 1979 was presented to Treasury. The reconciliation identified the areas in which mistakes had occurred in 1974 and subsequent years. The main source of error related to payments of salary and allowances in 1974-75 when the manual payroll system was being converted to computer operation. Employees were paid correctly but errors were made in records. Treasury was satisfied that there had been no misappropriations. Adjustment, with Treasurer's approval of 18 March 1980, was made by charges to appropriations concerned. The Department is now reconciling the account each fortnight.



## 5.1 EXTRACT FROM COMMITTEE REPORT (pages 14-15)

*Mines Department - Petroleum Royalties*

*Main Report page 101*

41 The Auditor-General restated his 1975-76 comments concerning petroleum royalties and it seems that a determination on royalties is little closer to finalization than when the Committee reported on the matter in relation to those 1975-76 comments. Whilst the Minister for Minerals and Energy, as the Designated Authority, is in a position to make a determination, there is an agreement that the Commonwealth Government will be consulted before any determination is made.

The Committee is seriously concerned at the delay and the possibility of substantial amounts being outstanding to the State for such a protracted period. Further, the calculation required after a determination is made becomes greater with each passing year.

The Committee is investigating the current petroleum royalties situation and the cause for the continuing delay with officers from Treasury and the Department of Minerals and Energy. The results of this investigation will be reported in the Committee's report on the Auditor-General's Reports for 1977-78.

## 5.2 TREASURY MINUTE

The Department of Minerals and Energy responded as follows -

The Committee will recall that this matter was the basis for the Committee meeting on Tuesday, 3 June 1980, at which were present the Honourable J.C.M. Balfour, Minister for Minerals and Energy, Mr. B.W. Court, Secretary for Minerals and Energy, and Mr. J. Le Page, Director of the Oil and Gas Division of the Department of Minerals and Energy.

At this meeting it was disclosed that agreement had been reached with licensees in respect of the ascertainment of wellhead value of petroleum and that a re-assessment of all royalties back to the commencement of petroleum production, would be made in line with the heads of agreement reached between the Designated Authority and the licensees. This determination of royalty value is currently being assessed.

It should be stated here that the amount of arrears to be paid by the licensees over all these royalty periods will not be as high as the \$15 million mentioned in Minute 42

of the Auditor-General's Report and in fact will probably be in the region of \$3 million.

The agreement with licensees referred to above was made after full consultation with the Commonwealth Government and in accordance with their wishes on this matter.

Treasury notes the Departmental comments and the fact that the Auditor-General in his report to Parliament for the year ended 30 June 1980 stated -

*On 22 May 1980, the Designated Authority and the licensees reached agreement, in terms of the legislation, as to calculation of the value of petroleum at the well-head. The agreement is retrospective and covers all royalty periods from the commencement of production. The significant items included in the agreement are:*

- (a) The location of the well-head with respect to wells drilled from fixed platforms is the choke valve or the first control valve located immediately downstream of the point known as the Christmas Tree.*
- (b) Duties of customs and excise levied by the Commonwealth on sales of petroleum products are excluded from the assessment of well-head value.*
- (c) A proportion of the cost of platform structures is deemed to be post well-head fixed assets for purpose of depreciation allowance calculations.*
- (d) No allowance is made for the cost of working capital.*
- (e) Allowance is made for interest, at a fixed rate per annum, on the written down value (at the royalty depreciation rate) of all allowable post well-head fixed assets.*

*Re-assessment of well-head values used in past royalty computations to take account of the May 1980 agreement is in progress. It is understood that workings involved in the re-assessment are quite complex and time consuming. It would appear that the re-assessment will lead to an adjusting royalty payment by the licensees to the State.*

*On 7 January 1980, the Designated Authority made a determination, in default of agreement with the licensees, as to the location of the well-head in respect of petroleum recovered from the Cobia-2 subsea completion well. This determination and the corresponding royalty payments are currently under dispute by the licensees.*

### 5.3 COMMITTEE COMMENT

The Committee will keep under review the determination into the location of the well-head in respect of Cobia-2 subsea completion well.

## 6.1 EXTRACT FROM COMMITTEE REPORT (pages 15-16)

Defalcations and IrregularitiesMain Report pages 145-6

43 In accordance with the usual practice the Committee examined several reported cases of defalcations and irregularities, two of which are deserving of further comment: -

(a) Mount Buffalo National Park (Ministry for Conservation)

The Auditor-General reported a deficiency of approximately \$3 038. In discussion with the Committee Mr. Waldron indicated that his audit inspector had drawn attention to the lack of security in relation to ski tow tickets which led to a deficiency of \$2 127. No satisfactory explanation could be obtained in relation to a shortage of funds. However, Audit Office staff were of the opinion that the Department has now taken steps which should prevent a recurrence of this situation.

(b) Social Welfare Department - Family Assistance

In evidence to the Committee Mr. Waldron indicated that reference had been made in the previous Auditor-General's Report to an overpayment of \$3 420. As a result of this earlier reference an audit investigation was initiated embracing a review of the whole system. Unfortunately, at the time evidence was tendered to the Committee, this investigation had not been completed because of lack of experienced staff and other audit commitments.

## 6.2 TREASURY MINUTE

Paragraph 43(a) - Mount Buffalo National Park

The Ministry for Conservation responded as follows -

- 1 The deficiency of \$2 127.25 was at least partially attributable to the lack of internal control and the irregularities in the actual distribution of tickets, as pointed out by the Auditor. Moneys were simply placed in the safe prior to banking, without any real regard or verification as to how much was actually held at any particular point in time. As stated previously, proper check counts were very rarely carried out. No doubt

this lack of control contributed considerably towards the deficiency in question, although one could not ignore the possibility of theft.

- 2 Because of the unusual pack in which tickets were supplied by the Government Printer, and the adverse weather conditions which prevail during the snow season, it is probable that errors in accounting for ski tow tickets at points of sale were unavoidable..... This point was verified by the Auditor in paragraph 8 of this report.
- 3 To avoid similar reoccurrences this year and in future years, the following internal control procedures have now been implemented. A ticket box is used at each ski run to facilitate the sale of tickets. As there are two ski runs in operation through the snow season, two ticket boxes are used (one box situated at each run). The Sub-Collector collects revenue from each of the Box operators once or twice daily, depending on the level of activity. During this process the Sub-Collector checks the amount of cash on hand to ensure that it agrees with a daily takings sheet, after which a receipt is written out and handed in exchange for the cash to the relevant operator.
- 4 The daily takings sheet is dissected into the various types of tickets for sale, and discloses the number of tickets received by each operator, the ticket numbers relating thereto, and the same relevant information for the tickets returned, spoilt and sold. Any tickets which are spoilt are attached to the corresponding daily takings sheet. This sheet also provides details for cash floats and collections and is signed by the operator and verified by the Sub-Collector.
- 5 Prior to the commencement of the days operations, all float monies are counted by the Sub-Collector and subsequently checked by the cashier. Verification is also made as to the numerical sequence of the tickets handed to each cashier.
- 6 Prior to banking, the total cash on hand is once again counted and agreed to the receipt book. The cash book, which has been redesigned to disclose a columnar dissection of the various sources of revenue, is written up directly from the receipt book.

Treasury notes the comments of the Ministry for Conservation. Action taken by the Ministry should prevent a recurrence of this problem.

Paragraph 43(b) - Social Welfare Department (now Community Welfare Services)

The Department of Community Welfare Services responded as follows -

The overpayment occurred when a junior officer made a basic error in transcription on a computer format sheet, whereby the simple insertion of an additional zero effectively allowed payment to be made to the recipient of a pension of \$950 per fortnight, instead of \$95. This occurred for four fortnights before being detected by the Department and resulted in the stated overpayment of \$3,420. The computer sheet on which the error was made is the prime entry medium for process by the computer, a facility incidentally provided by the Commonwealth Department of Social Security at no cost to the State.

Following detection of the error, the systems in use were immediately reviewed and resulted in automatic overpayment rejection controls being introduced into the computer programme so that upper limits for the various types of pension classes were fixed, making further overpayments of this nature impossible. In addition, and at the same time, the manual processes for handling input and output data were strengthened, both at the pension request source, normally a regional office, and also within the Accounts Branch which received and distributed the 3,000 pension cheques issued, on average, each fortnight.

As the Committee's Report mentioned the Auditor-General commenced a comprehensive review and appraisal of the Family Assistance payments scheme involving an examination of both the Commonwealth Department of Social Security's computer file and our own; however for the reasons stated, the investigation was regrettably never completed.

For my part, I am pleased that this Department's review of the system and procedures was totally effective and minimised the possibility of further administrative error.

Eventually all moneys in this particular case were recovered by subsequent court action.

Treasury notes the comments of the Department of Community Welfare Services. Action taken by the Department should ensure that overpayments of the nature mentioned are not repeated.

7.1 EXTRACT FROM COMMITTEE REPORT (pages 16-17)

Late Accounts

Supplementary Report page 3

44 Several instances were again listed of accounts being unavailable for inclusion in the Report. The two instances of greatest concern to the Committee were as follows: -

(a) Local Authorities Superannuation Board

(b) Country Fire Authority

7.2 TREASURY MINUTE

Paragraph 44(a) - Local Authorities Superannuation Board

The Local Authorities Superannuation Board responded as follows -

Early in 1979, the Board considered the problem of delays in accounting and reporting procedures, with particular regard to the report for the year ended 28 February 1977, referred to by the Auditor-General. It was agreed that the appointment of additional staff and computerisation of accounting procedures would eliminate unnecessary delays, and every effort has been made to overcome the backlog of work.

The following table gives a clear indication of the progress made by the Board's staff since the new staffing and procedures have been introduced: -

YEAR	VALUATION COMPLETED	ACCOUNTS COMPLETED	FROM ACTUARY	FROM AUDITOR GENERAL	ANNUAL REPORT
1976/77	MAY 78	JUNE 78	JUNE 78	DEC. 78	JUNE 79
1977/78	MAR. 79	MAY 79	MAY 79	SEP. 79	DEC. 79
1978/79	NOV. 79	DEC. 79	MAR. 80	NOT YET RECEIVED	ESTIMATE JULY 80
1979/80	ESTIMATED JULY 80	ESTIMATED JULY 80			

The table shows that the period of time between the close of the financial year and the completion of accounts has been reduced from 16 months in 1976-77 to 15 months in 1977-78 and 10 months in 1978-79. The estimated completion date for 1979-80 accounts is 5 months.

It should be pointed out that the annual report for 1978-79 cannot be published until the Auditor-General's report has been received, but this is expected early this month. It will be clear from the above information that considerable time delays occur after the close of the financial year in obtaining completed audit and actuary's report. This severely limits the possibility of producing annual reports within 8 or 9 months of the close of the financial year.

The Board is anxious to reduce the time lag in publishing annual reports (estimated time is 17 months for the 1978-79 report), and has decided to issue an interim report each year within six months of the close of the financial year, incorporating unaudited figures.

One of the factors causing delay is the completion of the audit. The Board has been advised verbally by the Auditor-General's Department that the audit for the year ended 29 February 1980 will not commence until late in the year. On 3 June 1980 the Board wrote to the Auditor-General asking for the introduction of a progress audit during the year and early completion of the audit once the accounts are finalised. The Auditor-General replied on 20 June 1980 assuring his Department's full co-operation, and suggesting that an internal audit be conducted. This suggestion will be considered by the Board at its next meeting on 9 July 1980.

The Board would like to quote paragraph 16 of the Actuary's report for 1978-79:

*A pleasing feature of this valuation was the earlier date at which the information therefor was supplied by the Board's staff.*

The Board trusts the above information will assure the Committee that the Board has taken decisive action to overcome the backlog caused by staff shortages, and has set firm target dates which are being met.

The introduction of the proposed interim report will ensure that local authorities and contributors to the Local Authorities Superannuation Scheme are informed of the Board's activities as quickly as possible after the close of each financial year. As soon as the annual report for 1978-79 has been published (target date is July 1980), work will commence on an interim report for 1979-80, and this will be given high priority.



Treasury notes the comments of the Board and the fact that its 1978/79 Accounts certified by the Auditor-General were received on 25 July 1980 and its annual report was published in the same month.

In relation to its 1979/80 Accounts, valuation was completed in July 1980 and Accounts were completed in the same month. The report from the Actuary was received on 1 December, 1980 and the annual report was published in that month. It is expected that the Board will receive the Auditor-General's report in May 1981.

The Auditor-General's suggestion in relation to the appointment of an internal auditor is still under consideration by the Board.

#### Paragraph 44(b) - Country Fire Authority

The Ministry for Police and Emergency Services responded as follows: -

In response to a request for advice regarding action taken by the Country Fire Authority to remedy the deficiency referred to by the Committee, the Secretary of the Authority has advised that the Secretarial Section of his administration has been re-structured and an additional Senior Accountant has been engaged. In the result, the final accounts of the Authority, as at 30 June 1980, were available to the Auditor-General for inclusion in his Annual Report to Parliament for 1979/80.

Treasury notes the comments of the Ministry.

### 7.3 COMMITTEE COMMENT

The Committee has ascertained that, the Auditor-General's audit report on the Local Authorities Superannuation Board has been completed and was forwarded to the Local Government Department via Treasury in June 1981. The Local Government Department has since informed the Committee that the report was sent to the Local Authorities Superannuation Board for comment on 27 August 1981.

In relation to the appointment of an internal auditor, the Committee was informed that the Board had recently implemented a new computer system which is currently being examined by the Auditor-General in order to establish an audit programme. The Board has postponed the consideration of internal audit requirements until the Auditor-General has completed his examination.

The Committee still sees internal audit as playing an important role in efficient management and would expect the Board to give this matter its urgent attention.

## 8.1 EXTRACT FROM COMMITTEE REPORT (pages 17-18)

### Albury-Wodonga (Victoria) Corporation - Acquisition of Properties - Supplementary Report page 5

45 On page 5 of the Supplementary Report Mr. Waldron referred to the following note appended to the balance sheet of the Corporation: -

*NOTE - The item in the Balance Sheet "Land and Buildings \$12,482,560" under the head of Fixed Assets, includes amounts of \$76,112 and \$668,884 paid in respect of properties acquired from B.W. Harvey and K.G. Renwick Home Units Pty. Ltd. for areas of land outside or partly outside the area designated in pursuance of the Wodonga Area Land Acquisition Act 1973. Negotiations for the purchase of the two properties commenced prior to detailed definition of the area capable of acquisition by the Corporation, and the Corporation, with the approval of the Minister, proceeded to settlement.*

He went on to suggest that the Corporation's funds were not available for the acquisition of the two properties in question. This matter was discussed with Mr. Waldron and the Committee is also in possession of comments from the Department of State Development and Decentralization. The Department maintained that there was in fact legislative authority to acquire these areas, and that such authority is contained in section 5 of the Wodonga Area Land Acquisition (Amendment) Act 1974.

The Department's claim that section 5 gave authority to acquire the properties proved to be unfounded and legislation necessary to validate these and other purchases was introduced into the Parliament on 14 November 1979.

This highlights the necessity for departments to thoroughly understand legislation which governs their activities.

## 8.2 TREASURY MINUTE

The Department of State Development, Decentralisation and Tourism responded as follows -

The comment by the Committee seems to indicate that these lands were purchased because the officers of this Department did not understand the Wodonga Area Land Acquisition (Amendment) Act 1974. The Department finds this comment rather disturbing in that the land acquisition program was carried out within the direction and guidelines laid down by the Ministerial Council comprising Ministers of the three governments overlooking the growth centre at that time.

In the case of B.W. Harvey it was found that a part of his property was outside the designated area and that, if dissected, the portion outside the designated area would not be viable.

Matters of this nature were brought to the attention of the Ministerial Council which, at its meeting on September 27 1974 decided:

*....Properties partly designated to be excluded from acquisition or purchased on the basis that the minimum disruption should be caused and proper regard be paid to possible claims for severance based on continued viability of the holding.*

This policy adopted by the Ministerial Council was based on the basic principles of fairness, justice and common sense and officers of this Department were adhering to this policy in arranging for the purchase of the Harvey property.

The land purchased from K.G. Renwick Home Units Pty. Ltd. was included in stage 1 and 2 of the Wodonga Area Acquisition Programme. The property was to be purchased under provision of the Wodonga Area Land Acquisition Act 1973 which, at that time, gave the Minister power to acquire land within 55 km of the Union Bridge.

Negotiations for this property were in the closing stages when this legislation was amended.

It would have been grossly unjust to withdraw the offer to purchase at that late stage and the Minister saw the opportunity to purchase the property under section 5 of the amending Act.

In both cases all advices given to the Minister were based on Ministerial decisions and officers carried out their duties to the Government in an admirable manner.

The opinion of the Government on these purchases was well stated by the Hon. I.W. Smith, Minister of Agriculture in the Parliament on November 21 -

*....There is no doubt that the Minister and the Ministerial Council acted in good faith with the best interests of the individual land owners in mind at all times. The whole land acquisition programme was carried out in such a manner as to ensure that the land owners were disadvantaged to the least possible degree, and in this regard officers of both the Victorian Public Works Department and the Albury-Wodonga Development Corporation are to be commended.*

Treasury notes the Departmental comments and the fact that the Wodonga Area Land Acquisition (Validation) Act 1980, No. 9401, assented to on 29 May 1980, validated these and other purchases.

### 8.3 COMMITTEE COMMENT

The Committee accepts that the Department's actions were based on principles of fairness, justice and common sense. However amending legislation was clearly necessary to validate some of the purchases made by the Corporation.

The Committee again stresses the necessity for departments to ensure that their actions are in accordance with their legislative provisions. If the existing legislation does not provide the necessary authority for a department to meet its objectives then enabling legislation must be agreed to by the Parliament prior to any departmental action being taken.

9.1 EXTRACT FROM COMMITTEE REPORT (pages 18-20)

Onion Marketing Board - Books and Accounts

Supplementary Report page 59

46 Mr. Waldron commented on the Books and Accounts of the Onion Marketing Board in the following terms: -

*Pursuant to Section 13(5) of the Marketing of Primary Products Act 1958, the Governor in Council appointed a chartered accountant as liquidator of the Onion Marketing Board as from 19 November, 1975, for the purpose of wholly winding up its affairs and the liquidator so appointed is still acting in the winding-up.*

*The books and accounts of the Board for the period ended 19 November 1975, which were completed by the liquidator as far as possible, have now been audited and details of operations for the last two seasons, i.e., those ended on 15 November 1974, and 19 November 1975, are given in the statement hereunder*

	Pool	
	1974	1975
	\$	\$
Proceeds from sales.. .. .	1 408 949	919 512
Administration and Marketing Expenses	94 239	169 695
Payments to Growers.. .. .	1 324 184	827 134

*However, because of unsatisfactory, incomplete and missing books and records, which were available neither to the liquidator nor to my officers, I have been unable to verify these figures or the assets and liabilities of the Board as at 19 November 1975. I considered it necessary, therefore, to qualify my certificate to the Balance Sheet.*

47 In evidence to the Committee the Auditor-General indicated that there was no information available to the Audit Office which could give rise to suspicion about any officers or employees of the Board. However, he did point to the magnitude of sales involved and expressed the view that there may be a need for internal audit of marketing boards by the Department of Agriculture in view of the problems encountered with the Onion Marketing Board.

52 The Committee considers that the Marketing of Primary Products Act 1958 should be closely examined

with a view to ensuring that appropriate amendments are promulgated which will require accountability of marketing boards and their members to the Parliament.

## 9.2 TREASURY MINUTE

The Department of Agriculture responded as follows -

- 1 The Department does not agree with the view expressed by the Auditor-General that there may be a need for internal audit of marketing boards by the Department of Agriculture. It is clearly the responsibility of a marketing board to ensure that its statutory powers, functions and obligations are discharged efficiently. Therefore, a board has the fundamental responsibility of ensuring that effective control is exercised over its financial and other transactions, and that the capacity, expertise and performance levels of its staff are such as to enable it to fulfil that requirement.

As the Committee is aware, the Marketing of Primary Products Act empowers boards constituted under the Act to appoint their own staff.

The Department believes that it would be neither desirable nor proper for it to intrude into areas which are clearly within the function and responsibilities of marketing boards by undertaking internal audits. It must also be pointed out that the financial and other transactions of these boards are essentially commercial in nature, and that this Department does not have any audit staff with experience and expertise in that field.

- 2 At the time the decision was taken to wind up the affairs of the Onion Marketing Board, the membership of the Board, in accordance with the Act, comprised four growers elected by qualified producers and one person appointed by the Government. The Chairman and Deputy Chairman were elected by the members of the Board, and all members were appointed or elected for a term of two years concluding on a common date.

Subsequent to the cessation of operations by the Onion Marketing Board, and with effect from 1 July 1977, Parliament enacted amendments to the Marketing of Primary Products Act under which -

- (i) Each marketing board comprises six members appointed by the Governor in Council. Of these members -

- (a) three are producers who derive a substantial portion of their income from the production of the particular commodity;
  - (b) three are persons nominated by the Minister having regard to their experience and expertise in the fields of management, marketing or business.
- (ii) The Chairman and Deputy Chairman are appointed for specific terms of office by the Governor in Council.
- (iii) The terms of office of members are so arranged that two members retire every twelve months.

These changes have enabled the Government to achieve an adequate and balanced representation of grower and commercial expertise in the membership of each marketing board. The changes have also resulted in the Chairmen and members of boards being effectively accountable to the Minister for the policies and operations of their boards.

- 3 As the Committee is aware the liquidation of the Onion Marketing Board has not yet been finalized. The delay has been caused firstly by a Court action in London relating to a shipment of onions on the "Antje Schulte" and secondly, following resolution of the London Court action, by the dispute between the Liquidator and Barker Green and Parke Produce Pty. Ltd., as to the sum due to the Liquidator by that firm.

Acting on the advice of Counsel, the Liquidator is pursuing his claim against Barker Green and Parke Produce Pty. Ltd., and the amount available to pay creditors of the Board is dependent on the outcome of this action. If the Liquidator's action is successful, it would appear, on present information, that creditors will receive at least 75 cents in the dollar.

- 4 Currently the Marketing of Primary Products Act requires only the Victorian Egg Marketing Board to furnish to the Minister for tabling in Parliament, an annual report including an audited statement of accounts. The Minister has agreed that, at the appropriate time, amendments will be introduced to apply this requirement to all marketing boards constituted under the legislation.



Treasury notes the comments made by the Department in relation to the accountability of Chairmen and Members of Boards since 1 July 1977 and Ministerial intention, at the appropriate time, to introduce amendments to the Marketing of Primary Products Act in line with the Committee's comments in paragraph 52 of its report.

### 9.3 COMMITTEE COMMENT

The Onion Marketing Board has not yet been liquidated. Legal action is pending in Victoria between the Liquidator and Barker Green and Parke Produce Pty. Ltd.

The Department has noted the Committee's recommendations regarding the accountability of marketing boards and their members to the Parliament, and it is proposed that the necessary amendments will be included when the Marketing of Primary Products Act 1958 is next amended.

## 10.1 EXTRACT FROM COMMITTEE REPORT (pages 21-27)

Motor Accidents Board - Disbursement of Special AccountSurplus - Supplementary Report page 82

57 Mr. Waldron commented in his report as follows -

*The Motor Accidents Act 1973 authorized the establishment of: -*

- (i) the Motor Accidents Board, to provide for the payment of compensation to persons injured and to certain relatives of persons who die as a result of motor accidents; and*
- (ii) a Motor Accidents Tribunal, to decide appeals against decisions of the Board.*

*The three-year period relating to the Special Account, particulars of which have been given in previous Reports, ended on 11 February 1977. The surplus at 30 June 1977 was \$2,429,610, and outstanding benefit liability has been estimated to be \$176,000. The legislation does not provide for disbursement of any surplus.*

58 Mr. Waldron expressed the view that it apparently had not been anticipated at the time the legislation was introduced that there would be a surplus in the Special Account and no provision was therefore made to deal with the situation. He advised the Committee that the Board had invested the surplus and was seeking an appropriate amendment to the Act.

By letter dated 12 June 1978, the Board's General Manager advised the Committee that it had written to the Under Secretary on the matter and recommended that the surplus be used for improving facilities for treatment of motor accident casualties. He indicated that it was anticipated the recommendation would be considered in conjunction with the recommendations contained in the Report of the Board of Inquiry into Motor Vehicle Accident Compensation in Victoria

The Committee agrees this would be a worthwhile use for the surplus which amounted to approximately \$2.4 million as at 30 June 1977. In evidence given to the Committee on the Auditor-General's Reports for 1977-78, the Motor Accidents Board advised that the surplus in the Special Account still had not been provided for in amending legislation.

59 Once again the Auditor-General in a footnote to the accounts of the Motor Accidents Board referred to the fact that no deductions from benefits were made in respect of income tax and that the matter was still unresolved.

The Auditor-General advised the Committee that a test case was expected to be heard by the Supreme Court in April or May 1978. The Board subsequently lost the case and appealed against the decision. The Federal Court dismissed the appeal and affirmed that the payments were taxable. Following dismissal of the Board's appeal, the Motor Accidents Act 1973 was amended to ensure that any payment by the Board could not be deemed salary or wages and would, therefore, not be subject to income tax.

## 10.2 TREASURY MINUTE

The Motor Accidents Board responded as follows -

### 1 Disbursement of Special Account Surplus

This matter is one of a number of recommended amendments to the Motor Accidents Act 1973, currently under consideration by the Minister of Labour and Industry.

### 2 Income Tax Deduction from Benefits

The Board notes the advice of the Auditor-General to the Committee and agrees with the details thereof. The amendment was operative from 18.12.79 and applies not only to injuries received on or after that date but also to those received prior to that date subject to certain provisions. Those provisions are set out in section 22 of the Motor Accidents (Amendment) Act 1979 and where a re-assessment is made of applications lodged prior to 18.12.79 or liability is admitted for applications lodged after that date for accidents that occurred prior to 18.12.79, then generally speaking the payments made will be for loss of earning capacity and as such will not attract taxation. This type of payment will apply to all accidents on and after 18.12.79.

To date the Commissioner of Taxation has given no indication of what, if anything, he proposes to do in respect of loss of income payments made by the Board up to 17.12.79. The Board has no way of knowing

which applicants included Board payments in their taxation returns and paid the tax as assessed in respect of those payments. The legal position regarding tax may be further complicated when the Board re-assesses an application under S.22 referred to above, because it may be that the re-assessment has changed the character of the earlier payments from loss of income to loss of earning capacity. Therefore the Board considers it should do nothing unless the Commissioner of Taxation takes action.

### Treasury Comments

#### 1 Disbursement of Special Account Surplus

Treasury awaits the outcome of consideration of the matter by the Minister of Labour and Industry.

#### 2 Income Tax deductions from Benefits

Treasury notes the Board's proposal.

### 10.3 COMMITTEE COMMENT

The Auditor-General has referred to the need to provide for the disbursement of the surplus in the Special Account. Information given to the Committee is that proposed amendments have been under consideration by the Department for some time. The Committee recommends that the Minister of Labour and Industry give this matter his early attention so that the necessary legislation can be introduced.

11.1 EXTRACT FROM COMMITTEE REPORT (pages 23-24)

State Insurance Office

Supplementary Report page 98

60 The Auditor-General reported that as the final accounts for the financial year 1976-77 were not yet available, the information furnished and the subject of his report, were in respect of the operations for 1975-76 only. The audit of the 1975-76 financial statements had not been completed in time for inclusion in the Auditor-General's supplementary report for that year.

61 Mr. Waldron commented in his report as follows -

*My predecessor qualified his report on the Balance Sheet of the State Insurance Office as follows:-*

*The amount of \$15 million shown as "Provision for Claims Experience Discount" is not, in my opinion a proper charge against the year's operations. This item cannot be truly matched against the premium income for the year, is not an expense incurred in or in respect of the year ended 30 June 1976, and, in my opinion, should have been treated in the Profit and Loss Statement as an appropriation of profit made for the specific purpose of providing for future anticipated allowances to policy holders. In my opinion, therefore, the year's net profit has been understated to the extent of \$15 million.*

*The overall net profit disclosed at 30 June 1976, would have been \$26 141 249 had not this sum of \$15 million shown as "Provision for Claims Experience Discount" been charged against the year's operations. In addition, experience has now shown that the inflationary factor (an estimated 20 per cent. for the year ended 30 June 1977) included by the consulting actuaries in the calculation of the liability of \$173 500 000 in respect of outstanding claims for compulsory third-party insurance at 30 June 1976, was excessive.*

In commenting on his predecessor's qualification to the accounts of the State Insurance Office, Mr. Waldron advised that in respect of the provision for claims experience discount, the general effect is that the net profit of \$11 million overall would have been \$15 million greater had the provision for claims experience discount in respect of employers liability insurance not been charged against the year's operation. He added that it was a question of account treatment - should you show the profit as \$11 million

or as \$26 million less the abnormal item \$15 million, giving a net profit of \$11 million. It was his opinion that the procedure should have been on the basis of disclosing \$26 million profit.

## 11.2 TREASURY MINUTE

The State Insurance Commissioner responded as follows -

### State Insurance Office

The Provision for Claims Experience Discount has been maintained in the accounts of the Office and has not been the subject of comment by the Auditor-General since the report on the year ended 30 June 1976. At present the reserve has proved to have been justified and will be recalculated and provided for in the current year's accounts. At 30 June 1979 it was \$7.3 million.

The allowance for inflation in the figure for outstanding claims is a proper factor in this calculation. This Office maintains a consistent approach to the calculation of this important figure in our accounts.

The engagement of actuaries in this exercise is now becoming an accepted practice in general insurance and one which provides a much less subjective appraisal than that where case estimates are the sole source of assessment.

Treasury notes the comments of the Insurance Commissioner and agrees with the approach taken in the calculation of profits.

12.1 EXTRACT FROM COMMITTEE REPORT (pages 24-25)

Zoological Board of Victoria - Kiosk Catering Rights

Supplementary Report page 111

65 At page 111 of his supplementary report the Auditor-General referred to a decrease in receipts and expenditure relating to kiosks. He stated -

*The substantial decrease in both receipts and expenditure relating to kiosks was due to the granting, in December 1976 of sole catering rights at the Royal Melbourne Zoological Gardens, to a private catering firm. Under the agreement the Board received a commission on gross turnover.*

*Only one firm was invited to tender for this concession and a formal legal contract was not arranged. The Board responded to audit observations on these matters in an audit report in June 1977, to the effect that it had, as a responsible body, exercised its judgement both objectively and subjectively in seeking a suitable caterer and that the form of agreement into which the Board actually entered was preferable to a legal agreement.*

66 The Committee subsequently obtained a copy of the Audit Report and comments of the Zoological Board dealing with catering rights at the Royal Melbourne Zoological Gardens. Following its examination of this material the Committee then enquired as to whether other caterers were considered at the time the firm was invited to tender, and sought advice as to the present position.

67 Information provided to the Committee by the Ministry for Conservation on 6 February 1979, shows that no other caterers were considered at the time Richard Dax Catering Pty. Ltd. was given sole catering rights. This firm was subject to a trial period prior to being awarded a contract. The Committee was also advised that Richard Dax Catering Pty. Ltd. is still responsible for catering at the Gardens and, as from 1 March 1979, was to be awarded a contract on the basis of competitive tendering. In the Committee's view other caterers should have been invited to tender.

12.2 TREASURY MINUTE

The Ministry for Conservation responded as follows -

The current contract between the Board and Richard Dax Catering Pty. Ltd. was awarded on the basis of competitive

tendering and was entered into with effect from March 1  
1981.

Treasury notes the comments of the Ministry for Conservation.

Committee Room

9 September 1981





PUBLIC ACCOUNTS AND EXPENDITURE REVIEW COMMITTEE

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REPORT ON THE

CURRENT AND FUTURE USE  
OF EDP FACILITIES AND TECHNIQUES  
IN THE VICTORIAN PUBLIC SECTOR

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*Ordered to be printed*

---

D-No. 8/1981



PUBLIC ACCOUNTS AND EXPENDITURE REVIEW COMMITTEECOMMITTEE MEMBERS

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 C.R.T. Mathews, Esq., M.P., (Deputy Chairman)  
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 The Hon. G.A.S. Butler, M.L.C.  
 The Hon. N.F. Stacey, M.L.C.  
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SPECIALIST ADVISERS

Dr. B.J. Garner, Professor of Computing, Deakin  
 University.  
 Mr. F. Belli, Chief Director of Audits, Auditor-  
 General's Office.  
 Mr. D.A. Shand, Director of Research

CONSULTANT

Mr. P.K. MacGregor, P.K. MacGregor & Associates.

\*Mr. Remington appointed as an alternate member to  
 the Hon. G.A.S. Butler.

EXTRACTED FROM THE MINUTES OF THE PROCEEDINGS OF  
THE LEGISLATIVE COUNCIL

---

TUESDAY 8 SEPTEMBER 1981

- 12 PUBLIC ACCOUNTS AND EXPENDITURE REVIEW COMMITTEE -  
The Honourable A.J. Hunt moved, by leave, That  
the Honourables Clive Bubb, G.A.S. Butler, D.K.  
Hayward and N.F. Stacey be members of the Public  
Accounts and Expenditure Review Committee and  
that the said Committee have power to send for  
persons, papers and records.

Question-put and resolved in the affirmative

---

EXTRACTED FROM THE VOTES AND PROCEEDINGS OF  
THE LEGISLATIVE ASSEMBLY

---

TUESDAY 8 SEPTEMBER 1981

- 16 PUBLIC ACCOUNTS AND EXPENDITURE REVIEW COMMITTEE -  
Motion made, by leave and question-That-(a)Mr.  
Evans (*Gippsland East*), Mr. Mackinnon, Mr. Mathews,  
Mr. Remington, Mr. Richardson, Mr. Rowe, Mr.  
Walsh and Mr. Williams be Members of the Public  
Accounts and Expenditure Review Committee; and  
(b) the Committee have power to- (i) send for  
persons, papers and records; and (ii) commission  
any person or persons to investigate and report to  
the Committee on any aspect of the subject-matter  
under investigation by the Committee (*Mr. Thompson*)-  
put and agreed to.
-

## TERMS OF REFERENCE

PARLIAMENTARY COMMITTEES (PUBLIC ACCOUNTS AND  
EXPENDITURE REVIEW COMMITTEE) ACT 1979

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SECTION 5

- 5 The functions of the Committee shall be -
- (a) to examine the accounts of the receipts and expenditure of the State and to bring to the notice of the Parliament any items in those accounts, or any circumstances connected with them which it may consider appropriate;
  - (b) to inquire into and report to the Parliament on any question in connexion with public expenditure which is referred to it by the Council or the Assembly;
  - (c) to consider and report to the Parliament how, if at all, the administration of Government programmes and policies may be carried out more efficiently, effectively and economically; and
  - (d) to report to the Parliament any alteration which may appear desirable to be introduced in the form or method of keeping and presenting the Public Accounts, or in the mode of receipt, control, issue or payment of the public money.

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## CHAPTER 1

### INTRODUCTION AND SUMMARY

#### 1.1 BACKGROUND TO INQUIRY

1.1.1 The Public Accounts and Expenditure Review Committee resolved to undertake an inquiry into the current and future use of EDP facilities and techniques. On 19 March 1981, a sub-committee was appointed and given the following objectives and terms of reference for the inquiry:-

- (a) to report to Parliament on the current level of use of computers within the Victorian public sector and the extent to which management is efficiently using and properly controlling these and related resources;
- (b) to make general recommendations regarding the future effective acquisition and utilization of data processing resources and the future role of information systems in the Victorian public sector;
- (c) to establish by survey:
  - Victorian public sector computing facilities in terms of quality and cost; and
  - the manner and extent of current use of these and related resources;
- (d) to review and make general recommendations in respect of management procedures for:
  - planning data processing requirements and controlling acquisition of resources;
  - ensuring economic use of these resources while at the same time providing a service to users;

- setting and monitoring standards for the development, documentation, and maintenance of applications; and
  - ensuring satisfactory controls have been instituted to maintain the integrity and to guard against the fraudulent or irregular use of data;
- (e) to make general recommendations as to the future role of information systems in the Victorian public sector; and
- (f) recommendations on the future role and use of computers should include consideration of such matters as :
- effective use of information in the control and planning of Government operations;
  - possible areas where information or facilities may be shared and economies achieved; and
  - trends in technology in the areas of equipment, facilities and applications, systems, and their possible effects on Government and the public.

1.1.2 In July 1981 the Committee published a discussion paper entitled "Current and Future Use of EDP Facilities and Techniques in the Victorian Public Sector. The paper aroused considerable interest, resulting in 46 written submissions (see Appendix A) from departments of the public service and public bodies and 13 from the private sector. It may thus be concluded that the discussion paper has achieved its objective of stimulating the submission of a range of views. Most of these submissions have supported the thrust of its recommendations.

1.1.3 This report is intended to conclude the Committee's current review of EDP by selecting major issues from among those raised in the discussion paper and developing more detailed recommendations.

1.1.4 It is based upon the written submissions\*received and evidence\* taken at 10 public hearings with 19 organizations and individuals (see Appendix B). These hearings took place between 11 September and 19 October 1981. In addition discussions were held with representatives of two computer suppliers and one EDP personnel service firm, and with the Computer and Systems Division of the Public Service Board. The Committee has also drawn on EDP practices in the Commonwealth Government and the governments of the United Kingdom, Canada, the U.S.A. and the State of California, where these were considered relevant to Victoria.

1.1.5 The Committee wishes to acknowledge the highly professional work of its consultant for this stage of the inquiry, Mr. P.K. MacGregor of P.K. MacGregor and Associates. It also wishes to gratefully acknowledge the valuable assistance of its two external advisors for the inquiry, Dr. B. Garner, Professor of Computing at Deakin University, and Mr. F. Belli, Chief Director of Audits in the Auditor-General's Office.

## 1.2 SCOPE AND GENERAL THEME OF INQUIRY

1.2.1 The Committee is aware of the wide range of issues in the terms of reference of the present inquiry which are not dealt with in this report. The Committee has concentrated on recommending a broad framework for the management of EDP resources. If this framework is implemented, many of the difficulties experienced in the past should be eliminated or reduced. Other aspects of the terms of reference will be investigated by the Committee in due course.

1.2.2 The report identifies required changes in the administrative processes, organization structure and required resource levels for the management of information technology, particularly EDP, in the Victorian Public Service. Specific weaknesses in departments are used to illustrate the need for procedural change and greater managerial involvement.

1.2.3 Some of the recommendations made also apply directly to statutory authorities. In other cases recommendations are made for change in procedures or organization of the public service specifically. The Committee expects public bodies generally to note these recommendations and implement them to the extent that they are applicable.

\* Submissions and Minutes of Evidence not printed.

1.2.4 The Committee may investigate further the use of EDP facilities and techniques in municipal authorities, local government, statutory bodies and health services during 1982. Of particular interest in this later phase will be the rationalization of the collection, processing and storage of land ownership and valuation information between the various bodies which collect and use it.

#### Statutory Authorities and Agencies

1.2.5 The Auditor-General expressed the view that the discussion paper paid insufficient attention to EDP problems within statutory authorities and agencies. He pointed out that:

*Audit Office past experience would tend to show that difficulties existed in a number of the statutory authorities to almost the same degree as is disclosed in the report on the departments and Government Computing Service.*

1.2.6 The Committee's view is that the remedy for this must lie largely with the authorities themselves. In this report the Committee advocates:

- increased visibility for Parliament of proposed EDP developments within authorities, through the submission of rolling plans;
- periodic efficiency audits and effectiveness reviews by the Auditor-General of EDP systems in statutory authorities, with reports to Parliament of results; and
- facilities for statutory authorities to obtain the help of central agencies such as the Computer and Systems Division of the Public Service Board, and the Government Computing Service, when the authorities request such assistance.

1.2.7 Although there are exceptions, statutory authorities appear to be able to recruit and retain qualified EDP staff more readily than departments. They have easier access to funds, greater flexibility in setting salary ranges, establishing positions, redeploying staff within the organization, and hiring and firing.

They need not, for example, suffer the delays in recruiting that sometimes cause applicants for public service positions to take other jobs outside the service while awaiting advice from the Public Service Board.

1.2.8 The Committee does not consider it appropriate for the Public Service Board or any other public service agency to control EDP developments in the statutory authorities.

### Relevance of Social Issues

1.2.9 The Victorian Public Service Association (VPSA) has said that social issues such as retraining, occupational health, and privacy of personal information should be addressed as matters of importance by this review. The Committee is primarily concerned with how the administration of Government programmes and policies may be carried out more efficiently, effectively and economically. While the Committee agrees that attention should be given to the matters mentioned by the Victorian Public Service Association, detailed consideration of these issues is beyond the scope of this report. The Committee may deal with some aspects of social issues in a later inquiry.

1.2.10 The Commonwealth Law Reform Commission has made some tentative proposals<sup>(14)</sup> on the privacy of personal information. It is important that policies and laws on the protection of the privacy of personal information should be consistent between the States. Anomalies between State laws are likely to make them difficult to enforce, since data can easily be stored in one State and accessed on-line from another.

1.2.11 Laws governing the protection of privacy of personal data are expected to have a significant impact on the design of some data bases in the Victorian Public Service. Uniform guidelines on privacy are therefore urgently required. However, for the reasons given above, such guidelines should be consistent with the expected recommendations of the Law Reform Commission; hence the progress by the latter will control the pace of development of uniform State guidelines.

## 1.3 EDP AND INFORMATION TECHNOLOGY

1.3.1 Because of the rapid convergence of computer and communications technologies, the Committee believes that it is necessary to interpret the term EDP broadly. The barriers between information processing technologies are breaking down and there is little point in formulating or recommending



policies for the management of data processing separately from word processing, text storage, text retrieval, and data communications. Tools for the effective management of recorded information are becoming increasingly integrated through electronics and total system planning; they should therefore be considered together. Throughout this report, the terms "EDP" and "information technology" may be regarded as interchangeable for most purposes.

#### 1.4 INFORMATION TECHNOLOGY AND PUBLIC ADMINISTRATION

##### New Areas of Application for Information Technology

1.4.1 The modern electronic digital computer first appeared over 30 years ago. The US Federal Government has used computers in administrative processing since the early fifties, and the Commonwealth since 1962. The Victorian Public Service has been relatively slow to take advantage of computing equipment. It installed its first centralized system for administrative processing in 1968.

1.4.2 Until recently the major application of computers in the Victorian Public Service has been in accounting, carried out by batch processing. More recently moves have been made into on-line data storage and retrieval functions to assist in operational management; e.g. GENIUS, WREN and the LANDTAX systems (see Chapter 6).

1.4.3 In future, senior public servants may make extensive on-line use of management information derived from large stored data bases and complex models of government processes. This may introduce qualitative changes in the way government administration works which are quite independent of currently debated issues of centralization versus decentralization, and which indeed could make that debate irrelevant (see ref. 19 and SIMON in ref. 18). The importance of information technology to public administration does not lie merely in automating existing functions in the interests of efficiency. It is equally important that one anticipates, evaluates and capitalizes on the potential changes in government processes which the technology makes possible and perhaps, in some cases, inevitable.

1.4.4 Opportunities for the application of information technology which have been suggested to the Committee include the planning of education needs by the State; the sharing of data by Motor Registration Branch, drivers' licence records, insurance records, and the Police; and bringing the TAB on-course.

Modern information technology provides the opportunity for the decentralization of some government functions to cities or towns out of Melbourne, particularly to areas which currently have high unemployment.

More Vigorous Programmes are Required for the Exploitation of Information Technology

1.4.5 The Committee believes that the Victorian Government is irrevocably committed to the increasing use of information technology to manage the State's resources, perform its administrative functions and provide service to the public. Not all departments appear to appreciate the likely extent of their dependence in the near future on information technology. The potential benefit from the application of computers in some departments, such as Minerals and Energy and Community Welfare Services, seems obvious, yet these departments appear to have given low priority to carrying out even an initial investigation of such potential.

1.4.6 The absence in many departments of vigorous programmes to take advantage of information technology may be due in part to a lack of understanding of systems or EDP by the management of those departments. A likely contributing factor is the frustration often experienced in the past in obtaining even modest human resources to carry out systems studies. It appears to the Committee that the philosophies of the EDP Policy Committee may have tended to dampen enthusiasm for EDP developments rather than encourage critical examination of the possibilities.

1.4.7 The Committee recognizes that the Government's policy is one of continuing restraint in public sector spending. However, this cannot be an argument for failing to carry out a careful analysis of where EDP can be used to reduce costs. There are probably few investments which can yield as high a return for a modest outlay in the Victorian Public Service as a search for the potential savings from the application of information technology or the restructuring of administrative processes to take advantage of information technology.

1.4.8 Effectiveness and efficiency of EDP use in the Victorian Public Service cannot be looked at in isolation from the effectiveness and efficiency of departmental programmes. In many cases money would probably be better spent looking at whether a programme should be cancelled or reorganized, rather than looking at whether that programme might be done more efficiently using EDP.

Therefore, in parallel with the increased attention which the Committee thinks must be given to the potential for application of information technology in the Victorian Public Service, there must be an equally vigorous and continuing appraisal of whether the functions being considered for automation are appropriate.

### Recommendations

1.4.9 The Committee recommends that :-

- (a) all departments and statutory authorities in the Victorian public sector should implement positive programmes to accelerate the exploitation of information technology to reduce the cost of government and improve the services it provides; and
- (b) the Government Computing Service, the EDP Policy Committee and the Public Service Board should vigorously support departments in investigating the benefits and costs of information technology in likely areas of application.

### 1.5 INFORMATION RESOURCE MANAGEMENT

1.5.1 Among new responsibilities proposed for the Government Computing Service, the Committee has suggested (see Chapter 5) certain information management functions. This role is consistent with the view that increasingly information will be regarded as a central resource of Government, and as such should be deliberately and positively managed to avoid duplication and waste and to ensure that it is accessible to those who need and are entitled to see it.

1.5.2 In the longer term - probably within two years - the Committee thinks that the permanent head of each department should appoint a person reporting to him to be responsible for the department's information resources. This function of *information resource management*, would be responsible for :

- information technology management;
- positive advocacy of information technology where it is cost effective;

- providing the contact point within the department for the co-ordination across departments of information requirements and the potential for sharing data bases; and
- supervising the maintenance of the department's five-year rolling plans for information system development and co-ordinating such plans with the department's overall programme planning.

The existing function of "EDP manager" would normally come under, but not necessarily report directly to, the department's information resource manager.

1.5.3 The Government Computing Service would provide co-ordination across departments of information requirements and the potential for sharing data bases.

1.5.4 The Committee expects to make detailed recommendations on public sector information resource management in a future report.

## 1.6 MAJOR PROBLEMS

1.6.1 The Committee believes that generally speaking the Victorian Public Service has been well served by its EDP personnel. The dissatisfaction expressed by departments with the Government Computing Service is not due to failings by its professional staff. In the Committee's view it is due to the early policy decision to centralize the processing of several major on-line systems on the Government Computing Service computers, poor estimates by users of their requirements, shortcomings in the design of the systems by external contractors, and failure to expand the facilities at the Government Computing Service.

1.6.2 GENIUS, developed by external contractors, has so far cost more than five times its original estimate and is approximately two years behind schedule. By contrast, the Government Computing Service has completed two major on-line systems on time and within specification.

1.6.3 The major shortcomings the Committee has observed in EDP development in the public service are largely due to failure by departmental management and central agencies to :

- plan for and acquire adequate staff and equipment resources to meet the needs of the service;
- explore sufficiently the potential for EDP in cost-effective applications;
- exercise effective management control in system development; and
- carry out reviews of efficiency and effectiveness of installed systems.

1.6.4 None of these problems is unique to the Victorian Public Service. The demand for skilled, experienced EDP personnel exceeds the supply throughout the world. The general shortage position leads to shortcuts being taken in system development which, in turn, lead to greater risk of system failure. Because most effort is going into programming and implementing new systems, documentation may be neglected, training of EDP staff is often curtailed, and performance measurement of previously implemented systems usually does not take place. In these ways, world-wide, the staff shortage contributes indirectly to system failure and management dissatisfaction with EDP.

1.6.5 Not only are human resources for EDP development in very short supply, but they are becoming much more expensive relative to equipment. Historically in both public and private sectors, efforts to achieve economy in the use of EDP have been concentrated on making the best use of the expensive equipment involved. Now and in the future, the major effort should be aimed at making the best use of the people resources, both EDP personnel developing systems and those who will use computers as working tools. Organizational arrangements within government that were set up to save equipment costs should be re-examined to see whether they are the appropriate ones to make the best use of people. In order to use the scarce human resources to best effect, emphasis should be placed on making sure that the right tasks are selected for the application of computers; the selection of the optimum software environment, attracting, training and retaining the necessary staff; the use of productivity tools for programmers; and the use of improved management techniques for project development.

1.6.6 The challenge to management in the better utilization of human resources in EDP development must mainly be met within the departments. Departmental management should increasingly become responsible for their own EDP programmes and the principal role of central agencies should be to support them in achieving this goal.

## 1.7 RECOMMENDATIONS

1.7.1 The Committee recommends that the following broad directions be adopted :-

- (1) The management of EDP funds and staffing in the Victorian Public Service should be further decentralized; departments should be responsible for their own programmes within the framework of overall policies and guidelines established by the EDP Policy Committee.
- (2) The EDP Policy Committee should be supported by advice from the Government Computing Service and the Computer and Systems Division of the Public Service Board. The latter should continue to provide the secretariat for the Committee.
- (3) A key policy should be that departments and statutory authorities prepare three to five-year rolling plans for EDP development - the objectives of which are related to major programmes. These plans should be updated and rolled forward annually. They are primarily an internal management tool for the control of EDP and only secondarily a means of co-ordination of EDP.
- (4) Considering the cost and complexity of many EDP systems, that many managers have difficulty in keeping abreast of new developments, and that many aspects of information management cross departmental boundaries, EDP development in the Victorian Public Service should continue to be co-ordinated and monitored for the time being.

- (5) Effective co-ordination of developments will inevitably conflict at times with the proper exercise of management responsibility in departments. It is appropriate that the central agencies should monitor and question departmental decisions but not impose solutions.
- (6) Policies and guidelines should be reviewed regularly and kept up-to-date in the light of technological changes, increasing competence in departments, and experience of their (the policies' and guidelines') effectiveness.
- (7) The Auditor-General should be given the statutory power to conduct audits of the efficiency and effectiveness of EDP systems and the management of EDP resources in departments and statutory authorities and should conduct such audits periodically.

## CHAPTER 2

### POLICIES FOR INFORMATION MANAGEMENT

#### 2.1 THE NEED FOR POLICIES

##### 2.1.1 The EDP Policy Committee's view<sup>(4)</sup> is that:

*The Public Service in general is faced with dual objectives:*

*On the one hand*

- *Providing improved, enlarged, and more flexible service to the Public*

*while at the same time*

- *Increasing economy and efficiency of operations because of severe financial constraints.*

*Progress against both these objectives places urgent demands on the growth in the effective use of computers in the service of Government departments. It is imperative that this growth be guided by a firm and sensible policy to ensure the effective and efficient use of computing.*

2.1.2 The Committee endorses the above statement. Uniform and consistent information policies should be employed throughout the public service.

#### 2.2 EDP POLICY COMMITTEE'S "POLICY FOR FUTURE COMPUTER FACILITIES".

2.2.1 The Committee disagrees with the policy statement contained in the proposed Future Strategy document<sup>(4)</sup> in the following respects:

2.2.2 The policy states:

*A suitable methodology and standards will be adopted for use in the planning development and control of all EDP projects.*



2.2.3 The Committee's view is that there is no one standard methodology suitable for the planning development and control of all EDP projects. While the concept of using methodologies is supported, more than one will be required (see Chapter 6).

2.2.4 The policy states :

*Where equivalent facilities are not available within the Service, external bureaux may be considered.*

2.2.5 The Committee's view is that the choice between using facilities within the service and external bureaux should generally be based on obtaining the most cost effective alternative. In its pricing structure, the Government Computing Service (GCS) should seek to recover its costs of operation, including overheads and equipment depreciation. If the Government Computing Service consistently cannot compete with the private sector on this basis, its computing service should be regarded as uneconomic and closed down and its staff re-deployed (see Chapter 7). However the Government Computing Service should be permitted to discount its prices in particular competitive situations where it has idle resources, provided that overall it can recover its costs.

2.2.6 The policy states:

*In order to rationalize the installation of decentralized mini and micro-computers in departments, a standard range of equipment will be selected. Priority will be given to departments which are prepared to adopt the standard equipment, where applicable.*

2.2.7 The Committee's view is that economies should be sought by limiting the number of makes and types of mini and micro-computers. However, based on experience within BHP, CRA and Telecom, it considers that no one type is suitable for all applications. Several preferred ranges should be adopted to suit different classes of applications. Priority should be given to projects primarily on the basis of cost-effectiveness need, and the department's ability to carry out the development and implementation. Priority should not be based on whether departments are prepared to adopt the standard equipment. Departments which elect to use different equipment from the preferred makes should be free to do so.

### 2.3 BROADER POLICIES FOR THE MANAGEMENT OF INFORMATION AND TECHNOLOGY

2.3.1 The Committee believes the primary goal of the EDP Policy Committee should be to take proven principles and broad Government policies and draw from them specific policies for the management of information and information-technology within the Victorian Public Service. This will take the EDP Policy Committee into much broader areas than hitherto.

### 2.4 RECOMMENDED BROAD INFORMATION POLICIES

2.4.1 Recommended policies for consideration and endorsement by the EDP Policy Committee are listed below:-

- (a) information is a vital and central resource of Government. As such it should be deliberately and positively managed to avoid duplication and waste, and to ensure its availability to all those who need and are entitled to have access to it;
- (b) information costs money to collect, store, disseminate and process. Such costs should be taken into account when making demands for additional or more accurate or more rapidly available information. To help ensure that this happens, information processing, storage and transmission costs should be accounted for as far as practicable and such costs should be charged back to users;
- (c) the collection, dissemination, storage and processing of Government information should be managed to satisfy the information needs of Parliament, the public service, and the public;
- (d) the collection of information from the public should be carried out in such a way as to impose minimum burden on those required to furnish the information, for example, by eliminating the collection of information which already exists within Government files. (Privacy considerations may however prevent the sharing of data bases in some instances);

- (e) because the same information may be required by or about different departments, the management of the Government's information resources should be centrally coordinated to avoid waste, ensure appropriate accessibility and privacy, and eliminate any unnecessary burden on the public.
- (f) information processing and communication facilities are aids to Government programmes and are not ends in themselves;
- (g) department heads should be constantly alert to ways in which their departmental programmes might be made less costly or more effective through the use of information technology;
- (h) information system plans and budgets should be closely related to programme objectives and departmental goals. Departments should formulate and review plans periodically, and assess their implication in terms of personnel requirements, training needs, organizational impact, social impact, costs, and contribution to programme or departmental objectives;
- (i) departmental plans and their implications should be consolidated to provide overall information system development plans for Government;
- (j) information technology (equipment, software and services) should be obtained through fully competitive tendering except where it can be shown to be in the interests of the State to negotiate directly with only one or a limited number of suppliers;
- (k) the primary responsibility for the economic, efficient, and effective acquisition and use of information technology lies with the department head whose programme or departmental objectives the technology will serve; and

- (1) except for security-classified data, personal data may be stored in government files only when the following conditions are satisfied:
  - (i) persons to whom the data relates will be informed that the data is stored and of its intended use;
  - (ii) each such person will have the right to view data pertaining to him or herself and to correct any errors;
  - (iii) the person will be notified if an adverse decision is based upon such data; and
  - (iv) the person shall have the right to contest improper disclosure of the data.

2.4.2 This is by no means an exhaustive list. The Committee expects that further policies will emanate from many of the recommendations and principles contained in this report.

## 2.5 RECOMMENDATION

2.5.1 The Committee recommends that the EDP Policy Committee should formulate general policies for the management of information technology and information in the Victorian Public Service, taking into account the recommendations, principles and suggested policies in this report.

## CHAPTER 3

### CO-ORDINATION AND CONTROL OF EDP DEVELOPMENTS

#### 3.1 INTRODUCTION

3.1.1 In the past, control of EDP developments in the Victorian Public Service has been highly centralized under the Public Service Board, the EDP Policy Committee, and the Treasury, through their ability to withhold approval of funds to departments whose EDP proposals they did not agree with. Delegations of financial responsibility to departments have been set at very low levels. In fact there is no delegation for equipment acquisition or projects using resources from outside the service; these must be approved by the EDP Policy Committee or in the case of those costing more than \$50 000 the Public Service Board and Treasury. (Full details were set out in Appendix III para. 2.2.3 of the Committee's Discussion Paper.) (1)

3.1.2 One justification put forward for this special treatment of EDP is that some departments are thought to be incapable of making correct decisions on EDP matters because of lack of expertise. Hence firm central control is said to be required.

3.1.3 A number of departments have blamed the centralist approach for causing unnecessary delays in system development or acquisition, permitting the prerogatives of departmental management to be usurped, and inhibiting worthwhile developments. The departments point to the well-accepted principle that managers should be given clear objectives and the agreed resources to achieve them, and left to carry out the tasks with minimum intervention. Oversight is acceptable but is thought to go too far when it becomes *de facto* control through blocking a department's access to resources.

#### 3.2 NEED FOR CO-ORDINATION

3.2.1 Because many EDP developments have effects beyond the boundaries of one department, a degree of central co-ordination is necessary within the Victorian Public Service. For example, the Committee believes that central co-ordination is required to:

- avoid unnecessary duplication of data collection and storage;
- avoid unnecessary programming where suitable software is already available;
- consolidate departmental plans to allow service-wide planning of recruitment and training of EDP staff;
- exploit the potential for sharing the cost of software development between departments;
- develop standards and guidelines for preferred practice; and
- obtain purchasing benefits through presenting a unified front to suppliers.

3.2.2 At the same time, care should be taken to avoid the dangers of excessive or inappropriate central co-ordination of EDP. Enforcing uniformity may result in reduced cost-effectiveness in particular cases or overall; central co-ordination or control may tend to reduce department heads' interest in and accountability and responsibility for their own EDP developments; unnecessary controls cause unnecessary delays.

### 3.3 EDP POLICY COMMITTEE

3.3.1 The EDP Policy Committee was formed in 1962 by the Chairman of the Public Service Board, the Director of Finance, and the Auditor-General. At that time it was called the EDP Policy Group. The group was established to :

*...plan for the use of EDP in the State Public Service and co-ordinate its introduction to departments.*

3.3.2 The Policy Committee has been responsible for a number of initiatives including the setting up of the EDP Centre (now the Government Computing Service), and recommending the acquisition of the computer equipment by the Centre in 1969. It met on an *ad hoc* basis between 1969 and 1978 and then resumed meeting on a regular basis, partly as a result of problems which were being experienced with the development of some major systems. The Policy Committee at present comprises the Director of Finance, the Secretary to the Premier's Department, the Chairman of the Public Service

Board and the Director-General of the Department of Property and Services.

3.3.3 Members of the Policy Committee have said<sup>(2)</sup> that:

*The (Policy) Committee will become less involved in detailed matters when standards and plans are developed.*

*The EDP Policy Committee is attempting to free departments from restraints as much as possible.*

*Basically permanent heads have been pleased with the advice they have received from the Committee. It is our policy to advise rather than to make all decisions.*

*The need for a central body will become less as the level of education in departments rises and people become more familiar with computing.*

3.3.4 The Committee believes that the EDP Policy Committee has played, and for some time yet will continue to play, an important role in co-ordinating EDP developments. The Policy Committee's view is that departments are responsible for planning, developing and implementing their EDP systems. This Committee agrees with this principle but believes that practice has not been in accordance with it. The EDP Policy Committee should take positive steps to encourage departments to assume fully these responsibilities, and where necessary to build the competence to do so.

### Recommendations

3.3.5 The Committee recommends that :-

- (1) The EDP Policy Committee should continue to exercise a co-ordinating role in the Victorian Public Service, with its primary function being to formulate policies for EDP development (see Chapter 5) and review five-year rolling plans for conformity with such policies. Its formal approval of individual EDP projects would not be required but it would have a role in advising Treasury.

- (2) The EDP Policy Committee should take positive steps to encourage permanent heads to assume full responsibility for planning, developing and implementing EDP systems within their departments.

### 3.4 RESPONSIBILITIES OF PUBLIC SERVICE BOARD AND PERMANENT HEADS

3.4.1 Section 22 of the Victorian Public Service Act 1974 states that :

*...the permanent head of a department shall be responsible for its general working and for the transaction of the business thereof...*

3.4.2 The Public Service Board however has the responsibility under section 16

*...to assist in promoting the effective efficient and economic management and operation of departments and for that purpose to exercise a critical oversight of the methods of conducting business in departments and to bring to the attention of permanent heads any improvements that appear to be necessary and from time to time to advise the permanent heads of departments as to the measures that appear to the Board to be necessary or desirable...*

In addition to this advisory role, the Board under section 16 has responsibility

*...to ensure that the public service is so organized and staffed as to be capable of performing its functions in the most efficient and economic manner...*

3.4.3 The Committee takes this to mean that the Board's executive role is limited to staffing and organization, but that the Board has responsibility to assist permanent heads to improve the efficiency, effectiveness and economy of the workings of departments.

3.4.4 In practice the Board's power to control the actual workings of departments may be quite strong, where, for example, Treasury withholds funds on the Board's advice, or where a permanent head tends to avoid an argument by falling in with the Board's desires.



Thus, while section 16 does not appear to give the Board any executive power actually to effect changes in the working methods of departments, there are ways in practice whereby the Board can achieve considerable control. To the extent that this may occur, the Board is assuming a role which should be that of the permanent heads under the Act. The Board's duty is to recommend ways of improving effectiveness, efficiency and economy, not to control the working methods of departments through the exercise of *de facto* power. If the Board assumes what should be the responsibilities of the permanent head, the incentive for the latter to assume responsibility is diminished. Accountability of the permanent head is diminished accordingly.

### Recommendation

3.4.5 The Committee recommends that the Public Service Board in exercising its responsibility under the Public Service Act 1974 should at the same time encourage permanent heads to take full responsibility for the management of information technology within their departments.

### 3.5 CONTROL OF STATUTORY AUTHORITIES

3.5.1 Statutory authorities are intended to have more authority in day-to-day operation than the departments of the public service. The Committee considers that centralized control over the EDP functions of statutory authorities is neither feasible nor desirable. Nevertheless statutory authorities should be accountable to Government for their performance in the area of EDP as they are in other aspects of their activities.

3.5.2 The Committee considers it desirable that computer developments which are planned or are taking place within statutory authorities should be visible to Government, as well as how much is being spent on computing systems and what benefits are being obtained. The Auditor-General is empowered to audit most statutory authorities. The extension of the Auditor-General's activities into the sphere of EDP systems audit recommended by the Committee (see Chapters 5 and 11) should apply to statutory authorities as well as to departments.

3.5.3 It is considered therefore that the following obligations should apply to statutory authorities as well as to departments:

- (a) authorities should submit three to five-year rolling plans for EDP development in the same format as is required for departments;
- (b) authorities should conduct internal reviews of EDP systems as described in Chapter 11; and
- (c) authorities's EDP systems and systems for internal review of EDP should be subject to efficiency and effectiveness audit by the Auditor-General (see para. 5.6.1).

3.5.4 The purpose of obtaining plans from authorities is twofold: firstly, to provide visibility of intention so that where other departments or authorities or the Government's interests are likely to be affected, some co-ordination may be exercised by the Public Service Board and applied through ministerial directives; secondly, to provide a benchmark against which actual performance, expenditure and benefits of the installed EDP system may later be measured by the Auditor-General.

#### Recommendation

3.5.5 The Committee recommends that ministers responsible for statutory authorities should direct such authorities to submit their plans in the desired uniform format and to carry out internal audit and review of systems at regular intervals as recommended in Chapter 11.

### 3.6 CENTRALIZATION VERSUS DECENTRALIZATION

3.6.1 The EDP Policy Committee's proposed strategy document<sup>(4)</sup> discusses briefly plans for the decentralization of computing equipment. It does not discuss the decentralization of control of EDP resources. In the continuing debate about the merits of decentralized control and departmental autonomy, the following should be kept in mind<sup>(18)</sup>:

- (a) decentralized computing equipment or data bases do not necessarily imply departmental autonomy or decentralized control;
- (b) decentralization of some decision functions may occur at the same time as other decision functions are being centralized; and

- (c) centralized shared data bases do not necessarily imply loss of autonomy among users.

3.6.2 Thus the question of the degree of autonomy that departments should have for EDP development and operation can to a large extent be separated from the arguments for and against decentralization of equipment and services. However, where the resources are centrally managed and used by departments the following conditions should be met:

- (a) the supplier of the services should be accountable to the departmental management for quality and continuity of service;
- (b) the department should be able to select the most appropriate and economic source of supply; and
- (c) if a supplier fails to meet his agreed obligation to the department, the permanent head of the department should be able, if he wishes, to switch to another supplier.

3.6.3 The Committee considers that for a central coordinating body to force a department to use a centralized service is undue interference in the management of the department and is likely to lead to inefficient operation of the central service.

3.6.4 Thus while it is appropriate to encourage departments to use otherwise idle Government resources in preference to purchasing new ones if they are equivalent in performance, quality, availability etc., the department head should retain the right to make the decision and be prepared to answer for it.

## CHAPTER 4

### SYSTEMS PLANNING

#### 4.1 PERCEIVED PROBLEMS

##### 4.1.1 The discussion paper<sup>(1)</sup> reported that:

*Government Computing Services capacity problems have arisen for two major reasons:*

- *there is little detailed planning associated with developing new applications which would permit the Government Computing Service to assess their ability to service the user requirement;*
- *the absence of a service-wide EDP plan does not permit the Government Computing Service to control its own destiny. User needs and plans are often unknown and, as a result, forward assessment of required processing capability is virtually non-existent...*

*In the absence of a service-wide plan and no Government Computing Service master plan, the planning of equipment upgrades, staff training and recruitment make it currently almost impossible to co-ordinate. The effects overall are of a day-to-day existence with all the effects that this has, most of which are already evident.*

##### 4.1.2 Within Health Computing Services:

*There is no formal planning process currently in use which allows the Service to be aware of the future requirements of health institutions or for these institutions to be aware of the facilities that will be provided by the Service<sup>(3)</sup>.*

#### 4.2 BACKGROUND

4.2.1 The EDP Policy Committee's strategy document<sup>(4)</sup> accepts the need for improved co-ordination and planning of EDP and considers the use of 5-year rolling plans to be necessary for this.

4.2.2 The Committee believes that adequate planning by departments and authorities, and ultimately local government bodies, is the key to effective central co-ordination of information systems development in the public sector while avoiding encroachment by central agencies on the management prerogatives of the departments and statutory bodies.

4.2.3 Central intervention in the absence of planning tends to be *ad hoc* leading to difficulties of the kind experienced by the Government Computing Service. If it can be seen where departments are heading, central co-ordinating effort can be concentrated on areas where incompatibilities and redundancy are likely to lead to waste. Once departmental plans have been agreed to, intervention by central agencies need only occur if monitoring reveals a significant departure from plans.

4.2.4 It is recognized that EDP planning is going to cost departments money. The Committee considers however that the benefits will outweigh the costs. Planning by departments is an essential concomitant of decentralization of control of EDP development. It is expected that most departments will accept it as the price to be paid for the desired increased departmental autonomy in EDP decision making. Those departments and authorities that do not at present have EDP plans will probably require assistance in preparing them initially, either from the Government Computing Service or external consultants.

### 4.3 STATUTORY BODIES

4.3.1 The purpose of obtaining and consolidating plans from statutory bodies is :

- to provide forward visibility of sector-wide facilities and resource requirements as a basis for government policy making;
- to provide benchmarks against which the Auditor-General can review effectiveness and performance against objectives; and
- to allow rationalization of data resources where appropriate such as on the land information and titles data bases.

4.3.2 Those statutory bodies which already have long term rolling plans should find little difficulty in extracting from them, in a sector-wide format, the information needed for consolidation by the Public Service Board. Those bodies that currently do not have long term rolling plans for EDP may find it helpful to use the format to be employed by Government departments.

#### 4.4 BENEFITS OF SYSTEMS PLANNING

4.4.1 Systems planning helps in the following ways :-

- (a) it forces a discipline of identifying objectives, assessing options, and estimating costs and benefits;
- (b) it allows long range needs to be estimated for human and physical resources;
- (c) it helps the private sector to anticipate and plan to meet the Government's needs for information technology and services;
- (d) it helps avoid unnecessary duplication of information system development by departments and authorities, and of paperwork for the public;
- (e) it helps to avoid the unnecessary duplication of data bases by departments and authorities requiring the same data;
- (f) it helps to ensure the efficient utilization of available computing capacity by making those who need it aware of where it exists;
- (g) the ability to compare plans with performance helps in achieving accountability of departments and authorities;
- (h) awareness by one department of the plans of other departments helps to create an awareness of the potentials for and limitations of EDP; and

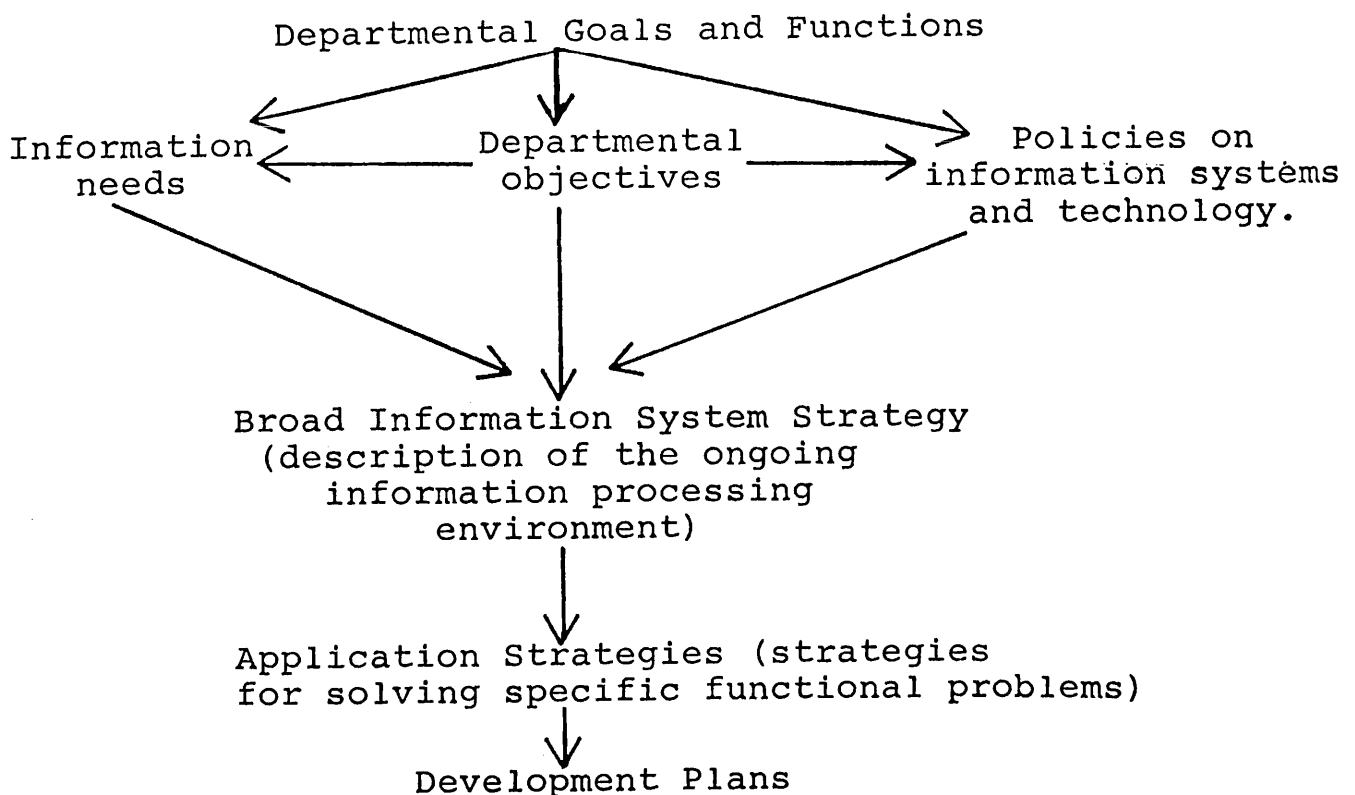
- (i) it helps service organizations like the Government Computing Service and the Health Computing Services to be aware of the expected EDP requirements of their users, and for the users to be aware of the facilities that will become available from the service centres.

#### 4.5 INTEGRATION OF EDP PLANS WITH DEPARTMENT'S OR AGENCY'S PROGRAMME

4.5.1 Plans should clearly identify the department's or agency's objectives for its overall programmes and indicate the contribution that specific EDP plans are expected to make towards them.

4.5.2 The effect of proposed EDP developments on the department's or authority's service to its clients should not be overlooked in formulating plans. Consideration should also be given to the need for back-up of EDP facilities and how contingencies will be dealt with

4.5.3 Some relationships between departmental functions and detailed specific EDP plans are illustrated below, where the arrows mean 'determines':



4.5.4 The diagram illustrates that there are at least two kinds of strategy - or at least two parts of the strategic plan. One relates to the general processing environment which is expected to continue over the years and the other relates to specific systems within departments which are candidates for automation. Examples of matters coming within the scope of the first could be whether a departmental data base is to be maintained, and whether the department's processing is to be centralized or distributed. Examples of matters coming within the second part could be the priorities of specific sub-system development, and the proposed approach to solving certain application problems.

4.5.5 Obviously, before EDP strategic plans can be developed, information requirements must be determined and departmental objectives and policies established.

4.5.6 In formulating EDP plans, department heads who have not already done so should formally initiate a programme for working down through activities on the above diagram from the top. If the skills are not available in the department to do this, help should be obtained from the Government Computing Service and the Public Service Board or outside consultants. Where a department head decides that a detailed information requirements analysis is not justified at present, that department's EDP plan should indicate when it is expected that such an analysis will be carried out. Some departments' plans may state that the department has no known EDP requirements and no intention to carry out requirements analysis within the next three years. Other departments will prepare plans which include a broad information system strategy, specific application strategies, and detailed development and acquisition plans for the immediate future.

#### 4.6 PLANNING IS A CONTINUING PROCESS

4.6.1 While plans are snapshots of the hoped-for future at a particular time, the planning process is a continuous one. It may be argued that the continuous application of the planning process is more important than the plan itself.

4.6.2 The development of short, medium and long term plans is an outcome of the planning process but that process has a number of benefits irrespective of the output of plans, requiring the definition of objectives and the consideration of constraints imposed by administrative practice and the political environment. It also provides a benchmark for measuring and controlling performance.



#### 4.7 CONSOLIDATION INTO MASTER PLANS

4.7.1 Departments and authorities should prepare three to five-year rolling plans in the light of current sector-wide master plans and plans by the Government Computing Service for the provision of services. When approved by the permanent head (see Discussion Paper, p.49) the plans of departments and authorities, and also those of the Government Computing Service, should go to the Public Service Board for consolidation into a public sector master plan. The Public Service Board will aggregate departmental plans to determine the total resources required (see diagram, p.31)

4.7.2 The Public Accounts and Expenditure Review Committee should annually review the public sector master plan and policies and report to Parliament on plans for systems which involve significant expenditure (say over \$2 million per year) or could be expected to affect public attitudes or well-being. Note that review by this Committee would not be an approval function and consequently will not introduce any delays into the planning process.

#### 4.8 PUBLIC SERVICE BOARD SHOULD BE MASTER PLANNING AGENCY

4.8.1 Several alternatives are available for location of the responsibility for information system master planning. The Committee has considered:

Treasury;

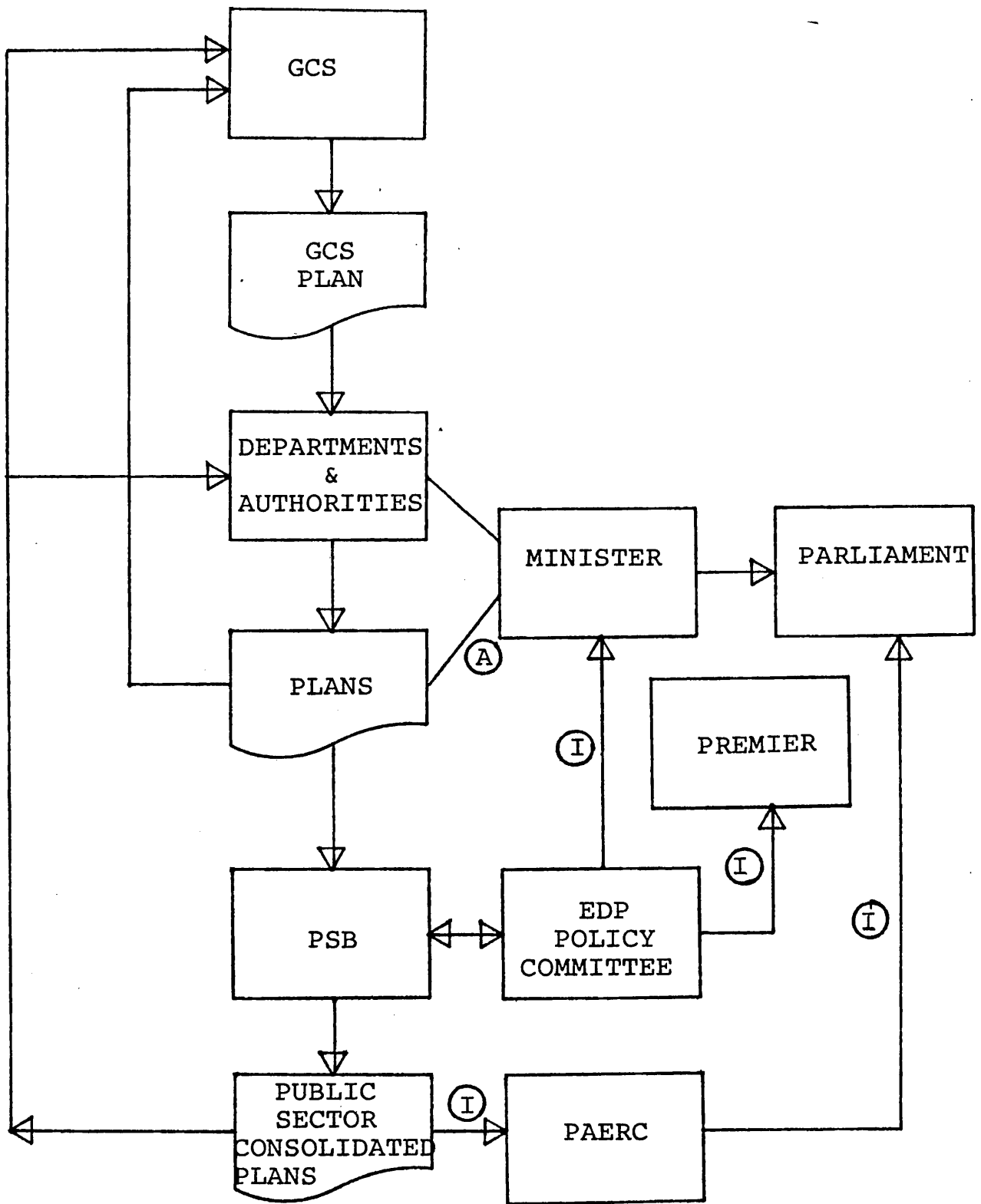
Government Computing Service;

An inter-departmental committee such as the EDP Policy Committee;

Public Service Board; and

Premier's Department.

4.8.2 Section 16 of the Public Service Act makes it the responsibility of the Public Service Board to "ensure that the public service is so organized and staffed as to be capable of performing its functions in the most efficient and economic manner..." and "to assist in promoting the effective, efficient and economic management and operation of departments and for that purpose to exercise a critical oversight of the methods of conducting business in departments...".



SUGGESTED PLANNING CYCLE

(I) INFORMATION

(A) ADVICE

Of the organizations considered for central planning, the Public Service Board is the only one that has a statutory mandate to improve overall efficiency, effectiveness and economy. This suggests to the Committee that the planning function should lie with the Public Service Board. Moreover, the Board already has within its Computer and Systems Division qualified systems staff. It also exercises some control and review over statutory authorities which are staffed under the Public Service Act.

4.8.3 It is thus a natural extension not only of its statutory role but of its present capabilities. The Treasury might feasibly carry out the co-ordination of plans but does not seem to the Committee to have the statutory mandate to do so. It would also require the transfer or acquisition from outside the service of qualified staff. Similar considerations apply to the Premier's Department.

4.8.4 The Committee considers that the master planning function should be kept separate from operational services, the latter being but one of the agencies whose plans must be consolidated. While the Government Computing Service would be expected to have the skills necessary to prepare master plans, it should not in the Committee's view have the function of interpreting or preparing the policy component of master plans. The Government Computing Service could give advice to the planning authority when requested.

4.8.5 The Committee has rejected the option of having master planning carried out by an inter-departmental committee. Such a committee would require a secretariat such as the Computer and Systems Division of the Board to do the bulk of the work associated with the preparation of plans. This suggests that the responsibility for the job should be given to the people who are going to carry out the work, not to an inter-departmental committee. The EDP Policy Committee, whether in its present form or re-constituted, could participate in the preparation of the master plan with the Public Service Board. However the full responsibility for the preparation of the plan belongs to the Board.

#### 4.9 MASTER PLAN SHOULD BE AN AGGREGATE OF DEPARTMENTAL AND AUTHORITY PLANS

4.9.1 The Committee emphasises that sector-wide master plans must grow from real needs in functional areas. As the Commonwealth Joint Committee of Public Accounts has said (23) "to impose a master strategy for computing on

the public service which is unrelated to needs as perceived by users could...result in considerable overall inefficiency in computer usage and in technological obsolescence. Developments should grow upwards from needs not downwards from philosophies about where information processing is thought to be going." Thus the master plan is primarily an aggregation of the plans of individual departments and authorities, including the Government Computing Service.

4.9.2 Nevertheless, one of the purposes of consolidating departmental plans is to assist in the identification of areas of duplication, potential for sharing, and potential for the more extensive application of information technology. Therefore some feedback from the central planning body to the departments is to be expected and this may result in fine-tuning of departmental plans or, probably in rare cases, substantial modification of them.

#### 4.10 CONSOLIDATED ANNUAL PLANS SHOULD BE MADE AVAILABLE TO PRIVATE SECTOR INDUSTRY

4.10.1 Suppliers of EDP goods and services will be better able to meet the Government's needs over the long term if they can anticipate the Government's probable future requirements.

This applies both to firms marketing imported goods and those supplying locally-manufactured goods and services; however it is particularly important to the latter. The Ministry for Economic Development in its submission to the Committee<sup>(24)</sup> has recommended making the Government's EDP plans available to the local industry and to potential local suppliers to assist them in planning the nature and scope of their activities. The Committee agrees with this proposal.

4.10.2 The obvious caveat should apply: the plans are for broad guidance only and may be changed without notice at any time. The private sector would use them at its own risk.

#### 4.11 RECOMMENDATIONS

The Committee recommends that:-

- (1) Rolling plans for not less than three years for the development and operation of information technology and information systems

should be prepared and updated annually by all departments and authorities.

- (2) Plans should be prepared in a uniform sector-wide format to permit comparison and consolidation.
- (3) The Computer and Systems Division of the Public Service Board should prepare guidelines for the preparation of such plans and these should be issued to departments and authorities.
- (4) Ministers should instruct statutory bodies under their direction to submit plans to the Public Service Board in accordance with the guidelines.
- (5) Plans should be reviewed and revised at least annually and rolled forward one year.
- (6) Plans should be related to the objectives, programmes and problems of the department or authority. It is suggested that they should contain cost-benefit analyses at two levels :
  - (i) a broad long-term analysis; and
  - (ii) more detailed cost justification of proposed specific purchases within development programmes.
- (7) Strategic plans of departments and authorities should be made available for study by the private sector except where in the view of the minister it is not in the public interest to do so.
- (8) Plans from departments and authorities should be formally approved by the permanent head or chief executive officer before submission to the minister.
- (9) Plans from departments should be approved by the appropriate minister before being forwarded to the Public Service Board.

- (10) The Computer and Systems Division of the Public Service Board should consolidate plans annually and advise the EDP Policy Committee of matters affecting policy.
- (11) On the basis of departments' plans, Treasury should agree in principle to departmental expenditure contained in the estimates as it does for other capital expenditure, even though such expenditure is anticipated over a period of three to five years. The forward estimates should be revised and refined annually. Annual budget bids would normally be consistent with the estimates for year one contained in the strategic plan.
- (12) Specific acquisition of equipment should not require further approval by the Public Service Board or EDP Policy Committee provided that :
  - (a) they were consistent with the strategic plan;
  - (b) the strategic plan had been accepted by the minister and permanent head and endorsed by the EDP Policy Committee as to its conformity with overall policy; and
  - (c) the acquisition does not require expenditure significantly greater than the estimate contained in the strategic plan.
- (13) In order to assist departments to carry out the requirements analysis on which plans should be based, the establishment and staff ceilings of the Computer and Systems Division of the Public Service Board, and the Government Computing Service should be enlarged. The number of persons required should be estimated by the Computer and Systems Division and the Government Computing Service, but it is envisaged that at least eight senior systems analysts may be required.

## CHAPTER 5

### ROLES OF DEPARTMENTS AND AGENCIES

#### 5.1 THE NEED FOR CHANGE

5.1.1 Evidence taken by the Committee indicates that a number of changes are required in the responsibilities and functions of central agencies to achieve better management of EDP resources within the Victorian Public Service.

5.1.2 The objectives of such changes are:

- (1) To ensure that department heads assume the responsibility for, and carry out, effective planning and development of their own EDP requirements within a broad policy framework.
- (2) To ensure that departments are able to acquire the knowledge and staff needed to do so.
- (3) To provide sufficient sector-wide central co-ordination and monitoring to ensure that :
  - government policy affecting information technology and information management is formulated in specific EDP policy and is disseminated;
  - the implications of departments' and authorities' plans are understood and used in overall resource planning and in formulating government policy.
- (4) To provide an efficient resource pool of EDP services within the public service to supplement departmental staff and external resources.

5.1.3 Three bodies which could, with only minor change in direction, help achieve objectives (3) and (4) already exist - the EDP Policy Committee, the Computer and Systems Division of the Public Service Board, and the Government Computing Service. As a first step towards effective EDP management by all departments, the Committee proposes changes of emphasis and attitude for the EDP Policy Committee and

the Government Computing Service rather than fundamental changes in roles. These bodies should be given a clear charter to help departments become self-sufficient and their direct control of EDP development should be reduced.

5.1.4 At present, and for some time to come, central monitoring of performance in departments will be necessary in order to accomplish the first objective above. This monitoring function also falls within the charter of two existing agencies - the Auditor-General and the Public Service Board.

5.1.5 Thus, although very significant changes are required in attitudes, levels of competence, and type and nature of services available to departments, the Committee thinks that the changes can be accomplished, at least for the present, by modification of the terms of reference of existing agencies and enlargement of the capacity of the Auditor-General's Office and the Government Computing Service.

5.1.6 Some recommended roles and responsibilities for various parties are listed in more detail in the remainder of this chapter.

## 5.2 DEPARTMENTS

5.2.1 Although many departments want to manage their own EDP development without interference, experience during the past few years indicates that they can get into considerable difficulty. The preparation of five-year plans and the use of a system development methodology would have eliminated or mitigated some of the problems that have occurred; however the major change required in departments is the increased use of careful analysis of requirements and thorough objective feasibility studies. These are likely to require considerable resources to carry out - in many cases beyond the capacity of the departments themselves to provide.

5.2.2 The Committee proposes that the Government Computing Service - and to a lesser extent the Computer and Systems Division of the Public Service Board - should assist departments by providing the personnel to help in these activities. Nevertheless, even if most of the resources are obtained from outside the department, the management of the department must understand and be heavily involved in its EDP planning and the control of resources.



5.2.3 A major challenge for departmental management is to build greater competence to manage EDP development. Some bodies, such as the State Rivers and Water Supply Commission, have adopted a policy of keeping their initial EDP staff to a minimum and putting their money into retaining a small, highly-skilled cadre of senior EDP people capable of assembling and managing external resources to satisfy their EDP requirements. The Committee supports this approach and recommends it generally to departments.

#### Recommendations - Responsibilities of Departments

5.2.4 The Committee recommends that the specific responsibilities of departments should include:-

- (1) Responsibilities as defined in the Public Service Act.
- (2) Defining and justifying the EDP requirements necessary to meet the department's stated objectives.
- (3) Acquiring and ensuring effective use of computer equipment.
- (4) Controlling the development of computer systems.
- (5) Preparing five-year rolling strategic plans in a standard sector-wide format and updating them annually; submitting plans to the Public Service Board. (Plans should be public unless security would be jeopardized).
- (6) Carrying out periodic reviews of the efficiency and effectiveness of systems, presence of standards, compliance with standards, and adequacy of standards and controls.
- (7) Maintaining contact with departments and agencies in Victoria, the Commonwealth, and other States to enable relevant experience to be shared.
- (8) With the assistance of the Public Service Board if necessary, recruiting adequate numbers of EDP personnel and training them to satisfactory skills levels to enable implementation of the department's agreed strategic plan.

Note: The amount of training and development provided by the department would vary according to the department's size. The Public Service Board, the Government Computing Service and private sector could be used to supplement a department's own training resources.

- (9) Submitting proposals for specific funding of information system acquisition, development and operation to Treasury

### 5.3 STATUTORY AUTHORITIES

5.3.1 Generally throughout this report the Committee has used the term "departments" to refer to those departments of State which are administered under the Public Service Act 1974, and the term "statutory authorities" to refer to bodies created or established by other specific legislation. In reality, the division between departments and authorities is not clear-cut since some statutory authorities have staff employed under the Public Service Act; other statutory authorities are staffed, without specific legislative provisions, by persons employed under the Public Service Act; and some authorities employ staff for whose terms and conditions of employment the Public Service Board has statutory responsibility.

5.3.2 In some places in this report - for example in the discussion on attracting and retaining staff - the statutory authorities which employ staff under public service salary and conditions might be expected to have much the same problems as the departments of the public service. In those cases where, in certain respects, statutory authorities behave or are administered as departments, recommendations relating to departments apply *mutatis mutandis* to such authorities.

5.3.3 As indicated previously in this report, the Committee considers that the authorities in general should not be subject to control of their EDP development by public service agencies. However, in most cases they are already subject to audit by the Auditor-General, the Committee considers that such audit should include efficiency and effectiveness of EDP facilities with appropriate reports to Parliament.

5.3.4 Many larger authorities have the staff and expertise to manage their EDP development without help.

Smaller ones however will need help and, if this Committee's recommendations are adopted, will be able to obtain such help from the Government Computing Service and the guidelines prepared by the Public Service Board and issued by the EDP Policy Committee.

#### Recommendations - Responsibilities of Statutory Authorities

5.3.5 The Committee recommends that the specific responsibility of statutory authorities should include:-

- (1) Responsibilities as defined by Statute.
- (2) Defining and justifying the EDP requirements necessary to enable the authority to meet its stated and statutory objectives.
- (3) Acquiring and ensuring effective use of computer equipment.
- (4) Controlling the development of computer systems.
- (5) Preparing five-year rolling strategic plans in a standard sector-wide format and updating them annually. Forwarding plans to the Public Service Board. Plans should be public.
- (6) Carrying out periodic reviews of the efficiency and effectiveness of systems, presence of standards, compliance with standards, and adequacy of standards and controls.
- (7) Maintaining contact with government agencies and departments in Victoria, the Commonwealth, and other States to allow relevant experience to be shared.

#### 5.4 EDP POLICY COMMITTEE

5.4.1 The EDP Policy Committee should progressively reduce and ultimately drop its functions of approving and controlling the direction of individual projects and should concentrate on developing the framework of policies and guidelines within which departments are expected to work.

Recommendations - EDP Policy Committee

5.4.2 The Committee recommends that :-

- (1) The EDP Policy Committee should comprise, as at present, the Director of Finance, the Secretary to the Premier's Department, the Chairman of the Public Service Board, and the Director-General of the Department of Property and Services; and in addition, the permanent head or equivalent of one department of the public service and the chief executive officer of one statutory authority. The department and the statutory authority with representation on the committee should change annually.
- (2) Policies should be drafted by the EDP Policy Committee and circulated to departments for review before being adopted.

Recommendations- Responsibilities of EDP Policy Committee

5.4.3 The Committee recommends that the EDP Policy Committee should be responsible for :-

- (1) In consultation with departments, authorities, and staff associations the formulation of sector-wide policies for adoption by Government for the management of information technology and systems and the Government's information resources; the promulgation of approved policies to departments, agencies, authorities, staff associations and industry associations.
- (2) The review of submissions from departments to Treasury for funds for acquisitions of more than \$200 000 and to advise Treasury of :
  - conformity with the department's strategic plan;
  - conformity with Government policy;
  - its assessment of the technical feasibility of the project.

- (3) In consultation with departments, authorities, the Government Computing Service and the Computer and Systems Division of the Public Service Board, to decide on the need for common systems and, on approval by the Premier, to commission the development of such systems by the Government Computing Service or their acquisition from external suppliers.
- (4) The approval and issuing of guidelines and standards to departments and authorities.

## 5.5 GOVERNMENT COMPUTING SERVICE

5.5.1 The Government Computing Service is a key component in the Committee's proposals for improving the effectiveness of the Victorian Public Service's EDP resources. Not even the largest departments can hope to retain on their staff all the skills they are likely to need for their EDP developments. While the private sector should be exploited as a source of specialists for short-term assignments, the Committee believes that there are important functions not likely to be provided by the private sector which are needed and which could come within the role of the Government Computing Service. These include acting as a clearing house on supplier information, providing an on-the-job training ground for EDP staff, and carrying out research into the application of information technology to government administration. Departments will need temporary assistance from specialist personnel who have not only adequate technical ability but also knowledge and experience of the public service. The opportunity exists for the Government Computing Service to build a pool of expertise in which specialist EDP knowledge is combined with understanding of the machinery of the service.

5.5.2 It is neither practicable nor desirable for the Government Computing Service to attempt to meet all the needs of departments for consulting or computing services. The Committee believes that the most appropriate way to control the direction and growth of the Government Computing Service is to let it compete with the private sector on a quasi-commercial footing.

5.5.3 The Government Computing Service should have the ability to fund capital acquisition and staffing from a proportion of its own earnings.

It is also desirable that the Government Computing Service should have flexibility to hire and fire staff in order to build up the high calibre of personnel it will require. Unless it has a considerable degree of freedom from the normal public service constraints on funding and staffing, it may be difficult for the Government Computing Service to compete openly with the private sector - and the Committee believes that open competition is essential if the Government Computing Service is to remain efficient. The Committee is totally opposed to a protected environment for the Government Computing Service based on compulsory use of its services.

5.5.4 The Committee proposes below a future role for the Government Computing Service. The Committee does not think that the Government Computing Service can assume this role suddenly. It will have to move towards the full performance of all these functions gradually, building expertise and the confidence of users. This could take several years but at the end of that time a valuable resource pool and technical knowledge base for co-ordination and policy making could exist in Victoria to aid the public service in information system development and management.

5.5.5 In the long term, the Committee considers it likely that the Government Computing Service will have to become a statutory body independent of the Public Service Board in order to achieve the flexibility of funding and staffing which is necessary. In the short term, many of the functions that are advocated for the Government Computing Service in its enlarged role can be undertaken while the Government Computing Service remains within the Department of Property Services.

5.5.6 The Committee expects that the Government Computing Service will make vigorous efforts to maximize the productivity of existing staff but recognizes that the Government Computing Service may be able to demonstrate the need for an expansion in staff to perform all the functions listed below with an adequate quality-of-service.

#### Recommendations - Government Computing Service

5.5.7 The Committee recommends that:-

- (1) The Government Computing Service should prepare and update annually a three to five-year rolling plan.

- (2) The Government Computing Service should review the plans of departments and authorities and conduct negotiations with them for the use of Government Computing Service services. It should not be mandatory for a permanent head to use the Government Computing Service in preference to the private sector.

Recommendations - Responsibilities of Government Computing Service.

5.5.8 The Committee recommends that the Government Computing Service should be responsible to :-

- (1) Provide, on request, technical advice to departments and authorities as the basis for:
  - system development, implementation and operation;
  - purchase and acceptance of equipment, software, and services;
  - government policy formulation;
  - planning; and
  - the formulation of policies for the support of Victorian equipment, software and services industry.

Note: Government Computing Service would not itself be responsible for the formulation of policies but would provide the necessary knowledge base to departments and authorities whose responsibility this was (see related item no.10).

- (2) Act as a clearing house for information on suppliers and their products; maintain files on suppliers; assist departments to evaluate proposals; evaluate new products. Suppliers would be required to provide the Government Computing Service with comprehensive documentation on all products they wish to sell to the government and to keep such documentation up-to-date.

- (3) Develop computing and data communications technical standards in conjunction with departments and authorities and in consultation with suppliers; recommend standards to the EDP Policy Committee.

The Government Computing Service's work in the area of standards would not duplicate or conflict with that of the Australian Standards Association or the International Standards Organization; it would take into account the desirability of conforming to de facto industry standards.

- (4) Provide on-the-job training to EDP systems personnel in accordance with training and manpower development plans produced by the Public Service Board.
- (5) Assist, upon request, departments, authorities and the Auditor-General to carry out performance evaluation of systems.
- (6) Assist departments designing new systems to build in audit trail capability and security provisions.
- (7) Maintain a software library of well documented available software packages with information on their performance; assist departments and agencies to evaluate software packages.
- (8) Carry out research in, among other things:
  - (a) information system support in decision-making, policy formulation and problem solving in government; and
  - (b) information networking and integrated office information systems.
- (9) Promote interchange of information on information technology with industry and other governments.
- (10) Identify and clarify issues of information technology policy, plans and programmes as they pertain to government operations and public well-being (see related item no.1).



- (11) Operate a computing service to departments and agencies to supplement their own systems where, for example:
- there is overload on the in-house system;
  - special facilities are required which are not available in-house;
  - the department requires temporary use of a system while awaiting installation of its own; or
  - a department or agency is too small to have its own system.

(Note: Departments and authorities would have the option of using the Government Computing Service, an outside bureau, or spare capacity within the service).

- (12) Provide, when required, a facilities management service in the operation and support of departmental or authorities' computers.
- (13) Identify application areas where common systems and data can be used.
- (14) Develop, when directed, systems common to a number of departments.
- (15) Maintain a directory and dictionary of data and software available to other departments, authorities and the public.
- (16) Charge a fee for services aimed at recovering costs, including overheads and depreciation on equipment, and providing for expansion.
- (17) Provide, upon request, a site planning service to departments and authorities.

## 5.6 AUDITOR-GENERAL

5.6.1 The Committee believes that the power and capacity of the Auditor-General should be extended to enable him to carry out efficiency and effectiveness audits of EDP systems, and audit of the controls on acquisition and development of systems.

At present he is only able to review EDP systems in terms of the accuracy of the information produced, not in terms of their performance in relation to costs. While the primary responsibility lies with departments themselves to do this, using internal audit resources, both the Public Service Board and the Auditor-General have responsibility to review and monitor the departments.

5.6.2 The Auditor-General should not participate in the design of departments' or authorities' systems. Internal auditors within departments and authorities may participate in design to the extent of defining objectives for auditability. In other words they may advise system designers what parameters of system performance and what controls they will wish to measure or verify when carrying out an audit.

5.6.3 The reasons for EDP efficiency and effectiveness audits being carried out by the Auditor-General, as opposed to the Public Service Board, are his independence from the systems being evaluated and the fact that such audits are a logical extension of his current reviews of EDP systems.

#### Recommendations - Responsibilities of Auditor-General

5.6.4 The Committee recommends that the Auditor-General should :-

- (1) Carry out audits on computer installations in departments and statutory authorities to determine :-
  - (i) the adequacy of controls of integrity, security and privacy;
  - (ii) the efficiency and effectiveness of system performance; and
  - (iii) the efficiency and effectiveness of system development and acquisition.
- (2) Report on the extent to which authorities and departments exercise their responsibilities as defined here and their compliance with Government policies on information systems.

- (3) Report on the adequacy of EDP standards in departments and authorities, and compliance with them.

## 5.7 PUBLIC SERVICE BOARD

5.7.1 The Computer and Systems Division of the Public Service Board should mainly be responsible for providing help to departments in strategic and policy issues, preparing guidelines for formal issuing by the EDP Policy Committee, consolidating and maintaining the sector-wide EDP plans, and carrying out effectiveness and post-implementation reviews.

5.7.2 On request, departments would also be able to obtain help from the Government Computing Service, but this would generally be of an operational and technical nature (and would take the form of paid-for consultants) rather than of a policy or strategic nature.

5.7.3 The Computer and Systems Division of the Board should continue to act as the secretariat of the EDP Policy Committee.

### Recommendations- Responsibilities of Public Service Board

5.7.4 The Committee recommends that the Public Service Board should be responsible for :-

- (1) Developing and maintaining documentation relating to policy, guidelines, procedures and standards.
- (2) Developing and maintaining sector-wide plans on the development and use of information systems; distributing such plans to departments and authorities. The plans should be available for purchase or inspection by private firms.
- (3) Identifying possibilities for bulk purchasing of standard EDP equipment; advising departments and authorities of these possibilities and requesting the Tender Board to arrange bulk purchases or period contracts where departments and authorities wish to participate in such an arrangement.

- (4) Making recommendations on information technology and information management matters for consideration by the EDP Policy Committee and other bodies.
- (5) At the request of the EDP Policy Committee, preparing guidelines to departments and authorities in the assessment, development and operation of information technology; keeping such guidelines up-to-date.
- (6) Assisting departments and, if requested, authorities, in the early phases of information system planning to ensure that objectives are clearly perceived, quantified as far as possible, and consistent with overall programme objectives of the department or authority.
- (7) In collaboration with departments and authorities, and using the EDP sector-wide plans, formulating manpower requirements, recruiting and training programmes and career development programmes for EDP staff; co-ordinating the implementation of such plans by agencies, departments, the Public Service Board, the Government Computing Service, and external training services.
- (8) Annually surveying EDP remuneration levels in the private sector, statutory authorities, the Commonwealth Public Service and other States' services.
- (9) Annually reviewing and adjusting Victorian Public Service salary scales for EDP personnel to ensure that, taken together with allowances, working environment and general conditions of employment, they are sufficient to attract, motivate and retain adequate numbers of suitably qualified EDP personnel.

- (10) Ensuring that consultation takes place at early stages of planning and design between the Public Service Board, staff associations, and management on the likely effects on staff of the introduction of all new information systems in departments.
- (11) Actively encouraging the consideration or introduction of modern information technology in departments and authorities wherever its use would be cost-effective or would lead to improved service to the public.
- (12) Reviewing recommendations from the Government Computing Service for standards; promulgating approved standards to departments, authorities and suppliers.

## 5.8 EDP CONSULTATIVE COMMITTEE

5.8.1 The EDP Consultative Committee should continue to perform the function for which it was established - to represent the user departments to the EDP Policy Committee. The Committee believes that the Inter-departmental Users' Group performs a valuable function in providing for the exchange of ideas between users. However, this largely informal and technical activity, valuable as it is, is distinct from the role exercised by the Consultative Committee of providing a coherent voice for user departments.

5.8.2 Possibly the Users' Group and the Consultative Committee could be combined but this should not be done if it would interfere adversely with the two valuable and separate functions which they were originally established to perform.

### Recommendations - Responsibilities of EDP Consultative Committee

5.8.3 The Committee recommends that the EDP Consultative Committee should be responsible for :-

- (1) Reviewing any submissions made by the Inter-departmental Users' Group and making recommendations to the EDP Policy Committee.

- (2) Monitoring and reporting to the EDP Policy Committee on the implementation and efficacy of information system policies within departments and authorities.
- (3) Advising on the creation and maintenance of the overall Strategic Plan for information system development in the public service.
- (4) Advising on the adequacy of guidelines and standards available for the development, control and operation of in-house departmental computers.

## 5.9 STATE TENDER BOARD

5.9.1 The current role of the State Tender Board includes :-

- (a) to ensure purchasing is in conformity with regulations and government policy, and that propriety has been observed;
- (b) to advise on documentation and contractual arrangements.

Its activities cover only Government organizations subject to Treasury Regulations (largely departments and not statutory authorities).

5.9.2 In line with recommendations elsewhere in this report, the Tender Board should undertake the following new tasks:-

- (a) to arrange bulk purchasing or period contracts for standard EDP equipment when requested by the Public Service Board (see para. 5.7.4 (3)); and
- (b) to maintain a public record of exemptions granted from requirement to call public tenders (see para. 7.7.3 (2)).

5.10 RECOMMENDATIONS

5.10.1 The Committee recommends that :-

- (1) The recommendations made in this chapter should be adopted by the Government and formally promulgated by the Premier's Department.
- (2) Consideration should be given by the Government to creating the Government Computing Service as a statutory body reporting annually to Parliament, with its expenses and capital requirements partially met by Treasury appropriations and partially from its own income.

## CHAPTER 6

### PROJECT DEVELOPMENT

#### 6.1 CONTROL OF CONTRACTORS

6.1.1 Significant problems have been experienced in recent years in the development by departments of three major on-line systems - WREN, GENIUS, and LANDTAX. These projects were the responsibility, respectively, of the Public Works Department, the Education Department, and the Land Tax Office. They were performed by the external contractors Intech (Australia) Ltd, Computer Sciences of Australia Pty Ltd, and Coopers and Lybrand Services. It is not the Committee's intention here to analyse these three projects. They have been carefully studied by the Auditor-General, the Public Service Board, and the departments themselves. An independent consultant is at present looking at the residual problems on the WREN project for the Public Works Department.

6.1.2 In this report the Committee simply states some conclusions reached from the documents and oral evidence received and makes some recommendations derived from them.

#### WREN (Works Recording Network) System

6.1.3 The contract with Intech for the development of WREN was a fixed price one, to which there has been an agreed variation of approximately ten percent due to an expansion of the Department's requirements. Approximately sixty thousand dollars are currently being withheld from the contractor pending the outcome of an investigation into the present response time problem. In most respects WREN is regarded by the Public Works Department as a satisfactory system.

6.1.4 The principal problem with WREN is that it uses much more of the resources of the Government Computing Service than was originally envisaged, and may need still more in order to provide a satisfactory response time. This heavy use of resources by WREN is a significant factor in the unsatisfactory quality of service experienced by some of the Government Computing Service's clients.



6.1.5 One possible solution that has been put forward for the response time problem on WREN is to expand the equipment resources on which the system is run at a cost estimated by the Public Service Board to be between one and two million dollars<sup>(27)</sup>. In order to determine whether this is the best course of action, a study is at present being carried out. For the time being it is proposed that WREN will be given priority on the Government Computing Service's existing B7700 computers during normal office hours, leaving them available to other users for overnight batch processing<sup>(4)</sup>.

6.1.6 The EDP Policy Committee stated<sup>(5)</sup> that:

*The (Policy) Committee's treatment of new computer acquisition as a policy matter originates from a number of problem systems which heavily use Government Computing Service's resources (notably WREN, GENIUS and LANDTAX)...The supervision of the EDP Policy Committee was seen as essential to regain control over the use of computer equipment and the unwarranted growth of computer project and associated costs.*

6.1.7 The Committee does not agree with the implication in the above statement that supervision by the EDP Policy Committee would have prevented the problems which have beset WREN. It was originally planned that WREN would use a specified proportion of the Government Computing Service's equipment resources. The requirements were under-estimated. If the Public Works Department had been running WREN on its own computer it might by now have installed additional equipment in the hope that this would improve response time. Whether that is the correct course of action remains to be seen. However, at present WREN is run by the Government Computing Service, and the latter can give additional resources to WREN only at the expense of other users of the B7700's. This suggests that in future developments by a department, if there is significant risk that the estimates of resource requirements may be exceeded, it is preferable for the department to plan on using its own equipment, rather than sharing a central computer. At least then the penalty for resource over-run will fall on the department and not on other users of the system, and the action needed to remedy the situation will be the responsibility of and within the control of the department.

6.1.8 Initially the Public Works Department was expected to provide five - subsequently reduced to three - competent departmental personnel to work as part of the project team during the development period.

An aspect of concern was that the Department had difficulty in maintaining the equivalent of more than one and a half persons through the development period. The Department believes that it has overcome this problem and is now able to provide competent personnel.

#### Recommendation

6.1.9 The Committee recommends that when external contractors are used for consulting, system design, programming, project management etc, care should be taken to train departmental staff so that when the contractor leaves, departmental personnel are fully capable of maintaining and extending the system.

#### GENIUS System

6.1.10 The bulk of the development of the Education Department's GENIUS system has been performed by Computer Sciences of Australia (CSA) under a time-and-materials contract.

The project was commenced in July 1975 when Computer Sciences of Australia conducted a feasibility study of the Department's computer requirements. A number of potential computer applications were identified including :

- personnel/payroll;
- property resources management;
- finance and accounting;
- store management;
- student management; and
- school services.

It was proposed that these would be handled collectively by a computer system called GENIUS. Tenders were called for the system design and programming and Computer Sciences of Australia were re-engaged on a time-and-materials basis in September 1976 to develop the Personnel/ Payroll and the Property Resources Management systems.

In 1980, the Teachers' Payroll section of the Personnel/Payroll was let on a fixed price basis to Computer Sciences of Australia.

6.1.11 Computer Sciences of Australia's original estimate for design and programming of the Personnel/Payroll and Property Resources Management systems was approximately \$430 000 and the Department estimated that the additional cost of involvement of its staff would be approximately \$200 000, making an estimated total cost for those modules of between \$600 000 and \$700 000(2).

6.1.12 The Committee has been given various figures for the cost of GENIUS to-date. In a letter to the Premier dated 11 August 1980, the Chairman of the Public Service Board stated that the original cost estimate for design and programming had been exceeded by more than \$2 million; Personnel/Payroll was not then and still is not complete. The Committee estimates that the final cost of Personnel/Payroll and Property Resources Management, including the cost of departmental personnel will be at least \$4 million, or more than five and half times the original estimate.

6.1.13 The Committee is concerned about a number of aspects of the GENIUS project including the following :-

- (1) The cost of two modules of GENIUS to-date is more than five times the original estimate for these two modules.
- (2) The total cost of GENIUS has apparently never been estimated(2).
- (3) There was no break point between the design and programming phases of Property Resources Management and Personnel/Payroll at which review of the design could be carried out or tenders called for the programming effort.
- (4) The project is running approximately two years behind schedule.
- (5) Control exercised by the Department over the contractors was grossly inadequate.
- (6) It is not apparent that an adequate needs study was carried out initially.

- (7) The project was allowed to run far beyond original cost and time estimates on a time-and-materials basis. Only the Teachers' Payroll section of Personnel/Payroll is being done on a fixed time basis and this apparently only upon the urging of the Chief Computer Adviser.

### Recommendations

6.1.14 The Committee recommends that:-

- (1) A detailed cost-benefit analysis and a new development schedule should be drawn up for the remainder of the GENIUS project.
- (2) A proven and appropriate development methodology should be employed for the remainder of the GENIUS project and future contractors should be required to adhere to it.
- (3) As far as practicable, the remainder of the planned development effort for GENIUS should be broken into modules, and tenders should be called for the programming of these. Every effort should be made to negotiate fixed price contracts for this work.
- (4) Wherever practicable departments should negotiate fixed price contracts for services in preference to time-and-materials arrangements.

### LANDTAX System

6.1.15 The LANDTAX system was designed and programmed by Coopers and Lybrand Services for the Land Tax Office in 1976. The original estimate of development cost was \$670 000 and the final cost was approximately \$2.1 million of which approximately \$1.3 million was paid to Coopers and Lybrand. The Land Tax Office advised that the total development costs of the system from 1975 to 1980 were \$121 209 (Coopers and Lybrand), \$498 209 (Government Computing Services), \$164 376 (computer services rendered by "outside" companies) and \$153 739 (equipment). At constant prices, the 1975 estimate of \$670 000 would be \$1 186 175 in 1980-81 prices.

Although the system is in operation, the manpower and computer resources required to run it are excessive, considering its capabilities. The EDP Policy Committee has stated that this is primarily due to poor design and programming. A review is in progress by the Public Service Board to identify the best way to improve the system performance and increase its effectiveness to the Land Tax Office.

6.1.16 In view of the cost over-run and the poor quality of the final result, the Committee considers that, as with GENIUS, the development of LANDTAX was not adequately controlled by the Department. The Committee emphasizes that it is the responsibility of departmental management to supervise and control external contractors

## 6.2 PROFESSIONAL CONDUCT AND QUALIFICATIONS

6.2.1 The Committee has observed that the data processing field at present does not have the same degree of formally defined standards for professional conduct and competence as those existing within the established professions. No levels of competence are defined which have any significance in law as, say, those of the medical profession do. While moves have been made - notably by the Australian Computer Society - towards establishing standards of professional conduct and defined levels of competence in this country, the field of information science and engineering has a long way to go to reach the level of self regulation of competence and conduct that exists within the established branches of engineering, and the legal and medical professions.

6.2.2 These established professions have a stable corpus of knowledge whose boundary is expanding only slowly relative to that in the information sciences field. Professional status for the field of information science and engineering may have to await a slowing down of the rate of growth of the techniques and knowledge that it encompasses.

6.2.3 It has been put to the Committee<sup>(2)</sup> that many of the proven techniques of engineering are appropriate in the fields of computer system design, development and performance evaluation; if adopted more widely they would speed moves towards professional status. Moreover, both the quasi-professionals of the information processing field and the computing services industry based on it could well copy the engineering profession in its self regulation of standards of competence and conduct.

6.2.4 Cases from the private sector have been brought to the notice of the Committee where persons who represented themselves as consultants had an undeclared pecuniary interest in the outcome of their advice. In one case a 'consultant' recommended the installation of a certain brand of computer, on the sale of which he received a commission. He did not disclose this to his client and the fact was discovered by accident when the client sought service of the equipment.

A similar case was reported recently (*Pacific Computer Weekly* 9-15 Oct. 1981) where a 'consultant' had advised clients to purchase a brand of disk pack on whose sale he received a commission. Again he had not declared his pecuniary interest at the time he gave the advice.

6.2.5 It is very common at present for EDP service firms to offer clients both consulting and contract programming. While the Committee sees nothing wrong with this, clearly, where advice is given which results or might result in further business for the firm for contract programming (or for anything else), the objectivity of the consultant's advice is suspect.

6.2.6 The situation has occurred in the development of some Government systems, such as GENIUS, where the contracting firm that advised a department to go ahead with system development was given the job of detailed design and programming without going to tender. This is now widely - but not universally - recognised to be an unsound practice. The Policy Guidelines and Procedures issued by the EDP Policy Committee require that, for projects over \$50 000, design specifications must be produced which will allow tenders to be called, although there is no explicitly stated requirement that tenders be called.

6.2.7 It has been put to the Committee<sup>(2)</sup> that a firm which provides consulting or design services to a client should be prohibited from participating in the programming and implementation which would result from the client accepting the consultant's advice. While a case can be made to support this, the Committee does not believe that it is essential for probity, and it may sometimes result in higher costs to the Government. However as a minimum step the Committee considers that tendering between the system specifications and the programming phase should be enforced.

#### Australian Computer Society

6.2.8 The constitution of the Australian Computer Society states one of the objectives of the Society to be:

*3.3 To maintain a Code of Ethics and Standards of Knowledge in the fields (of digital and analogue computers, automatic data processing systems, computer-based automatic control systems, computer science and technology, information processing and related subjects.)*

The Society has developed a code of ethics which includes the following:

*3.5 A member shall avoid placing himself at any time under any obligation to any person or organization in whose dealings with his employer or client he may be concerned. If such an obligation exists he shall fully disclose the fact to his employer or client. He shall not accept any substantial gift or favour from such person or firm.*

*8.6 A member, if he has any substantial financial interest in any organization in whose dealings with his employer or client he may be concerned, shall fully disclose the circumstances in writing to his employer or client.*

*8.7 A member shall fully and immediately disclose to his employer or client circumstances of any nature, financial or otherwise, which might appear likely to influence the impartiality of his advice or decisions.*

9.0 RELATIONS WITH EMPLOYEES

*A member, if he employs or controls persons in a professional capacity, shall not ask or require any such person to take any actions that would involve a breach of the Code of Ethics as set out in this instrument.*

The Society has also defined a procedure to be followed when it is believed that a breach of the Code of Ethics has occurred.

6.2.9 The Committee believes that if consulting firms and programming contractors, and the personnel provided by them, observed the Code of Ethics of the Australian Computer Society or an equivalent code, the Government would not suffer some of the abuses which appear to be common practice at the present at least in the private sector. If contractors and consulting firms and their EDP professional staff were members of the Australian Computer Society or a body with an equivalent code of ethics and disciplinary procedure, clients could enjoy some protection afforded by the standards of competence and conduct established by the Society and the procedure to be used in cases of professional misconduct. In the case of contractors, this would require a minor change in the by-laws of the Australian Computer Society because Corresponding Institutions are not required at present to subscribe to the Code of Ethics.

6.2.10 The Committee considers that computer society members providing service to the Government are likely to take their responsibilities seriously under such circumstances since a complaint by a client, if proven, could result in a reprimand or expulsion.

Australian Computing Services Association

6.2.11 The Australian Computing Services Association is the major trade association for companies who provide services to computer users in Australia. The services provided by members include data preparation and data processing; system analysis, design and programming; consulting; personnel recruitment and training; implementation; operations; and independent equipment maintenance.



The Association has a Code of Conduct which binds members. This Code, though sound as far as it goes, is too general to protect the public service against some of the abuses which occur in practice in the private sector.

### Recommendations

6.2.12 The Committee recommends that :-

- (1) As a prerequisite to obtaining consulting work with the Government, firms should be required to declare any pecuniary interest which they or personnel they engage on the project have in software products, computing equipment, data communication equipment, personnel services, contract programming, or other products or services which might effect the impartiality of advice they might give.
- (2) The following words should be added to clause 2.4.2(b) of the Policy Guidelines:  

"no firm may be engaged to help in the analysis of proposals or quotations if that firm is itself tendering for the work or has a pecuniary interest directly or indirectly in any firm which is tendering or submitting a proposal for the work."
- (3) The Government should require that persons and firms providing consulting in information processing, system analysis, design and programming, project management, and any other EDP professional services, should undertake to be bound by the Code of Ethics of the Australian Computer Society or other approved equivalent code of ethics. Where practicable, such undertaking should be embodied in the contractual agreement between the parties.
- (4) The pecuniary interests of consultant and contracting firms and their staff should be taken into account in selecting a consultant or contractor.

- (5) The Australian Computer Society should be requested to intensify its efforts to coordinate data processing courses in tertiary institutions so that employers may be aware of the quality and content of courses which job applicants claim to have attended.
- (6) Breaches of ethics or professional conduct should be brought to the attention of the Council of the Australian Computer Society or other professional body of which the contractor or consultant is a member.

## CHAPTER 7

### ACQUISITION OF EDP SYSTEMS AND SERVICES

#### 7.1 SPECIAL ASPECTS OF EDP ACQUISITION

7.1.1 The acquisition of large EDP systems has a number of features which may make it appropriate to employ special controls. Some differences between the acquisition of EDP systems and other types of capital equipment are :-

- (a) few capital equipment acquisitions have the same potential for bringing about basic changes in the way a department works. Information handling is a major activity of most government departments; therefore information technology is likely to be closely integrated with the functions and operations of a department;
- (b) information systems are often very complex. Their design is frequently difficult and may require contributions from several disciplines. The techniques of design of large information systems are generally less formal and less well understood than for most other classes of capital equipment. There is a large number of variables which ideally the designer should take into account and many degrees of freedom open to him. Consequently there is almost unlimited opportunity for error or sub-optimum design;
- (c) the demand for qualified people to design and implement large systems exceeds the supply; the use of under-qualified people can lead to systems being installed which are technically unsatisfactory or do not meet end-users' requirements;
- (d) within the Victorian Public Service some managers have less than adequate knowledge of the basic principles of EDP and the EDP marketplace. Sometimes EDP personnel reporting to them do not have very broad experience.

Consequently they may become easy targets for salesmen in the present competitive marketplace; and

- (e) few capital acquisitions in the public service have the same potential to affect staff members and working environment as does that of modern information technology, particularly computers.

7.1.2 Though none of these factors is unique to information system acquisition, the first three in combination justify giving EDP acquisition more management attention than is normally given to other capital equipment procurement. The fourth and fifth factors, in the Committee's view, justifies the continued central co-ordination of EDP acquisition for the time being.

## 7.2 DELAYS AND CONSTRAINTS IN PROCUREMENT PROCESS

7.2.1 The questionnaire given to departments and authorities prior to the discussion paper indicates that some departments felt that there were excessive constraints or delays in acquisition procedures. The Committee has not found any evidence of significant delays inherent in the purchasing procedures, though there are sometimes delays in the approval process for funds or staffing preceding purchase (see Chapter 8).

7.2.2 A significant problem the Committee has noted is the way in which restrictions may be suddenly applied, for example by Treasury, to achieve a desired effect, and then relaxed again a short time later. An example is the recent embargo, now relaxed, on hiring staff from outside the service which was applied quite independently of staff ceilings. The apparent arbitrariness of such stop-go decisions causes confusion and may introduce delays in staffing and procurement extending beyond the time that the restriction itself is applied.

7.2.3 A further cause of delays which has been noted is the apparent difficulty in co-ordinating approvals for staffing, funding and equipment acquisition. Though each of these may be performed fairly expeditiously, they are sometimes not properly synchronised, causing delays in the development process. This situation should be improved under the procedures advocated since expected staffing, funding and acquisition proposals will be embodied in rolling plans and can be considered well in advance of

specific approvals by Treasury, the Public Service Board and in some cases the EDP Policy Committee. The higher financial delegations the Committee has proposed for departments will mean that further approvals for equipment and services acquisition will be simplified and will not be required in as many cases as hitherto. It must however remain the duty of the department concerned to ensure that such requests for approval as are required are so timed that projects are not delayed.

### 7.3 NON-COMPETITIVE ACQUISITION

7.3.1 The Treasury Regulations 1981 provide for exemption from calling public tenders if the expenditure is specifically authorized by the Governor in Council on the recommendation of the Treasurer. There appears to be no criteria for obtaining such an exemption nor is there a requirement for the customer department or the Treasurer to give reasons why the tender process was not used. Moreover the Auditor-General is not empowered to enquire into the reasons for not calling tenders or to satisfy himself that the process was fair and proper.

7.3.2 The Committee is concerned at possible abuses arising from this provision of the Treasury Regulations particularly where add-on EDP equipment is being purchased. The potential exists in such cases for the purchasing department wrongly to assume or claim that only the original vendor can supply compatible add-on equipment. The Committee believes that such assumptions should be open to scrutiny by oversighting agencies, such as the Auditor-General, and the public.

#### Recommendations

7.3.3 The Committee recommends that :-

- (1) The Government's purchasing policies should be such as to promote free and open competition between suppliers to the maximum extent practicable. The procurement process should be, and be seen to be, impartial and fair.

- (2) When in a procurement it is considered necessary to call tenders from a restricted list, or not to call tenders, (for example using the authority of the Governor in Council on the recommendation of the Treasurer), the reasons for doing so should be documented by the department, agreed to by the responsible minister and lodged with the Tender Board. They should be available also for public scrutiny.

#### 7.4 USE OF PRIVATE SECTOR

7.4.1 A primary purpose of the public service is to perform the administrative functions associated with the machinery of Government. It is not appropriate for the service to compete with the private sector in the manufacture of equipment or software, or the supply of EDP services unless the work can be done internally for less cost. In comparing the cost of doing work internally against that of doing it in the private sector realistic internal costs must be used. For example, it is not valid to compare the direct costs of using otherwise idle programmers with the price quoted by external vendors. A realistic overhead should be applied to the direct costs of internal staff in deciding whether or not it is more economical to do the work internally. Guidelines are desirable on how to make the appropriate comparisons. (See reference 25 for an example of U.S. government guidelines on use of the private sector).

#### 7.5 METHODS FOR CHOOSING A SUPPLIER

7.5.1 Guidelines should be prepared by the Public Service Board for departments and authorities to help them apply consistent and rational selection methods when choosing a supplier of EDP products or services. Objectives for such guidelines should include the following:-

- (a) to help the department or authority to obtain a system closely matched to its functional requirements at an economical price;
- (b) to help ensure that the procurement has been a competitive one and that it has been fair to all participants;

- (c) to help guard against impropriety by a participant;
- (d) to help obtain a solution which furthers the Government's purchasing policies such as those aimed at supporting local industry; and
- (e) to help obtain a solution for the department or authority which does not adversely affect any other department or the interests of the State of Victoria.

7.5.2 No selection methods can guarantee that the Government will obtain a system precisely matched to its requirements, that it will obtain a satisfactory solution at the lowest price, that free and open competition will always prevail, or that any impropriety present will immediately become obvious. However, some approaches to vendor selection go much further towards achieving these ideals than others.

7.5.3 The selection method used should be theoretically sound so that selection made cannot easily be challenged or overthrown. If a challenge is issued, say by a disgruntled vendor, the method should allow the challenge either to be validated or rejected quickly.

7.5.4 The method should be understandable by all concerned in the acquisition process. Vendors should understand it so that each can provide the solution which he estimates will maximise his chances of success; the purchaser should understand it so that he can select the system from those offered which maximizes the "utility" of the solution for the Government; the Tender Board and the Auditor-General should understand it so that Parliament and the public may be assured that all is above-board and that public money is not wasted.

#### The Risk-adjusted-least-cost (RALC) Method\*

7.5.5 A simple criterion which purchasing authorities often try to apply is "The minimum cost tender will be selected which meets the specification." This is unsatisfactory.

7.5.6 If one considers the case where:-

supplier A's tender just meets the specification in all respects for \$5 million;

\* Similar to the requirements-costing-method of E.O. Joslin (21).

supplier B's tender fails to meet the specification in just one respect but costs \$3 million; and

supplier C's tender offers 50% more system capacity than supplier A's tender but at a cost of \$5 100 000.

Which tender should be selected.

7.5.7 According to the normal rules of tendering, it should be supplier A's offer. However, there is nearly always a benefit in having spare capacity available and in this particular case in the long term it might very well be worth \$100 000 extra to obtain 50% more capacity. On the other hand the one respect in which supplier B's tender fails to meet the specification might well be relaxed in order to save \$2 million if it is not a particularly important feature. (Possibly when it was specified it was not realized that the feature would cost \$2 million.)

7.5.8 Although it would seem sensible after receiving tenders to change the requirements in the light of the prices quoted, the rules do not permit it (unless the buyer is prepared to go to the expense of retendering). The normal rules of tendering, if interpreted strictly, do not recognize that few requirements in an information system are absolute or fixed ones. This indicates that a selection methodology is required which specifies few, if any, mandatory requirements and applies a utility function to each desirable characteristic. The utility function is designed to reflect correctly the value, not merely of having the feature or characteristic, but also of the extent to which the feature is provided.

7.5.9 The risk-adjusted-least cost method (RALC) satisfies this requirement. Basically it is a method for calculating the total expected cost of each vendor's offer over the life of the project. It allows credits to be applied where desirable features are offered, or penalties where they are not. The magnitude of the credit or penalty can be in proportion to the extent to which a desirable feature is offered. The vendor whose offer leads to the minimum expected cost (or maximum expected benefit) over the life of the project, all things considered, is the preferred supplier.



7.5.10 The method may seem complex but in fact experience by the Health Insurance Commission has shown that because it is methodical it allows the fast selection of a supplier. Without a methodical framework the selection team can become bogged down in a morass of conflicting requirements and optional features.

#### Proposals should be Obtained Prior to Tenders

7.5.11 It is suggested that the formal tendering stage of acquisition should normally be supplemented by prior, less formal, Requests-for-Proposal from vendors.

7.5.12 For a large acquisition, the total process might be divided into the following stages :-

- (a) a request for preliminary information from vendors outlining the broad requirements and inviting suppliers to submit product brochures and manuals;
- (b) a Request-for-Proposal; this document would be submitted to suppliers along with a more detailed specification of requirements which allowed vendors to quote for specific products and services that would be appropriate to functional requirements; and
- (c) the information provided during the Request-for-Proposal stage would be used to adjust the requirements, balancing the desired features against accurate costs which have been collected in the Request-for-Proposal stage; a Request-for-Tender would then be issued with a modified requirements specification which reflects the adjusted desirable features

7.5.13 Not every acquisition would require use of all three stages. In fact, for many straightforward procurements, it would be appropriate simply to call tenders. However, in complex procurements, the process suggested above allows adequate feedback of information from suppliers before the formal tendering phase.

7.5.14 Representatives of supplier organizations have claimed that the public service is not making the best use of opportunities for discussion with suppliers during the acquisition phase. The Committee attaches great value to the interchange of ideas and product knowledge between a range of suppliers and the purchaser during procurement. Such interchange can be directly beneficial to the user by providing him with ideas and indirectly because it allows the tenderers to gain a better understanding of the user's requirements. The combination of open tendering and the multi-stage acquisition process which is recommended should help to achieve this.

#### Vendors should be Told Selection Method

7.5.15 The vendors should not only clearly understand the general methodology of selection but it is desirable in most circumstances that they be told the intended size of cost penalties to be applied by the Government in a particular acquisition. However the basis for arriving at a particular cost penalty should not be communicated.

7.5.16 It will help the vendor to help the purchaser if the rules for selection are rational and clearly understood by all parties. Openness will help the vendor to supply a solution which is better matched to the Government's needs. Reasons for decisions made against suppliers should be communicated to them upon request, taking care not to disclose material provided in confidence by other suppliers.

#### Sample Guidelines are Available

7.5.17 An example of the kind of guideline which the Committee has in mind is that developed for the State of California entitled "Computer Hardware Procurement and Contracting Guidelines", November 1975. (Obtainable from the Inter-Governmental Board on Electronic Data Processing 1025P Street, Sacramento, California 95814. See also reference 26.)

#### Tender Board

7.5.18 The Tender Board should ensure that purchasing is in conformity with regulations and Government policy and that propriety has been observed. However, rules governing propriety should keep in mind the need for full and open discussion with vendors.

## Recommendations

7.5.19 The Committee recommends that :-

- (1) Guidelines should be prepared by the Public Service Board and approved by the EDP Policy Committee before being issued to departments and authorities on rational methods of selecting vendors of systems and services. The guidelines should be made public.
- (2) The methods recommended in the guidelines should be theoretically sound and easily understood.
- (3) Consideration should be given to the use of the risk-adjusted-least-cost method of vendor selection. In this method, potential suppliers should be told the specific cost penalties to be applied in the absence of desirable features.
- (4) Consideration should be given especially in large procurements, to a Request-for-Proposal stage prior to calling tenders, to allow the optimum choice of parameters in the final selection model. Proposals should contain price lists to allow the purchaser to examine the costs of alternative configurations.

## 7.6 SUPPORT FOR LOCAL EQUIPMENT AND SOFTWARE INDUSTRY

7.6.1 The Government's current preference policy on computers and the current general State preference policy is attached (see Appendix C).

7.6.2 The Ministry for Economic Development is at present formulating a policy implementation programme on Government purchasing which will be submitted to Cabinet for decision.

7.6.3 To the extent that the above initiatives may affect the future effective economic acquisition and use of data processing resources in the Victorian public sector, they are of concern to this Committee.

7.6.4 The Committee received a submission from the Ministry for Economic Development which incorporated a number of recommendations for the support of the local computer industry. These are included as Appendix D. They are relevant to the present inquiry to the extent that they support or conflict with the effective acquisition and use of computers by the public sector.

7.6.5 The primary function of the EDP Policy Committee as recommended elsewhere in this report is to formulate specific policies for the acquisition and use of information technology in the light of broader Government policy, including that in support of local industry. It is also the responsibility of the EDP Policy Committee to ensure that such policies are promulgated to departments and, where appropriate, statutory authorities.

7.6.6 In general the Committee would favour measures designed to give local industry information on the Government's intentions and future requirements for EDP equipment and software, rather than measures aimed at enforcing arbitrary levels of local purchase. The latter could well be counter-productive since to meet mandatory levels of local purchase, departments or authorities could be forced into acquiring local products which were less than satisfactory in quality or functionality.

The present purchasing policy embodies the concept of a cost penalty to be added to the tender price on the out-of-State content; the Government in effect is placing a dollar value to the State on the benefit of local manufacture. If the risk-adjusted-least-cost method of tender selection is applied, this benefit is automatically weighed against undesirable characteristics of the same tender and desirable features of competing tenders.

7.6.7 In short the Committee favours a combination of three processes to assist the development of a local computer industry in accordance with Government policy:

- a cost penalty as determined from time to time by the Government on the out-of-State (or overseas) content of tenders;

- industry visibility of the Government's forward plans; and
- the use of the risk-adjusted-least-cost method of tender evaluation.

It should be made clear to suppliers or manufacturers that forward plans may change without notice and are intended for broad guidance only. The private sector uses them at its own risk.

7.6.8 The Committee does not favour enforcing the purchase of minimum quantity levels of local products as suggested by the Ministry for Economic Development and strongly advocated by some local manufacturers.

7.6.9 The EDP Policy Committee in its submission to the Committee raised the question of possible conflict between the Government Preference Policy for Victorian Manufactured Equipment and the principle that the Government should give preference to proven products. The risk-adjusted-least-cost method of tender selection allows a dollar penalty to be assigned to proposals which embody high risk. Since the method also applies a dollar penalty for the out-of-State content of tenders, it can, if properly applied, automatically achieve the optimum balance between avoidance of unproven products and support for local fledgling industry.

#### Recommendations

7.6.10 The Committee recommends that :-

- (1) The EDP Policy Committee in establishing policies for the acquisition and use of information technology should take into account the Government's policy at the time on support for the development of local hardware and software industry.
- (2) To help local industry prepare itself to service the Government's expected future requirements, future plans of departments and authorities should be available for examination by the private sector, except when security would be jeopardised.

- (3) If Government policy for preference for the purchase of local products is to continue, this should be as a cost penalty to be applied to the out-of-State (or overseas) content of tenders and this penalty should be taken into account in applying the risk-adjusted-least-cost method of tender evaluation.
- (4) Departments and authorities should not be obliged to purchase any minimum level of local products. The industry must gear itself to meet the Government's requirements not *vice versa*.
- (5) Reviews by the Auditor-General or internal auditors of compliance with policy should examine and report on failures by departments or authorities to meet local preference policies and guidelines.
- (6) Rolling plans for information system development should include the steps which will be taken by the department or authority to implement the Government's policies for support of local industry.

## CHAPTER 8

### OBTAINING FINANCIAL AND STAFFING RESOURCES FOR EDP

#### 8.1 DIFFICULTIES EXPERIENCED BY DEPARTMENTS

8.1.1 A number of departments described difficulties they had experienced in obtaining approval for funds for justified EDP development and acquisition. The perceived problems included the following :

- there is a lack of co-ordination between EDP purchase plans, manpower plans and financial approvals;
- management financial delegations are too small;
- projects which have been approved by the EDP Policy Committee or the Public Service Board still require lengthy approval before funds can be committed;
- more flexibility is needed by permanent heads to work within staff ceilings and budgets; and
- one-year funding cycle inhibits long term planning and development of EDP systems; funds need to be guaranteed over the life of a project.

#### 8.2 LACK OF CO-ORDINATION

##### Perceived Problem

8.2.1 There is a lack of co-ordination between EDP purchase plans, manpower plans, and financial approvals.

##### Background

8.2.2 The discussion paper reported that in at least one instance hardware procurement had been approved and installed months before approval for extra personnel was received.

8.2.3 Under the present procedures, a department wishing to acquire a system makes a request to the EDP Policy Committee for approval to acquire the hardware and software, and a separate request to the Public Service Board for approval for the required staff. Once the EDP Policy Committee has endorsed the department's proposal, Treasury is then approached for approval for the funds to be spent. Apparently, all this may take place and the equipment actually be acquired before approval is received for the staff required to make use of the equipment.

8.2.4 Steps to acquire staff should of course be taken in sufficient time to ensure that equipment or other resources do not lie idle. It is not uncommon, the Committee was told, for a lot of attention to be given to equipment purchase while other components of the project - staff, site preparation and software - are neglected.

8.2.5 The proposed use of five-year rolling plans, prepared in a systematic and uniform manner, should help to ensure that key components of a proposed system are not overlooked. Use of the plans should also ensure that approving authorities have the opportunity to approve the total package, including future implications, rather than fragments of it.

### Recommendation

8.2.6 The Committee recommends that EDP forward plans and specific requests for approval of EDP proposals should contain estimates of all the resources that will be required together with their costs, including hardware, software, ancillary services, supplies and personnel. Approval should be sought at the same time for all the components which are needed to make the system or appropriate parts of it viable.

## 8.3 FINANCIAL DELEGATION

### Perceived Problem

8.3.1 Management financial delegations are too small.



## Background

8.3.2 At present the policy guidelines of the EDP Policy Committee require the following approvals -

<u>Proposed Project For The Design and Implementation Of A System And/Or Equipment Acquisition.</u>	<u>Approvals Required</u>
(a) Expected to cost less than \$50 000 partly or fully carried out or supplied by outside resources;	Public Service Board and Treasury
(b) Expected to cost in excess of \$50 000, in-house or partly or fully carried out or supplied by outside consultants;	EDP Policy Committee, Treasury and, where outside consultants involved, Public Service Board
(c) Expected to cost less than \$50 000 in-house and the use of the Government Computing Service facilities required.	Government Computing Service

The purpose of the \$50 000 financial delegation presumably is to force departments to go to the EDP Policy Committee for approval for any but very small acquisitions.

8.3.3 Some departments have considerable experience in EDP, capable staff, and an annual Works and Services budget of many millions of dollars. The Committee can see no valid reason for requiring such departments to seek the approval of the EDP Policy Committee for a small EDP acquisition that is consistent with the department's five-year rolling plan.

8.3.4 For outside purchases the system of financial delegation ( (a) or (b) above) determines only whether the Public Service Board or the EDP Policy Committee approval is required. Treasury approval is already required for all proposals in the sense that all requests for EDP equipment and services are part of the annual request for funds from the Works and Services Account.

## Finding

8.3.5 This procedure will obviously continue, as it will for all such capital purchases. Under the new roles proposed for the EDP Policy Committee and the Public Service Board (see paras. 5.4 and 5.7) the present financial delegations would not apply since neither would have to formally approve the proposal. This will overcome the present problem of financial delegations being too small.

## 8.4 DEPARTMENTS' POWERS TO DETERMINE THEIR PRIORITIES

### Perceived Problem

8.4.1 Projects which have been approved by the EDP Policy Committee or the Public Service Board still require lengthy approval before funds can be committed.

### Background

8.4.2 At present departments submit EDP items as part of their bids for Works and Services appropriations. Treasury does not do its own evaluation of EDP proposals; it merely ensures that the Public Service Board or the EDP Policy Committee has approved the project in accordance with the EDP policy guidelines.

There is a "forward look" incorporated into this process in that departments are asked for figures for estimated requirements for two or three years ahead. There is no formal review of such figures, and departments are not held to them in the following year. This acts as a flagging mechanism for Treasury to warn it of likely future requirements.

8.4.3 Departments submit their bids in priority order of items. In general Treasury does not re-arrange these priorities, although this may be done by the Treasurer. Cases where departmental priorities might be re-arranged would be:

- where the priority relates to an item which has been excluded from the current (Consolidated Fund) budget;
  - where a priority item included is unlikely to be physically possible e.g. if Public Works Department advises that a building is unlikely to be commenced during the financial year;
- and

- where the department is "playing games" by deliberately putting a high priority or politically-committed item at the bottom of its priority list hoping to receive sufficient funding to cover all the priority items.

8.4.4 Financial approval is given by the Treasurer to a total appropriation in the Works and Services Appropriations Act and to individual items within this amount. Each item receives a code number and all amounts for that project are charged against that item.

8.4.5 Generally EDP projects are approved by the Treasurer as one amount per department, but this has to be broken down by the department into individual items for coding and Treasury monitoring of expenditure on individual projects.

Once this approval has been given departments do not need any further financial approval from Treasury to proceed provided they will not exceed the item allocation.

8.4.6 During the course of the year it is possible for savings on one item to be added to another item provided the Treasurer approves. It is also possible to add a new item, even one not included in the original bid. Whether it is approved depends on the circumstances but apparently such requests are not generally regarded favourably. It is therefore important for departments wanting approval for new projects to have them ready for inclusion in the Works and Services bids at the right time. Otherwise they will have to wait until the next year's round of bids.

8.4.7 EDP is thus treated like other capital expenditure except for the separate vetting by the EDP Policy Committee or Public Service Board. Capital expenditure on buildings has a more complicated approval mechanism requiring separate approvals at different stages for:

- preparation of schematic plans;
- preparation of design and development plans;
- approval to call tenders;
- allocation of funds or financial approval.

8.4.8 These procedures regulate the admission of capital projects to the Works programme.

Department of Minerals and Energy

8.4.9 The Department of Minerals and Energy advised the Committee<sup>(2)</sup> that:

*In discussions earlier this year with the Computer Study Group, Mr. H. Brzezinski suggested that external consultants be invited to make a preliminary estimate of the department's computer needs. An additional amount of \$30 000 was sought in the 1981/82 estimates for a detailed computer survey to be undertaken as recommended by tendering consultants. ...no funds have been provided.*

Later a representative of the Department said:

*The estimated cost of having a consultant conduct that analysis was in the vicinity of \$30 000. We included that in the Estimates for the current financial year but it was not funded.*

8.4.10 The Department of Minerals and Energy has identified a number of potential computer applications which on the face of it would appear to be well justified. The clear impression gained by the Committee from the evidence given by the Department was that it had been inhibited in investigating these applications by its failure to obtain approval for expenditure of the \$30 000 referred to above. The Committee therefore sought the advice of Treasury on the circumstances of this situation where the Department was apparently unable to fund a study that had been recommended by the Chief Computer Adviser.

8.4.11 The Committee has ascertained from Treasury files that the Minerals and Energy request for \$30 000 was not given sufficient priority by the Department to fall above the cut-off point established by the Treasurer's total allocations to the Department. When the Department was advised of the Treasurer's approval of \$955 000 for equipment it was asked to provide a list of projects within this amount for the purpose of establishing code items and monitoring subsequent expenditure. The Department did not include the \$30 000. Had it done so Treasury states it would have accepted it. However, after the debate in the Legislative Assembly on this issue, the Treasurer directed that the \$30 000 be set aside within the total allocation of \$955 000, thus in effect over-ruling departmental priorities.

## Department of Community Welfare Services

8.4.12 This Department described a very similar situation to that of Minerals and Energy:

*We do not have a formal definition of our (EDP) needs. One of the things we have been trying to do is to follow the advice of Mr. Brzezinski who, two years ago, recommended that, as an essential step towards EDP development in the Department, an EDP feasibility study needed to be undertaken along the lines you (the Committee) have suggested.*

*He proposed that we would need to include approximately \$50 000 in our Estimates to employ consultants for that purpose, because the Department lacked the expertise. That policy idea (sic) was included in the Estimates for 1980/81 and 1981/82 without success to date.*

8.4.13 The Department considered that the line of action advocated by the Chief Computer Adviser (Mr. H. Brzezinski) was in part being frustrated by the Treasury.

### Findings

8.4.14 From discussions with Treasury officers, the Committee formed the view that there is a misunderstanding by some departmental managers of the budget construction mechanism. Except in cases where the Public Service Board or the EDP Policy Committee has rejected a proposal for the acquisition of equipment, software or services, the determination of priorities is a matter for departments. The remedy for this misunderstanding appears to lie largely with the departments.

There may also be insufficient attention by departments to finalizing proposals so as to fit in with the budget timetable.

8.4.15 The Committee cannot see why consulting projects should come under the Works and Services appropriation at all. It would appear to simplify administration, provide departments with more flexibility, and not introduce significant risks, if consulting contracts of up to \$30 000, for example, could be treated as administrative expenses.

## Recommendations

8.4.16 The Committee recommends that :-

- (1) The Treasury should draw to the attention of departments the mechanism for constructing budgets and the options available to departments once total appropriations have been approved.
- (2) Consideration should be given to treating consulting contracts of up to \$30 000 in value, which are aimed at improving departmental efficiency, as administrative expenses rather than as Works and Services budget items.

## 8.5 FLEXIBILITY TO WORK WITHIN STAFF CEILINGS

### Perceived Problem

8.5.1 More flexibility is needed by permanent heads to work within staff ceilings and budgets.

### Background

8.5.2 One department<sup>(2)</sup> advised the Committee as follows:

*A more flexible approach is essential in the raising or lowering of classifications as the circumstances at the time demand. ...*

*(There is) lack of flexibility available to the permanent head both in recruiting staff from outside and the adjustment of internal staff. ...*

*(The department should) have professional/career ranges available such that the permanent head has flexibility in recruiting at levels for which circumstances require and similarly to be able to promote staff within a wide range. ...*

8.5.3 The Public Works Department<sup>(7)</sup> told the Committee that:

*At times within the EDP staff there maybe a vacancy at a high level, say Class B, and it is known that there is probably no-one suitable within the service to fill the vacancy.*

*The Department does not have sufficient flexibility to temporarily down-grade the position so as to fit an in-house satisfactory junior EDP officer. If it did we could better train and retain staff who need developing in both EDP techniques generally and the WREN application specifically.*

However, the Director of Operations of the Public Service Board informed the Committee that:

*If a department identified a need to lower the classification of a job and proposed such to us, we would examine it. If the proposition were acceptable, after hearing the reason why it wished to do so, we would lower the classification of the job. For a vacancy of high priority it would not take long at all. It would take approximately one week.*

The Chairman of the Public Service Board stated that:

*There are many cases in which departments have brought in two vacant positions and staffed a higher level position. Therefore, under the present guidelines, it is possible for them to take away a couple of low level positions and create a high level position. That could be done without any restraint provided the Board agreed with the classification proposed. There are many cases where the applications are resourced (sic). A department might even abolish one and a half positions, but it is worked out on the salary situation before that.*

8.5.4 The Chairman of the Public Service Board also said that under the present procedure, the flexibility desired by the Public Works Department already exists. If a department has the positions, it is not difficult to change classifications or to have them created if the ceiling permits it.

8.5.5 The Public Works Department and the Board should discuss this matter to resolve the department's problem.

#### Finding

8.5.6 Many departments feel that they do not have sufficient flexibility to manage their resources and assets in an optimum manner.

Funding is approved in compartments with separate allocations for capital and recurrent expenditure and there is little flexibility to move money from one to the other in the light of changing circumstances or better knowledge of needs. It is apparently very difficult to apply money which has been approved for capital acquisition to obtaining additional people. For example it may be found after approvals have been given for a computer acquisition and for staff to run it that the staff requirements have been under-estimated. It might then be appropriate, within the total sum approved, to reduce the amount of equipment to be acquired and to spend money instead on extra staff. Apparently this is difficult or impossible.

8.5.7 Departments generally do not fully understand the options open to them in reclassifying positions within staff ceilings.

#### Recommendations

8.5.8 The Committee recommends that :-

- (1) The Public Service Board should draw to the attention of permanent heads the procedure for reclassifying positions or combining low level positions to create a high level one within staff ceilings.
- (2) The Public Service Board should ensure that proposals by departments for the reclassification of EDP positions or the creation of new EDP positions in exchange for existing non-EDP positions are dealt with promptly, taking no longer than two weeks and one month, respectively, to process.
- (3) The Public Service Board and the Treasury should develop mechanisms to provide departments with greater flexibility to optimize the management of assets and resources within total budgets. These mechanisms should include some ability to implement compensatory savings between current and capital expenditure.



## 8.6 ONE-YEAR FUNDING CYCLE

### Perceived Problem

8.6.1 A one year funding cycle inhibits long term planning and development of EDP systems; funds need to be guaranteed over the life of a project.

### Background

8.6.2 The Government Computing Services stated<sup>(16)</sup> that:

*Effective planning will indicate a need to progressively enhance EDP resources to cater for natural system growth and planned staged implementation of new systems. The fiscal year cut-off of funds does not allow orderly planned acquisition of resources, particularly equipment and sometimes software to be ordered, delivered and tested enabling a smooth implementation service to users.*

*A procedural mechanism will be necessary to ensure that approved funding is known three years in advance in order that an uninterrupted implementation can result from the proposed planning.*

The Department of Community Welfare Services<sup>(17)</sup> stated that:

*Once approval is given, funds need to be guaranteed over the life of the EDP project*

8.6.3 It may be felt that there is little point in preparing long term plans for EDP development when present budgeting practice and Treasury approval can guarantee funds for only one year. The development phase alone of most major systems will require significant expenditure over more than one year. The prudent permanent head would probably not wish to undertake a long-term system development unless there is a high probability of being able to complete the project within a definite time frame. Therefore uncertainty as to funding in future years might be an inhibiting factor in the preparation of plans for the modernization of information management in the Victorian Public Service.

8.6.3 The Committee sought the views of the Treasury on this apparent problem. Advice was received (2) that once the Government has given approval for a project, costs for that project over its life are met as the first charge on available loan funds. Only if such funds have been cut very heavily would it be necessary to curtail the project. The Committee was told that there are few differences between EDP projects and other projects. Treasury(2) said, with respect to acquisition of systems:

*If the Government approved an EDP installation it will almost certainly continue for more than one year; therefore the department is committed to a contract. The same applies to building a school or a dam - payments must be met in the following financial year. In that context once approval is given to start the system or installation, payments must be met year after year until the contract is completed. That is a normal ongoing undertaking.*

8.6.4 According to Treasury, similar conditions apply to an approved development project which might run several years:

*The feasibility study is carried out according to the guidelines and then the department justifies it on a cost effectiveness basis so that the task is done better. That is accepted by the Government and the financial commitment is accepted and spread over the three to five years it takes to develop... If the (EDP Policy) Committee recommends it to the Government it is subject to the funds available... If the project is a high priority in the mind of the minister it is run until it meets a disaster.*

### Finding

8.6.5 A project, once it has been agreed to by the EDP Policy Committee and accepted by the Government, can run over several years subject to availability of funds. The department can assume that in normal circumstances funds will be available once the commitment has been made by the Government. Therefore the present one-year appropriation system does not appear to inhibit long-term planning and development of EDP systems.

However when considering the wider context of five-year rolling plans, it is evidently not feasible for the Government, having approved the plan, to commit itself firmly to meeting the costs. On this point Treasury said that it would not be practicable "for the Government to accept the five-year plan and go ahead with the programme."

8.6.6 The Committee believes that for the proposed system of departmental and master-planning to work, department heads must have a reasonable assurance of continuity of funds. Once departmental plans have been endorsed by the permanent head and agreed to by the minister, their costs become just one component of the department's long term budgetary plans. From that point on, the permanent head should be able to have as much confidence in the continuity of his EDP plans as in any other component of his Works and Services estimates.

CHAPTER 9

RECRUITING TRAINING AND RETAINING STAFF

9.1      SHORTAGE OF EDP STAFF

9.1.1     A shortage of qualified EDP staff appears to be at the root of many of the problems experienced in the development and use of EDP. This was emphasised to the Committee in the following comments :-

"The shortage of trained personnel is generally agreed to be one of the major problems in the industry".

Gas & Fuel Corporation (9)

"Considerable difficulty is experienced in recruiting and retaining professional staff, particularly in the programming and testing areas."

Totalizator Agency Board (8)

"It is estimated that over 70% of a computer installation cost is in labour. There is a great need for skilled, imaginative and well-managed data processing people. There is also a great scarcity of these people and, spread too thinly, they will produce little and what they do produce will be difficult to maintain on their departure."

International Computers  
(Australia) Pty Ltd. (10)

"There is a lack of availability of experienced programmers in the salary ranges offered. (There is a) lack of flexibility available to the permanent head in recruiting staff from outside and adjustment of internal staff."

Public Works Department (11)

"Recognition must be given to the difficulties that exist... both in the private and public sector in recruiting personnel of the right calibre to fill the role of EDP (audit) specialists."

Auditor-General (2)

"As soon as a member of staff becomes highly experienced (in EDP) he would most likely find promotional opportunities somewhere else within the public service."

Public Works Department (2).

## 9.2 STAFF TRAINING

9.2.1 In the developed countries world-wide, the most significant factor limiting the rate of application of information technology is the shortage of people with the necessary qualifications. The situation is not expected to improve. The public service must compete with statutory authorities and the private sector for qualified EDP staff and none of these is likely to be able to obtain the numbers and levels of skills it wants for some years to come.

9.2.2 The Victorian Public Service should not only make improvements in pay and conditions in order to bring it onto a more even footing with statutory authorities and the private sector but should also vigorously pursue new initiatives in obtaining people. The foremost of these is training.

9.2.3 It appears to the Committee that internal training courses are needed on a much larger scale. The absurdly small number of six E-class trainees within the Government Computing Service must be augmented significantly and intake for in-service training should be vigorously recruited in the tertiary institutions.

9.2.4 The following table shows the number of EDP-related courses conducted by the Commonwealth Public Service Board in 1980-81. These represent over 40 person-years of training, co-ordinated or conducted by the Public Service Board alone.

In addition significant training in EDP is conducted by Commonwealth departments. It is particularly noteworthy that the Commonwealth Public Service Board courses include over 37 person-years of EDP-audit training.

9.2.5 By contrast, the Victorian Public Service Board has not conducted any EDP-related training courses. There have been, however, a number of courses conducted by the Auditor-General, the Government Computing Service, individual departments, equipment suppliers and other organisations. The total person-days involved was 1375 - approximately six person years. Of these, 331 person-days were EDP-audit training of which 180 person days were conducted by the Auditor-General.

EDP-Related Courses Conducted by the Commonwealth Public Service Board July 1980 - June 1981<sup>(22)</sup>

	Number of Courses	Number of Officers Attending	Total Training Days.
Computer Security, Audit and Audit Controls.	3	68	1.5
Executive Seminars on Computer- based Systems.	7	125	10
Office Technology	1	16	.5
Advanced ADP Audit	1	6	6
Internal Audit of ADP Systems	17	255	390
Systems-based Audit Seminar	6	123	25
Advanced On-line Audit	2	43	5
Audit and ADP Systems	2	70	1
Computer-based Systems for Divisional Managers	2	18	2
Effective Computer Operations	1	24	2
Infocom Seminar	1	21	5
Information Engineering Overview	2	46	1
New Approaches and Techniques for System Auditability	1	24	2
Office Technology for Management and Administration	1	49	3
Project Leadership	1	15	5
Structured Analysis and System Specification Workshop	1	23	5
Structured Programming Workshop	1	16	5
ADP and Internal Audit	7	100	40
Structured Design Workshop	1	2	5
	58	1044	514

Average duration/course = 8.86 days  
Total officer-days of training = 9252  
or approximately 42-man years of EDP-related training.

9.2.6 In May 1981 the New South Wales Government offered free full-time training courses at both introductory and advanced levels with subsidised wages (by the Commonwealth) of up to 90% during training. This was offered to help overcome the shortage of programmers throughout the industry. Three thousand applications were received and fifty persons were selected for training.

9.2.7 The State Government Computer Centre of Queensland has several full-time lecturers, supplemented by video-aided instructor courses. During 1979/80, some sixty officers went through systems analysis courses.

The South Australian Government Computer Center has assumed the role of co-ordinating an education programme on all computer-related subjects. This requires the full-time commitment of one training officer.

### 9.3 TEMPORARY USE OF ACADEMIC STAFF ON LEAVE

9.3.1 It was suggested by Caulfield Institute of Technology<sup>(12)</sup> that there are benefits to be gained by encouraging academic staff to spend periods of staff development leave working with public sector organizations.

9.3.2 The Committee supports this idea and believes that such arrangements should be put into effect for the Victorian Public Service by the Public Service Board. Not only could this help to alleviate the shortage of EDP staff in the Victorian Public Service, but it should also provide a useful exchange of ideas and experience between colleges, universities and the service.

Similarly temporary staff exchange with private sector firms should be explored.

Such temporary engagement might be effected under section 40 of the Public Service Act 1974.

### Recommendations

9.3.3 The Committee recommends that :-

- (1) The Public Service Board should devise procedures to facilitate the temporary hiring by departments of academic staff during the latter's staff development leave.
- (2) The Board should devise arrangements for the temporary exchange of EDP personnel with private firms.

### 9.4 EDP POLICY COMMITTEE ON REVIEW OF STAFFING NEEDS

9.4.1 The EDP Policy Committee's strategy document<sup>(4)</sup> recognizes that the following areas will need to be addressed by a management review:-

- (a) requirements in terms of numbers and capabilities of staff;
- (b) training schemes for EDP staff;
- (c) appropriate standard organizational and classification structures to provide professional career development in the EDP area; and
- (d) attractive working conditions in terms of work interest, access to development facilities, state of the art technology, comprehensive standards and remuneration.

9.4.2 The Committee understands that following an interview with the EDP Policy Committee such a review has commenced.

The Committee has the following comments on the areas to be covered by the review.

#### (a) Required Numbers and Capabilities of Staff

9.4.3 Forward estimates of the required numbers and capabilities of EDP staff are necessary to enable the appropriate facilities for recruiting and training to be planned and provided in a timely fashion.



9.4.4 Forward estimates of requirements should be compared by the Public Service Board with expected numbers that can be trained or recruited to determine whether there is likely to be a short-fall. The magnitude of expected short-fall should be advised to departments so that they may take this into account in revising departmental plans. The expected short-fall should also be used by the Board in designing, providing, and co-ordinating service training programmes. The primary source of forward estimates of staff requirements will be departmental five-year rolling plans.

(b) Training

9.4.5 Given the current number of EDP staff in departments (approx. 520), the shortage of EDP skills in the service, and the aspirations of departments for system development, it is clear that a much greater emphasis must be placed on training entry-level personnel. The current level of six E-class trainees in the Government Computing Service is totally inadequate. Urgent steps are necessary to increase the number.

(c) Classification and Career Development

9.4.6 A review of this area is urgently required. EDP professional categories must be recognized as such and treated separately from administrative classification.

(d) Attractive Working Conditions

9.4.7 Urgent review is needed. A key factor is the provision of interesting work. Staff need to feel that they are part of a modern successful system which is regarded as important by top management.

9.4.8 It has been put to the Committee by some departments that "new equipment" is required to attract the right class of employee.

Health Computing Services <sup>(3)</sup> has said that a step towards reducing staff turnover is "to improve the level of technology employed...".

9.4.9 The Committee notes that in the present job market it may be difficult to retain top quality staff to work on obsolescent equipment, and in the extreme of totally obsolete systems, it may be close to impossible.

It may therefore be reasonable to take this factor into account in preparing a justification for replacement of an old system. Alternatively consideration could be given to transferring such staff to work situations which better use their skills.

However, with regard to hiring new staff, one might expect that operating and maintaining old equipment which is performing in a stable production environment does not require the same level and type of skills as developing systems on new technology. Thus, obsolescence of a system may not be a major factor preventing hiring suitably qualified staff. If highly skilled staff are really needed, then the challenges which will keep them interested are likely to be present.

### Career Opportunities

9.4.10 A frequent reason given for high EDP staff turnover in the service is lack of adequate career opportunities. Efforts should be made by the Public Service Board to improve career planning for individuals. Attention should be given to rotational assignments, temporary secondment etc., as a means of providing variety of work experience.

## 9.5 MANPOWER PLANNING

9.5.1 The discussion paper<sup>(1)</sup> referred to the problem of delays which frequently occur in selecting a candidate for an EDP position and making a job offer. Cases were cited by departments where this process took over three months. On a number of occasions persons whom departments wanted to hire had already taken other jobs when contacted for further interview by the Public Service Board or when approval to hire was received.

9.5.2 The Committee notes that the Public Service Board intends to "examine the matter of selection... and recruitment delays in order to examine the recruitment and selection procedures commented on in the discussion paper" (Ref.2, p3).

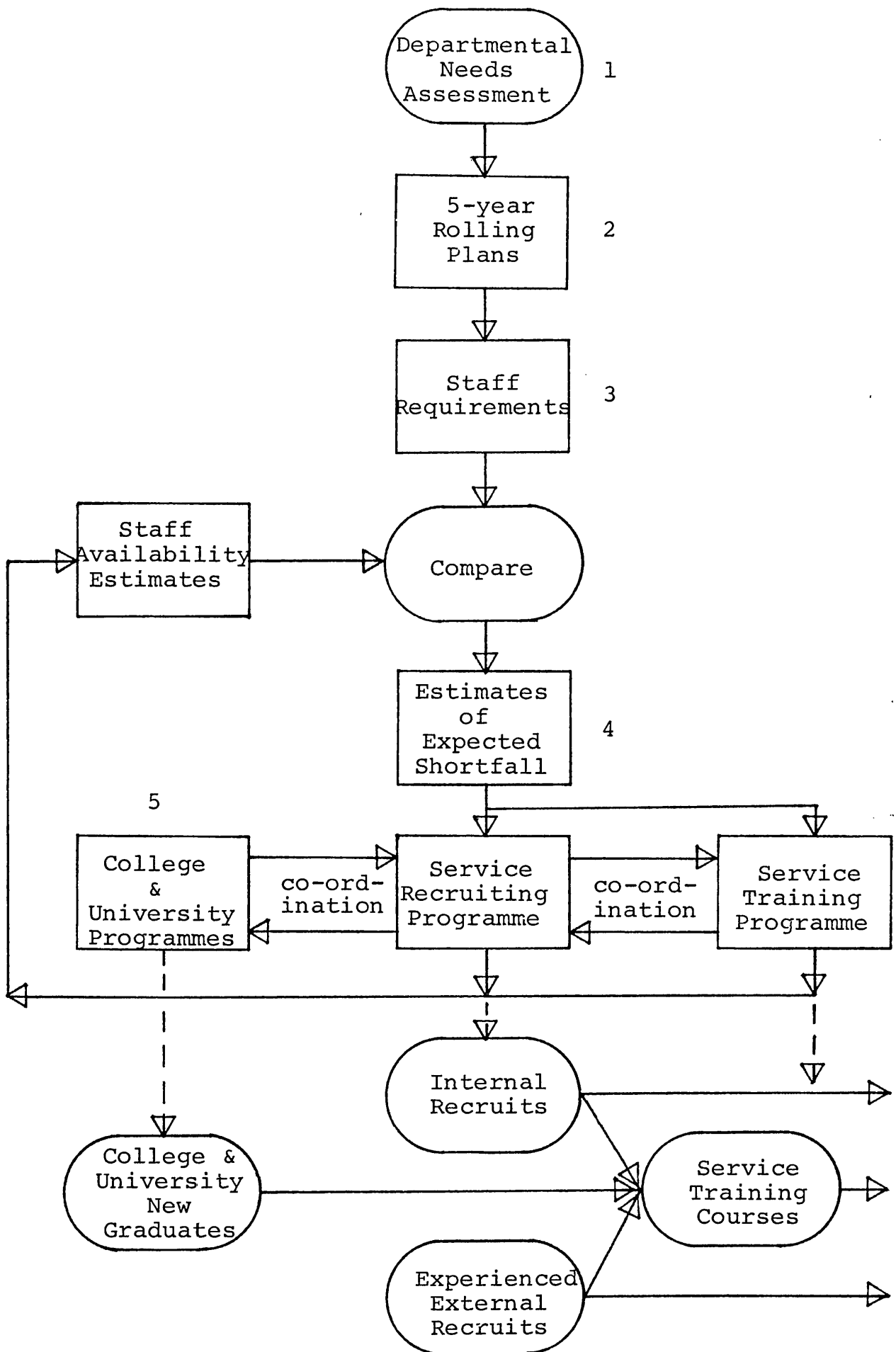
9.5.3 In view of the shortage which exists for qualified EDP staff in both the public and private sectors, the mobility of EDP personnel, and the compensation handicap under which the service is already operating, delays of months in selecting a candidate and making an offer are unacceptable and reflect a serious breakdown in the recruitment administration of the service.

9.5.4 One of the benefits of the proposed consolidation of departments' plans - perhaps the major one - is that it will allow a considerable amount of training and recruiting to take place in advance of times when people are needed on the job. If people are not available when they are required, project delays occur with consequent losses through the deferment of benefits.

9.5.5 The accompanying diagram is a simplified illustration of the proposed manpower planning process which is :-

- (1) Departments periodically assess their needs for information system development and operation.
- (2) This process leads to the formulation of periodically adjusted five-year rolling plans, a component of which is the requirement for staff resources.
- (3) Consolidated staff requirements are calculated by the Public Service Board from departmental plans and are compared with current estimates of available staff.
- (4) The expected shortfall is used to develop service recruiting and training programmes aimed at reducing the shortfall. Ideally, plans should be such that, if implemented, the expected shortfall would be reduced to zero. However the present short supply position is likely to continue for at least several years.
- (5) Recruitment programmes are accessible to universities, colleges, and other training institutions. This means that courses can be designed with the knowledge of the approximate numbers and types of new graduates and diploma holders which the service plans to hire.
- (6) Recruiting and training action result in a balanced flow of qualified personnel into budgeted positions in a timely manner. Recruiting draws upon fresh graduates and diploma holders, experienced outside personnel, and internal transfers.

9.5.6 The Committee believes that consideration should be given to providing specific grants to tertiary educational institutions for EDP training.



MANPOWER PLANNING CYCLE

## Recommendation

9.5.7 The Committee recommends that the Public Service Board should institute a continuous manpower planning, recruiting and training programme similar to that proposed above to increase the number of qualified EDP personnel available to the public service and reduce delays in filling vacancies.

### 9.6 EDP SALARIES AND CLASSIFICATIONS

9.6.1 At present there is no specific EDP definition of gradings in Victoria. They are linked into the administrative classification structure.

9.6.2 The EDP Policy Committee<sup>(5)</sup> advised that:

*the Industrial Relations Division of the Public Service Board is undertaking an investigation into the comparative remunerations of EDP officers in the Victorian and Commonwealth public services. Information on specific positions, duties and classifications is being researched and provided by Computing and Systems Division (of the Public Service Board).*

9.6.3 The Committee notes that the Board's category review will examine the Commonwealth standards and clarify them in the Victorian Public Service. It will also address any anomalies that may be identified in the process and facilitate a strengthening of the career structure currently available for EDP staff in the public service.

9.6.4 As the Public Service Board has pointed out, the main competition for EDP staff comes from the private sector, not from the Commonwealth or from statutory authorities. While it will be useful no doubt to examine Commonwealth categories and salaries, most attention should be given to compensation in the private sector in formulating appropriate changes for the Victorian Public Service.

9.6.5 The Committee notes that the Public Service Board now favours adjustment of salary scales within the public service to market value where corresponding positions exist outside the service. The Committee supports this approach, which should avoid some of the anomalies that have occurred under work-value determination.

For example the Committee has been informed by the Education Department that the status and salary of an EDP manager whose department has a computer is higher than that of ones which do not, other things being equal. This provides an incentive for an EDP manager to acquire a computer for his department quite apart from its possible benefits to the department concerned.

#### 9.7 NO SPECIAL ALLOWANCE FOR EDP PERSONNEL

9.7.1 The Department of Agriculture is losing economists from its staff. The Assistant Director-General of the Department said that he would like to pay a bonus or special allowance to economists to make their total remuneration sufficiently attractive for them to remain in the Department. It was felt that this was preferable to permanent salary increases because:

*In five years time we will have economists running out of our ears. If they were put on high salaries they would still have them in five years' time and everyone in the organization would be jealous of them. That situation is apparent in the veterinary group which also receives high salaries.(2)*

9.7.2 It was suggested that a special allowance might also be appropriate for EDP officers to allow flexibility to vary compensation when the EDP personnel shortage eases. The current shortage of EDP personnel throughout the whole work-force, not only in the public service, is expected to continue and in fact become worse for years to come.

9.7.3 The Committee considers that there are no grounds for an "EDP allowance" in preference to adjustment of EDP base salary scales to market levels. In any event, the Committee has recommended an annual review of EDP salary market and adjustment of public service ranges (which is broadly consistent with present public service range adjustment policy (13)). This will allow tracking and periodic adjustment of EDP ranges so that if EDP salaries change relative to the market mean or other classifications over the next few years, adjustment can be made.

#### Recommendations

9.7.4 The Committee recommends that :-

- (1) Salary ranges for EDP staff in the public service should be comparable with those in the private sector.
- (2) The Public Service Board should survey private sector salaries annually and adjust service ranges accordingly. The public service should centre its ranges close to the mid-point of the spread of private sector salaries for a given level of qualifications or job functions.
- (3) Separate EDP occupational classifications should be introduced as a matter of urgency.

## 9.8 CONSULTATION WITH STAFF

### Recommendations

#### 9.8.1 The Committee recommends that:-

- (1) Mechanisms should be developed within departments and statutory authorities for early consultation with staff who may be affected by technological developments. Staff participation is desirable during preparation of strategic plans, requirements analysis and system design.
- (2) The Titles Office Modernization programme should be monitored to assess the effects of the consultative committee approach which is being tried there. The experiences gained should be the basis of guidelines to departments and authorities on staff consultation.

## CHAPTER 10

### STANDARDS FOR EQUIPMENT, SOFTWARE AND PROCEDURES

#### 10.1 STANDARDS

10.1.1 The Committee recognizes that there are advantages to the Government in obtaining a degree of uniformity in the technical features of its computing equipment and software and in the techniques by which the equipment and software are developed and used. However great care should be exercised when adopting standards which promote uniformity, to ensure that such standards are technically appropriate and do not significantly limit competition amongst suppliers or reduce the Government's ability to take advantage of new technical developments. Moreover EDP standards may become obsolete very quickly; therefore they should be reviewed frequently and discarded, relaxed or modified if they cease to represent optimum practice.

10.1.2 The 'Future Strategy for Computing'<sup>(4)</sup> contains several references to standardization.

The 'Policy for Future Computer Facilities' states that:

*priority will be given to departments which are prepared to adopt the standard equipment, where applicable.*

10.1.3 The Committee considers that system development priority should be determined by cost-effectiveness considerations relative to other options within a department, and not by the extent of acquiescence of a department to a standard imposed upon it by the EDP Policy Committee.

10.1.4 The Chairman of the Public Service Board has agreed that cost-effectiveness is the appropriate criterion for setting priorities and has acknowledged that the present wording of the policy is unsatisfactory.

10.1.5 The future strategy document states that standards will be developed for:

- Project management and control;
- System design and development;
- Equipment/system operation.



Elsewhere in the document it is said that:

*A suitable methodology and standards will be adopted for use in the planning, development and control of all EDP projects.*

10.1.6 The Committee comments later on the inadvisability of attempting to use one system development methodology for all kinds of system development. (see para. 10.3.4).

10.1.7 The EDP Policy Committee takes the view that:

*It is desirable that standard mini and micro-computer equipment and software be adopted which will :*

- *allow for common software to be developed centrally;*
- *facilitate application level communication between computers;*
- *rationalize the need for EDP staff and facilitate training;*
- *eliminate the effort involved in the tendering and evaluation process for each individual department;*
- *reduce the learning curve associated with staff movements between departments;*
- *provide discount advantages in the purchase of hardware and software.*

10.1.8 The strategy document<sup>(4)</sup> points out that the above would not preclude the acquisition of equipment designed for special purposes, e.g. graphics, plotting, optical reading etc.

10.1.9 It is not clear from the strategy document whether one type of mini-computer and micro-computer or several will be adopted as standard. However the EDP Policy Committee has subsequently said<sup>(2)</sup> that standardization would be within a particular application area such as the Education Department regional offices and that a different standard computer might be required for the replacement of accounting machines. The EDP Policy Committee has also acknowledged the undesirability of becoming tied to one particular supplier and has indicated that the contract with the suppliers of the standard computers would be reviewed every twelve months.

10.1.10 To an increasing extent the system component that has most effect on system efficiency and effectiveness is the software. In many cases software should be chosen first; the computer can then be selected which will run that software most efficiently. This points to a possible danger in standardizing on one or a limited number of mini-computers; it may result in a loss of efficiency in running the preferred software or, worse still, it may not be possible to use the preferred software at all.

#### Common Software

10.1.11 The strategy document<sup>(4)</sup> proposes standard software to be acquired or developed to run on departmental computers for the following applications:

Financial information - debtors and revenue

- Stores inventory
- Plant and vehicles
- Assets register
- Off-line cheque drawings
- Statistical analysis
- Financial modelling
- File registry
- Licences
- Library records
- Project control.

10.1.12 The strategy document claims that there are also significant benefits to be gained by using standard software utilities such as a data base management system, transaction processing and user languages.

10.1.13 While the Committee accepts that unnecessary duplication of programming efforts should be eliminated, it believes that, as with the standardization of equipment, care must be taken to ensure that the wrong tool is not used for the job.

#### Standards of Practice

10.1.14 To assist user departments, the Public Service Board should place great emphasis on documenting and promulgating sound management practice for the development and control of data processing systems.

10.1.15 The Committee sees the benefits arising from such standards and guidelines to be:

- faster development of good EDP management practices among users; and
- achievement of uniformity in such practices to facilitate transfer of personnel and programmes between departments.

10.1.16 Almost all areas of system planning, design, implementation, operation and use of computers can benefit from the promulgation of guidelines and standards. However, the Committee believes that the Public Service Board and the EDP Policy Committee should give priority to developing guidelines and standards for management control and audit of EDP systems and for project development.

10.1.17 The Public Service Board and the EDP Policy Committee should prepare or adopt EDP guidelines for :-

- (a) studies to be performed prior to the acquisition of equipment;
- (b) cost-effectiveness analysis;
- (c) selection of government versus private sector resources for EDP software and services;
- (d) selecting a supplier, including proposal and tender evaluation;
- (e) privacy policy for personal records;
- (f) privacy security and accuracy controls in government systems (including auditability of such controls);
- (g) preparation of three to five-year rolling strategic plans;
- (h) procedures for the purchase of equipment, software and services;
- (i) consultation with staff;
- (j) systems review and audit;

- (k) managing project development, including selection of the appropriate development methodology; and
- (l) management consideration of EDP plans.

10.1.18 As the EDP Policy Committee is well aware, a common way to waste money in EDP development is to try to re-invent the wheel. The Committee has emphasised the importance of developing and issuing guidelines on sound practice to departments and authorities. Since excellent guidelines on a number of topics have already been prepared by the Commonwealth Public Service Board, these should be examined to see whether they can be used by the Victorian Public Service, perhaps with minor modification.

10.1.19 The Committee sees no reason why the guidelines produced by the Commonwealth Public Service Board on :

- Management Consideration of ADP Strategic Plans; and
- Internal Controls for Computer-based Systems;

could not be adopted virtually as they stand, or only slightly modified, at least as interim guidelines.

The Commonwealth guidelines on :

- Production of ADP Strategic Plans; and
- Cost-effectiveness Analysis of ADP Systems;

could also provide a point of departure in developing Victorian guidelines. The Committee understands that the Computer and Systems Division of the Public Service Board is in fact using the Commonwealth guidelines for the Production of ADP Strategic Plans in developing appropriate ones for Victoria.

In addition to the above procedural guidelines, the Committee has also seen two manuals produced by the Commonwealth Public Service Board on :

- Security in the ADP Environment; and
- Risk Management in Automatic Data Processing.

These should be brought to the attention of all departments and statutory bodies as representing sound practice.

## 10.2 STANDARD MINI- AND MICRO-COMPUTERS FOR PUBLIC SERVICE

10.2.1 Different mini-computers and medium scale computers have different software sets available for them which tend to make particular types and brands more suitable in one area of application than in others. There is not one mini-computer which is best for everything. Therefore, the cost of having to acquire something other than the most suitable computer for the task at hand should be weighed against the claimed benefits of uniformity. For example, one brand of mini-computer is very suitable where highly reliable transaction processing is required, as in hospital patient administration; another brand of computer and operating system is very suitable where text handling and editing are envisaged; a range of computers from a third supplier is most suitable where high speed scientific calculations need to be done.

10.2.2 One of the benefits claimed for standard equipment is to allow common software to be developed centrally. Common application software to run in different departments does not necessarily require that those departments have the same brand of computer. There might well be a case in certain circumstances for a department to suffer some additional cost in adapting a service-standard application package to a different mini-computer from the Victorian Public Service standard in order to allow the department to use the same computer as a corresponding instrumentality in another State. Thus, for example, the State Rivers and Water Supply Commission might wish to use a make of mini- or micro-computer running software developed by its counterpart in another State for reservoir storage modelling.

10.2.3 To a large extent the early stages of developing a particular system can be made hardware-independent. Thus, significant cost savings could come from developing a system design which is uniform in all departments but not necessarily implemented on the same computer. Every effort should be made in designing common applications for use by various departments to advance the design as far as possible in a machine-independent manner.

The major part of the coding may then follow using a standard high level language which is common to a wide range of machines, then finally the machine-dependent parts of the systems, such as data file management, could be implemented.

10.2.4 The above design philosophy could allow the basic machine-independent design to be implemented on mini-computers other than the service's preferred standard at moderate cost. The advantage of this approach is that it does not commit the service to a particular make of mini-computer yet still allows the elimination of a significant amount of duplication of effort.

10.2.5 A benefit claimed for common mini- and micro-computers is that they will facilitate communication links between computers. In many cases there will not be any need for communication between computers. Ease of communication will only be an advantage when it is desired to link computers. The department doing the acquisition can, if that need exists, take it into account when selecting a suitable computer.

10.2.6 A third advantage claimed for uniformity is to rationalize the need for EDP staff and facilitate training. This is indeed an advantage but is not without cost. People who are trained on the use of only one make of mini- or micro-computer may not have the problem-solving skills of those more broadly trained persons who have seen how things are done on a variety of systems. As with the other points discussed, there are advantages in diversity as well as in uniformity.

10.2.7 A fourth advantage claimed is that uniformity will eliminate the effort involved in the tendering process for each individual department. There are alternative ways to reduce tendering effort (e.g. by simplifying the tendering process, issuing guidelines on contract negotiations, centralizing purchasing, having period contracts with several suppliers etc.)

10.2.8 A fifth reason put forward is to reduce the learning curve associated with staff movement between departments. This is a valid reason but the comments above about diversity of skills applies.

10.2.9 A sixth advantage claimed is to provide discount advantages from the purchase of hardware and software.

## Bulk Discounts

10.2.10 The EDP Policy Committee considers that the Government might obtain between 10% and 15% discount through "bulk purchase" of mini- and micro-computers. This rate of discount, if achieved, could represent savings to the Government over the next four years of between \$400 000 and \$600 000 on the expected level of purchase of mini- and micro-computers.

While this is a worthwhile saving, it should be recognized that discounting of systems is widespread in the computer marketplace and that 15% off retail price is commonly available in a competitive situation for purchase of a single computer. Discounts of 30% off list price are common on multiple systems, while for a guaranteed minimum purchase of forty systems a year for five years, a discount of 60% off list price is possible.

10.2.11 The targeted saving of 10% to 15% should therefore be the reduction relative to the price of single systems, which are already discounted, rather than to list price.

10.2.12 The highly competitive marketplace which results in significant discounting is highly beneficial to the Government and private purchasers. The Government's purchasing policy should do nothing to inhibit vigorous competition.

10.2.13 The apparent savings from bulk purchase could soon disappear if they lead to one supplier capturing the market and eliminating threats to competitors. Moreover, unless the contract ties the supplier down tightly, he may find ways to recoup any discount with later profits, for example in the:

- price of add-on equipment not specified in the fixed price of the contract;
- price of software items not specified in the contract;
- price of services not specified.

While it is important to save costs in computer system purchase, this should be balanced against any impact on the efficient and effective use of the equipment and software.

### Preparation of Specifications

10.2.14 The Committee notes that specifications are being prepared for the supply of standard ranges of mini- and micro-computers and software. Departments which have requirements should comment on the specification before they are made firm.

### Word Processing

10.2.15 The strategy document refers to the possibility of standardizing word processing/office automation equipment. It is expected that within a few years the use of integrated document preparation, storage, and transmission systems will be widespread in government. Letters and reports will be prepared at terminals, filed on electronic media and transmitted to other terminals. Considering the rapid growth of word processing in departments, a situation could be reached where individual departments purchase incompatible stand-alone word processing equipment which will be impossible to integrate into automated office networks within departments. The office automation field is undergoing rapid development and leading towards the integration of data processing and document management functions on an organization-wide basis. There are as yet no industry standards and equipment purchased by the public service could become obsolete quickly.

10.2.16 The above factors make it desirable that the Public Service Board and the EDP Policy Committee closely examine trends and likely developments in the office automation sphere to ensure that the Victorian Public Service does not waste money on equipment that will prevent the development in the future of integrated office systems. However, in many cases, the pay-off for word processing equipment is rapid and in such cases it may be inappropriate to allow plans for future integration to prevent taking advantage of immediate cost savings. A combination is desirable, of early installation of current technology where the pay-off can be achieved within two or three years, plus plans for the ultimate integration of office functions, perhaps from 1985 onwards.

### Standard Data Base Management

10.2.17 The major disadvantage of standardizing on one data base management system is that none of those at present available is ideal in all applications. It would be quite possible for a department to lose far more from use of an inappropriate data base management system than any benefits



from standardization. It is suggested in the strategy report that significant benefits might be derived from standardizing on one transaction processing system. This is also questionable.

#### Staying With One Supplier

10.2.18 The EDP Policy Committee has said that "staying with the one reputable supplier will ensure that we will fully benefit from improvements in technology". The Committee considers that this viewpoint is not supported by experience. There is no guarantee that any supplier, however reputable, will stay in the forefront or even maintain a rapid rate of technological development.

#### Recommendations

10.2.19 The Committee recommends that :-

- (1) Preferred types of mini-computer and micro-computer should be selected by tender for use within application areas and groups of applications in which the requirements are uniform.
- (2) Where a department wishes to depart from the preferred make and type of mini-computer or micro-computer, and its proposal appears cost-effective, it should not be penalised in priority or approval of funds for its departure from the preferred make or type of computer.
- (3) Contracts for preferred makes of mini-computer and micro-computer should be reviewed and renegotiated at intervals of not more than two years to allow advantage to be taken of changes in prices between suppliers and technological development.
- (4) Emphasis on standardization should be on the adoption of uniform procedures and systems where appropriate rather than on hardware and software.

- (5) Departments should be encouraged but not forced to use centrally-produced standards.
- (6) The Auditor-General should report on departments which have not used standards where it would have been appropriate to do so, or which have used inappropriate standards.
- (7) Departments should either develop comprehensive standards of their own or use those developed by the Public Service Board and the Government Computing Service.

### 10.3 STANDARD SYSTEM DEVELOPMENT METHODOLOGY

10.3.1 The Committee notes in the EDP Policy Committee's 'Policy for Future Computer Facilities'<sup>(4)</sup> that:

*a suitable methodology and standards will be adopted for use in the planning development and control of all EDP projects.*

10.3.2 The Committee supports the adoption by the Victorian Public Service of suitable packaged system development methodologies. It should be possible to purchase packages of proven effectiveness at lower cost than that of developing them within the service. An appropriate standard methodology should help to involve the appropriate levels of departmental management in the control of project progress. The design aids incorporated in some available packages could be expected to improve programmer productivity significantly.

10.3.3 It should be kept in mind that the inappropriate application of "cookbook" methods can be disastrous. The Committee understands that none of the available packages handles all phases and all types of system development equally well. Some are more appropriate to batch application development, and others to data base design and implementation. Most are oriented towards the development of applications rather than of system software.

10.3.4 Therefore the Committee cautions against the adoption of a single standard development methodology to cover all phases of development from information analysis to implementation and all types of system from batch applications through on-line data management to the development of system software.

Moreover, system development packages are not substitutes for understanding the basic principles of project management, interaction with users, or software engineering.

### Recommendations

10.3.5 The Committee recommends that :-

- (1) The Victorian Public Service should increase the use of formal systems development, automated design and project management techniques, particularly in the area of management review and control.
- (2) The Public Service Board should evaluate available proprietary system development methodologies and develop standards and guidelines for use of such packages in appropriate circumstances.

## CHAPTER 11

### MANAGEMENT CONTROLS OF EDP ACTIVITIES

#### 11.1 THE NEED FOR INTERNAL CONTROLS

11.1.1 The need for internal controls of computer-based systems is well recognized. It is also widely accepted now that, in many cases, if programmed controls are to be employed, they must be built into the system during development. For example, it may simply be too costly to attempt to build file access controls onto the system after the bulk of programming has been completed.

11.1.2 Despite acceptance of the importance of controls, the discussion paper reported many deficiencies in management of EDP in departments and authorities. These included the following:

*With one or two major exceptions standards for development, documentation and maintenance of applications are generally poor and loosely enforced.*

*With two exceptions, no standard methodology for project control was in use. There were some examples of poor project management resulting from lack of methodology. In some cases there was a distinct lack of perceived need for project management.*

*Procedures for data integrity/consistency were generally inadequate.*

*There was generally little evidence of the practice of unannounced audit checks although the need is recognised.*

*Internal auditors were perceived as being uninterested in computer-based systems.*

11.1.3 Although management representatives from many departments have assured the Committee that they are quite capable of managing their own EDP systems, the overall impression gained by the Committee is that management controls within many departments, perhaps most, require considerable strengthening if the public service is not to be faced with a procession of costly delays, errors and breaches of security, integrity and privacy.

Obviously, the deficiencies cannot be corrected overnight. A continuing process of management education is required, as well as specialized training for EDP systems personnel in designing controls into systems.

### Recommendations

11.1.4 The Committee recommends that :-

- (1) Guidelines should be issued for internal controls in computer-based systems covering:-
  - Acquisition
  - Management and organization
  - Physical security
  - System development
  - System operation
  - Processing
  - Data integrity, security and privacy
  - Communications
  - External service bureaux.
- (2) To avoid unnecessary duplication of effort, the Commonwealth Public Service Guidelines on *Internal Controls for Computer-Based Systems* should be considered for adoption by the Victorian Public Service. If they are regarded as unsuitable for permanent adoption, they should at least be used as interim guidelines in Victoria.

## 11.2 REVIEWS AND AUDITS

11.2.1 Reviews and audits are required at various points through system development and implementation. The following are the more important ones:-

- (a) review of quality of analysis, design, system building, programming and testing;
- (b) review of performance of the system following implementation, relative to design objectives;

- (c) audit of the effectiveness of system controls on security, accuracy and privacy;
- (d) audit of the controls of the development and acquisition processes;
- (e) review of effectiveness and efficiency of the system in meeting functional objectives and targeted cost savings; and
- (f) audit of compliance by the department or authority with policies and guidelines.

### Recommendations

11.2.2 The Committee recommends that :-

- (1) Effectiveness reviews of the achievement of functional objectives should include an examination of the extent to which the planned benefits to the community have been achieved.
- (2) It should be mandatory for departments and authorities to carry out all the above audits and reviews internally. Management may use internal audit resources or EDP systems staff or external consultants (from the Government Computing Service or the private sector) as appropriate. The guiding rule is that the review should be carried out by fully qualified personnel other than those who did the work which is being reviewed.
- (3) The primary responsibility for external audit lies with the Auditor-General who should develop the resources necessary to conduct audits of all or any of the above kind in departments and statutory authorities.
- (4) The Auditor-General should use the consolidated strategic plans of departments and authorities to determine his staffing and training requirements. Resources should be sufficient to allow each authority and department to be audited by the Auditor-General with an average frequency of once every two to three years.

### 11.3 EDP AUDIT

11.3.1 The Committee has formed the view that EDP audit capability in the Victorian Public Service is almost non-existent. The situation now is bad but is likely to become worse over the next few years because the demand for EDP audit skills will grow more rapidly than such skills can be acquired by the service, either by recruitment or training. The Committee thinks this is true even if a vigorous programme for both recruitment and training is instituted immediately.

11.3.2 Despite critical comment by the Auditor-General in his reports to Parliament over a number of years, effective general internal audit still does not exist in a number of larger Government departments and organizations.

11.3.3 Although the Auditor-General has devoted considerable effort to giving some EDP knowledge to a number of general audit officers, he has only three specialist EDP auditors and one in training<sup>(2)</sup>.

11.3.4 A rapid increase is expected over the next few years in the number of systems in the Victorian Public Service. These will be largely decentralized; some will be linked in networks; many will be on-line rather than batch systems; and they will make increasing use of data base management techniques. In both public and private sectors, the resources for the audit of today's systems are totally inadequate, let alone the increased number of more complex systems which will be seen in the near future. In spite of this the Victorian Public Service has no programme for recruiting and training EDP specialist auditors.

11.3.5 The Committee can see no prospect at all of obtaining the required skills levels of EDP audit in all the departments that need them. Most department heads believe they are well able to manage their own computer systems; however the absence of EDP audit capability in the service suggests that the quality of management of EDP development and operation will be less than satisfactory for some time to come.

Recommendations

11.3.6 The Committee recommends that:-

- (1) The Public Service Board should forthwith estimate the service's requirements for internal EDP audit capability (both general and specialist) - based on present and expected systems installed, and should institute a vigorous training and recruitment programme to meet the requirements as far as possible.
- (2) Consideration should be given to forming a pool of internal EDP audit consultants, preferably within the Government Computing Service, who can be used by departments to supplement their internal audit teams.
- (3) The problem of salary disparity be confronted squarely. Adjustment in pay scales should be implemented to make those of EDP audit specialists competitive with salaries paid for the same EDP skills outside the audit field.
- (4) The Public Service Board should give consideration to the career paths for EDP audit specialists.
- (5) The use of outside consulting firms experienced in EDP audit should be considered as a means of supplementing the skills available within the service.
- (6) Consideration should be given by departments and the Auditor-General to forming audit teams consisting of auditors with basic EDP training and systems analysts and programmers.

Committee Room,  
23 November 1981



APPENDIX "A"

LIST OF SUBMISSIONS

Public Sector

Agriculture, Department of  
Auditor-General  
Austin Hospital

Building Industry Long Service Leave Board

Caulfield Institute of Technology, School of  
Computing and Information Systems  
Community Welfare Services, Department of  
Conservation, Ministry for  
Country Roads Board  
Crown Lands and Survey, Department of

Economic Development, Ministry for  
Education Department  
Education Department - Technical Schools Division  
EDP Policy Committee

Gas and Fuel Corporation of Victoria  
Government Computing Service

Health Commission and Health Computing Services  
(combined submission)

Labour and Industry, Department of

Melbourne and Metropolitan Board of Works  
Melbourne and Metropolitan Tramways Board  
Minerals and Energy, Department of

Public Works Department

Rural Finance Commission

State Bank  
State Electricity Commission  
State Emergency Service  
State Insurance Office  
State Rivers and Water Supply Commission  
State Superannuation Board

Totalizator Agency Board  
Transport Regulation Board

Victorian Egg Marketing Board  
Victorian Hospitals' Association Limited

Youth, Sport and Recreation, Department of

Private Sector

Association of Australian High Technology Industries  
Australian Software Houses Association

Burroughs Limited

Computer Sciences of Australia Pty. Ltd.

D.P. (Data Processing) Services  
Data General Australia Pty. Ltd.

IBM Australia Limited  
International Computers (Australia) Pty. Limited (ICL)

NCR Australia Pty. Ltd.

SureData Pty. Ltd.  
System Support Group (Aust.) Pty. Ltd.

Victorian Public Service Association

Wadham, Ian & Associates

APPENDIX "B"

LIST OF WITNESSES

EDP Policy Committee

Dr. R.B. Cullen, Chairman  
Mr. K.D. Green, O.B.E., E.D., Member of Committee  
Mr. I.G. Baker, Member of Committee  
Mr. G.W. Rogan, Member of Committee  
Mr. H. Brzezinski, Executive Officer  
Mr. I. Aufflick, Senior Consultant, Computing and  
Systems Division

Government Computing Service

Mr. N.E. Wadson, Director  
Mr. L. Brewer, Deputy Director (Facilities)  
Mr. D. Meckiff, Deputy Director (Applications)

Auditor-General's Office

Mr. B.J. Waldron, Auditor-General  
Mr. N.R. McAlister, Auditor

Gas and Fuel Corporation of Victoria

Mr. A.H. Gayleard, Administration Manager  
Mr. M.S. Foster, Superintendent, Systems Development,  
Systems and Data Processing Department

State Electricity Commission of Victoria

Mr. R.E. Hurley, Assistant General Manager,  
Administration  
Mr. B. Ackland, Manager, Computer Services

Melbourne and Metropolitan Board of Works

Mr. O.T. Cosgriff, Secretary  
Mr. H.G. Ford, Deputy-Secretary (elect) and Manager,  
Management Services Division

Department of Agriculture

Mr. R.H. Taylor, Assistant Director-General  
 Mr. R. Jardine, Principal Investigations Officer and  
 Biometrician  
 Mr. B. Williams, Director of Administrative Services

Public Works Department

Mr. D.J. Little, Director-General  
 Mr. B. Walsh, EDP Manager  
 Mr. L. Slavin, Acting Director of WREN Project

State Rivers and Water Supply Commission

Mr. R.G. Welsh, Director, Financial Management  
 Mr. W.A. Clarke, Manager, Systems and EDP  
 Mr. P. Weatherhead, Senior Executive Engineer,  
 Computer Services

Department of Minerals and Energy

Dr. D. Spencer-Jones, Deputy Secretary  
 Mr. G. Willingham, Director of Administration  
 Mr. R. Fitt, Assistant Director of Administration  
 Mr. S. Mack, Officer-in-Charge, Data Processing  
 Division  
 Mr. R. Blake, Acting Senior Petroleum Geologist  
 Mr. T. Younger, Senior Engineer

Victorian Public Service Association

Mr. S. Lamande, Senior Industrial Officer  
 Mr. G. Roseby, Chairman, General Council Policy  
 Committee

Building Industry Long Service Leave Board

Mr. H. Glenk, Secretary  
 Mr. W. Roberts, Data Processing Manager

Land Tax Office

Mr. G.J. Sebo, Commissioner of Land Tax  
 Mr. J.F. Clark, Deputy Commissioner of Land Tax  
 Mr. D. Gung, EDP Manager  
 Mr. H.J. Hopkins, First Assistant Director of  
 Finance, State Treasury

Health Computing Service

Mr. J.C. Habersberger, Chairman, Board of Management  
Mr. G. Baker, General Manager  
Mr. C.P. Faraday, Acting Manager, Systems Development  
Mr. K.J. Hodson, Secretary and Financial Controller  
Mr. J.R. Swain, Manager, Medical Systems  
Mr. V.G. Miller, Operations Manager  
Dr. R.B. Scotton, Member, Board of Management

Education Department

Mr. B.J. Joy, Assistant Director-General (Finance)  
Mr. F. McCrohan, Manager, Computer Services  
Mr. A. Ralston, Data Base Administration

Department of Community Welfare Services

Mr. H. McPhee, Director of Administrative Services  
Mr. D. Leihy, Assistant Director of Administrative Services

State Treasury

Mr. I.G. Baker, Director of Finance  
Mr. H.J. Hopkins, First Assistant Director of Finance  
Mr. R.A. Livingston, Assistant Director of Finance (Accounting)  
Mr. R. Newman, EDP Liaison Officer

Public Service Board

Dr. R.B. Cullen, Chairman  
Mr. H. Brzezinski, Director, Computing and Systems Division  
Mr. M. Keppel, Director of Operations

Dr. C.J. Bellamy, Director, Computer Centre, Monash University.

APPENDIX C

CURRENT GOVERNMENT PREFERENCE POLICY

There is presently four levels for which a State purchasing preference policy applies. The general policy is summarised below.

- Preference for Australian produced goods against overseas goods.

The policy is to give priority to Australian goods all else being equal.

- Preference for Victorian produced goods against the rest of Australia.

The policy is to give a 10 percent preference to Victorian (and that portion of Albury-Wodonga in N.S.W.) goods.

- Preference for decentralised industries.

The policy is to give an additional 5 percent preference to approved decentralised industries.

- Preference to preferred industries.

This area is new and for computer equipment is covered by the Premier's circular 81/16 which is reproduced below.

COMPUTER EQUIPMENT - USE OF LOCALLY MANUFACTURED ITEMS

The Government is committed, through its New Directions policy, to the active encouragement of the computer industry and associated high technology developments in Victoria.

This field of industrial activity is already well developed in this State, particularly in the area of computer software, computer servicing and information systems. There is also a vigorous new development in the manufacture and assembly of small computers.

Victoria is well placed to sustain a large and expanding computer industry, with capacity to serve local markets and to export to countries in the South Pacific region and to East Asia, including China.

We must demonstrate our determination to assist this important industry to the maximum extent possible.

Some of the advantages of a locally based industry are:-

- (1) Ease of consultation about the user requirements and about specifications and tenders for equipment.
- (2) Ease of access to servicing, with locally based facilities.
- (3) Lower cost (in many cases).
- (4) Ability to acquire locally produced equipment of adequate standard rather than having to accept overseas equipment of unnecessarily high standard.

Preference is therefore to be given to locally (Victorian) produced computer facilities - hardware and software. A cost differential of up to 5% to be accepted in implementing this policy with respect to software. Existing preferences will continue to be applied with regard to hardware.

In order to ensure the maximum application of this policy, you are asked to have departments consider the full context within which the proposed computer equipment item is to be utilised. In this way, consideration of locally manufactured equipment will not simply be restricted to its substitution for imported equipment.

This policy is to apply to purchases by all Government agencies forthwith.

Please convey the Government's direction to all agencies within your administration for appropriate action.

## APPENDIX "D"

Recommendations of Ministry for Economic Development for Support of Local Computer Industry.

2.0 SUMMARY RECOMMENDATIONS

These recommendations are seen as both adding to and expanding upon the recommendations presented in the Discussion Paper on the Current and Future use of EDP facilities and techniques in the Victorian Public Sector.

The Ministry considers that there is little direct cost in these additional recommendations and that the benefits both to the State and Public Sector productively could be very large.

Subsequent sections of this submission will provide background and support for the recommendations.

Above all else what is needed is a change in attitude and approach. There is considerable evidence that current EDP planning attitudes are directly favouring the larger overseas suppliers. There is often an economical local alternative which is just not considered or there could often be a local alternative if either the approach to a particular application was changed (e.g. distributed mini-computer systems rather than large centralised facility) or sufficient lead time and commitment was given to the local industry.

These attitudes cannot be easily changed. But they must be! The dual objectives of public sector EDP provision should be

- . to provide an economic, efficient and effective service, and
- . to support the development of a local computer industry.

2.1 RECOMMENDATIONS - PLANNING

- 1 Formal EDP planning procedures should be introduced to all public service departments, statutory authorities and local authorities.



- 2 Suitable guidelines should be published with some backing authority that recognises the dual objectives of public sector EDP provision, i.e.
  - . to provide an economic, efficient and effective service, and
  - . to support the development of a local computer industry.
- 3 Suitable guidelines and background information should be developed and widely distributed, in conjunction with the planning guidelines, giving details of
  - . local hardware manufacturers, software support and other support services.
  - . Government policy on local preference and incentives.

## 2.2 RECOMMENDATION - LOCAL INDUSTRY CO-OPERATION

- 4 Departments and statutory authorities should be encouraged to budget funds to support local industry consultation on appropriate methods in which local expertise can be economically used and supported.

## 2.3 RECOMMENDATIONS - RESOURCE ACQUISITION IN GENERAL

- 5 Existing preference guidelines should be vigorously enforced while gradually seeking bilateral agreements with all States to eliminate them.
- 6 Five-year rolling plans on proposed hardware and software developments be used and made available to local industry so that they may perceive future demands.
- 7 Consideration be given to departments, statutory authorities and local authorities nominating a minimum proportion of their purchases which will be sought from local industry.
- 8 The purchase of locally produced software packages, in lieu of either overseas produced packages or internal development should be encouraged in the context of overall plans.

- 9 There should be complete unbundling of EDP purchases, where there are alternative local suppliers for any part of a complete purchase plan.
- 10 The use of local industry brokers who develop a complete EDP purchase package should be encouraged as a mechanism for supporting local industry and preserving the advantages of dealing with a single supplier source.
- 11 Existing acquisition procedures and equipment specification should be re-examined so as to eliminate any bias or constraints against local suppliers. (e.g. specifications for technical capabilities not needed, or unreasonable levels of confidence in performance, customer support or past experience). Contract procedures should recognize the impact which delayed or spread payment can have upon small firms with limited cash reserves. Writing specifications for tenders based on a particular supplier's specifications should be eliminated.

#### 2.4 RECOMMENDATIONS - RESOURCE ACQUISITION IN SPECIFIC AREAS

It is recognised that not all areas of the EDP can be now or possibly ever provided by local industry. There are however a number of areas which it is felt both now and in the future could be economically and efficiently supplied by the local industry. In addition there are some data processing approaches which are better suited to the local industries capabilities than other possible approaches.

- 12 It is thus recommended that the selection of specific areas of EDP purchases for extra-ordinary support should be examined. In particular it is recommended that the following areas be considered as feasible and economic for strong support.
  - . educational systems, in particular school micro-processors and associated software
  - . word processing equipment and software
  - . distributed data processing communications software and hardware
  - . user terminals with multiple protocols and modem capabilities
  - . common users package development.

13 It is also recommended that data processing approaches which for example

- . encourage the development of mini- and micro-computer distributed data processing networks and which
- . encourage advantage to be taken of the significant data sources available within the Public Sector

would best support local industry and add to its ability to compete with other suppliers.

## 2.5 RECOMMENDATION - ACCOUNTABILITY AND RESPONSIBILITY

The constraints on finance and staff as laid down by Treasury and the Public Service Board can often be such that the early adaption or development of high benefit applications is stopped.

It should be against total community benefits that the costs of an application should be judged. To limit the consideration of benefits to the Public Sector tends to promote applications which are purely job replacement applications.

14 It is recommended that the criteria used to judge the merit of a particular application be widened to more fully include the benefits generated for the Victorian community and industry.

## 2.6 RECOMMENDATION - PAST IMPLEMENTATION REVIEWS

15 Past Implementation reviews should gather information on the amount and performance of local contribution for all major systems developed for departments and authorities. This information is to be used to refine supplier guidelines as feedback to local industry and as feedback to Government on the effectiveness of its local industry policy.

APPENDIX EREFERENCES

1. Discussion paper on "The Current and Future Use of EDP Facilities and Techniques in the Victorian Public Sector", Public Accounts and Expenditure Review Committee, July 1981.
2. Minutes of Evidence, Inquiry into "The Current and Future Use of EDP Facilities and Techniques in the Victorian Public Sector", Public Accounts and Expenditure Review Committee, 11 September-19 October 1981.
3. Written replies by Health Computing Services to questions raised by the Public Accounts and Expenditure Review Committee, 9 October 1981.
4. Victorian Public Service Draft "Future Strategy for Computing", EDP Policy Committee, September 1981.
5. Submission by the EDP Policy Committee to the Public Accounts and Expenditure Review Committee, 10 September 1981.
6. Victoria's Strategy for the 80's - Jobs from Growth, Victorian Government Printer, March 1981.
7. Written replies by the Public Works Department to questions by the Public Accounts and Expenditure Review Committee, 29 September 1981.
8. Submission by Totalizator Agency Board to the Public Accounts and Expenditure Review Committee, 10 September 1981.
9. Submission by Gas & Fuel Corporation to the Public Accounts and Expenditure Review Committee, 9 September 1981.
10. Submission by International Computers (Australia) Pty Ltd., to the Public Accounts and Expenditure Review Committee, 14 September 1981.

11. Submission by the Public Works Department to the Public Accounts and Expenditure Review Committee, September 1981.
12. Submission by Caulfield Institute of Technology to the Public Accounts and Expenditure Review Committee, 16 September 1981.
13. Statement by Victorian Public Service Board on "Decisions in General Salary Claim, Certain other Salary Claims, and Claim for Reduced Working Hours", 28 September 1981.
14. *Privacy and Personal Information*, Discussion Paper No. 14, The Law Reform Commission, Canberra, June 1980.
15. Fitzgerald J., *Designing Controls Into Computerized Systems*, Publ. Jerry Fitzgerald & Associates, Redwood City, California, 1981.
16. Submission by Government Computing Service to the Public Accounts and Expenditure Review Committee, 17 September 1981.
17. Submission by Department of Community Welfare Services to the Public Accounts and Expenditure Review Committee, 11 September 1981.
18. *The Computer Age : A Twenty Year View*, ed. Dertouzos & Moses, MIT, 1979.
19. S. Nora, A. Minc, *The Computerization Of Society*, MIT, 1980.
20. C.D. Hurtado "Systems Master Planning for Government", *J. Systems Management* pp 30-35, August 1975.
21. E.M. Timmreck, "Computer Selection", *Computing Surveys*, Vol. 5, No. 4, December 1973, pp 199-222.
22. Commonwealth Public Service Board Annual Report 1980-81.

23. Report 174, "Use of ADP in the Commonwealth Public Sector - Acquisition of Systems in the Public Service", Joint Committee of Public Accounts, Canberra 1978 (Parliamentary Paper No. 341/1978).
24. Submission by Ministry for Economic Development, Policy and Planning Report 81-1, September 1981.
25. Office of Management and Budget Circular No. A-76 (revised) to heads of executive departments and establishments on "Policies for Acquiring Commercial or Industrial Products and Services Needed by the Government." March 29, 1979.
26. "Guidance to Federal Agencies on the Preparation of Specifications, Selection, and Acquisition of Automatic Data Processing Systems", General Services Administration, ADP Procurement Division, Automated Data and Telecommunications Service, Washington D.C. 20405 (Public Accounts and Expenditure Review Committee's copy updated).
27. Letter to Director of Finance, State Treasury, from the Secretary, Public Service Board, 14 August 1981 (PSB ref. 80/742).



PUBLIC ACCOUNTS AND EXPENDITURE REVIEW COMMITTEE

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FINAL REPORT ON THE

AUDITOR-GENERAL'S REPORTS FOR 1978-79

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*Ordered to be printed*

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EXTRACTED FROM THE MINUTES OF THE PROCEEDINGS OF  
THE LEGISLATIVE COUNCIL

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TUESDAY 8 SEPTEMBER 1981

- 12 PUBLIC ACCOUNTS AND EXPENDITURE REVIEW COMMITTEE -  
The Honourable A.J. Hunt moved, by leave, That  
the Honourables Clive Bubb, G.A.S. Butler, D.K.  
Hayward and N.F. Stacey be members of the Public  
Accounts and Expenditure Review Committee and  
that the said Committee have power to send for  
persons, papers and records.

Question-put and resolved in the affirmative.

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EXTRACTED FROM THE VOTES AND PROCEEDINGS OF  
THE LEGISLATIVE ASSEMBLY

---

TUESDAY 8 SEPTEMBER 1981

- 16 PUBLIC ACCOUNTS AND EXPENDITURE REVIEW COMMITTEE -  
Motion made, by leave, and question-That-(a) Mr.  
Evans (*Gippsland East*), Mr. Mackinnon, Mr. Mathews,  
Mr. Remington, Mr. Richardson, Mr. Rowe, Mr.  
Walsh and Mr. Williams be Members of the Public  
Accounts and Expenditure Review Committee; and  
(b) the Committee have power to- (i) send for  
persons, papers and records; and (ii) commission  
any person or persons to investigate and report to  
the Committee on any aspect of the subject-matter  
under investigation by the Committee (*Mr Thompson*)-  
put and agreed to.
-

TERMS OF REFERENCE

PARLIAMENTARY COMMITTEES (PUBLIC ACCOUNTS AND  
EXPENDITURE REVIEW COMMITTEE) ACT 1979

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SECTION 5

5 The functions of the Committee shall be -

- (a) to examine the accounts of the receipts and expenditure of the State and to bring to the notice of the Parliament any items in those accounts, or any circumstances connected with them which it may consider appropriate;
- (b) to inquire into and report to the Parliament on any question in connexion with public expenditure which is referred to it by the Council or the Assembly;
- (c) to consider and report to the Parliament how, if at all, the administration of Government programmes and policies may be carried out more efficiently, effectively and economically; and
- (d) to report to the Parliament any alteration which may appear desirable to be introduced in the form or method of keeping and presenting the Public Accounts, or in the mode of receipt, control, issue or payment of the public money.

R E P O R T

The Public Accounts and Expenditure Review Committee has the honour to report as follows: -

1 In its progress report on the Auditor-General's Reports for 1978-79<sup>1</sup> the Committee reported that the following items would be the subject of detailed investigation: -

- (a) Local Authorities Superannuation Board - electronic data processing services provided by the Board;
- (b) Motor Accidents Board - computer facilities provided by the Local Authorities Superannuation Board; and
- (c) State Superannuation Board - form of accounts, electronic data processing and actuarial valuation.

2 The Committee investigated the EDP aspects of the three boards together. The remaining matters, all of which relate to the State Superannuation Board, have been considered as a separate aspect of this inquiry.

3 Evidence was received from the following:-

Mr. B.J. Waldron, Auditor-General;

Cr. C.W. Thwaites, Chairman, and	)	representing the Local
Mr. L.M. Rodriguez, Manager	)	Authorities Superannuation
	)	Board

Mr. V.H. Arnold, Chairman, and	)	representing the State
Mr. S. Bates, General Manager	)	Superannuation Board

Mr. V.H. Arnold, Chairman, and	)	representing the Motor
Mr. A.K. Clarke, General Manager	)	Accidents Board

Electronic Data Processing

4 The Auditor-General reported that an audit review indicated that the contractual arrangements between the Local Authorities Superannuation Board (LASB) and the Motor Accidents Board (MAB)/ State Superannuation Board (SSB) were unsatisfactory and that steps should be taken to formalise the arrangements.

*1 Victorian Parliamentary Paper, D.No.13/1980-81*

5 Two other matters raised by the Auditor-General were the need for: -

- (i) proper terms of reference to be formally approved by both the SSB and the MAB for computer committees they have established; and
- (ii) the observance of Treasury Regulations by the SSB in purchasing equipment or services.

#### Arrangements between LASB/SSB/MAB

6 The Local Authorities Superannuation Board's prime purpose is to provide a superannuation scheme for local government employees in Victoria. In addition to this, however, the Board also provides EDP service bureau facilities to a number of other organisations, including the MAB and the SSB.

Initially the SSB asked the LASB to provide EDP facilities. A similar request was later made by the MAB.

7 The service consists of the LASB leasing the equipment and then supplying the equipment, the systems, and the programming and operations staff to the two boards. The decision on what equipment is to be used for the SSB and MAB is made by each of those two boards - not the LASB. The equipment is situated at the site of the SSB and MAB offices - 35 Spring Street - and is quite separate from the equipment used for the LASB's own requirements.

8 The Committee was told that the contractual arrangements between the three boards were verbal and, as a result, the auditors experienced several problems. Because the arrangement had not been formalized, the Auditor-General said that it was not possible to check: -

- (a) the basis of charging by the Local Authorities Superannuation Board for services provided to the Motor Accidents and State Superannuation boards;
- (b) the ownership of the relevant files and documents;
- (c) the form and length of notice to be given to terminate the arrangement;
- (d) the responsibility for lease payments in the event of the tri-partite agreement being terminated;
- (e) the division of responsibility between the two boards for processing and operating controls of the centre at Spring Street;
- (f) the responsibility to provide back-up facilities in the event of equipment failure;
- (g) the responsibility for the conversion of input data into machine-readable form;

- (h) the responsibility to retain sufficient back-up so that the master files could be re-created if necessary without undue delay or cost; and
- (i) the responsibility for the security of transactions in the master files.

9 The LASB informed the Committee that it did not use formal agreements with any of its local authority clients and instead usually has an exchange of letters with its client. The charges, in the case of the SSB and MAB, are set by agreement between the LASB and the two boards.

10 Neither the SSB nor the MAB argued in favour of a formalised agreement. Both boards were of the opinion that the verbal arrangement had worked well and that the job requirements were being met and payments promised were being paid.

11 The SSB claimed that a formal agreement would reduce the Board's flexibility. It said that under the present arrangement, the LASB - an autonomous authority not subject to Public Service Board controls - employs all the analysts and programmers situated in the SSB offices but the SSB has a say in staff selection. If the SSB were forced to employ a public servant in a similar arrangement and the employee were not satisfactory, the Board would not be able to remove him. It also enables the Board to obtain a replacement very quickly when any of the staff leave.

12 This approach appears to be a way of the SSB circumventing the present staff ceilings and other Public Service Board staffing controls. The Board pays the employees' salaries plus ongoing costs to cover items such as workers compensation, annual leave allowances, sick pay, etc. but the employees are staff members of the LASB. To all intents and purposes, the employees are really employees of the SSB - not the LASB.

13 Whilst the Committee accepts that the SSB and MAB are quite happy with the existing arrangements, this may be due to the fact that both boards have the same chairman, who has undoubtedly been instrumental in having both boards move into the area of electronic data processing. Having the same chairman has also influenced the decision for both to use the same organization to service its EDP needs.

14 The Committee can see that the present informal arrangements and existing relationship between the three boards and common personnel enable operating decisions to be made quickly. They do not, however, permit an objective assessment of their efficiency and the needs of each particular board.

15 Since the matter was raised by the Auditor-General, the three boards have had an agreement drafted which is currently being considered by the legal advisers to each of the three boards.

16 The Committee recommends that the arrangements should be formalised and that urgent consideration be given to the adoption of an agreement.

### Computer Committees

17 The management of each board established computer steering committees - the role of each being advisory and co-ordinating. Because of the intended role of these committees, it was not considered necessary to require formal Board approval for their establishment.

18 Following the Auditor-General's comments, formal terms of reference have been drawn up for the SSB computer steering committee. These have been presented to the Board which has noted their receipt pending a review of the committee's involvement in management procedures.

19 Joint EDP co-ordinating and policy committees were also formed and the terms of reference for both these committees were set by the committees themselves. The Policy Committee, which is the only committee currently meeting, is chaired by Mr. Arnold, who is also chairman of both boards.

20 If these committees are to be purely internal to each board, co-ordinating only various sections of each board, the Committee sees no need for formal recognition by each board. However, if committees consist of personnel from outside each board, or have roles which include advising, making recommendations or co-ordinating the activities of two or more boards, the Committee recommends that the boards concerned should formally approve the establishment and terms of reference of those committees.

### Purchase of Equipment or Services

21 Of the three boards involved in the EDI arrangement, the SSB is the only one that is not autonomous and that has to comply with the Public Accounts and Stores Regulations (now Treasury Regulations 1981) but there is provision for seeking exemption from the requirement to call public tenders.

To comply with the Regulations, the normal procedure would be to prepare specifications of the services required and to publicly call tenders. Each tender would then be evaluated and a successful tenderer selected with the tender documents being approved by the Tender Board.

22 Where several organisations jointly purchase or rent equipment or obtain a service and one or more of the organisations is not subject to the Regulations, complications will invariably arise. In this case the majority of the parties to the agreement are not bound by the Regulations.

23 The SSB is of the opinion that the LASB supplies a computer management facility and is not a service bureau. It also indicated that there had been a long association with the LASB prior to the installation at 35 Spring Street becoming operative.

In the Committee's view the LASB supplies services to the SSB and therefore the Board should have complied with the Regulations.

24 The Committee sees the entering into contractual arrangements without public calling of tenders as a breach of the Regulations. The Committee recommends that the SSB should comply with, or seek an exemption from having to comply with, the requirement to call public tenders.

#### State Superannuation Board - Staffing and Form of Accounts

25 As a result of evidence placed before the Committee, it has concluded that the problems experienced by the Board should be recognised and considered separately.

The Committee sees the main problems as being -

- (a) staffing; and
- (b) accounting deficiencies.

#### (a) Staffing

26 As far back as 1968-69, the Auditor-General referred to inadequacies in the Board's administrative and accounting systems and has made similar comments on numerous occasions since then. The Board has acknowledged these inadequacies and has mentioned them in several of its annual reports to Parliament.

27 The Board has continually requested additional staff but with very little success. In 1973 the Public Service Board inspectorate investigated the Board's administration. As a result of this review, eleven positions were created and a re-organisation of the administration was partly implemented.

In August 1977, the Board applied for seventeen additional staff to establish an internal audit function. Approval was given in September 1978 for eight additional positions and the Board was asked to select which eight of the seventeen it wished to fill. In May 1979, Public Service Board approval was given for the creation of the eight positions nominated but it was August before the positions were filled.

28 A Treasury Minute forwarded to the Committee in July 1979 showed that nine exempt employees were approved in lieu of the further nine permanent staff sought.



29 Since January 1978, the Board has, through a number of requests, sought 20 additional staff - both permanent and exempt employees. Several of the requests were not acknowledged until the Manpower Committee, in response to a submission made on 7 November 1980, advised that it would defer taking any action on the submission until the current Management Review of the Board's administration was completed.

This Management Review, which commenced in January, 1981, has now been completed and the report is presently being considered by the SSB and Treasury.

30 A previous Public Accounts Committee report<sup>2</sup>, in March 1975, recommended that the structure of the Board and its responsibilities under the Act needed urgent review.

31 This Committee is concerned that, since that recommendation was made, the SSB has had only very limited success in obtaining additional staff to carry out its duties and that six years elapsed before a review was carried out.

From inquiries made by this Committee, there appears to be a prima facie case for the Board's requests for additional staff.

With the Management Review now completed, it is vital that action be taken immediately to consider its recommendations. A summary of the key recommendations is:

- to reorganise the structure of the SSB's administration, grouping like functions together and freeing-up the Board to concentrate more on major policy matters;
- to select and appoint suitably qualified managers to key positions within the new structure;
- to improve internal communications and develop more productive and satisfying relationships between management and staff; and
- to upgrade EDP and other operating and control systems (e.g. a file registry should be introduced); to establish and monitor the achievement of organisation-wide, divisional and section objectives, priorities and action plans.

32 The Committee recommends that the Public Service Board and Treasury give urgent consideration to the Management Review report with a view to immediately providing the staff necessary for the SSB to perform its functions effectively and efficiently.

<sup>2</sup> *Victorian Parliamentary Paper, D.No.12/1974-76*

(b) Accounting deficiencies

33 The Auditor-General expressed concern that the Board has not prepared a Revenue Account and Balance Sheet and stressed the need to introduce accrual accounting procedures to provide meaningful financial reports. He also advised that his predecessor in 1975, advised that arrangements had not then been completed for the introduction of the accrual accounting necessary for the preparation of a Revenue Account and Balance Sheets. The Board produces a statement of receipts and payments which shows only a cash surplus or deficit for the year, and a list of investments at historical cost.

The Committee was advised that, without a balance sheet, it is difficult to determine the financial position of the Fund which is the starting point in carrying out an actuarial investigation.

34 Accrual accounting allocates income and expenditure to the period in which it is incurred. Such accounting is necessary if the Board is to determine whether future commitments can be met based on the net balance of the Superannuation Fund at the end of the accounting period.

35 Because the Board does not prepare a revenue statement or balance sheet, neither - (i) the total assets; (ii) liabilities; (iii) net balance of the Fund; and (iv) surplus for the year or net addition to the Fund, are disclosed nor are the earnings on investment clearly shown. The Committee considers it essential that the net balance of any superannuation fund is known, particularly for an employer who is required to make employer contributions.

36 A trial run is being conducted with a new general ledger accounting package but difficulties are still being experienced in preparing a balance sheet because some accruals and balances have repercussions back to 1926. To prepare an accurate balance sheet would require calculations from 1926 onwards to be made.

The main problem being encountered is to define the funds that the Board starts with at the beginning of the year for which the first revenue account is prepared.

37 A further problem is the fact that some public service departments and other organizations are not computerized. Consequently the Board does not know what contributions are due in any fortnight until some considerable time afterwards when the reports from the departments and organizations are received and processed.

38 The Committee sees the solution to this problem being partly the Board's responsibility and partly the responsibility of all departments and organizations whose employees belong to the Fund.

39 The Committee sees the solution as requiring the Board to decide on a "cut off" date from which date onwards, a complete accrual accounting system will operate. The funds and balances up to that date will have to be agreed upon by the Board and the Auditor-General. The Board should ascertain what level of accuracy the Auditor-General's Office will accept in establishing past figures.

If legislative authority is required to achieve a satisfactory solution, the Board should seek such authority as a matter of urgency.

40 The lateness of returns forwarded by departments to the Board causes the Committee some concern. At present there is no power for the Board to demand these returns within a specific time and impose any penalty for the forwarding of late returns.

The Superannuation Board is dependent on the prompt receipt of these departmental returns and while some departmental pay systems remain manual operations, the Committee can see continued problems for the Board.

41 As experience has shown, to impose a statutory requirement that the returns should be forwarded each payday, monthly, etc., will not guarantee a solution to the problem. A suitable practical solution is hard to find. The Board indicated that in the past it had refused to take on any new members from departments that were behind in their returns until the returns were brought up-to-date.

42 If contributors to the Fund resign, then they could reasonably expect repayment of their contributions within a short time. The Board informed the Committee that on occasions some former contributors have had to wait three or four months before being repaid. The Board agreed that this was an unreasonable time. The delay is caused however, by the departments making late variation returns. This prevents the Board from updating its records and verifying them.

43 Further, because departmental variation returns are late, the Board does not ascertain how much money is in accounts at the end of each pay period, and at 30 June 1979, was only able to estimate that there were 87 300 contributors to the Fund.

44 The recent legislative change which generally requires contribution rates to be adjusted annually should reduce significantly the number of adjustments to be made by the Board but it is still dependent on departments etc. forwarding that main adjustment return and fortnightly variation returns promptly.

45 The Committee can see no reason for these returns to be months late. It feels that the Board should have recourse to some punitive action against departments which persist in forwarding

returns late.

The Board has on occasion listed in annual reports the departments which have been behind in forwarding their returns.

46 The Committee recommends that the Board report any department which is late in forwarding variation returns. The Committee will look for a marked improvement from departments in future and will expect the Board to report any departments not co-operating.

47 The Board is required to have an actuarial investigation of the Fund made every three years. The latest valuation available - that for the three years ending 30 June 1977 - was presented to the Board on 17 December 1980.

48 The delay in completing the actuarial investigation is most unsatisfactory. The Committee also finds the investigation unhelpful in that its implications in terms of the future ability of the Fund to meet its commitments based on current contribution and pension rates, or the implication in turn of future required Government contribution to the Fund are not made clear.

49 Information forwarded to the Committee on 28 January 1981 indicated that the investigation for the three-year period ending on 30 June 1980 had not commenced and that a request for eight exempt employees had been made to Treasury. These employees were to assist with the processing of variation returns and the coding of contributor data to ensure that information required by the actuaries is in a suitable form to enable the investigation to be commenced as early as possible.

The Committee has since ascertained that the request for assistance was granted and that some of the exempt employees have completed their work.

50 The Committee recommends that the Board and the actuaries give top priority to the early completion of the actuarial investigation.

51 The introduction of accrual accounting will provide the basis for much improved accounting records and financial reporting by the Board. The Committee recommends that the Board regard the introduction of accrual accounting as urgent.

52 Several additional issues have arisen out of the matters considered during this inquiry. The Committee is currently pursuing the following matters with the Board: -

- (a) the adequacy of the rate of return on investments of the Fund;
- (b) the arrangements for handling investments; and

- (c) the content of the annual report.

Summary of Recommendations

- 53 (a) The arrangements between the LASB, SSB and MAB for the provision of computer facilities should be formalised (para. 16);
- (b) Computer committees consisting of personnel from outside each board or having roles which include advising, making recommendations or co-ordinating the activities of two or more boards should be established by and have their terms of reference formally approved by the boards (para 20);
- (c) The SSB should either comply with the Public Accounts and Stores Regulations or obtain an exemption from having to call public tenders (para 24);
- (d) The Public Service Board and Treasury should immediately initiate the re-organization recommended in the Management Review report and immediately provide any additional staff necessary for the SSB to discharge effectively and efficiently its statutory obligations (para 32);
- (e) The SSB should adopt accrual accounting. The Board should ascertain what level of accuracy the Auditor-General's Office will accept in establishing past figures. Legislative authority should be sought if deemed necessary by the Board (paras 39 and 51);
- (f) The SSB should report any department which is late in forwarding its variation returns (para 46); and
- (g) The SSB and the actuaries should give top priority to the early completion of the actuarial investigation of the Fund as at 30 June 1980 (para 50).

Committee Room,  
30 November 1981

PUBLIC ACCOUNTS AND EXPENDITURE REVIEW COMMITTEE

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REPORT ON THE

EXPENDITURE FROM THE ADVANCE TO THE TREASURER

1979-80

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*Ordered to be printed*

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EXTRACTED FROM THE MINUTES OF THE PROCEEDINGS OF  
THE LEGISLATIVE COUNCIL

---

TUESDAY 8 SEPTEMBER 1981

- 12 PUBLIC ACCOUNTS AND EXPENDITURE REVIEW COMMITTEE -  
The Honourable A.J. Hunt moved, by leave, That  
the Honourables Clive Bubb, G.A.S. Butler, D.K.  
Hayward and N.F. Stacey be members of the Public  
Accounts and Expenditure Review Committee and  
that the said Committee have power to send for  
persons, papers and records.

Question-put and resolved in the affirmative.

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EXTRACTED FROM THE VOTES AND PROCEEDINGS OF  
THE LEGISLATIVE ASSEMBLY

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TUESDAY 8 SEPTEMBER 1981

- 16 PUBLIC ACCOUNTS AND EXPENDITURE REVIEW COMMITTEE -  
Motion made, by leave, and question-That-(a) Mr.  
Evans (*Gippsland East*), Mr. Mackinnon, Mr. Mathews,  
Mr. Remington, Mr. Richardson, Mr. Rowe, Mr.  
Walsh and Mr. Williams be Members of the Public  
Accounts and Expenditure Review Committee; and  
(b) the Committee have power to- (i) send for  
persons, papers and records; and (ii) commission  
any person or persons to investigate and report to  
the Committee on any aspect of the subject-matter  
under investigation by the Committee (*Mr Thompson*) -  
put and agreed to.



TERMS OF REFERENCE

PARLIAMENTARY COMMITTEES (PUBLIC ACCOUNTS AND  
EXPENDITURE REVIEW COMMITTEE) ACT 1979

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SECTION 5

- 5 The functions of the Committee shall be -
- (a) to examine the accounts of the receipts and expenditure of the State and to bring to the notice of the Parliament any items in those accounts, or any circumstances connected with them which it may consider appropriate;
  - (b) to inquire into and report to the Parliament on any question in connexion with public expenditure which is referred to it by the Council or the Assembly;
  - (c) to consider and report to the Parliament how, if at all, the administration of Government programmes and policies may be carried out more efficiently, effectively and economically; and
  - (d) to report to the Parliament any alteration which may appear desirable to be introduced in the form or method of keeping and presenting the Public Accounts, or in the mode of receipt, control, issue or payment of the public money.

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The Public Accounts and Expenditure Review Committee has the honour to report as follows :-

## CHAPTER 1

### INTRODUCTION

1.1 In accordance with the usual practice the Public Accounts and Expenditure Review Committee has examined the Schedule of Expenditure from the Advance to the Treasurer 1979-80, which appears at pages 223 to 263 of the Estimates of the Receipts and Payments of the Consolidated Fund for the year ending 30 June 1981 (Parliamentary Paper B. No. 1 of Session 1980-81).

1.2 An amount of \$95 500 000 was provided under Division 403 of the Appropriation (1979-80 No. 1) Act 1979 to enable the Treasurer to meet urgent claims that could arise before Parliamentary sanction was obtained. Major items of expenditure from the Advance to the Treasurer are explained on page 83 of the Budget Papers 1980-81.

1.3 For the purposes of this inquiry, the Committee has also included transfers pursuant to section 25 of the Audit Act 1958 in its investigations. Under this section the Governor in Council has power to transfer funds within Items of any particular subdivision in the Appropriation Act.

1.4 The Committee obtained the Treasury files relating to requests for additional funds by departments. After considering the Treasury files, the Committee requested further information from a limited number of departments in relation to adverse file comments by Treasury or items which appeared of some importance to the Committee.

1.5 In addition to obtaining written information from some departments, formal evidence was heard from the following persons :-

#### State Treasury

Mr. H.J. Hopkins, First Assistant Director of Finance  
 Mr. D.A. Thomas, Assistant Director of Finance (Budget)  
 Mr. R.A. Livingston, Assistant Director of Finance  
 (Accounting).

Education Department

Mr. B.J. Joy, Assistant Director-General of Education  
(Finance)

Mr. R.J.C. Senior, Finance Officer

Mr. G.W. Clayton, Director of Education Administration

Mr. G.C. Rodgers, Director of Personnel

Mr. P. Magree, Officer-in-Charge of Personnel.

1.6 During recent inquiries into the Treasurer's Advance, the Committee has become increasingly concerned at a lack of understanding by departments of the complete budgetary process. A department's budgetary obligation is not completed with the submission of the annual estimates to Treasury during May. It is the responsibility of a department to notify Treasury at the pre-budget interviews of -

- (i) any accounts carried-over;
- (ii) any accounts which have been budgeted for in one financial year but will not be paid until the next financial year; or
- (iii) any other matters coming to the department's attention which would make its estimates inaccurate.

1.7 The Committee recommends that Treasury should notify all departments of this responsibility and indicate the need for such a direction to be incorporated in departments' budgeting manuals.

1.8 In future the Committee will not accept that an oversight by a department to notify Treasury of any alteration to its detailed estimates at the pre-budget interview is a reasonable request for Treasurer's Advance. The Treasurer's Advance is provided to meet urgent claims and should not be used as a means of overcoming poor budgeting.

1.9 Comments relating to the departments investigated by the Committee can be found in the following three chapters of this report. The remaining items examined by the Committee are contained in Chapters 5 and 6.

CHAPTER 2

EDUCATION DEPARTMENT

2.1 The Committee sought additional explanations from the Education Department on the need for Advances from the Treasurer for the following Items -

- Division 301.2.2 - Education Administration - Office requisites and equipment, printing and stationery.
- Division 301.2.3 - Education Administration - Books and publications.
- Division 301.2.5 - Education Administration - Motor vehicles - Purchase and running expenses.
- Division 301.2.7 - Education Administration - Electronic Data Processing - Expenses.
- Division 301.2.15- Education Administration - Expenses in connection with examinations.
- Division 305.2.3 - Primary Education - Books and publications.
- Division 308.2.5 - Special Education - Motor vehicles - Purchase and running expenses.

RECOMMENDATION

2.2 The Committee believes that the inadequacy of the Department's estimating processes and commitment control warrants urgent attention. The Department should therefore arrange to have its management and financial procedures reviewed by an independent organisation forthwith. A report on the progress of such a review should be incorporated in the Treasury Minute.

2.3 The remainder of this Chapter records the Committee's examination of Departmental witnesses and the Committee's general conclusions arising therefrom.

DIVISION 301.2.2 - Education Administration - Office requisites and equipment, printing and stationery.

	\$
Appropriation Act	640 000
Advance to the Treasurer	1 000 000
Total funds available	1 640 000
Total expenditure	1 639 917

2.4 The Department sought additional funds of \$1 000 000 arising from the need to increase stock levels of its Stores Branch to cater for a growing demand from Government departments, municipalities and schools.

2.5 Following an examination of the Treasury file it became apparent to the Committee that there were inadequacies in the management and accounting systems of the Stores Branch. Management had ignored for nearly twenty years a Public Accounts Committee recommendation made in 1959 for the introduction of a suspense account, and had not been capable of appreciating the effect of changes in Government policy on the operation of the store. Furthermore, the accounting system could not adequately provide the accounting details necessary to determine all the expenditure associated in running the store. The Committee was also interested in determining if a lack of administrative staff had compounded the situation.

2.6 The Department informed the Committee that a change in Government policy in 1973 gave school councils increased buying power, which resulted in higher activity in purchases from the Education Stores Branch. The Department attracts a lot of school custom because of the attractive prices offered through large volume purchasing by the Department. Although the Department was aware of the change in Government policy, it did not fully appreciate the resultant increases in transactions until October 1979.

2.7 At the end of October 1979, expenditure had reached \$1 million which was greatly in excess of the initial allocation of \$640 000. The Committee established that the following action was taken in relation to the Stores Branch predicament after October 1979 -

- (a) On 15 January 1980, application was made to Treasury for the establishment of an Education Stores Suspense Account and the creation of a new position - Stores Accountant (Class A1) - to be responsible for the operation of the account.

- (b) Treasury advised the Department on 22 January 1980 that further information was required before a request could be submitted to the Treasurer for consideration. This information was supplied on 17 May 1980.
- (c) Formal application for additional funds was made by the Department on 3 April 1980. At that stage the value of accounts awaiting payment amounted to \$1 378 059.
- (d) On 5 June 1980, Treasury approved the additional expenditure of \$1 000 000 and suggested that Treasury and Departmental officials confer with the view to establishing a "Working Account" - the Department had requested a Suspense Account - to record the operations of the Store.
- (e) The Department sought approval on 4 August 1980 to officially open a stores suspense account.
- (f) This request was subsequently approved by Treasury in November 1980 retrospective to 1 July 1980. Treasury believed that the operation of a suspense account for 12 months would assist in establishing all the costs associated with the operation of the Stores Branch. The situation was to be evaluated in 12 months to see if the account should become a working account and that evaluation is now to be conducted.

2.8 The Department advised the Committee that at present one officer is required to combine the duties of purchasing officer with those of store manager. A new position of Chief Purchasing Officer had been sought by the Education Administration Division through staff redeployment. This position was given a priority ranking by the Department of 654 in 1979/80 and 10 in 1980/81, but the position has not been created.

2.9 In view of staff ceilings imposed, the Department requested the Public Service Board to re-classify an existing vacancy in the Finance Office from a grade "2" to that of Class "C2" position in lieu of the application for a Stores Branch Accountant, Class "A1(1)". A Public Service Board inspector has inspected the position for re-classification but to date no advice has been received as to the decision.



## CONCLUSIONS

2.10 The Committee finds it unacceptable that there was a five month delay between the Department realising in October 1979 that the allocation had been over-spent and the eventual request for additional funds in April 1980.

2.11 In 1957 the Public Accounts Committee recommended -

*Your Committee considers that the need for a suspense account to finance the centralized bulk purchasing of stores is evident, but that the present authorised system has too many undesirable features to be permitted to continue as it is. Your Committee recommends that a special suspense account be established for the purpose of the Education Store with direct Parliamentary authority. <sup>1</sup>*

It is apparent that the current situation could have been avoided if the Department and Treasury had heeded this recommendation and sought the introduction of a suspense account much earlier.

2.12 The Committee is critical of both Treasury and the Department for the delay in establishing a suspense account. The original request for the suspense account was made in January 1980, but final approval was not granted until November 1980.

2.13 The Committee would expect an evaluation of the effectiveness of the suspense account incorporated in the Treasury Minute. Such an evaluation should include a chart of accounts for the Stores Branch and any recommendations to convert the suspense account to a working account.

### DIVISION 301.2.3 - Education Administration - Books and publications.

	\$
Appropriation Act	550 000
Advance to the Treasurer	90 000
Total funds available	640 000
Total expenditure	638 000

### DIVISION 305.2.3 - Primary Education - Books and publications

	\$
Appropriation Act	445 600
Advance to the Treasurer	190 000
Total funds available	635 600
Total expenditure	624 179

1 Victorian Parliamentary Paper D.No.1/1959 (p57).

2.14 Additional funds were sought under these Items to meet the cost of increased printing charges (\$18 000) and for Government Printer accounts which were not expected until the following financial year (\$100 000). The remainder of the advance (\$151 000) was required to pay accounts carried forward from the previous year. Provision had been made in the 1978/79 Budget allocation for the payment of these accounts. However, the corresponding under-expenditure was not provided for in the 1979/80 Budget allocation.

2.15 When approving the additional funds, Treasury was critical that the Department had not raised the matter of under-expenditure at the pre-budget interviews so its ramifications could be considered when deciding the final estimate.

2.16 The Department claimed that the cost of some printing jobs are difficult to quantify and it is better to omit such intangible costs from the estimates. In the past the Department has not always sought a quote from the Government Printer before the printing is performed. However the Department has changed its procedure and now obtains written quotes from the Government Printer.

#### CONCLUSION

2.17 The Committee would expect that the Department should be aware of the approximate cost of any outstanding accounts if it is operating a commitment control system effectively.

2.18 It is essential that the estimated cost of unpaid accounts, and any corresponding saving in the previous year's expenditure, be brought to Treasury's attention at the pre-budget interview. Failure to do so causes the allocations presented to Parliament to be inaccurate and incurs unnecessary charges against the Treasurer's Advance.

#### DIVISION 301.2.5 - Education Administration - Motor vehicles - Purchase and running expenses

	\$
Appropriation Act	80 800
Advance to the Treasurer	37 600
Total funds available	118 400
Total expenditure	111 576

DIVISION 308.2.5 - Special Education - Motor vehicles -  
Purchase and running expenses.

	\$
Appropriation Act	24 100
Advance to the Treasurer	9 500
Total funds available	33 600
Total expenditure	31 946

2.19 The Department sought additional funds totalling \$47 100 for these two votes, which was subsequently approved by the Treasurer. The additional funds were required to meet:-

- (a) the increased cost of petrol, maintenance and insurance rates;
- (b) the replacement cost of vehicles; and
- (c) the carry-over of certain accounts from the previous year, for which additional funds had been approved, but could not be paid due to processing difficulties.

2.20 The Department advised the Committee that notification of approval for Treasurer's Advance in the previous financial year had not been received until 29 June 1979. At that stage it was not possible to pay the outstanding accounts before 30 June 1979 and the accounts had to be paid from the 1979-80 allocation.

2.21 Alteration of the Budget allocation (due to the prior year's under-expenditure) was not sought at the pre-budget discussions by the Department as it was assumed that Treasury would be aware of such under-expenditure. However the Committee was informed that Treasury policy was for a department to take the initiative at the pre-budget discussions to raise any abnormal situation which would cause the estimated figures to be inaccurate. This policy was not set down in a manual but was traditional and was assumed to be understood by all departments.

CONCLUSIONS

2.22 The Department would have been aware that the preliminary budget allocation was inadequate, which should have been reason enough to raise the issue of under-expenditure and carry-over accounts.

2.23 The Committee would expect the Department to notify Treasury in future of any situations involving carry-over accounts and corresponding under-expenditure from the previous year's allocation.

2.24 The Committee believes that Treasury should incorporate all its budget policies and directives into a manual to ensure that departments are adequately informed. At the very least, a seminar of officers responsible for preparation of departmental estimates should be held every two years to ensure that instructions are understood.

DIVISION 301.2.7 - Education Administration -  
Electronic Data Processing-Expenses.

	\$
Appropriation Act	328 000
Advance to the Treasurer	289 000
Total funds available	617 000
Total expenditure	591 848

2.25 In April 1980 the Treasurer approved the Department's request for the following Items of expenditure:-

- (a) estimates submitted for 1979/80 electronic data processing expenses included unknown charges for operating a new Burroughs Computing System. This provision was subsequently found to be understated by \$274 000.
- (b) \$15 000 was required to meet an increased maintenance cost associated with a higher computer usage than was expected.

2.26 The Department informed the Committee that it became aware of the under-estimation in February 1980. At this time it was realised that the Government Computing Service had adopted a new basis of charging for the time used on the Burroughs Computer.

2.27 The Committee was advised by the Government Computing Service that computer processing charges were increased during 1976 but had not been increased between then and 1980. A schedule of the increased charges was forwarded to all departments in 1976.

2.28 An examination of the monthly billings by Government Computing Service to Education Department showed that the Department's costs increased significantly in May 1979. The Government Computing Service advised that this coincided with the move to production status of the Department's Public Servant's and Cleaners Payroll - a segment of the GENIUS system.

## CONCLUSION

2.29 As the Government Computing Service charges had been constant since 1976, the Department would have been aware of the current rates in 1979.

The Committee concluded that the Department did not exercise sufficient care in preparing its estimates as adequate provision was not made for the further development of the GENIUS system.

### DIVISION 301.2.15 - Education Administration - Expenses in connection with examinations.

	\$
Appropriation Act	363 000
Advance to the Treasurer	66 000
Total funds available	429 000
Total expenditure	428 997

2.30 Approval was granted in April 1980 to a request for additional funds of \$66 000. These funds were required to cover:-

- (a) an increase in the number of technical school pupils sitting for examinations which resulted in increased claims for reimbursement of the costs of examination materials supplied; and
- (b) an increase in Government Printer rates of 11.9% for printing and stationery and increased pupils sitting for examinations requiring greater printing and stationery needs.

2.31 When approving the additional expenditure Treasury was critical that the Department does not keep any records which could substantiate the cost increases of examination materials.

2.32 The Department informed the Committee that it is not able to accurately anticipate the increase in charges by the Government Printer for printing examination papers.

2.33 Furthermore the Department claims that it must place orders for examination papers with the Government Printer early in the year, but the examination paper is not set until half way through the academic year, so the number of pages required are not known. Also the number of students sitting for examinations do not become refined until late in the academic year, by which time the examination papers have been printed.

#### CONCLUSION

2.34 The Committee does not accept that the early placing of orders for examination papers has any bearing on the Department's estimating process. These early orders can only be an indication of the subjects involved and would not incur any expenditure.

2.35 The Committee is concerned that the Department did not have a suitable recording system which would enable it to -

- (i) verify claims by technical schools for examination costs;
- (ii) identify various causes of increased expenditure; and
- (iii) provide up-to-date information upon which current estimates can accurately be made.

#### OTHER ITEMS.

2.36 Items for which satisfactory explanations were provided were:-

#### DIVISION 301.2.6 - Education Administration - Fuel, light, power and water

	\$
Appropriation Act	117 000
Advance to the Treasurer	44 250
Total funds available	161 250
Total expenditure	161 176

In April 1980 approval was granted to a request for a Treasurer's Advance of \$44 250.

The reasons for the increase in expenditure are detailed below :-

	\$
(a) cost increases in electricity of 10 per cent and 4 per cent	9 900
(b) cost increases in cistern charges - MMBW	500
(c) replacement of leased premises with new premises - electricity, sewerage and water charges relating thereto	4 026
(d) reimbursement to City of Horsham of gas accounts incurred by Council when Department occupied part of Civic Centre from May 1979 to January 1980	3 934
(e) cost of electricity, gas and rate charges for new regional offices	25 890
	<u>\$44 250</u>

DIVISION 301.2.13 - Education Administration - Allowances to school cleaners

	\$
Appropriation Act	49 800
Advance to the Treasurer	30 100
Total funds available	79 900
Total expenditure	76 408

An amount of \$30 100 was approved by the Treasurer in March 1980 to meet the following increase in expenditure: -

- (a) wages for additional cleaners employed at Ardoch Education Village and Camberwell Regional Resource Centre \$10 300; and
- (b) contract cleaning at various educational regional offices \$19 800.

DIVISION 301.3.7 - Education Administration - Self-help Projects in Government Schools - Interest on moneys borrowed

	\$
Appropriation Act	150 000
Advance to the Treasurer	35 000
Total funds available	185 000
Total expenditure	184 978

The Education Department provides a subsidy on interest payments on loans raised to fund self-help projects in Government schools.

Additional expenditure of \$35 000 was required due to the increased popularity of the interest subsidy scheme, and that the minimum interest rate on new loans is 9.75%, whereas a significant number of older projects being subsidized attract an interest rate of 6.5%.

To meet this increased expenditure approval was granted by the Treasurer in April 1980 to an amount of \$35 000.

DIVISION 301.3.42 - Education Administration-  
National and State Monitoring of Student  
Achievements - Grants

	\$
Appropriation Act	Nil
Advance to the Treasurer	42 420
Total funds available	42 420
Total expenditure	42 420

A request for additional funds of \$42 420 was approved by the Treasurer in April 1980. This was to meet costs associated with the Australian Council for Educational Research (ACER) study monitoring student achievement. The ACER requested payment from Victoria of \$12 420 to meet costs of the national program, and \$30 000 to meet costs involved in conducting the State program.

DIVISION 308.2.13 - Special Education -  
Allowances to school cleaners

	\$
Appropriation Act	788 400
Advance to the Treasurer	188 217
Total funds available	976 617
Total expenditure	970 838

The Glenroy Special School was established in February 1976 by the Education Department in premises owned by the Yooralla Society of Victoria. No formal lease agreement was drawn up as capital funding of the premises was subsidized by the Commonwealth Government, but the rental of any part of the premises to the Education Department, if the premises were to be recognised as a charitable institution, was precluded. Notwithstanding the absence of such a formal agreement, the Society submitted that the Department had an obligation to meet recurrent costs attributable to the operations of the school.



Although \$27 800 was provided in the 1979-80 Budget for cleaning costs, no request or provision was made by the Department to reimburse the Society for costs incurred prior to 1 July 1979.

The Education Department then advised that the Society had been applying since occupation in 1976 for reimbursement of cleaning costs.

Due to certain legal difficulties the payment of cleaning costs prior to 1 July 1979, was not raised by the Education Department with Treasury. However, once the matter was raised an amount of \$85 217 was approved in June 1980 to meet the cost of school cleaners at the Glenroy Special School. Nevertheless, Treasury has requested the Education Department to re-assess the method of contribution provided to the school for cleaning costs following the difficulties in the past.

A second request for funds was approved in June 1980, amounting to \$103 000. The Department provided the following reasons for the additional expenditure: -

	\$
(a) cost of wage rises	24 000
(b) appointment of 7 additional cleaners	20 000
(c) Department under-estimated its wage commitment causing an inadequate provision in the budget	47 000
(d) \$600 was provided as a policy item for the employment of a cleaner at each of the special development schools transferred to the Education Department from the Health Department. The cost for cleaners totalled \$10 600	10 000
(e) additional hours worked by existing cleaners	2 000
	<hr style="width: 100px; margin-left: auto; margin-right: 0;"/> \$103 000 <hr style="width: 100px; margin-left: auto; margin-right: 0;"/>

CHAPTER 3

MINISTRY FOR CONSERVATION

3.1 The Committee sought additional information from the Ministry for Conservation in relation to the following Items:-

Division 435.2.6 - Ministry for Conservation -  
Fuel, light, power and water.

Division 439.2.4 - Soil Conservation Authority -  
Postal and telephone expenses.

DIVISION 435.2.6 - Ministry for Conservation - Fuel, light,  
power and water.

	\$
Appropriation Act	25 700
Advance to the Treasurer	8 430
Total funds available	34 130
Total expenditure	32 678

3.2 Approval was granted in May 1980 for additional funds of \$8 430. Reasons for this additional expenditure were :-

- (a) to cover the cost of increased electricity tariff charges; and
- (b) to meet the full year cost of electricity charges incurred at 240 and 250 Victoria Parade. The responsibility for payment of electricity accounts for the Victoria Parade buildings, was transferred from the Public Works Department to the Ministry on 1 July 1978. The 1979-80 Budget provision was based on 1978-79 expenditure which represented the payment of 10 monthly accounts and not a full year's cost of 12 monthly accounts.

CONCLUSION

3.3 The Ministry should have been able to estimate the normal full year electricity requirements for 1979-80 from the details of the 1978-79 accounts which had been paid at that stage. In the Committee's view the Ministry did not exercise enough care when preparing the estimate.

3.4 The Committee recognizes that the accounts carried-over from 1978-79 would have required additional expenditure in 1979-80. However the Ministry could have sought an adjustment to its preliminary budget allocation by advising Treasury of the carried-over accounts at the pre-budget interview.

DIVISION 439.2.4 - Soil Conservation Authority - Postal and telephone expenses.

	\$
Appropriation Act	84 800
Advance to the Treasurer	11 326
Total funds available	96 126
Total expenditure	96 126

3.5 In its application for additional funds the Ministry indicated that the increased expenditure was caused by:-

- (a) increased tariff on two switchboards and the payment of three half yearly accounts;
- (b) additional cost of rent and calls associated with the establishment of new telephone accounts at the Benalla, Wodonga and Ballarat offices;
- (c) radio licence fees increased by 100% from 1 July 1979; and
- (d) the postage cost of circulating all secondary schools in Victoria with information on the range of material available from the Soil Conservation Authority.

3.6 The Ministry also informed the Committee that it was aware early in the financial year that expenditure could not be kept within the allocation although a request for additional funds was not made until June 1980.

3.7 When approving the additional funds Treasury was concerned at the overcommitment of funds on postage expenditure. Although the Authority usually circulated secondary schools every few years, no mention of the expenditure was made in the 1979-80 estimates.

3.8 Treasury was also critical of the Authority for increasing communication facilities in country offices when no provision was made for such facilities in the estimates.

CONCLUSION

3.9 The Committee is again concerned that the Ministry has not taken sufficient care when preparing its estimates. The Soil Conservation Authority should have been aware that a circulation of secondary schools was imminent and the necessary funds should have been sought in the Budget. The Treasurer's Advance is provided to meet urgent claims which may arise during the year and should not be used as a means of overcoming the Ministry's forgetfulness or poor estimating.

3.10 The Committee is critical of the Authority for committing funds on new telephone facilities without obtaining prior approval for such expenditure.

RECOMMENDATION

3.11 The Committee recommends that the Ministry review its estimating process to establish a system which will ensure that all expenditure which can reasonably be expected to be incurred during a financial year is included in the estimates.

OTHER ITEM

3.12 A satisfactory explanation was provided in relation to the following Item -

DIVISION 437.2.1 - Environment Protection Authority - Travelling and subsistence

	\$
Appropriation Act	43 500
Advance to the Treasurer	13 089
Total funds available	56 589
Total expenditure	56 444

Two requests for additional funds were made. In March 1980 approval was granted to an amount of \$11 829 to cover the cost of five overseas trips undertaken by officers of the Authority.

Although the Premier approved the trips, three of the approvals were given on the basis that funds were available from existing provisions. However, the Ministry advised that the costs were not able to be absorbed since it had not been aware that the three officers had shown on their application forms that funds were available. All staff within the Ministry have now been circularized to prevent this happening again.

The second request for additional funding of \$1 260 was approved in June 1980. This was to meet the cost of personal expenses incurred by an officer whilst on an overseas trip, as detailed above.

However, on this occasion the Department was required to achieve a saving of \$1 260 under Division No. 435.3.16.

CHAPTER 4

DEPARTMENT OF THE PREMIER

4.1 The Committee sought additional explanations from the Department of the Premier on the need for Advances from the Treasurer in respect of the following Items:-

Division 121.2.4 - Premier's Office - Postal and telephone expenses.

Division 136.2.2 - Public Service Board - Office requisites.

DIVISION 121.2.4 - Premier's Office - Postal and telephone expenses.

	\$
Appropriation Act	63 500
Advance to the Treasurer	13 400
Total funds available	76 900
Total expenditure	76 603

4.2 In June 1980 the Treasurer approved additional funds of \$13 400 to meet an increase in telephone expenses.

4.3 The Department provided the Committee with the following detailed reasons for the increase in expenditure: -

- (a) the increase in Protocol Branch telephone calls caused by detailed arrangements for overseas missions by the Premier and Deputy Premier to China, Japan and Europe. Also arrangements had to be made for a reciprocal visit of a Chinese delegation to Victoria - (\$1 218);
- (b) an increase in rental on the main line at the Ombudsman's Office and the payment of one extra quarterly account during 1979-80 - (\$470);

- (c) the Industrial Relations Co-ordination Office was expanded during April 1979 and moved to a new location. During this move a new five-line switchboard was installed replacing the old three-line model involving an increased rental charge. Furthermore the office was required to call interstate more frequently due to the increase in the number of wage hearings held throughout Australia - (\$1 448);
- (d) an additional quarterly account was paid during 1979-80 for the Westernport Co-ordinating Group as only three had been paid in the previous financial year. Three new lines were also installed together with an additional extension from the main line which increased the Group's rental charges - (\$2 201);
- (e) additional telephone expenses were associated with the installation of two new telephone lines which were provided for the Fluoride Committee following its appointment in February 1979 - (\$720);
- (f) after a trial period it was found that the existing arrangements for telephones at the Government Community Services Centre was inadequate for the number of requests directed by the public to the Government Information Bureau, the Interpreting Service and Anti-Discrimination Bureaux. The main line was improved and ten new lines were installed for both inwards and outwards calls. In addition four accounts were paid during 1979-80 compared with three during the previous year - (\$7 143); and
- (g) an increase in the cost of telex and telegrams was associated with the arrangements for the overseas and Chinese missions - (\$300).

CONCLUSION

4.4 The Department did not take enough care with the preparation of its estimates for the Ombudsman's Office and the Government Community Services Centre. In both cases the Department should have been aware that four quarterly accounts would have to be paid during 1979-80, and should have budgeted accordingly.

4.5 The Committee believes that the Department would have been aware of the need to pay an additional quarterly account for the Westernport Co-ordinating Group, and the telephone requirements of the Fluoride Committee, before the Budget was finalized in September. It is the Department's responsibility to raise such matters which affect the accuracy of the original estimates at the pre-budget interviews. Failure to meet this responsibility causes an unnecessary charge to be made against the Treasurer's Advance.

DIVISION 136.2.2 - Public Service Board - Office requisites

	\$
Appropriation Act	67 200
Advance to the Treasurer	15 000
Total funds available	82 200
Total expenditure	82 159

4.6 During November 1979 approval was given for additional funds of \$7 000 to meet the cost of a replacement printer for the Board's word processing equipment. This printer was required to replace the original printer which had suffered from a number of breakdowns.

4.7 In another request for additional funds the Department sought a further \$8 000 to allow the purchase of a Wang System 10A Automatic Typewriter costing \$15 000. The Treasurer approved the purchase of the typewriter in January 1979 but arrangements for payment were not completed until 1979-80. Due to an oversight by the Department, Treasury was not advised of the deferral of expenditure and no provision was made in the Budget.

4.8 The Department also advised that payment of the word processing equipment replacement printer would be deferred until 1980-81 due to irregularities in the performance of the equipment. These funds were used to off-set the cost of the Wang equipment.



## CONCLUSION

4.9 The Department's comment that the purchase of the Wang System was not included in the estimates due to an oversight is another example of poor budgeting.

## RECOMMENDATION

4.10 The Committee recommends that the Department review its estimating procedures and establish a system which will ensure that all expenditure which can reasonably be expected to be incurred during a financial year is included in the estimates.

## OTHER ITEM

4.11 A satisfactory explanation was provided in relation to the following Item -

DIVISION 121.3.3 - Premier's Office - Werribee Park - Contribution towards operating expenses.

	\$
Appropriation Act	449 000
Advance to the Treasurer	92 525
Total funds available	541 525
Total expenditure	540 996

Approval was granted in June 1980 to a request for additional funds of \$92 525. The Department provided the following reasons for the increased expenditure :-

- (a) salaries - \$5 000 - result of National Wage and general public service increases;
- (b) security - as a result of a vandal attack on the mansion, a security firm was employed. Due to a misunderstanding in the terms of the contract there was an under-estimation of the sum required for the services provided - (\$5 325);
- (c) increases in fuel costs and replacement cost of a Valiant station wagon exceeding estimate - (\$2 200);
- (d) replacement of plant, purchase of gardening materials and general operation of facilities due to greater usage following an increase in the facilities and use of the Park - (\$4 000); and

(e) budgeted catering costs - \$75 000  
anticipated catering costs - \$152 000

This increase in catering costs was relative to the increased revenue the Department anticipated the Werribee Park restaurant to earn. (Budgeted revenue \$80 000, anticipated revenue \$164 000).

CHAPTER 5

FURTHER ITEMS CONSIDERED WITH EXPLANATIONS

5.1 Further Items for which satisfactory explanations were provided were :-

STATE DEVELOPMENT DECENTRALIZATION AND TOURISM

DIVISION 150.2.4 - State Development Decentralization and Tourism - Postal and telephone expenses

	\$
Appropriation Act	51 000
Advance to the Treasurer	15 262
Total funds available	66 262
Total expenditure	66 262

Approval was granted in May 1980 to a Departmental request for an additional \$12 500. The reasons for the increased expenditure were as follows :-

- (a) postage - although the Department stated that increased postage usage was the reason for the need for additional funds it was unable to detail specific areas for the increase. Treasury was concerned that the Department was unable to provide more information - \$6 500;
  - (b) telephone -
    - (i) new offices were approved in the 1978-79 Budget but expenditure relating to telephones had not been incurred until 1979-80 and the Budget provision was not sufficient - \$2 724;
    - (ii) separation of telephone accounts at the Traralgon office by the Public Works Department - \$2 072; and
    - (iii) carry-over of accounts at the Mildura office - \$1 154; and
  - (c) Other - \$50.
- Total - \$12 500.

The Treasurer's Advance of \$12 500 was conditional upon the Department achieving a saving of \$11 774 in 1979-80 under Division 150.2.1 - Travelling and subsistence.

POLICE AND EMERGENCY SERVICES

DIVISION 187.2.6 - Police - Fuel, light, power and water.

	\$
Appropriation Act	1 203 000
Advance to the Treasurer	195 000
Total funds available	1 398 000
Total expenditure	1 389 647

An appraisal of the Treasury file revealed the following reasons for the \$195 000 to cover additional expenditure :-

(a) <u>liquid petroleum gas</u> - there had been an effective 35.20 per cent increase in the unit cost of L.P.G.	\$ 3 000
(b) <u>electricity</u> -	
(i) price increases of 7.9 per cent	64 800
(ii) accounts carried forward from 1978-79	49 650
(iii) additional electrical charges resulting from expansion and upgrading of police facilities	41 850
(iv) increased consumption due to air conditioning problems at William Street and adaptations and changes in facilities at Russell Street	10 700
(c) <u>refuse collection</u> - phasing out of incinerators and increased refuse collections at police stations	5 000
(d) <u>liquid fuels</u> - increase in the price of distillate and heating oil (34 per cent)	35 000
	<u>210 000</u>
<u>Less savings in other Items</u>	<u>- 15 000</u>
Total	195 000

COMMUNITY WELFARE SERVICES

DIVISION 244.2.2 - Regional Services - Office requisites and equipment, printing and stationery

	\$
Appropriation Act	61 200
Advance to the Treasurer	26 893
Total funds available	88 093
Total expenditure	73 727

Following savings in a number of vote items the Department sought to apply the savings to the purchase of office equipment within various branches. Following discussion with Treasury officers approval was granted to the following purchases within Division 244 Item 2.2:-

	\$
20 heavy duty duplicating machines	17 265
20 thermal stencil cutters	7 560
22 electric staplers	<u>2 068</u>
Total	26 893

DIVISION 246.2.6 - Family and Adolescent Services - Fuel, light, power and water.

Appropriation Act	352 000
Advance to the Treasurer	80 432
Total funds available	432 432
Total expenditure	432 430

In June 1980 approval was granted to an additional request for funds of \$80 432. This was made up as follows :-

	\$
Liquid fuel	23 035
Solid fuel	1 514
Electricity	41 359
Gas (incl. L.P.G.)	<u>14 524</u>
Total.	80 432

In each instance the Department had supported its request for additional funds by reference to the effect of the carry-over of arrears of accounts and to the additional cost of increased charges during the year.

Treasury was concerned at the inconsistencies of figures being provided for carry-over accounts and reduced the initial request for additional funds from \$134 340 to \$80 432.

DIVISION 246.2.12 - Family and Adolescent Services - Allowance to trainees

	\$
Appropriation Act	72 300
Advance to the Treasurer	12 560
Total funds available	84 860
Total expenditure	81 590

Additional funding of \$4 160 was required by the Department to cover increased payouts at the time of release on moneys earned by trainees during their detention. The Department maintained that this resulted from an increase of 7 per cent in the numbers of trainees held. Furthermore, spending on canteen lines by trainees was \$8 400 over budget estimates.

Subsequently the sum of \$12 560 was required, for which approval was granted by the Treasurer in June 1980. However, Treasury was concerned that the Department had been unable to adequately identify and quantify the cause of additional expenditure.

DIVISION 252.2.11 - Correctional Services - Allowances to working prisoners

	\$
Appropriation Act	400 000
Advance to the Treasurer	59 800
Total funds available	459 800
Total expenditure	454 017

The Department requested additional funding of \$13 800 to meet increased earnings payments to prisoners at their time of release. It was maintained that this resulted from an increase in the number of long term prisoners released during 1979-80.

A further \$46 000 was required to meet the increased costs of running the prison canteen. This was largely attributable to price increases and a 7.5 per cent increase in the prison population. When approving funds of \$59 800 Treasury indicated concern that the Department had not been able to satisfactorily identify the reasons for increased expenditure.

LABOUR AND INDUSTRY

DIVISION 280.2.8 - Labour and Industry - Incidental expenses

	\$
Appropriation Act	11 700
Advance to the Treasurer	78 890
Total funds available	90 590
Total expenditure	90 565

Three requests for additional funds were made. In April 1980 an amount of \$4 400 was approved to meet the following costs :-

- (a) advertising - \$1 800;
- (b) legal expenses incurred in prosecuting breaches of the Labour and Industry Act - \$ 3 700.  
(An award of \$6 300 for costs has been made in favour of the Department, however it is not expected to be received in the current financial year); and
- (c) other - \$1 500.

As the Department's submission requesting additional expenditure was not detailed sufficiently, Treasury reduced the original request for funds of \$5 500 by \$1 100 to the approved figure of \$4 400.

In May 1980 a further request for additional funds of \$2 500 was approved to meet the costs associated with a survey on shopping hours conducted by Roy Morgan Research Centre Pty Ltd.

A request in June 1980 for a further \$71 990 was approved to pay for the cost of press advertisements and commercial television spots in connection with amendments to the Workers Compensation Act.

ATTORNEY GENERAL

DIVISION 350.2.9 - Attorney-General - Professional assistance

	\$
Appropriation Act	4 000
Advance to the Treasurer	15 158
Total funds available	19 158
Total expenditure	19 139

Two requests for additional funds were made. Approval was granted in January 1980 to a request for \$11 408 to meet the payment of fees to Sir Gregory Gowans to cover the cost of his examination of a Petition (involving payment of S.R.C. funds to A.U.S.) presented to the Governor of Victoria in his capacity as Visitor to the University of Melbourne.

The second request, approved in June 1980, of \$ 3 750, involved the reimbursement of legal costs incurred by relatives of students killed or injured following a collision between their car and a police car at Morwell.

DIVISION 351.2.8 - Public Solicitor's Office - Incidental expenses.

Appropriation Act	86 700
Advance to the Treasurer	38 000
Total funds available	124 700
Total expenditure	124 694

The Department advised Treasury that the need to obtain medical and other reports in connection with Supreme Court cases account for the major proportion of expenditure from this Vote.

A significant increase in the number of Supreme Court (37.5%) and murder cases (23%) which occurred between 1978 and 1979 resulted in the additional expenditure under this Vote.

5.21 Accordingly the Treasurer approved an advance of \$38 000 in March 1980 to meet the increased expenditure.

DIVISION 353.2.9 - Crown Solicitor's Office - Professional assistance

	\$
Appropriation Act	925 000
Advance to the Treasurer	112 500
Total funds available	1 037 500
Total expenditure	1 036 775

Following a request from the Chairman of the Bar Counsel Fees Committee, it was recommended that the level of fees paid to counsel briefed to prosecute on behalf of the Crown be increased by 20% as from 1 March 1980.



It was estimated that the additional cost of this proposal would be \$27 500 for the balance of 1979-80. Accordingly this increase in expenditure was approved by the Treasurer in March 1980.

A second request for additional expenditure of \$85 000 was approved by the Treasurer in June 1980. This expenditure met the cost of employing counsel to act as prosecutors for the Crown in both the Magistrates and County Court.

The Department advised that due to the increase in court cases, \$30 000 was required to meet the cost of the increased prosecutions. In addition, the Rape Offences Proceedings) Act 1976 requires that all informants must be represented by duly qualified legal practitioners. The number of rape committals grew by 55% from 93 in 1978 to 144 in 1979.

Furthermore, the cost of outside counsel engaged to provide professional advice and to appear on behalf of Government departments or with matters dealing with Common Law increased by approximately 25% on 1 September from levels previously established in August 1976. It was estimated that a sum of \$22 700 would be required to cover this fee increase.

In addition, the Department advised that two unusually complex cases have cost it a total of \$29 910 to engage outside counsel.

5.28 A further \$11 000 was required to meet the fees for counsel engaged on the hearing of the Police pay case by the Police Service Board.

#### TREASURER

#### DIVISION 400.2.8 - Treasurer - Incidental expenses

	\$
Appropriation Act	4 700
Advance to the Treasurer	8 590
Total funds available	13 290
Total expenditure	12 912

5.29 Three requests for additional funds were made. In March 1980 approval was granted to a request for \$2 240 to meet further claims for fees and services of Mr. J.F. McCorkell, engaged by Treasury to act as a consultant for the preparation of a Treasury Manual.

A second request in March 1980 was also approved. This amount of \$5 000 was to meet exchange rate fluctuations between \$Australian and the £Sterling in relation to pension payments made to persons who were residing outside Australia on behalf of the State Superannuation Board by the Agent-General in London.

The third request and approval related to an ex gratia payment of \$1 350 being made to a Mr. G.O. Lewis as compensation for stamp duty paid on the purchase of a property subsequently re-transferred to the original vendor following the finding of concealed faults. This ex gratia payment was considered reasonable by the Comptroller of Stamps.

DIVISION 421.2.7 - Taxation Office - Electronic Data Processing - Expenses

	\$
Appropriation Act	890 000
Advance to the Treasurer	725 000
Total funds available	1 615 000
Total expenditure	1 300 501

In June 1980 approval was granted to a request for additional funds of \$725 000 to meet outstanding and projected computer payments, which had been estimated to run at \$75 000 per month, but which actually ran at \$137 000 per month.

Both the Land Tax and the Payroll Tax systems are processed by the Government Computing Service. Of the total projected payment of \$1 615 000 for the 1979-80 financial year it was estimated that \$1 520 000 related to the operations of the Land Tax system.

Due to the substantial under-estimation of operating costs, as outlined above, and because the payments were for a service which was provided by another Victorian department, it was recommended that the additional funds be provided.

However the costs in computer time of operating the Land Tax system are of concern and officers of the Computing Service, in conjunction with the Land Tax Office, are examining the processing programs with a view to increasing their efficiency.

LOCAL GOVERNMENT

DIVISION 510.2.7 - Local Government - Electronic Data Processing- Expenses

	\$
Appropriation Act	47 000
Advance to the Treasurer	8 437
Total funds available	55 437
Total expenditure	55 437

The Local Government Department advised that only 11 months accounts for this item were paid in 1978-79 due to the non receipt of the account for November 1978 until the 1979-80 financial year. Consequently it was necessary to meet 13 months accounts in 1979-80. Subsequently a Treasurer's Advance of \$8 437 was approved in June 1980 to meet the additional payment.

PLANNING

DIVISION 521.2.4 - Planning - Postal and telephone expenses

	\$
Appropriation Act	35 200
Advance to the Treasurer	11 600
Total funds available	46 800
Total expenditure	46 800

In June 1980 the Treasurer approved a request by the Department for additional funds totalling \$11 600.

The Department advised that accounts totalling \$7 800 were carried forward from 1978-79, which normally would have been paid in that year. However, the Department omitted to inform Treasury during budget interviews of this carry-over, nor was it able to provide a breakdown of the actual expenditure for 1978-79 for comparative purposes.

Additional funds required in each section were :-

(i) postage	\$3 200
(ii) telephone	7 950
(iii) other	<u>250</u>
Total	11 600

Although the Department offered reasons for the increased postage and telephone usage, it was unable to quantify the actual costs involved. However, the Department had re-organised its accounting section which it claimed will enable it to more readily provide information required for control purposes.

#### MINERALS AND ENERGY

##### DIVISION 540.2.3 - Minerals and Energy - Books and publications

	\$
Appropriation Act	77 600
Advance to the Treasurer	24 400
Total funds available	102 000
Total expenditure	101 450

Due to a large increase in the public interest associated with gold mining an additional \$24 400 was required to meet additional expenditure under this item. The major items of over-expenditure were because of a Government Printer-produced publication costing \$20 348 and departmentally-produced publications costing \$1 961. Against this however was the largely increased revenue from sales.

Departmental decisions were taken to acquire more text and reference books to support recently established offices resulting from restructuring of the Department. However, Treasury was concerned that, as it was likely an over-commitment of funds would occur, the Department should have advised Treasury of the circumstances and volume of funds required prior to making the commitment.

#### HEALTH

##### DIVISION 620.2.8 - Health Administration - Incidental expenses

	\$
Appropriation Act	79 000
Advance to the Treasurer	37 370
Total funds available	116 370
Total expenditure	94 658

The principal reason for the increase in funds required related to staff advertising. Whilst \$27 000 had been allocated to this requirement during Budget preparation, the Department later realised that \$31 619 was needed. Furthermore, the Commissioner claimed a carry-over commitment of \$22 500 existed at Budget time which was unknown and not taken into account in preparing the Budget provision.

Treasury was advised that staff advertising was mainly directed at attracting highly qualified staff for mental and psychiatric hospitals, training centres and clinics, particularly in country areas.

Treasury was concerned at the increase in advertising expenditure incurred without liaison between those doing the advertising and the Commission's finance division. However, this inadequacy is being remedied with the installation of a financial and recording system.

Of the Treasurer's Advance, a further \$2 230 was required to cover the approved visit of Dr. A. England of the U.S.A. for the purpose of advising the Commission on diagnostic services and prevention and control of legionnaire's disease, following an outbreak in the Telecom City West Exchange.

DIVISION 620.3.8 - Health Administration - Health Services Planning and Research Programme - Operating Costs

	\$
Appropriation Act	7 865
Advance to the Treasurer	113 191
Total funds available	121 056
Total expenditure	121 056

In October 1979 approval was granted to a request for additional funds of \$113 191. This increased expenditure was necessary to attract a full Commonwealth Government grant for the State Health Planning Unit on a \$1 for \$1 basis.

IMMIGRATION AND ETHNIC AFFAIRS

DIVISION 675.2.5 - Ministry of Immigration and Ethnic Affairs - Motor vehicles - Purchase and running expenses

Appropriation Act	2 350
Advance to the Treasurer	5 520
Total funds available	7 870
Total expenditure	7 787

Two requests for additional funds were made.

In June 1979 the Ministry advised that the Treasurer's approval had been granted to commit an amount of \$30 000 against 1979-80 funds to enable it to meet the Government's acceptance of full responsibility for the continuance of the volunteer services of the Good Neighbour Council.

Provision of \$17 400 was made in the Budget to meet known costs of the Council. However, no provision was made for the remaining \$12 600. Subsequently, to meet the Ministry's costs for the Council under this Vote, a request for \$5 100 for purchase and running expenses of a motor vehicle was approved.

A second request for funds of \$420 was approved in April 1980. This was to cover additional costs involved with the purchase of the new motor vehicle mentioned above.

## CHAPTER 6

### FURTHER ITEMS CONSIDERED WITHOUT EXPLANATION

6.1 The following items were considered, but have not been commented upon in detail:-

<u>Division</u>	<u>Description of Item</u>
PARLIAMENT	
<u>Legislative Assembly</u>	
101.3.2	To supplement the Special Appropriation under the Constitution Act 1975, Part V, Division 2, Clerk and expenses of the Legislative Assembly.
<u>Legislative Council and Legislative Assembly House Committee</u>	
102.2.8	Incidental expenses
102.2.20	Pay-roll Tax.
<u>Parliamentary Library</u>	
106.2.3	Books and publications.
PREMIER	
<u>Premier's Office</u>	
121.2.3	Books and publications
121.3.33	International Year of the Child - Expenses
121.3.50	Victoria's 150th Anniversary Celebrations
<u>Audit Office</u>	
142.3.1	Cadetships - Fees and allowances
142.2.5	Motor vehicles - Purchase and running expenses

## STATE DEVELOPMENT, DECENTRALIZATION &amp; TOURISM

State Development, Decentralization and Tourism

- 150.3.12 Small Business Development Corporation - Fees and expenses.
- 150.3.19 Victorian Development Corporation, Export Section - Grant
- 150.3.20 Melbourne to Hobart Westcoaster Yacht Race Committee, 1979 Race - Grant

## POLICE AND EMERGENCY SERVICES

Ministry for Police and Emergency Services

- 160.3.11 Metropolitan Fire Brigades Board, Experimental Road Accident Rescue Vehicle - Grant

## COMMUNITY WELFARE SERVICES

Community Welfare Services Administration

- 240.2.7 Electronic Data Processing - Expenses
- 240.3.1 Anzac Day Proceeds Fund - Contribution

Family Adolescent Services

- 246.3.5 Youth Accommodation Services Program

## EDUCATION

Education Administration

- 301.3.10 Australian National Memorial Theatre, Schools - Grant
- 301.3.35 Australian Education Council Secretariat - Expenses
- 301.3.48 Ex-gratia payment of fees to the Part-time Commissioners of the Victorian Post-Secondary Education Commission in respect of the period prior to the fixing of a rate by the Governor-in-Council.



ATTORNEY GENERAL

Attorney-General

- 350.2.2 Books and Publications
- 350.2.8 Incidental Expenses
- 350.2.10 Costs Payable by the Crown
- 350.3.7 Commissions and Boards of Inquiry

Courts Administration

- 356.2.8 Incidental expenses

Registrar-General and Registrar of Titles

- 359.2.8 Incidental expenses.

Government Shorthand Writer

- 366.2.8 Incidental expenses.

TREASURER

Treasury

- 400.2.2 Office requisites and equipment, printing and stationery

Payments to the Commonwealth Government on account of Loans and Advances

- 401.3.9 States Grants (Beef Industry) Act 1975 - Installments of Principal and Interest

Taxation Office

- 421.2.8 Incidental expenses

Stamp Duties

- 424.2.4 Postal and telephone expenses
- 424.2.9 Commission on sale of duty stamps, etc.

## CONSERVATION

Ministry for Conservation

435.2.4 Postal and telephone expenses

## LANDS

Crown Lands Administration

450.2.8 Incidental expenses

Botanic and Domain Gardens and National Herbarium

459.3.2 Botanic and Domain Gardens Kiosk - Operating expenses

## PUBLIC WORKS

Public Works

480.2.1 Travelling and subsistence

## LOCAL GOVERNMENT

Local Government

510.2.5 Motor vehicles - Purchase and running expenses

## MINERALS AND ENERGY

Minerals and Energy

540.3.3 Geological Survey

## AGRICULTURE

Central Administration

570.2.3 Books and publications

570.2.8 Incidental expenses.

Agricultural Education and Extension Services

576.3.8 Production of departmental publications

Plant Services

582.3.25 Inspection of produce.

HEALTH

Public Health

625.3.13 Subsidies to municipalities towards re-school  
ental clinics.

Mental Retardation

631.2.8 Incidental expenses.

ARTS

State Film Centre

654.2.5 Motor vehicles - Purchase and running expenses

State Library

656.2.9 General expenses.

HOUSING

Ministry of Housing

680.2.8 Incidental expenses

FORESTS

Forests Commission

730.2.4 Postal and telephone expenses

730.2.7 Electronic Data Processing - Expenses

- 30.3.6 Timber Promotion Council - Grant to assist in publicity, promotion and research in connection with the various uses of timber
- 30.3.8 Timber Promotion Trust Account - Contribution

#### WATER RESOURCES

##### State Rivers and Water Supply Commission

- 40.2.6 Fuel, light, power and water.
- 40.2.13 Workshops and storeyards.

Committee Room,  
30 November 1981



PUBLIC ACCOUNTS AND EXPENDITURE REVIEW COMMITTEE

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REPORT ON THE  
1981 ACTIVITIES OF THE COMMITTEE

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*Ordered to be printed*

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EXTRACTED FROM THE MINUTES OF THE PROCEEDINGS OF  
THE LEGISLATIVE COUNCIL

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TUESDAY 8 SEPTEMBER 1981

- 12 PUBLIC ACCOUNTS AND EXPENDITURE REVIEW COMMITTEE -  
The Honourable A.J. Hunt moved, by leave, That  
The Honourables Clive Bubb, G.A.S. Butler, D.K.  
Hayward and N.F. Stacey be members of the Public  
Accounts and Expenditure Review Committee and  
that the said Committee have power to send for  
persons, papers and records.

Question-put and resolved in the affirmative.

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EXTRACTED FROM THE VOTES AND PROCEEDINGS OF  
THE LEGISLATIVE ASSEMBLY

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TUESDAY 8 SEPTEMBER 1981

- 16 PUBLIC ACCOUNTS AND EXPENDITURE REVIEW COMMITTEE -  
Motion made, by leave, and question-That-(a) Mr.  
Evans(*Gippsland East*), Mr. Mackinnon, Mr. Mathews,  
Mr. Remington, Mr. Richardson, Mr. Rowe, Mr.  
Walsh and Mr. Williams be Members of the Public  
Accounts and Expenditure Review Committee; and  
(b) the Committee have power to- (i) send for  
persons, papers and records; and (ii) commission  
any person or persons to investigate and report to  
the Committee on any aspect of the subject-matter  
under investigation by the Committee(*Mr. Thompson*) -  
put and agreed to.
-



TERMS OF REFERENCE  
PARLIAMENTARY COMMITTEES (PUBLIC ACCOUNTS AND  
EXPENDITURE REVIEW COMMITTEE) ACT 1979

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SECTION 5

- 5 The functions of the Committee shall be -
- (a) to examine the accounts of the receipts and expenditure of the State and to bring to the notice of the Parliament any items in those accounts, or any circumstances connected with them which it may consider appropriate;
  - (b) to inquire into and report to the Parliament on any question in connexion with public expenditure which is referred to it by the Council or the Assembly;
  - (c) to consider and report to the Parliament how, if at all, the administration of Government programmes and policies may be carried out more efficiently, effectively and economically; and
  - (d) to report to the Parliament any alteration which may appear desirable to be introduced in the form or method of keeping and presenting the Public Accounts, or in the mode of receipt, control, issue or payment of the public money.

## R E P O R T

The Public Accounts and Expenditure Review Committee has the honour to report as follows :-

### INTRODUCTION

1. The Public Accounts and Expenditure Review Committee was constituted by the Parliamentary Committees (Public Accounts and Expenditure Review Committee) Act 1979 which came into operation on 11 March 1980. The Committee is a joint committee consisting of 12 members drawn from both Houses of Parliament and replaced the former Public Accounts Committee. The Victorian Public Accounts Committee was first established in 1895, and consisted of members drawn solely from the Legislative Assembly. The role of the former Committee has been expanded to include the scrutiny and evaluation of public expenditure in terms of economy, efficiency and effectiveness.

2. The Committee's activities in carrying out its terms of reference can be classified into three categories :

- (a) Examination of matters raised in the Auditor-General's report. These may cover a wide area, and include breaches of relevant Acts or Regulations, inadequate management control systems and inadequate financial reporting. (As the Auditor-General has not specific powers to comment on efficiency or effectiveness of government activities, these issues are not directly pursued under this heading).
- (b) Investigation of Expenditure from the Advance to the Treasurer. (In Victoria the estimates do not provide for inflation, and thus the Advance to the Treasurer covers cost increases due to general price rises, as well as to unforeseen or incorrectly forecast expenditure).

These first two activities are generally described as the Committee's public accounts activities.

- (c) Expenditure review activities. These are major reviews of the economy, efficiency or effectiveness of particular government organisations, programmes, activities, procedures or systems.

3. Of the Committee's twelve members, eight are drawn from the Legislative Assembly and four from the Legislative Council. The present party composition is Liberal Party 6, A.L.P. 5 and National Party 1. The Chairman is a Liberal member and the Deputy Chairman is an A.L.P. member. The Committee is given power by the Parliament to call for persons, papers and records. The legislation also provides for the appointment of sub-committees which can be appointed to carry out any of the inquiries set out below. Sub-committees must report to the Full Committee which may then adopt or reject the report, or adopt the report with variations.

#### PROCEDURES

4. The Committee has used the following procedures in relation to -

(a) Auditor-General's Report

Each organisation which is the subject of adverse comments by the Auditor-General is first invited to make written comments on the Auditor-General's remarks. Following receipt of these, the Committee decides which matters to investigate in detail, generally choosing no more than four items. The Committee then presents a progress report to Parliament identifying items upon which the Committee sought further explanation and those matters to be investigated in greater depth. Evidence may be taken from both the organisation and the Auditor-General and a report is then presented to Parliament. The report is circulated to the relevant departments or authorities seeking their comments, which are then forwarded to Treasury for preparation of a Treasury response. The Treasury response is then reported to Parliament in a Treasury Minute along with the Committee's final comments (if any).

(b) Advance to the Treasurer

The Committee selects a list of items to be examined. It then peruses Treasury files and identifies those items it wishes to further investigate. Departments are then asked for written explanations on each item. From here on the procedures are the same as for (a) above. Evidence is taken from the departments and a report is made to Parliament. Departmental and Treasury comments are sought and then reported to Parliament in a Treasury Minute.

In carrying out inquiries under (a) and (b) the Committee, while receiving every co-operation from the Auditor-General and Treasury, uses its own staff to prepare its reports. All hearings are held in camera. The Auditor-General attends only when evidence is being taken from him, although the Committee is now considering requesting him to have an observer at all hearings. Likewise departments and Treasury attend only when evidence is being taken from them.

(c) Expenditure Review Inquiries

Because of the recent nature of this function standard procedures have not yet been established. For the first two inquiries the work has been carried out in two stages:-

- (i) Preparation of a discussion paper by consultants or committee staff to canvass the issues and options and offer some tentative views; and
- (ii) Evaluating submissions and taking of evidence in public hearings and presentation of a final report to Parliament.

The public hearings are advertised in the press. However the transcripts of these hearings are not made public. In camera hearings may be held, although none have yet been. Discussions on evidence and consideration of the report takes place in private committee meetings.

The Committee seeks to keep Ministers fully informed of its expenditure review projects but has not considered calling them to give evidence. It will however expect a response by the relevant Minister to Parliament to its reports within six to twelve months.

While no formal criteria for the selection of issues for review have been laid down, the general intention is that the Committee will concentrate on matters which have general application across the public sector rather than to matters with very narrow or limited application.

SUMMARY OF THE YEAR'S ACTIVITIES

5. In 1981 the Committee commenced its expenditure review activities under the terms of reference set down in section 5 (c) of the Parliamentary Committees Act which enables it to consider and report on the efficiency, economy and effectiveness of Government programmes and policies. It also continued its traditional "public accounts" work of examining and reporting on matters raised in the Auditor-General's Reports and expenditure from the Advance to the Treasurer and cleared a significant back-log of work which had accumulated in these areas.

6. The Committee's work during the year is reflected in its reports tabled in Parliament. These were :-

	<u>Number &amp; Date of Report</u>
Treasury Minute relating to Expenditure from the Advance to the Treasurer 1976-77 and Unpaid Accounts 1976-77	D-No. 12/1980-81 4 March 1981
Progress Report on the Auditor-General's Reports for 1978-79	D-No. 13/1980-81 4 March 1981
Report on the Expenditure from the Advance to the Treasurer 1978-79	D-No. 15/1980-81 28 April 1981
Treasury Minute relating to Aspects of Financial Assistance to Bus Operators	D-No. 20/1980-81 30 April 1981
Treasury Minute relating to Auditor-General's Reports for 1976-77	D-No. 1/1981 9 September 1981
Report on the Current and Future Use of EDP Facilities and Techniques in the Victorian Public Sector	D-No. 8/1981 23 November 1981
Final Report on the Auditor-General's Reports for 1978-79	D-No. 9/1981 30 November 1981
Report on the Expenditure from the Advance to the Treasurer 1979-80	D-No. 10/1981 30 November 1981

In addition the Committee published two discussion papers relating to its expenditure review activities:-

Discussion Paper on the Current and Future Use of EDP Facilities and Techniques in the Victorian Public Sector	July 1981
Review of the <u>Audit Act 1958</u> : A Discussion Paper.	October 1981

7. The Committee also organised and hosted a Conference of Commonwealth and State Public Accounts Committees at Parliament House on 4 and 5 November 1981.

#### COMMITTEE MEMBERSHIP

8. The Committee was re-appointed in September 1981 with there being only one change in the Committee's membership during the year when Mr. Walsh replaced Mr. Ginifer.

COMMITTEE STAFF

9. The Committee's first Director of Research, Mr. D.A. Shand, commenced work with the Committee part-time in February and became a full-time staff member at the beginning of July. Mr. Shand has taken leave from his position as Senior Lecturer in Accounting and Public Finance at the Australian National University to work with the Committee. Apart from acting as general advisor to the Committee, Mr. Shand's role is to assist the Committee in developing and managing major research projects under the Committee's expenditure review activities.

To enable this expenditure review work to be further expanded in 1982 the Committee hopes to appoint a further staff member, preferably on secondment from another part of the Victorian Public Service.

10. Mr. P.J. Mithen continues as Secretary to the Committee and Mr. R.W. Purdey as Assistant Secretary. Mr. M.E. Roberts, Administrative Officer, is allocated to the Committee for three days per week.

11. Because of the increasing output of reports and papers from the Committee, the employment of a part-time stenographer allocated specifically to the Committee was approved. Mrs. M. O'Grady commenced duty in September, working for the Committee three days a week.

REVIEW OF AUDITOR-GENERAL'S REPORTS

12. During the year the Committee cleared a significant backlog of work which had accumulated through various delays. These delays were caused by changes in the Committee staff, the Committee being unable to meet for the six months prior to the 1979 State election due to the prorogation of Parliament, major changes in membership of the Committee following the election, and the lengthy time taken by Treasury in the preparation of certain Treasury Minutes. On the latter point the Committee has expressed its concern to Treasury and expects a quicker response in future.

Auditor-General's Reports 1976-77

13. The Committee completed its work on this report with the tabling in September of a Treasury Minute covering thirteen matters raised by the Auditor-General in his 1976-77 reports.

The Committee initially reported on these matters in May 1980. A Treasury Minute was requested in November 1980 but was not received until June 1981.

#### Auditor-General's Report 1978-79

14. The Committee selected twelve items referred to in the Auditor-General's Report for investigation. Under new procedures adopted by the Committee during the year the relevant departments and authorities were asked for written comments on the matters raised by the Auditor-General. After considering these responses, the Committee presented a progress report which listed the items investigated by the Committee and advising that the following items had been selected for more detailed investigation:

- (a) Local Authorities Superannuation Board, Motor Accidents Board and State Superannuation Board - joint arrangement for provision of EDP services.
- (b) State Superannuation Board - form of accounts.

The Committee's Final Report on these matters was presented in December 1981.

#### Auditor-General's Report 1979-80

15. In line with its new procedures the Committee selected three matters for detailed investigation:

- (a) The establishment of limited liability companies by certain statutory authorities (VicRail, Deakin University, University of Melbourne, RMIT, Lincoln Institute, Health Commission and National Gallery) to carry out certain of their activities.
- (b) Cancer Institute - financial arrangements for doctor's use of hospital facilities for their private patients.
- (c) Education Department - (i) Preston Regional Office rentals; and  
(ii) use of Commonwealth Government Grants.

The Committee is currently continuing its examination of these matters.

## Financial Assistance to Bus Operators

16. This matter arose out of a previous Auditor-General's Report, and was reported on by the Committee in March 1977. In February 1981 the Treasury Minute on this matter was received and reported to Parliament in April 1981. Whilst it is appreciated that questions of policy had to be decided, the Committee has been most concerned at the four years taken to prepare the Treasury Minute.

## EXPENDITURE FROM THE ADVANCE TO THE TREASURER

### Advance to the Treasurer 1976-77

17. During the year the Committee completed its work on the Expenditure from the Advance to the Treasurer 1976-77 and Unpaid Accounts 1976-77. The Committee initially reported on this matter on 30 November 1978, following which the normal procedure of obtaining departmental comments and requesting a Treasury Minute was followed. However all departmental comments were not available until July 1979 and the Treasury Minute was not completed until December 1980.

Again the Committee recognises that this length delay is unsatisfactory and will take steps to ensure that both departmental comments and the Treasury Minute are in future provided within a reasonable time.

### Advance to the Treasurer 1978-79

18. The Committee also investigated and reported on Expenditure from the Advance to the Treasurer 1978-79. The Committee sought detailed explanations from five departments concerning thirteen items of expenditure. It also reviewed and considered as satisfactory, explanations for a further 89 items without requiring further information from the departments concerned. Explanations for 25 of the items were reported to the Parliament.

In view of the fact that one item, postal and telephone expenses, was the subject of several requests for additional funds the Committee looked closely at procedures for estimating this item. It identified a need for each department to maintain an up-to-date inventory of its telephone facilities and to develop a system for identifying outstanding accounts.

### Advance to the Treasurer 1979-80

19. Review of expenditure charged against the Advance was completed during the year and a report tabled in December 1981. This review included examination of transfer of funds between items under section 25 of the Audit Act 1958.



The Committee concentrated on three departments and requested detailed explanations of seven items under the Education Department, two under the Ministry for Conservation and two under the Premier's Department. Explanations were accepted as satisfactory for a further eight items under these departments and 69 items under other departments. Explanations for 25 items were reported to the Parliament.

\* \* \* \* \*

20. The Committee's work in this area leads it to believe that there are problems in a number of departments in realistically estimating requirements when preparing estimates, and of adequately monitoring expenditure during the year, particularly in ensuring that large bills do not remain unpaid at the end of the year. The Committee is considering undertaking a wider review of estimating or forecasting methods used in departments.

21. Under the present budgeting system used in Victoria the annual estimates do not include any allowance for expected inflation, and such additional costs must either be funded from the Advance to the Treasurer or otherwise absorbed. The Committee is concerned that this may create problems for proper financial control in that it is known that the estimates figure is not necessarily a realistic figure for the year, and there is therefore no benchmark against which expenditure, particularly in the early part of the year, may be monitored. The Commonwealth and other States do not follow the Victorian practice. The Committee is considering undertaking a review of this issue in 1982.

#### EXPENDITURE REVIEW ACTIVITIES

22. In 1981, with the appointment of its Director of Research, the Committee commenced expenditure review inquiries under its recently expanded terms of reference. An inquiry into electronic data processing (EDP) in the Victorian public sector was completed during the year and a report presented to Parliament in December. An inquiry into the State's Audit Act 1958 commenced, and is expected to be completed early in 1982.

#### EDP Inquiry

23. On 19 March 1981 the Committee resolved to carry out a review of the current and future use of EDP facilities and techniques in the Victorian public sector (excluding hospitals, tertiary education institutions and local government).

24. This issue was chosen for inquiry as few factors have such potential, if properly managed, to improve the efficiency of management and effectiveness of Government operations, and because of the large amount of funds and staffing resources currently used by EDP facilities in the Victorian public sector.

25. A sub-committee comprising the Hon. D.K. Hayward, M.L.C. (Chairman), the Hon. G.A.S. Butler, M.L.C., the Hon. N.F. Stacey, M.L.C., the Hon. C. Bubb, M.L.C., and C.R.T. Mathews, Esq., M.P. was appointed to carry out this inquiry. K.H. Remington, Esq., M.P. was appointed as an alternate member of this sub-committee during the absence through illness of the Hon. G.A.S. Butler, M.L.C. A Steering Committee for the project was established comprising the sub-committee, the Committee's Director of Research, Mr. D.A. Shand, Dr. B. Garner, Professor of Computing at Deakin University and Mr. F. Belli, Chief Director of Audits in the Auditor-General's Office, as external advisers.

26. The Committee appointed the consulting firm of P.A. Computers and Telecommunications (PACTEL Pty. Ltd.) to prepare a discussion paper surveying the use of EDP in the Victorian public sector, to broadly identify problems and to suggest possible options for the future planning and management of EDP. The objective in preparing a discussion paper was to stimulate discussion on the issues and form the basis for the taking of evidence during the Inquiry. The discussion paper was published in July 1981.

The Committee then appointed Mr. P.K. MacGregor of P.K. MacGregor & Associates as its consultant to prepare its report on this topic. Fifty-seven written submissions were received - 45 from Government organisations and 12 from private organisations or individuals. Commencing on 11 September the sub-committee took evidence from 19 organisations at 10 public hearings. Throughout the Inquiry the Steering Committee consulted closely with the Government's EDP Policy Committee, the Government Computing Service, the Public Service Board and Treasury.

27. The report, tabled in Parliament on 9 December 1981, recommends significant changes in the procedures and systems for planning, acquiring and managing EDP in the Victorian public sector. In particular, it recommends greater self-management and accountability by departments for their EDP operations, the development of three-year rolling EDP plans by all departments and statutory authorities, and moves to improve the quality and number of EDP staff in the public sector.

28. The Committee believes that its report is a constructive and professional document and will look to the Government to act on its recommendations. The Committee proposes to review this response in September 1982. At the same time it also proposes to examine the EDP plans prepared by departments and statutory authorities and the consolidated public sector EDP plan, and report to Parliament on them. Arising from the Inquiry, the Committee may also examine certain other aspects of EDP in the State Government in 1982.

29. The total direct cost of the Inquiry (consultants' and advisers' fees) was approximately \$52,000.

### Audit Act Inquiry

30. The Committee resolved on 19 March 1981 to review the Audit Act 1958 to determine its adequacy and relevance in providing the framework for sound financial management in the Victorian Government. The decision to hold an inquiry on this topic was based on a widely-held view, also expressed by the Auditor-General in his annual reports, that the Audit Act was outdated and inadequate in providing proper financial accountability to Parliament. In carrying out its inquiry the Committee decided to concentrate on four main areas:

- accountability of permanent heads;
- internal audit;
- efficiency audits; and
- auditing and reporting requirements for statutory authorities;

and to leave review of more detailed and technical provisions to the Treasury and the Auditor-General, although the Committee proposes to review any changes proposed to these provisions.

31. The research for this Inquiry is being carried out by the Committee's Director of Research. The Inquiry is being carried out by the Full Committee.

32. As with the EDP Inquiry, it was decided to first publish a discussion paper to stimulate discussion, and identify issues and options and thus form the basis of submissions to the Committee and the subsequent formal inquiry. The discussion paper was published in October 1981. It concluded that:

- The Audit Act is inadequate in defining the responsibilities of permanent heads and boards or commissioners of statutory authorities for financial control and obtaining value for money;

- No adequate mechanisms for reporting on the discharge of these responsibilities are provided;
  - The Auditor-General should undertake a new efficiency auditing function;
  - Internal audit activities need to be substantially expanded;
  - Major changes are required to improve financial reporting by statutory authorities;
- and recommends a new Financial Management and Accountability Act should replace the Audit Act.

33. The Committee commenced this Inquiry in November. To date submissions have been received from thirteen Government organisations. Three public hearings have been held and eleven Government organisations examined. Further hearings will be held next year and the Committee expects to present its report early in the next sitting of Parliament.

#### Future Expenditure Review Activities

34. The Committee is currently considering its expenditure review activities for 1982.

35. The Committee has viewed a revised Audit Act as a framework for improved accountability and financial management in Government. It sees improved financial management procedures, an upgrading in the skills of financial management staff, changes in the Government's system of budgeting and improvements in the format of Government's financial statements as other related matters needing to be addressed, either by itself or some other body. In planning its future activities the Committee will not seek to duplicate any internal reviews or inquiries the Government may institute, but it may resolve to monitor and evaluate such internal reviews or inquiries.

However, it has resolved to review the form and content of the Government's existing published financial reports, particularly the Budget Papers and the Treasurer's Statement, although it may not proceed to the holding of a formal inquiry on this topic. It will also be looking further at the possible form and content of comprehensive departmental financial statements, for which the need was identified in the Audit Act Review Discussion Paper. It may also resolve to review the current Financial Recording and Reporting System (FRAR) in view of comments on this in the Auditor-General's 1980-81 Annual Report and, as mentioned earlier in this report, is considering reviewing departmental forecasting and estimating procedures and the current way in which the Advance to the Treasurer is used.

36. In 1982 the Committee expects to refine its selection of issues for review inquiries. Draft criteria were included in the Draft Procedures for the Conduct of Inquiries prepared by the Committee during the year. The two topics chosen for expenditure review inquiry in 1981 have broad relevance to a large range of Government organisations. The Committee expects that its future expenditure review inquiries will concentrate largely on matters of general applicability to departments and statutory authorities although there may be some in-depth inquiries into the activities of particular departments and statutory authorities.

#### Expenditure Review Procedures

37. The Committee's experiences in 1981 have gone a long way towards refining its procedures for the carrying out of these inquiries. These procedures emphasise:

- the careful establishment of objectives and terms of reference for each inquiry;
- promotion of discussion of the issues to encourage submissions from Government organisations, private organisations and individuals;
- close consultation with affected Government organisations; and
- clear and constructive recommendations in each report;

with a subsequent formal review of the Government's response to these recommendations.

#### Committee Members and Expenditure Review Activities

38. The new expenditure review inquiries have substantially increased the demands on Committee Members in terms of preparation for and attendance at meetings. The Committee was very conscious of the need to be adequately briefed on the relatively broad and complex issues being addressed in its two expenditure review inquiries, and in particular, to draw on the experience of other Governments which have already examined such issues. In May seven members of the Committee visited Sydney and Brisbane. Discussions were held with the New South Wales and Queensland Treasuries, Public Service Boards and Auditors-General on matters relevant to both the EDP and Audit Act Review inquiries. In June, eight members of the Committee visited Canberra for similar discussions with the Commonwealth Auditor-General, Public Service Board, Department of Finance and the Joint Committee of Public Accounts.

39. In view of the highly significant review of EDP in the New Zealand Government carried out by the New Zealand Controller and Auditor-General, and recent significant changes in financial management procedures in the New Zealand Government, four members of the Committee visited Wellington for five days in July. Discussions were held with the Controller and Auditor-General, Treasury, State Services Commission Computing Services Division and four major Government computer users - Police, Inland Revenue Department, State Insurance Office and the Department of Statistics. The operations of the New Zealand Parliament's Public Expenditure Committee were also observed.

40. The information gained from these visits was invaluable, and greatly assisted the Committee in subsequently evaluating issues during both the EDP and Audit Act Review inquiries. It is clear that there is much to be learned and considerable time saved in expenditure review inquiries, from drawing on the approach and experiences of other Governments.

#### CONFERENCE OF COMMONWEALTH AND STATE PUBLIC ACCOUNTS COMMITTEES

41. The Committee hosted a Conference of Commonwealth and State Public Accounts Committees at Parliament House on 4 and 5 November. This was the second such Conference, following that hosted by the Commonwealth Joint Committee of Public Accounts in Sydney in 1977. The Conference resulted in a very useful exchange of views and information, and provided a forum for discussion on some of the problems facing Parliamentary committees involved in expenditure review activities.

42. Thirty Members of Parliament and Committee staff from throughout Australia attended, including representatives from other Parliamentary committees involved in expenditure review such as the Senate Committee on Finance and Government Operations and the Victorian Public Bodies Review Committee. The Northern Territory and Queensland, which do not have Public Accounts Committees, were each represented by an observer. The Chairman of the Public Accounts Committees of the Parliaments of New Zealand, Papua New Guinea and Fiji also attended, and there were six invited academic and other observers.

As well as exchanging views and experiences the Conference heard papers delivered by academics, by Victoria's Auditor-General and by the Director of Research of the Public Bodies Review Committee.

43. The Conference concluded there was a need for Public Accounts Committees to look at broader efficiency and effectiveness issues rather than just financial and compliance issues, that there is lack of appreciation by some Governments of the constructive role that Public Accounts Committees can play, that a major determinant of Committee effectiveness was adequately trained staff, that Committee reviews are substantially less costly and generally more useful than reviews carried out by other mechanisms such as Royal Commissions and that there were considerable possibilities for co-operation between the Commonwealth and State Public Accounts Committees and Auditors-General in reviewing Commonwealth/State programmes. Some of these issues will be further pursued at a seminar to be organised by the Joint Committee of Public Accounts in Canberra in 1982, which will also make arrangements for a further Conference of Public Accounts Committees in 1983.

44. It is clear that Victoria is ahead of other States in giving adequate powers and staffing to Parliamentary expenditure review committees. Nevertheless the Public Accounts and Expenditure Review Committee was able to gain useful information as well as to share its own experiences.

#### ACKNOWLEDGEMENT

45. 1981 was a significant and demanding year for the Committee. The Committee wishes to acknowledge the co-operation of all departments and authorities it examined during its work and of the Auditor-General and Treasury.

Committee Room

10 December 1981

PUBLIC BODIES REVIEW COMMITTEE



FOURTH REPORT TO THE PARLIAMENT

DRAFT PROPOSALS

FUTURE STRUCTURES FOR WATER MANAGEMENT :

RECOMMENDATIONS ON

REGIONAL AND LOCAL STRUCTURES FOR URBAN SERVICES



Ordered to be printed



D-No. 3.

MELBOURNE  
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1981







Some Members of the Public Bodies Review Committee preparing to leave on one of their many visits to Public Bodies in the Reference. (L. to R. : Mr. R. A. Jolly, M.P., Mr. G. Weideman, M.P., The Hon. Dr. Kevin J. Foley, M.P. : Mr. David Constable (Commissioner, State Rivers and Water Supply Commission); Mr. Steve Crabb, M.P. and The Hon. B. A. Chamberlain, M.L.C.).

## PUBLIC BODIES REVIEW COMMITTEE

### COMMITTEE MEMBERS

The Hon. Dr. K. J. Foley, M.L.C. (Chairman)  
S. M. Crabb, Esq., M.L.A. (Deputy Chairman)  
The Hon. B. A. Chamberlain, M.L.C.  
Mrs. J. H. Chambers, M.L.A.  
E. J. Hann, Esq., M.L.A.  
R. A. Jolly, Esq., M.L.A.  
Mrs. P. A. Sibree, M.L.A.  
The Hon. D. R. White, M.L.C.

### COMMITTEE STAFF

Dr. E. W. Russell, Director of Research.  
Mr. M. Tricarico, Secretary.  
Ms. S. E. Fitts, Senior Research Officer.  
Ms. M. A. Graham, by courtesy of Commonwealth Department of  
Science and Technology.  
Mrs. J. Anderson, Stenographer.  
Miss M. Chrystiuk, Stenographer.

### CONSULTANTS TO THE COMMITTEE

Public Service Board of Victoria - Consultancy and Management  
Review Division.  
Touche Ross Services Pty.  
Sinclair, Knight & Partners Pty. Ltd.  
Institute of Applied Economic and Social Research, University  
of Melbourne.  
Neilson Associates.

### RESIDENT CONSULTANT TO THE COMMITTEE

Dr. D. P. Gracey, by courtesy of the Canadian and Commonwealth  
Governments.

\* \* \*

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EXTRACTED FROM THE MINUTES OF THE PROCEEDINGS OF THE  
LEGISLATIVE COUNCIL

---

TUESDAY, 8 SEPTEMBER 1981

13. PUBLIC BODIES REVIEW COMMITTEE - The Honourable A. J. Hunt moved, by leave, That the Honourables B. A. Chamberlain, Dr. K. J. Foley and D. R. White be Members of the Public Bodies Review Committee, and that the said Committee have power to send for persons, papers and records.

Question - put and resolved in the affirmative.

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EXTRACTED FROM THE VOTES AND PROCEEDINGS OF THE  
LEGISLATIVE ASSEMBLY

---

TUESDAY, 8 SEPTEMBER 1981

17. PUBLIC BODIES REVIEW COMMITTEE - Motion made, by leave, and question - That - (a) Mrs. Chambers, Mr. Crabb, Mr. Hann, Mr. Jolly and Mrs. Sibree be Members of the Public Bodies Review Committee; (b) the Committee have power to send for persons, papers and records; and (c) Standing Order No. 208 be suspended in respect of the Committee to allow - (i) publication of fair and accurate reports of evidence given by witnesses examined at public hearings; and (ii) the release of evidence, discussion notes and other documents and the publication thereof at the discretion of the Committee (*Mr. Thompson*) -
- 

WEDNESDAY, 2 APRIL 1980

18. PUBLIC BODIES REVIEW COMMITTEE - Motion made and question - That the State Rivers and Water Supply Commission and each constituted water, sewerage, drainage and river improvement trust or authority, except the Melbourne and Metropolitan Board of Works, be referred to the Public Bodies Review Committee for review (*Mr. Mackinnon*) - put, after debate, and agreed to.

EXTRACTED FROM THE VICTORIAN GOVERNMENT GAZETTE  
OF 20 MAY 1981, NO. 42, p. 1595.

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PARLIAMENTARY COMMITTEES ACT  
PUBLIC BODIES REVIEW COMMITTEE

---

At the Executive Council Chamber, Melbourne, the nineteenth  
day of May, 1981.

PRESENT:

His Excellency the Governor of Victoria	
Mr. Crozier	Mr. Borthwick
Mr. Lacy	

---

NOMINATION OF PUBLIC BODIES FOR REVIEW  
BY THE PUBLIC BODIES REVIEW COMMITTEE

Whereas section 48B(1) of the *Parliamentary Committees Act* 1968, No. 9367, provides *inter alia* that the Legislative Council or the Legislative Assembly may by resolution or the Governor in Council may by Order published in the *Government Gazette* at any time nominate a public body for review by the Public Bodies Review Committee.

And whereas on 2 April 1980 the Legislative Assembly resolved "That the State Rivers and Water Supply Commission and each constituted water, sewerage, drainage and river improvement trust or authority, except the Melbourne and Metropolitan Board of Works, be referred to the Public Bodies Review Committee for review."

Now therefore His Excellency the Governor of the State of Victoria by and with the advice of the Executive Council thereof and in exercise of the powers conferred by section 48B(1) of the *Parliamentary Committees Act* 1968 doth hereby nominate the Local Governing Bodies constituted under the *Water Act* 1958, the Ballarat Water Commissioners and Sewerage Authority, the Dandenong Valley Authority, the First Mildura Irrigation Trust, the Geelong Waterworks and Sewerage Trust, the LaTrobe Valley Water and Sewerage Board, the Mildura Urban Water Trust, the West Moorabool Water Board and the personnel of the State Rivers and Water Supply Commission, for review by the Public Bodies Review Committee.

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And the Honourable Rupert James Hamer, Her Majesty's Premier for the State of Victoria, shall give the necessary directions herein accordingly.

TOM FORRISTAL,  
Clerk of the Council.

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## INTRODUCTION AND ACKNOWLEDGMENTS

This, the Public Bodies Review Committee's Fourth Report to Parliament, is at once an attempt to bring the question of the structure of the water industry nearer to resolution and an illustration of a principle that is central to the Committee's methodology.

It should be stressed at the outset that this document contains draft proposals. Those proposals or recommendations are made with a full understanding that all relevant information may not yet be available and that when further information is provided some, perhaps many, of those draft proposals will be altered. Indeed the primary purpose of presenting draft proposals is to continue an already extensive dialogue with bodies in the Committee's reference and in the process to generate further information. A secondary but nevertheless important role of the draft proposals is to have corrected any errors which may be contained in the Committee's data base. To compile this Report the Committee had to address itself to 3,000 pages of transcript, more than 1,000 written submissions, which extend to some 15,000 pages, and assess the results of recent discussions by individual members and sub-committees of the Committee with more than 200 water and sewerage bodies. Given that task it is quite possible, perhaps inevitable, that errors of omission and commission and misconceptions should occur. If any such 'errors' have occurred the Committee will be quick to respond and make correction.

At its earliest meeting in March 1980 the Committee resolved to have maximum contact with the bodies in its reference and whenever possible, at least in the early days of the reference, to have that contact in the locale of the body under review. It was also resolved that at appropriate points in the Inquiry the Committee would draw together available information, reach tentative and general conclusions and/or make observations which it would then put before all bodies in the reference for their examination and comment. By adopting that methodology the Committee

has generated an extraordinary amount of data and developed a close and co-operative relationship with the bodies under review. In some cases that co-operation has developed into personal relationships that will extend beyond the Committee's association with Victoria's water industry.

Although this Report is a direct extension of the Committee's Second Report (Future Structures for Water Management: Part 1: Regional and Local Administration) and should be read in the light of comments made in that Report, it should also be seen as having an inextricable association with the Third Report (Audit and Reporting of Public Bodies) and soon to be published studies on (i) the economic impact of public bodies in Victoria; (ii) the central management of Victoria's water industry; (iii) irrigation management, and (iv) river improvement and drainage management.

In the body of this Report there is constant reference to the quite extraordinary assistance given to this Committee by those bodies included in the Committee's current reference. Those comments should not, however be construed to mean that every body in the reference has been co-operative. Sadly some bodies, albeit a very small percentage of the total, have sought to, and thus far succeeded in, avoiding the scrutiny of this Committee. The Committee takes this opportunity to stress again that it will not accept such an attitude. If those "recalcitrant" public bodies have not of their own volition provided this Committee with (a) information relating to their activities and (b) views on draft proposals contained in this Report then those responses will be obtained by the Committee's last (and as yet unused) resort: the subpoena.

Having said that about those very few (less than 10) organisations it is appropriate to conclude these introductory remarks by paying tribute and offering thanks to the more than 95% of bodies under review and their Members, Commissioners and Officers and the more than 100 other bodies not included in the reference who have contributed to the Committee's Inquiry in a major way. The level and extent of co-operation provided to this Committee has, we believe, been extraordinary to the point of being unsurpassed in any such public inquiry. That support has been so spontaneous, open, frank and thorough that the Committee has the distinct, and we believe accurate, impression that the movement toward developing a more economic, efficient and

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Although this Report is a direct extension of the Committee's Second Report (Future Structures for Water Management: Part 1: Regional and Local Administration) and should be read in the light of comments made in that Report, it should also be seen as having an inextricable association with the Third Report (Audit and Reporting of Public Bodies) and soon to be published studies on (i) the economic impact of public bodies in Victoria; (ii) the central management of Victoria's water industry; (iii) irrigation management, and (iv) river improvement and drainage management.

In the body of this Report there is constant reference to the quite extraordinary assistance given to this Committee by those bodies included in the Committee's current reference. Those comments should not, however be construed to mean that every body in the reference has been co-operative. Sadly some bodies, albeit a very small percentage of the total, have sought to, and thus far succeeded in, avoiding the scrutiny of this Committee. The Committee takes this opportunity to stress again that it will not accept such an attitude. If those "recalcitrant" public bodies have not of their own volition provided this Committee with (a) information relating to their activities and (b) views on draft proposals contained in this Report then those responses will be obtained by the Committee's last (and as yet unused) resort: the subpoena.

Having said that about those very few (less than 10) organisations it is appropriate to conclude these introductory remarks by paying tribute and offering thanks to the more than 95% of bodies under review and their Members, Commissioners and Officers and the more than 100 other bodies not included in the reference who have contributed to the Committee's Inquiry in a major way. The level and extent of co-operation provided to this Committee has, we believe, been extraordinary to the point of being unsurpassed in any such public inquiry. That support has been so spontaneous, open, frank and thorough that the Committee has the distinct, and we believe accurate, impression that the movement toward developing a more economic, efficient and

above all a more effective water industry is being conducted not by an eight Member Parliamentary Committee but by that Committee plus nearly every public body in the reference. There is no doubt in the minds of Members of this Committee that its work would neither be as advanced nor as detailed as it is without that quite remarkable support and concomitant assistance.

Readers of this Report may note that a number of discussions with the Committee and communications written in the past several weeks are not specifically recorded. The Committee would want to assure those bodies who find themselves in that position that those discussions and communications have been considered and will continue to be used as the Committee advances to more precise proposals.

Since the Committee last reported it has had a change in membership. The Hon. Graeme Weideman has been elected to the Ministry with responsibility as Minister for Tourism and Minister Assisting the Minister of Health. On 8 September the Parliament elected Mrs. Prue Sibree, Member for Kew, to take the position created by Mr. Weideman's election to Cabinet. On behalf of the Committee I take this opportunity to thank Graeme for his very significant contribution to the operations of the Committee and to wish him every success with his new responsibilities. I also extend to Prue Sibree a warm welcome and express the hope that she like Graeme and the other Members, will find the Committee's work on its current reference both an interesting and rewarding experience.

A handwritten signature in black ink, appearing to read 'Kevin J. Foley', with a large, stylized flourish at the end.

DR. KEVIN J. FOLEY

Chairman

Committee Rooms

2 October 1981

## CHAPTER ONE

### PRINCIPLES, PURPOSE AND SCOPE

#### 1. Principles

In its Second Report to Parliament, "Future Structures for Water Management: Part 1: Regional and Local Administration" the Public Bodies Review Committee indicated its dissatisfaction with the existing administrative structure of the Victorian public sector water industry. The Committee also indicated the criteria upon which it believed any process of restructuring should be approached. These criteria included the principles laid down by Section 48C(5) of the Parliamentary Committees (Public Bodies Review) Act 1980, No. 9367, as well as a number of further principles of particular relevance to the water industry.

The Committee stated that it considered any future structural arrangements for the water industry should involve public bodies which:-

- \* possess objectives worth pursuing in contemporary society;
- \* are so structured as to be able to pursue these objectives efficiently, effectively and economically;
- \* possess a structure suitable to the activities performed;
- \* do not duplicate the work of other persons or bodies;
- \* seek information on the effects of their activities and act on that information;
- \* consider the public interest when performing their activities;

- \* encourage public participation in their activities;
- \* are responsive to complaints about their activities; and
- \* are prepared to improve their structure, composition and procedures.

In applying these criteria to the water industry, the Committee indicated that it believed particular emphasis should be given to:-

- \* the extent to which the structure is accountable and subject to democratic control;
- \* the extent to which the structure meets community needs, and includes mechanisms for identifying needs, and setting priorities as a basis for allocating resources;
- \* the extent to which the structure is consistent with the efficient management of water as a resource, throughout the water cycle;
- \* the extent to which the structure is in harmony with equitable funding arrangements, and the efficient use of the limited capital available to the Water Industry;
- \* the extent to which the structure provides for water management and planning to be in harmony with other land uses and planning processes;
- \* the extent to which the structure ensures technical and administrative competence is brought to bear in water management;
- \* the extent to which the structure is in harmony with State Environment Protection Policies or environmental standards, where they exist.

In that Report, which appeared in May 1981, the Committee identified seven local and four regional options for industry structure to which it sought responses - these options are listed at Appendix 7. Each of the 377 bodies in the Committee's reference (the vast majority of whom had already made several submissions and attended Public Hearings held by the Committee in all parts of Victoria) was provided with a copy of the Second Report and invited to make a response to it.

It was suggested that some bodies might prefer to respond by making further written submissions, others might prefer to meet Members of the Committee in their local areas, while others might prefer to meet the Committee in Melbourne.

During May, June and July this year, responses in all those forms were received by the Committee; Committee Members, among whom the State had been divided for purposes of consultation, had many ad hoc meetings, visits, inspections and talks with Commissioners and staff of Victoria's water and sewerage bodies. As part of this process the State Rivers and Water Supply Commission provided a lengthy written response and appeared at a Public Hearing held by the Committee in Melbourne on 5 August 1981.

Several bodies in the reference have produced as many as four responses to the Committee's Second Report, and many have produced more than one.

The Committee now wishes to draw together the results of this unprecedented process of dialogue and consultation in the form of Draft Proposals. This document seeks to synthesise not only the most recent argument put to the Committee, but the main points on structure advanced since the beginning of the Committee's reference in March 1980 in written submissions, correspondence and Public Hearings.

## 2. Purpose and Scope

At the beginning of the reference the Committee was at pains to emphasise that it was approaching the task of restructuring without presuppositions. This has continued to be the case, but as the process of dialogue with the water industry and the



community has continued, the Committee has progressively sought to focus its thinking. The Second Report, with its range of options, represented an important further step in that process. Now, with the Draft Proposals, the Committee is seeking to apply the Options it has suggested, as well as the modified Options suggested by its partners in the review process, to the industry.

What status do these Draft Proposals carry, and how firm are they? Essentially, the Draft Proposals represent the Committee's present thinking concerning the future of the bodies in its reference. Given the fact that when the Committee does finally make its Report to Parliament, before the end of the 1981 Spring Sessional period, its recommendations will have the full force of the Parliamentary Committees (Public Bodies Review) Act 1980, No. 9367, behind them, the Committee wishes to continue its process of consultation and exchange of views until the last possible moment. It therefore breaks new ground again by distributing, not just to influential confidants, but to the whole community, a clear indication, in extenso, of what it is planning to recommend on the basis of information currently before it. The Committee encourages those who concur, and those who do not, to write to it by 15 November 1981, expressing their views. Without those views, without that further support from all bodies contained in its present reference plus comment from those many other members of the community who have thus far shown interest, and public bodies not expressly mentioned in that reference, recommendations contained in the Final Report will not have the authority, objectivity and factual support the Committee seeks and the industry deserves. Put differently the responsibility for ensuring that those final recommendations are made from full information rests heavily with recipients of these Draft Proposals.

Because what is published here is that part of the Committee's Report which concerns structure, there are many related aspects, particularly those relating to legislation, finance and implementation, that must be dealt with elsewhere. It should be appreciated that the Committee will be recommending the financial and legislative changes necessary to give effect to the structural changes presaged here. It should be further understood that the Committee will be taking seriously its obligations concerning implementation, as defined in Section 48C(8) of its legislation, which provides that:-

- (8) Where the Committee recommends in its report that a public body should cease to exist, the Committee shall include in its report recommendations as to the arrangements that should be made in consequence of the cessation of existence of the body and the going out of office of its members including, without limiting the generality of the foregoing, the arrangements that should be made in relation to -
- (a) the powers, functions and duties exercised or performed by the body;
  - (b) the property (if any) owned by the body or in which the body has an interest;
  - (c) where the body is established by or appointed pursuant to an Act, the repeal or amendment of that Act;
  - (d) the repeal or amendment of any other enactment referring to the body;
  - (e) where the body was established by or appointed pursuant to a rule, regulation, by-law, proclamation, order, Order in Council or other instrument of a legislative character, the revocation, amendment or variation thereof;
  - (f) the revocation, amendment or variation of any other rule, regulation, by-law, proclamation, order, Order in Council or other instrument of a legislative character referring to the body;
  - (g) the officers and employees of the body;
  - (h) any contract, agreement or arrangement to which the body is a party;
  - (i) any legal or other proceeding or claim to which the body is a party or in which the body has an interest; and
  - (j) the financial and other liabilities and obligations of the body.

The Committee particularly seeks comment on implementation, both in respect of the above points and otherwise.

Among these issues, one which the Committee wishes to emphasise, is its interest in the composition of the new bodies which will emerge from this reference.

The Committee's recommendations have, in a number of municipalities, brought together several Trusts and Authorities either under the umbrella of the Municipality or those of a Water Board.

The Committee is very conscious of the important and practical role played by the Commissioners and Members of these bodies and supports in principle the notion put forward by a number of Municipalities, Trusts and Authorities, many in writing, others in evidence at Public Hearings, that this expertise and public-spirited endeavour should be recognised and continued in the restructured Water Industry.

Two suggestions have been put forward - Community Councils and Water Advisory Councils.

In some Shires where it has recommended that some bodies should cease to exist, the Committee has suggested the establishment of a Water Advisory Council where the successor body is a Water Board and a Community Council where the successor body is the Municipality. Here it is felt that the Community Council's mandate could perhaps extend beyond advice on water and sewerage to cover any and all aspects of municipal life as the Municipality considers appropriate.

The Committee, in making these suggestions, does not wish to be seen as imposing unwanted structures. It makes these suggestions keeping in mind the requests from the Industry and the notion that community consultation is a corner-stone of democracy and public accountability.

Another such issue is the relationship between funding arrangements and structure. The Committee re-iterates the view it put in its Second Report, that "funding should be independent of structure, and available to a voluntary co-operative, municipality, or private enterprise initiative if needs-based criteria are met". The Committee appreciates that some existing administrative structures in the water industry are no more than products of existing funding arrangements. In suggesting new structural arrangements in these Draft Proposals, the Committee does so with the clear intention of recommending funding arrangements consistent with the new structures.

The Committee's task of assessing the structural requirements for Victoria's non-metropolitan water and sewerage bodies has not just involved looking at the operations of existing Waterworks Trusts and Sewerage Authorities. The Committee has also given consideration to the role of the State Rivers and Water Supply Commission in urban water retailing, to the roles of regional bodies and to the activities of municipalities supplying water or sewerage services under the powers contained in Sections 689/692 of the Local Government Act. It has not just involved looking backward, it has, more importantly, involved looking forward. The Committee sees its role not as recommending a structure or management framework that can operate in the present more efficiently, economically and effectively than that currently in existence. Rather the Committee believes it has a responsibility to design and recommend structures and procedures that will allow the efficient, economic and effective allocation and utilization of water resources over the next several decades. Such an objective suggests the need to recognize the inherent uncertainty of the future by avoiding structures and procedures that are inflexible.

From that recognition it follows that some recommendations regarding procedure and structure will be couched in terms of an evolutionary process rather than distinct change. The Committee is conscious that it cannot accurately predict the future, consequently it must take special care to avoid recommending structures that, due to unpredicted change, are no more efficient, economic or effective in a future environment than those they replace.

If structures and procedures are to maintain their effectiveness in a world of uncertainty they must be both adaptable and flexible.

Looking forward, the Committee believes that Victoria's non-metropolitan water industry must be made more structurally coherent, and that geographical and functional fragmentation must be reduced. Accordingly, the general thrust of the recommendations is to pursue the objective of combining responsibility for water and sewerage in one body, and, where possible, both reducing the number of bodies responsible in each municipality for water and sewerage to one, and extending the jurisdiction of that body to the total area of the municipality, or to several adjoining municipalities.

Until recently, it had generally been the practice to establish a new, separate public body for each new water supply scheme, each new sewerage scheme, each new river improvement scheme, and each new drainage scheme. With such an approach, there was no effective limit to the number of new water bodies which could be created in the State. The Committee's recommendations are designed not only to reduce the number of existing bodies, but curtail this open-ended formula for proliferation. An existing body will under these recommendations be responsible for any new schemes needed in the future.

The Committee's position in relation to the role of the State Rivers and Water Supply Commission in the retailing of urban water and sewerage has been guided by the view that Victoria's overall choice of devolved, local management, rather than Centralised or State management, is the appropriate overall model to pursue.

Where responsibilities can be placed with local communities for managing their own affairs, the Committee believes this should be done. Furthermore, the Committee repeats its reservations, expressed in the Second Report, as to the appropriateness and efficiency of the State Rivers and Water Supply Commission being involved in the retail side of local water supply administration.

In proposing new structures, and in making recommendations as to whether future water management responsibilities in each municipality should be handled by the municipality or by a specialised water board, the Committee has followed conservative principles of organisational change. It has sought to build on existing bodies wherever possible, and in no case does it envisage the creation of a new statutory body which has no association with or relevance to an existing organisation.

In making judgments as to whether responsibility for urban water and sewerage in a particular area should be placed with a municipality or with a specialised water board, the Committee has often had to balance a number of factors. These have included:-

- \* whether there is an existing full-time professional water administration in the district;

- \* whether the municipality has existing involvement in water and sewerage services;
- \* the recent history of responsibility for water administration in the area (e.g. cases where a conscious and recent choice has been made to municipalise or de-municipalise the water function);
- \* the geography of the municipality, including the distances and physical features separating the town from which the municipality is administered from the towns where urban water services are provided;
- \* the composition of municipalities, including the extent to which they include or do not include urban ratepayers. The absence of urban ratepayers on municipal councils has frequently led the Committee to recommend a water board where otherwise it might have recommended the transfer of water functions to a municipality.

Decisions on these questions do require an exercise of informed judgment: this the Committee has sought to do. At the same time, the Committee appreciates that others may form, in some cases, differing judgments, and that the significance of some factors will change over time. The Committee therefore stresses its belief that structure in the water industry, as in other areas of public administration, should be seen as dynamic, not static. It is of the greatest practical importance that mechanisms for simple change form part of Victoria's water law, so that in future responsibilities can be shifted from municipalities to water boards, and vice versa, amalgamations can be effected, and evolutionary developments fostered, as circumstances demand. The Committee will be commenting further on this in a later report.

In consequence, the Committee has been able to give attention to the counsel it has been so often offered; of allowing for individual variation, and avoiding an oversimplified or simplistic solution. The Committee has not therefore adopted the recommendation of the Board of Review of the Role, Structure and Administration of

Local Government in Victoria concerning the transfer of the water and sewerage function to restructured municipalities outside the metropolitan area. The Draft Proposals contained in this Report rather provide for a number of cases of water boards, with municipality-wide responsibilities for water and sewerage; a number of water boards with responsibilities for water and sewerage covering several municipalities; some regional water boards, as well as, in many cases, a municipalisation of the water and sewerage function. The Committee's conclusion is that there is a place for each of these models in our new structure, but that there is no place for bodies created solely to satisfy artificial legal requirements or local or bureaucratic whim or prejudice.

It has clearly often been the case that municipalities have been cajoled into establishing water bodies where there is no substantive need for them - see Appendix 5 for an example of this. The Committee seeks an end to such practices and to the maximum extent possible to do away with the phenomenon of shell entities and "the man who writes letters to himself".

The State Rivers and Water Supply Commission has argued that water bodies must exist separately from municipalities in every case so as to preserve ministerial responsibility and accountability to the Minister of Water Supply. The Commission argues that such accountability cannot be obtained if municipalities are directly vested with water supply and sewerage roles. The Committee has given much attention to questions of ministerial responsibility and accountability, and has conducted searching analysis in each field. On the basis of that work and a significant input from water and sewerage bodies, the Committee rejects that Commission's view. Municipalities are by definition general purpose; they have interfaces with a multiplicity of State subject-matter agencies, and the requirements of accountability and ministerial responsibility can be adequately covered by legislation, and by the adoption of responsibility centre accounting. There is not a need to establish separate local corporate entities to cover each and every activity a municipality is involved in. In the course of a month, a municipality could have dealings with, and responsibility to, the Ministers of Local Government, Lands, Health, Transport, Conservation, Labour and Industry and others. It is perhaps worth pointing out that separate trusts once did exist for roads and for markets; in the interests of a more effective use of

resources, these management arrangements have been absorbed into structures managing a variety of responsibilities many years ago.

For very small communities, where there may be a population served of less than 100 people, the Committee questions the need for a bureaucratic structure to be created to manage the water supply function. In these communities, the Committee sees merit in responsibility being left to informal co-operatives of consumers. The Committee has received evidence concerning the successful operation of such "water societies" in the Shire of Lowan, (Transcript, p. 307-8) and in this Report recommends that the concept be explored in the Shire of Walpeup and the Shire of Mildura.

In a reference as vast as that presently before the Committee, it is inevitable that there will be a range of areas not covered in a report dealing with one aspect. This Report does not deal with other aspects of the role of the State Rivers and Water Supply Commission beyond its urban water supply function - its central management, for instance. Nor does it deal with river improvement and drainage bodies, or irrigation management. On all of these matters the Committee will be reporting separately in the very near future. To say this does not mean that the Committee will be neglecting the structural implications of these relationships and interdependencies. These will be drawn together as the Inquiry proceeds.

The Committee believes the Draft Proposals it has produced are flexible and sensitive; that they build on the best that is in Victoria's specialist water industry and its tradition of self management, and that they provide a more consolidated and coherent administrative structure with which to cope with the complex demands of coming decades.

### 3. The Next Steps

The recommendations contained in this Report provide the basis for discussion and analysis which will lead to structures and procedures which in turn will enable a more efficient use of the resources available to the water industry and will enable more effective services to be provided to the community. In coming to these



recommendations the Committee has been conscious not only of the goals of effectiveness and efficiency, but also been most conscious of and has actively sought the views of the industry and its consumers.

In reading these Draft Proposals a number of queries as to implementation and other matters inextricably associated with structure will immediately spring to mind. The Committee is conscious of a number of these and in fact sees the successful conclusion of its extensive investigation and evaluation of the industry as being the successful resolution of all implementation difficulties.

To assist in identifying all problem areas the Committee intends to form a number of Sub-Committees.

A very brief outline of the proposed activities of each of these Sub-Committees is set out below.

\* Existing legal, financial and staffing obligations

- Status of Current Loans, Legal Agreements, Contracts, etc., taken out by Trusts and Authorities and portability of same.
- Transfer of assets and liabilities to successor bodies.
- Rights and obligations of staff affected by restructuring.

\* New Structures

- Composition, including methods of community representation for the new Boards, and methods of election or selection to them.
- Powers, functions and duties to be exercised by the new and revised bodies and their relationship with other bodies in the water industry.

- Mechanisms to ensure that meetings and reviews foreshadowed in the Report will eventuate.
- Internal structural arrangements for the new bodies.

\* Financial/Accountability Arrangements

- Implications for financial assistance.
- Implications for pricing policies.
- Internal accounting arrangements.
- Audit guidelines,
- Criteria against which Annual Reports should be prepared.

\* Legislation

- The new legislative framework including the extent to which use can be made of delegated legislation.

The preceding outline is in no way meant to reflect the full extent of the implementation exercise. The industry itself can best identify those areas in which difficulties or potential difficulties may exist. Once again the Committee expresses the importance of, and its reliance upon, the inputs of the industry in this most important phase of its operation.

## CHAPTER TWO

### STRUCTURAL PROPOSALS

#### 2.1 Local Structures for urban water and sewerage.

##### Introduction

Outside the area of the Melbourne and Meropolitan Board of Works, there are some 340 public bodies responsible for supplying urban water and sewerage services. The largest of these bodies is the State Rivers and Water Supply Commission, which directly provides urban water supply to some 130 towns, and directly provides sewerage to one town.

The other bodies are all confined to limited geographical domains, not uncommonly a single urban centre, or a portion of a single urban centre. Almost universally, and throughout the area supplied with water by the Commission, there is a functional split, with separate public bodies for water and sewerage services. Thus in areas like Geelong, Mildura, Shepparton or the La Trobe Valley, there are numbers of these bodies engaged in similar work in adjacent (or sometimes overlapping<sup>1</sup>) bailiwicks. And, fragmented as Victorian local government boundaries are, there are few Shires without a plurality of water and sewerage bodies active within their bounds.

In this Chapter, the Committee comments on each of the Waterworks Trusts, "Local Governing Bodies under the Water Act"<sup>2</sup>, Sewerage Authorities, and bodies created by special statute engaged in non-metropolitan urban water supply and sewerage services.

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1. See for example, the overlap between the areas of the Geelong Waterworks and Sewerage Trust and the Bannockburn District Waterworks Trust on Map 5.
  2. The so-called "Local Governing Bodies under the Water Act" are separate corporate entities which have been created in some fifteen towns in Victoria where the municipality is effectively the water supply authority. Those puzzled by the need for such a device should consult Chapter 2, Part 5 and Appendix 5.

This, incidentally, involves all the bodies in the Committee's current reference except the Dandenong Valley Authority, the First Mildura Irrigation Trust, the West Moorabool Water Board and some 32 river improvement and drainage trusts.

The Committee's comments are arranged alphabetically, but related bodies have been grouped together (and cross-indexed) for ease of discussion. Data in this Chapter concerning rating levels and population derives from information supplied to the Committee by the State Rivers and Water Supply Commission in 1980.

Where in this Report the Committee refers to a Water Board, it envisages a body capable of providing both water and sewerage services to the area it serves. The Committee considers that the term "Water" connotes both water and wastewater. The term "Board" is proposed in accordance with recommendations as to consistent terminology in the naming of public bodies at page 27 of this Committee's Third Report, Audit and Reporting of Public Bodies.

#### Airey's Inlet Waterworks Trust

#### Anglesea Sewerage Authority

#### Torquay Sewerage Authority

The Airey's Inlet Waterworks Trust was constituted on 6 August 1975 by Order of the Governor in Council. The Trust consists of six Commissioners, three being Coast Riding Councillors of the Shire of Barrabool, and three being persons appointed by the Minister of Water Supply. The three Riding Councillors are also Commissioners of the Anglesea Sewerage Authority, while the Trust Secretary, Mr. Mervyn Hair, is also Shire Secretary of the Shire of Barrabool and Secretary of the Anglesea Sewerage Authority and the Torquay Sewerage Authority. In view of the close relationship between these four separate public bodies, Mr. Hair was asked to comment at the Public Hearing in Geelong on 26 September 1980 as to the possibility of their amalgamation. He stated (Transcript, p. 1212): "There are possibilities in that."

The Trust commenced works to provide a reticulated water supply for 470 buildings at Airey's Inlet and Fairhaven early in 1978. The Trust has completed a 410 ML reservoir

on Painkalac Creek, and some 4 km of pipeline and rising main, but its pump station, service basin, supply mains and town reticulation mains have yet to be completed.

The Trust was constituted after a number of alternative schemes for the provision of water to Airey's Inlet had been considered, including the extension of the Anglesea district by the State Rivers and Water Supply Commission. The Trust provided a written submission to the Public Bodies Review Committee on 17 September 1980, and the Trust was represented at a Public Hearing held by the Committee at Geelong on 26 September 1980.

The Airey's Inlet Waterworks Trust is one of three water/sewerage bodies administered by the Shire of Barrabool, which is located at South Geelong. The others are the Anglesea Sewerage Authority and the Torquay Sewerage Authority. The Shire of Barrabool has branch offices (open 24-26 hours per week) at Torquay and Anglesea, but has no office at Airey's Inlet. Water supply to Torquay and Anglesea is provided by the State Rivers and Water Supply Commission.

Anglesea Sewerage Authority was constituted on 4 July 1967. It consists of the three Coast Riding Councillors of the Shire of Barrabool, and three Government Nominees. The Authority's works include some 35 km of reticulation sewers and several pumping stations. The Authority made a submission to the Committee on 17 September 1980 and was represented at the Public Hearing held by the Committee at Geelong on 26 September 1980 by an Authority Member, the Authority Secretary and a representative of its consulting engineers.

Torquay Sewerage Authority was also constituted in 1967, on 19 December. It consists of two Barrabool Shire Councillors, two South Barwon Shire Councillors and a Government Nominee. The Authority serves some 3,400 tenements and all sewerage is disposed of after treatment through the Geelong Waterworks and Sewerage Trust's Black Rock outfall.

The Authority made a submission to the Committee on 18 September 1980, and was represented at the Public Hearing held by the Committee at Geelong on 26 September 1980 by its Chairman, Secretary and a representative of its consulting engineers.

Both the Anglesea Sewerage Authority and the Torquay Sewerage Authority, in separate letters to the Committee dated 18 June 1980 and 3 June 1980 respectively, advised that the reason for the existence of each Authority was that:-

"It was considered more practicable to create a separate Authority, rather than have the sewerage district developed by the Geelong Waterworks and Sewerage Trust, due to the availability of interest subsidies on construction loans."

The Shire of Barrabool, in a letter to the Committee dated 19 March 1981, suggested that "thought could be given to the development of one overall water and sewerage authority throughout each municipality where multiple authorities presently exist." The Shire also called for the development of "a regional structure to which municipalities can relate ... in the necessity of achieving an overall management of the water system."

The Geelong Waterworks and Sewerage Trust, in its Report to the Public Bodies Review Committee dated July 1981 on "Possible Rationalisation of Water Management Responsibilities in the Barwon Region", has suggested that Airey's Inlet should lie outside the boundaries of any proposed Barwon regional water authority, but that Anglesea and Torquay (slightly to the east) should be included. This would result in two of these coastal townships being included within the jurisdiction of such a new authority, and one being excluded.

Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. held Discussions with the Authority at Geelong on 24 July 1981.

**The Committee's recommendation is that the Airey's Inlet Waterworks Trust, the Anglesea Sewerage Authority and the Torquay Sewerage Authority cease to exist, and that the successor body should be the Barrabool Water Board, responsible for water and sewerage services to those towns. The Committee recommends therefore that the Board assume the water retailing functions of the State Rivers and Water Supply Commission in Anglesea and Torquay. The Committee further recommends that should**

the Water Board consider that at some future time in the interests of its ratepayers it should combine with a larger body, then that body should be the Geelong Water Board. The Committee considers that no further water boards should be established in the coastal regions of the Shire of Barrabool.

Alberton-Port Albert Waterworks Trust

Yarram Waterworks Trust

Yarram Sewerage Authority

The Alberton-Port Albert Waterworks Trust was constituted on 23 August 1966 by Order of the Governor in Council. The Trust consists of six Commissioners elected by the ratepayers and one person appointed by the Minister of Water Supply.

The Trust purchases water in bulk from the Yarram Waterworks Trust, and has some 10 km of main pipeline, 7 km of service mains and an elevated concrete storage at Port Albert.

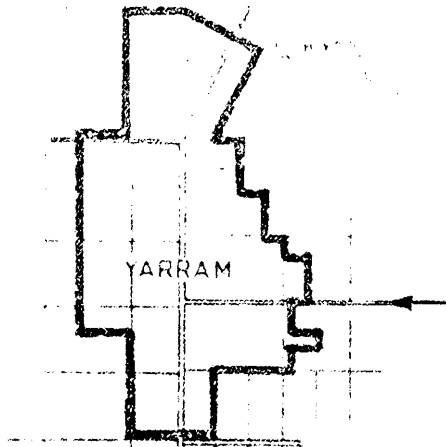
The Trust did not provide a written submission to the Committee during 1980 and did not appear at the Regional Hearing held in Traralgon on 5 September 1980.

The Shire of Alberton River Improvement Trust was constituted in April 1980, and consists of the nine Councillors of the Shire of Alberton. The Trust's district is the whole of the Shire of Alberton, and as the upper reaches of most of the streams fall within the Shire, it is effectively responsible for the whole of a catchment. The officers of the Trust are Council officers and the Shire of Alberton in a letter to the Committee dated 30 June 1981 made it clear that the Trust exists only to obtain funding advantages, but produces administrative duplication as a result:-

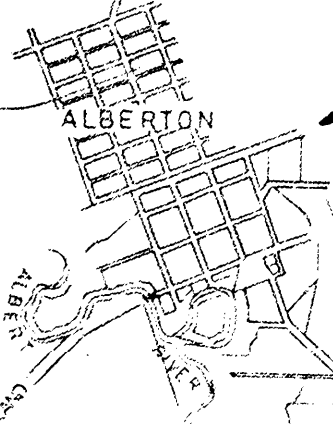
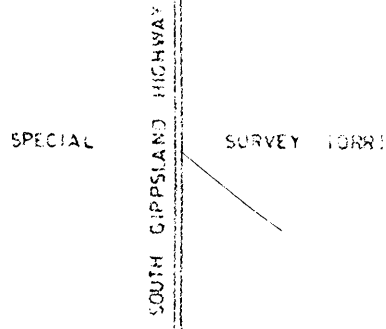
"Duplication of some of the Council's administrative functions by the Shire of Alberton River Improvement Trust is in the opinion of Council unnecessary ... Administrative duplication as well as being inefficient is an additional expense to ratepayers and government."

MAP 1 - ENCIRCLEMENT OF  
ALBERTON-PORT ALBERT  
WATERWORKS TRUST BY  
YARRAM SEWERAGE AUTHORITY.

Yarram Waterworks Trust and  
Sewerage Authority District.



PARISH OF YARRAM YARRAM



Alberton-Port Albert Water-  
works Trust District.



PARISH OF ALBERTON EAST

Extension to Yarram  
Sewerage Authority Region.

OLD SETTLEMENT  
BEACH





Yarram Waterworks Trust was created on 13 March 1905 by Order of the Governor in Council. It consists of six Commissioners elected by the ratepayers and one appointed by the Minister of Water Supply. The Trust obtains water from the Tarra River via a 10 km pipeline, supplying a population of 2,000 people at a rate of 3.5 cents in the dollar N.A.V.

Yarram Sewerage Authority was established on 26 April 1939, and since 1978 has consisted of the Commissioners of the Yarram Waterworks Trust. The Authority pumps sewerage through a 23 km sewerage main to the ocean.

The Yarram Waterworks Trust and Yarram Sewerage Authority are administered jointly, and separately from the Shire of Alberton. As only two Councillors of the Shire of Alberton are ratepayers of the Yarram Waterworks Trust, and only one is a ratepayer of the Yarram Sewerage Authority, a cogent reason for separate administration is apparent.

The Yarram Waterworks Trust and Yarram Sewerage Authority made a joint submission to the Committee on 27 August 1980. This submission stressed the meaningless separation between the Waterworks Trust and the Sewerage Authority:-

"The Trust and Authority ... see no need for two separate Acts and strongly believe the industry could operate as one under a uniform Act. Even now, although the minutes show this Trust and Authority dealing with matters separately, in fact both are usually discussed at the one time and for matter of record only are shown separately in the minutes."

The Trust and Authority were represented at a Public Hearing held by the Committee in Traralgon on 5 September 1980, by their Chairman and Secretary.

Following the publication of the Committee's Second Report, the Yarram Waterworks Trust and Yarram Sewerage Authority made a second submission to the Committee. This submission, apart from advocating the amalgamation of the present Trust and Authority, pointed out the extent to which the Alberton-Port Albert Waterworks Trust had become encircled by the two Yarram bodies. The Alberton-Port Albert

Waterworks Trust obtains its water from the Yarram Waterworks Trust, but will supply water to the Yarram Sewerage Authority, which is the responsible authority for sewerage in Port Albert.

The Shire of Alberton, in a response dated 30 June 1981 to the Second Report of the Public Bodies Review Committee has argued that a single Water Management body should be created to replace the Yarram Waterworks Trust, the Yarram Sewerage Authority and the Alberton-Port Albert Waterworks Trust, and that river improvement become a direct responsibility of the Shire. The first two of these are administered by officers of the Shire of Alberton, while the latter has a separate part-time Secretary.

**The Committee's recommendation is that the Alberton-Port Albert Waterworks Trust, the Yarram Waterworks Trust and the Yarram Sewerage Authority should cease to exist, and that the successor body should be a new body known as the Alberton Water Board, with responsibilities for all urban water and sewerage works required in the Shire of Alberton.**

Alexandra Waterworks Trust

Alexandra Sewerage Authority

Thornton Waterworks Trust

The Alexandra Waterworks Trust was constituted by Order of the Governor in Council on 11 January 1899. The Trust has, since 1957, consisted of the three Councillors for the Alexandra Riding of the Shire of Alexandra, and three persons appointed by the Minister for Water Supply.

The Trust Secretary, Mr. Gerald Walshe, is also Shire Secretary of the Shire of Alexandra, Secretary of the Alexandra Sewerage Authority, Secretary of the Shire of Alexandra River Improvement Trust and Secretary of the Thornton Waterworks Trust. These five bodies are all administered from the Alexandra Shire Offices. The two waterworks trusts and the sewerage authority all employ Garlick and Stewart as consulting engineers, and all five authorities share and contribute to the salary of the Shire Engineer, Mr. Roy Ton.

The Trust serves a population of 1,800 people, and the current water rate is 4.05 cents in the dollar N.A.V. Water is pumped from the Goulburn River to two service basins from which it is reticulated to the township.

Alexandra Sewerage Authority was constituted on 8 December 1966, and consists of the members of the Alexandra Waterworks Trust. The sewerage installation involves a pumping station, lagoons and an irrigation system.

Thornton Waterworks Trust was created by Order of the Governor in Council on 12 May 1964, and consists of the three Councillors for the East Riding of the Shire of Alexandra, plus three persons appointed by the Minister for Water Supply. A population of 120 people is provided with water at a rate of 5.5 cents in the dollar N.A.V. Water is obtained from the Rubicon River and reticulated through the township by gravity.

The Shire of Alexandra River Improvement Trust was constituted in February 1963, and consists of the 15 Councillors of the Shire of Alexandra. It was the first 'whole of Shire' River Improvement district to be constituted, and its responsibilities embrace parts of the Goulburn, Acheron and Rubicon Rivers.

These bodies made a written submission to the Committee dated 14 and 15 August 1980, and were represented at the Discussion held by the Committee at Shepparton on 29 August 1980.

There is already a high degree of integration among these five bodies. Administrative costs are apportioned among them, officers and commissioners are to varying extents shared, and the same consulting engineers are employed.

Sewerage at Eildon, within the Shire, is provided by the State Rivers and Water Supply Commission, the only community in Victoria in which the Commission provides sewerage services.

The Shire of Alexandra advised the Committee on 18 March 1981 that "it would be a distinct advantage to amalgamate water and sewerage functions with municipalities to achieve a considerable economic advantage".

The Committee believes there is little advantage in maintaining these separate entities, and adding to them in order to provide water supply to Buxton and Yarck, both of which are in the Shire of Alexandra, and both of which have examined the possibility of obtaining water supply funding.

**The Committee's recommendation is that the Alexandra Waterworks Trust, the Alexandra Sewerage Authority and the Thornton Waterworks Trust should cease to exist.**

**The Committee considers that the successor body should be the Shire of Alexandra, which should assume responsibility for the provision of urban water supply and sewerage services at Eildon, as part of an overall responsibility for urban water management within the boundaries of the Shire.**

Anglesea Sewerage Authority

See: Airey's Inlet Waterworks Trust

Apollo Bay Waterworks Trust

Apollo Bay Sewerage Authority

Skene's Creek Waterworks Trust

The Apollo Bay Waterworks Trust was constituted by Order of the Governor in Council on 15 January 1924. It consists of the three Councillors of the Apollo Bay Riding of the Shire of Otway and three persons appointed by the Minister of Water Supply. The three ministerial appointees at December 1980 had each given over ten years' service to the Trust, and were each also members of Apollo Bay Sewerage Authority.

The Trust in its submission to the Committee of 30 September 1980 stated that the Commissioners are "local identities" who have a good knowledge of the local area.

The Trust obtains water from an offtake weir on Barham River and from a reservoir on Anderson's Creek, and supplies a population of 1,200 at a rate of 8 cents in the dollar N.A.V.

Apollo Bay Sewerage Authority was created on 24 October 1967, and consists of the three Councillors for the Apollo Bay Riding of the Shire of Otway plus three government nominees. The Authority operates a number of pump stations and an ocean outfall at Black Beacon, near Marengo.

Skene's Creek Waterworks Trust was constituted on 21 August 1973. It is a body of six Commissioners elected by the ratepayers and one appointed by the Minister of Water Supply. The Trust obtains water from a diversion weir on Skene's Creek, 7 km north of the township, and supplies a population of 300 people at a rate of 15 cents in the dollar N.A.V.

Although the Apollo Bay Waterworks Trust and Sewerage Authority did not appear at the Public Hearing held by the Committee at Geelong on 26 September 1980, they subsequently provided written submissions and responded to the Committee's questionnaire. Apollo Bay is some 46 km distant from the centre of administration of the Otway Shire at Beech Forest, and is located well beyond the area of influence of the Geelong Waterworks And Sewerage Trust.

A submission from the Colac Waterworks Trust has demonstrated a number of economic links with Colac. On the other hand, there is also a natural affinity among communities along the Great Ocean Road. All are in a common topographic unit - the 'Otway Coast' drainage basin; all obtain their water from separate short streams running into the sea; all face problems in water and sewerage provision and funding by reason of the tourist trade, and in all cases the need exists to control development and pollution of a major recreational zone.

The closest links presently existing with the Apollo Bay Waterworks Trust and Sewerage Authority are those between them and Skene's Creek Waterworks Trust, which shares the administrative staff, office and workshops and board room and employs the same consulting engineers as the Apollo Bay bodies.

Further east of Skene's Creek lie the townships of Kennet River and Wye River, neither of which currently has a waterworks trust or sewerage authority. However, proposals currently exist for the creation of a waterworks trust to provide reticulated water supply to Wye River and Separation Creek, despite some opposition from persons owning properties there.

The Apollo Bay Waterworks Trust in a submission to the Committee dated 30 September 1980 has advocated a single authority serving Apollo Bay, Skene's Creek, Wye River and Kennet River.

Discussions took place between the Trust's representatives and Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P., at Geelong on 24 July 1981.

**The Committee accepts this proposal, and recommends that the Apollo Bay Waterworks Trust cease to exist, together with the Apollo Bay Sewerage Authority, and the Skene's Creek Waterworks Trust, and that a Wye River Waterworks Trust be not constituted. The Committee recommends that an Otway Coast Water Board succeed them, with responsibilities for urban water and sewerage in the whole of that part of the Otway Coast drainage basin falling within the Shire of Otway. The Committee further recommends that should the Water Board consider that at some future time in the interests of its ratepayers it should combine with a larger body, then that body should be the Colac Water Board.**

City of Ararat

Ararat Sewerage Authority

Shire of Ararat Waterworks Trust

Willaura Sewerage Authority

The City of Ararat has provided a water supply to Ararat for over a century, but was constituted a Local Governing Body under the Water Act on 5 August 1940. The City obtains water from a concrete dam at Mount Cole, as well as from Lake Fyans, which

is controlled by the State Rivers and Water Supply Commission. A population of 9,100 people is supplied at a rate of 5.6 cents in the dollar N.A.V.

Ararat Sewerage Authority was constituted on 21 October 1935 and consists of the Councillors of the City of Ararat. The Authority operates a treatment works and lagoons, in winter discharging treated effluent to the Hopkins River.

Both the water supply and the sewerage are administered integrally with the municipality, and both bodies, in submissions to the Committee dated 11 September 1980, indicated support for the Bains recommendations. Both authorities were represented at a Public Hearing held by the Committee at Ballarat on 19 September 1980. Further discussions took place with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P., at Horsham on 28 July 1981.

The City of Ararat and the Ararat Sewerage Authority, in responding on 18 and 17 August 1981 respectively to the Committee's Second Report, recommended Option L4, as they considered it would "streamline administrative and other functions (and) would strengthen the individual local government unit."

The Shire of Ararat Waterworks Trust was constituted by Order of the Governor in Council on 28 November 1945, and held its first meeting on 15 February 1946. The Trust consists of the Councillors of all Ridings of the Shire of Ararat plus one person appointed by the Minister of Water Supply.

The Trust operates water supply systems to six townships within the Shire of Ararat, viz., Willaura, Streatham, Lake Bolac, Elmhurst, Moyston and Wickliffe. Four of these towns obtain their supplies from Willaura's headworks, which consist of diversion weirs and bores in the vicinity of Stoney Creek, on the east side of the Grampians, linked to the townships by lengthy supply mains. Elmhurst and Streatham have separate systems. The six townships are constituted as separate urban districts; all but Streatham and Willaura are on the maximum rate of 17.5 cents in the dollar N.A.V., and all have a relatively high minimum rate of \$61 for buildings. The average population of each urban district is about 200 persons.

The Shire of Ararat Waterworks Trust was represented at a Public Hearing held by the Committee at Ballarat on 19 September 1980, and provided both written submission and questionnaire response to the Committee. Further discussions took place with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Ballarat on 2 July 1981.

The Shire of Ararat Waterworks Trust is one of three bodies administered from the offices of the Shire of Ararat - the other two being the Shire itself and the Willaura Sewerage Authority. The elected representatives of all three bodies are the same, and all share the same Secretary and resident engineer.

The Trust serves most towns in the Shire, while the Shire provides several small water supply schemes under its Local Government Act powers. Two of the towns in the Shire which are not currently provided with water by the Trust, Pomonal and Buangor, are being considered for water supply improvements.

Willaura Sewerage Authority was constituted on 18 March 1980, and consists of the twelve Councillors of the Shire of Ararat plus one Government Nominee. The Authority serves the township of Willaura. Treatment is by the lagoon system, and final effluent is disposed of by evaporation from a further lagoon.

**The Committee's recommendation is that the City of Ararat cease to be a Local Governing Body under the Water Act, and that in future water supply in the City of Ararat be the direct responsibility of the municipality. The Committee's further recommendation is that the Ararat Sewerage Authority cease to exist, and that the successor body be the City of Ararat. The Committee commends the Shire of Ararat for its integrated approach to water supply, but sees no need for a separate water trust or sewerage authority. Accordingly it recommends that the Shire of Ararat Waterworks Trust and the Willaura Sewerage Authority cease to exist, and that the successor body should be the Shire of Ararat.**



Avenel Waterworks Trust

See: Seymour Waterworks Trust

Avoca Township Waterworks Trust

Landsborough Waterworks Trust

Redbank Waterworks Trust

The Avoca Township Waterworks Trust was created by Order of the Governor in Council on 12 March 1909. The Trust consists of the three Councillors for the South Riding of the Shire of Avoca and three persons appointed by the Minister of Water Supply. The present Commissioners have given lengthy periods of service to the Trust, four having been members of it for twenty years or more.

The Trust obtains its water from two dams and a bore; the population of 1,130 people being supplied at a rate of 5 cents in the dollar N.A.V. With a minimum rate of \$20 per building and an average charge of \$43, the price of water is by no means excessive.

Landsborough Waterworks Trust was created by Order of the Governor in Council on 10 November 1964. It consists of the Councillors for the West Riding of the Shire of Avoca and three persons appointed by the Minister of Water Supply. The Trust supplies water from a reservoir on Franks Gully to the townships of Landsborough and Navarre, where populations of 200 and 100 respectively are served at rates of 11 and 15 cents in the dollar N.A.V.

Redbank Waterworks Trust, the smallest Waterworks Trust in Victoria with an annual revenue of just over two thousand dollars, was created by Order of the Governor in Council on 2 December 1968. It consists of the Councillors for the North Riding of the Shire of Avoca and three persons appointed by the Minister of Water Supply. The Trust obtains its water from a reservoir in State Forest, and serves a population of 90 people at a rate of 10 cents in the dollar N.A.V.

The Avoca Township Waterworks Trust, the Landsborough Waterworks Trust and the Redbank Waterworks Trust did not appear at the Public Hearing held by the Committee at Ballarat on 19 September 1980.

The Landsborough Waterworks Trust and the Shire of Avoca in separate letters dated 16 December 1980 and 31 March 1981 both advised that they favoured a continuation of the existence of separate Trusts with centralized municipal conduct of administration and engineering.

The Avoca Township Waterworks Trust, the Landsborough Waterworks Trust and the Redbank Waterworks Trust are administered from the office of the Shire of Avoca, and the Shire Secretary, Mr. Frank Edwards, is also Secretary of each Trust.

**The Committee, noting that there is currently a Waterworks Trust in each of the three Ridings of the Shire of Avoca, does not see any need for the separate existence of these separate Trusts, and recommends that the Avoca Township Waterworks Trust, the Landsborough Waterworks Trust and the Redbank Waterworks Trust should cease to exist. The Shire of Avoca should be the successor to these bodies.**

#### Axedale Waterworks Trust

The Axedale Waterworks Trust was created by Order of the Governor in Council on 23 January 1963. It consists of the three Councillors for the Axedale Riding of the Shire of Strathfieldsaye and three persons appointed by the Minister of Water Supply.

The Trust obtains its water from the Campaspe River, from which it is pumped to a standpipe. With a rate of 6.5 cents in the dollar N.A.V., and a minimum rate of \$25, water is not expensive. It supplies a population of 150 people. The Trust has a part-time Secretary, Mr. I. G. W. Smith, and employs a firm of consulting engineers in Bendigo, 20 km distant.

Most of the population of the Shire of Strathfieldsaye is located within the Bendigo urban area, and two of the three Axedale Riding Councillors live in Bendigo.

**The Committee sees little in common between the interests of Axedale and those of Bendigo, and recommends that the Axedale Waterworks Trust should cease to exist, but should be replaced by an Axedale Water Board, directly elected by ratepayers.**

#### Shire of Bacchus Marsh

#### Bacchus Marsh Sewerage Authority

The Shire of Bacchus Marsh was constituted a Local Governing Body under the Water Act on 5 February 1952, when it took over responsibility for urban water supply in Bacchus Marsh from the State Rivers and Water Supply Commission. The Shire provides water to two Urban Districts, Bacchus Marsh and Myrning, the populations served being 7,100 and 150 respectively, and to the Rural District of Long Forest. A rate of 5 cents in the dollar N.A.V. is charged at Bacchus Marsh, and 17.5 cents at Myrning. Water for Bacchus Marsh and Myrning is obtained from Pykes Creek Reservoir, that for Bacchus Marsh passing through a treatment plant before reticulation. The Long Forest supply comes from the Melton treatment plant.

The Bacchus Marsh Sewerage Authority was established on 25 October 1949, and, like the "Local Governing Body" responsible for water supply in Bacchus Marsh, consists of the Shire Council. The sewerage system involves lagoons and irrigation at a treatment site 2 km south of the town.

The Shire of Bacchus Marsh did not appear at the Public Hearing held by the Committee at Ballarat on 19 September 1980. However on 24 March 1981 the Shire of Bacchus Marsh and the Bacchus Marsh Sewerage Authority advised that they favoured a single authority responsible for municipal, water and sewerage administration:-

"One administration centre, one depot, one plant fleet, one employee force, one issue of rate notices, a single Council, are all aspects which it is

believed provide important cost saving benefits to ratepayers of this municipality."

**The Committee's recommendation is that the Shire of Bacchus Marsh cease to be constituted as a Local Governing Body under the Water Act, that the Bacchus Marsh Sewerage Authority cease to exist, and that in future all urban water and sewerage services in the Shire of Bacchus Marsh be the direct responsibility of the Shire Council.**

Bairnsdale Waterworks Trust

Bairnsdale Sewerage Authority

Lindenow Waterworks Trust

Paynesville Waterworks Trust

Paynesville Sewerage Authority

The Bairnsdale Waterworks Trust was created by Order of the Governor in Council, and first met as an urban water trust in May 1906, having previously been an Irrigation Trust. The Trust was reconstituted as an elective trust in 1967, and now consists of six persons elected by the ratepayers and one person appointed by the Minister of Water Supply.

The Trust obtains water from the Mitchell River and supplies water to Bairnsdale, Lindenow and Wy-Yung.

The Trust made a written submission to the Committee and was represented at a Public Hearing held in Bairnsdale on 15 August 1980.

Bairnsdale Sewerage Authority was constituted on 24 October 1932 and consists of the Commissioners of the Bairnsdale Waterworks Trust. The Authority treats sewerage at an overloaded treatment plant on the western edge of McLeod's Morass, a State Wildlife Reserve.

The Bairnsdale Waterworks Trust and Sewerage Authority made a joint submission to the Committee in August 1980, advocating the unified administration of water supply and sewerage services within the Shire of Bairnsdale, and citing a report from their consulting engineers, Messrs. Garlick and Stewart (who are also consulting engineers to the Paynesville Waterworks Trust) to the effect that:-

"the formation of one Trust to construct, operate, maintain and administer water supply schemes within the Shire of Bairnsdale would be desirable."

The Trust and the Authority restated this view in a joint response to the Committee's Second Report, "Future Structures for Water Management", suggesting that a developmental approach to integration could be appropriate in the Shire of Bairnsdale.

Lindenow Waterworks Trust was created on 13 February 1952 and consists of the Councillors for the West Riding of the Shire of Bairnsdale and three persons appointed by the Minister of Water Supply. The Trust pumps water from the Mitchell River, supplying some 400 people at a rate of 5 cents in the dollar N.A.V. The Lindenow Waterworks Trust made an initial submission to the Committee on 15 August 1980, outlining serious technical problems and major financial difficulties facing the Trust. The Committee heard evidence from the Chairman and Secretary of the Trust at the Public Hearing held in Bairnsdale on 15 August 1980, and received a further submission from the Trust on 4 August 1981 in response to the Committee's Second Report. This further submission called for the continuance of the separate Trust. Mr. R. A. Jolly, M.P., had a further meeting with representatives of the Trust at Bruthen on 17 July 1981.

Paynesville Waterworks Trust was created on 19 July 1960 and consists of five Commissioners elected by the ratepayers and one person appointed by the Minister of Water Supply. The Trust purchases bulk water from the Bairnsdale Waterworks Trust, from where it is pipelined 13 km to Paynesville. At Paynesville 1,900 people are served at a rate of 2 cents in the dollar N.A.V.

Paynesville Waterworks Trust was represented at the Public Hearing held by the Committee at Bairnsdale on 15 August 1980 by its Secretary, Commissioner and

consulting engineer. The Trust responded to the Committee's Second Report with a submission dated 1 July 1981 advocating Option L3. Mr. R. A. Jolly, M.P. met representatives of the Trust at Bruthen for further discussions on 17 July 1981.

Paynesville Sewerage Authority was constituted on 10 July 1979 and consists of the Councillors of the Shire of Bairnsdale. The Authority has not yet commenced works, but has plans for a \$2 million sewerage scheme to serve Paynesville, Raymond Island and Eagle Point on Lake King.

The Shire of Bairnsdale in its submission to the Committee dated 30 March 1981 advised that it favoured a single integrated operation, with the municipal council directly responsible for all water, sewerage and river improvement functions.

The Mitchell River Improvement Trust was formed in 1957. It consists of nine Commissioners, seven of whom are elected by the ratepayers, one appointed by the Minister of Water Supply and one by the Shire of Bairnsdale. The Trust is administered through the officers of the Bairnsdale Waterworks Trust and Sewerage Authority.

The Bairnsdale Waterworks Trust and Sewerage Authority are closely integrated, having the same Commissioners and common staff. The rates, at 3.5 cents in the dollar, are relatively low as the works are old, but steep increases are expected when the headworks are replaced.

The administration of the Lindenow Waterworks Trust, the Paynesville Waterworks Trust and the Paynesville Sewerage Authority are all carried out from the office of the Shire of Bairnsdale. The Bairnsdale Waterworks Trust and Sewerage Authority have a joint administration separate from the municipality, and also administer the Mitchell River Improvement Trust.

**The Committee considers that there is an unnecessary duplication of water administration within the Shire of Bairnsdale, and accordingly recommends that the Bairnsdale Waterworks Trust, the Bairnsdale Sewerage Authority, the Paynesville Waterworks Trust, the Paynesville Sewerage Authority and the Lindenow Waterworks Trust should cease to exist.**

**The Committee further recommends that the successor body should be the Bairnsdale Water Board, with responsibilities for urban water and sewerage services throughout the Shire of Bairnsdale. This Authority should be so constituted as to provide representation to each community in the Shire.**

Ballan Waterworks Trust

Ballan Sewerage Authority

Ballan Waterworks Trust was created by Order of the Governor in Council on 12 February 1885. It consists of three Councillors for the Central Riding of the Shire of Ballan, and the three Councillors for the West Riding of the Shire of Ballan, plus three persons appointed by the Minister of Water Supply.

The Trust obtains its water from a 164 ML storage reservoir 9 km north of Ballan, and a population of 1,600 people is supplied at a rate of 3.5 cents in the dollar N.A.V.

Ballan Sewerage Authority was constituted on 19 December 1978 and consists of the Councillors for the Central Riding of the Shire of Ballan plus three Government Nominees. Its works have yet to be commenced.

The Trust advised the Committee on 11 March 1981 that it favoured the recommendations of the Bains inquiry concerning the future of water and sewerage, but on 19 June 1981 in a further letter the Trust advised that it favoured the retention of its existing corporate and administrative structure.

Further Discussions took place with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Ballarat on 2 July 1981.

The Trust and the Ballan Sewerage Authority are the only water or sewerage bodies in the Shire, and the Trust has introduced plans for the provision of reticulated water to the two other significant towns in the Shire, Gordon and Mount Egerton.

**The Committee's recommendation is that the Ballan Waterworks Trust and the Ballan Sewerage Authority cease to exist, and that the successor body be the Shire of Ballan, with water and sewerage responsibilities extending to the whole of the Shire.**

Ballarat Water CommissionersBallarat Sewerage Authority

The Ballarat Water Commissioners, constituted in 1880, are the oldest continuous water administration in Victoria, having been constituted under Act 44 Vic. No. 656 (July 1880). The Water Commissioners now operate under a special section (s. 185) of the Water Act 1958. This section provides for the Commission to comprise ten Commissioners, of whom two are Government Nominees, three are from the Ballarat City Council, and one each from the Borough of Sebastopol and the Shires of Ballarat, Bungaree, Buninyong and Grenville.

The Ballarat Sewerage Authority was among the first to be constituted under the Sewerage Districts Act, and was created by Order of the Governor in Council.

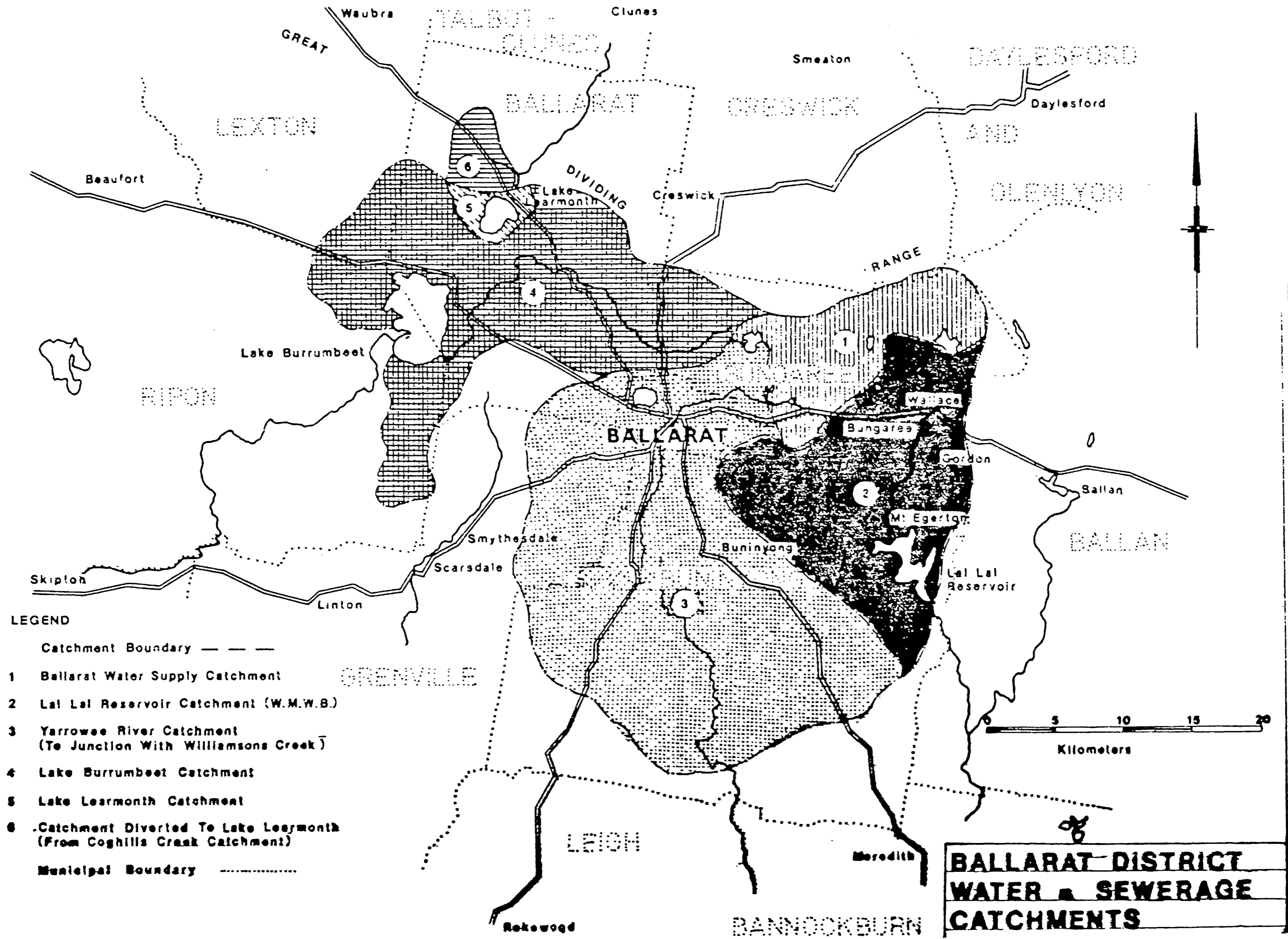
The Ballarat Water Commissioners and Sewerage Authority have made extensive inputs to the Committee's work, including participation in a Discussion on 11 July 1980, a Public Hearing on 19 September 1980, and the preparation of Background Papers and Submissions. The Commissioners were also represented at Discussions held with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Ballarat on 2 July 1981.

In their September 1980 Submission, the Ballarat bodies argued for the establishment of catchment or regional based authorities, and indicated that it would be possible to take over other Trusts and Authorities, and in particular the Buninyong Waterworks Trust, which has made overtures to the Commissioners in this regard.

In that submission the bodies also advised that the Ballarat Water Commissioners provide bulk water to the Bungaree and Wallace Waterworks Trust, the Buninyong Waterworks Trust, the Rokewood Waterworks Trust, the Smythesdale-Scarsdale Waterworks Trust and the Linton Waterworks Trust, the latter four being supplied as extensions to the existing Ballarat reticulation system. The Bungaree and Wallace and Buninyong Waterworks Trusts operate in close proximity to the Ballarat Water Commissioners supply mains, reservoirs and catchments. The submission further advised that the Commissioners provide the five Waterworks Trusts with advisory



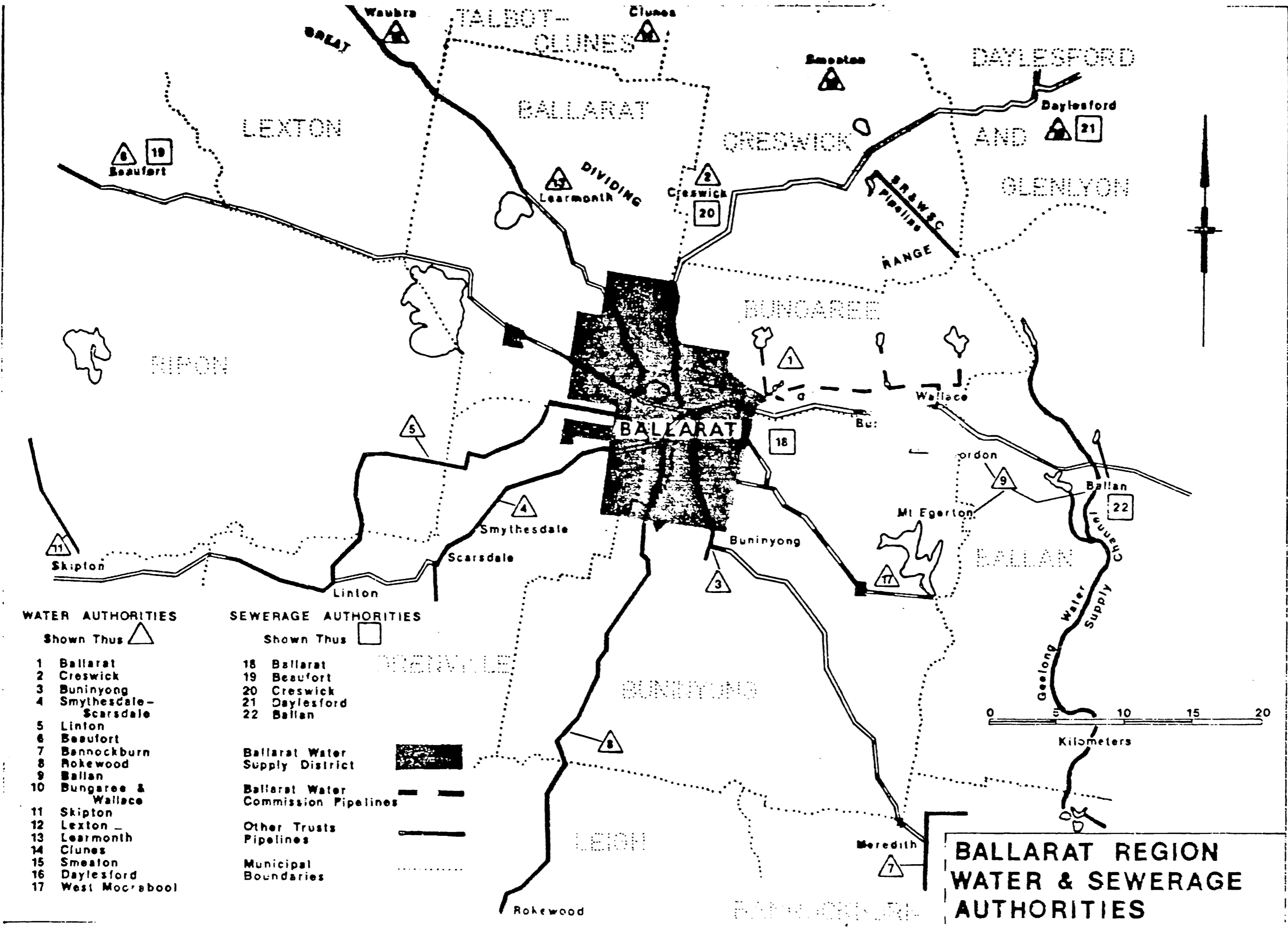
BALLARAT WATER SUPPLY SYSTEM SHOWING  
OTHER NEARBY WATER TRUSTS.



- LEGEND
- Catchment Boundary — — — —
  - 1 Ballarat Water Supply Catchment
  - 2 Lal Lal Reservoir Catchment (W.M.W.B.)
  - 3 Yarrowee River Catchment (To Junction With Williamsons Creek)
  - 4 Lake Burrumbeet Catchment
  - 5 Lake Learmonth Catchment
  - 6 Catchment Diverted To Lake Learmonth (From Coghills Creek Catchment)
  - Municipal Boundary - - - - -

**BALLARAT DISTRICT  
WATER & SEWERAGE  
CATCHMENTS**

MAP 3.  
BALLARAT WATER SUPPLY CATCHMENTS AND ADJACENT  
CATCHMENTS RECEIVING EFFLUENT FROM SEWERAGE TREATMENT PLANTS.



services and engineering and maintenance assistance when required and, in addition, provide similar services to the Learmonth Waterworks Trust and full engineering services to the West Moorabool Water Board.

The Ballarat Sewerage Authority in addition to collection, treatment and disposal of domestic sewerage within its district also, by agreement, collects wastes from industries within the district, and provides a clearing and acceptance establishment for Councils to dispose of night soil. The Authority also carries out pumping inspections for the Daylesford and Ballan Sewerage Authorities and is deeply involved in the study of Lake Burrumbeet. Further, through its laboratory, the Authority provides testing services for some fifteen Authorities, Councils and Government Departments.

In a later submission to the Committee the Ballarat bodies stated "the Commissioners and the Authority will accept any additional R4 type functions that may be recommended by the Committee, but point out that these recommendations must consider the following matters:-

- a) representation,
- b) financial adjustments and provisions,
- c) recognition that distances will diminish physical efficiency and that 40 to 50 kilometers would be the practical limitation of range for R4 functions".\*

**The Committee's recommendation is that the Ballarat Water Commissioners and the Ballarat Sewerage Authority cease to exist, and that the successor body be the Ballarat Water Board.**

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\* Page 49 of the Committee's Second Report to Parliament defines R4 as "A regional authority responsible for all water, sewerage, drainage and flood protection works in its region."

### Bannockburn District Waterworks Trust

The Bannockburn District Waterworks Trust was created by Order of the Governor in Council on 22 July 1969. It consists of three Councillors from the Shire of Bannockburn, one Councillor from the Shire of Leigh and one person appointed by the Minister of Water Supply.

The Trust obtains water from the Moorabool River from where it is supplied to Meredith, Lethbridge, Bannockburn, Inverleigh, Teesdale and Shelford, which are separate urban districts but share a common rate of 6.5 cents in the dollar N.A.V.

The Trust wrote to the Committee on 10 July 1980 providing the Committee with some general information concerning its activities, and followed this up with a more detailed submission on 18 September 1980. That submission opposed amalgamation with the Shire of Leigh or the Shire of Bannockburn, or with the Ballarat or Geelong water and sewerage authorities, and advanced a number of arguments in support of this view, including technical difficulties and arguments concerning political responsiveness and local knowledge. The Trust was represented at a Public Hearing held by the Committee at Geelong on 26 September 1980 by its Resident Engineer and Secretary, Mr. K. T. Middleton, who is also the Shire Engineer and Town Planning Officer for the Shire of Bannockburn, but who resides in Geelong. In evidence Mr. Middleton stated that, prior to the establishment of the Trust, "approaches were made to the Geelong Waterworks and Sewerage Trust re: the possibility of their area being extended and us included. The problems at that stage were that the Geelong Trust could not get the advantages of the Government formula for assistance to small trusts."

Further Discussions took place with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Geelong on 24 July 1981. Mrs. Chambers subsequently visited the Trust for discussions and inspections.

The pipeline supplying Geelong from the West Moorabool Reservoir actually passes through the area of the Bannockburn District Waterworks Trust, and there is a

significant overlap in the existing boundaries of the Geelong Trust and those of the Bannockburn District Waterworks Trust.

**The Committee's recommendation is that the Bannockburn District Waterworks Trust should cease to exist, and the successor body be the Bannockburn Water Board. The Committee further recommends that from 1 January 1984 its responsibilities be assumed by the Geelong Water Board.**

Barnawartha Waterworks Trust

Chiltern Waterworks Trust

Chiltern Sewerage Authority

Barnawartha Waterworks Trust was constituted by Order of the Governor in Council on 22 November 1950. It consists of five Commissioners elected by the ratepayers and one person appointed by the Minister of Water Supply.

The Trust obtains water from bores, from which it is pumped to a service basin and then reticulated to the town. The rate is 7.62 cents in the dollar N.A.V.

The Trust did not provide a submission to the Committee during 1980, did not attend the Public Hearing held by the Committee at Wodonga on 22 August 1980, and did not respond to the Committee's questionnaire.

Barnawartha Waterworks Trust is one of two small waterworks trusts in the Shire of Chiltern which share the same Trust Secretary, Mr. M. H. Gardner, the same typiste/clerk, the same consulting engineers and the same office, which is located at the Chiltern Shire Hall.

Chiltern Waterworks Trust was created by Order of the Governor in Council on 12 June 1945. It consists of four Commissioners elected by the ratepayers and one person appointed by the Minister of Water Supply.

The Trust obtains water from a bore, a spring and from a catchment above its reservoir. A population of 830 people is served at a rate of 6 cents in the dollar N.A.V.

Chiltern Sewerage Authority was constituted on 12 March 1980, and consists of the Councillors of the Shire of Chiltern. Construction has not yet commenced.

The Trust and the Authority did not provide submissions to the Committee during 1980, and did not attend the Public Hearing held by the Committee at Wodonga on 22 August 1980.

Chiltern Waterworks Trust and the Chiltern Sewerage Authority share the same Trust Secretary, Mr. M. H. Gardner, the same typiste/clerk, the same consulting engineers and the same office, which is located at the Chiltern Shire Hall.

The Shire of Chiltern advised the Committee by letter of 22 April 1981 that it considers that "small municipalities should take over the the affairs of Water Trusts."

**The Committee's recommendation is that the Barnawartha Waterworks Trust, the Chiltern Waterworks Trust and the Chiltern Sewerage Authority should cease to exist, and that the successor body be the Shire of Chiltern.**

#### Barwon Heads Sewerage Authority

Barwon Heads Sewerage Authority was constituted by Order of the Governor in Council on 7 March 1967. It consists of the Councillors of the Connewarre Riding, City of South Barwon, and three Government Nominees. The Authority pumps sewerage through a pipeline shared by the Ocean Grove, Queenscliff and Point Lonsdale Sewerage Authorities to the Geelong Waterworks and Sewerage Trust's Black Rock ocean outfall.

The Barwon Heads Sewerage Authority advised the Committee by letters of 31 March 1981 and 23 June 1981 that it did not wish to appear before the Committee or make a

written submission, and that it desired its existing structure to be continued. A submission in support of the existing structure was also put to Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Geelong on 24 July 1981.

The Barwon Heads Sewerage Authority purchases secretarial services from the City of South Barwon, which is located in the Geelong suburb of Belmont, but provides its own administrative officer and maintenance services in Barwon Heads.

Water supply and sewerage services in the City of South Barwon are quite fragmented, with water supply responsibilities being divided between the State Rivers and Water Supply Commission and the Geelong Waterworks and Sewerage Trust, and sewerage services being divided among the Geelong Waterworks and Sewerage Trust, and two local sewerage authorities, which share facilities, such as the Black Rock outfall. As the City of South Barwon's entry in the 1980 Municipal Directory states:-

"The whole of the City of South Barwon is on the outskirts of the City of Geelong. From the furthest point of the municipality Geelong can be reached in half an hour, thus making all Geelong facilities available to residents of the City."

**The Committee, believing that water and sewerage services should ultimately be integrated in each community, recommends that the Barwon Heads Sewerage Authority cease to exist, and that the successor body, in respect of sewerage services, until 1 January 1986, be the Barwon Heads Sewerage Board, and on that date the Geelong Water Board assume its responsibilities. The Committee recommends that water supply to Barwon Heads be transferred to the Geelong Water Board from the State Rivers and Water Supply Commission as soon as practicable.**

Bealiba Waterworks TrustShire of Bet Bet

Bealiba Waterworks Trust was created by Order of the Governor in Council on 1 January 1935, and consists of the Councillors of Bealiba Riding, Shire of Bet Bet, plus three persons appointed by the Minister of Water Supply.

The Trust obtains water from its own reservoir and catchment, located 3 km from Bealiba, augmented by a pumping station on the Avoca River. Its rate is 8 cents in the dollar N.A.V.

The Bealiba Waterworks Trust did not provide the Committee with a written submission during 1980, nor did a representative attend the Public Hearing held by the Committee at Bendigo on 12 September 1980. The Trust did not return the Committee's questionnaire.

The Secretary of the Bealiba Waterworks Trust, Mr. A. J. Kennedy, is also Shire Secretary for the Shire of Bet Bet.

The Shire of Bet Bet is a Local Governing Body under the Water Act. It provides water supply to Dunolly, Tarnagulla and Laanecoorie by pumping from the Loddon River. Populations of 650 at Dunolly and 200 at Tarnagulla are provided with water at rates of 9 and 17.5 cents in the dollar N.A.V. respectively. The Shire of Bet Bet did not appear at the Public Hearing held by the Committee in Bendigo on 12 September 1980.

**The Committee's recommendation is that the Shire of Bet Bet cease to be constituted as a Local Governing Body under the Water Act, that the Bealiba Waterworks Trust should cease to exist, and that in future all necessary urban water and sewerage services in the Shire should be the direct responsibility of the Shire Council.**



Beaufort Waterworks Trust

Beaufort Sewerage Authority

Beaufort Waterworks Trust was created by Order of the Governor in Council on 23 September 1952, and consists of three Councillors for the North Riding of the Shire of Ripon plus three persons appointed by the Minister of Water Supply.

The Trust obtains water from weirs on Fiery Creek, from which it passes to two reservoirs through a supply main. The population of 1,550 is supplied with water at a rate of 4 cents in the dollar N.A.V.

Beaufort Sewerage Authority was constituted by Order of the Governor in Council on 3 July 1968, and consists of the three Councillors for the North Riding of the Shire of Ripon and three Government Nominees. The Authority has a treatment works and lagoon system 1 km north of the town.

The Beaufort Waterworks Trust and the Beaufort Sewerage Authority did not make submissions to the Committee during 1980, nor were they represented at the Public Hearing held by the Committee at Ballarat on 19 September 1980.

The Secretary of the Beaufort Waterworks Trust, Mr. F. W. Glare, is also the Shire Secretary of the Shire of Ripon and Secretary of the Beaufort Sewerage Authority.

The Shire of Ripon, in a submission to the Committee dated 6 May 1981, advocated the amalgamation of the Beaufort Waterworks Trust and the Beaufort Sewerage Authority, administrative integration of the amalgamated body with the Shire of Ripon, but the retention of a separate corporate identity for the water body.

Further Discussions took place with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Ballarat on 2 July 1981.

As Beaufort is the only community in the Shire of Ripon currently provided with water and sewerage services, the Committee recognises that there could be a divergence of interest between the priorities of Beaufort and those of the rest of the Shire.

The Linton Waterworks Trust also operates marginally within the boundaries of the Shire of Ripon, in that it supplies water to Snake Valley. The Committee does not see this supply as being one which should be conducted by the Ripon Water Board.

**Accordingly the Committee's recommendation is that the Beaufort Waterworks Trust and the Beaufort Sewerage Authority cease to exist. The Committee recommends that the successor body should be a new separate legal entity known as the Ripon Water Board, constituted on the same basis as the existing Beaufort Waterworks Trust, but with responsibility for water and sewerage services in Beaufort. The Committee recommends that in all respects possible the maximum integration between the Ripon Water Board and the Shire of Ripon should be pursued.**

United Shire of Beechworth

Beechworth Sewerage Authority

The United Shire of Beechworth is a Local Governing Body under the Water Act. It obtains water from Lake Kerferd, and supplies some 3,500 people at a rate of 1.5 cents in the dollar N.A.V.

The Beechworth Sewerage Authority was constituted on 24 April 1939 and consists of the Councillors of the Shire. Sewerage is treated north-west of the town and disposed of by land irrigation.

These authorities did not appear at the Public Hearing held by the Committee in Wodonga on 22 August 1980, but advised the Committee by letter that "the system works quite well as it is presently constituted."

Beechworth is the only significant town in the Shire.

**The Committee's recommendation is that the United Shire of Beechworth cease to be constituted as a Local Governing Body under the Water Act, that the Beechworth Sewerage Authority cease to exist, and that in future all**

**urban water and sewerage services in the United Shire of Beechworth should be the direct responsibility of the Shire Council.**

### Bellarine Sewerage Authority

The Bellarine Sewerage Authority was created as the product of the most recent amalgamation in the sewerage field in Victoria, which took place on 1 October 1980, when the Ocean Grove and Portarlington Sewerage Authorities were united. The Authority consists of three Bellarine and three Paywit Riding Councillors of the Shire of Bellarine, plus three Government Nominees.

The Ocean Grove and Portarlington Sewerage Authorities made submissions to the Committee during 1980, and were visited by the Committee for informal discussions held at the Shire Offices, Drysdale, on 13 June 1980. Both authorities were represented at the Public Hearing held by the Committee at Geelong on 26 September 1980.

The Shire of Bellarine advised the Committee by letter dated 18 March 1981 that it favoured the continuation of water and sewerage bodies as separate legal entities, administered by and provided with engineering services through municipalities wherever possible.

The Geelong Waterworks and Sewerage Trust in its Report to the Committee on "Possible Rationalisation of Water Management Responsibilities in the Barwon Region", July 1981, advocated that the Bellarine and other sewerage authorities in the area be merged with the Trust. However the Trust indicated that first priority should be given to integrating water supply management in the Barwon Region.

The Bellarine Sewerage Authority, in its further submission to the Committee, 6 January 1981, argued against a merger with the Geelong Waterworks and Sewerage Trust, pointing out that that Trust had other difficulties and priorities to contend with, while the Bellarine Authority was efficiently managed and responsive to local needs.

Further Discussions took place with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Geelong on 24 July 1981.

The Committee's recommendation is that the Bellarine Sewerage Authority should cease to exist, and that the successor body should be the Shire of Bellarine. The Committee, believing that water and sewerage services should ultimately be integrated in each community, recommends that responsibility for sewerage services in the Shire of Bellarine should pass to the Geelong Water Board on 1 January 1986. The Committee recommends that responsibility for water supply in the Shire of Bellarine should be transferred from the State Rivers and Water Supply Commission to the Geelong Water Board as soon as is practicable.

Benalla Waterworks Trust

Benalla Sewerage Authority

Benalla Waterworks Trust was created by Order of the Governor in Council on 3 July 1882, and consists of six Commissioners elected by the ratepayers plus one person appointed by the Minister of Water Supply.

The Trust diverts water from Ryans Creek in the Toomballup Ranges into two reservoirs, from which it is piped 16 km to service basins and storages. The population of 8,700 is provided with water at a rate of 4.5 cents in the dollar N.A.V.

Benalla Sewerage Authority was constituted on 16 January 1934, and consists of the Commissioners of the Benalla Waterworks Trust. The Trust operates a sewerage treatment works including activated sludge treatment and land disposal.

The Benalla Waterworks Trust and the Benalla Sewerage Authority made submissions to the Committee on 20 August 1980 and were represented at a Discussion held by the Committee at Shepparton on 29 August 1980 by their Secretary, Mr. L. A. Hearley. In its written submission the Trust outlined its 99-year history and the significant long service of its voluntary Commissioners.

The administration of the Benalla Waterworks Trust is closely integrated with that of the Benalla Sewerage Authority and the City of Benalla. The Secretary of the Benalla Waterworks Trust is the Town Clerk of the City of Benalla, and Secretary of the Benalla Sewerage Authority, and the City Engineer holds the corresponding three posts on the engineering side.

The Committee believes that, in principle, the City of Benalla would be the appropriate body to undertake water and sewerage functions in Benalla, but notes the strong resistance to such integration in evidence advanced by the Trust at Shepparton and in the submission to the Committee from the City of Benalla dated 11 March 1981.

**The Committee's recommendation is that the Benalla Waterworks Trust and the Benalla Sewerage Authority cease to exist and that the successor body should be the Benalla Water Board, responsible for water and sewerage services in Benalla. However the Committee considers the existing administrative and technical integration with the City of Benalla should be retained and fostered.**

#### Bendigo Sewerage Authority

Bendigo Sewerage Authority was created by Order of the Governor in Council on 20 November 1916. It consists of one Government Nominee, and ten elected members, six members from the City of Bendigo and one each from the municipalities of Eaglehawk, Strathfieldsaye, Marong and Huntly.

The Authority provides sewerage services to 55,000 people at an average payment of \$33 per tenement and a number of industries in the Bendigo area. The reticulation system is mostly gravity, but a number of minor pumping stations serve outlying areas. Effluent is disposed of by irrigation on 150 ha of land in the summer and by discharge to Bendigo Creek in the winter.

The Bendigo Sewerage Authority provided an initial submission to the Committee on 22 August 1980 and attended the Public Hearing held by the Committee at Bendigo on

12 September 1980. In its submission the Authority stated, inter alia, "that the combination of water and sewerage would ... place all provincial cities on the same basis, and earned revenue from water would be spent in this area as well as creating a larger management group."

In evidence to the Public Hearing on 12 September 1980 the Authority in answers to questions concerning an expanded role for the Authority suggested while it may not be appropriate for a sewerage authority as such taking other functions it may be appropriate to create a new body combining the present sewerage authority functions with other things. As an initial step it saw a combination of functions dealing with water in the ground but confined to the five municipalities presently covered by the Sewerage Authority District.

The Bendigo Sewerage Authority advised the Committee by letter on 4 August 1981 that it was opposed to the control of water supply and sewerage being with one body.

The Committee is aware of concern in Bendigo at the age of the water supply system, and the possible need for financial assistance if it passes to local control.

Water supply to Bendigo forms part of the State Rivers and Water Supply Commission's Coliban System. The Commission in 1980 advanced proposals to divide the Coliban system into separate Urban and Rural Districts. The Urban District under this proposal would include not only Bendigo, Marong, Strathfieldsaye, Eaglehawk and Huntly, but a number of communities in the Castlemaine area.

The State Rivers and Water Supply Commission's submission in response to the Committee's Second Report suggested that the Bendigo area was a particular case where there could be a logical development from the R2 Option (no regional authority as such but a co-ordinating committee for each defined region, similar to that proposed in "A Sewerage Strategy for the Yarra Valley" though not necessarily chaired from the Ministry of Water Resources) to R4 where a single regional authority would be responsible for all water, sewerage, drainage and flood protection works in its region.

By letter dated 17 September 1980 the City of Bendigo suggests that "the establishment of a regional type authority to look after drainage, water, sewerage, town planning, etc. would further weaken municipal government and effectively create a fourth tier of Government" ... and ... "would be most counter-productive".

However, the City of Bendigo advised the Committee on 11 August 1981 that it had considered the Public Bodies Review Committee's Second Report at its meeting on 3 August 1981, and that it had advised the Minister of Water Supply that it favoured, for the Bendigo area, a sub-regional body with the following characteristics:-

- (a) an independent authority responsible for the provision of both water supply and sewerage,
- (b) the boundary of the authority to coincide with the area currently supplied with reticulated water,
- (c) differential rating to be applied, depending whether a particular property has access to either or both water and sewer,
- (d) authority to purchase bulk water from a regional body, responsible for headworks, and
- (e) authority to be controlled by representatives from each municipality falling within the authority's area. (Similar to Bendigo Sewerage Authority, but without Government nominee.)

The Bendigo City Council also indicated its preferences in respect of regional and state levels of administration in the water industry. An extract of the Council's submission is at Appendix I. .

The Bendigo Creek Improvement Trust was created by Order of the Governor in Council dated 8 January 1952. It also has representatives from the municipalities of Bendigo, Eaglehawk, Marong, Strathfieldsaye and Huntly as well as a Government Nominee.

The Committee's recommendation is that the Bendigo Sewerage Authority cease to exist, and that the successor body be a Bendigo Water Board, responsible for urban water and sewerage activities in the areas of the municipalities of Bendigo, Eaglehawk, Marong, Strathfieldsaye and Huntly, currently served by the Bendigo Sewerage Authority and the State Rivers and Water Supply Commission's Coliban System. The Committee further recommends that the possibility of special financial assistance to the Bendigo Water Board in recognition of the age of the water supply system there be explored.

#### Shire of Bet Bet

See: Bealiba Waterworks Trust

#### Birchip Sewerage Authority

Birchip Sewerage Authority was constituted in May 1968, and its members are the Councillors of the Shire of Birchip. The Authority's works were completed in 1970 and consist of mains, pumping stations and lagoons.

Birchip Sewerage Authority is closely integrated with the Shire of Birchip, sharing a Secretary, administrative functions and maintenance functions. Birchip is the only major town of the Shire.

Urban water supply in Birchip is currently the responsibility of the State Rivers and Water Supply Commission.

The Authority made a submission to the Committee on 23 July 1980 indicating support for the amalgamation of sewerage authorities with municipalities. The Authority was represented at a Public Hearing held by the Committee at Horsham on 1 August 1980, and at Discussions held with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Horsham on 28 July 1981.



The Committee's recommendation is that the Birchip Sewerage Authority should cease to exist, and that the successor body should be the Shire of Birchip, which should assume responsibility for all necessary urban water and sewerage provision in the Shire, including urban water supply services currently provided by the State Rivers and Water Supply Commission.

### Boort Waterworks Trust

The Boort Waterworks Trust was created by Order of the Governor in Council on 20 June 1890. Since 1909, it has consisted of six Commissioners elected by the ratepayers.

The Trust obtains its water from the State Rivers and Water Supply Commission's North Boort Irrigation Channel from where it is piped, pumped, automatically treated, delivered to a service basin and reticulated. The population of 850 is served with water at a rate of 10.5 cents in the dollar N.A.V.

The Trust made a written submission to the Committee on 11 August 1980, which called for the continuance unchanged of its existing structure. The submission pointed out that the Shire of Gordon, in which Boort is located, has an area of 800 square miles and that some Councillors live up to 40 miles distant from Boort. At the Public Hearing held in Bendigo on 12 September 1980, the Trust was represented by its Chairman, a Commissioner, its Secretary and its consulting engineer. At the Public Hearing, the Trust was questioned as to the possibility of its administration being combined with that of any other town. The Secretary of the Trust pointed out that the other town in the Shire, Pyramid Hill, was supplied as part of the State Rivers and Water Supply Commission system.

Secretarial support for the Boort Waterworks Trust is provided from the Shire of Gordon, whose headquarters are in Boort. The Secretary of the Boort Waterworks Trust, Mr. T. H. Forbes, is also Secretary of the Shire of Gordon and of the Bullock

Creek Improvement Trust. Rate collections are undertaken by the Council's Rate Collector.

The Shire of Gordon advised the Committee on 27 February 1981 that it favoured the continuance of the Boort Waterworks Trust as a separate entity, as it had also stated in a submission to the Board of Review into the Role Structure and Administration of Local Government in Victoria in 1978 in the following terms:-

"it is Council's view that an organisation such as a Town Waterworks Trust should be controlled by residents living in that town".

The Trust re-affirmed its view that a water body independent of Council should continue in Boort in its response dated 13 August 1981 to the Committee's Second Report.

**The Committee recommends that the Boort Waterworks Trust should cease to exist, and that a Boort Water Board be created as its successor, with powers to provide water and sewerage services to Boort. The Committee further recommends that responsibility for urban water supply in Pyramid Hill be transferred from the State Rivers and Water Supply Commission to the Shire of Gordon.**

#### Briarolong Waterworks Trust

See: Maffra Waterworks Trust

#### Bridgewater Waterworks Trust

Bridgewater Waterworks Trust was created by Order of the Governor in Council on 3 November 1927. It consists of three Commissioners elected by the Shire of Marng, three Commissioners elected by the Shire of Korong, and one person appointed by the Minister of Water Supply.

The Trust obtains water from the nearby Inglewood Water Supply System operated by the Shire of Korong, and supplies a population of 370 people at an average rate of 9 cents in the dollar N.A.V.

The Bridgewater Waterworks Trust made a submission to the Committee on 2 September 1980, and was represented at the Public Hearing held by the Committee in Bendigo on 12 September 1980 by two of its Commissioners.

The Trust is administered by a part-time Secretary and meter reader, and Commissioner Cumming stated at the Hearing that: "The main problems we have are in the administrative area and with breakdowns ... we have a private plumber in the town, who does practically all our work and we can generally round him up, but the Commissioners still have to get up and hold lights and get out in the trench to help the plumber ... " (Transcript, p. 904). Commissioner Cumming also pointed out that 100% of the people in Bridgewater use tank water rather than the water supplied by the Trust as drinking water.

The Shire of Korong, in a submission to the Committee dated 28 April 1981, suggested that the Committee give consideration to the Bridgewater Waterworks Trust being administered by that Shire, while continuing the Trust as a separate corporate body elected by the townspeople of Bridgewater.

**The Committee's recommendation is that the Bridgewater Waterworks Trust cease to exist, that the successor body be the Bridgewater Water Board, and that its administrative and engineering services be provided through the Shire of Korong. Bridgewater is in an unusual position in that it is located on the boundary of two municipalities, and that while the majority of the houses are in the Shire of Marong, the waterworks are technically related to those of the Shire of Korong. The Committee sees the Board as an appropriate solution to this division.**

Bright Waterworks TrustBright Sewerage Authority

Bright Waterworks Trust was created by Order of the Governor in Council on 20 May 1890 and consists of the three Ovens Riding Councillors of the Shire of Bright and three other persons appointed by the Minister of Water Supply.

The Trust provides water to over 2,000 people in the towns of Bright and Porepunkah, at average rates of 6.5 cents and 9 cents in the dollar N.A.V. respectively. Bright obtains its water from storages on Bakers Gully Creek and a pump system on the Ovens River; Porepunkah obtains its water from the Buckland River.

Bright Sewerage Authority was constituted on 5 September 1978 and consists of the Commissioners of the Bright Waterworks Trust. Construction has not yet commenced.

The Bright Waterworks Trust and the Bright Sewerage Authority made a joint submission to the Committee on 6 February 1981, and were represented by their Secretary and Councillor A. J. Cullough, Shire President, Shire of Bright, at a Public Hearing held by the Committee in Melbourne on 15 April 1981.

In evidence, the Trust and Authority submitted that between 1947 and 1977 the Bright Waterworks Trust was administered by the Shire of Bright but an independent Trust Secretary was appointed in 1977 due to dissatisfaction with the handling of this role. At the Hearing the witnesses also stressed the physical division in the Shire of Bright caused by the Tawonga Gap, and the consequent need, as they saw it, for separate water trusts in Mt. Beauty and Bright.

In a letter to the Committee dated 7 May 1981, the Shire of Bright corroborated these views, but added that it could see merit in amalgamations between water and sewerage bodies serving the same area. This view was re-iterated in a further letter to the Committee from the Shire of Bright dated 28 July 1981, and in a further letter from the Bright Waterworks Trust dated 23 July 1981.

The Committee notes the very strong views held in Bright on the need for separate water bodies, and notes the distinctive physical characteristics of the Shire. Its recommendation is that the Bright Waterworks Trust and the Bright Sewerage Authority cease to exist, and that the successor body be a Bright Water Board, with responsibilities for the provision of all necessary water and sewerage services in those parts of the Ovens Valley within the Shire of Bright, including Bright, Porepunkah, Harrierville, Freeburgh and Wandiligong.

Broadford Waterworks Trust

Broadford Sewerage Authority

Broadford Waterworks Trust was created on 16 July 1907 by Order of the Governor in Council. It consists of the three Councillors for the Central Riding of the Shire of Broadford plus three Commissioners appointed by the Minister of Water Supply.

The Trust obtains water from Sunday Creek via a 20 km gravity pipeline. A population of 1,900 people is supplied at a rate of 6.5 cents in the dollar N.A.V.

Broadford Sewerage Authority was constituted on 6 December 1977 and consists of the six Commissioners for the time being of the Broadford Waterworks Trust. Construction has not yet commenced.

The Trust and the Authority made a joint submission to the Committee on 19 August 1980, and were represented at a Discussion held by the Committee in Shepparton on 29 August 1980 by their Chairman and Secretary. The Trust, together with the Broadford Sewerage Authority and the Shire of Broadford, made a further joint submission to the Committee on 9 July 1981.

In that submission the three bodies jointly advised that they "support the option of a combined body with a common corporate identity within the local government area".

The Shire of Broadford advised the Committee on 26 March 1981 that "Council is of the opinion that it would be practicable to combine the Water Trust, Sewerage Authority and Council into one legal entity". This view was reinforced in a joint response to the Committee's Second Report from the Broadford Waterworks Trust, Broadford Sewerage Authority and Shire of Broadford dated 9 July 1981.

**The Committee recommends that the Broadford Waterworks Trust and the Broadford Sewerage Authority should cease to exist, and that the successor body should be the Shire of Broadford.**

Bruthen Waterworks Trust

See: Lakes Entrance Waterworks Trust

Buchan Waterworks Trust

See: Lakes Entrance Waterworks Trust

Bungaree and Wallace Waterworks Trust

Bungaree and Wallace Waterworks Trust was created by Order of the Governor in Council on 2 June 1964. It consists of three Councillors from the Shire of Bungaree, three Councillors from the Shire of Buninyong, and one person appointed by the Minister of Water Supply.

The Trust obtains its water from the Ballarat Water Commissioners' headworks, and the population of 320 is supplied at a rate of 13 cents in the dollar N.A.V., compared with 3.9 cents in the dollar in Ballarat.

The Chairman and Secretary of the Trust appeared at the Public Hearing held by the Committee in Ballarat on 19 September 1980, and met with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Ballarat on 2 July 1981.

**The Committee recommends that the Bungaree and Wallace Waterworks Trust should cease to exist, and that the successor body should be the Ballarat Water Board.**

#### Buninyong Waterworks Trust

Buninyong Waterworks Trust was created by Order of the Governor in Council on 13 August 1957. It consists of the Councillors of the Buninyong Riding of the Shire of Buninyong plus three persons appointed by the Minister of Water Supply.

The Trust obtains its water from the Ballarat Water Commissioners, and serves a population of 1,000 people at a rate of 7 cents in the dollar N.A.V., compared with 3.9 cents in the dollar in Ballarat.

The Trust advised the Committee on 11 September 1980 that it did not wish to make any written or verbal submission to the Committee. However the Trust was represented at Discussions in Ballarat with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. on 2 July 1981.

**The Committee's recommendation is that the Buninyong Waterworks Trust cease to exist, and that the successor body be the Ballarat Water Board.**

#### Town of Camperdown

##### Camperdown Sewerage Authority

The Town of Camperdown is a Local Governing Body under the Water Act which took over responsibility for water supply to Camperdown from the State Rivers and Water Supply Commission on 1 July 1969. The Town obtains water by agreement from the

State Rivers and Water Supply Commission's Donald's Hill Reservoir, and supplies a population of 3,750 people at a rate of 6.5 cents in the dollar N.A.V.

Camperdown Sewerage Authority was constituted by Order of the Governor in Council on 7 March 1950, and also consists of the Town Councillors. Sewerage is treated at a site 4 km north of the town, and treated effluent is discharged into Lake Colongulac.

The Town of Camperdown and the Camperdown Sewerage Authority did not appear at the Public Hearing held by the Committee at Portland on 8 August 1980, but on 2 March 1981 Camperdown Council advised the Committee that it favoured the amalgamation of Water Trusts and Sewerage Authorities with Councils:-

"It is the unanimous opinion of this Council that the more amalgamations of Authorities and Trusts the better, and that the interests of the Ratepayers should take precedence over parochial and self-interest attitudes."

The Trust was represented at Discussions with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Warrnambool on 16 July 1981.

**The Committee's recommendation is that the Town of Camperdown cease to be constituted as a Local Governing Body under the Water Act, the Camperdown Sewerage Authority should cease to exist, and that the successor body should be the Town of Camperdown.**

#### Cann River Waterworks Trust

Cann River Waterworks Trust was created by Order of the Governor in Council on 6 October 1970. It consists of the three Councillors for the East Riding of the Shire of Orbst and three persons appointed by the Minister for Water Supply.

The Trust obtains water from the Cann River, and provides service to a population of 143 people at a rate of 17.5 cents in the dollar N.A.V.



The Trust made a submission to the Committee on 5 August 1980, and a further submission dated 8 July 1981 in response to the Committee's Second Report, and was represented at Discussions which took place with Mr. R. A. Jolly, M.P. at Bruthen on 17 July 1981.

The Secretary of the Cann River Waterworks Trust is also Secretary of the Orbost Waterworks Trust and the Orbost Sewerage Authority, which are administered separately from the Shire of Orbost.

The Shire of Orbost has made no submission to the Committee on the future of water and sewerage provision in that Shire.

**The Committee's recommendation is that the Cann River Waterworks Trust cease to exist, and that the successor body be a new body known as the Cann Valley Water Board, combining the responsibilities of water and sewerage provision in the Cann Valley.**

#### Casterton Sewerage Authority

See: Coleraine Waterworks Trust

#### Castlemaine Sewerage Authority

Castlemaine Sewerage Authority was constituted on 28 December 1934 and consists of the Councillors of the City of Castlemaine. The system includes a treatment works on the south-western edge of Castlemaine from where treated effluent is discharged into Campbell's Creek.

Castlemaine Sewerage Authority was not represented at the Public Hearing held by the Committee at Bendigo on 12 September 1980. In a submission to the Committee dated 25 March 1981 the Authority indicated that it favoured the continuation of

present arrangements, including water supply by the State Rivers and Water Supply Commission.

The Committee has recommended that the northern urban parts of the Coliban system of waterworks be combined with the Bendigo Sewerage Authority to form an integrated water and sewerage operation covering several municipalities in the Bendigo area. The existence of the Bendigo Sewerage Authority as a specialist water industry body already covering several municipalities makes such a proposal feasible. In Castlemaine, however, the Sewerage Authority serves only one municipality, and is fully integrated with the Council. The Committee believes that in principle it would be desirable to create a Mount Alexander Water Board, with responsibilities for water supply and sewerage provision in all those urban communities currently served in the southern part of the Coliban system, viz., Castlemaine, Harcourt, Maldon, Fryerston, Newstead, Elphinstone and Taradale, or the municipalities of Castlemaine, Maldon, Metcalfe and Newstead.

**The Committee recommends that the Castlemaine Sewerage Authority cease to exist, and that the successor body be the Mount Alexander Water Board, with responsibility for all necessary urban water and sewerage services in the municipalities of Castlemaine, Maldon, Metcalfe and Newstead, assuming the current urban water retailing responsibilities of the southern portion of the State Rivers and Water Supply Commission's Coliban water supply system. The Committee also recommends that the possibility of special financial assistance to it in recognition of the age of the water supply system there be explored.**

Charlton Waterworks Trust

Charlton Sewerage Authority

Charlton Waterworks Trust was created by Order of the Governor in Council on 21 December 1897. It consists of six Commissioners elected by the ratepayers plus one person appointed by the Minister for Water Supply.

The Trust obtains water from the State Rivers and Water Supply Commission's Charlton Channel, and a population of 1,200 is supplied at a rate of 7 cents in the dollar N.A.V.

Charlton Sewerage Authority was established on 20 March 1946 and consists of the Commissioners of the Charlton Waterworks Trust. The Charlton sewerage scheme was installed in 1965-6, and involves treatment in lagoons, with runoff passing to the Avoca River.

The Trust and Authority have not provided submissions to the Committee, nor did they appear at the Public Hearing held at Bendigo on 12 September 1980.

The Secretary of the Trust is also Shire Secretary of the Shire of Charlton and Secretary of the Charlton Sewerage Authority. The Resident Engineer of the Trust is the Shire Engineer and other staff is shared between the Trust and the Shire.

Charlton is the only substantial township in the Shire of Charlton, and the majority of Councillors are residents of it. A divergence of interest between the needs of the urban and rural communities in the Shire does not therefore appear as sufficient reason to maintain separate elected bodies above what is already an integrated administration.

**The Committee's recommendation is that the Charlton Waterworks Trust and the Charlton Sewerage Authority should cease to exist. The successor body should be the Shire of Charlton.**

#### Churchill Sewerage Authority

See: Morwell Waterworks Trust

Cobram Waterworks TrustCobram Sewerage AuthorityKatamatite Waterworks Trust

Cobram Waterworks Trust was created by Order of the Governor in Council on 7 June 1905. It consists of the three Councillors for the Cobram Riding of the Shire of Cobram plus three persons appointed by the Minister of Water Supply.

The Trust obtains water from the Murray River, from where it is pumped to an elevated steel tank.

Cobram Sewerage Authority was constituted on 24 June 1964 and consists of the Commissioners of the Cobram Waterworks Trust. The Authority's system involves lagoon treatment and disposal of effluent by irrigation.

The Trust and the Authority were not represented at the Discussion held by the Committee at Shepparton on 29 August 1980.

The Shire of Cobram advised the Committee by letter of 10 March 1981 that the Shire of Cobram, the Cobram Waterworks Trust and the Cobram Sewerage Authority have been administratively and technically integrated for some years, and that the Council fully supported a proposal initiated by the Cobram Waterworks Trust in 1976 that the three bodies should be amalgamated.

Katamatite Waterworks Trust was established by Order of the Governor in Council on 11 December 1956 and consists of the three Councillors for the Katamatite Riding of the Shire of Cobram plus three persons appointed by the Minister of Water Supply.

The Trust obtains water from a State Rivers and Water Supply Commission irrigation channel, from where it is pumped to a standpipe. A population of 300 is served at a rate of 15.5 cents in the dollar N.A.V.

The Katamatite Waterworks Trust was not represented at the Discussion held by the Committee in Shepparton on 29 August 1980, but advised the Committee on 24 June

1981 that "the Trust wishes to offer its support to the universal amalgamation of all water authorities with municipalities".

Hon. David White, M.L.C. and Mr. Eddie Hann, M.P., had discussions with the Trust on 30 July 1981, and on 20 August 1981 the Trust advised that it would consider amalgamation with the Shire of Cobram, the Cobram Waterworks Trust and the Cobram Sewerage Authority. The Trust advised that it would wish to see some form of ratepayer representation from the Katamatite area if such an amalgamation were to proceed. The Committee suggests that the Shire of Cobram note this desire and explore the possibility of using either the Community Council or Water Advisory Council proposal discussed elsewhere in this Report.

**The Committee's recommendation is that the Cobram Waterworks Trust, the Katamatite Waterworks Trust and the Cobram Sewerage Authority should cease to exist. The successor body should be the Shire of Cobram.**

#### Cohuna Waterworks Trust

#### Cohuna Sewerage Authority

Cohuna Waterworks Trust was constituted on 27 June 1961 by Order of the Governor in Council, and consists of the three Councillors of the Central Riding, Shire of Cobram, plus three persons appointed by the Minister of Water Supply.

The Trust pumps water from Gunbower Creek to a treatment plant from where it passes to an elevated storage before reticulation. A population of 2,200 people is supplied at a rate of 6.5 cents in the dollar N.A.V.

Until recently, two towns in the area, Leitchville and Gunbower, received their water supply as urban districts of the State Rivers and Water Supply Commission. Responsibility for Leitchville was however transferred to Cohuna as from 1 July 1981. Gunbower poses a more complex problem as it is located on the boundary between the Shire of Cohuna and the Shire of Rochester.

Cohuna Sewerage Authority was constituted on 3 June 1964 and consists of the three Councillors for the East Riding, Shire of Cohuna, and three Government Nominees. Treatment is by a lagoon system.

The Trust and the Authority did not provide the Committee with submissions during 1980, nor did they appear at the Public Hearing held by the Committee in Bendigo on 12 September 1980. However, the Shire of Cohuna, the Cohuna Waterworks Trust and the Cohuna Sewerage Authority in a submission to the Committee in April 1981 advocated that "municipalities, waterworks trusts and sewerage authorities should be given the legislative opportunity to formally combine their constitutional structure and administration".

**The Committee's recommendation is that the Cohuna Waterworks Trust and the Cohuna Sewerage Authority should cease to exist, and the successor body should be the Shire of Cohuna. The Committee also considers that the Shire of Cohuna should assume responsibility for domestic water retailing in the urban district of Gunbower, currently served by the State Rivers and Water Supply Commission.**

Colac Waterworks Trust

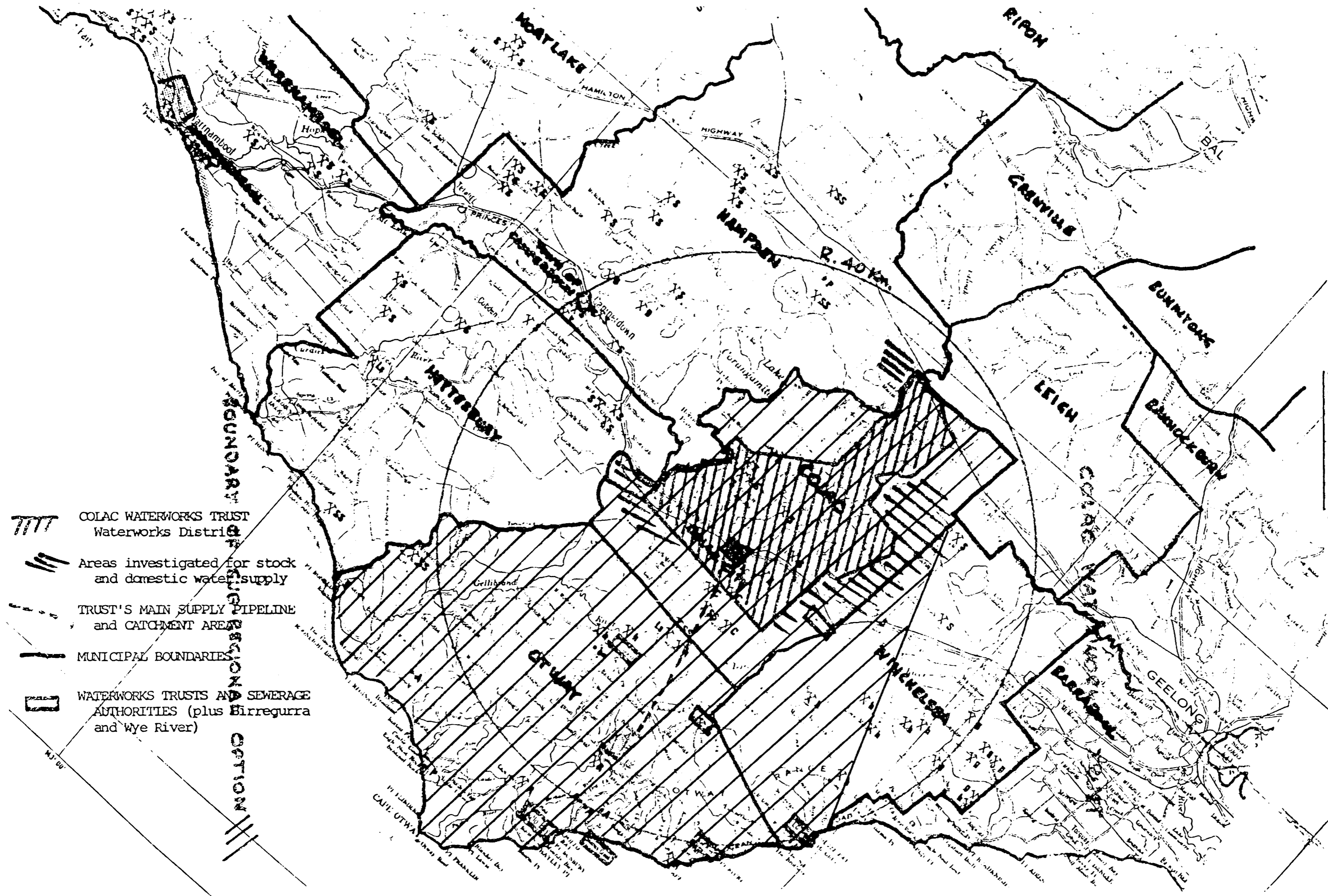
Colac Sewerage Authority






Colac Waterworks Trust was created by Order of the Governor in Council on 10 November 1909, and consists of seven Commissioners elected by the ratepayers.

The Trust obtains water from the Olangolah and Gellibrand Rivers, and supplies an extensive network of communities in the City and Shire of Colac, including Colac, Alvie, Beeac, Coragulac, Cressy and Warrion. The Trust supplies a population of 12,500 people at an urban rate of 8 cents in the dollar N.A.V.

Colac Sewerage Authority was one of the earliest country sewerage bodies to be established in Victoria, having been established on 13 November 1923 by Order of the

MAP 4.  
 COLIAC WATERWORKS TRUST PROPOSAL FOR A WEST BARMON  
 SUB-REGION.



-  COLIAC WATERWORKS TRUST Waterworks District
-  Areas investigated for stock and domestic water supply
-  TRUST'S MAIN SUPPLY PIPELINE and CATCHMENT AREA
-  MUNICIPAL BOUNDARIES
-  WATERWORKS TRUSTS AND SEWERAGE AUTHORITIES (plus Birregurra and Wye River)

Governor in Council. The Authority has the same Commissioners as the Colac Waterworks Trust.

The Trust and the Authority are served by a common administration, which is separate from municipal government. Services provided by the Colac Waterworks Trust extend over two municipalities at present, while locally initiated amalgamation proposals would extend this to three.

The Trust and the Authority made an initial submission to the Committee on 18 September 1980, which indicated that "the Bains Committee recommendations are totally unacceptable to this Trust and Authority". The Trust and Authority were represented at a Public Hearing held by the Committee in Geelong on 26 September 1980, by their Secretary, and a representative of their consulting engineers, Messrs. Garlick and Stewart.

The Committee obtained the views of both the Shire of Colac and the City of Colac on these bodies. The Shire of Colac, by letter dated 19 March 1981, advised that it favoured the continuation of the Colac Waterworks Trust and Sewerage Authority as entities separate from municipal government. The City of Colac held a special Committee meeting on 31 March 1981 and the resulting submission to the Public Bodies Review Committee favours the amalgamation of water trusts with municipalities, but does not refer specifically to the Colac situation.

Following the Committee's Second Report, the Colac Waterworks Trust and Colac Sewerage Authority made a further submission to the Committee. In this document, which is supported by significant analysis of regional communication links, the Colac Waterworks Trust and Sewerage Authority proposes a new body formed on the basis of a merger of the Colac Waterworks Trust, the Colac Sewerage Authority, the Forrest Waterworks Trust and the Gellibrand Waterworks Trust. The Colac bodies have further suggested that such a body could serve as a sub-regional body (in line with the Committee's R3 concept) providing support and co-ordination to small trusts and water bodies in the West Barwon sub-region.



Further Discussions took place with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Geelong on 24 July 1981 and Mrs. Chambers subsequently visited the Trust and Authority for Discussions and inspections.

**The Committee's recommendation is that the Colac Waterworks Trust and the Colac Sewerage Authority should cease to exist, and that the successor body should be the Colac Water Board, with direct water and sewerage responsibilities covering the whole of the City and Shire of Colac, and northern parts of the Shire of Otway.**

Coleraine and Casterton Waterworks Trust

Casterton Sewerage Authority

Coleraine Sewerage Authority

Balmoral Waterworks Trust

Shire of Glenelg Waterworks Trust

Coleraine and Casterton Waterworks Trust was created by Order of the Governor in Council on 20 February 1924. It consists of the three Councillors for the Coleraine Riding of the Shire of Wannon, the three Councillors for the Central Riding of the Shire of Glenelg, and two persons appointed by the Minister of Water Supply.

The Trust obtains water by pipeline from the Konongwotong Reservoir, supply to Casterton being supplemented by the Tullich bores. The Trust supplies a population of 1,330 in Casterton and 2,650 in Coleraine at rates of 14 and 16 cents in the dollar N.A.V. respectively.

The Trust made a submission to the Committee on 28 July 1980 advocating that its responsibilities be divided, with the responsibility for Coleraine's water supply being transferred to the Shire of Wannon and that for Casterton's water supply to the Shire of Glenelg. Further verbal evidence to this effect was given by the Trust's representatives at a Public Hearing held by the Committee in Portland on 8 August 1980. The Shire of Glenelg strongly supported such a move in its submission, heard at the same Public Hearing.

The Secretary of the Shire of Wannon, in his letter to the Committee dated 27 April 1981, quoted his Council's submission to the Board of Review of the Role, Structure and Administration of Local Government in Victoria, to the effect that:-

"there would be significant cost benefits and improved standards of administration if these services were provided by the existing municipal administration."

Casterton Sewerage Authority was established on 29 August 1951 and consists of the Councillors for the Central Riding of the Shire of Glenelg and three Government Nominees. The Authority operates a treatment plant 5 km south of the town, from which treated effluent is discharged into the Glenelg River.

The Authority did not appear at the Public Hearing held by the Committee at Portland on 8 August 1980, and has not provided the Committee with a submission.

Coleraine Sewerage Authority was created by Order of the Governor in Council on 20 March 1963. It consists of the three Councillors for the Coleraine Riding of the Shire of Wannon and three persons appointed by the Minister of Water Supply.

The Authority was not represented at the Public Hearing held by the Committee at Portland on 8 August 1980. However, the Shire of Wannon, in a submission to the Committee dated 27 April 1981, gave evidence that:-

"the Authority suffered a complete administrative breakdown during the period 1974 to mid 1977. The effects of this breakdown in monetary terms, deterioration in the standard of consumer services and proper management of the Authority's installations are indeterminable."

Since 1977, the Authority has used the secretarial though not the engineering services of the Shire of Wannon.

In response to the Committee's Second Report, the Authority advised the Committee on 13 August 1981 that:-

"Ultimately the Authority would be agreeable to its own demise and complete integration with the Shire of Wannan and most importantly, without the necessity of retaining a separate corporate body. ... The Authority is keen to see changes implemented in the water industry and is anxious that these be carried out at the earliest possible opportunity."

Balmoral Waterworks Trust was created by Order of the Governor in Council on 5 February 1958. It consists of the three Councillors of the Balmoral Riding of the Shire of Wannan, none of whom are ratepayers of the Trust, plus three persons appointed by the Governor in Council.

The Trust obtains water by pumping from the State Rivers and Water Supply Commission Rocklands Reservoir, and the population of 300 people is served with water for a rate of 8 cents in the dollar N.A.V.

The Trust did not provide a written submission to the Committee nor did it appear at the Public Hearing held in Portland on 8 August 1980.

Since 1980, the Trust's administration has been carried out by the Shire of Wannan. According to the Shire Secretary, "the decision to transfer administration to the Council resulted largely from continuing difficulties being experienced with the part-time administration and revealed in succeeding State Audit Office reports".

Shire of Glenelg Waterworks Trust was created by Order of the Governor in Council on 9 May 1972. It consists of the twelve Councillors of the Shire of Glenelg and two persons appointed by the Minister of Water Supply.

The Trust supplies the towns of Merino and Sandford in Glenelg Shire. Water for Merino is obtained from bores, and supplied to the population of 300 at a rate of 17.5 cents in the dollar N.A.V. Water for 200 people at Sandford is purchased in bulk from the Coleraine and Casterton Waterworks Trust, and supplied at a rate of 17.5 cents in the dollar N.A.V.

The Trust, in a joint submission with the Shire of Glenelg presented at the Public Hearing held by the Committee in Portland on 8 August 1980, indicated their support for water supply responsibilities being placed with the municipality.

Glenelg River Improvement Trust was constituted on 29 June 1960, following an inquiry by the Parliamentary Public Works Committee. The Trust consists of seven Commissioners, of whom five are elected by the ratepayers, one is nominated by the Glenelg Shire Council and one is a Government Nominee.

The Trust was represented at the Public Hearing held by the Committee at Portland on 8 August 1980.

Strathdownie Drainage Trust was constituted on 28 April 1960 pursuant to a recommendation of the Parliamentary Public Works Committee. The Trust consists of eight Commissioners, one nominated by the Shire of Glenelg, three elected by the ratepayers, and four Government Nominees.

The Trust is responsible for reclamation works in 374 square kilometres of swampy land in the south-west corner of the Shire of Glenelg.

The Trust made a submission to the Committee on 25 July 1980 which proposed that the Trust be left as is until major works are completed, after which administrative services should be provided by the Shire of Glenelg. The Shire of Glenelg in its submission heard at the Public Hearing at Portland on 8 August 1980 proposed that the Glenelg Shire should be empowered to assume responsibility for the Strathdownie Trust at any time, but the Trust should be permitted to complete its works. The Committee's recommendations concerning the Strathdownie Drainage Trust will appear in a subsequent Report.

Further Discussions took place at Horsham on 28 July 1981 between representatives of the Shire of Glenelg Waterworks Trust, the Coleraine and Casterton Waterworks Trust, the Shire of Glenelg and the Shire of Wannon and Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P.

The Committee considers there is excessive duplication of water administration in the Shires of Glenelg and Wannon. Its recommendation is that the Coleraine and Casterton Waterworks Trust, the Balmoral Waterworks Trust, the Casterton Sewerage Authority, the Coleraine Sewerage Authority and the Shire of Glenelg Waterworks Trust should cease to exist, and that the successor bodies should be the Shire of Wannon and the Shire of Glenelg, each of which should assume all urban water and sewerage responsibilities in their respective municipalities. The Committee suggests that the Shire of Wannon establish a water advisory council to represent the interests of Balmoral residents. The Committee recommends that discussions take place between the two Shires concerning the future operation and management of the Konongwotong Reservoir and the Tullich bores.

Colbinabbin Waterworks Trust

Rushworth Waterworks Trust

Shire of Waranga Sewerage Authority

Colbinabbin Waterworks Trust was constituted by Order of the Governor in Council on 3 September 1918, and consists of the three Councillors for the Central Riding of the Shire of Waranga plus three persons appointed by the Minister of Water Supply. The Trust provides water supply to a population of 54 people at a rate of 6 cents in the dollar N.A.V. by obtaining water from the State Rivers and Water Supply Commission's Waranga Western Channel.

The Colbinabbin Waterworks Trust did not make a submission to the Committee during 1980 and did not appear at the Discussion held by the Committee at Shepparton on 29 August 1980. The Committee contacted the Trust Secretary during the review, and were advised that the Trust were not interested in the review. The Trust is administered separately from the Shire of Waranga.

Rushworth Waterworks Trust was created by Order of the Governor in Council on 10 October 1898. It consists of the three Councillors for the Eastern Riding of the Shire

of Waranga plus two persons appointed by the Minister of Water Supply. Rushworth, like Colbinabbin, obtains its water by pumping from the State Rivers and Water Supply Commission's Waranga Western Channel. A population of 1,200 people is supplied at a rate of 13 cents in the dollar N.A.V.

Rushworth is the administrative centre of the Shire of Waranga, and the Secretary of the Rushworth Waterworks Trust is the Shire Secretary.

Corop and Stanhope, in the Shire of Waranga, are provided with water as Urban Districts of the State Rivers and Water Supply Commission. Corop is supplied, at a rate of 17.5 cents in the dollar, at a substantial loss, and the supply of water is continued at Government direction. At Stanhope, a population of 900 is supplied on a financially viable basis at a rate of 5.6 cents in the dollar.

A Shire of Waranga Sewerage Authority was constituted on 20 June 1979 to provide sewerage to Rushworth, Stanhope, Murchison and Colbinabbin. The Trust consists of the Councillors for the Shire of Waranga. Works have yet to commence.

The Shire of Waranga in a letter to the Committee dated 13 March 1981, advocated that the Shire assume responsibility for the water trusts in the municipality, but pointed out the need for a mechanism to enable local representation. The Shire stated that it intended to overcome this problem by establishing Advisory Committees in respect of each of the communities to be served by the Shire of Waranga Sewerage Authority.

The Committee notes and commends this initiative, which it considers could be extended to cover water as well as sewerage matters.

**The Committee's recommendation is that the Colbinabbin and Rushworth Waterworks Trusts and the Shire of Waranga Sewerage Authority cease to exist, and that the successor body, in respect of all areas of the Shire other than Murchison, should be the Shire of Waranga. The Committee further recommends that the Corop and Stanhope Urban Districts of the State Rivers and Water Supply Commission be transferred to the Shire of Waranga.**

The Committee recommends elsewhere in this Report that sewerage in Murchison should in future be the responsibility of the Murchison Water Board.

Corryong Waterworks Trust

Corryong Sewerage Authority

Cudgewa Waterworks Trust

Walwa Waterworks Trust

Corryong Waterworks Trust was created on 13 June 1923 by Order of the Governor in Council. It consists of the three Councillors for the Corryong Riding of the Shire of Upper Murray, and three persons appointed by the Minister of Water Supply.

The Trust pumps water from Nariel Creek into service basins, from which it gravitates to the town. A population of 1,520 people is supplied at a rate of 5 cents in the dollar N.A.V.

The Corryong Waterworks Trust, the Corryong Sewerage Authority, the Cudgewa Waterworks Trust and the Walwa Waterworks Trust, (Walwa being in the Shire of Tallangatta) share the same Secretary, Mr. R. H. Barker, an accountant in public practice in Corryong. The Resident Engineer of the Corryong Waterworks Trust and the Corryong Sewerage Authority is the Shire Engineer of the Shire of Upper Murray, while the Cudgewa and Walwa Waterworks Trusts do not have Resident Engineers.

Corryong Sewerage Authority was constituted on 16 December 1958, and consists of six Commissioners, three appointed by the Shire of Upper Murray, and three Government Nominees. The treatment works involve aerobic lagoons and disposal of the final effluent to land by irrigation.

Cudgewa Waterworks Trust was created by Order of the Governor in Council on 26 June 1962. It consists of the Councillors for the Cudgewa Riding of the Shire of Upper Murray plus three persons appointed by the Minister of Water Supply. The Trust pumps

and chlorinates water from Cudgewa Creek, supplying a population of 120 at a rate of 8.5 cents in the dollar N.A.V.

Walwa Waterworks Trust was created by Order of the Governor in Council on 28 March 1950. It consists of the Councillors for the Murray Riding of the Shire of Tallangatta plus three persons appointed by the Minister of Water Supply. The Trust pumps water from the Murray River, and supplies a population of 165 at a rate of 2.5 cents in the dollar N.A.V.

The Corryong Waterworks Trust, the Corryong Sewerage Authority, the Cudgewa Waterworks Trust and the Walwa Waterworks Trust made substantially similar submissions to the Committee on 13 August 1980, and these submissions were the subject of evidence taken by the Committee at a Public Hearing held at Wodonga on 22 August 1980.

These bodies made a unique and thoughtful submission concerning restructuring, which argued that:-

"the Authority favours a restructuring whereby present water and sewerage facilities throughout Victoria become part of a more widely based State Rivers and Water Supply Commission ... all commissioners and officers could become "employees" of the State Rivers and Water Supply Commission in a structure which would resemble a composite department drawn from organisation charts of the S.E.C. and C.F.A."

The Committee does not accept this proposal, as it believes such arrangements would not be in keeping with the valuable tradition of self-management which has been characteristic of Victorian administration. Nor is the Committee confident that an integrated body such as that proposed by Corryong could avoid ossification. However, the Committee commends the Corryong authorities for this example of lateral thinking, illustrative of the vigor of many inputs made by smaller authorities.

Following the publication of the Committee's Second Report, the Secretary of these Trusts made a further detailed submission, proposing an Upper Murray Water and



Sewerage Board, comprising an overall Board with representative groups in each of the three communities involved, with capacity to extend to other towns (for example, Towong or Tintaldra), or other functions (for example, river improvement), if necessary.

The Shire of Upper Murray River Improvement Trust made a submission to the Committee dated 15 August 1980. This submission stated that "there seems no reason why the Shire Council could not carry out the work in this district, without a Trust being formally established".

**The Committee's recommendations are that the Corryong Waterworks Trust, the Corryong Sewerage Authority, the Cudgewa Waterworks Trust and the Walwa Waterworks Trust should cease to exist, and that the successor body should be the Upper Murray Water Board.**

#### Cowes Sewerage Authority

See: Westernport Waterworks Trust

#### Shire of Cranbourne Sewerage Authority

Koo-wee-rup Waterworks Trust

Lang Lang Waterworks Trust

Lang Lang Sewerage Authority

The Shire of Cranbourne Sewerage Authority was constituted on 3 May 1972 by Order of the Governor in Council. The Trust has twelve Commissioners who are also the Councillors for the Shire of Cranbourne. There are no Government Nominees. The Secretary is Mr. Terrence Vickerman who is also Shire Secretary.

The Authority controls five separate and distinct sewerage districts at Cranbourne, Blind Bight, Langwarrin, Carrum Downs and Koo-wee-rup with connections to 3,000 properties serving a population of 12,000. The townships of Lang Lang and Hampton

Park together with the southern Dandenong area, whilst within the municipal boundaries, are not administered by the Shire, Hampton Park and the Dandenong area being the responsibility of the Dandenong Sewerage Authority and Lang Lang having its own sewerage authority.

In the Authority's submission to the Committee at Dandenong on 3 October 1980 and in subsequent Discussions with the Hon. Dr. K. J. Foley, M.L.C., the Trust expressed strong opposition to any proposal to amalgamate with the Melbourne and Metropolitan Board of Works. The Authority considers had they had to compete with metropolitan priorities, then the progress of the past seven years would not have been achieved. Planning of the Cranbourne Treatment Plant has taken into account the essential construction of the Melbourne and Metropolitan Board of Works Hallam Valley Sewer.

The present system is stated as being a low cost scheme and rates are held to a minimum. The rate varies from 3.5 cents in the dollar N.A.V. in Cranbourne to 8 cents in the dollar N.A.V. in Koo-wee-rup, with average minimum rates of \$60 to \$120 respectively.

Koo-wee-rup Waterworks Trust was constituted on 6 February 1929 by Order of the Governor in Council. There were six Commissioners, three from the East Riding of the Shire of Cranbourne and three Government Nominees appointed by the Minister of Water Supply. The three Commissioners from the East Riding were also Councillors of the Shire of Cranbourne and members of the Cranbourne Sewerage Authority. The Trust was administered by a part-time Secretary.

The Trust served the town of Koo-wee-rup, providing water to a population of 1,350. Water is drawn from the Bunyip River.

This Trust did not give evidence at any Hearings, nor did it respond to the Committee's questionnaire or any of the Reports.

The Committee was informed on 16 March 1981 by the State Rivers and Water Supply Commission's District Office Manager at Koo-wee-rup that "as from the 1st January 1981 the Koo-wee-rup Waterworks Trust ceased to exist and the State Rivers and

Water Supply Commission became the responsible body for the supply and control of water to the Koo-wee-rup township.

The Lang Lang Waterworks Trust was constituted in 1955 by Order of the Governor in Council, and the water scheme became operational in 1956. The Trust has five elected Commissioners and one person appointed by the Minister of Water Supply.

The Trust operates a gravity fed borehole supply system. The present bore is No. 4 in a series commenced in 1956. The bore delivers 33 litres/sec to the Trust's open in ground service basin of one megalitre 3 km north of the town. The Trust uses approximately 180 megalitres per annum.

The original supply system in 1956 served an urban population of 600. It has expanded to the current urban/rural/farm system serving some 1,100 persons. The minimum house rate is \$100 at 12.5 cents in the dollar N.A.V.

The Trust presented a written submission to the Committee and gave evidence at the Lilydale Hearing on 31 October 1980. The Trust indicated a high level of community involvement in the operation of the system, so much so that when the reservoir required concreting the Trust found it was not able to finance the work fully and the local members assisted the contractor in the work and were able to effect a substantial saving.

The Trust does experience considerable problems if the bore breaks down as it does not have any reserve pump and so relies on local trades people to change the pump.

The Shire of Cranbourne's response to the Committee's Second Report indicated the preferred Option L5 was "universal amalgamation of all water authorities within municipalities" and R3 for the Regional Authority above local authorities.

The Lang Lang Sewerage Authority was constituted in 1965. The Authority consists of five elected representatives and one person appointed by the Minister of Water Supply. The Secretary of the Authority is Mr. P. Sibly who is employed part-time. He is also

Secretary to the Lang Lang Waterworks Trust. Engineers to the Authority are Gutteridge, Haskins and Davey Pty. Ltd.

The Authority provides sewerage service to a population of 700 with 245 connections. The rate for 1981 is 11.5 cents in the dollar N.A.V.

In evidence to the Lilydale Hearing on 31 October 1980 and their written submission the Authority indicated a high level of community involvement in the operations of the system. There are no full-time employees, most of the work being carried out by local contractors and volunteers.

Mr. Weideman said after visiting the Authority: "I was impressed with your volunteer spirit and the closeness of the two operations".

The Authority area is within the Shire of Cranbourne, whose main office is some 40 km away. However, the Council does have a depot in the town.

The Shire of Cranbourne, in response to the Committee's Second Report, indicated a preference for Options L5 and R3.

Hon. Dr. Kevin J. Foley, M.L.C. visited the Authority for talks on 28 July 1981.

The Committee recommends that the Shire of Cranbourne Sewerage Authority, the Koo-wee-rup Waterworks Trust, the Lang Lang Waterworks Trust and the Lang Lang Sewerage Authority should cease to exist, and that the successor body should be the Cranbourne-Pakenham Water Board, with responsibility for water and sewerage retailing in all parts of the Shire except the Hampton Park area, which together with future development in the northern section of the Shire of Cranbourne, should be administered by the Dandenong Springvale Sewerage Board. The Committee recommends that responsibility for urban water retailing in the Shire should be transferred to the Board from the State Rivers and Water Supply Commission.

## Shire of Creswick

### Creswick Sewerage Authority

The Shire of Creswick is a Local Governing Body under the Water Act, supplying populations of 2,000, 125 and 550 in Creswick, Smeaton and Spring Hill at rates of 8.5 cents, 17.5 cents and 13.5 cents in the dollar respectively. Creswick is supplied from Cosgrave, Dean and Russell's Reservoirs; and Spring Hill, Allendale, Broomfield, Kingston, Newlyn, Newlyn North, Springmount and Smeaton are supplied from the State Rivers and Water Supply Commission's Newlyn Reservoir.

Creswick Sewerage Authority was constituted on 17 September 1974, and consists of the Councillors of the Shire of Creswick. Sewerage works were commenced in 1978 and are expected to be completed by 1982.

The Shire and the Authority were not represented at the Public Hearing held by the Committee at Ballarat on 19 September 1980, although one Shire Councillor gave evidence in a private capacity. However on 23 April 1981 the Shire advised that it favoured the operation of water and sewerage schemes the size of those at Creswick by municipal authorities, but considered the role of municipal engineering departments in water and sewerage should be confined to operations and maintenance.

**The Committee's recommendations are that the Shire of Creswick should cease to be constituted as a Local Governing Body under the Water Act, that the Creswick Sewerage Authority cease to exist, and that in future sewerage provision in the Shire be the direct responsibility of the Shire Council. The Committee recommends that the Shire of Creswick be responsible for all urban water and sewerage services required in the Shire.**

### Dandenong Sewerage Authority

The Dandenong Sewerage Authority was constituted on 29 May 1935 following a poll of ratepayers held earlier that year. There are ten members of the Authority, six being

elected by the City of Dandenong, two by the City of Berwick, one from the Shire of Cranbourne and one Government Nominee appointed by the Minister of Water Supply.

The Authority serves a population of 82,000 and 24,800 tenements. The average rate per house is \$35 at a rate of 2.55 cents in the dollar N.A.V. The ratable income is \$1,275M. If the Melbourne and Metropolitan Board of Works rate of 8.3 cents in the dollar N.A.V. were applied the revenue would be \$4.15M.

The Dandenong sewerage district extends to parts of the City of Berwick and Shire of Cranbourne.

Engineers to the Authority are Garlick & Stewart who also act for the Springvale and Noble Park Sewerage Authority.

It is interesting to note that interest subsidy was phased out for both the Springvale and Noble Park, and the Dandenong Sewerage Authority between 1974 and 1976. It was felt due to favourable operating costs that no undue burden would be placed on the Authorities by the withdrawal of the interest subsidy. All loans now raised by the Authorities are at full interest.

The Authority has its own premises in Dandenong where the 32 employees are located.

The treatment works are located on a 202 ha site in Greens Road where there is an average daily dry weather flow through the works of 8.5M gallons of domestic and trade waste. Wastes from the Springvale and Noble Park Sewerage Authority are also treated at this plant under an agreement between the Authorities. Treated waste is then discharged under E.P.A. licence to the Dandenong Creek.

The Authority has given evidence to the Dandenong Public Hearing held on 30 October 1980 and on a number of subsequent occasions.

The Dandenong Sewerage Authority noted in its submission "any decision to amalgamate with the Melbourne and Metropolitan Board of Works would result in a hostile public reaction and its ratepayers would be disadvantaged".

Hon. Dr. Kevin J. Foley, M.L.C. visited the Authority for talks on 29 July 1981.

The Committee has been constrained in its consideration of the future of the Dandenong Sewerage Authority and the Springvale and Noble Park Sewerage Authority by the fact that the Melbourne and Metropolitan Board of Works is outside the reference currently before it. The Committee therefore makes the following qualified recommendation, which may need re-consideration should the Melbourne and Metropolitan Board of Works subsequently be referred to the Committee for review.

**The Committee recommends that the Dandenong Sewerage Authority cease to exist, and that the successor body for the time being be the Dandenong Springvale Sewerage Board.**

Daylesford Waterworks Trust

Daylesford Sewerage Authority

Daylesford Waterworks Trust was created by Order of the Governor in Council on 17 December 1888. It comprises six Commissioners directly elected by the ratepayers, and one person appointed by the Minister of Water Supply.

The Trust was initially administered by Borough staff until 1966 when the Borough of Daylesford amalgamated with the Shire of Glenlyon. As a result of Shire Council action in 1970 it was agreed that administration of the waterworks should be separated and this became fully effective in January 1972.

The Daylesford Sewerage Authority, which was formed on 27 July 1977, consists of the Waterworks Trust Commissioners.

Daylesford obtains its water from Bullarto and Wombat Reservoirs, from where it is piped to separate service reservoirs serving the high and low level portions of Daylesford and Hepburn. Four thousand and two hundred people are served by the Trust, at a rate of 3.5 cents in the dollar N.A.V.

Construction of the sewerage works commenced on 31 March 1981, after the then Minister of Water Supply, Hon. F. J. Granter, M.L.C., turned the first sod. The Committee was represented on this occasion by Mrs. J. H. Chambers, M.P.

Daylesford Waterworks Trust and Daylesford Sewerage Authority have been administered separately from municipal government since 1 January 1972. The Trust and Authority share a common Secretary and share Commissioners, staff facilities and consulting engineers.

The Trust and the Authority, in an initial submission dated 21 August 1980, strongly argued for the maintenance of a water and sewerage body separate from municipal government. Further evidence on this as taken by the Committee at a Public Hearing held in Ballarat on 19 September 1980, where the Daylesford bodies were represented by their Chairman and Secretary.

Following the publication of the Committee's Second Report, a further detailed submission was received from the Daylesford Waterworks Trust. This submission argued, inter alia, that:-

"the Water industry is more than big enough to stand on its own and should not play the last fiddle in some other band."

Discussions took place with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Ballarat on 2 July 1981.

The Shire of Daylesford and Glenlyon, in a brief note dated 17 March 1981, stated that it considered "water authorities should be conducted within the Municipal Offices". The Council submitted no evidence in support of this view.

**The Committee's recommendation is that the Daylesford Waterworks Trust and the Daylesford Sewerage Authority should cease to exist, and that the successor body should be the Daylesford Water Board, with responsibilities for the provision of water and sewerage services throughout the Shire of Daylesford.**



Shire of Deakin Waterworks Trust

Tongala Sewerage Authority

Shire of Deakin Waterworks Trust was constituted on 30 March 1914 by Order of the Governor in Council, and consists of the Councillors of the Shire of Deakin, plus one person appointed by the Minister of Water Supply.

The Tongala Sewerage Authority, which consists of the Councillors for the time being of the Shire of Deakin, came into being by Order of the Governor in Council on 30 November 1971.

None of the Councillors of the Shire of Deakin are ratepayers of the Trust or Authority.

The Shire of Deakin Waterworks Trust has two urban districts, Tongala and Girgarre. Both are supplied with water which is obtained from irrigation channels and treated. The population served is 1,100 and 350 people, respectively, and rates of 5.25 cents and 17.5 cents in the dollar are levied.

The Trust and the Authority have always been operated as an integral part of the Shire of Deakin.

The Shire of Deakin Waterworks Trust made a written submission to the Committee on 25 September 1980, and evidence was taken by the Committee at a Public Hearing held in Melbourne on 4 March 1981, when the Trust and Authority were represented by their Chairman, Secretary and Resident Engineer.

**The Committee's recommendation is that the Shire of Deakin Waterworks Trust and the Tongala Sewerage Authority should cease to exist, and that the successor body should be the Deakin Water Board, with responsibilities for the provision of water and sewerage services throughout the Shire of Deakin.**

Devenish Waterworks TrustGlenrowan Waterworks TrustGoorambat Waterworks Trust

Devenish Waterworks Trust was created by Order of the Governor in Council on 17 June 1924. It consists of the three Councillors for the Devenish Riding of the Shire of Benalla plus three persons appointed by the Minister of Water Supply.

The Trust obtains water from a branch of the Broken Creek, from where it is pumped to a water tower. The Trust supplies a population of 130 people at a rate of 4 cents in the dollar N.A.V. The Committee employs the Secretary and Engineer of the Shire of Benalla on a part-time basis. Devenish Waterworks Trust provided a submission to the Committee on 7 August 1980, advocating the continuance of its present structure and administrative arrangements. The Trust's representatives appeared before the Committee at the Discussion held at Shepparton on 29 August 1980.

Glenrowan Waterworks Trust was created by Order of the Governor in Council on 18 October 1911. The Trust consists of the three Councillors for the Mokoan Riding of the Shire of Benalla plus three persons appointed by the Minister of Water Supply.

The Trust obtains water from a local catchment and from Fifteen Mile Creek.

The Trust serves a population of 280, at a rate of 9 cents in the dollar N.A.V. The Trust employs the Shire Secretary and Shire Engineer of the Shire of Benalla on a part-time basis as its Secretary and resident engineer.

The Trust did not make a submission to the Committee during 1980, nor was it represented at the Discussion held by the Committee at Shepparton on 29 August 1980. However, in response to the Committee's Second Report, the Trust strongly supported the continuation of existing arrangements, stressing the importance of the role of voluntary Commissioners.

Goorambat Waterworks Trust was created by Order of the Governor in Council on 31 July 1962, and consists of the three Councillors of the Devenish Riding of the Shire of

Benalla plus three persons appointed by the Minister of Water Supply. The Trust obtains water by pumping from Broken Creek, and supplies a population of 90 at a rate of 9.5 cents in the dollar N.A.V.

The Trust employs a part-time Secretary who resides in Goorambat, and like the Glenrowan Waterworks Trust, employs the Shire Engineer of the Shire of Benalla as a part-time Resident Engineer.

The Trust made a submission to the Committee on 12 August 1980, and was represented at the Discussion held by the Committee in Shepparton on 29 August 1980. It also responded to the Committee's Second Report, indicating a strong preference for the continuation of existing arrangements.

The Shire of Benalla, in a letter to the Committee dated 18 March 1981, advised that it also favoured the status quo.

**The Committee's recommendation is that the Devenish, Glenrowan and Goorambat Waterworks Trusts cease to exist, and that the successor bodies be the Devenish, Glenrowan and Goorambat Water Boards.**

Dimboola Sewerage Authority

Jeparit Sewerage Authority

Rainbow Sewerage Authority

Dimboola Sewerage Authority was constituted in December 1938 and consists of the three Councillors for the South Riding of the Shire of Dimboola and three Government Nominees.

Jeparit Sewerage Authority was constituted on 19 July 1949, and consists of the three Councillors for the Centre Riding of the Shire of Dimboola plus three Government Nominees. It commenced construction of sewers in 1969. The Shire Secretary of the Shire of Dimboola, which is based at Jeparit, is the Secretary and Treasurer of the Authority. The Authority serves some 500 persons.

Rainbow Sewerage Authority was constituted on 22 July 1969 and consists of six members, the three Councillors for the North Riding of the Shire of Dimboola plus three Government Nominees. The Authority serves some 674 persons.

All three Authorities in the Shire of Dimboola share the same consulting engineers, but Rainbow and Dimboola Sewerage Authorities are administered separately from the Shire.

The Shire of Dimboola is one of a small number of Shires which have water supply undertakings under Sections 689/692 of the Local Government Act. The Committee obtained information from the Shire of Dimboola, and ascertained that the Council supplies nine consumers at Tarranyurk, at a charge of \$30 per year, in this way, and is establishing a further such supply for twelve consumers at Kiata. The Committee commends these efforts.

The Shire of Dimboola advised the Committee on 8 May 1981 that it favoured the continuation of existing administrative arrangements.

None of these Authorities appeared at the Public Hearing held by the Committee in Horsham on 1 August 1980. However the Dimboola, Rainbow and Jeparit Sewerage Authorities met Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Horsham on 28 July 1981 to discuss their future.

The Jeparit Sewerage Authority advised the Committee on 10 May 1981 that it wished to continue as a separate entity, but "be placed under the administration of the local council". The Dimboola Sewerage Authority, in its letter of 13 August 1981, stressed the divergence of interest between Dimboola and Jeparit, 40 km distant, where the Shire's operations are based.

**The Committee's recommendations are that the Jeparit Sewerage Authority cease to exist, and that the successor body be the Jeparit Water Board but effect arrangements for its administrative work to be carried out by the Shire of Dimboola, and that the Dimboola and Rainbow Sewerage Authorities cease to exist, and that the successor bodies be the Dimboola**

**and Rainbow Water Boards, and that the three Boards assume responsibility for urban water supply in their respective communities.**

Donald Waterworks Trust

Donald Sewerage Authority

Donald Waterworks Trust was brought into existence on 5 March 1895, and consists of six Commissioners directly elected by the ratepayers. The Trust obtains water from State Rivers and Water Supply Commission channels from Lake Batyo Catyo. A population of 1,750 people are served at a rate of 6 cents in the dollar N.A.V.

Donald Sewerage Authority was constituted on 16 November 1949 and consists of the Commissioners of the Donald Waterworks Trust.

Although none of the Commissioners is currently a Shire Councillor, these bodies receive substantial administrative support from the Shire of Donald, including assistance with the preparation of electoral rolls, common rate notices, and the use of the Shire Offices. The Secretary and Resident Engineer of the Donald Waterworks Trust and Donald Sewerage Authority are the Shire Secretary and Shire Engineer of the Shire of Donald.

Discussions took place with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Horsham on 28 July 1981.

The other town in the Shire of Donald, Watchem, is provided with water by the State Rivers and Water Supply Commission, but has a "septic tank self-help scheme" initiated by the Shire of Donald. Water supply to the Watchem Urban District is continued at the direction of the Governor in Council.

**The Committee notes and commends the initiative of the Shire of Donald in instigating the septic tank scheme at Watchem, and recommends that the Donald Waterworks Trust and Donald Sewerage Authority should cease to exist, the successor body being the Shire of Donald. The Committee**

recommends that the Shire of Donald assume responsibility for the provision of the Watchem Urban water supply district.

#### Dookie Waterworks Trust

Dookie Waterworks Trust was constituted on 17 September 1974 and consists of the three Councillors for the Dookie Riding of the Shire of Shepparton plus two persons appointed by the Minister of Water Supply. The Trust obtains water from the State Rivers and Water Supply Commission's East Goulburn Channel, and supplies a population of 220 people at a rate of 17.5 cents in the dollar N.A.V.

The Trust operates under the administration of the Shire of Shepparton, and the Trust Secretary is the Shire Secretary. The Trust was represented at the Discussion held by the Committee in Shepparton on 29 August 1980.

The Shire of Shepparton also operates, under its Local Government Act powers, a small stock and domestic water supply system formerly operated by the Shire of Shepparton Waterworks Trust, which was abolished on 1 January 1978. In addition, there is a financially viable State Rivers and Water Supply Commission Urban District at Tallygaroopna, within the Shire. The Shire of Shepparton, in a submission to the Committee dated 14 April 1981, has advised that, with regard to Dookie, "it does not greatly matter whether a Trust administers the scheme under the umbrella of a municipal authority, or whether the Council ... operates the service as a local government item".

**The Committee's recommendation is that Dookie Waterworks Trust cease to exist, and that responsibility for urban water supply in Dookie and Tallygaroopna be assumed by the Shire of Shepparton.**

## Dromana-Rosebud Sewerage Authority

The Dromana-Rosebud Sewerage Authority was constituted in 1967. The Authority has nine Commissioners, six being Councillors of the Shire of Flinders for the Ridings of Murray and Matthew, three being Government Nominees appointed by the Governor in Council. The Authority is a completely separate entity from the municipality.

The Sewerage Authority district extends over 20 square kilometers catering for a permanent population of 17,000 rising to 40,000 plus 10,000 campers in the summer months. The Sewerage district is contained within two Ridings and the six Councillors are the local Commissioners on the Authority.

The Sewerage district was promulgated after a referendum of ratepayers who voted strongly in favour of the scheme. The ratepayers outside the proposed district were equally strongly opposed to sewerage.

The Authority has for the past three years been able to achieve what they believe to be an equitable rating base through a high minimum rate. Ninety percent of ratepayers have paid the same amount. The Trust is experiencing some difficulty in rating the caravan parks as they have minimal capital improvement and their N.A.V. is low, particularly when compared to the load they place on the sewerage system. The rate is 6 cents in the dollar N.A.V.

The Authority presented evidence to the Committee at Lilydale on 31 October 1980 and followed up with a detailed written submission, covering a number of points raised by the Committee at the Hearing. The Authority stressed the importance of professionalism within the industry and the view that, if the function were absorbed into local government, officers could be side-tracked into other areas of concern not related to water and sewerage.

As well, in a submission dated 6 July 1981, the Authority proposed that a new body be established covering the whole of the Shire of Flinders municipal district and that part of Mount Martha Ridge which has a natural catchment to the south-west. The Authority proposed that this new body should have responsibilities for water retailing

to consumers, sewerage reticulation and treatment, all plumbing regulations including septic tank approvals and sanitary plumbing, and management of all rivers, creeks, streams and natural water courses.

Water retailing in the Shire of Flinders is currently undertaken by the State Rivers and Water Supply Commission. Hon. Dr. Kevin J. Foley, M.L.C., visited the Authority and inspected its area and facilities on 6 July 1981.

**The Committee recommends the Dromana-Rosebud Sewerage Authority should cease to exist, and that the successor body should be the Nepean Water Board, with responsibility for all necessary urban water and sewerage provision in the Shire of Flinders.**

Drouin Waterworks Trust

Drouin Sewerage Authority

Neerim South Waterworks Trust

Noojee Waterworks Trust

Warragul Waterworks Trust

Warragul Sewerage Authority

Drouin Waterworks Trust was created by Order of the Governor in Council on 23 September 1935 and consists of six Commissioners elected by the ratepayers. The Trust obtains water from the Labertouche Creek, augmented by supplementary supplies from Warragul and from the Tarago Race of the State Rivers and Water Supply Commission. The Trust supplies a population of 3,300 people at a rate of 1 cent in the dollar N.A.V.

Drouin Sewerage Authority was constituted in 1965 and consists of the Commissioners of the Drouin Waterworks Trust. Treatment is effected by aerobic ponds.

The Drouin Waterworks Trust and Sewerage Authority are administered as an integrated water industry body separate from the municipal administration of the Shire of Buln Buln, whose headquarters are also in Drouin.



The Drouin Waterworks Trust and Drouin Sewerage Authority made an initial submission and supplementary statement to the Committee on 20 August 1980, and were represented at the Public Hearing held by the Committee at Traralgon on 5 September 1980.

Neerim South Waterworks Trust was created by Order in Council on 26 March 1957. It consists of the three Councillors for the North Riding of the Shire of Buln Buln and three persons appointed by the Minister of Water Supply. The Trust pumps water from the State Rivers and Water Supply Commission's Tarago Reservoir, and supplies a population of 540 people at a rate of 3 cents in the dollar N.A.V.

Noojee Waterworks Trust was created by Order of the Governor in Council on 5 August 1947. It also consists of the three Councillors of the North Riding of the Shire of Buln Buln, but in this case they are assisted by a different group of three persons appointed by the Minister of Water Supply.

The Neerim South and Noojee Waterworks Trusts are administered from the Shire of Buln Buln, and their Secretary is the Shire Secretary. Both Trusts were represented at the Public Hearing held by the Committee at Traralgon on 5 September 1980, and both made responses in June 1981 to the Committee's Second Report advocating no change in structure. Both were represented at talks with Mr. R. A. Jolly, M.P. in Drouin on 31 July 1981.

Longwarry, the other main township in the Shire of Buln Buln, is an urban water supply district of the State Rivers and Water Supply Commission.

The Shire of Buln Buln applied in 1978 for the constitution of a Shire of Buln Buln Sewerage Authority to serve the towns of Longwarry, Neerim South and Noojee. The Shire of Buln Buln, in a submission to the Committee dated 8 May 1981 advised that:-

"The Council is firmly of the view that all water and sewerage administration in the Shire (including that of the State Rivers and Water Supply Commission for the Longwarry Township) should be amalgamated with that of the Shire."

Warragul Waterworks Trust was created by Order of the Governor in Council on 4 August 1908. The Trust consists of six Commissioners elected by the ratepayers and one appointed by the Minister of Water Supply. The Trust serves a population of 8,000 in Warragul, Darnum, Nilma and Rokeby, which are its urban districts, at rates of 2.5, 5.5, 5.0 and 11.0 cents in the dollar N.A.V. respectively. The town of Buln Buln has also been proclaimed as an urban district of the Trust. Water is obtained from the Tarago River via a 24 km pipeline. The Trust also provides supplementary water to the Drouin Waterworks Trust.

Warragul Sewerage Authority was constituted on 1 July 1935 and consists of the Commissioners of the Warragul Waterworks Trust. The Authority's treatment plant includes sedimentation tanks, trickling filters and lagoons; treated effluent being discharged to the Hazel Creek.

Both bodies are jointly administered separately from municipal administration. Both made an initial submission to the Committee on 5 September 1980, and were represented at the Public Hearing held at Traralgon on 5 September 1980. Their submission argued that water supply should not be centrally organised, like gas and electricity supply, because it is not "distributed over a large network from its independent source". At the Public Hearing, discussion took place concerning the relative economics of local versus regional sewerage schemes, a matter on which the Committee subsequently sought and obtained a special submission from the La Trobe Valley Water and Sewerage Board. Both the Trust and Authority advised the Committee on 6 July 1981 that they did not wish to make any further response in the light of the Committee's Second Report.

The Shire of Warragul did not give the Committee the benefit of its views.

The Drouin Waterworks Trust and Drouin Sewerage Authority in a joint submission to the Committee in July 1981, have suggested the amalgamation of the Drouin and Warragul Trusts and Authorities, possibly extending to Neerim South, Noojee, Longwarry, Bunyip, Garfield, Tynong, Nar Nar Goon and Pakenham. The Drouin bodies argue that such a combined administration would have a total revenue in 1981 of \$750,000, capable of supporting a viable organisation. There is already a physical

connection between the two water systems; Warragul obtains its water from within the Drouin-based Shire of Buln Buln, and the towns of Warragul and Drouin are close geographically. The Committee believes the suggestion made by Drouin to be a constructive one.

**The Committee accepts the proposal of the Drouin Waterworks Trust and Sewerage Authority, and recommends that the Drouin Waterworks Trust, the Drouin Sewerage Authority, the Neerim South Waterworks Trust, the Noojee Waterworks Trust, the Warragul Waterworks Trust and the Warragul Sewerage Authority should cease to exist, and that the successor body should be a new, specialised water industry body called the Tarago Water Board, responsible for all urban water and sewerage requirements in the Shires of Buln Buln and Warragul, including that for Longwarry. The new body should operate within the regional framework laid down by the La Trobe Regional Water Board.**

#### Dumbalk Waterworks Trust

see below: Leongatha Waterworks Trust

#### Shire of Dundas Waterworks Trust

The Shire of Dundas Waterworks Trust was created on 20 August 1968 by Order of the Governor in Council. It consists of the Councillors of the Shire of Dundas, and one person appointed by the Minister of Water Supply. The Trust purchases all its water from Hamilton Waterworks Trust, and supplies a population of 450 in the towns of Cavendish and Tarrington and nearby rural areas at a rate of 10 cents in the dollar N.A.V.

The Trust made a submission to the Committee on 28 July 1980, and was represented at the Public Hearing held by the Committee in Portland on 8 August 1980.

The Trust provided the Committee on 23 July 1981 with a second submission in response to the Committee's Second Report. In that document, which the Committee commends as a particularly thoughtful response, the Trust argued that "the future well being of the consumers ... best identifies within the framework of a rural Council which is capable of ... appreciating township aspirations and priorities".

Discussions took place with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Horsham on 26 July 1981.

Yatchaw Drainage Trust, whose origins date back to 1888, is responsible for the drainage of Buckley's Swamp, an area of about 39 square kilometres, south-east of Hamilton, in the Shire of Dundas. The Trust consists of four elected Commissioners and one Government Nominee.

The Yatchaw Drainage Trust made a submission to the Committee on 22 July 1980, and its Chairman, Secretary and consulting engineer appeared at the Public Hearing held by the Committee in Portland on 8 August 1980. Subsequently the Trust forwarded to the Committee testimonials from the Director of the Hamilton Pastoral Research Institute, the Shire of Dundas and the Shire of Mount Rouse. The Committee will be making recommendations on the future of the Yatchaw Drainage Trust in a subsequent Report.

**The Committee's recommendations concerning water bodies in this Shire are that the Shire of Dundas Waterworks Trust cease to exist, and that the successor body be the Shire of Dundas.**

#### Echuca Waterworks Trust

#### Echuca Sewerage Authority

Echuca Waterworks Trust was created by Order of the Governor in Council on 10 July 1882, and consists of nine Councillors of the City of Echuca plus one person appointed by the Minister of Water Supply. The Trust pumps water from the Murray; it is then

treated prior to underground storage. A population of 8,000 is served at a rate of 4.7 cents in the dollar N.A.V.

Echuca Sewerage Authority was constituted on 18 October 1927 and consists of eight Councillors of the City of Echuca plus one Government Nominee. Sewerage is treated in lagoons west of the Campaspe River, and effluent is discharged to pastures and the River.

The Trust and the Authority provided the Committee with submissions on 19 and 21 August 1980, and both bodies elected not to appear at the Committee's Public Hearing. Both bodies advised that their:-

"activities ... could be satisfactorily performed by the City of Echuca, given the necessary legislative authorisation."

The City of Echuca advised the Committee on 5 June 1981 that it was in accord with the views of the Trust and Authority.

**The Committee recommends that the Echuca Waterworks Trust and the Echuca Sewerage Authority cease to exist, and that at least until alternative funding arrangements are made, the successor body be the Echuca Water Board, closely integrated with the City of Echuca. The Committee encourages the Echuca City Council to work towards a goal of full unification of water management with the municipality.**

#### Shire of Kowree Waterworks Trust

#### Edenhope Sewerage Authority

Shire of Kowree Waterworks Trust was constituted in 1947, and is responsible for water supply to Edenhope, Goroke, Apsley and Harrow. The Trust consists of the Councillors of the Shire of Kowree plus one person appointed by the Minister of Water Supply. Populations of 950, 350, 200 and 180 are served at rates of 3, 7, 7 and 11 cents in the dollar N.A.V. respectively.

Edenhope Sewerage Authority was constituted in 1972 and consists of the Councillors of the Central Riding of the Shire of Kowree, plus three Government Nominees.

The Trust, but not the Authority, was represented at the Public Hearing held by the Committee at Horsham on 1 August 1980. Both bodies wrote to the Committee separately on 5 December 1980 advising that they did not wish to be amalgamated with each other, on the grounds that three quarters of the Councillors would have no interest in sewerage since they do not come from Edenhope, the only sewered town in the Shire.

The Shire of Kowree, in a submission to the Committee dated 10 April 1981, argued strongly in favour of the absorption of the water and sewerage functions into the Shire. The Shire advised that considerable savings could be achieved in the Shire of Kowree if the three bodies were merged, and such an arrangement would "simplify things for the Public".

The Trust and Authority were represented at Discussions with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Horsham on 28 July 1981.

**The Committee's recommendation is that the Shire of Kowree Waterworks Trust and the Edenhope Sewerage Authority cease to exist, that the Kowree Water Board be the successor body, with responsibilities for all necessary water and sewerage services in the Shire.**

Elmore Waterworks Trust

Goornong Waterworks Trust

Elmore Waterworks Trust was constituted by Order of the Governor in Council on 2 March 1891, and consists of seven Commissioners directly elected by the ratepayers. Water is obtained from bores, and a population of 301 is served at a rate of 10 cents in the dollar N.A.V. The Trust was not represented at the Public Hearing held by the Committee in Bendigo on 12 September 1980.

Goornong Waterworks Trust was constituted on 2 August 1961 by Order of the Governor in Council, and consists of the Councillors for the South Riding of the Shire of Huntly and three persons appointed by the Minister of Water Supply. The Trust obtains water from the Campaspe River and serves a population of 200 people at a rate of 7 cents in the dollar N.A.V. The Trust made a submission to the Committee on 31 August 1980, and was represented at the Bendigo Public Hearing on 12 September 1980, by its Chairman and two Commissioners.

Both these small Trusts are run independently from the Shire of Huntly.

The Shire of Huntly, which is based in Huntly, on the edge of Bendigo, advised the Committee on 1 April 1981 that it considered there would be no advantage in amalgamating those Trusts with the Shire at the present time.

The Committee notes the divergence of interest between the concerns of Elmore and Goornong and those of the Bendigo area, and notes also the attitudes of the three bodies concerned.

**The Committee therefore recommends that the Elmore Waterworks Trust and the Goornong Waterworks Trust cease to exist, and that the successor bodies be the Elmore Water Board and the Goornong Water Board.**

#### Euroa Waterworks Trust

#### Euroa Sewerage Authority

Euroa Waterworks Trust was created by Order of the Governor in Council on 3 December 1888. It consists of six Commissioners directly elected by the ratepayers and one person appointed by the Minister for Water Supply. The Trust obtains water from Seven Creeks and Mountain Hut Creek, and supplies a population of 3,000 people at a rate of 6 cents in the dollar N.A.V.

Euroa Sewerage Authority was constituted on 8 February 1939 and consists of the Commissioners of the Waterworks Trust. The treatment works are located south-west of the town, and effluent is disposed of by irrigation.

The Trust and Authority are administered jointly, and independently from the Shire in a "modern air conditioned office", by a full-time Secretary, and several other full and part-time staff. The submission argued for the maintenance of this separate administration. The two bodies were represented at the Discussion held by the Committee at Shepparton on 29 August 1980.

The Shire of Euroa, in a submission to the Committee dated 27 July 1981, indicated a number of advantages of absorbing the water and sewerage functions into the Shire's administration, but did not recommend it, and acknowledged that, "the Euroa Waterworks Trust and Euroa Sewerage Authority have efficiently provided water and sewerage within the township of Euroa since their inception ... "

**The Committee's recommendation is that the Euroa Waterworks Trust and Euroa Sewerage Authority cease to exist, and that they be replaced by a specialised water industry body known as the Euroa Water Board responsible for all urban water and sewerage services which may be required within the Shire of Euroa.**

Foster Waterworks Trust

Foster Sewerage Authority

Toora Waterworks Trust

Toora Sewerage Authority

Fish Creek Waterworks Trust

Foster Waterworks Trust was created by Order of the Governor in Council on 18 April 1939. It consists of three representatives of the Centre Riding of the Shire of South Gippsland and three persons appointed by the Minister of Water Supply. The Trust obtains water from a reservoir on Deep Creek, and has plans for the construction of a treatment plant. A population of 1,000 people is served at a rate of 2.6 cents in the dollar N.A.V.

Foster Sewerage Authority was constituted on 29 November 1966, and consists of the Commissioners of Foster Waterworks Trust. The sewer system operates by gravity to an aerobic lagoon, and effluent passes through Stockyard Creek to Corner Inlet.



Foster Waterworks Trust and Foster Sewerage Authority are closely integrated with the Shire of South Gippsland, the Secretary of the Trust is the Deputy Shire Secretary, and the Secretary of the Authority, while administrative work is carried out by the Shire of South Gippsland.

Foster Waterworks Trust and Sewerage Authority did not appear at the Public Hearing held by the Committee in Traralgon on 5 September 1980, but in a submission dated 24 April 1981 the Trust advised that it favoured the continuation of existing arrangements.

Toora Waterworks Trust was created by Order of the Governor in Council on 22 January 1924, and further districts were constituted at Welshpool in 1957, and at Toora (Rural) in 1979. The Trust now supplies Toora, Welshpool, Port Welshpool, Agnes, Port Franklin and the Esso Marine Terminal as well as a number of rural properties. The Trust consists of the three Councillors for the East Riding of the Shire of South Gippsland, plus three persons appointed by the Minister of Water Supply. The Trust charges rates of 4.75 cents and 6 cents N.A.V. respectively in Toora (Urban District) and Welshpool, and \$1.90 per hectare in Toora (Rural District). The populations served are 800, 500 and 800 respectively.

Toora Sewerage Authority was constituted on 6 May 1964 and consists of the Commissioners of the Toora Waterworks Trust. Treatment is by Imhoff Tanks and a lagoon; effluent is discharged by a pressure main to the ocean.

Toora Waterworks Trust and Sewerage Authority have been administered separately from the Shire since 1969, when new offices were built. A full-time Secretary is employed.

The Trust and Authority presented a joint submission to the Committee on 27 August 1980, and were represented at the Public Hearing held by the Committee in Traralgon on 5 September 1980. In this submission, the Trust argued that:-

"it would be possible for this Trust to become the focal point of other Trusts in the area - namely Foster, Fish Creek, and perhaps Alberton, if the opportunity were to present itself."

Mr. R. A. Jolly, M.P. had talks with the Trust and Authority in Traralgon on 24 July 1981.

Fish Creek Waterworks Trust was created by Order of the Governor in Council on 14 January 1958 and consists of the Councillors for the West Riding of the Shire of South Gippsland plus three persons appointed by the Minister of Water Supply. The Trust obtains water from a reservoir on Battery Creek, and supplies a population of 840 at a rate of 5 cents in the dollar N.A.V. The Trust is administered separately from the Shire of South Gippsland.

The Shire of South Gippsland advised the Committee on 19 March 1981 that it favoured the continuation of existing arrangements.

**The Committee recommends that the Foster Waterworks Trust, the Foster Sewerage Authority, the Fish Creek Waterworks Trust, the Toora Waterworks Trust and the Toora Sewerage Authority cease to exist, and that the successor body be a specialist water industry body to be known as the South Gippsland Water Board, responsible for any necessary water and sewerage provision in the Shire of South Gippsland.**

#### Forrest Waterworks Trust

#### Gellibrand Waterworks Trust

Forrest Waterworks Trust was created by Order of the Governor in Council on 7 November 1962 and consists of six persons elected by the ratepayers and one person appointed by the Minister of Water Supply. The Trust obtains its water from the Geelong Waterworks and Sewerage Trust's West Barwon Dam, 1.4 km from Forrest, and supplies a population of 380 at a rate of 15 cents in the dollar N.A.V. However the Trust is administered by the Colac Waterworks Trust as Forrest is only 20 km

distant from Colac. Forrest Waterworks Trust made a submission to the Committee on 19 September 1980, and was represented at the Public Hearing held by the Committee at Geelong on 26 September 1980.

Gellibrand Waterworks Trust was created by Order of the Governor in Council on 1 July 1969, and consists of six Commissioners elected by the ratepayers and one person appointed by the Minister of Water Supply. The Trust obtains water from Lardner's Creek, and supplies a population of 250 at a rate of 17.5 cents in the dollar N.A.V. Like Forrest Waterworks Trust, Gellibrand Waterworks Trust operates some 20 km from Colac and obtains administrative and maintenance services from Colac Waterworks Trust.

In separate submissions, both Trusts advised the Committee that in the event of new structural arrangements for water supply being adopted, they would prefer to see their Trusts succeeded by the Colac Waterworks Trust. The Colac Waterworks Trust advised of its preparedness to assume added responsibilities.

Both Forrest and Gellibrand are located in the Shire of Otway, of which Beech Forest is the administrative centre. Beech Forest does not possess a reticulated water supply.

The Shire of Otway advised the Committee on 20 March 1981 that it was "divided on these matters and declines to make any comments".

Mrs. J. H. Chambers, M.P. met representatives of both bodies during July 1981.

**The Committee's recommendation is that the Forrest and Gellibrand Waterworks Trusts cease to exist, that the successor body be the Colac Water Board, and that the Colac Water Board be so constituted as to provide representation for Forrest and Gellibrand.**

### Frankston Sewerage Authority

The Frankston Sewerage Authority was constituted on 23 January 1963 by Order of the Governor in Council. The Commissioners are the Councillors of the City of Frankston there being no Government Nominees.

The Authority commenced sewer construction in 1966 and the system now comprises 376.8 km of reticulated sewer, 23.88 km of outfall pipeline, 31 pumping stations and 2 package treatment plants. 16,964 properties have been connected to the sewer and 8,100 remain to be sewered. The rate is 5.3 cents in the dollar N.A.V. with a minimum rate of \$50.

The Sewerage District is the same area as the City of Frankston. Administration is integrated with the Council, the Town Clerk being Secretary to the Authority and the Council charging the Authority for rating, valuation, accounting, sewers and accommodation. The engineers to the Authority are Gutteridge Haskins and Davey Pty. Ltd. All other personnel are employees of the Authority.

The Frankston Sewerage Authority district boundaries now adjoin Cranbourne, Hastings and Mount Eliza Sewerage Authorities. A high degree of voluntary co-operation exists between these Authorities as can be instanced with the connection of the Shire of Cranbourne's developments at Carrum Downs and Langwarrin connected to the Frankston system, and Cranbourne's provision for future connections from Frankston. A similar inter-linking system exists between Mount Eliza and Frankston. There is a diversion sewer between the Frankston Plant and the Melbourne and Metropolitan Board of Works' plant which is jointly funded by Frankston and Cranbourne.

In regard to sewerage, Council sees no advantages in varying present arrangements, as they exist in Frankston, for provision of sewerage services.

Hon. Dr. Kevin J. Foley, M.L.C. and Mr. G. Weideman, M.L.A. visited the Authority for talks on 23 July 1981.

**The Committee recommends that the Frankston Sewerage Authority should cease to exist, and that the successor body should be the Nepean Water Board, which should also assume responsibility for urban water retailing in those parts of the municipality currently served by the State Rivers and Water Supply Commission.**

### Geelong Waterworks and Sewerage Trust

The Geelong Waterworks and Sewerage Trust was constituted by statute in 1910, after 40 years during which an unsatisfactory standard of water supply was provided to Geelong by State Departments. The Geelong Waterworks and Sewerage Trust now serves a population of over 170,000 persons with water and sewerage services, which cover a number of municipalities in the Geelong region. As well, the Trust has river improvement responsibilities covering part of the Barwon River.

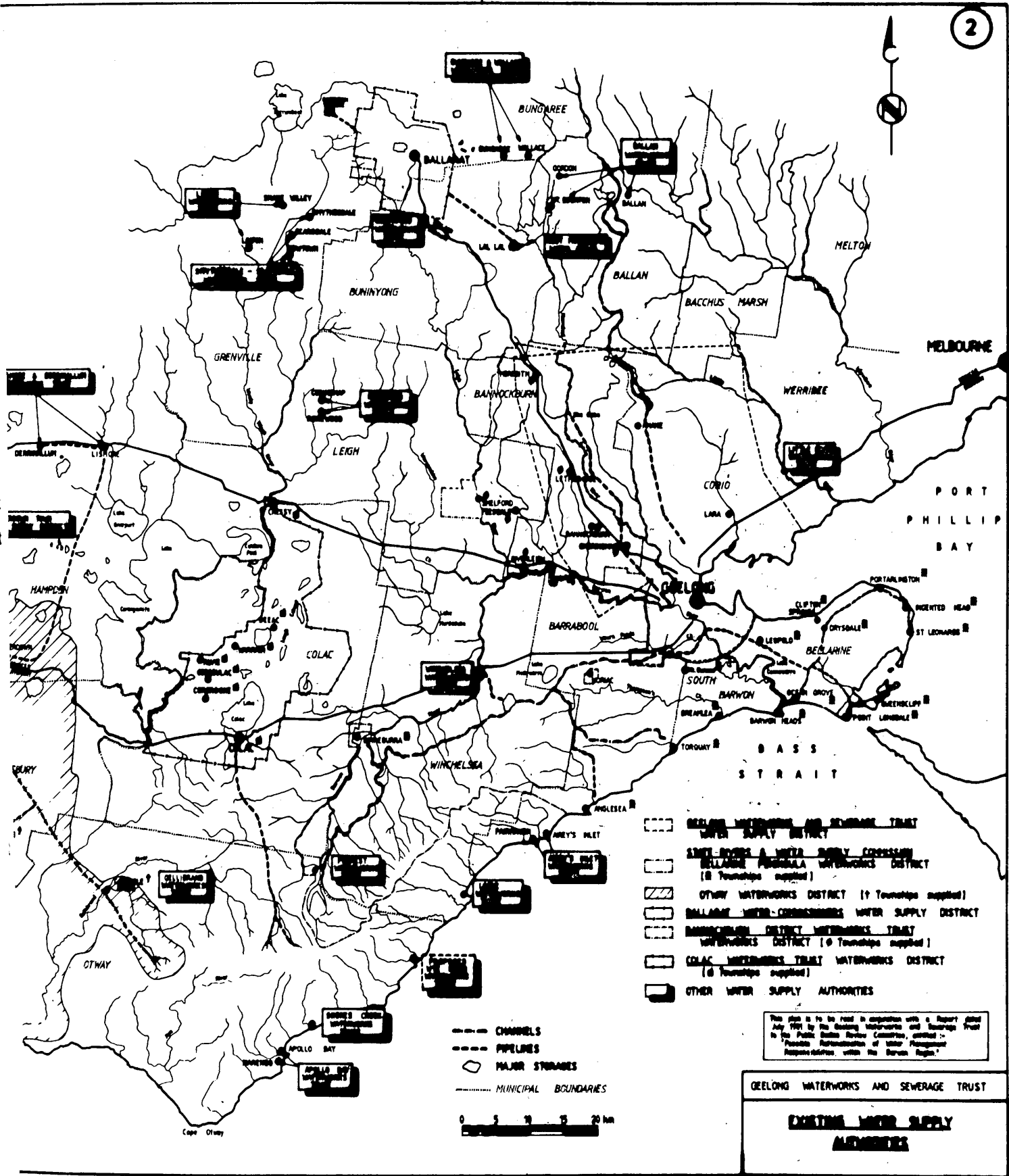
The Trust, since 1979, has consisted of seven Commissioners, six of whom represent electoral districts broadly corresponding to the municipalities served. The Trust employs some 299 staff, has its own leased computer facility, its own Registrar of Inscribed Stock, and investments of around twenty million dollars. It is the third largest water industry body in Victoria.

The Trust obtains its water from three main systems: the East Moorabool system (providing one-fifth of the City's requirements), the Barwon System (providing two-thirds of requirements), and the West Moorabool system, where resources are shared with Ballarat. The Trust's sewerage system serves nearly 140,000 people through over 800 kilometres of reticulation sewers. A 21 km main outfall sewer to the ocean at Black Rock is a major feature of the system. This outfall also serves the Queenscliff, Ocean Grove, Barwon Heads and Torquay Sewerage Authorities.

The Trust provided the Committee with an extensive initial submission in September 1980, and was represented at the Public Hearing held by the Committee in Geelong on 26 September 1980. Subsequently, at the Committee's request, the Trust prepared a study for the Committee on "Possible Rationalisation of Water Management

MAP 5.  
GEELOG WATER SUPPLY SYSTEM SHOWING OTHER NEARBY  
WATER AUTHORITIES.

2



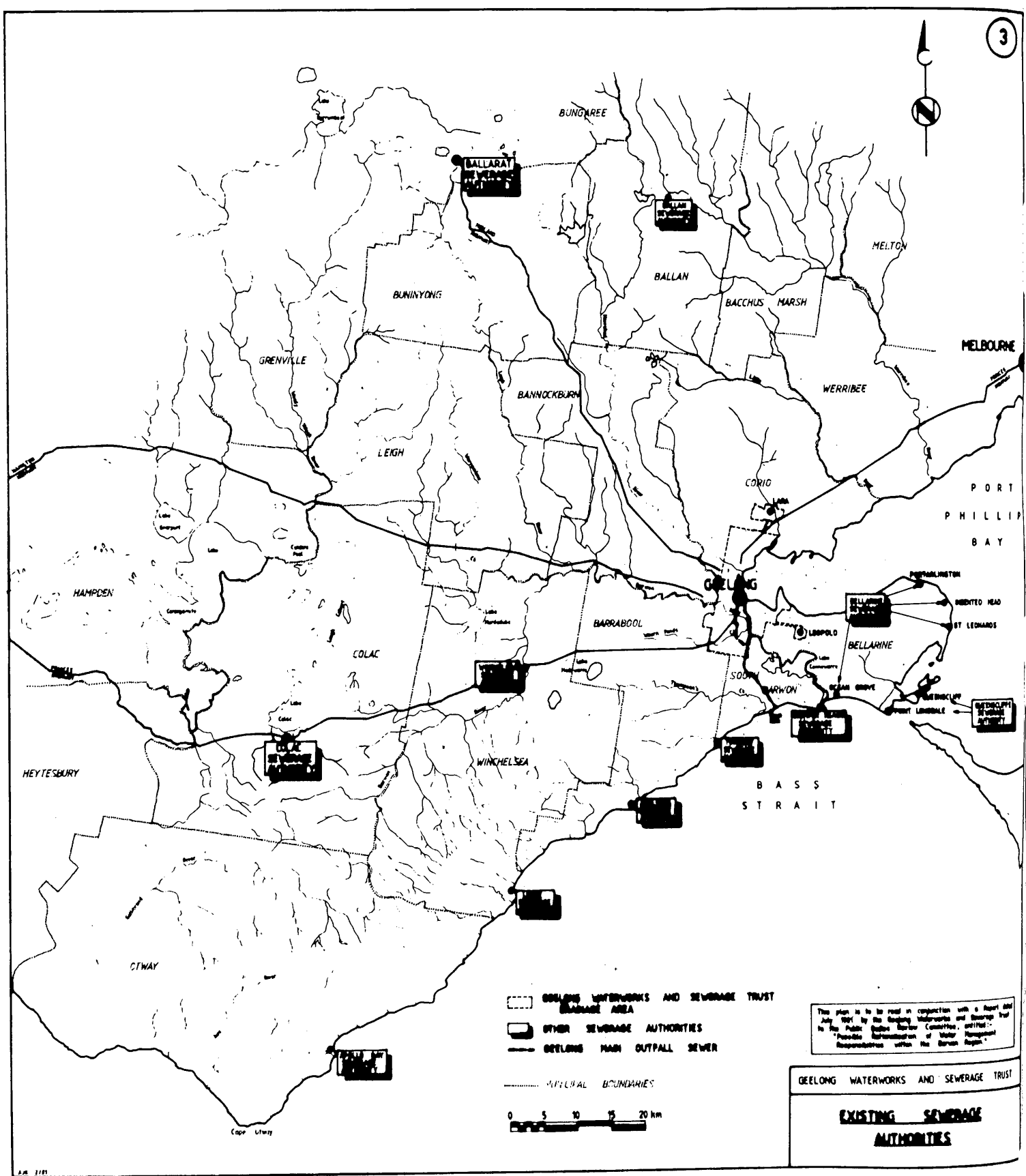
This plan is to be read in conjunction with a Report dated July 1961 by the Geelong Waterworks and Sewerage Trust to the Public Utilities Review Commission, entitled "Possible Reorganisation of Water Management Responsibilities within the Geelong Region."

GEELOG WATERWORKS AND SEWERAGE TRUST

**EXISTING WATER SUPPLY  
AUTHORITIES**

**MAP 6.**  
**EXISTING SEWERAGE AUTHORITIES IN THE BARWON REGION**

3



This plan is to be read in conjunction with a Report dated July 1981 by the Standing Waterworks and Sewerage Trust to the Public Utilities Board Committee entitled "Provide Information of Water Management Responsibilities within the Barwon Region."

MAP 7.  
POSSIBLE BOUNDARY FOR A BARWON WATER BOARD - GEELONG  
WATERWORKS AND SEWERAGE TRUST PROPOSAL.

6



This plan is to be read in conjunction with a Report dated July 1991 by the Geelong Waterworks and Sewerage Trust to the Public Notice Review Commission, entitled: "Possible Reorganisation of Water Management Responsibilities within the Barwon Region."

GEELONG WATERWORKS AND SEWERAGE TRUST  
**POSSIBLE BOUNDARY  
FOR A BARWON REGIONAL  
WATER MANAGEMENT AUTHORITY**



Responsibilities in the Barwon Region" (July 1981). A synopsis of that submission is reproduced at Appendix 2. Key points are that:-

- \* present water management in the Barwon Region is fragmented and lacks effective co-ordination. Water supply, sewerage, river management and main drainage responsibilities are divided amongst more than 30 local authorities, (while ...) a number of Government departments also carry out certain statutory water management functions;
- \* major new resources will need to be developed, sewerage services extended and far more attention paid to matters of catchment protection and river management, where serious conflicts already exist;
- \* the level of capital funding and financial assistance available to the respective bodies varies considerably, resulting in some inequity in the average annual payments made by ratepayers of adjacent authorities for the receipt of similar services;
- \* the rationalisation and integration of water management functions is essential ... in order to effectively deal with the mounting complexities of such matters in the future and to achieve increased efficiency and economy in the provision of these essential public services;
- \* basically the Trust sees this enhancement of management occurring in the Barwon Region through the establishment of a strong multi-functional Regional Water Management Authority.

The Barwon Region exemplifies the circumstances described by the Committee in its Second Report, where there is substantial urban and industrial growth, conflicts over water and sewerage management issues, and a need for a more coherent management structure to replace the dozens of separate bodies currently involved. The Committee

considers that the Geelong Waterworks and Sewerage Trust has provided an evolutionary plan of considerable merit.

Further Discussions took place with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Geelong on 24 July 1981.

**The Committee's recommendation is that the Geelong Waterworks and Sewerage Trust cease to exist, and that the successor body be a new body known as the Geelong Water Board, to progressively take up responsibility for water, sewerage, drainage, river management and flood protection in the whole of the municipalities of Bannockburn, Bellarine, Corio, Geelong, Geelong West, Newtown, South Barwon, Queenscliffe, and in that part of the Shire of Leigh to the east of Mount Mercer.**

#### Gembrook, Cockatoo and Emerald Waterworks Trust

The Gembrook, Cockatoo and Emerald Waterworks Trust was constituted on 13 October 1962 by Order of the Governor in Council. The Secretary is Mr. Les Whitehead who was previously the accountant for the Shire of Sherbrooke. The engineers for the Trust are Gutteridge, Haskins and Davey Pty. Ltd.

The Trust consists of eight members, three appointed by the Shire of Pakenham, three by the Shire of Sherbrooke and two persons appointed by the Minister of Water Supply.

The Trust supplies water to 2,600 properties within the Shires of Pakenham, Sherbrooke, Upper Yarra and Lillydale and the forward plan of the Trust is to supply 4,500 allotments. Water is provided to the towns of Gembrook, Cockatoo, Avonsleigh, Emerald, Menzies Creek and Clematis.

The main catchment area for the Trust is in the Shire of Upper Yarra with a 530 hectare catchment on the McCrae Creek where a portion of the flow is diverted to the Gembrook Reservoir. The Trust's first major storage, the John's Hill Reservoir, has

been completed with a capacity of 360 megalitres which has increased the Trust's storage from 17 days to 260 days.

The Trust presented a detailed submission as well as verbal evidence to the Lilydale Hearing on 31 October 1980 and has followed up with further comment this year. The Trust has been most professional with all its submissions.

The Gembrook, Cockatoo and Emerald Waterworks Trust has stated in their submission: "There are however disadvantages in the present system and these relate basically to financed assistance and autonomy, future planning of works timetables and financial restraints common to the state as a whole".

The philosophy of the Trust is:-

1. to provide the best quality/quantity of water at the most economic cost;
2. to provide the highest possible service to the local community;
3. to accept the responsibility of the user pays, and
4. to be responsible to the local community through "Open Government".

The Trust has taken a number of innovative initiatives, one being a questionnaire sent to all ratepayers seeking the level of satisfaction or otherwise with the Trust and its services. One question asked "Do you prefer local Trust or would you prefer to be absorbed into the Melbourne and Metropolitan Board of Works?" The overwhelming response was to keep the local Trust. The main reasons given were that the Melbourne and Metropolitan Board of Works is inefficient, impersonal, too much bureaucracy and rate increases.

The Secretary has stressed the commitment by the staff and Commissioners to the Trust and their innovative efficient method of operation as well as their close relationship with the communities they serve.

Hon. Dr. Kevin J. Foley, M.L.C. visited the Trust for talks on 28 July 1981.

**The Committee recommends the Gembrook, Cockatoo and Emerald Waterworks Trust cease to exist, and that the successor body be the Yarra Valley and Dandenong Ranges Water Board.**

Gisborne Waterworks TrustShire of Gisborne Sewerage Authority

See: Macedon Waterworks Trust

Shire of Glenelg Waterworks Trust

See: Coleraine and Casterton Waterworks Trust

Glenrowan Waterworks TrustGoorambat Waterworks Trust

See: Devenish Waterworks Trust

Goornong Waterworks Trust

See: Elmore Waterworks Trust

Hall's Gap Sewerage Authority

See: Shire of Stawell Waterworks Trust

Hamilton Waterworks TrustHamilton Sewerage Authority

Hamilton Waterworks Trust was created by Order of the Governor in Council on 19 December 1898. It consists of the Councillors of the City of Hamilton plus two persons appointed by the Minister of Water Supply. The Trust obtains water from streams in the Grampians, through which it is delivered through some 45 km of

pipeline to reservoirs and service basins. The Trust supplies a population of 9,800 people at a rate of 4.8 cents in the dollar N.A.V.

Hamilton Sewerage Authority was created on 28 February 1935 and consists of the Commissioners of the Hamilton Waterworks Trust plus two Government Nominees. The Authority operates a treatment works 5 km south-west of Hamilton; treated effluent is disposed of by irrigation.

Both the Trust and the Authority are closely integrated with the City of Hamilton. All three bodies made a joint submission to the Committee in July 1981, containing a number of position statements, including the following concerning structure:-

"That the Public Bodies Review Committee not determine that the Hamilton Waterworks Trust and Hamilton Sewerage Authority shall cease to exist unless Loan Council borrowing limits can be amended and then not until an appropriate timetable of enabling legislative amendment providing for the new municipal functions of water supply and sewerage servicing is developed."

These bodies were represented at the Public Hearing held by the Committee in Portland on 8 August 1980, where they also tabled an Additional Information Memo containing some comparative performance indicators for all three bodies. The submission and other data provided by these bodies reflects great credit on their administration.

The Trust and the Authority in separate responses dated 9 June 1981 reiterated their support for a combination of the Trust, the Authority and the Council, providing the problem of Loan Council borrowing authority could be overcome. If that impediment could not be overcome "the combining of the Hamilton Waterworks Trust and the Hamilton Sewerage Authority into one Hamilton Water Management Authority remains a possibility".

The Trust also advised that discussions were taking place with the Shire of Dundas Waterworks Trust regarding future co-operative directions. The Committee notes that

the Trust currently provides some water supply services to areas of the Shire surrounding the City, and commends the bodies concerned for this practical arrangement.

The City of Hamilton advised on 31 March 1981 that "Council believes it is the appropriate statutory body for supervising and administering the omnibus activities of local government presently the responsibility of three distinct statutory authorities".

Discussions took place with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Horsham on 24 July 1981, and Mr. Chamberlain has continuing dialogue with the authorities.

The Committee will be making further comments and recommendations concerning Loan Council borrowing limits, but clearly it cannot alone bring about change in them. It is aware that there are some communities in the State, where local authorities are borrowing at around the present limit, in which the Loan Council restrictions do present a barrier to more rational administrative structures.

**The Committee's recommendation is that the Hamilton Waterworks Trust and the Hamilton Sewerage Authority should cease to exist. The Committee recommends that, at least until alternative funding arrangements are made, that the successor body be a Hamilton Water Board closely integrated with the Council. The Committee encourages the Hamilton City Council to work towards a goal of full unification of water management with the municipality.**

#### Hastings Sewerage Authority

Hastings Sewerage Authority was constituted on 22 July 1970 by Order of the Governor in Council. The Authority consists of nine Commissioners, six being Councillors of the Shire of Hastings for the number two and three Ridings and three persons being appointed by the Governor in Council.

The Secretary of the Authority is Mr. W. R. Featherston who is also Secretary for the Shire of Hastings. The Authority office is located in the Shire of Hastings office. Engineers to the Authority are Camp, Scott Furphy Pty. Ltd.

The Authority serves a population of 1,750 and in 1979 was servicing 387 allotments, another 188 were to be connected by the end of 1981. The Authority has a program to have the remaining 1,300 allotments in the sewerage district connected by 1990. The Authority has a general rate of 9.5 cents in the dollar N.A.V. and the total rate revenue in 1979 was \$198,845.

The Authority wrote to the Committee on 5 August 1980 and stated "The authority does not propose to make a written submission but extends an invitation to attend a forthcoming meeting". The Authority did respond to the Committee's questionnaire.

The Committee received a detailed submission from the Westernport and Peninsula Protection Council who challenged a number of decisions of the Authority. The Westernport and Peninsula Protection Council stated "The Hastings Sewerage Authority's sewerage treatment scheme is based on false premises, was ill conceived and will not achieve its objective in the allotted time scale and should not have been permitted". The Westernport and Peninsula Protection Council is seriously questioning the decisions of the Hastings Sewerage Authority on a number of grounds which challenge the sewerage works construction program. Water retailing in the Shire of Hastings is currently the responsibility of the State Rivers and Water Supply Commission.

**The Committee recommends that the Hastings Sewerage Authority should cease to exist, and that in future the body responsible for all necessary urban water and sewerage provision in the Shire of Hastings should be the Nepean Water Board, which should also assume the current responsibilities of the State Rivers and Water Supply Commission in respect of water retailing in the Shire.**

Healesville Waterworks TrustShire of Healesville Sewerage Authority

Healesville Waterworks Trust was constituted under the Water Conservation Act 1887 and gazetted on 10 January 1890. The district was increased on 22 January 1975 by proclamation of the Yarra Glen Urban District. The Trust consists of the Councillors of the Shire of Healesville and one Government Nominee.

Shire of Healesville Sewerage Authority was constituted on 20 February 1979 by Order of the Governor in Council. The membership is the same as for the Trust.

The Trust draws water from the Melbourne and Metropolitan Board of Works for the 460 properties in the Yarra Glen Urban District. The town of Healesville obtains water from the Graceburn and Badger Creeks for the 2,654 properties serviced.

The Trust presented evidence at the Public Hearing at Lilydale and responded to the Committee's questionnaire. The Trust also participated in a visit to the area by representatives of the Committee.

The office for both bodies is in the Shire of Healesville building and the Secretary, Engineer and Rate Collector are common to both bodies. Mr. Hardisty, the Secretary, is also Secretary of the Yarra River Improvement Trust.

The Trust put forward the view at the Lilydale Hearing "Regionalisation of water and sewerage administration, including any extension in this locality of the Melbourne and Metropolitan Board of Works Water Supply area is not warranted and is opposed by the Trust". The Trust feels direct representation is a great advantage and costwise the incorporation of the Trust into the municipality would not make the running of the Trust any more expensive.

The proposed works for the Shire of Healesville Sewerage Authority comprise reticulation sewers, three pumping stations and rising mains to collect and transfer sewage to the main pump station on the western edge of the town. The sewage will then be pumped 1.2 km to the treatment works site. The proposals provide for



treatment in an Imhoff tank followed by lagoons and a minimum 30 day storage (or chlorination of the effluent) prior to discharge (via grass filtration bays) to the Yarra River.

Both bodies favour Option L4 where their activities would be incorporated into the municipality and Regional Option R1 with no regional authority but a consultative forum within a defined region.

**The Committee recommends that the Healesville Waterworks Trust and the Shire of Healesville Sewerage Authority should cease to exist, and that the successor body be the Yarra Valley and Dandenong Ranges Water Board.**

Heathcote Waterworks Trust

Heathcote Sewerage Authority

Heathcote Waterworks Trust was created by Order of the Governor in Council on 27 March 1893, and consists of the three Councillors for the Central Riding of the Shire of McIvor. The Trust obtains water from a weir on McIvor Creek, and supplies a population of 1,600 people in Heathcote and McIvor at a rate of 10.5 cents in the dollar N.A.V.

Heathcote Sewerage Authority was constituted on 4 May 1976 and consists of the Councillors of the Shire of McIvor. The sewerage works are currently under construction, and are expected to be completed in 1982.

Neither of these bodies, nor the Shire of McIvor, with which they are associated, has made submissions to the Committee nor did they appear at the Public Hearing held by the Committee in Bendigo on 12 September 1980.

**The Committee's recommendation is that the Heathcote Waterworks Trust and the Heathcote Sewerage Authority cease to exist, and that the successor body be the Shire of McIvor.**

Herne's Oak Waterworks Trust

See: Morwell Waterworks Trust

Heyfield Waterworks TrustHeyfield Sewerage Authority

See: Maffra Waterworks Trust

Shire of Heytesbury Waterworks TrustHeytesbury Sewerage Authority

Shire of Heytesbury Waterworks Trust came into existence on 28 May 1968 through the amalgamation of the former Timboon and Port Campbell Waterworks Trusts, and consists of the Councillors of the Shire of Heytesbury and three persons appointed by the Minister of Water Supply. The Trust has separate bores at Port Campbell and Timboon, serving a population of 1,200 people at a rate of 10 cents in the dollar N.A.V.

Heytesbury Sewerage Authority was constituted on 1 January 1979 by the amalgamation of the former Cobden and Simpson Sewerage Authorities, and consists of the Councillors of the Shire of Heytesbury.

Both bodies are integrated with the Shire, having the full Council on the governing body in each case, and employing municipal staff.

The Heytesbury Sewerage Authority made a submission to the Committee on 24 June 1980, which stated that:-

"The only change which could be made to the existing structure is to bring all local authorities under the constitutional umbrella of the municipal Council."

The Trust and the Shire have not made submissions to the Committee, and none of these bodies was represented at the Public Hearing held by the Committee at Portland on 8 August 1980.

The Shire of Heytesbury wrote to the Committee on 13 April 1981 strongly supporting the municipalisation of all water and sewerage trusts in the Shire, and a Shire takeover of water retailing from the State Rivers and Water Supply Commission.

Discussions took place between representatives of the Trust and Authority and Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Geelong on 24 July 1981.

Water supply to Cobden and Simpson is currently provided by the State Rivers and Water Supply Commission at Camperdown.

**The Committee's recommendation is that the Shire of Heytesbury Waterworks Trust and the Heytesbury Sewerage Authority cease to exist and that the Shire of Heytesbury assume responsibility for all necessary water and sewerage services to Cobden, Simpson, Port Campbell, Timboon and other centres within the Shire. The Committee recommends that the responsibility for water retailing in Cobden, Simpson and surrounding rural districts be transferred from the State Rivers and Water Supply Commission to the Shire.**

Heywood Waterworks Trust

Heywood Sewerage Authority

Heywood Waterworks Trust was created by Order of the Governor in Council on 12 November 1962, and consists of the Councillors for the Central Riding of the Shire of Portland plus three persons appointed by the Minister of Water Supply. The Trust obtains water from bores, and supplies a population of 1,275 people at a rate of 10 cents in the dollar N.A.V.

Heywood Sewerage Authority was constituted on 18 August 1970 and consists of the Commissioners of the Heywood Waterworks Trust. The treatment works consist of stabilization ponds; treated effluent is disposed of by irrigation.

Both bodies are closely integrated with the Shire of Portland, the offices of which are located in Heywood. The Shire Secretary is the Secretary of both authorities.

The Trust and the Authority were not represented at the Public Hearing held by the Committee at Portland on 8 August 1980, but both bodies advised the Committee in separate letters dated 11 March 1981 that they favoured amalgamation with each other, "thus effecting some cut in administration costs".

The Shire of Portland concurred with this view in a letter to the Committee dated 16 March 1981, which argued against the further step of amalgamation with the municipality on the grounds that a divergence of interest existed, since only one of the twelve Portland Shire Councillors lives in Heywood.

Discussions took place at Horsham between representatives of the Trust and Authority and Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. on 28 July 1981.

**The Committee recommends that the Heywood Waterworks Trust and the Heywood Sewerage Authority cease to exist, and that the successor body be the Heywood Water Board, integrated as closely as possible in respect of administrative and engineering services with the Shire of Portland.**

Horsham Waterworks Trust

Horsham Sewerage Authority

Horsham Waterworks Trust was created by Order of the Governor in Council on 23 November 1883. It consists of the Councillors of the City of Horsham and one person appointed by the Minister of Water Supply. The Trust obtains water from the State Rivers and Water Supply Commission's Mount Zero Channel, a 30 km open channel

running northwards from Wartook Reservoir in the Grampians. The Trust supplies a population of 12,500 people at a rate of 8.3 cents in the dollar N.A.V.

Horsham Sewerage Authority was constituted on 22 June 1926 and consists of the Horsham City Councillors plus one Government Nominee. The Authority opened new treatment works in 1980.

The operations of both bodies are closely integrated into the City of Horsham. Both bodies made a joint submission to the Committee on 1 August 1980, which stated that:-

"the Trust and the Authority believe that consolidation of the Council, the Trust and the Authority into one legal entity would eliminate the following administrative and other disadvantages:-

1. The keeping of three sets of accounting records, involving the frequent and regular transfer of funds between the separate accounting systems.
2. The keeping of accounts on different accounting principles.
3. The need to prepare three sets of estimates and obtain ministerial approval for waterworks Trusts estimates.
4. The need to strike three separate rates under three different procedures.
5. Surplus funds in one authority cannot be used to offset overdraft accounts in the other authorities to minimise bank interest payments.
6. The need to involve more than one auditor to audit accounts.
7. Payments to creditors of the Trust and the Authority cannot be channelled through the Council's "advance account". This is an

account which is credited with one cheque from each major Council account (e.g. General Account, Private Streets Account, Country Roads Board Account etc.) and creditors are paid from this account with one cheque for all goods supplied to the Council, during a given period.

Traders often find it difficult to appreciate the fact that they are supplying goods to separate legal entities and goods are not always charged to the appropriate authorities on separate invoices. The payment of creditors' accounts for all authorities by one cheque from the advance account would improve administrative procedures."

The Committee believes these points to be significant, and the integration of the three bodies, as desired by Horsham, to be justified.

Discussions took place with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Horsham on 28 July 1981.

**The Committee recommends that the Horsham Waterworks Trust and the Horsham Sewerage Authority cease to exist, and that, at least until alternative funding arrangements are made, the successor body be a Horsham Water Board closely integrated with the Council. The Committee encourages the Horsham City Council to work towards a goal of full unification of water management with the municipality.**

Hurstbridge Waterworks Trust

Hurstbridge Sewerage Authority

Hurstbridge Waterworks Trust was constituted on 26 June 1963 and the Hurstbridge Sewerage Authority on 31 July 1974. The Commissioners are members of both bodies. They consist of six Commissioners, three being from the Shire of Eltham, one each from the Shires of Diamond Valley and Whittlesea and one person appointed by the Minister of Water Supply.

The Secretary to both bodies is Mr. F. W. Nankervis. The two bodies share offices in Hurstbridge. Consultant engineers are Garlick and Stewart.

The Trust serves a population of 5,300 and provides service to 1,700 properties. A rate equivalent to 6 cents in the dollar N.A.V. is charged. Services are provided to the towns of Hurstbridge, Wattle Glen, Panton Hill and Kangaroo Ground.

The bodies presented evidence at the Public Hearing held by the Committee in Lilydale on 31 October 1980 where Mr. Nankervis drew the Committee's attention to the fact that the future of the water Trust was in doubt. The Trust has been for some time investigating alternative methods of supplementing existing water supplies. One option is amalgamation with the Melbourne and Metropolitan Board of Works.

In a letter dated 9 September 1981 the Hurstbridge Waterworks Trust stated:-

"I would now advise that in view of a letter recently received from the Minister it seems certain that the Trust will hand over the management of water supply to the Hurstbridge district to the Melbourne and Metropolitan Board of Works on 1st October 1981.

The letter further indicates that the Hurstbridge Sewerage Authority is expected to continue with the construction of a sewerage service to Hurstbridge, now in progress, and the connection of all properties to the service, which should be finalised in 1984, after which the Authority should negotiate with the Board for the take-over of this service as well."

**The Committee supports that amalgamation of these bodies with the Melbourne and Metropolitan Board of Works.**

Inverloch Waterworks Trust

Inverloch Sewerage Authority

See: Westernport Waterworks Trust

Jeparit Sewerage Authority

See: Dimboola Sewerage Authority

Shire of Kaniva Waterworks TrustKaniva Sewerage AuthorityServiceton Sewerage Authority

The Shire of Kaniva Waterworks Trust was created by Order of the Governor in Council on 3 July 1896. It consists of the Kaniva Shire Councillors plus one Commissioner appointed by the Minister of Water Supply. The Trust obtains its water from bores, and serves a population of 950 at a rate of 12 cents in the dollar N.A.V.

Kaniva Sewerage Authority was constituted on 9 April 1957, and also consists of the Kaniva Shire Councillors plus a Government Nominee. The sewerage scheme was completed in 1963.

Serviceton Sewerage Authority was constituted on 21 September 1971. It consists of the West Riding Councillors of the Shire of Kaniva. The sewerage system is based on a lagoon.

Kaniva and Serviceton are the two principal towns in the Shire of Kaniva. Water supply to Serviceton has been provided in the past by the Victorian Railways Board, who have been seeking to transfer responsibility for it to the Shire on condition that they be provided with free water in perpetuity.

The two Authorities, the Trust and the Shire of Kaniva provided the Committee with separate written submissions, and were represented at the Public Hearing held by the Committee at Horsham on 1 August 1980. Although all these bodies are already integrated to a high degree, these submissions favoured complete integration, as "there are significant advantages in combining the functions of water and sewerage with normal Council functions ... and ... significant cost savings in administration, overheads, plant and equipment".



The Shire of Kaniva reiterated this view in a letter to the Committee dated 31 March 1981.

Discussions took place between the three bodies and the Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Horsham on 28 July 1981.

**The Committee's recommendation is that the Shire of Kaniva Waterworks Trust, the Kaniva Sewerage Authority and the Serviceton Sewerage Authority cease to exist, and that the successor body be the Shire of Kaniva, which should be responsible for all necessary urban water and sewerage services in the Shire. The Committee also recommends that legislation be introduced to transfer responsibility for the Serviceton water supply to the Shire instead of the Victorian Railways Board, also empowering the Shire to recover the full cost of services provided to the Victorian Railways Board from that Board.**

#### Kerang Waterworks Trust

#### Kerang Sewerage Authority

Kerang Waterworks Trust was created by Order of the Governor in Council on 22 October 1890. It consists of the Councillors for the Borough plus one person appointed by the Minister of Water Supply. The Trust pumps and treats water from the Loddon River, supplying a population of 4,000 at a rate of 4.3 cents in the dollar N.A.V.

Kerang Sewerage Authority was constituted on 21 December 1932 and has the same membership as the Kerang Waterworks Trust. The Authority treats sewerage in lagoons; treated effluent is disposed of to Foster's Swamp.

Neither the Trust, nor the Authority nor the Borough of Kerang, were represented at the Public Hearing held by the Committee in Mildura on 18 July 1980.

The Borough of Kerang however, advised that it could see no advantage in amalgamating the bodies into one.

**The Committee can see no advantage in maintaining three separate bodies with the same members, the same staff and similar geographic boundaries, and recommends that the Kerang Waterworks Trust and the Kerang Sewerage Authority cease to exist, and that the successor body be the Borough of Kerang.**

#### Shire of Kerang Waterworks Trust

The Shire of Kerang Waterworks Trust was created by Order of the Governor in Council on 5 December 1900, and is perhaps the most curious body in the present reference, since it has not met for 30 years, its existence has been forgotten by the Shire with which it is associated, and its existence appears to result from the red tape needed to abolish it.

The Trust consists of the Councillors of the Shire of Kerang, and its water supply works were taken over by the State Rivers and Water Supply Commission many years ago.

When the Shire of Kerang wrote to the State Rivers and Water Supply Commission in 1965 seeking the Trust's abolition, they were advised of a number of bureaucratic procedures, including a plebiscite, which would need to be complied with before "consideration could be given to the matter" of abolition. A State Rivers and Water Supply Commission briefing document supplied to the Public Bodies Review Committee somewhat laconically states "there has been no response from the Trust on this matter", and the Trust continues to appear on official lists of Waterworks Trusts published by the Commission.

The Committee contacted the present Secretary of the Shire of Kerang by telephone, and that officer, not surprisingly, was unaware of the Trust's existence.

**The Committee's recommendation is that the Shire of Kerang Waterworks Trust cease to exist.**

Kiewa Waterworks Trust

Yackandandah Waterworks Trust

Shire of Yackandandah Sewerage Authority

Kiewa Waterworks Trust was created by Order of the Governor in Council on 12 March 1946. It consists of the three Councillors of the Kiewa Riding of the Shire of Yackandandah and three persons appointed by the Minister of Water Supply. The Trust pumps water from the Kiewa directly into the reticulation systems of the towns of Kiewa and Tangambalanga. A population of 510 is supplied at a rate of 3 cents in the dollar N.A.V.

Yackandandah Waterworks Trust was created by Order of the Governor in Council on 29 June 1914, and consists of the three Councilors for the Yackandandah Riding of the Shire of Yackandandah, and three persons appointed by the Minister of Water Supply. The Trust obtains water from an offtake weir on Nine Mile Creek, and supplies a population of 750 at a rate of 1.5 cents in the dollar N.A.V., one of the lowest in the State.

The Shire of Yackandandah Sewerage Authority was constituted on 12 March 1980, one of the most recent such bodies to be constituted. It consists of the Councillors of Yackandandah Shire. Construction has not yet commenced, but lagoon treatment is planned, with disposal of final effluent by irrigation.

Yackandandah and Kiewa Waterworks Trusts are administered separately from the Shire of Yackandandah, while the Shire of Yackandandah Sewerage Authority has the Shire Secretary as its Secretary. He is also Secretary of the Kiewa River Improvement Trust.

The Yackandandah Trust made a submission to the Committee on 5 August 1980, and was represented at the Public Hearing in Wodonga on 22 August 1980. The Kiewa Waterworks Trust and the Shire of Yackandandah Sewerage Authority did not make submissions and were not represented.

The Shire of Yackandandah advised the Committee on 1 April 1981 that it did not favour amalgamation of water and sewerage functions with the Shire of Yackandandah at this stage.

**The Committee's recommendation is that the Kiewa Waterworks Trust, the Yackandandah Waterworks Trust and the Shire of Yackandandah Sewerage Authority cease to exist, and that the Yackandandah Water Board be the successor to these bodies.**

Kilmore and District Waterworks Trust

Kilmore Sewerage Authority

The Kilmore and District Waterworks Trust was constituted on 26 October 1891 and amalgamated with the Wallan Waterworks Trust on 1 August 1979. The Trust presently consists of five members elected by the ratepayers plus two Government nominees appointed by the Minister of Water Supply.

The Kilmore Sewerage Authority was constituted on 3 March 1970, the Members being all the Councillors of the Shire of Kilmore.

The Kilmore Sewerage Authority currently serves 500 buildings. Treatment is by oxidation in stabilization lagoons with effluent being discharged to the Kilmore Creek.

The Secretary to both bodies is Mr. Graham Scott. Consulting engineers are Gutteridge, Haskins and Davey Pty. Ltd.

The Trust supplies water to Kilmore, Kilmore East, Wandong, Wallan and Heathcote Junction. Annual revenue is \$176,000 per annum and the rate is 6.5 cents in the dollar N.A.V.

The Kilmore Waterworks Trust and the Broadford Waterworks Trust share the Mt. Disappointment catchment area and each is seeking funds to enlarge the storage.

In a submission to the Committee the two bodies and the Shire of Kilmore expressed support for the total integration of water, sewerage and municipal functions.

**The Committee recommends the Kilmore and District Waterworks Trust and the Kilmore Sewerage Authority cease to exist and the successor body be the Shire of Kilmore.**

#### Koo-wee-rup Waterworks Trust

See: Shire of Cranbourne Sewerage Authority

#### Koroit Waterworks Trust

Koroit Waterworks Trust was created by Order of the Governor in Council on 28 May 1889, and consists of the Councillors of the Borough of Koroit plus one person appointed by the Minister of Water Supply. The Trust obtains water from wells and bores in the Tower Hill area, and serves a population of 1,100 at a rate of 5.5 cents in the dollar N.A.V.

The Trust is integrated with the Borough of Koroit. Koroit Waterworks Trust made a submission to the Committee on 25 July 1980, and was represented at the Public Hearing held by the Committee in Portland on 8 August 1980. The Secretary, questioned as to the possibility of the Borough assuming direct responsibility for water supply in the Borough, stated that he could not see any reason why it could not be done.

**The Committee recommends that the Koroit Waterworks Trust cease to exist, and that the successor body be the Borough of Koroit.**

### Shire of Korong

The Shire of Korong is a Local Governing Body under the Water Act, responsible for water supply to the two districts of Wedderburn-Korong Vale and Inglewood. The Shire supplies 1,100 and 800 people respectively, at rates of 5.75 and 6 cents in the dollar.

The Shire is also involved as a wholesaler to Bridgewater Waterworks Trust, and it is Bridgewater, on the Loddon, that is the source of Inglewood's water supply. The Committee's comments on Bridgewater Waterworks Trust appear elsewhere in this Report. Water supply for Wedderburn and Korong Vale is purchased from the State Rivers and Water Supply Commission.

While the Shire of Korong did not appear at the Public Hearing held by the Committee at Bendigo on 12 September 1980, the Shire made a lengthy and useful submission on 28 April 1981. It also provided a response to the Committee's Second Report, suggesting the introduction of consultative committees to represent consumers in the Shire's various water districts. The Committee commends this proposal, which accords with the Committee's suggestions concerning a number of other areas in the State also.

**The Committee recommends that the Shire of Korong cease to be constituted as a Local Governing Body under the Water Act, and that the Shire assume direct responsibility for all water and sewerage works required in the Shire of Korong.**

### Korumburra Waterworks Trust

### Korumburra Sewerage Authority

### Poowong, Loch and Nyora Waterworks Trust

Korumburra Waterworks Trust was created by Order of the Governor in Council on 29 November 1894, and consists of six Commissioners elected by the ratepayers and one person appointed by the Minister of Water Supply. The Trust obtains water from reservoirs on Coalition and Bellview Creeks, serving a population of 3,000 people at a

rate of 1.7 cents in the dollar U.C.V. of current valuation up to \$12,000 and then 0.5 cents in the dollar U.C.V.

Korumburra Sewerage Authority was constituted on 7 February 1956 and consists of the Commissioners of the Korumburra Waterworks Trust. Effluent is discharged to Foster Creek after treatment.

These authorities are administered jointly in an operation separate from municipal government. Both bodies made a joint submission to the Committee on 21 August 1980, and were represented at the Public Hearing held by the Committee at Traralgon on 5 September 1980.

In a further letter, dated 9 September 1980, the Trust and Authority suggested that it should assume responsibility for the two other water bodies in the Shire, the Shire of Korumburra River Improvement Trust and the Poowong, Loch and Nyora Waterworks Trusts.

Both bodies made a response to the Committee's Second Report on 2 July 1981, in which they advocated the amalgamation of the two bodies into a single entity separate from municipal government. Hon. Dr. K. J. Foley, M.L.C., visited the bodies for further discussions on 27 July 1981.

The Shire of Korumburra advised the Committee on 26 February 1981 that it endorsed the Bains Recommendation concerning the assumption of water and sewerage functions by restructured municipalities.

Poowong, Loch and Nyora Waterworks Trust was created by Order of the Governor in Council on 19 May 1970. It consists of six Councillors for the Jeetho and Poowong Ridings of the Shire of Korumburra plus one person appointed by the Minister of Water Supply. The Trust obtains water from a storage on the Little Bass River, and supplies a population of 630 at a rate of 17.5 cents in the dollar N.A.V.

The Trust made a submission to the Committee on 29 August 1980, which stated that:-

"the operation could be most effectively carried out by the Shire of Korumburra ... it appears not to be a proper use of resources to require the maintenance of a separate set of accounting records for the purposes of the Trust as distinct from those of the Council."

The Trust Secretary is the Shire Secretary of the Shire of Korumburra.

The Shire of Korumburra advised the Committee on 26 February 1981 that it favoured the amalgamation of the Trust and the Shire.

An alternative possibility which the Committee has considered is the extension of the responsibilities of the proposed Korumburra Water Board to take in the Poowong, Loch and Nyora area. This proposition has been put to the Committee by the Korumburra Waterworks Trust.

**The Committee recommends that the Korumburra Waterworks Trust, the Korumburra Sewerage Authority and the Poowong, Loch and Nyora Waterworks Trust cease to exist, and that the successor body be a new body known as the Korumburra Water Board, with responsibilities for all necessary urban water and sewerage provision in the Shire of Korumburra including Poowong, Loch and Nyora.**

Shire of Kowree Waterworks Trust

see: Edenhope Sewerage Authority

Kyabram Water Authority

Kyabram Sewerage Authority

Kyabram Water Authority is a Local Governing Body under the Water Act, which was created on 14 October 1889. The Authority consists of the Kyabram Town Council. Water is obtained from a State Rivers and Water Supply Commission irrigation



channel, chlorinated, and supplied to a population of 5,300 people at a rate of 5 cents in the dollar N.A.V.

Kyabram Sewerage Authority was created on 19 October 1938, and also consists of the Kyabram Town Councillors. Sewerage is treated, and final effluent disposed of by irrigation.

Both authorities are closely integrated with the Town of Kyabram. A joint submission was prepared by both bodies on 20 August 1980, and they were represented at the Discussion held by the Committee at Shepparton on 29 August 1980. The submission outlines the Council's view of the successful integration of the administration, water and sewerage services into the affairs of the Council in 1962:-

"Since 1962, for all intents and purposes, Water Supply and Sewerage Services, have, particularly in the mind of the public, been undertaken as a normal Council function, although legislation still requires separate meetings of the Authorities and completely separate accounting records to be maintained.

Fully qualified Council staff, including qualified Water Supply Engineers, have been available to administer all requirements of both Authorities, whereas before amalgamation a separate staff was maintained and consulting Engineers were engaged when new works were being designed and undertaken.

The amalgamation also permitted joint use of improved office accommodation, mechanised office equipment, up to date valuations and construction plant and equipment. This in turn has been economically beneficial to all three bodies.

A further, and if not one of the most important advantages has been the elimination of the problem of being unable to ensure an orderly and cost saving pattern of road construction coupled with water main installation and sewerage works. In the past when separate Authorities existed this

was seldom, if ever possible, due to different financial years, financial constraints, and occasional differences of opinion between Councillors, Commissioners and Members.

Today Council is able to plan its road construction to coincide with new water and sewerage works, or modifications of existing services. This is most important in the case of new subdivisions, where the initial examination of plans can be undertaken by a single officer for the three Authorities, and the subsequent construction work can be properly programmed. No longer do we see a newly constructed road being excavated to permit installation of water and sewerage services or vice-versa."

The Submission goes on to state that "the need for a separate legal entity, with accounting and finance separated from the municipality, should be abolished".

**The Committee recommends that the Kyabram Water Authority and the Kyabram Sewerage Authority cease to exist, and that in future the Town of Kyabram be directly responsible for all urban water and sewerage services in Kyabram.**

Shire of Kyneton Waterworks Trust

Kyneton Sewerage Authority

Malmsbury Waterworks Trust

Trentham Waterworks Trust

The Shire of Kyneton Waterworks Trust was constituted on 14 August 1882, the Malmsbury Waterworks Trust on 22 November 1937, the Trentham Waterworks Trust on 27 April 1911 and the Kyneton Sewerage Authority on 21 December 1933. Six of the Commissioners for the Kyneton Waterworks Trust and Kyneton Sewerage Authority are elected by the ratepayers and there is one Government Nominee. For the Malmsbury Waterworks Trust three members are the Councillors of the Malmsbury

Riding of the Shire of Kyneton and two Government Nominees and for the Trentham Waterworks Trust the three Riding Councillors and one Government Nominee.

The Secretary to all bodies is Mr. S. G. Porter who is also Shire Secretary. Garlick and Stewart are the consultant engineers. Each of the Trusts is administered from the Shire Offices. Rates for the three Water Trusts range from 1.9 cents to 3.9 cents in the dollar N.A.V.

Each of the Water Trusts obtains water from different sources.

In a submission to the Bendigo Hearing on 12 September 1980 the concern was expressed that if the Trusts were to be amalgamated there could be difficulties in ensuring an equitable distribution of representation on the Trust.

**The Committee recommends the Shire of Kyneton Waterworks Trust, the Kyneton Sewerage Authority, the Malmsbury Waterworks Trust and the Trentham Waterworks Trust cease to exist, and the successor body should be the Kyneton Water Board with Commissioners elected by the ratepayers from each of the towns served.**

Lakes Entrance Waterworks Trust

Lakes Entrance Sewerage Authority

Metung Waterworks Trust

Bruthen Waterworks Trust

Buchan Waterworks Trust

Lakes Entrance Waterworks Trust was created by Order of the Governor in Council on 4 October 1955. It consists of six Commissioners elected by the ratepayers and three appointed by the Minister of Water Supply. The Trust obtains water from the Nicholson River near Sarsfield through some 32 km of water main. This supply also serves Sarsfield, Johnsonville, Swan Reach and Metung. The Lakes Entrance Waterworks Trust is also undertaking a separate supply to serve Nowa Nowa. A substantial augmentation scheme is planned. The Trust currently supplies a stable

population of 4,600, which may peak at holiday times to 20,000. The rate is 6.5 cents in the dollar N.A.V.

Lakes Entrance Sewerage Authority, constituted on 23 March 1971, consists of the Commissioners of the Lakes Entrance Waterworks Trust. The Authority serves both Lakes Entrance and Kalimna, and operates a treatment plant which disposes of treated effluent to the Golf Course, and, in the event of winter excess, to the ocean.

Metung Waterworks Trust was created by Order of the Governor in Council on 25 September 1962. The Trust consists of six Commissioners elected by the ratepayers and one person appointed by the Minister of Water Supply. The Trust obtains water from the Lakes Entrance Waterworks Trust's pipeline, and supplies a population of 500 people at a rate of 6 cents in the dollar N.A.V.

Bruthen Waterworks Trust was created by Order of the Governor in Council on 28 February 1929. It consists of six Commissioners elected by the ratepayers and one person appointed by the Minister of Water Supply.

The Trust obtains water from the Tambo River, and serves a population of 800 people at a rate of 10 cents in the dollar N.A.V.

Buchan Waterworks Trust was created by Order of the Governor in Council on 10 August 1971, and consists of six Commissioners elected by the ratepayers plus one Government Nominee. It provides a population of 280 with water at a rate of 10.75 cents in the dollar N.A.V. Water is obtained from a natural pool in the Buchan River, and is chlorinated before reticulation.

Most of the bodies administered by the Shire of Tambo, that is, the Bruthen Waterworks Trust, the Lakes Entrance Waterworks Trust, the Lakes Entrance Sewerage Authority and the Metung Waterworks Trust, made an initial submission to the Committee on 18 June 1980. This submission advised that:-

"Having Councils responsible for all bodies within their areas has not been well received ... This is mainly due to the considerable distances involved

and because each township area likes to have control over its own water supply and sewerage scheme."

The Lakes Entrance, Bruthen and Metung bodies were represented at a Public Hearing held by the Committee in Bairnsdale on 15 August 1980, and Mr. R. A. Jolly, M.P. met representatives of the Lakes Entrance Trust and Authority and the Bruthen, Buchan and Metung Trusts at Bruthen on 17 July 1981.

The Shire of Tambo advised the Committee on 24 March 1981 that it favoured the continuation of existing arrangements.

Further submissions were received from these Trusts on 21 July 1981, again favouring the continuation of the existing system.

The Buchan Waterworks Trust did not make a written submission to the Committee during 1980, nor was it represented at the Public Hearing held by the Committee at Bairnsdale on 15 August 1980.

However, the Buchan Waterworks Trust did make a submission on 14 July 1981 in response to the Committee's Second Report. This submission argued for the continuance of existing arrangements.

Buchan Waterworks Trust is one of the seven bodies, serving 7,000 people, administered from the offices of the Shire of Tambo in Bruthen. It is the only one of which the Shire Secretary is not Secretary - as its Secretary is the Shire of Tambo's Rate Collector. All administrative services are already integral with the Shire of Tambo.

**The Committee notes that administration for these systems is already centralised at the Shire of Tambo, and that the Shire Secretary is also Secretary of each of these Trusts except the Buchan Waterworks Trust, of which the Rate Collector of the Shire of Tambo is Secretary. It recommends that the Lakes Entrance, Metung, Buchan and Bruthen Waterworks Trusts and the Lakes Entrance Sewerage Authority should cease**

to exist, and that the successor body should be the Tambo Water Board, so constituted as to provide representation to each of the communities served.

Lancefield Waterworks Trust

See: Romsey Waterworks Trust

Lang Lang Waterworks Trust

Lang Lang Sewerage Authority

See: Shire of Cranbourne Sewerage Authority

La Trobe Valley Water and Sewerage Board

The La Trobe Valley Water and Sewerage Board is one of the very small number of Victorian water bodies constituted by an Act of the Parliament rather than by an Order of the Executive. The Board was brought into being on 1 July 1954 by the La Trobe Valley Act, now in force as the La Trobe Valley Act 1958 No. 6290.

The Board has a representative structure unique in the Victorian water industry. Four of its eight members are appointed by the Governor in Council - the Chairman, the Manager, a representative of the State Electricity Commission and a representative of private industry in the La Trobe Valley. The other four represent and are elected by waterworks trusts, sewerage authorities, river improvement trusts and municipalities within the Board's district.

The Board's major functions concern bulk water supply to towns and industry in the La Trobe Valley, the treatment and disposal of domestic and industrial wastes from the La Trobe Valley, river gauging and pollution control in the La Trobe River and its tributaries, and serving as a delegated agency of the Environment Protection Authority. The Board employs a staff of 141 persons, of whom 21 are employed in

discharging the Board's agency role for the Environment Protection Authority, and whose costs are met by the Environment Protection Authority.

The La Trobe Valley Water and Sewerage Board employs corporate management principles, including objective setting, the preparation and evaluation of alternatives, the use of long-term multi-objective planning, and the use of an inter-disciplinary approach to management. The Public Bodies Review Committee has taken evidence from the Board on these matters and commends the Board for its approach, which is worthy of emulation by other water industry bodies.

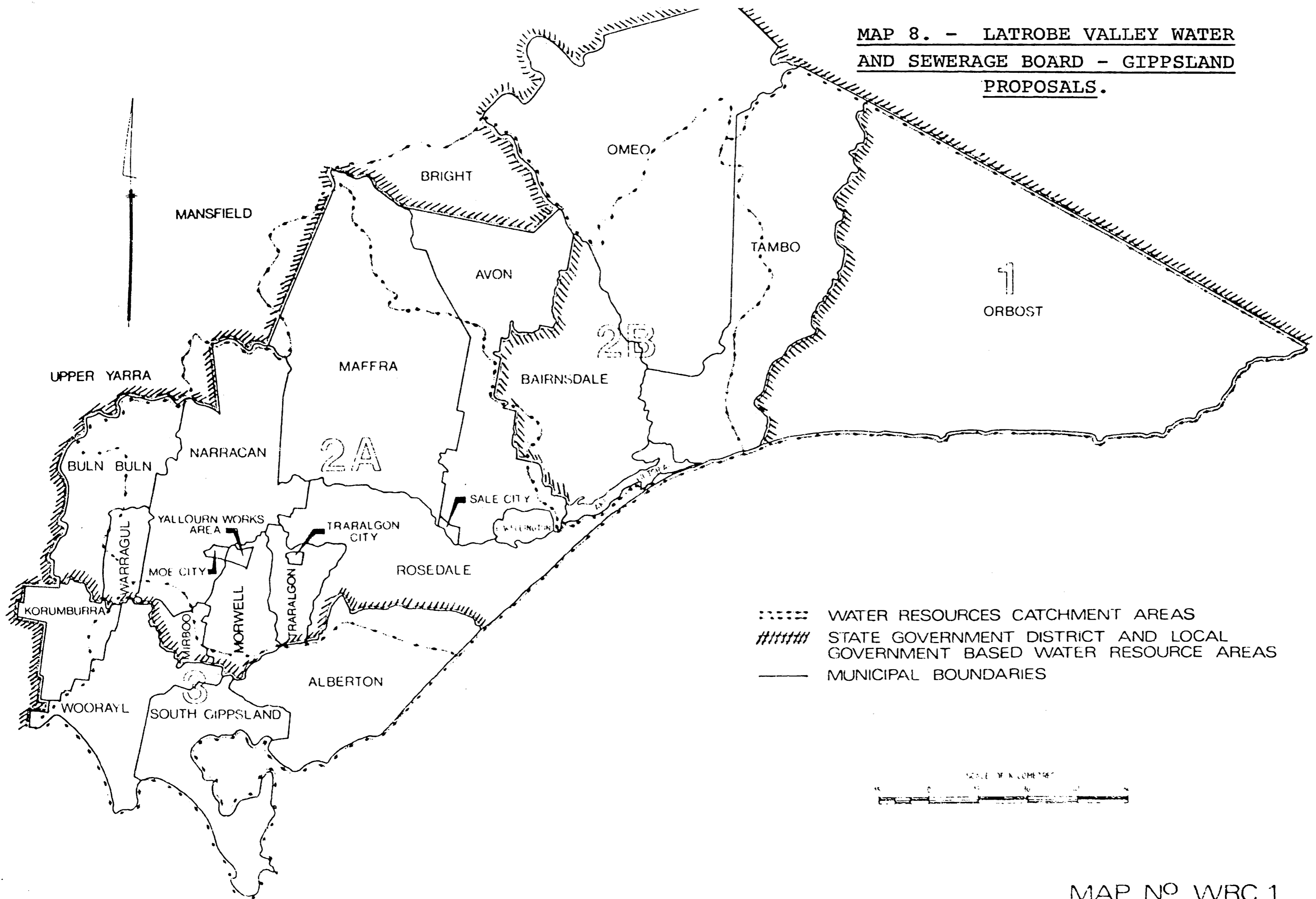
The La Trobe Catchment is an extensive area containing significant natural resources and major privately and publicly owned industries. Several of these industries are major water users and wastewater producers; planned resource developments in the area will increase the need for water and wastewater infrastructure to be carefully planned. The La Trobe Valley Water and Sewerage Board has tabled in evidence a substantial document on "Strategies for LaTrobe Valley Wastewaters" which is a significant contribution in itself to this process.

The Moondarra Reservoir is operated by the Board, which supplies bulk water to Churchill, Morwell, Traralgon, Tyers, Glengarry, Toongabbie, Cowwarr and Rosedale, as well as to the A.P.M., Maryvale Paper Mill and to S.E.C.V. installations at Morwell and Hazelwood. The Board will also be supplying the water requirements of the Loy Yang power stations.

The Board also provides bulk industrial and domestic wastewater disposal through the La Trobe Valley Outfall Sewer, an 88 km long channel and pipeline link from Yallourn, Maryvale and Churchill in the West to Dutson Downs disposal area, near Lake Wellington, in the East. This sewer conveys wastes from Churchill, Morwell, Yallourn North, Traralgon and Sale, as well as A.P.M., Maryvale and the S.E.C.V. operations at Morwell and Hazelwood. A further 54 km pipeline, costing \$19M, is being constructed from Loy Yang to the ocean near Seaspray.

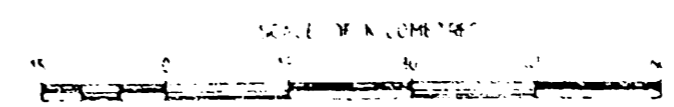
The Committee has received and considered a number of written submissions from the Board, including a Background Paper, a submission, further submission concerning the

MAP 8. - LATROBE VALLEY WATER  
AND SEWERAGE BOARD - GIPPSLAND  
PROPOSALS.



1  
ORBOST

- ..... WATER RESOURCES CATCHMENT AREAS
- ##### STATE GOVERNMENT DISTRICT AND LOCAL GOVERNMENT BASED WATER RESOURCE AREAS
- MUNICIPAL BOUNDARIES



MAP NO WRC 1



justification of the continued existence of the Board; a response concerning the costs and benefits of joint regional wastewater schemes compared with individual Authority sewerage schemes in the La Trobe Valley and a response to the Committee's Second Report, "Future Structures for Water Management - Part 1".

In addition, the Board has given verbal evidence before the Committee at Public Hearings held in Traralgon on 5 September 1980 and in Melbourne on 1 October 1980.

In its response to the Committee's Second Report, reproduced at Appendix 2, the Board made a number of significant recommendations concerning water management in the Gippsland District. These include:-

- (1) that the boundaries for water resources management in Gippsland should be those shown on the map enclosed with their response (Map 8 in this Report);
- (2) the retention of separate corporate entities for the water industry, rather than fusion with municipal government, regional planning authorities or development commissions;
- (3) the adoption of an "R2-type" regional co-ordinating committee in Area 1 (that is, the Shire of Orbost), "relatively early";
- (4) the "early" adoption of an "R2-type" regional co-ordinating committee covering Area 3 (that is, the Shires of Alberton, South Gippsland, Woorayl and Korumburra);
- (5) the establishment of a regional authority in Area 2A (that is, covering the Shires of Buln Buln, Warragul, Mirboo, Morwell, Traralgon, Narracan, Maffra, Rosedale and Avon, the cities of Moe, Traralgon and Sale, and the Yallourn works area), with tasks as outlined on pages 47 and 48 of the Public Bodies Review Committee's Second Report;

- (6) the retention of separate water bodies for town reticulation of water and sewerage, under the supervision of the regional authority;
- (7) assignation of operational and retailing functions associated with irrigation schemes and private diverters to the regional authority;
- (8) provision of new supply or waste disposal schemes, particularly those servicing centres in more than one municipality, to be provided by the regional authority;
- (9) the establishment of an "R2-type" authority in Area 2B (that is, covering the Shires of Bairnsdale, Omeo and Tambo);
- (10) the reunification of water quantity and quality management;
- (11) a structure for the governing body in Area 2A based on:-

Chairman	(Governor in Council Appointment)
Member representing S.E.C.V.	(Governor in Council Appointment)
Member representing Private Industry	(Governor in Council Appointment)
Member representing Trade Unions	(Governor in Council Appointment)
Member representing Irrigators	(Governor in Council Appointment)
Three elected Members representing community, urban water users and conservation interests	(Elected)
Member/Chief Executive Officer	(Governor in Council Appointment)

- (12) the appointment of a District representative to the Water Resources Council.\*

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\* See below, Page No. 255, "Regional Representation on the Water Resources Council".

Mr. R. A. Jolly, M.P. had talks with the Board in Traralgon on 24 July 1981, and representatives of the Board visited Melbourne for talks with Hon. Dr. Kevin J. Foley, M.L.C. and Mr. Jolly on 12 August 1981.

**The Committee recommends that the La Trobe Valley Water and Sewerage Board should cease to exist, and that it should be replaced by a La Trobe Regional Water Board, with the following responsibilities:-**

- \* Co-ordination or control of the regional water cycle, in accordance with regional strategies and local interests; includes the development and implementation of regional water management, preservation and development strategies.**
- \* Co-ordination of water industry plans and activities with regional land use planning and development strategies.**
- \* Co-ordination and liaison with other agencies operating at a regional level.**
- \* Co-ordination and monitoring of local authorities; performance and activities.**
- \* Design and construction of regionally-based technical schemes.**
- \* Collection of regional charges and rates.**
- \* Representation of regional interests to State Government.**

#### Learmonth Waterworks Trust

Learmonth Waterworks Trust was established by Order of the Governor in Council on 15 June 1960. It consists of the three Councillors for the West Riding of the Shire of Ballarat plus three persons appointed by the Minister for Water Supply. The Trust

obtains water from bores, aerators being used to remove dissolved iron prior to reticulation. A population of 240 is served at a rate of 7.25 cents in the dollar N.A.V.

The Learmonth Waterworks Trust has not made a written submission to the Committee, nor was it represented at the Public Hearing held by the Committee at Ballarat on 19 September 1980, however representatives did meet the Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. on 2 July 1981.

The Shire of Ballarat, in providing its views to the Committee on 27 April 1981 made no reference to the Learmonth Waterworks Trust, while supporting generally the municipalisation of water functions.

Learmonth is the only community in the Shire of Ballarat which has a reticulated water supply not provided by the Ballarat Water Commissioners. Most Shire of Ballarat ratepayers are served by the Ballarat Water Commissioners, and the Shire has a representative on that body. The Learmonth area is regarded by the Ballarat Water Commissioners as "critical to their operations", and the Ballarat Water Commissioners state that they assist in water supply maintenance at Learmonth on a "fairly frequent basis".

In view of the predominance of the Ballarat Water Commissioners in the provision of water services in the Shire of Ballarat, the Committee does not see municipalisation as a viable option in that Shire. On the other hand, there is a need for pressing problems of total water management, including the restoration of Lakes Learmonth and Burrumbeet, to occur. The Committee believes the provision of water supply to Learmonth can economically be embraced into the extended activities of a Ballarat Water Board in this area.

**The Committee's recommendation is that Learmonth Waterworks Trust cease to exist, and that the Ballarat Water Board assume responsibility for all necessary water and sewerage services in the Shire of Ballarat.**

Leongatha Waterworks Trust

Leongatha Sewerage Authority

Meeniyan Waterworks Trust

Dumbalk Waterworks Trust

Leongatha Waterworks Trust was created by Order of the Governor in Council on 6 March 1905. It consists of six Commissioners elected by the ratepayers plus one person appointed by the Minister of Water Supply. The Trust obtains its water from Hyland Reservoir and from storages on Ruby Creek, supplying a population of 3,640 at a rate of 3.2 cents in the dollar N.A.V.

Leongatha Sewerage Authority was constituted on 27 March 1939 and consists of the Commissioners of the Leongatha Waterworks Trust. The treatment works include an Imhoff Tank and trickling filter; treated effluent is discharged to the Tarwin River.

Leongatha Waterworks Trust and Leongatha Sewerage Authority are jointly administered as an entity completely separate from the Shire of Woorayl, of which Leongatha is the administrative centre.

The Trust and Authority made a detailed initial joint submission to the Committee on 22 August 1980, and were represented at the Public Hearing held by the Committee in Traralgon on 5 September 1980 by their Chairman and Secretary, together with a representative of their consulting engineers. Both bodies made a second submission to the Committee on 16 October 1980, advocating the amalgamation of waterworks trusts and sewerage authorities, and a number of other reforms.

On 6 July 1981, the Trust and Authority submitted their response to the Committee's Second and Third Reports. In their response to the Committee's Second Report, "Future Structures for Water Management", the Leongatha bodies propose the Committee's L6 option for the Shire of Woorayl - a single corporate entity separate from municipal government.

Meeniyah Waterworks Trust was created on 29 August 1950 by Order of the Governor in Council. The Trust consists of five Commissioners elected by the ratepayers plus one person appointed by the Minister for Water Supply. The Trust pumps water from the Tarwin River, and serves a population of 450 people at a rate of 11 cents in the dollar N.A.V.

Dumbalk Waterworks Trust was created by Order of the Governor in Council on 5 May 1959 and also consists of five Commissioners elected by the ratepayers and one appointed by the Minister of Water Supply. This Trust also pumps water from the Tarwin River, supplying a population of 230 people at a rate of 9 cents in the dollar N.A.V.

Both Dumbalk and Meeniyah Waterworks Trusts are administered by the same part-time Secretary. Both Trusts made submissions to the Committee in August 1980, and appeared at the Public Hearing held by the Committee in Traralgon on 5 September 1980.

Both Trusts exemplify the self-help principle:-

"The maintenance officer (the Secretary's husband) is a dairy farmer, and is also a qualified electrician. The Secretary works from a room set aside for this purpose, in her own home ... Our Commissioners are always willing to do anything that is required, even to the extent of a working bee. Several years ago, a number of Commissioners gave their time freely to install an underground relay line ... As this line is approximately one mile long, it was no mean feat."

The Committee notes that 50% of the Commissioners of the Dumbalk Waterworks Trust are women, the highest participation rate for women of any water body in Victoria.

Tarwin River Improvement Trust was constituted in 1950, and covers the Tarwin between the junction of its East and West branches and Anderson's Inlet. It consists of five elected Commissioners and one Government Nominee. The Trust rents office

accommodation from the Leongatha Waterworks Trust, which also performs certain administrative functions for the Trust.

The Tarwin River Improvement Trust did not appear at the Public Hearing held by the Committee in Traralgon on 5 September 1980, but did write to the Committee on 3 December 1980 making a number of suggestions.

The Shire of Woorayl advised the Committee on 22 April 1981 that its General Purposes Committee had considered water and sewerage administration and had offered to accept responsibility for these functions if required.

Hon. Dr. Kevin J. Foley, M.L.C. visited the Trust for talks on 27 July 1981, and Mr. R. A. Jolly, M.P. had further discussions with the Leongatha Waterworks Trust's and Sewerage Authority's Secretary at a meeting held in Drouin on 31 July 1981.

**The Committee's recommendations are that the Leongatha Waterworks Trust, the Leongatha Sewerage Authority, the Dumbalk Waterworks Trust and the Meeniyan Waterworks Trust cease to exist, and that the successor body be the Woorayl Water Board, a corporate entity separate from municipal government, with urban water and sewerage functions extending to the whole of the Shire of Woorayl, other than Inverloch and its immediate surroundings.**

#### Lexton Waterworks Trust

Lexton Waterworks Trust was created by Order of the Governor in Council on 10 August 1965, and consists of the Councillors for the North and South Ridings of the Shire of Lexton, plus three persons appointed by the Minister of Water Supply. The Trust has two separate urban districts, Lexton, population 200, and Waubra, population 150. Lexton is supplied with water from a reservoir on Doctor's Creek, while Waubra is supplied from a bore.

The Trust did not appear at the Public Hearing held by the Committee in Ballarat on 19 September 1980, but advised the Committee on 30 June 1980 of certain aspects of the administration of the State Rivers and Water Supply Commission of which it was critical. Representatives attended Discussions with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Ballarat on 2 July 1981.

The Shire of Lexton advised the Committee on 10 March 1981 that it favoured the continuation of existing administrative arrangements, pointing out that none of the Shire Councillors were Trust ratepayers.

**The Committee recommends that the Lexton Waterworks Trust cease to exist, and that the successor authority be the Lexton Water Board, with responsibility for all necessary urban water and sewerage services within the Shire of Lexton.**

#### Lilydale Sewerage Authority

Lilydale Sewerage Authority was constituted on 22 July 1952 by Order of the Governor in Council. The Authority consists of seven members, one appointed by the Minister of Water Supply.

The sewerage district includes the Shire of Lillydale, except the areas of Wonga Park, Croydon North, Mooroolbark and Kilsyth which are within the Melbourne and Metropolitan Board of Works area and part of the Shire of Sherbrooke in the vicinity of the town of Monbulk.

The Authority has its own premises in Lilydale.

The Melbourne and Metropolitan Board of Works is the responsible authority for the provision of water to the area served by the Lilydale Sewerage Authority.

The Authority's increasing involvement can be seen in a comparison of 1973/74 figures with those of 1979/80:-



	<u>1973/74</u>	<u>1979/80</u>
Population served	3,820	12,000
Assessments	2,575	5,598
Rate revenue	\$134,211	\$838,803

The Authority has now assumed responsibility for the Mt. Evelyn Sewerage District which will eventually comprise 2,500 assessments with an estimated population of 6,000.

The Lilydale Sewerage Authority was originally part of the Shire of Lilydale but in 1975 the Council ceased to be responsible for the sewerage authority's operations. One of the major issues at the time was the reluctance of the West Riding Councillors whose area is predominantly Melbourne and Metropolitan Board of Works to subsidise a sewerage authority which did not service their area.

In a report to the Authority on 9 July 1975 the consultant engineers, Camp Scott and Furphy Pty. Ltd., wrote: "We agree with the view of the Authority's engineer that consideration be given to implementing a plan for the Authority in which a technical branch can be staffed such that it can develop into a Regional Sewerage Authority which can later form an integral part of a Regional Planning/Land Management Authority".

The Committee compliments the Lilydale Sewerage Authority on the range of detailed and comprehensive reports and comment the Authority has made to the Committee. The Committee also in addition to oral evidence at Public Hearings has had the benefit of a number of informal discussions with the Authority both at Lilydale and in the Committee's rooms.

The Authority has shown an evenhanded approach to "future options", but in its submission of 23 September 1980, at the Public Hearing at Lilydale on 31 October 1980, and in later submissions in 1981, argued that:-

"... the best alternative for the preservation of the region and controlling its development in a logical manner is through the creation of a Regional

Water and Sewerage body incorporating the Lilydale, Healesville and Shire of Upper Yarra Sewerage Authorities and the Healesville, Yarra Junction, Woori Yallock-Launching Place and Warburton Waterworks Trusts. It is also possible that portions of the Shire of Sherbrooke within the Sassafras catchment be included and thus not necessitate the establishment of a Shire of Sherbrooke Sewerage Authority which has been proposed. This may then involve the incorporation of the Gembrook, Cockatoo and Emerald Waterworks Trust as a logical extension."

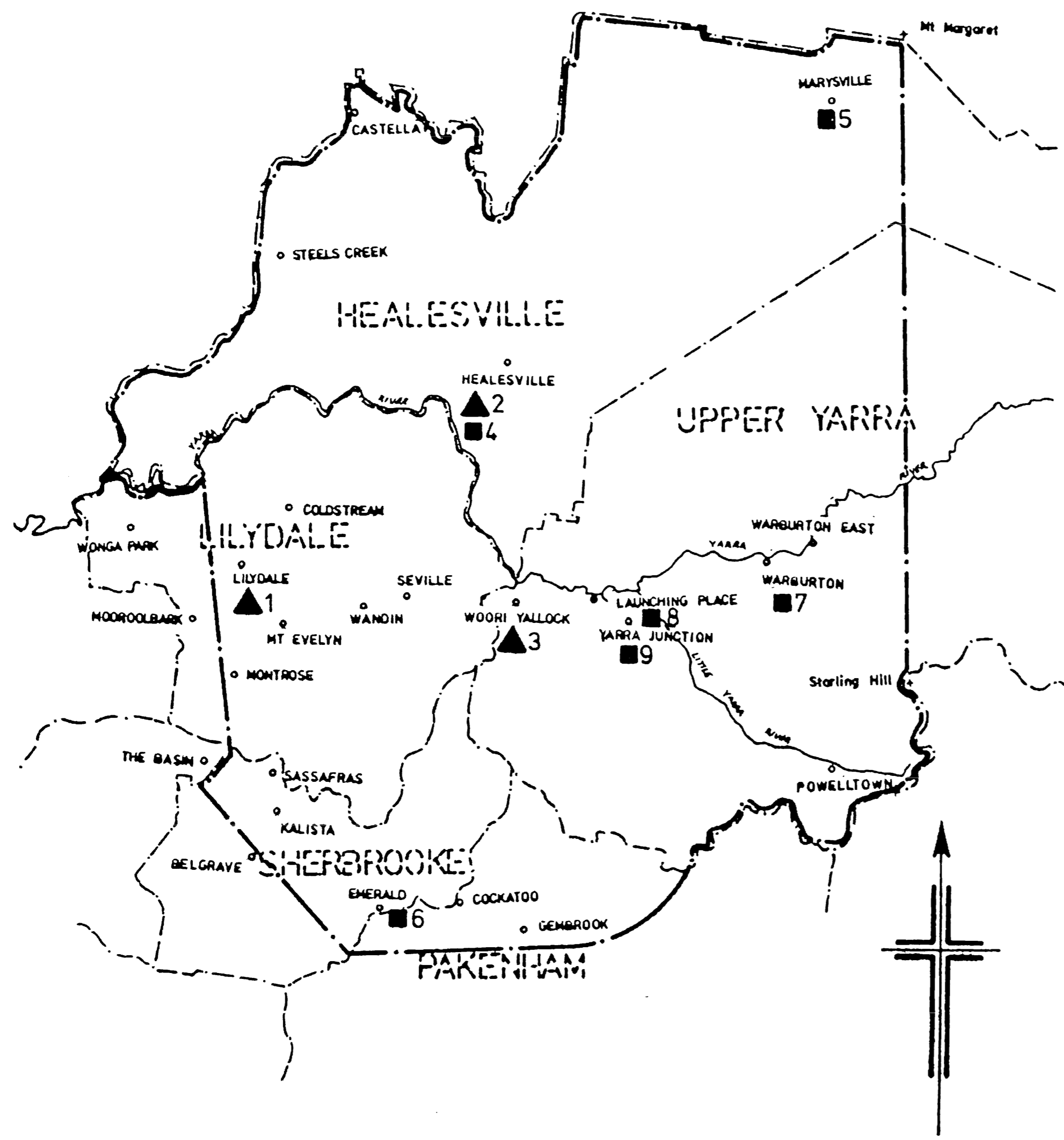
The Authority in its submission dated 22 July 1981 reinforced its support for a regional authority as outlined above with responsibility for water storage, water reticulation, sewerage reticulation, sewerage disposal, sewerage re-use, main drainage, river improvement, septic tank controls, pan services and other such services that are related to these facets. Further, in that submission, the Authority stressed the "need to retain and develop local knowledge and representation yet at the same time to be able to plan and take an overview on a regional and statewide basis" and suggested a total membership of nine elected by the ratepayers of the five Shires involved.

The Shire of Lillydale, however, presented a submission supporting the amalgamation of sewerage functions into the municipalities. The Shire argued that there were advantages in size, and the resulting economies of scale which would produce a more viable range and level of services. Central to this principle is the concept that a considerable proportion of resources of a municipality is devoted to the fixed costs of providing works and services and then fixed costs would be spread over a greater revenue base.

The Council argued that savings could be gained in administrative costs and a probable saving in the service side of the operation.

The Shire suggests Shire staff can absorb the duties of the nine Sewerage Authority staff members without any reduction in the level of service or efficiency. The Shire has not suggested the problems experienced previously when the two were amalgamated have been overcome or indeed that there are factors today which would negate any problem of a conflict of interest.

MAP 9 - POSSIBLE BOUNDARIES FOR A YARRA VALLEY AND  
DANDENONGS WATER BOARD.



**LEGEND**

SHIRE BOUNDARY

**SEWERAGE AUTHORITIES**

- LILYDALE ..... 1
- SHIRE OF HEALESVILLE ..... 2
- SHIRE OF UPPER YARRA ..... 3

**WATER TRUSTS**

- HEALESVILLE ..... 4
- MARYSVILLE ..... 5
- GEMBROOK COCKATOO EMERALD ..... 6
- WARBURTON ..... 7
- WOORI YALLOCK-LAUNCHING PLACE ..... 8
- YARRA JUNCTION ..... 9

The Committee does not support the amalgamation of the Shire of Lillydale and the Lillydale Sewerage Authority. The Sewerage Authority's area does not correspond with that of the Shire (approximately 50% of the Shire's population is in the Melbourne and Metropolitan Board of Works' area, part of the Authority's area is in the Shire of Sherbrooke). Moreover the majority of Councillors would not represent sewerage ratepayers. On the other hand there are real problems of interdependency and conflicting interests in both the water and wastewater field requiring resolution at a regional level.

**The Committee's recommendation is that the Lillydale Sewerage Authority cease to exist and be replaced by a new body known as the Yarra Valley and Dandenong Ranges Water Board, with boundaries as indicated on Map 9.**

**The new Board would continue the sewerage role of the Lillydale Sewerage Authority and in addition would be responsible for all urban water and sewerage services in the designated area, including those parts currently serviced by the Melbourne and Metropolitan Board of Works.**

#### Linton Waterworks Trust

#### Smythesdale-Scarsdale Waterworks Trust

Linton Waterworks Trust was created by Order of the Governor in Council on 19 February 1957, and consists of three Councillors from the Shire of Grenville and the Shire of Ripon and three persons appointed by the Minister of Water Supply. The Trust purchases water in bulk from the Ballarat Water Commissioners, and supplies 1,000 people at Linton and Snake Valley.

Smythesdale-Scarsdale Waterworks Trust was created by Order of the Governor in Council on 2 August 1966, and consists of three Councillors appointed by the Shire of Grenville plus three persons appointed by the Minister of Water Supply. The Trust purchases water from the Ballarat Water Commissioners, and supplies a population of 900 at a rate of 7 cents in the dollar N.A.V.

Both Trusts are administered through the Shire of Grenville which also provides maintenance and much construction work, and provided initial submissions to the Committee on 8 and 10 September 1980. Both Trusts submitted that "no benefit would accrue to any person or organization if the Trust's activities were altered or curtailed in any way". Both Trusts were represented at the Public Hearing held by the Committee at Ballarat on 19 September 1980.

The Shire of Grenville also made a submission to the Committee on 12 September 1980, stating that:-

"Council does not favour the suggested absorption of the specialist services of water supply and sewage treatment into the municipal function as a general rule and in particular does not favour any alteration to the constitution and duties of the Ballarat Water Commissioners and Sewerage Authority."

The Shire re-iterated these views in a further letter to the Committee dated 11 March 1981. Discussions took place with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Ballarat on 2 July 1981.

The Committee notes that both these Trusts are essentially retailers for the Ballarat Water Commissioners, but that both serve communities geographically separate from the Ballarat urban area and the Ballarat Water Commissioners' catchments. While the Committee questions the need for these Trusts to have been created in 1957 and 1966, it notes the strong resistance currently offered to any change in administrative arrangements.

**The Committee recommends that the Linton Waterworks Trust and the Smythesdale-Scarsdale Waterworks Trust cease to exist, and that the successor bodies be the Linton Water Board and the Smythesdale-Scarsdale Water Board.**

Lismore and Derrinallum Waterworks TrustSkipton Waterworks TrustTerang Sewerage Authority

Lismore and Derrinallum Waterworks Trust was created by Order of the Governor in Council on 9 May 1939. It consists of eight Commissioners elected by the ratepayers and one person appointed by the Minister of Water Supply. The Trust purchases water from the State Rivers and Water Supply Commission, supplying water to a population of 600 at a rate of 17.5 cents in the dollar N.A.V.

Lismore and Derrinallum Waterworks Trust did not appear at the Public Hearing held by the Committee in Portland on 8 August 1980. Its Secretary advised the Committee on 6 March 1981 that "the Commissioners do not wish to make any submission or give evidence at any inquiries".

Skipton Waterworks Trust was created on 24 July 1951 by Order of the Governor in Council. It consists of five members elected by the ratepayers and one person appointed by the Minister of Water Supply. The Trust obtains its water from St. Enoch's Spring, 12 km north-east of the town, and supplies a population of 625 at a rate of 14 cents in the dollar N.A.V.

The Trust has not made a submission to the Committee, nor did it appear at the Public Hearing held by the Committee in Portland on 8 August 1980.

Terang Sewerage Authority was constituted on 7 March 1950, and consists of the Councillors of the Shire of Hampden. The treatment works are located 3 km south-east of the town, and treated effluent is discharged to Mt. Emu Creek.

The Authority made a submission to the Committee on 29 July 1980, and was represented at the Public Hearing held by the Committee at Portland on 8 August 1980. The submission argues that the structure of the Authority "can efficiently continue to administer and maintain sewerage works in the area covered by the Municipal district of the Shire of Hampden".

Discussions took place between a representative of the Authority and Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Geelong on 24 July 1981.

The Committee notes this view, and considers it applies equally to the provision of water supply, currently provided to two towns in the Shire by separate Trusts, and to one town, Terang, by the State Rivers and Water Supply Commission.

**The Committee's recommendation is that the Lismore and Derrinallum Waterworks Trust, the Skipton Waterworks Trust and the Terang Sewerage Authority should cease to exist, and that the successor body should be the Hampden Water Board. The Committee also recommends that the Board assume responsibility for water supply to Terang from the State Rivers and Water Supply Commission. The Committee recommends that the possibility of special financial assistance to the Hampden Water Board in recognition of the state of the water supply system there be explored.**

#### Little River Waterworks Trust

Little River Waterworks Trust was constituted on 22 March 1966 by Order of the Governor in Council. The Trust consists of six members, three being Councillors for the West Riding of the Shire of Werribee and three persons appointed by the Minister of Water Supply.

Mr. Youngson, the Secretary, is also the Assistant Shire Secretary of Werribee. Consultant engineers to the Trust are Kinhill Rofe Pty. Ltd.

The Trust is responsible for delivery of water in the town of Little River. The Trust area is on the border of the Shires of Werribee and Corio. The Trust draws water from the Melbourne and Metropolitan Board of Works main supplying the Board's sewerage farm at Werribee.

The Trust serves a population of 450 with 153 allotments connected to the mains. The rate in 1980 was 9 cents in the dollar N.A.V. and total revenue \$25,100.

The Trust responded to the Committee's questionnaire but has not appeared at any of the Public Hearings.

In a letter to the Committee the Shire of Werribee stated: "This Council is of the opinion that the Little River Waterworks Trust should be taken over by the Melbourne and Metropolitan Board of Works which is the planning authority for the entire Shire of Werribee which includes the Little River district".

The Melbourne and Metropolitan Board of Works supplies the water and it is the logical body to control the water supply to the district.

**The Committee recommends that the Little River Waterworks Trust should cease to exist, and that the Melbourne and Metropolitan Board of Works should be the body responsible for water supply in the district.**

Longwood Waterworks Trust

Murchison Waterworks Trust

Nagambie Waterworks Trust

Nagambie Sewerage Authority

Longwood Waterworks Trust was created by Order of the Governor in Council on 7 December 1891. It consists of six Commissioners elected by the ratepayers. The Trust obtains water from its own reservoir 10 km south-east of Longwood, and supplies a population of 350 at a rate of 6 cents in the dollar N.A.V.

The Trust has not made a submission to the Committee, and did not appear at the Discussion held by the Committee at Shepparton on 29 August 1980.

Murchison Waterworks Trust was created by Order of the Governor in Council on 14 January 1890, and consists of five Commissioners elected by the ratepayers. The Trust pumps water from the Goulburn River, and supplies a population of 870 people at a rate of 13.8 cents in the dollar N.A.V.



Murchison Waterworks Trust provided the Committee with a submission on 12 August 1980, and a further letter on 9 December 1980, advocating the continuation of the Trust. Among reasons advanced by the Trust for this were that its "boundaries straddle two municipalities, and (it) treats an intake water supply of greatly varying quality which makes it imperative that expertise acquired be retained and developed". Two of the Commissioners of the Trust met Hon. D. R. White, M.L.C. and Mr. E. J. Hann, M.P., representing the Committee at a special meeting held in Shepparton on 30 July 1981.

The Trust also provided the Committee with a letter it had written to the State Rivers and Water Supply Commission on 11 April 1979, noting the intention to declare Murchison a sewerage district and advocating that sewerage and water supply responsibility in Murchison be combined.

Nagambie Waterworks Trust was created by Order of the Governor in Council on 4 May 1886, and consists of the three Councillors for the Central Riding of the Shire of Goulburn plus three persons appointed by the Minister of Water Supply. The Trust pumps water from Lake Nagambie, supplying a population of 1,200 at a rate of 3 cents in the dollar N.A.V.

Nagambie Sewerage Authority was constituted on 2 September 1975, and also consists of the three Councillors for the Central Riding of the Shire of Goulburn plus three Government Nominees. The sewerage system was completed in 1979, and is a lagoon system, treated effluent being disposed of by irrigation.

The Shire of Goulburn advised on 20 March 1981 that there were advantages, both in the area of administration and of engineering support, for Council assistance to local water and sewerage authorities, but that "Council is hesitant to agree with a full amalgamation of water, sewerage and municipal authorities", since many municipalities "are comprised of Councillors who do not directly represent an area served by a water or sewerage authority". The Committee notes that this proposition does not apply to the Shire of Goulburn, which has Councillors drawn from both the Nagambie and Longwood areas. The Committee notes the special position of Murchison, outside the Shire boundary.

The Committee recommends that the Murchison Waterworks Trust cease to exist, and successor body be the Murchison Water Board, with responsibilities for water and sewerage in the Murchison area. The Committee further recommends that the Longwood Waterworks Trust, the Nagambie Waterworks Trust and the Nagambie Sewerage Authority should cease to exist, and that the successor body should be the Shire of Goulburn.

Lorne Waterworks Trust

Lorne Sewerage Authority

Lorne Waterworks Trust was created by Order of the Governor in Council on 26 September 1887, and renamed Lorne Waterworks Trust on 20 January 1920. The Trust consists of the Councillors of the Coast Riding of the Shire of Winchelsea plus three persons appointed by the Minister of Water Supply. It obtains water from weirs on the Erskine River and St. George River, supplying a permanent population of 900 at a rate of 2.75 cents in the dollar N.A.V.

Lorne Sewerage Authority was constituted on 17 October 1938, and is similarly constituted to the Lorne Waterworks Trust. Sewage is pumped to the ocean north of the township.

Neither of these bodies appeared at the Public Hearing held by the Committee in Geelong on 26 September 1980, but both advised the Committee in writing on 9 June 1980 and again on 10 June 1981 that they favoured amalgamation with each other. The Shire of Winchelsea advised the Committee on 15 April 1981 that it also held this view.

Lorne is distant from Winchelsea, the administrative centre of the Shire of Winchelsea, and has more in common with coastal towns such as Apollo Bay in respect of water and sewerage questions than it does with Winchelsea, and the Committee considers future discussions between Lorne and the proposed Otway Coast Water Board concerning amalgamation should occur.

The Committee's recommendation is that the Lorne Waterworks Trust and the Lorne Sewerage Authority cease to exist, and that the successor body be the Lorne Water Board, responsible for all necessary water and sewerage in those parts of the Otway Coast drainage basin falling within the Shire of Winchelsea.

Macedon Waterworks Trust

Mount Macedon Waterworks Trust

Gisborne Waterworks Trust

Shire of Gisborne Sewerage Authority

Macedon Waterworks Trust was constituted on 5 December 1892, and consists of the three Riding Councillors of the Macedon Riding of the Shire of Gisborne plus three persons appointed by the Minister of Water Supply. Secretary to the Trust is Mr. M. C. Donovan and consultant engineers are Camp Scott and Furphy Pty. Ltd. The Trust serves a population of 2,000 in the towns of Macedon and part of Mount Macedon. The rate is 5.5 cents in the dollar N.A.V. Total revenue per annum is \$50,400. Total salaries paid is \$10,170 per annum.

The Macedon Waterworks Trust obtains supply from the Willimgongon Creek and Bawden high level storage.

Mount Macedon Waterworks Trust was constituted on 25 November 1885, and consists of six persons elected by the ratepayers. The Secretary to the Trust is Mr. A. J. Ewing and consultant engineers Camp Scott and Furphy Pty. Ltd. The Trust serves a population of 800 in part of the town of Mount Macedon. The total revenue is \$32,442 and the rate is 5 cents in the dollar N.A.V. The Trust obtains water from storages and diversion weirs on the Turritable, Chapmans and Willimgongon Creeks.

The three water Trusts each employ a different Secretary and whilst the two Macedon Trusts use the same consulting engineer the Gisborne Trust has another firm.

All the water Trusts harvest water from various locations on the Macedon Ranges as does the State Rivers and Water Supply Commission.

Gisborne Waterworks Trust was constituted on 24 March 1890. It consists of seven Commissioners, six elected by the ratepayers and one Government Nominee appointed by the Minister of Water Supply. Secretary to the Trust is Mr. W. Robinson and the engineers are John Scroggie Consulting Engineers Pty. Ltd. Total salaries paid are \$13,700 per annum.

The Gisborne Waterworks Trust serves a population of 2,800. The rate is 4 cents in the dollar N.A.V. Total revenue is \$55,600. The towns of Gisborne and New Gisborne are supplied from the Barringo Reservoir. A supplementary supply is obtained by pumping from the Rosslynne pipeline which supplies Sunbury.

The Shire of Gisborne Sewerage Authority was constituted on 8 November 1978, and consists of the twelve Councillors of the Shire of Gisborne. The Secretary of the Trust is Mr. T. Larkin who is also Secretary of the Shire of Gisborne. Consultant engineers are Gutteridge, Haskins and Davey Pty. Ltd. The Authority has only recently been formed and in its first estimates adopted a development rate of 1.5 cents in the dollar N.A.V.

The Gisborne Sewerage Authority submitted to the Committee "the current administrative structure which is operated in conjunction with the Council of the Shire of Gisborne is judged to be the most effective".

**The Committee recommends that the Gisborne Waterworks Trust, the Macedon Waterworks Trust, the Mount Macedon Waterworks Trust and the Shire of Gisborne Sewerage Authority cease to exist and the successor body be a Gisborne Water Board with responsibility for the provision of all water and sewerage services within the Shire of Gisborne.**

Maffra Waterworks Trust

Maffra Sewerage Authority

Heyfield Waterworks Trust

Heyfield Sewerage Authority

Briagolong Waterworks Trust

Maffra Waterworks Trust was constituted by Order of the Governor in Council on 11 June 1913 and consists of six Commissioners elected by the ratepayers and one person appointed by the Minister of Water Supply. The Trust pumps and treats water from the Macalister River, supplying a population of 4,850 at a rate of 6.5 cents in the dollar N.A.V.

Maffra Sewerage Authority was created on 6 September 1938, and consists of the Commissioners of the Maffra Waterworks Trust. After treatment, effluent is discharged to land irrigation. The sewerage works is named "Condor", signifying "a large winged golden bird flying to the future".

Both the Trust and the Authority appeared at the Public Hearing held by the Committee in Traralgon on 5 September 1980.

Heyfield Waterworks Trust was created by Order of the Governor in Council on 14 August 1973 to take over responsibility for water supply to Heyfield from the State Rivers and Water Supply Commission. The Trust consists of six Commissioners elected by the ratepayers and one person appointed by the Minister of Water Supply. The Trust obtains water in summer from a State Rivers and Water Supply Commission channel, and in winter from the Thomson River. The Trust supplies a population of 2,000 at a rate of 7.75 cents in the dollar N.A.V. A further urban district of the Trust has been proclaimed at Glenmaggie.

Heyfield Sewerage Authority was constituted on 30 January 1974 and consists of the Commissioners of the Heyfield Waterworks Trust. Treatment is by the lagoon system, and the final effluent is disposed of by irrigation.

The Heyfield Waterworks Trust and the Heyfield Sewerage Authority made a joint submission to the Committee in August 1980 and were represented at a Public Hearing held by the Committee at Traralgon on 5 September 1980. The submission outlined the circumstances by which the Heyfield bodies had come to be administered by a firm of accountants in Heyfield rather than by the Shire of Maffra or the Maffra Waterworks Trust.

Briagolong Waterworks Trust was created by Order of the Governor in Council on 6 May 1969 and consists of three Councillors for the Eastern Riding of the Shire of Maffra plus three ministerial appointees. The three current ministerial appointees have served the Trust since its inception. The Trust provides water to a population of about 540 people in the townships of Briagolong and Boisdale in the Shire of Maffra at rates of 10 and 16 cents in the dollar N.A.V. respectively.

The Trust advised the Committee on 15 July 1980 that it was opposed to any change in its structure, but it did not appear at the Public Hearing held by the Committee at Bairnsdale on 12 September 1980.

The Shire of Maffra, in responding to the Committee's request for its views on water management, advised the Committee that it had resolved:-

"That the Council is of the opinion that the efficiency and effectiveness of existing arrangements for the provision of water and sewerage in country Victoria could be improved by using the administrative and engineering services and equipment of municipalities, which is available in most localities."

The Council pointed out that there are currently eight separate water bodies functioning in the Shire of Maffra, with a permanent Secretary and staff at Maffra and part-time Secretaries for the other bodies. The Shire of Maffra has indicated its willingness to provide a sub-committee system to ensure local representation if these bodies are brought together.

The La Trobe Valley Water and Sewerage Board has proposed a somewhat different alternative for this region in a submission to the Committee. The Board has suggested that the water and sewerage services in the Shire could be brought together under a single but separate corporate entity for the Shire, but that the river improvement trusts and drainage bodies in the Shire should be disbanded and their functions handled by the regional authority.

**The Committee's recommendation is that the Maffra, Heyfield and Briagolong Waterworks Trusts and the Maffra and Heyfield Sewerage Authorities should cease to exist, and that the successor body should be the Shire of Maffra. The Committee recommends that the Council adopt and develop its proposals for representative sub-committees, drawing on the experience of the voluntary Commissioners of existing waterworks trusts wherever possible.**

#### Mallacoota Waterworks Trust

#### Mallacoota Sewerage Authority

Mallacoota Waterworks Trust was created by Order of the Governor in Council on 28 November 1967, and consists of six Commissioners elected by the ratepayers and one person appointed by the Minister of Water Supply. The Trust pumps water from the Betka River, and supplies a permanent population of 600 at a rate of 0.31 cents in the dollar site valuation.

Mallacoota Sewerage Authority is constituted similarly to the Mallacoota Waterworks Trust. Construction has not yet commenced.

Both bodies appeared at the Public Hearing held by the Committee at Bairnsdale on 15 August 1980, which outlined Mallacoota's reasons for desiring separate administration of water and sewerage services. The submission pointed out that Mallacoota is 150 km from the Orbost Shire's administration base, and that even the other two towns in its East Riding were respectively 166 km and 70 km distant, "so that Mallacoota is quite distant from the other two Councillors for the East Riding, who understand little of its

problems and like Lyre Birds are rarely seen (except at election time when displaying)". The submission explained that dissatisfaction with the previous structure of the Trust, which had comprised three Riding Councillors and three persons appointed by the Minister, had been such as to result in a petition for the removal of the then Commissioners, a proposal signed by 85% of ratepayers.

**The Committee's recommendation is that the Mallocoota Waterworks Trust and the Mallocoota Sewerage Authority cease to exist, and that the successor authority be the Mallocoota Water Board, responsible for water and sewerage in Mallocoota and district and directly elected by Mallocoota water and sewerage ratepayers.**

#### Malmsbury Waterworks Trust

See: Shire of Kyneton Waterworks Trust

#### Shire of Mansfield Waterworks Trust

#### Shire of Mansfield Sewerage Authority

#### Woods Point Waterworks Trust

Mansfield Waterworks Trust was constituted on 14 July 1890 and the Bonnie Doon Waterworks Trust on 31 October 1974. On 25 September 1979 they were united to form the Shire of Mansfield Waterworks Trust. The Trust consists of the fifteen Councillors of the Shire of Mansfield plus three persons appointed by the Minister of Water Supply.

The Trust engineers in Mansfield are Van Hoof and Byrne and in Bonnie Doon John Scroggie Pty. Ltd. The Secretary, Mr. G. D. Payne, is Secretary to all three bodies.

The Trust serves 898 tenements in Mansfield and 180 in Boonie Doon. The rates are 4 cents in the dollar N.A.V. and 6 cents in the dollar N.A.V. respectively.



The Mansfield Water supply is obtained from a weir on Delatite River and Bonnie Doon's from Lake Eildon.

The Woods Point Waterworks Trust was constituted on 7 May 1968 by Order of the Governor in Council. The Trust consists of three Councillors of the Howqua Riding of the Shire of Mansfield and three persons appointed by the Minister of Water Supply. The Councillor members of the Trust are also members of the Shire of Mansfield Waterworks Trust and the Shire of Mansfield Sewerage Authority.

The Woods Point Waterworks Trust serves 60 tenements and a permanent population of 50. The Trust draws water from the Goulburn River and Brewery Creek.

The Shire of Mansfield Sewerage Authority was constituted in its present form on 25 September 1979. The Authority serves a population of 2,500 in Mansfield and Bonnie Doon. No works have as yet been built in Bonnie Doon.

The Shire of Mansfield wrote to the Committee indicating that the Councillors were members of the Trusts and that the Trust had made submissions to the Committee.

In a joint submission the Shire of Mansfield Waterworks Trust and Sewerage Authority submitted:-

"Past experience has proven that work carried out by the Trusts and Authorities in Mansfield is equal to, if not better than a Trust and Authority operated by a municipality. The Shire Council has handed over control of water and sewerage to separately administered Trusts rather than trying to retain control themselves.

The present Trust's aim is to amalgamate all the existing Waterworks Trusts within the Shire of Mansfield to give a fair and equitable representation on the Trust to each Water Supply district and to form an efficient central local government unit."

**The Committee recommends that the Shire of Mansfield Waterworks Trust, the Shire of Mansfield Sewerage Authority and the Woods Point Waterworks Trust should cease to exist, and the successor body should be the Mansfield Water Board, with urban water and sewerage responsibilities extending to the whole of the Shire of Mansfield, including the Buller tourist area.**

Maryborough Waterworks Trust

Maryborough Sewerage Authority

Maryborough Waterworks Trust was created by Order of the Governor in Council on 30 May 1882, and consists of the nine Councillors of the City of Maryborough plus one person appointed by the Minister of Water Supply. The Trust obtains water from Evansford Reservoir, and supplies a population of 8,000 at a rate of 5.5 cents in the dollar N.A.V.

Maryborough Sewerage Authority was constituted on 24 July 1945 and consists of the nine Councillors of the City of Maryborough. There are two treatment sites, and final effluent is disposed of by irrigation.

Both bodies provided separate submissions to the Committee on 17 July 1980, advocating the continuation of existing administrative arrangements, but suggesting that advantages would accrue from the amalgamation of the Maryborough Waterworks Trust, the Shire of Tullaroop Waterworks Trust and the Shire of Talbot and Clunes water supply, as a long term objective.

Both the Waterworks Trust and the Sewerage Authority are substantially integrated with the City of Maryborough, and the Committee does not see the necessity for the retention of three separate corporate identities.

**The Committee recommends that the Maryborough Waterworks Trust and the Maryborough Sewerage Authority cease to exist, and that the successor body be the City of Maryborough.**

## Marysville Waterworks Trust

Marysville Waterworks Trust was constituted under the Water Act of 1903 and gazetted on 13 April 1917. It consists of three persons appointed by the Minister of Water Supply. The three members are local residents. There are no elected representatives on the Trust.

The Trust services the town of Marysville embracing an area of some 740 hectares. The permanent population is 800 but this figure more than triples in the peak of the tourist season. Water is provided to 300 properties including the Shire of Healesville Caravan Park and a number of large guest houses. Some of these guest houses are able to accommodate over 300 persons each.

The Trust draws water from the Stevenson River for the town supply which is a gravitational feed system. A chlorinator was installed in 1979 because of increasing E Coli from tourist pressure and changing standards.

The Trust is also currently undertaking preliminary enquiries into the feasibility of a sewerage system for the township of Marysville.

The Trust is self sufficient with Mr. Cockerell the part-time Secretary, the Commissioners and maintenance staff all residents in the town. The Trust also receives considerable support from the residents in the form of loan of equipment and time if and when the need arises. The engineer for the Trust is Mr. N. H. Bailey who had been both Shire Engineer and Trust Engineer before leaving the Shire.

The Trust presented a submission and gave evidence to the Dandenong Hearing strongly advocating the retention of the Trust in its present form. Hon. Dr. Kevin J. Foley, M.L.C. visited the area on 24 July 1981 and inspected the works with the Commissioners.

**The Committee recommends that the Trust cease to exist, and that the successor body be the Marysville Water Board. The Committee feels there would be benefits to the Trust if they had access to engineering**

and technical expertise for planning matters and project control. This could be provided by the Yarra Valley and Dandenong Ranges Water Board.

Meeniyah Waterworks Trust

See: Leongatha Waterworks Trust

Melton Waterworks Trust

Melton Sewerage Authority

Melton Waterworks Trust was constituted on 4 October 1961 and the Melton Sewerage Authority on 15 October 1969. The Commissioners of both bodies are the twelve Councillors of the Shire of Melton plus one person appointed by the Minister of Water Supply. Engineers to the bodies are Kinhill Rofe Pty. Ltd.

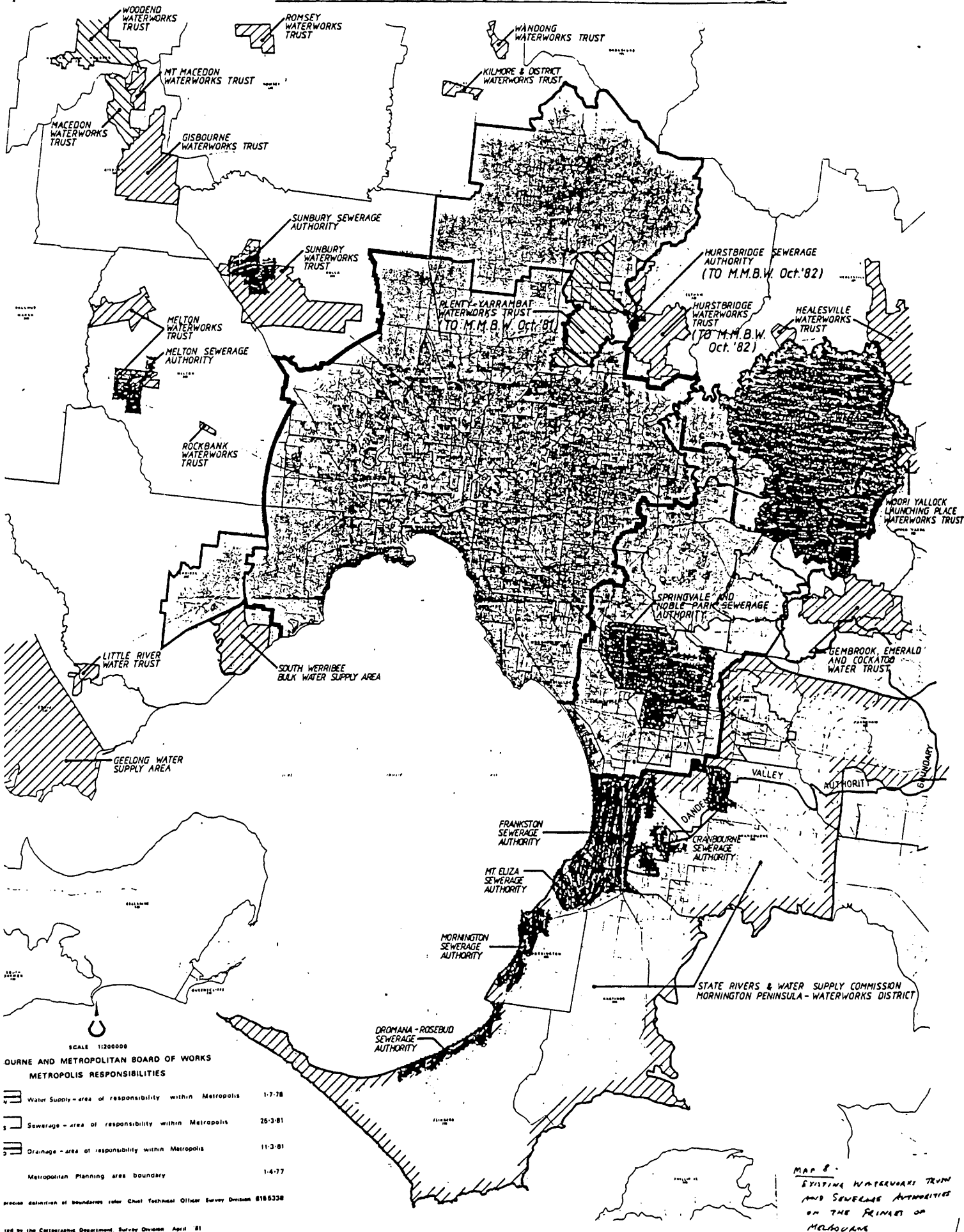
The Secretary of the Shire of Melton is the Secretary of both bodies. Administration of the Shire of Melton, the Melton Waterworks Trust and the Melton Sewerage Authority is closely integrated, the bodies functioning virtually as one unit.

In their submission to the Committee it was stated "the two bodies have given consideration to the joint employment of an engineer and also to the feasibility of combining maintenance operations. It may also be possible to extend this co-operation to the maintenance activities of the Shire of Melton".

The Melton Waterworks Trust does not consider rating levels are excessive with most residential properties being charged the minimum rate of \$83. Residential sewerage rates vary from \$100 to \$150.

The Trust serves a population of 18,500 in the Shire of Melton and in Long Forest Road in the Shire of Bacchus Marsh. The water supply comes from the Djerriwarrh Reservoir and is augmented from the State Rivers and Water Supply Commission's

# MAP 10. EXISTING WATERWORKS TRUSTS AND SEWERAGE AUTHORITIES ON THE FRINGES OF MELBOURNE.



Merrimu Reservoir. These are calculated to be able to supply 30,000 tenements or a population of 100,000.

The Trust and Authority expressed strong opposition to the suggestion of amalgamation with the Melbourne and Metropolitan Board of Works. In their submission they stated:-

"Amalgamation of the Trust and the Melton Sewerage Authority, and possibly the Shire of Melton, may be the best way of achieving maximum administrative and operational efficiency. The Trust intends to explore the practicability of such a move, which would be in line with recommendations of the Local Government Review Board for extra-metropolitan municipalities.

#### Future Control

From time to time suggestions have been made to the effect that the Melton water supply system should become a responsibility of the Melbourne & Metropolitan Board of Works. More recently, the Board of Review of the Role, Structure and Administration of Local Government has proposed the creation of a Metropolitan Council which would, among other things, take over the functions of all of the independent water and sewerage authorities on the fringe of the metropolitan area.

The Trust is totally and emphatically opposed to any such takeover. Reasons for its opposition include:

- a) Loss of local autonomy.
- b) Loss of control over objective-setting and priority fixing in water supply matters.
- c) Remoteness of the metropolitan authority from the area served.

- d) Inability to effectively influence the decisions of a large, centralised body against competing claims of other areas under its control.
- e) Difficulty in ensuring prompt action to deal with Melton requirements in emergencies."

**The Committee recommends that the Melton Waterworks Trust and the Melton Sewerage Authority cease to exist, and that the successor body be the Shire of Melton.**

Merrigum Waterworks Trust

See: Tatura Waterworks Trust

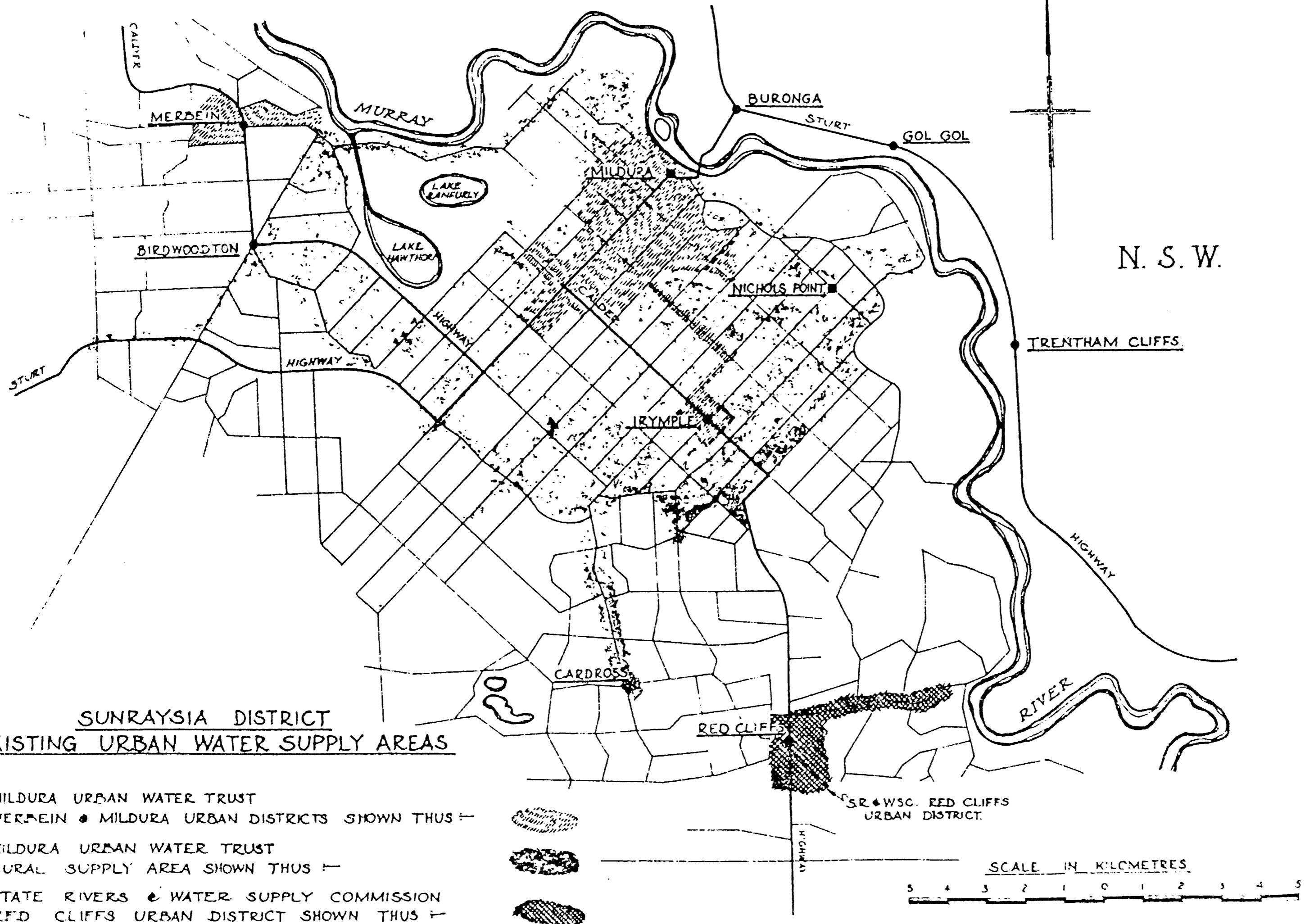
Mildura Urban Water Trust

Mildura Sewerage Authority

Shire of Mildura Sewerage Authority

Mildura Urban Water Trust was created by separate legislation in 1921, the successor to an urban section of the First Mildura Irrigation Trust. The First Mildura Irrigation Trust had provided urban as well as irrigation water to Mildura since 1896. The Trust operates the largest water treatment plant in Victoria, and supplies 25,000 consumers in two municipalities, including the townships of Mildura, Merbein, Irymple, Cabarita, Merbein South, Nicholls Point, Cardross, Birdwoodton and certain rural areas. The Trust took over responsibility for the Merbein urban district from the State Rivers and Water Supply Commission in 1979. The townships of Buronga and Gol Gol in New South Wales have also sought supply from the Trust. The Mildura Urban rate is 5.8 cents in the dollar N.A.V.

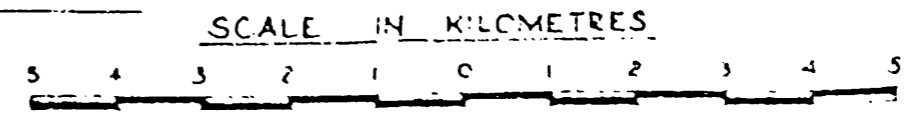
The Trust provided the Committee with an initial background document on 28 May 1980, a submission on 10 July 1980 and a second submission on 6 July 1981. It was also represented at Public Hearings held by the Committee in Mildura on 18 July 1980 and



EXISTING URBAN WATER SUPPLY  
 AUTHORITIES IN THE SUNRAYSSIA REGION  
 MAP 11.

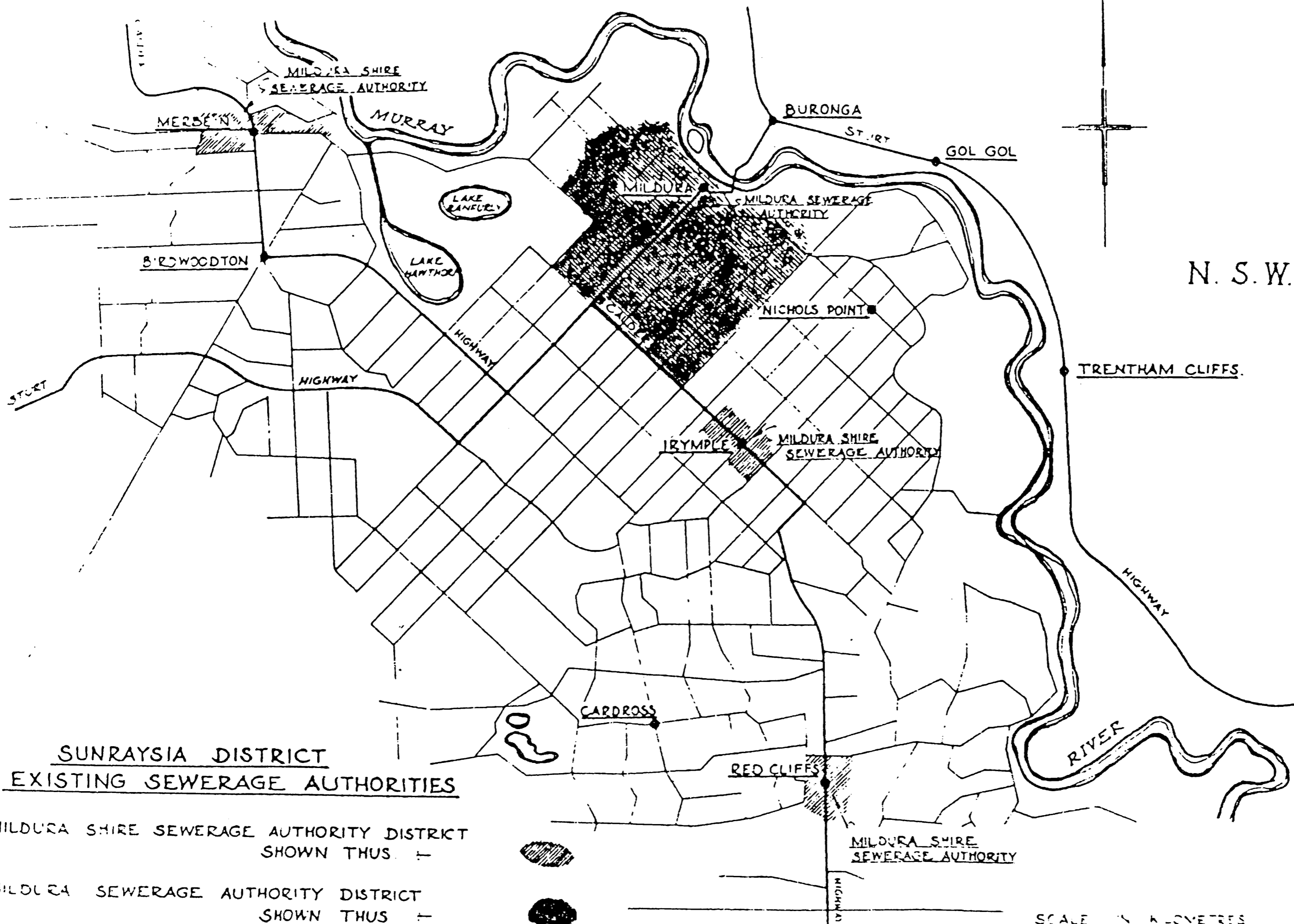
SUNRAYSSIA DISTRICT  
EXISTING URBAN WATER SUPPLY AREAS

- MILDURA URBAN WATER TRUST
- MERBEIN & MILDURA URBAN DISTRICTS SHOWN THUS —
- MILDURA URBAN WATER TRUST
- RURAL SUPPLY AREA SHOWN THUS —
- STATE RIVERS & WATER SUPPLY COMMISSION
- RED CLIFFS URBAN DISTRICT SHOWN THUS —






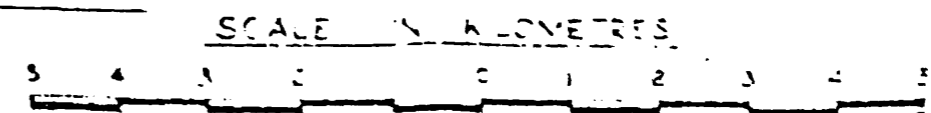
MAP 12 - EXISTING SEWERAGE AUTHORITIES IN THE SUNRAYSIA REGION.



SUNRAYSIA DISTRICT  
EXISTING SEWERAGE AUTHORITIES

MILDURA SHIRE SEWERAGE AUTHORITY DISTRICT  
SHOWN THUS 

MILDURA SEWERAGE AUTHORITY DISTRICT  
SHOWN THUS 



22 July 1981. The Trust Secretary visited Melbourne for talks with Hon. Dr. Kevin J. Foley, M.L.C. on 5 June 1981. The Trust's second submission advocates the establishment of an overall combined water and sewerage body in the Sunraysia area, including a reduction from four to one in the number of urban water and sewerage bodies operating in the Mildura area; savings in administration costs, and the possibility of greater specialised expertise being provided through a single water industry body.

The Mildura Sewerage Authority was constituted on 12 June 1928 and consists of the Councillors of the City of Mildura. The Authority serves a population of 15,000 people mainly though not entirely within the boundaries of the City of Mildura. Activated sludge treatment is employed, and final effluent is disposed of by irrigation.

The Mildura City Council and the Mildura Sewerage Authority were represented at the Public Hearing held by the Committee at Mildura on 18 July 1980.

The Mildura City Council advised the Committee on 16 September 1981 that it considered that if an amalgamation of water and sewerage functions were to take place in Mildura, the Council and Authority would be better placed than the Urban Water Trust to handle the added responsibility.

The Shire of Mildura Sewerage Authority came into being on 27 September 1978, when the Red Cliffs and Merbein Sewerage Authorities were amalgamated. The Authority serves a population of 2,500 in two separated areas of the Shire: Red Cliffs (south of Mildura) and Merbein (west of Mildura). A further separate sewerage scheme is planned for Irymple, to be administered by the Shire of Mildura Sewerage Authority, but to discharge its sewerage into the Mildura Sewerage Authority's system.

The Authority is substantially integrated for administrative purposes with the Shire of Mildura, but Merbein and Red Cliffs have separate sewerage treatment works.

The Mildura Shire Council and the Shire of Mildura Sewerage Authority made a submission to the Committee in July 1980, which argued that there would be a number of advantages if water and sewerage services, including irrigation supplies, were

administered by local government. The Authority re-iterated its views in a further letter to the Committee dated 8 January 1981, in which it dissociated itself from the views on water industry restructuring submitted to the Public Bodies Review Committee by the Provincial Sewerage Authorities Association of Victoria.

Urban water and sewerage provision in the Mildura area is further fragmented by the existence of a State Rivers and Water Supply Commission Urban Water Supply District at Red Cliffs, where some 2,800 people are supplied at a rate of 7.9 cents in the dollar.

The Committee is generally sympathetic to the views expressed by the Shire of Mildura in its submission. At the same time, it is clear that efficient water supply in the Mildura area requires both water and sewerage systems which cross municipal, and perhaps even State, boundaries. The Committee believes that Sunraysia is one of a number of communities in the State where a single specialised urban water and sewerage body would be preferable to a number of fragmented groups. Four separate authorities do not seem necessary to provide urban water and sewerage to the Sunraysia area.

**The Committee's recommendation is that the Mildura Urban Water Trust, the Mildura Sewerage Authority and the Shire of Mildura Sewerage Authority cease to exist, and that the successor body be a new body known as the Sunraysia Urban Water Board, empowered to provide water and sewerage services to all Victorian communities in the Sunraysia area, and, if requested, to New South Wales communities in that area. The Committee recommends that this include the Sunraysia Urban Water Board assuming responsibility for Red Cliffs urban water supply from the State Rivers and Water Supply Commission, as well as for the present responsibilities of the Mildura Sewerage Authority and the Shire of Mildura Sewerage Authority.**

Minyip Sewerage Authority

See: Murtoa Waterworks Trust

Mirboo North Waterworks Trust

Mirboo North Sewerage Authority

Mirboo North Waterworks Trust was created by Order of the Governor in Council on 9 October 1945. It consists of six persons elected by the ratepayers and one person appointed by the Minister of Water Supply. The Trust obtains water by pumping from the Little Morwell River, and supplies a population of 1,000 at a rate of 8 cents in the dollar N.A.V.

Mirboo North Sewerage Authority was created on 17 June 1981, and is the most recent sewerage authority to have been created. It is similarly constituted to the Mirboo North Waterworks Trust. Notices to treat have been served as a preliminary to the commencement of construction.

The Mirboo North Waterworks Trust has an unusual administrative structure. Its Chief Executive has the designation of Secretary - Pump Attendant/Turncock. This officer assumed these duties in 1977 when the Shire of Mirboo ceased to administer the Trust. The Trust provided the Committee with an initial submission in September 1980, and was represented at the Public Hearing held by the Committee in Dandenong on 3 October 1980. The Trust provided a response to the Committee's Second Report, in July 1981, and was the subject of a visit by the Committee's Chairman, Hon. Dr. Kevin Foley, M.L.C. on 27 July 1981.

The Trust advocated either the continuation of existing arrangements, or the amalgamation of the Waterworks Trust and Sewerage Authority.

The Shire of Mirboo advised the Committee on 7 April 1981 that, in view of the impact of the proposed Driffield power station on the town of Mirboo North, it favoured amalgamation of the Waterworks Trust and proposed Sewerage Authority with the municipality, but that if such a development (as Driffield) was not anticipated, the Council would not support any alteration to the present arrangements for water and sewerage.

The Committee notes the potential impact of the Driffield scheme on Mirboo North, and considers it is necessary therefore to work within a regional water resources planning framework to properly allow for implications of this project.

**The Committee's recommendation is that the Mirboo North Waterworks Trust and the Mirboo North Sewerage Authority cease to exist, and that the successor body be the Mirboo Water Board, with responsibilities for all necessary urban water and sewerage provision in the Shire of Mirboo, operating within a regional water resources planning framework developed by the La Trobe Regional Water Board.**

#### Moe Waterworks Trust

#### Moe Sewerage Authority

Moe Waterworks Trust was created by Order of the Governor in Council on 20 June 1933. It consists of six Commissioners elected by the ratepayers plus one person appointed by the Minister of Water Supply. The Trust obtains water from a weir 21 km south of Moe on Narracan Creek. A population of 17,500 people is supplied at a rate of 2.5 cents in the dollar N.A.V.

Moe Sewerage Authority was constituted on 16 September 1947 and consists of the Commissioners of the Moe Waterworks Trust. The treatment plant is located on the north edge of Moe; treated effluent is discharged to the Moe River.

Both authorities share a joint administration, separate from municipal government.

The Moe Waterworks Trust and the Moe Sewerage Authority made a joint initial submission to the Committee on 12 September 1980, and were represented at the Public Hearing held by the Committee in Dandenong on 3 October 1980. In a response to the Committee's Second Report, the Trust and Authority advised the Committee on 13 July 1981 that they favoured amalgamation with each other.

The City of Moe, in a letter to the Committee dated 27 March 1981, stated that:

"Council is extremely happy with the operation and conduct of the water and sewerage function in this municipality by the Moe Waterworks Trust and Sewerage Authority and would be most disappointed to see any action taken which would interfere with that function."

The Committee takes note of those views, but in view of the strategic position of the City of Moe in the La Trobe Valley considers that the Moe water and sewerage body should operate within a regional framework established by the La Trobe Regional Water Board.

**The Committee's recommendation is that the Moe Waterworks Trust and the Moe Sewerage Authority should cease to exist, and that the successor body should be a Moe Water Board, a body separate from municipal government and responsible for water and sewerage services in the City of Moe, operating within a regional water resources planning framework developed by the La Trobe Regional Water Board.**

Mooroopna Waterworks Trust

Mooroopna Sewerage Authority

See: Tatura Waterworks Trust

Mornington Sewerage Authority

Mount Eliza Sewerage Authority

Mornington Sewerage Authority was constituted on 22 March 1939 by Order of the Governor in Council and the Mount Eliza Sewerage Authority was constituted on 13 March 1963 by Order of the Governor in Council. The Authority consists of 12 Members, all Councillors of the Shire of Mornington who are members of both Authorities. The two bodies are administered from the Mornington Shire offices and the Authorities' Secretary, Mr. D. Collings, is also Shire Secretary. The Shire

Engineer, Mr. E. Madsen, also acts as engineer to the Authorities. Consultant engineers are Gutteridge, Haskins and Davey Pty. Ltd.

The Mount Eliza Authority and Mornington Authority provide sewerage to 2,029 and 6,095 properties with populations of 6,400 and 16,000 respectively. Both Authorities have a minimum rate of \$73 per annum and an N.A.V. of 8.3 cents. For the past three years the Authority has levied sewerage rates in line with those of the Melbourne and Metropolitan Board of Works.

The Mount Eliza Authority serves the area of Mount Eliza whilst the Mornington Authority serves Mount Martha and Mornington.

In their submission presented in the Lilydale Hearing on 31 October 1980 the Authorities submitted:-

"The Trusts maintain a close working relationship with the municipality and all are under the "same roof" and administrative and accounting systems are integrated with Council."

The Mornington Authority operates Wastewater Purification Plants for its own district and also accepts Wastewater from the Mount Eliza Authority. The Mount Eliza Authority has an agreement with the Frankston Sewerage Authority to dispose of effluent from the Kackeraboite Creek Area to the Frankston Sewerage Authority and in turn accepts effluent from the Frankston Sewerage Authority.

Evidence was also received at Lilydale from the Mount Martha Sewerage Action Group who expressed strong opposition to the Mornington Sewerage Authority's 120 A scheme and were critical of the manner in which their representatives to the Mornington Sewerage Authority had been dealt with. They were also critical of the municipal and sewerage functions being controlled by a common group of elected representatives.

The Authorities suggested that they were each quite different with varying needs stating: "No changes in the structure or composition of either the Mornington or Mount Eliza Sewerage Authorities should be considered prior to a Government decision

relating to the suggested amalgamation of the municipalities on the Mornington Peninsula".

The Mornington Sewerage Authority has a 13 year Forward Program and the Mount Eliza Sewerage Authority has a 5 year Forward Program for the reticulation to all unsewered subdivided land within the sewerage districts and adjacent subdivided land subject to the availability of finance.

The Mornington Sewerage Authority meets at 4.30 and the Mount Eliza Authority at 5.00 p.m.

Water supply to Mornington and Mount Eliza is currently the responsibility of the State Rivers and Water Supply Commission.

Representatives of the Authorities visited Melbourne for talks with Hon. Dr. Kevin J. Foley, M.L.C. on 23 June 1981, and on 17 July 1981.

**The Committee recommends the Mornington and Mount Eliza Sewerage Authorities cease to exist, and that the successor body be the Nepean Water Board, with responsibilities for all necessary urban water and sewerage retailing in the Shire of Mornington.**

#### Mortlake Waterworks Trust

Mortlake Waterworks Trust was created on 26 May 1915, and consists of the three Councillors of the Mortlake Riding of the Mortlake Shire Council and three persons appointed by the Minister of Water Supply. The Trust obtains water from a spring at the edge of the town, and supplies a population of 1,200 people at a rate of 6 cents in the dollar N.A.V.

The Trust is the only water body in the Shire of Mortlake, and its administration is carried out by Shire staff.



Mortlake Waterworks Trust made an initial submission to the Committee on 28 July 1980, and on 6 July 1981 responded to the Committee's Second Report. The response sought a continuation of existing arrangements.

The Shire of Mortlake advised the Committee on 20 March 1981 that it held similar views.

**The Committee recommends that the Mortlake Waterworks Trust should cease to exist, and that the successor body should be the Mortlake Water Board.**

Morwell Waterworks Trust

Morwell Sewerage Authority

Boolarra Waterworks Trust

Churchill Sewerage Authority

Herne's Oak Waterworks Trust

Morwell Waterworks Trust was created by Order of the Governor in Council on 26 August 1912. It consists of six Commissioners elected by the ratepayers plus two persons appointed by the Minister of Water Supply. The Trust's storage reservoirs are fed from the La Trobe Valley Water and Sewerage Board's Moondarra pipeline. The Trust supplies four urban districts - Morwell, (population 20,000, rate 3.25 cents), Churchill, (population 4,900, rate 3.0 cents), Hazelwood, (population 275, rate 3.25 cents), and Yinnar, (population 800, rate 5.0 cents).

Morwell Sewerage Authority was constituted on 8 February 1939 and consists of the Commissioners of the Morwell Waterworks Trust. The Trust administers two Sewerage Districts, Morwell and Yinnar. Morwell's sewage treatment is divided into two main areas, an eastern section discharging into the La Trobe Valley Water and Sewerage Board's outfall, and a western section with its own treatment plant involving lagoons, with final effluent being discharged to irrigation in summer and the Morwell River in winter.

Boolarra Waterworks Trust was constituted by Order of the Governor in Council on 8 March 1955. It consists of six Commissioners elected by the ratepayers.

The Trust obtains water from weirs on O'Grady's Creek, from which it is pipelined to a service basin for distribution. The population of 580 is provided with water at a rate of 6 cents in the dollar N.A.V.

Boolarra Waterworks Trust made a submission to the Committee on 28 August 1980, and was represented at a Public Hearing held by the Committee at Traralgon on 5 September 1980 by its Secretary/Manager, Mr. R. A. Fletcher.

Since 1969, the Boolarra Waterworks Trust has been administered by the Morwell Waterworks Trust, "which body also carried the policing of maintenance requirements on a cost plus basis". Until 1969, the Trust had been administered by the Shire of Morwell.

Churchill Sewerage Authority was created on 1 July 1970 and has the same membership as the Morwell Waterworks Trust and the Morwell Sewerage Authority. Sewage is discharged to the La Trobe Valley Water and Sewerage Board's main outfall.

Herne's Oak Waterworks Trust was established on 9 August 1950. The township of Herne's Oak has been effectively eliminated by the extension of the Yallourn open cut, and arrangements have been made for the Herne's Oak area to be included in the Morwell Waterworks District.

The above five bodies all operate within the Shire of Morwell, and are all administered by a specialist water body separate from municipal government.

The Morwell Trust and Authority, the Churchill Authority and the Boolarra Trust made initial submissions to the Committee in August 1980, and were represented at the Public Hearing held by the Committee in Traralgon on 5 September 1980. The Morwell and Churchill bodies made a response on 14 July 1981 to the Committee's Second Report, and advised that the Commissioners of the Morwell and Boolarra Waterworks Trusts had agreed that the appropriate option for the Morwell area was Option L6, a

single corporate entity, separate from municipal government. The Trust considered that such a body "would be an extremely viable unit within the overall framework of the water industry in Victoria", could attract qualified administrative and technical staff without excessive supervision costs, and retain both water industry expertise and local representation. The Trusts also recognised the need for regional planning and control within the La Trobe catchment and indicated a number of tasks seen as appropriate for an R3 type regional body.

The Shire of Morwell, in a submission to the Committee dated 6 March 1981, advised that:-

"Council is of the opinion that only one water and sewerage authority is required within this municipality. Within the Shire of Morwell there are five separate water and sewerage authorities providing these services."

Mr. R. A. Jolly, M.P. met representatives of the Morwell Trust and Authority and the Churchill Authority at Traralgon on 24 July 1981.

**The Committee believes those bodies could usefully be drawn together to provide a single but separate corporate entity for water and sewerage matters within the boundaries of the Shire of Morwell. Accordingly the Committee recommends that the Morwell Waterworks Trust, the Morwell Sewerage Authority, the Boolarra Waterworks Trust, the Churchill Sewerage Authority and the Herne's Oak Waterworks Trust should cease to exist, and that their responsibilities should be assumed by a new body known as the Morwell Water Board, operating within a regional water resources planning framework developed by the La Trobe Regional Water Board.**

Mount Beauty Waterworks Trust

Mount Beauty Sewerage Authority

Mount Beauty Waterworks Trust was created by Order of the Governor in Council on 17 March 1959 and consists of the Councillors for the Mount Beauty Riding of the

Shire of Bright. The Trust obtains water from a diversion weir on Simmonds Creek for Mount Beauty, and from the State Electricity Commission's West Kiewa Diversion Tunnel for Tawonga, and supplies a population of 1,850 at Bright and 800 at Tawonga at rates of 2.75 and 4 cents in the dollar N.A.V. respectively.

Mount Beauty Sewerage Authority was created on 1 June 1960, and is constituted similarly to the Mount Beauty Waterworks Trust. The Trust's treatment plant is north of the town, and treated effluent is discharged into the Kiewa River.

Mount Beauty was originally a State Electricity Commission project township, and the Trust and Authority were constituted shortly after the State Electricity Commission handed over the township to the Shire of Bright in 1958. Both authorities are administered by a full-time manager, located in Mount Beauty, which is divided from Bright by some 20 miles and by the Tawonga Gap.

Both bodies provided the Committee with an initial submission in August 1980, and were represented at the Public Hearing held by the Committee in Wodonga on 22 August 1980. The Trust and the Authority provided a response on 23 July 1981 to the Committee's Second Report, advocating Option L2, that is, the amalgamation of the Trust and the Authority. This submission also noted a number of advantages of a "semi-regional body" to be responsible for water, wastewater, drainage and river improvement works in the Kiewa Valley within the Shire of Bright, but noted problems with such a concept as a result of the role of the State Electricity Commission in controlling Kiewa River flows and as landlord at Fall's Creek.

The Shire of Bright, in a letter to the Committee dated 28 July 1981, indicated that it favoured "L2" solutions both for Bright and Mount Beauty.

**The Committee recommends that the Mount Beauty Waterworks Trust and the Mount Beauty Sewerage Authority cease to exist, and that the successor body be a Mount Beauty Water Board, with responsibilities for the provision of all necessary urban water and sewerage services in those parts of the Kiewa Valley within the Shire of Bright, including Fall's Creek Alpine Resort.**

Mount Eliza Sewerage Authority

See: Mornington Sewerage Authority

Mount Macedon Waterworks Trust

See: Macedon Waterworks Trust

Shire of Mount Rouse Waterworks Trust

Shire of Mount Rouse Waterworks Trust was created by Order of the Governor in Council on 29 October 1946, and consists of the Councillors of the Dunkeld, Glenthompson and Peshurst Ridings of the Shire of Mount Rouse plus one person appointed by the Minister of Water Supply. The Trust provides water to the three main towns in the Shire, Peshurst, (population 575), Dunkeld, (population 470), and Glenthompson, (population 300), at rates of 5.5, 3 and 8 cents in the dollar N.A.V. respectively.

The Trust is administered by the Shire of Mount Rouse and the Shire Secretary is the Trust Secretary. The Trust did not appear at the Public Hearing held by the Committee in Portland on 8 August 1980, but in a letter to the Committee dated 16 December 1980 advised that it favoured the continuation of existing arrangements.

Representatives of the Trust met the Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Warrnambool on 16 July 1981.

The Shire of Mount Rouse wrote to the Committee on 16 March 1981 stressing the cost savings resulting from the integration of Trust and Shire administration.

As the present Trust includes most of the Shire Councillors, including Councillors from each of the communities served by the Trust and in view of the administrative

integration between the two bodies the Committee cannot see the justification for the maintenance of a separate corporate identity for the water function.

**The Committee recommends that the Shire of Mount Rouse Waterworks Trust cease to exist, and that the successor body be the Shire of Mount Rouse.**

Moyhu Waterworks Trust

Whitfield Waterworks Trust

Moyhu Waterworks Trust was created by Order of the Governor in Council on 3 October 1961. It consists of the Councillors for the West Riding of the Shire of Oxley and three persons appointed by the Minister of Water Supply. The Trust pumps water from the King River, supplying a population of 220 people at a rate of 9 cents in the dollar N.A.V.

The Trust is administered separately from the Shire of Oxley by a part-time Secretary, who is also Secretary of the Fifteen Mile Creek Improvement Trust, and of the Whitfield Waterworks Trust.

The Trust was not represented at the Public Hearing held by the Committee in Wodonga on 22 August 1980, nor has it made a submission to the Committee. The Committee did however have informal discussions with the Trust Secretary during its visit to Wangaratta on 3 July 1980.

Whitfield Waterworks Trust was created by Order of the Governor in Council on 22 November 1966, and consists of three Commissioners elected by the ratepayers plus three appointed by the Minister of Water Supply. The Trust obtains water from a weir on Musk Gully Creek, and serves a population of 150 people at a rate of 6 cents in the dollar N.A.V. The Trust was not represented at the Public Hearing held by the Committee in Wodonga on 22 August 1980, nor has it made a submission to the Committee.

The Shire of Oxley advised the Committee on 4 March 1981 that it not only favoured the continuation of the existing Trusts, but was sponsoring an application for the creation of a further waterworks trust at Oxley. The Shire opposed any amalgamation of Trusts with the Shire Council on the grounds that the Trust system was cheap and locally representative, and that the extra burden would create a strain on municipal staff.

The Committee believes these arguments apply equally to any other Council activity, and doubts that a Shire with a population of only 5,000 really needs five water bodies (two river improvement trusts, the two existing waterworks trusts and the proposed waterworks trust).

**The Committee's recommendation is that the Moyhu Waterworks Trust and the Whitfield Waterworks Trust cease to exist, and that the successor body should be the Shire of Oxley. The Committee further recommends that a new waterworks trust at Oxley be not created, and that the Shire assume direct responsibility for all necessary urban water and sewerage provision in the Shire.**

Murrayville Waterworks Trust

Underbool Waterworks Trust

Shire of Walpeup

Murrayville Waterworks Trust was constituted by Order of the Governor in Council on 18 December 1946. There are six Commissioners, three Councillors of the Walpeup Shire and three Government Nominees.

The Trust supplies a population of 400 from a 150 mm bore.

The Underbool Waterworks Trust was constituted by Order of the Governor in Council on 29 January 1941. Its six Commissioners are three Councillors of the Underbool Riding of the Shire of Walpeup and three Government Nominees.

The Trust supplies a population of 300 by channel from the State Rivers and Water Supply Commission.

The Shire of Walpeup was constituted a Local Governing Body under the Water Act on 3 December 1946. Its Commissioners are Councillors of the Shire of Walpeup. It serves Cowangie population of 50 and obtains its supply from a bore.

The State Rivers and Water Supply Commission supplies the urban districts of Ouyen and Walpeup. Walpeup is supplied, at a loss, by direction of the Governor in Council.

The Shire Secretary, who is also Secretary to the three water bodies, made a submission to the Committee and gave evidence at the Public Hearing held by the Committee in Mildura on 18 July 1980.

**The Committee's recommendation is that the Shire of Walpeup cease to be constituted as a Local Governing Body, that the Murrayville Waterworks Trust and the Underbool Waterworks Trust cease to exist, and that the successor body be the Shire of Walpeup. In respect of the township of Cowangie the Committee recommends that the Shire exam water supply in that area being left to a co-operative of residents. The Committee further recommends that water supply to the urban districts of Ouyen and Walpeup be transferred to the Shire of Walpeup from the State Rivers and Water Supply Commission.**

Murtoa Waterworks Trust

Murtoa Sewerage Authority

Minyip Sewerage Authority

Rupanyup Sewerage Authority

The Murtoa Waterworks Trust was constituted under the Water Act 1905 on 12 May 1909. Its six Commissioners consist of three Councillors of the West Riding of Dunmunkle Shire Council and three members appointed by the Minister of Water Supply. It supplies a population of 1,200 at a rate of 8 cents in the dollar N.A.V.



The Trust services its supply by gravity from channels from the State Rivers and Water Supply Commission reservoirs.

The Murtoa Sewerage Authority was constituted under the Sewerage Districts Act 1928 on 28 September 1938. Its Members are Commissioners of the Murtoa Waterworks Trust. It serves a population of 1,200 at a rate of 7 cents in the dollar N.A.V.

The Minyip Sewerage Authority was constituted under the Sewerage Districts Act on 14 October 1975. Its six Members consist of three Councillors of the North Riding of the Dunmunkle Shire and three Government Nominees. It is proposed that it will serve a population of 600 at a rate of 37 cents in the dollar N.A.V.

The proposed works consists of gravity reticulation sewers and three pumping stations with treatment by stabilization lagoons and disposal by land irrigation.

The Rupanyup Sewerage Authority was constituted on 7 October 1975. Its six members consist of three Councillors from the East Riding of the Shire of Dunmunkle and three Government Nominees. It has the same Secretary as the Minyip Sewerage Authority. It is expected to serve a population of 600 at a rate of 37 cents in the dollar N.A.V.

The proposed works consist of gravity reticulation sewers and pumps with treatment by stabilization lagoons and disposal by land irrigation.

The State Rivers and Water Supply Commission supplies the urban districts of Minyip, (population 600), and Rupanyup (population 450) and the Wimmera Waterworks District.

The Murtoa Waterworks Trust, the Murtoa Sewerage Authority, the Minyip Sewerage Authority and the Rupanyup Sewerage Authority all gave evidence at the Public Hearing held by the Committee at Horsham on 1 August 1980. Representatives of the Murtoa bodies met Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Horsham on 28 July 1981.

The Committee's recommendation is that the Murtoa Waterworks Trust, the Murtoa Sewerage Authority, the Minyip Sewerage Authority and the Rupanyup Sewerage Authority cease to exist, and that the successor body should be the Shire of Dunmunkle, with responsibilities for urban water and sewerage in Murtoa, Minyip and Rupanyup. The Committee further recommends that the Minyip and Rupanyup urban districts of the State Rivers and Water Supply Commission be transferred to the Shire of Dunmunkle.

Myrtleford Waterworks Trust

Myrtleford Sewerage Authority

Myrtleford Waterworks Trust was established by Order of the Governor in Council on 4 December 1933 and consists of the Councillors of the Shire of Myrtleford plus two persons appointed by the Minister of Water Supply. The Trust diverts water from Buffalo Creek, and supplies a population of 3,500 people at a rate of 3.25 cents in the dollar N.A.V.

Myrtleford Sewerage Authority was created on 15 April 1969, and is similarly constituted to the Myrtleford Waterworks Trust. Treatment is by aerobic ponds with treated effluent being discharged to land adjacent to the Ovens River.

The Chairman and the Secretary attended the Public Hearing held by the Committee in Wodonga on 22 August 1980, but did not give evidence. In separate but similar letters to the Committee dated 17 March 1981, the Trust and the Authority advised that they considered that the system operating in Myrtleford, whereby the Waterworks Trust and Sewerage Authority are administered by the Shire Council, to be the most economic and efficient for a town the size of Myrtleford.

The Shire of Myrtleford, whose Secretary is also Secretary of the Trust and Authority, wrote to the Committee on 6 April 1981 stating that the Council would not like to see the Myrtleford Waterworks Trust removed from the Council's control.

The Committee recommends that the Myrtleford Waterworks Trust and the Myrtleford Sewerage Authority cease to exist, and that the successor body be the Shire of Myrtleford, which should be directly responsible for any urban water and sewerage facilities required in the Shire.

Shire of Narracan Sewerage Authority

See: Trafalgar Waterworks Trust.

Shire of Nathalia Waterworks Trust

Nathalia Sewerage Authority

Shire of Nathalia Waterworks Trust was created by Order of the Governor in Council on 9 July 1957, and consists of the Councillors of the Shire of Nathalia plus one person appointed by the Minister of Water Supply. The Trust has urban districts in each of the main towns in the Shire, Nathalia (population 1,400), Barmah (population 220) and Picola (population 50). The rates are respectively 7.5, 6 and 8 cents in the dollar N.A.V. Water is pumped from the Broken Creek at Nathalia, from the river at Barmah and from an irrigation channel at Picola.

Nathalia Sewerage Authority was constituted on 25 May 1966 and consists of the Councillors of the Shire of Nathalia. Waste is treated in stabilization basins, and effluent is disposed of to land.

Neither the Trust nor the Authority appeared at the Discussion held by the Committee at Shepparton on 29 August 1980. However the Trust Secretary (who is also the Shire Secretary and the Authority Secretary) wrote to the Committee on 1 July 1980 advising that "many of the books, records and notices are combined with the Shire, and the officers are also the officers of the Shire". The Trust advised that it considered this to be a satisfactory and economical way of administering the system.

The Committee notes this high degree of integration, and the identity of the elected members and staff of all three bodies.

**The Committee recommends that the Shire of Nathalia Waterworks Trust and the Nathalia Sewerage Authority cease to exist, and that the successor body be the Shire of Nathalia, with direct responsibility for all urban water and sewerage provision necessary in the Shire.**

Nhill Waterworks Trust

Nhill Sewerage Authority

The Nhill Waterworks Trust was constituted under the Water Act 1890 on 3 August 1891. Its six Commissioners are elected by ratepayers.

The Trust serves a population of 2,200 at a rate of 10.5 cents in the dollar N.A.V. and draws its supply from four bores within the town.

The Nhill Sewerage Authority was constituted under the Sewerage Districts Act 1928 on 19 October 1938. Its members are the Commissioners of the Nhill Waterworks Trust and the two bodies share the services of the Secretary.

The Authority serves a population of 2,200 at a rate of 4.5 cents in the dollar N.A.V. Treatment of sewerage is by Trickling Filter with disposal on pasture.

The two bodies put a joint submission to the Committee in July 1980 and attended the Public Hearing held by the Committee at Horsham on 1 August 1980. The bodies did not envisage any difficulties with their amalgamation. At the Hearing, the Secretary and Chairman of the bodies both stated that they could see no objection to the amalgamation of the bodies (Transcript, p. 311). Further Discussions took place with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Horsham on 28 July 1981.

The Shire of Lowan in a letter to the Committee dated 27 March 1981 saw advantage in combining the water and sewerage function with local government.

**The Committee's recommendation is that the Nhill Waterworks Trust and the Nhill Sewerage Authority cease to exist, and that the successor body be the Shire of Lowan.**

Shire of Numurkah Waterworks Trust

Numurkah Sewerage Authority

Strathmerton Sewerage Authority

Shire of Numurkah Waterworks Trust was created by Order of the Governor in Council on 6 October 1882, and consists of the Councillors of the Shire of Numurkah plus one person appointed by the Minister of Water Supply. The Trust supplies four urban districts, which are the four principal towns of the Shire, Numurkah (population 3,000), Strathmerton (population 300), Katunga (population 120) and Wunghnu (population 90) at rates of 8.5, 9, 7.5 and 17.5 cents in the dollar N.A.V. respectively. Numurkah and Wunghnu are supplied with water from the Broken and Nine Mile Creeks, the former supply being treated; while Katunga and Strathmerton receive bore water.

Numurkah Sewerage Authority was constituted on 21 January 1969 and consists of the Councillors of the Shire of Numurkah. Treatment is by the lagoon system, with final effluent being disposed of by irrigation.

Strathmerton Sewerage Authority has the same membership and Secretary as the Numurkah Sewerage Authority. It was constituted on 3 July 1977, but the works have not been constructed. None of these bodies appeared at the Discussion held by the Committee at Shepparton on 29 August 1980. However in separate letters dated 29 June 1981, each body advised the Committee that it favoured Option L7 as defined by the Committee's Second Report, that is, amalgamation with the municipality without the retention of a separate corporate identity.

The Committee recommends that the Shire of Numurkah Waterworks Trust, the Numurkah Sewerage Authority and the Strathmerton Sewerage Authority cease to exist, and that the Shire of Numurkah assume direct responsibility for all necessary urban water and sewerage provision within the Shire.

Ocean Grove Sewerage Authority

See: Bellarine Sewerage Authority

Omeo Waterworks Trust

Swift's Creek Waterworks Trust

Omeo Waterworks Trust was created by Order of the Governor in Council on 4 August 1890, and consists of the three Councillors of the Omeo Riding of the Shire of Omeo plus three persons appointed by the Minister of Water Supply. The Trust obtains water from a weir on Livingstone Creek, and supplies a population of 360 people at a rate of 16 cents in the dollar N.A.V. for the first 400 dollars of valuation, and thereafter 5 cents in the dollar.

The Trust did not appear at the Public Hearing held by the Committee in Bairnsdale on 15 August 1980, but provided the Committee on 19 March 1981 with an initial submission which reads in part as follows:-

"THE OMEO WATER WORKS TRUST has been supplying water to the people of Omeo since 1892. Our founding fathers dug twelve (12) miles of water race along the Livingstone Creek to a reservoir just sufficiently high enough to serve the first Trust Secretary's house, but not high enough to adequately cover the whole of this hilly town.

One man was employed full time, keeping the water flowing in the race, by removing weeds, plugging yabbi holes and repairing breaks which appeared

in strategic spots to irrigate pastures. The standard wage for this work was 7/6 (seven shillings and sixpence) per day, except for Orientals who received 8/4 (eight and fourpence per day). Race cleaning became a chinese tradition and Omeo's last full blooded chinese retired when a diesel pump replaced all but the last mile of the race in 1952. However, his son-in-law kept the old diesel engine going until it was replaced by electric pumps in 1972. Following complaints in 1947 of dead dogs and sheep constantly being found in the race, it was decided to replace it by pipes.

... The town has suffered from this bit by bit style of gradual improvement, and we look with envy at properly designed newer systems in other towns. However, our problems have established a tradition of dedicated men who keep the system going. Pump attendants have spent far more time than they have been paid for, in carrying out repairs, etc. Even the Trust Secretary has had to repair broken mains at weekends and to plunge into the icy river to un-clog the pump's foot valve. The water supply is more of a community service than a paying career for its employees.

... We consider that we are fulfilling the task in Government to which we have been assigned."

The Trust provided a further submission on 5 August 1981 in response to the Committee's Second Report, arguing that in a change to Shire administration, "any slight advantages of amalgamation would be outweighed by the loss of identity, the loss of dedicated Commissioners and the loss of that indefinable spirit of civic service that has characterised the Trust for the past ninety years".

Swift's Creek Waterworks Trust was created by Order of the Governor in Council on 28 September 1971. It consists of the Councillors for the Tongio Riding of the Shire of Omeo plus three persons appointed by the Minister of Water Supply. The Trust obtains water from the Tambo River, and supplies a population of 260 at a rate of 16 cents in the dollar N.A.V.

Swift's Creek Waterworks Trust has not made a submission to the Committee, and did not appear at the Public Hearing held by the Committee at Bairnsdale on 15 August 1980.

The Shire of Omeo advised the Committee on 11 March 1981 that it favoured the amalgamation of water, sewerage and river improvement trusts with municipalities wherever possible.

The Committee notes the strong feelings held in Omeo concerning the continuation of the Omeo Waterworks Trust, but considers that if agreement can be reached in the Omeo community on the subject, there would be merit in the Trusts being converted to Water Advisory Committees of Council, and the Council assuming an overall responsibility for any necessary water and sewerage provision in the Shire.

**The Committee recommends that the Omeo Waterworks Trust and the Swift's Creek Waterworks Trust cease to exist, and that the successor body be the Shire of Omeo, with responsibility for all necessary urban water and sewerage services in the Shire.**

#### Orbost Waterworks Trust

#### Orbost Sewerage Authority

Orbost Waterworks Trust was created by Order of the Governor in Council on 5 January 1917. It consists of three Councillors elected by the Shire of Orbost plus three persons appointed by the Minister of Water Supply. The Trust obtains water from the Rocky River, supplemented at times from the Brodribb River, and supplies a population of 3,500 located in three Urban Districts (Orbost, Marlo and Newmerella) and two Rural Districts (Newmerella and Orbost-Brodribb-Marlo).

Orbost Sewerage Authority was constituted on 29 March 1951 and consists of the Waterworks Trust Commissioners. The treatment lagoons are 5 km south of the town; final effluent is disposed of by land irrigation.



These bodies did not appear at the Public Hearing held by the Committee in Bairnsdale on 15 August 1980, nor have they made a submission to the Committee. However, both Trusts met Mr. R. A. Jolly, M.P., representing the Committee at a special meeting held in Bruthen on 17 July 1981.

The Shire of Orbost has not made its views known to the Committee.

**The Committee's recommendation is that the Orbost Waterworks Trust and the Orbost Sewerage Authority cease to exist, and that the successor body be the Orbost Water Board, with responsibilities for all necessary urban water and sewerage provision in Orbost, Newmerella and Marlo.**

#### Pakenham Sewerage Authority

Pakenham Sewerage Authority was constituted on 14 July 1970. The Authority consists of six Commissioners, three being Councillors of the Toomuc Riding of the Shire of Pakenham and three persons appointed by the Minister of Water Supply.

The Secretary of the Authority is Mr. B. J. Wallis who is also Secretary of the Shire of Pakenham. The Secretary is employed part-time and receives clerical assistance from the Shire staff as required. Engineers to the Authority are Gutteridge, Haskins and Davey Pty. Ltd.

Construction of the scheme commenced in June 1974 and it became operative in October 1976. The purification plant is located south of the town beyond the boundary for future development.

Population in the sewerage area is 3,500.

The Authority in its submission to the Melbourne Public Hearing on 4 March 1981 indicated the Nestles Company had been operating their own plant but pressure from the Environment Protection Authority resulted in the company electing to join the scheme. The agreement with Nestles calls for them to meet all costs over and above

the domestic requirements of the town. Water to the area is provided by the State Rivers and Water Supply Commission.

Mr. Wallis, the Secretary, stated the Shire of Pakenham is in a position to administer the several towns rather than separate smaller units being created for each area.

The Committee has been constrained in its recommendations concerning water and sewerage provisions in the municipalities of Berwick and Pakenham by the fact that the Melbourne and Metropolitan Board of Works is outside the reference currently before it.

**The Committee recommends that the Pakenham Sewerage Authority cease to exist, and that the successor body be a new body known as the Cranbourne - Pakenham Water Board, responsible for all necessary urban water and sewerage provision in all those parts of the Shire of Pakenham not currently within the boundaries of the Gembrook, Cockatoo and Emerald Waterworks Trust. The Committee further recommends that responsibility for water supply and sewerage in the City of Berwick should be assumed by the Cranbourne - Pakenham Water Board.**

Paynesville Waterworks Trust

Paynesville Sewerage Authority

See: Bairnsdale Waterworks Trust

Peterborough Waterworks Trust

Shire of Warrnambool - Local Governing Body: Caramut Urban District

Peterborough Waterworks Trust was created by Order of the Governor in Council on 28 April 1964 and consists of the Councillors of the Shire of Warrnambool plus one person appointed by the Minister of Water Supply. The Trust obtains water from an artesian

bore, and supplies a population of 200 permanent residents, and up to 3,000 during summer, at a rate of 8 cents in the dollar N.A.V.

The Shire of Warrnambool was constituted as a Local Governing Body under the Water Act on 23 November 1976, and has one Urban District, Caramut. The Shire obtains water from a spring near Mount Rouse, some 20 km from the town. A population of 190 is served at a rate of 17.5 cents in the dollar N.A.V.

Neither the Peterborough Waterworks Trust nor the Shire of Warrnambool appeared at the Public Hearing held by the Committee at Portland on 8 August 1980. However, the Peterborough Waterworks Trust wrote to the Committee on 13 July 1980, as follows:-

"The Trust can see no valid reason why the operations of this Trust could not be integrated with the books of account of the Shire of Warrnambool."

**The Committee recommends that the Shire of Warrnambool cease to be constituted as a Local Governing Body under the Water Act, that the Peterborough Waterworks Trust cease to exist, and that the successor body be the Shire of Warrnambool, with direct responsibility for all necessary urban water and sewerage provision to the Shire.**

#### Plenty-Yarrambat Waterworks Trust

Plenty-Yarrambat Waterworks Trust was constituted on 23 August 1961 by Order of the Governor in Council. The Trust consisted of six Commissioners, three from the Shire of Diamond Valley, one from the Shire of Whittlesea and two persons appointed by the Minister of Water Supply.

The members of the Trust and the Trust Secretary resigned on 25 November 1980. The Trust's administration has continued with Mr. K. H. Wood being appointed as Trust Secretary and Commissioner by the Minister of Water Supply.

Mr. Wood, in a letter to the Committee dated 23 December 1980, stated:-

"Negotiations have been proceeding for some time between the Melbourne and Metropolitan Board of Works and the Trust concerning the desirability of the Board taking over the administration of the Plenty-Yarrambat water supply system and including it within the metropolitan water supply area. Both parties have agreed in principle to this proposal and the matter was confirmed when the Minister of Water Supply, the Hon. F. J. Granter, M.L.C., on behalf of the State Government wrote to the Chairman of the Metropolitan Board of Works on 30 September, 1980, directing that the Board assume responsibility for the administration of water supply to the area in question as soon as possible.

For various reasons, the actual transfer of the administration has not taken place at this point in time and it was mainly because of this delay the five Trust Commissioners in office in November and also the then Trust Secretary, all tendered their resignations to be effective as from the close of the ordinary meeting of the Plenty-Yarrambat Waterworks Trust held on the 25 November, 1980."

The Trust obtains water from the Melbourne and Metropolitan Board of Works Maroondah Aquaduct at Plenty and from the Yan Yean pipeline at Mernda.

Agreement has been reached for the responsibility for water supply in the Plenty-Yarrambat Waterworks Trust area to transfer to the Melbourne and Metropolitan Board of Works on 1 October 1982.

**The Committee considers this to be a satisfactory arrangement.**

Portarlington Sewerage Authority

See: Bellarine Sewerage Authority

Port Fairy Waterworks Trust

Port Fairy Sewerage Authority

Port Fairy Waterworks Trust was created by Order of the Governor in Council on 2 August 1937 and consists of the Councillors of the Borough of Port Fairy plus one person appointed by the Minister of Water Supply. The Trust obtains water from bores, and supplies a population of 2,400 at a rate of 5 cents in the dollar N.A.V.

Port Fairy Sewerage Authority was constituted on 24 May 1950, and consists of the Councillors of the Borough of Port Fairy. Sewage is pumped direct into Bass Strait near Griffiths Island.

Neither of these bodies appeared at the Public Hearing held by the Committee at Portland on 8 August 1980. However Discussions took place with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Warrnambool on 16 July 1981.

The Borough of Port Fairy has not made its views known to the Committee. Both the Trust and the Authority basically comprise the Borough Council, and the Committee does not perceive the value in retaining three separate corporate identities.

**The Committee recommends that the Port Fairy Waterworks Trust and the Port Fairy Sewerage Authority cease to exist, and that the successor body be the Borough of Port Fairy.**

Poowong, Loch and Nyora Waterworks Trust

See: Korumburra Waterworks Trust

Portland Waterworks Trust

Portland Sewerage Authority

Portland Waterworks Trust was created on 30 May 1928 by Order of the Governor in Council, and consists of the Councillors of the Town of Portland plus one person

appointed by the Minister of Water Supply. The Trust obtains water from bores south of Portland, where it is cooled in cooling towers prior to reticulation. A population of 9,000 is supplied at a rate of 7.75 cents in the dollar N.A.V.

Portland Sewerage Authority was constituted on 21 June 1938 and consists of the Councillors of the Town of Portland. Raw sewage is currently discharged into the ocean at Nelson Bay, but treatment works are planned.

The Trust, the Authority and the Town of Portland made an initial joint submission to the Committee on 31 July 1980 as follows:-

"The activities carried out by both (the Trust and the Authority) ... are so closely inter-related to the activities of the Portland Town Council in respect to the provision of physical infrastructure for urban living, that the objectives of the Portland Waterworks Trust and the Portland Sewerage Authority would be more effectively pursued by the Portland Town Council ... administrative and decision making processes carried out by both Authorities are often duplicated by the Portland Town Council. Such administrative practices and decision making processes are often found to be duplicative, laborious and clumsy ... "

All three bodies were represented at the Public Hearing held by the Committee in Portland on 8 August 1980.

Both bodies responded to the Committee's Second Report, "Future Structures for Water Management" by re-affirming their objective of amalgamation, but stressing the problems this would cause as a result of the current \$1.2 million Loan Council borrowing limit, given that their total loan program for 1981-82, for example, is \$2.5 million.

The Town of Portland again emphasised its support for amalgamation in a letter to the Committee dated 31 March 1981, and in Discussions with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Warrnambool on 16 July 1981.

As indicated in its Second Report, the Committee is conscious of the negative effect current Loan Council borrowing categories have on administrative structure, and is aware of the special problems Portland has in the provision of infrastructure for industrial development.

**The Committee's recommendation is that the Portland Waterworks Trust and the Portland Sewerage Authority should cease to exist. The Committee recommends that, at least until alternative funding arrangements are developed, the successor body should be a Portland Water Board closely integrated with Council. The Committee encourages the Portland Town Council to work towards a goal of full unification of water management with the municipality.**

#### Pyalong Waterworks Trust

Pyalong Waterworks Trust was constituted on 22 March 1966 by Order of the Governor in Council. It consists of three persons elected by the Shire of Pyalong and three members appointed by the Minister of Water Supply.

The part-time Secretary for the Trust is also part-time Secretary of the Shire of Pyalong.

The Trust serves a population of 150 - the Shire of Pyalong having just under 500 residents.

Water supply is from a weir on Hollison's Creek.

The Pyalong Waterworks Trust submitted to the Committee that the present arrangements are satisfactory.

**The Committee recommends that the Pyalong Waterworks Trust should cease to exist, and that the successor body be the Shire of Pyalong.**

Queenscliffe Sewerage Authority

Queenscliffe Sewerage Authority was constituted on 9 September 1975, and consists of the Councillors of the Borough of Queenscliffe plus two Government Nominees. Sewage is pumped to the Ocean Grove Sewerage Authority's system and thence to the Geelong Waterworks and Sewerage Trust's ocean outfall at Black Rock.

Although the Queenscliffe Sewerage Authority did not appear at the Public Hearing held by the Committee at Geelong on 26 September 1980, the Authority was visited by the Committee for extensive discussions on 12 and 13 June 1980. A submission on behalf of the Authority was put to Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Geelong on 24 July 1981. The Borough of Queenscliffe has not made its views known to the Committee. Water supply at Queenscliffe is presently the responsibility of the State Rivers and Water Supply Commission.

The Committee has elsewhere recommended that responsibility for water retailing in the Bellarine Peninsula should become the responsibility of the Geelong Water Board. Queenscliffe is located within this area.

**The Committee recommends that the Queenscliffe Sewerage Authority should cease to exist, and that the successor body should be the Borough of Queenscliffe. The Committee, believing that water and sewerage services should ultimately be integrated in each community, recommends that responsibility for sewerage services in the Borough of Queenscliffe should pass to the Geelong Water Board on 1 January 1986. The Committee recommends that responsibility for water supply in the Borough of Queenscliffe should be transferred from the State Rivers and Water Supply Commission to the Geelong Regional Water Board as soon as possible.**

Rainbow Sewerage Authority

See: Dimboola Sewerage Authority



Redbank Waterworks Trust

See: Avoca Township Waterworks Trust

Riddells Creek Waterworks Trust

Riddells Creek Sewerage Authority

See: Romsey Waterworks Trust

Robinvale Sewerage Authority

See: Swan Hill Waterworks Trust

Rochester Waterworks Trust

Rochester Sewerage Authority

Rochester Waterworks Trust was constituted by Order of the Governor in Council on 2 October 1893. Its Commissioners are elected by the ratepayers with one person appointed by the Minister of Water Supply.

The Trust serves a population of 3,000 at a rate of 5 cents in the dollar N.A.V. The supply is drawn from the State Rivers and Water Supply Commission's Waranga Channel.

A detailed submission was forwarded to the Committee on 14 November 1980.

Rochester Sewerage Authority was constituted on 7 May 1963, its members being three Councillors for the Central Riding of the Shire of Rochester plus three Government Nominees.

The sewerage system currently serves 812 buildings. Treatment is by sedimentation followed by biological oxidation and disposal is by irrigation of pasture.

The Authority provided a detailed submission to the Committee in March 1981 in which it suggested that the present staff at the Shire of Rochester and the Rochester Sewerage Authority could readily administer the Rochester Waterworks Trust providing a greater expertise and better access from a central location than is currently provided in two separate offices. It also suggested that the funding for all three bodies, even if merged, should be kept and accounted for separately.

The Shire of Rochester, in a letter to the Committee dated 23 July 1981, stated its belief that responsibilities for administration of water supply and sewerage districts should be combined with those of local government.

The township of Lockington in the Shire of Rochester currently receives its urban water supply from the State Rivers and Water Supply Commission.

**The Committee's recommendation is that the Rochester Waterworks Trust and the Rochester Sewerage Authority cease to exist, and that the successor body be the Rochester Water Board. The Committee further recommends that the Rochester Water Board accept responsibility for the urban water supply in Lockington.**

#### Rokewood Waterworks Trust

Rokewood Waterworks Trust was created by Order of the Governor in Council on 23 January 1973. It consists of the three Councillors from the West Riding of the Shire of Leigh, and the three Councillors from the West Riding of the Shire of Buninyong, plus two persons appointed by the Minister of Water Supply. The Trust supplies 700 people in an Urban and Rural District, at rates of 11 and 10 cents in the dollar respectively. The Trust obtains its water directly from the Ballarat Water Commissioners through a 16 km pipeline.

The Trust made an initial submission to the Committee on 14 July 1980, and was represented at the Public Hearing held by the Committee at Ballarat on 19 September 1980. Representatives of the Trust met Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Ballarat on 2 July 1981.

The Trust is administered by a part-time Secretary resident in Rokewood, and a part-time turncock is employed.

The submission of 14 July 1980 outlined various alternative administrative possibilities, suggesting that municipal control was inappropriate as the Trust supplies water in two municipalities. Of control by the Ballarat Water Commissioners, the submission states "this appears to be the best alternative but distance becomes a problem, and there would be no representation for half of the Trust area".

In a further submission, in July 1981, the Trust continued to argue for the maintenance of present arrangements, but stated that if a "greater Ballarat authority" were brought into being, directly elected Commissioners representing Rokewood and the appointment of a local turncock should be considered. The Committee notes these comments.

**The Committee recommends that the Rokewood Waterworks Trust cease to exist, and that the successor body be the Rokewood Water Board.**

Romsey Waterworks Trust

Romsey Sewerage Authority

Lancefield Waterworks Trust

Riddell's Creek Waterworks Trust

Riddell's Creek Sewerage Authority

Romsey Waterworks Trust was constituted on 27 April 1883 by Order of the Governor in Council. The Trust consists of four Commissioners, three being the Councillors of the Romsey Riding of the Romsey Shire Council and two persons appointed by the Minister of Water Supply. The four Commissioners are also Members of the Romsey

Sewerage Authority which was constituted on 18 May 1976. The Secretary for the three bodies is Mr. B. F. Carne who is also Secretary of the Romsey Shire. Engineers are Van Hoof and Byrne Pty. Ltd.

The Trust supplies a population of 1,000 in the Romsey township and immediate surrounding area. The Trust's source of water is Kerrie Reservoir with a capacity of 110 ML in the Bolinda Creek catchment. The annual revenue is \$43,265 at a rate of 3.7 cents in the dollar N.A.V.

The Lancefield Waterworks Trust was constituted on 24 February 1888. The Trust has six Commissioners elected by the ratepayers within the Lancefield Trust district. The Lancefield Waterworks Trust has a 451 ML storage on Garden Hut Creek. The Trust serves a population of 600. The annual revenue is \$34,541 at a rate of 5.5 cents in the dollar N.A.V.

The Romsey Sewerage Authority operates a sewerage treatment site some 2 km south-east of the town. Treatment is by biological oxidation in stabilization lagoons with effluent disposal by irrigation.

The Riddells Creek Waterworks Trust is also within the Shire of Romsey but is currently operated independently of the Shire. The Shire of Romsey has offered the Trust an administration service on a fee for service basis but this has not been accepted by the Trust.

In response to the Committee's Second Report the three bodies stated a preference for Option L6, for example, unification within each local government area of all water and sewerage bodies.

Riddell's Creek Waterworks Trust was constituted on 15 March 1892. The Riddell's Creek Sewerage Authority was constituted on 30 October 1973. The six Commissioners to the two bodies are the same persons and all are elected. Secretary to both bodies is Mrs. Wright who was first appointed to the Waterworks Trust in 1945. Consultants to both bodies are John Scroggie Consulting Engineers Pty. Ltd.

The Trust serves a population of 1,400 and 345 tenements. The rate is 3.6 cents in the dollar N.A.V. with a minimum rate of \$40. Rates have not been levied for the Sewerage Authority. Water is diverted from Main Creek to two service basins with a total capacity of 73 ML. The town's annual water consumption is 275 ML.

In evidence to the Committee Hearing at Dandenong on 3 October 1980 the Trust indicated water restrictions had been imposed last year partially because of a reticulation problem and partly due to the storage problem. Mr. Hope, a Commissioner, said it would be possible to secure supply from the main supply line that runs from Rosslynne Dam to Sunbury with temporary piping.

Evidence also revealed the Secretary's salary equals about 50% of the rate revenue for the Trust.

The Authority was primarily constituted to enable effective control to be maintained over plumbing and drainage works within the town and to provide sewerage facilities within new subdivisions. The original scheme proposed was not proceeded with due to the high cost to ratepayers. No works have yet commenced, although a treatment works site has been agreed upon by relevant authorities.

**The Committee recommends that the Romsey Waterworks Trust, the Romsey Sewerage Authority, the Lancefield Waterworks Trust, the Riddell's Creek Waterworks Trust and the Riddell's Creek Sewerage Authority should cease to exist, and that the successor body be the Shire of Romsey.**

Rosedale Waterworks Trust

Rosedale Sewerage Authority

Seaspray Waterworks Trust

Tyers and Glengarry Waterworks Trust

Rosedale Waterworks Trust was created by Order of the Governor in Council on 23 October 1916, and consists of the three Councillors of the Rosedale Riding of the Shire of Rosedale plus three persons appointed by the Minister of Water Supply. The Trust

obtains its water from the La Trobe Valley Water and Sewerage Board via the Tyers and Glengarry Waterworks Trust system. A population of 1,000 is served at a rate of 7.5 cents in the dollar N.A.V.

The Trust provided the Committee with a submission in August 1980, and was represented at the Public Hearing held by the Committee at Traralgon on 5 September 1980. The submission outlined the degree of administrative integration between the Trust and the Shire of Rosedale which had been achieved since 1978, and indicated that both the Trust and the Council were "completely satisfied" with the existing structure and relationships between the two bodies. The submission also acknowledged the need for advisory, planning, engineering support and regional co-ordination to be provided by the La Trobe Valley Water and Sewerage Board, and advised that discussions were in progress between the Rosedale Waterworks Trust and the Tyers and Glengarry Waterworks Trust concerning the structure of both authorities.

Rosedale Sewerage Authority was constituted by Order of the Governor in Council on 1 May 1979, and consists of the Commissioners of the Rosedale Waterworks Trust. After some delays, due to the shortage of funds, construction has now commenced. The La Trobe Valley Water and Sewerage Board is constructing the pumping station and outfall main from its own financial sources, and wastewater will pass into the La Trobe Valley Water and Sewerage Board's outfall.

Tyers and Glengarry Waterworks Trust was created by Order of the Governor in Council on 18 August 1959, and consists of three persons elected by the Shire of Rosedale, two persons elected by the Shire of Traralgon and two persons appointed by the Minister of Water Supply. The Trust obtains water from the La Trobe Valley Water and Sewerage Board's Moondarra pipeline, and serves a population of 1,500 people in Tyers and Glengarry, Toongabbie and Cowwar at an urban rate of 13 cents in the dollar N.A.V. Surrounding rural areas are supplied by agreement. The Trust made a submission to the Committee on 25 August 1980.

The submission stated that:-

"The Trust is of the opinion that with the expansion being encountered and that postulated for the next fifty years associated with Brown Coal usage it may be the proper time to commence negotiations for the amalgamation of the Tyers/Glengarry Trust and the Rosedale Trust."

It also indicated that the Trust was exploring the possibility of obtaining the services of the La Trobe Valley Water and Sewerage Board, on a fee basis, as the operating and maintenance organisation.

Mr. R. A. Jolly, M.P. had talks with representatives of the Trust in Traralgon on 24 July 1981.

Seaspray Waterworks Trust was created by Order of the Governor in Council on 6 November 1963 and consists of five Commissioners elected by the ratepayers plus one person appointed by the Minister of Water Supply. The Trust pumps water from Merriman's Creek and supplies a population of 490 at a rate of 9 cents in the dollar N.A.V.

Seaspray Waterworks Trust made a submission to the Committee on 2 September 1980, and was represented at the Public Hearing held by the Committee at Traralgon on 5 September 1980. As with Rosedale Waterworks Trust, Seaspray Waterworks Trust entered into an administrative agreement on a fee for service basis with the Shire of Rosedale late in 1978.

The Shire of Rosedale advised the Committee on 6 May 1981 that it considered there should be regional co-ordination of water and sewerage services in the La Trobe Valley by the La Trobe Valley Water and Sewerage Board, and that local authorities should be responsible for reticulation.

**The Committee's recommendation is that the Rosedale Waterworks Trust, the Rosedale Sewerage Authority and the Seaspray Waterworks Trust should cease to exist, and that the successor body should be the Shire of Rosedale, operating within a regional water resources planning framework developed by the La Trobe Regional Water Board, and responsible for all necessary**

urban water and sewerage provision in all those parts of the Shire of Rosedale not now served by the Tyers and Glengarry Waterworks Trust. The Committee further recommends that the Tyers and Glengarry Waterworks Trust cease to exist, and that the successor body be the Tyers and Glengarry Water Board, operating within a regional water resources planning framework developed by the La Trobe Regional Water Board, and responsible for all necessary urban water and sewerage services in the towns it now serves.

Rupanyup Sewerage Authority

See: Murtoa Waterworks Trust

Rushworth Waterworks Trust

See: Colbinabbin Waterworks Trust

Shire of Rutherglen Waterworks Trust

Shire of Rutherglen Sewerage Authority

The Rutherglen Waterworks Trust was constituted on 10 April 1899 and the Wahgunyah Waterworks Trust on 6 April 1941. They were amalgamated on 18 September 1979 to form the Shire of Rutherglen Waterworks Trust. The Commissioners of the Trust are the Councillors of the Wahgunyah and Central Ridings of the Shire of Rutherglen.

The Shire of Rutherglen Sewerage Authority was constituted on 7 December 1976. The composition of the Authority is the same as for the Waterworks Trust. The Authority has not yet commenced construction in either towns of Rutherglen or Wahgunyah.



The Secretary for both bodies is Mr. W. A. McQuillen who is also Shire Secretary. Consulting engineers are John Scroggie Consulting Engineers Pty. Ltd.

In submissions to the Committee the Shire stressed the commitment to both in management and physical operation of the bodies of the Commissioners, suggesting if the bodies were to be amalgamated with the Shire this commitment could be lost.

**The Committee recommends the Shire of Rutherglen Waterworks Trust and the Shire of Rutherglen Sewerage Authority cease to exist, and the successor body be the Shire of Rutherglen.**

St. Arnaud Waterworks Trust

St. Arnaud Sewerage Authority

St. Arnaud Waterworks Trust was constituted by Order of the Governor in Council on 28 September 1898. Its Commissioners are Councillors of the Town of St. Arnaud plus one person appointed by the Minister of Water Supply.

The Trust serves a population of 2,900 at a rate of 6.5 cents in the dollar N.A.V. The present supply system consists of a 720 ML storage (Volcano Lake) which is filled annually from the Commission's domestic and stock channel system. A 10 year program of works aimed at improving supply is currently underway at a cost of approximately \$2 million.

St. Arnaud Sewerage Authority was constituted by Order of the Governor in Council on 27 April 1948 - the Members being the Commissioners of the St. Arnaud Waterworks Trust.

The all gravity system serves 1,070 buildings and the effluent is disposed of by irrigation.

The Town Clerk of St. Arnaud is also Secretary of the Waterworks Trust and the Sewerage Authority.

Neither the Town, Trust nor Authority made written submissions to the Committee nor did they attend any Public Hearings.

**The Committee's recommendation is that the St. Arnaud Waterworks Trust and the St. Arnaud Sewerage Authority cease to exist, and that the successor body be the Town of St. Arnaud.**

### City of Sale

#### Sale Sewerage Authority

Sale City Council was constituted as a Local Governing Body under the Water Act on 28 September 1965. It had until that time been the last major urban centre in Victoria with a municipal water supply, provided under the powers contained in Sections 689/92 of the Local Government Act. In view of this, the Committee requested the City of Sale to explain the reasons why the municipality chose to be constituted in 1965 as a Local Governing Body under the Water Act rather than continue to provide water supply under its Local Government Act powers. The Town Clerk's reply on 7 August 1981 to this request makes it clear that "the major consideration which led to the City of Sale changing the basis of its water supply operations seems to have been the attraction of government interest subsidy". The City of Sale also provided the Committee with their internal report dated 2 June 1964 on this subject, which is reproduced at Appendix 5 of this Report. The 1964 City of Sale report is a significant document, indicating the extent to which the financial incentive of interest subsidies induced the municipality to accept Local Governing Body status despite the extra costs and centralised supervision they anticipated as a result.

The Committee has stated its views on this matter on page 27 of its Second Report, which argues that "Government financial assistance should be allocated according to a comparative assessment of need, not on the basis of the legislative form of the recipient body ... Funding should be independent of structure, and available to a voluntary co-operative, municipality or private enterprise initiative if needs-based criteria are met".

The City of Sale obtains its water supply from bores, and supplies a population of 14,000 people at a rate of 3.7 cents in the dollar N.A.V.

Sale Sewerage Authority consists of the Councillors of the City of Sale. Sewage is discharged into the La Trobe Valley Water and Sewerage Board's La Trobe Valley Outfall Sewer.

The City of Sale made an initial submission to the Committee on 9 July 1980 stating that:-

"The Council at its last meeting resolved to convey its general comment that Council supports the system currently existing in Sale whereby all three authorities (Council, Water and Sewerage) are administered by the one elected body and officers. Should any alteration be envisaged to this system the Council would favour a complete absorption of the water and sewerage aspects within the municipality and the relevant legislations being administered in the same manner as local government legislation, e.g. Town Planning, Dog Act, Health Act, etc."

Both the City and the Authority were represented at the Public Hearing held by the Committee at Bairnsdale on 15 August 1980.

**The Committee's recommendation is that the City of Sale cease to be constituted as a Local Governing Body under the Water Act, that the Sale Sewerage Authority cease to exist, and that in future the City of Sale be directly responsible for all necessary urban water and sewerage provision within the City of Sale, operating within a regional water resources planning framework developed by the La Trobe Regional Water Board.**

Sea Lake Sewerage AuthorityWycheproof Sewerage Authority

Sea Lake Sewerage Authority was constituted by Order of the Governor in Council on 3 July 1968. Its members are Councillors of the Tyrrell Riding of the Shire of Wycheproof and it provides a service to a population of almost 1,000.

In a letter to the Committee dated 22 June 1981 the Authority expressed support for the retention of the existing arrangements.

Wycheproof Sewerage Authority was constituted by Order of the Governor in Council on 3 July 1968. Its Members are Councillors of the South Riding of the Shire of Wycheproof and three Government Nominees. The Authority provides a service to a population of almost 1,000.

The Secretary, in a letter to the Committee dated 22 June 1981, expressed the Authority's view that the existing arrangements should be retained.

The Shire of Wycheproof, in a letter dated 24 March 1981, supports the Authorities' view.

The Shire Secretary is also the Secretary of the two Authorities. Both Authorities are administered from the Shire Office at Wycheproof.

The State Rivers and Water Supply Commission services the following Urban Districts in the Shire of Wycheproof - Berriwillock, Culgoa, Nandaly, Nullawie, Sea Lake and Wycheproof. Culgoa, Nandaly and Nullawie are all supplied, at a loss, by direction of the Governor in Council.

**The Committee's recommendation is that the Sea Lake Sewerage Authority and the Wycheproof Sewerage Authority cease to exist, and that the successor body be the Shire of Wycheproof. The Committee further recommends that responsibility for the urban districts of Berriwillock,**

**Culgoa, Nandaly, Nullawie, Sea Lake and Wycheproof be transferred from the State Rivers and Water Supply Commission to the Shire of Wycheproof.**

Seaspray Waterworks Trust

See: Rosedale Waterworks Trust

Serviceton Sewerage Authority

See: Shire of Kaniva Waterworks Trust

Seymour Waterworks Trust

Seymour Sewerage Authority

Avenel Waterworks Trust

Seymour Waterworks Trust was created on 4 November 1889, and consists of the Councillors for the North and South Ridings of the Shire of Seymour plus three persons appointed by the Minister of Water Supply. The Trust obtains water from the Trawool Reservoir and from the Goulburn River, and has extended its water supply by pipeline to serve Tallarook with treated water. A population of 7,000 at Seymour and 250 at Tallarook is provided with water at rates of 4 cents and 13.5 cents in the dollar respectively.

Seymour Sewerage Authority was constituted on 20 March 1962 and consists of the Commissioners of the Seymour Waterworks Trust. Sewage is conveyed to a treatment works east of the town; final effluent is disposed of by irrigation.

These bodies are administered jointly, and separately from municipal government. Both were represented at the Discussion held by the Committee in Shepparton on 29 August 1980. The Trust and Authority on this occasion provided the Committee with a valuable and comprehensive submission. Both bodies provided a response to the

Committee's Second Report on 30 July 1981, which stressed that legislative and bureaucratic restraints were more significant problems in the water industry than were structural questions, but advocating in respect of structure:-

- \* a regional co-ordinating committee, perhaps based on water users along the Goulburn River;
- \* the amalgamation of the Trust and Authority to form a Seymour Water and Wastewater Board;
- \* the extension of the new body's ambit to cover the whole of the Shire, including the Avenel water supply and the Puckapunyal water and sewerage schemes. In respect of this latter proposal, the submission quotes a letter dated August 1977 from the Commonwealth Department of Construction which states that "as a result of recent studies the Commonwealth Government believes that the operation and maintenance of the water supply and sewerage systems could more effectively be carried out by local governing bodies".

The Committee commends the Seymour Waterworks Trust and Sewerage Authority for their well documented and thoughtful submissions.

Avenel Waterworks Trust was constituted on 17 August 1885 by Order of the Governor in Council, and consists of six Commissioners elected by its ratepayers.

The Trust provides water to a population of 600 people, at a rate of 5 cents in the dollar N.A.V., from a 4.5 ML capacity reservoir.

While the Trust did not appear at the Discussion held by the Committee at Shepparton on 29 August 1980, the Secretary advised the Committee by letter on 18 March 1981 that "in the near future we hope to be taken over by the Seymour Waterworks Trust".

" ... the present Trust believe that it is in the interests of the ratepayers for professional people with the necessary expertise in water administration and maintenance to look after the growing needs of Avenel. The following advantages can be readily observed.

1. The administration of the Seymour Waterworks Trust is being streamlined with the introduction of a computerised accounting system.
2. The maintenance section is on call seven days a week to remedy any faults which may occur.
3. Consulting Engineers with considerable experience in Waterworks Trusts are employed by the Trust. These and many other benefits enjoyed with economies of scale are available to the ratepayers of Avenel if the takeover is accepted.

The present Trust believe that with the complexities of the requirements of the Water Act and Uniform Plumbing Regulations etc., especially in relation to new subdivisions, the interest of the ratepayers is best served by a centralized and experienced staff which the Seymour Waterworks Trust can offer."

The Shire of Seymour advised the Committee on 17 March 1981 that it considered it preferable for water, sewerage and river improvement activities to be administered separately from the Shire.

**The Committee's recommendation is that the Seymour Waterworks Trust, the Seymour Sewerage Authority and the Avenel Waterworks Trust cease to exist, and that the successor body be the Seymour Water Board, with responsibilities for the provision of all necessary urban water and sewerage provision within the Shire of Seymour. The Committee further recommends that the Victorian Government offer to assist the Seymour Water Board to negotiate with the Commonwealth Government to effect a transfer of responsibility for the Puckapunyal water supply and sewerage system to the Board on appropriate terms and conditions.**

Shepparton Urban Waterworks Trust  
Shepparton Sewerage Authority

Shepparton Urban Waterworks Trust was created on 29 December 1887 by Order of the Governor in Council. The Trust consists of six Commissioners elected by the ratepayers. It obtains water by pumping from the Goulburn River, and supplies a population of 24,000 people at a rate of 4 cents in the dollar N.A.V. The Trust was one of the first to introduce filtered water in Victoria, in 1935.

The Trust made an initial submission to the Committee on 21 August 1980, and was represented at the Discussion held by the Committee in Shepparton on 29 August 1980. Following the publication of the Committee's Second Report, the Trust made a response on 30 July 1981, which argued that the water and sewerage authorities serving the Shepparton area should be amalgamated into a single corporate entity separate from municipal government, to be known as the Shepparton Water and Waste Water Board, or a separate body to administer water and waste water in the "Greater Shepparton area", that is, covering Shepparton and Mooroopna. The Trust drew the Committee's attention to problems with municipal boundaries in the Shepparton area, and provided the Committee with some comparative cost data concerning its operations.

Shepparton Sewerage Authority was constituted on 4 July 1934 and consists of the Councillors of the Shire of Shepparton. The Authority's administration is integrated with that of the City of Shepparton.

The Authority was not represented at the Discussion held by the Committee at Shepparton on 29 August 1980, but gave evidence at a Public Hearing held in Melbourne on 4 March 1981. The Authority's submission, presented at this Hearing, principally concerned the funding of capital works programs. In verbal evidence at the Hearing, the Authority Chairman, Councillor Gerrard, stated:-

"It seems obvious that better services would be provided for the Shepparton area if the sewerage and water trust were under the one heading. I do not care whether it is council, so long as it is under one heading ..."



Following discussions with Hon. David White, M.L.C., and Mr. E. J. Hann, M.P., representing the Committee at Shepparton on 30 July 1981, the Authority wrote to the Committee on 18 August 1981 stating that:-

"The Authority, after considerable deliberation ... determined to restate its previously adopted policy that it favours the unification within each local government area of all water and sewerage bodies without a corporate identity separate from that of municipal government", subject, however, to the adjustment of Loan Council borrowing arrangements and the adjustment of the boundaries of the City of Shepparton "to incorporate all of the present Shepparton Sewerage District and the Shepparton Urban Water District".

The Shire of Shepparton, in its submission to the Committee dated 14 April 1981, proposed that a new body should be formed in the "Greater Shepparton area" by the amalgamation of:-

- \* the Shepparton Waterworks Trust
- \* the Shepparton Sewerage Authority
- \* the Mooroopna Waterworks Trust and
- \* the Mooroopna Sewerage Authority.

The Shire's submission stresses 'the continued conflict on certain planning issues' between the Shire of Shepparton and the City of Shepparton, and argues that 'the ratepayers of the Shire of Shepparton have been disadvantaged by the fact that sewerage administration has been in the hands of the Council of the City of Shepparton and parochial attitudes have been taken on the issue of extension of the service to urban areas of the Shire adjoining the City boundary'.

The City of Shepparton, in a letter dated 20 May 1981, acknowledged the fragmentation of services in the Shepparton area, and argued that the City of Shepparton should have the opportunity to expand its municipal boundaries. The letter points out that a poll of ratepayers was held at the time when sewerage for the city was proposed, which resulted in a majority in favour of Council rather than water trust

control of the new function. The Committee presumes this poll must have been conducted prior to 1934, and doubts its relevance to present circumstances.

The Committee observes with some concern the presence of seven authorities in the urban services field in the 'Greater Shepparton' area - three municipalities and four water bodies - and notes the problems of municipal boundaries. The Committee sees similarities between the situation facing Shepparton and that facing Mildura, although relations among the bodies involved appear more harmonious in the latter. The Committee believes some rationalisation in the provision of urban services in the 'Greater Shepparton' area to be an urgent priority.

**The Committee recommends that the Shepparton Urban Waterworks Trust and the Shepparton Sewerage Authority cease to exist, and that the successor body be the Shepparton Water Board, a corporate entity separate from municipal government, with responsibilities for the provision of all necessary urban water and sewerage services in those parts of "Greater Shepparton" falling within the City and Shire of Shepparton. The Committee encourages the Shepparton Water Board and the Mooroopna Water Board to meet regularly to develop as much integration as is practicable in respect of forward planning and the sharing of staff, facilities and equipment.**

#### Skene's Creek Waterworks Trust

See: Apollo Bay Waterworks Trust

#### Skipton Waterworks Trust

See: Lismore and Derrinallum Waterworks Trust

### Smythesdale-Scarsdale Waterworks Trust

See: Linton Waterworks Trust

### Springhurst Waterworks Trust

Springhurst Waterworks Trust was constituted on 19 August 1947 by Order of the Governor in Council. The Trust consists of six elected Commissioners and one person appointed by the Minister of Water Supply.

The Trust serves a population of 200 and there are 65 properties connected to the mains. The rate is 10 cents in the dollar N.A.V. with a total rate revenue of \$3,978.

The Springhurst Waterworks Trust is the only water trust in the Shire of Wangaratta and is situated on the Hume Highway in the northern extremity of the Shire.

The Trust, in a letter to the Committee, indicated there are no representatives from the Town of Springhurst on the Council and this could present problems to the Council if they were to administer the Trust.

**The Committee recommends that the Springhurst Waterworks Trust should cease to exist, and the successor body should be the Springhurst Water Board. The Committee also considers the Shire of Wangaratta should be the responsible body for any future waterworks in the Shire in districts other than Springhurst.**

### Springvale and Noble Park Sewerage Authority

Springvale and Noble Park Sewerage Authority was constituted on 8 December 1948 by Order of the Governor in Council. The Authority has twelve Members who are also the Councillors of the City of Springvale.

The Authority provides sewerage service to 20,550 properties and serves a population of 77,000. The rate is 3 cents in the dollar N.A.V. with an average residential rate of \$45 per annum. The Springvale and Noble Park Sewerage Authority has made similar comments to those made by the Dandenong Sewerage Authority regarding the comparison with the Melbourne and Metropolitan Board of Works rate levels.

The Authority's staff is situated in the City of Springvale office complex and staff are shared with the municipality. Consultant engineers are Garlick & Stewart who also act for the Dandenong Sewerage Authority.

The Authority stated in its submission in relation to interest subsidy:-

"Both the Dandenong Authority and ours were, of course, greatly assisted in their development by the interest subsidies provided by the Victorian Government on all interest paid in excess of 3% per annum on Loan Account borrowings. As the Authorities developed it became apparent that the subsidies were no longer essential to their well being and largely on the joint initiatives of the two Authorities the necessary legislative changes were made and subsidies were phased out during the period 1/7/74 to 30/6/76."

The City of Springvale, in a letter to the Committee dated 7 April 1981, stated "Council fully supports the sewerage authority's campaign to retain its autonomy and considers it to be a viable and efficient operation. In cases where sewerage authorities prove to be non-viable and inefficient, Council fully supports their amalgamation with municipalities".

All wastes are discharged through two outfall sewers to the Dandenong Treatment Works by agreement with the Dandenong Sewerage Authority.

The Springvale and Noble Park Sewerage Authority presented evidence to the Public Hearing on 3 October 1980 at Dandenong, and suggested the Authority would not look favourably on amalgamation with the Melbourne and Metropolitan Board of Works.

Mr. Peter Collins, M.P., when asked the Melbourne and Metropolitan Board of Works' attitude on absorption of the Authority, replied: "I am sure if the Committee wrote to the Melbourne and Metropolitan Board of Works and asked for its feelings on the matter it would receive a very positive answer and it would be down tomorrow like Flash Gordon".

The Committee has been constrained in its consideration of the future of the Dandenong Sewerage Authority and the Springvale and Noble Park Sewerage Authority by the fact that the Melbourne and Metropolitan Board of Works is outside the reference currently before it. The Committee therefore makes the following qualified recommendation, which may need reconsideration should the Melbourne and Metropolitan Board of Works subsequently be referred to the Committee for review.

**The Committee recommends that the Springvale and Noble Park Sewerage Authority should cease to exist, and that the successor body for the time being should be a new body known as the Dandenong Springvale Sewerage Board.**

Shire of Stawell Waterworks Trust

Hall's Gap Sewerage Authority

Town of Stawell Water Supply

Stawell Sewerage Authority

Shire of Stawell Waterworks Trust was constituted by Order of the Governor in Council on 11 August 1882. Its Commissioners are members of the Stawell Shire Council. Its Secretary, Mr. V. G. Nielson, is also Shire Secretary.

The Trust serves the townships of Great Western (population 150), Hall's Gap (population 150) and Glenorchy (population 100) with rates of 5.5, 3.3, and 17.5 cents in the dollar N.A.V. respectively.

In Great Western the main supply is gravity fed from the 50 ML Pannock Creek Reservoir with a supplementary supply from the City of Ararat. Hall's Gap is gravity

fed from a 59 ML storage on Davis Creek - recent works enable water to also be pumped from Lake Bellfield. Glenorchy is supplied by pumps from the Wimmera River.

In a letter dated 11 August 1981 the Trust reversed its earlier support for amalgamation of the Trust and the Hall's Gap Sewerage Authority with the Shire of Stawell and opted instead for retention of each authority. The Trust was concerned at the possibility of changes to the current arrangements in respect of low interest loans and revenue assistance particularly to smaller authorities.

The Hall's Gap Sewerage Authority was constituted by Order of the Governor in Council on 16 March 1977. It comprises portion of the West Riding of the Shire of Stawell its Members being three Councillors of the West Riding of the Shire of Stawell plus three Government Nominees. The Secretary, Mr. V. C. Nielson, is Secretary to the Shire of Stawell Waterworks Trust and is also Shire Secretary.

The Authority serves a population (Hall's Gap and Bellfield) of 250 (peak holiday population 7,000) at a rate of 4 cents in the dollar N.A.V.

The Authority has faced considerable difficulties in establishing a suitable location for the proposed sewerage works. In February 1978 the Town Planning Appeals Tribunal upheld the Ararat Shire Council's decision not to issue a permit for the construction of sewerage purification works on C. A. 76 Parish of Boroka. Plans and specifications covering a new site have been submitted to the Commission for approval.

In a letter dated 11 August 1981 the Authority reversed its earlier view as expressed at the Hearings in Horsham on 28 July 1980 and supports the maintenance of existing authorities. Like the Waterworks Trust it expressed concern at possible changes to financial arrangements. It also attached considerable importance to the desirability of having local representation on the Sewerage Authority which it saw as being largely lost if absorbed into Local Government.

The Town of Stawell Water Supply District was defined by Order of the Governor in Council on 27 October 1874. Its Commissioners are Councillors of the Stawell Town

Council. Its Secretary, Mr. D. H. Hutton, is the Town Clerk. A population of 6,500 is supplied at a rate of 2.3 cents in the dollar N.A.V.

The Town is supplied by gravity from Fyans Creek and can be supplemented by pumping from Lake Fyans into the gravity main. The pump station on Lake Fyans is shared with the City of Ararat.

The Stawell Sewerage Authority was constituted by Order of the Governor in Council on 2 April 1948. Its Members are Councillors of the Town of Stawell.

A population of 6,500 (2,317 buildings) are served at a rate of 0.5 cents in the dollar of site value.

The treatment works comprise a sedimentation tank, trickling filters, sludge digester and lagoons. The effluent from the lagoons is disposed of by irrigation on pasture.

In a joint submission dated 8 July 1981 the Town of Stawell, Town of Stawell Water Supply District and Stawell Sewerage Authority favoured Option L3 listed in the Second Report to Parliament - "Future Structures for Water Management". The submission inter alia points to the separate funding arrangements that apply to the three bodies and suggests that water and sewerage services would be severely disadvantaged if forced to compete with the varied demands placed on local government. This view was repeated in Discussions at Horsham on 28 July 1981 with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. Further, a separate letter dated 27 March 1981 from the Town of Stawell suggests that any regionalisation scheme which would place the Water and Sewerage Authorities into a regional network would be disastrous.

Marnoo (population 300) in the Shire of Stawell is provided with water, by direction of the Governor in Council, as an Urban District of the State Rivers and Water Supply Commission. It is supplied, at a loss, at a rate of 17.5 cents in the dollar.

The Shire of Stawell, in a letter dated 5 March 1981, supports a merger of the Shire of Stawell Waterworks Trust and the Hall's Gap Sewerage Authority with the Stawell Shire Council with one administration covering them all.

**The Committee's recommendation is that the Shire of Stawell Waterworks Trust and the Hall's Gap Sewerage Authority cease to exist, and that the successor body be the Shire of Stawell. The Committee also recommends that the Marnoo Urban District of the State Rivers and Water Supply Commission be transferred to the Shire of Stawell. The Committee further recommends that the Town of Stawell cease to be constituted as a Local Governing Body under the Water Act, that the Stawell Sewerage Authority cease to exist, and that the successor body be the Town of Stawell.**

#### Stratford Waterworks Trust

Stratford Waterworks Trust was created by Order of the Governor in Council on 21 March 1928. The Trust consists of the three Councillors for the Central Riding of the Shire of Avon plus three persons appointed by the Minister of Water Supply. It obtains and treats water from a State Rivers and Water Supply Commission channel, supplying a population of 1,100 people at a rate of 3 cents in the dollar N.A.V. The Trust's Secretary is the Shire Secretary, its part-time turncock also works on the Council staff, and the Trust's Office is in the Shire Offices.

Stratford is the only town in the Shire of Avon with an urban water or sewerage facility, the next largest town being Dargo, population 150.

The Trust wrote to the Committee initially on 20 June 1980, counselling that it would be "vital, that in any review undertaken, each trust or authority be assessed on its individual merits, rather than the adoption of a 'broad brush' approach by the Committee". The Trust subsequently made a submission to the Committee on 8 August 1980, which stressed the values of closeness to the community, the dangers of large, insensitive bureaucracies, and possible diseconomies of scale. The submission argued for a continuation of its present structure, concluding that "never was there a



time when smaller authorities were more popular, serving as a counter balance against insensitive and unresponsive bureaucracies".

The Trust was represented at the Public Hearing held by the Committee at Bairnsdale on 15 August 1980, where the Committee heard further views concerning the proposition that "small is beautiful".

The Trust wrote again to the Committee on 22 June 1981, following publication of its Second Report, and argued that merging water bodies with municipalities could lead to a reduction in the level of sensitive and responsive representation, particularly where the majority of Councillors do not have a direct interest in the water supply problems of a particular urban area.

The Committee notes that only three of the Councillors of the Shire of Avon live in Stratford.

The Shire of Avon, in its submission to the Committee dated 30 April 1981, advanced very similar arguments to those presented by the Stratford Waterworks Trust.

**The Committee's recommendation is that the Stratford Waterworks Trust cease to exist, and that the successor body be the Stratford Water Board, with responsibilities for all necessary urban water and sewerage provision in the Shire of Avon. The Committee recommends that the Stratford Water Board operate within a regional water resources planning framework developed by the La Trobe Regional Water Board.**

#### Sunbury Waterworks Trust

#### Sunbury Sewerage Authority

Sunbury Waterworks Trust was constituted on 25 February 1905 and the Sunbury Sewerage Authority on 17 August 1971. Commissioners for both bodies are elected by the ratepayers and the same members serve on each body. The Secretary to the Trust and Authority is Mr. J. Kelly, who is also Shire Secretary. In addition a number of the

staff employed by the Shire of Bulla are common to both bodies. John Scroggie Consulting Engineers Pty. Ltd. are the engineers.

The Sunbury Waterworks Trust serves a population of 13,500 and 3,349 tenements in Sunbury, Bulla and Diggers Rest. The rate is 4 cents in the dollar N.A.V. with the average rate in Sunbury being \$60 and in the Bulla Oakland Rural District \$80.

The Sewerage Authority rate is 8.3 cents in the dollar N.A.V. with an average sewerage rate of \$124.50.

The value of the Sunbury waterworks at cost as at 31 December 1979 was \$4.1 million. Water is drawn from four creek weirs and the State Rivers and Water Supply Commission's Rosslynne Dam.

The bodies gave evidence to the Lilydale Hearing on 31 October 1980 together with detailed written submissions in which they stated:-

"It is difficult to see a clear reason why in a case such as exists at Sunbury the responsibilities for sewerage and water supply should not be combined into one statutory body. The M.M.B.W. has not expressed interest in Sunbury as part of its sewerage system nor should it. Duplication between the two systems does not exist."

**The Committee recommends that the Sunbury Waterworks Trust and the Sunbury Sewerage Authority should cease to exist, and the successor body should be the Shire of Bulla.**

Swan Hill Waterworks Trust

Swan Hill Sewerage Authority

Robinvale Sewerage Authority

Swan Hill Waterworks Trust was constituted by Order of the Governor in Council on 16 October 1900. The Lake Boga Urban District was proclaimed as from 1 July 1977.

The Trust serves two areas - the City of Swan Hill and the township of Lake Boga which is located in the Swan Hill Shire.

Its Commissioners are members of the Swan Hill City Council plus one Government Nominee.

The Trust, by letter dated 12 June 1981, favoured amalgamation of water and sewerage authorities with municipal bodies without the retention of separate corporate bodies. The Trust also pointed to the fact that Lake Boga is in the Swan Hill Shire.

The Swan Hill Sewerage Authority was constituted by Order of the Governor in Council on 8 November 1926. Its Members are Councillors of the City of Swan Hill plus one Government Nominee.

A population of 8,000 is served at a rate of 8.3 cents in the dollar N.A.V. The reticulation system drains to a recently upgraded main pump station, discharging effluent through a rising main to the new treatment plant about 6 km west of Swan Hill.

The Robinvale Sewerage Authority was constituted by Order of the Governor in Council on 5 August 1969, its Members being twelve Councillors of the Shire of Swan Hill.

The Authority serves a population of 3,500 at a rate of 8 cents in the dollar N.A.V. Treatment is by wastewater stabilization lagoons with effluent disposal by irrigation.

The Swan Hill District Centre of the State Rivers and Water Supply Commission services eight towns in the Shire of Swan Hill namely - Chillingollah, Manangatang, Nyah, Nyah West, Piangil, Ultima, Waitchie and Woorinen. Robinvale's supply is administered from Sunraysia.

**The Committee recommends that the Swan Hill Waterworks Trust and the Swan Hill Sewerage Authority cease to exist, and that the successor body be**

the Swan Hill Water Board. The Committee also recommends that the Swan Hill District Centre of the State Rivers and Water Supply Commission cease to supply those towns in the Swan Hill Shire that it currently supplies and that responsibilities for urban water retailing in all parts of the Shire except the Robinvale area be transferred to the Swan Hill Water Board by 1 January 1984. The Committee further recommends that the Robinvale Sewerage Authority cease to exist, and that the successor body be a new body known as the Robinvale Water Board, assuming the functions of the old authority and in addition accepting responsibility for water supply to the town of Robinvale.

#### Swift's Creek Waterworks Trust

See: Omeo Waterworks Trust

#### Shire of Talbot and Clunes

The Shire of Talbot and Clunes is a Local Governing Body under the Water Act. The Shire serves Talbot (population 384) and Clunes (population 950) at rates of 7 and 5 cents in the dollar N.A.V. respectively. The Shire obtains water for Clunes from Newlyn Reservoir via a weir on Bullarook Creek, and for Talbot from Talbot Reservoir.

The Shire was not represented at the Public Hearing held by the Committee at Ballarat on 19 September 1980. However on 4 March 1981 the Shire advised that it is "happy with the way that the two Water Supply Authorities in the Shire are controlled by Councillors as a separate legal entity".

Representatives of the Shire met Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Ballarat on 2 July 1981.

The Committee recommends that the Shire of Talbot and Clunes cease to be constituted as a Local Governing Body under the Water Act and that in future all necessary urban water and sewerage retailing in the Shire of Talbot and Clunes be the direct responsibility of the Shire.

Shire of Tallangatta Waterworks Trust

Shire of Tallangatta Sewerage Authority

The Shire of Tallangatta Waterworks Trust was constituted on 9 August 1906. The nine Councillors for the Shire of Tallangatta are the Commissioners plus one Government Nominee.

Water is drawn from Lake Hume for 383 tenements in Tallangatta and 70 tenements in Bellbridge. The annual revenue from the respective towns is \$36,954 and \$9,433 at a rate of 1.0 cents and 0.7 cents in the dollar N.A.V.

The Tallangatta Sewerage Authority was constituted on 5 December 1953 and on 14 February 1978 became the Shire of Tallangatta Sewerage Authority. The membership of the Authority is the same as for the Trust with the Secretary of the Shire of Tallangatta acting in that capacity also for both bodies.

The Shire of Tallangatta Sewerage Authority provides sewerage service to the town of Tallangatta. The town of Bellbridge sewerage system is being financed by Lake Hume Estates Land Developers.

The Shire of Tallangatta expressed the opinion to the Committee that smaller trusts and authorities should be brought under the control of municipal councils.

The Walwa Waterworks Trust is also situated within the Shire of Tallangatta but Council put the view the Trust had operated successfully and economically for many years and was some 50 miles from Tallangatta.

The Committee considers the Shire of Tallangatta Waterworks Trust and the Shire of Tallangatta Sewerage Authority should cease to exist, and the successor body should be the Shire of Tallangatta.

Tatura Waterworks Trust

Tatura Sewerage Authority

Merrigum Waterworks Trust

Mooroopna Waterworks Trust

Mooroopna Sewerage Authority

Tatura Waterworks Trust was constituted by Order of the Governor in Council on 24 June 1889. Its Commissioners comprise three Councillors of the Tatura Riding of the Shire of Rodney and three persons appointed by the Minister of Water Supply.

The Trust serves a population of 3,320 at a rate of 3.8 cents in the dollar N.A.V. Its supply is obtained from the Central Goulburn No. 3/5 Channel of the State Rivers and Water Supply Commission.

Tatura Sewerage Authority was constituted by Order of the Governor in Council on 11 March 1947. Its members are the Commissioners of the Tatura Waterworks Trust.

The Authority serves a population of 3,300 at a rate of 7.3 cents in the dollar N.A.V. The reticulation system comprises approximately 20 km of sewers of varying sizes with six manhole pumping stations which lift sewerage into main sewers at a higher level. Treatment is by way of oxidation lagoons and disposal by land irrigation. Tenders were let early in 1980 for the Authority to commence construction of evaporation ponds - cost \$168,095. The Commission has approved augmentation of the Authority's outfall and treatment system \$300,000 and replacement of pumpset in ejector station \$30,000.

The Trust and the Authority have the one Secretary, Mr. J. P. Mahoney, and by letter dated 19 March 1981 he advised that a study into the possible amalgamation

of the Trust and Authority with the Shire of Rodney was currently being undertaken. The Shire of Rodney confirmed this study by letter dated 7 April 1981.

Merrigum Waterworks Trust was constituted by Order of the Governor in Council on 2 June 1925. Six of its Commissioners are elected by the ratepayers and one appointed by the Minister of Water Supply. A population of 720 is served at a rate of 4 cents in the dollar N.A.V. The supply is gravity fed from a State Rivers and Water Supply Irrigation Channel. Construction of further raw water storage and metering of consumers' services are proposed by the Trust.

The Trust has not corresponded with the Committee nor presented evidence at any Public Hearing.

Mooroopna Waterworks Trust was constituted by Order of the Governor in Council on 12 May 1885. Its six Commissioners are elected by the ratepayers within the Trust's district.

The Trust serves a population of 5,300 at a rate of 2.95 cents in the dollar N.A.V. The supply is pumped from the Goulburn River.

Mooroopna Sewerage Authority was constituted by Order of the Governor in Council on 3 March 1947. Its members are the six Commissioners of the Mooroopna Waterworks Trust.

The Authority serves a population of 5,300 at a rate of 3.4 cents in the dollar N.A.V. The reticulation system consists of approximately 20 km of sewers, 12 small manhole pumping stations and 2 main pumping stations. Treatment is effected by a series of lagoons and disposal is by irrigation.

The Trust and the Authority did not correspond with the Committee nor give evidence at any Public Hearing. Both bodies share the one Secretary.

The Shire of Rodney on 21 September 1981 provided the Committee with a submission examining the merits of the alternatives of:-

- (a) Relocation of the administration of the Tatura Waterworks Trust and Tatura Sewerage Authority to the offices of the Shire of Rodney with joint use of office facilities, equipment and personnel, but to exist as independent bodies, and
- (b) The retention by the Tatura Waterworks Trust and Tatura Sewerage Authority of their independent status, but to be administered by the Shire of Rodney.

The submission, on the basis of cost data and other analysis, recommends Option (b). The Committee reproduces this useful submission at Appendix 1.

**The Committee recommends that the Tatura Waterworks Trust, the Tatura Sewerage Authority and the Merrigum Waterworks Trust cease to exist, and that the successor body be the Shire of Rodney. The Committee also recommends that the Mooroopna Waterworks Trust and the Mooroopna Sewerage Authority cease to exist, and that the successor body be a Mooroopna Water Board.**

#### Terang Sewerage Authority

See: Lismore and Derrinallum Waterworks Trust

#### Thornton Waterworks Trust

See: Alexandra Waterworks Trust

#### Thorpdale Waterworks Trust

See: Trafalgar Waterworks Trust



Tongala Sewerage Authority

See: Shire of Deakin Waterworks Trust

Toora Waterworks Trust

Toora Sewerage Authority

See: Foster Waterworks Trust

Torquay Sewerage Authority

See: Airey's Inlet Waterworks Trust

Trafalgar Waterworks Trust

Shire of Narracan Sewerage Authority

Erica Waterworks Trust

Thorpdale Waterworks Trust

Yarragon Waterworks Trust

Yallourn North Waterworks Trust

Yallourn North Sewerage Authority

The 9,000 people of the Shire of Narracan are more richly blessed with water bodies than those of any other Shire in Victoria. As well as the seven bodies mentioned above, the Shire has had a proposal before the State Rivers and Water Supply Commission since 1978 for the constitution of a Shire of Narracan River Improvement Trust; the Shire of Narracan and an Advisory Committee constitute the Trafalgar Meadows Drainage Area, and the La Trobe Valley Water and Sewerage Board also operates within the Shire. If the River Improvement Trust were to be created, there would be ten water bodies operating with separate corporate identities from the Shire, although of course the Shire Secretary is the Secretary of many of these bodies.

Trafalgar Waterworks Trust was created on 13 October 1924 by Order of the Governor in Council. It consists of six Commissioners elected by the ratepayers plus one person appointed by the Minister of Water Supply. The Trust obtains water from a weir on Sunny Creek, and supplies a population of 2,300 people at a rate of 3.5 cents in the dollar N.A.V. The Trust Secretary is the Shire Secretary of the Shire of Narracan.

The Shire of Narracan Sewerage Authority was constituted on 11 October 1977, and consists of the Council of the Shire of Narracan. The Trust proposes to sewer the towns of Yarragon and Trafalgar, but is not yet in operation. The Authority Secretary is the Shire Secretary of the Shire of Narracan.

Erica Waterworks Trust was created by Order of the Governor in Council on 22 March 1966, and consists of the three Councillors for the Walhalla Riding of the Shire of Narracan plus three persons appointed by the Minister of Water Supply. The Trust obtains water from a weir on a tributary of the Tyers River, and supplies a population of 420 at a rate of 7 cents in the dollar N.A.V. The Trust Secretary is the Shire Secretary of the Shire of Narracan.

Thorpdale Waterworks Trust was created by Order of the Governor in Council on 14 November 1962, and consists of six Commissioners elected by the ratepayers plus one person appointed by the Minister of Water Supply. The Trust obtains water from Easterbrook Creek, and supplies a population of 260 at a rate of 9 cents in the dollar N.A.V. The Trust Secretary is the Shire Secretary of the Shire of Narracan.

Yarragon Waterworks Trust was created by Order of the Governor in Council on 9 August 1950, and consists of five persons elected by the ratepayers plus one appointed by the Minister of Water Supply. The Trust obtains water from its own small reservoir and from a bore. A population of 850 people is supplied at a rate of 6 cents in the dollar N.A.V. The Trust Secretary is the Shire Secretary of the Shire of Narracan.

Yallourn North Waterworks Trust was created by Order of the Governor in Council on 5 March 1957 and consists of six persons elected by the ratepayers plus one appointed by the Minister of Water Supply. The Trust purchases water from the State Electricity

Commission of Victoria, and supplies a population of 1,900 people at a rate of 6 cents in the dollar N.A.V.

Yallourn North Sewerage Authority was created by Order of the Governor in Council on 12 August 1965, and consists of the Commissioners of the Yallourn North Waterworks Trust. Sewage is discharged into the La Trobe Valley Water and Sewerage Board's main outfall sewer. The Authority's Secretary is the Secretary of the Yallourn North Waterworks Trust.

None of the above bodies appeared at the Public Hearing held by the Committee in Traralgon on 5 September 1980. The Shire of Narracan Sewerage Authority in a brief note dated 30 June 1980 stated that it "has resolved that it favours the concept of joint services being provided by one administrative body". Apart from this, none of these bodies has provided the Committee with a submission or letter indicating its views.

The full text of a letter of 9 April 1981 from the Shire of Narracan, in response to a request from the Committee for its views, was as follows:-

"I refer to your letter of February 17, 1981 and advise that the Council supports the amalgamation of Water and Sewerage Bodies as a municipal function where appropriate."

**The Committee recommends that the Trafalgar, Erica, Thorpdale, Yarragon and Yallourn North Waterworks Trusts, the Shire of Narracan Sewerage Authority and the Yallourn North Sewerage Authority should cease to exist, and that the successor body should be the Shire of Narracan, operating within a regional water resources planning framework developed by the La Trobe Regional Water Board.**

Traralgon Waterworks TrustTraralgon Sewerage Authority

Traralgon Waterworks Trust was established by Order of the Governor in Council on 7 May 1907. It consists of three Councillors from the City of Traralgon, one Councillor from the Shire of Traralgon and one person appointed by the Minister of Water Supply. The Trust obtains water by agreement from the La Trobe Valley Water and Sewerage Board, and supplies a population of 19,000 people at a rate of 0.32 cents in the dollar N.A.V. This appears to be the lowest rate offered by any water authority in Victoria. The Trust's Chairman, Mr. Donald Dunbar, M.B.E., is also the Secretary of the adjoining Tyers and Glengarry Waterworks Trust and of the La Trobe River Improvement Trust. It is unusual for an officer of one water body to be Commissioner of another.

Traralgon Sewerage Authority was constituted on 21 February 1939 and comprises the Commissioners of the Traralgon Waterworks Trust. Sewage is discharged to the La Trobe Valley Water and Sewerage Board's La Trobe Valley outfall sewer.

The Town Clerk of the City of Traralgon is the Secretary of the Trust; the Deputy Town Clerk is Secretary of the Authority.

Both bodies made a joint submission to the Committee and were represented at the Public Hearing held by the Committee at Traralgon on 5 September 1980. This submission argued for the Bains recommendation on the future of non-metropolitan water and sewerage administration, pointing out that:-

"except for remaining as separate legal entities and for complying with other separatist directions of their creative statutes, the Trust, Authority and Council of the City of Traralgon have functioned since 1962 as one interwoven Local Government Authority under one unified administration structure. Every activity of the three bodies has been controlled and directed by the same officers ... very substantial savings have been effected by this course ... "

The Committee notes that the Trust and Authority also operate by agreement in the Shire of Traralgon, and the Committee commends all four bodies for this practical arrangement.

The City of Traralgon and the Shire of Traralgon have not separately put views to the Committee on these matters.

Mr. R. A. Jolly, M.P. held talks with representatives of the Trust and Authority in Traralgon on 24 July 1981.

**The Committee's recommendation is that the Traralgon Waterworks Trust and the Traralgon Sewerage Authority cease to exist, and that the successor body be the City of Traralgon, operating within a regional water resources planning framework developed by the La Trobe Regional Water Board. The Committee encourages the Shire of Traralgon and the City of Traralgon to enter into an agreement establishing the City of Traralgon as the body responsible for any necessary urban water and sewerage services within the Shire of Traralgon.**

#### Trentham Waterworks Trust

See: Shire of Kyneton Waterworks Trust

#### Shire of Tullaroop Waterworks Trust

Shire of Tullaroop Waterworks Trust was created on 19 July 1977 by the amalgamation of the former Carisbrook Waterworks Trust and Bowenvale-Timor Waterworks Trust. The Trust consists of the Councillors of the Shire of Tullaroop plus one person appointed by the Minister of Water Supply. Both systems obtain water by pipeline from Maryborough, and serve a population of 900 at a rate of 4.1 cents in the dollar N.A.V. The Trust is "as closely integrated with the Shire of Tullaroop as is possible" within the provisions of existing legislation.

The Trust did not appear at the Public Hearing held by the Committee in Bendigo on 12 September 1980, but provided initial comments to the Committee on 16 September 1980, favouring the Bains recommendation. The Trust provided a much more detailed response on 24 June 1981 following the publication of the Committee's Second Report, indicating its "strong preference" for Option L4:- "The Shire of Tullaroop Waterworks Trust believes that as far as it is concerned the Public Bodies Review Committee should adopt Option L4 as proposed in its recent report".

The Shire of Tullaroop advised on 17 March 1981 that it shared these views and anticipated "considerable savings" in the administration, policy making and engineering areas.

The Committee regards the Shire of Tullaroop Waterworks Trust as one of the commendable but regrettably scarce examples of consolidation in the water industry in recent years, and agrees that it is appropriate to now move to full amalgamation with the Shire.

**The Committee recommends that the Shire of Tullaroop Waterworks Trust cease to exist, and that the successor body be the Shire of Tullaroop, with responsibility for all necessary urban water and sewerage provision within the Shire.**

#### Shire of Tungamah Waterworks Trust

The Shire of Tungamah Waterworks Trust was constituted on 19 June 1885. The Commissioners are the Councillors of the Shire of Tungamah and one person appointed by the Minister of Water Supply.

The Secretary of the Trust is also the Shire Secretary.

The Trust serves the Tungamah Rural District, Tungamah Urban District, St. James Urban District and the Katandra West Urban District. The rates are 4.75, 4.5, 4 and 6

cents in the dollar N.A.V. respectively. Approximately 500 properties are supplied with water.

The Tungamah Rural and St. James Urban Districts are supplied from Casey's Weir on the Broken River, the Tungamah Urban District from Bodsey Creek and the Katandra West Urban District from an excavated storage filled from the State Rivers and Water Supply Commission's channel system.

The operation of the Trust is integrated with the activities of the municipality with Council employees being used from time to time on the Trust and a charge being debited to the Trust.

**The Committee recommends that the Shire of Tungamah Waterworks Trust should cease to exist, and that the successor body be the Shire of Tungamah.**

Tyers and Glengarry Waterworks Trust

See: Rosedale Waterworks Trust

Underbool Waterworks Trust

See: Murrayville Waterworks Trust

Upper Yarra Sewerage Authority

See: Warburton Waterworks Trust

Violet Town Waterworks Trust

Violet Town Waterworks Trust was constituted on 13 June 1892 by Order of the Governor in Council. The Trust consists of the three Councillors for the Central Riding of the Shire of Violet Town plus three persons appointed by the Minister of Water Supply.

The Secretary of the Trust is also Secretary of the Shire of Violet Town. Engineers to the Trust are Camp Scott and Furphy Pty. Ltd. The officers of the Trust and the Shire are combined. The Trust serves a population of 600 in the town of Violet Town at a rate of nine cents in the dollar N.A.V.

Water for the town of Violet Town is drawn from a 122 ML earthen dam on Honeysuckle Creek some 6 km south of the town.

The Shire of Violet Town, in a submission to the Committee dated 17 March 1981, indicated the three Government Nominees are water consumers and the Councillors are not, and on these grounds felt the Trust should continue in its present form. The Trust, in a submission dated 3 July 1981, also expressed similar concerns to the Council as to ratepayer representation on the Trust.

**The Committee recommends that the Violet Town Waterworks Trust should cease to exist, and that the successor body should be the Shire of Violet Town responsible for all Water and sewerage within the Shire of Violet Town.**

Wahgunyah Waterworks Trust

See: Shire of Rutherglen Waterworks Trust



Shire of Walpeup

See: Murrayville Waterworks Trust

Walwa Waterworks Trust

See: Corryong Waterworks Trust

Wangaratta Waterworks Trust

Wangaratta Sewerage Authority

Wangaratta Waterworks Trust was constituted on 11 October 1904 and the Wangaratta Sewerage Authority on 20 April 1933. The nine Councillors of the City of Wangaratta constitute the Commissioners and in the case of the Water Trust there is one person appointed by the Minister of Water Supply.

Water for the City of Wangaratta is pumped from the Ovens River where the flow is maintained by releases from Lake Buffalo and Lake William Hovell.

The City of Wangaratta has a population of about 17,000 and the two bodies serve about 6,500 tenements. The water rate is 5 cents in the dollar of site valuation and the sewerage rate is 3.31 cents in the dollar N.A.V.

In response to a question at the Wodonga Public Hearing held by the Committee on 22 August 1980 on staffing arrangements, the Committee was told that the officers (of the City) are also Secretary and Authority Engineer and Waterworks Trust Engineer.

The two bodies pay an administration fee to the City and have submitted that the fees purchase a higher level of expertise than may be possible if the two bodies were completely separate.

**The Committee recommends that the Wangaratta Waterworks Trust and the Wangaratta Sewerage Authority should cease to exist and the successor body be the City of Wangaratta.**

Shire of Waranga Sewerage Authority

See: Colbinabbin Waterworks Trust

Warburton Waterworks Trust

Upper Yarra Sewerage Authority

Warburton Waterworks Trust was constituted on 13 August 1913 to supply reticulated water to the township of Warburton. The Trust consists of six Commissioners being three members of the East Riding of the Shire of Upper Yarra and three Government Nominees.

The Trust supplies water via a gravity system to the urban areas of Warburton, Millgrove and East Warburton, Millgrove and East Warburton being connected to supply in the 1960s. The Trust now serves 1,885 consumers.

The Trust draws water from a weir on Four Mile Creek and a weir on Ythan Creek. The Trust supplies the town of Millgrove from Walkers Creek.

From 1913 to 1971 the Trust was administered by a part-time Secretary but in 1971 it was found necessary to employ a full-time Secretary. The Trust now has two full-time and one part-time staff. Consultant engineers, John Scroggie Pty. Ltd., are engaged for engineering and design projects.

The Trust did not give evidence to any of the Hearings but has submitted comments on the Committee's Second Report and has participated in a visit to the region by members of the Committee.

The Trust is supportive of the proposal for a local co-ordinating committee as the Trust would then have access to expertise and specialised staff.

The Upper Yarra Sewerage Authority was constituted on 24 July 1979 by Order of the Governor in Council. The Members of the Authority are the nine Councillors of the Shire of Upper Yarra. Secretary to the Authority is Mr. A. Hubbard, who is also Secretary/Manager for the Shire of Upper Yarra. The Engineer is Mr. W. Fox, who also holds a similar post with the Shire. Consultant engineers are John Scroggie Consulting Engineers Pty. Ltd.

The Authority has works servicing the Yarra Views Estate at Woori Yallock. Sewage is treated by a package treatment plant. The final effluent is disinfected and discharged via a stormwater outfall to the Yarra River. These works were provided by the developer by agreement with the Council prior to the constitution of the Authority. It has been necessary for the Council to carry out extensive repairs to the sewers which were constructed by the developer. This scheme provides service to 840 properties.

The average rate is \$92.73 at 6.7 cents in the dollar N.A.V. A minimum rate of \$70 is charged.

The Upper Yarra Sewerage Authority presented evidence to the Committee in Melbourne on 4 March 1981.

In response to the Committee's question as to the extent to which the body is prepared to improve its structure, composition and procedures the Authority responded:-

"The Authority is prepared to consider and act upon any recommendations to improve its operations. ... It is not apparent to the Authority at this stage, in the light of published comments by other Bodies and individuals, that any improvement in efficiency or reduction in costs to ratepayers would result from amalgamation or takeover by a larger body."

Hon. Dr. Kevin J. Foley, M.L.C. visited the Trust and held Discussions on 18 June 1981.

The Committee recommends that the Warburton Waterworks Trust and the Upper Yarra Sewerage Authority cease to exist, and the successor body be the Yarra Valley and Dandenong Ranges Water Board.

Warracknabeal Waterworks Trust

Warracknabeal Sewerage Authority

Warracknabeal Waterworks Trust was constituted by Order of the Governor in Council on 7 July 1893. The Commissioners are three Councillors of the Central Riding of the Shire of Warracknabeal plus three Government Nominees. The Trust supplies a population of 2,900 at a rate of 8.9 cents in the dollar N.A.V.

The supply is drawn from the Water Commission's Lake Whetton storage to a concrete elevated tank of 2.7 ML capacity. A water treatment plant has recently been completed at a cost of \$609,000.

Warracknabeal Sewerage Authority was constituted by Order of the Governor in Council on 1 June 1938. Its members consist of three Councillors of the Central Riding of the Shire of Warracknabeal and three Government Nominees. It serves a population of 2,900 at a rate of 4.4 cents in the dollar N.A.V. Treatment is carried out by trickling filters with the effluent being disposed of by irrigation.

Both the Authority and the Trust have the same Secretary, same Engineers and the same three Councillors of the Shire of Warracknabeal are Commissioners of the Trust and members of the Authority.

In a joint submission to the Committee the Trust and Authority oppose amalgamation with a local government body. They feel the needs of the community can best be served by ratepayers having separate bodies made up of their own representatives.

The Shire of Warracknabeal in a letter dated 26 February 1981 supports the view put forward by the Waterworks Trust and the Sewerage Authority.

The State Rivers and Water Supply Commission supplies the Urban District of Brien at a rate of 6.6 cents in the dollar at a loss. The supply is continued at Government direction.

**The Committee's recommendation is that the Warracknabeal Waterworks Trust and the Warracknabeal Sewerage Authority cease to exist, and that the Shire of Warracknabeal be the successor body. The Committee further recommends that the Brien Urban District of the State Rivers and Water Supply Commission be transferred to the Shire of Warracknabeal.**

Warragul Waterworks Trust

Warragul Sewerage Authority

See: Drouin Waterworks Trust

City of Warrnambool

Warrnambool Sewerage Authority

The City of Warrnambool was constituted as a Local Governing Body under the Water Act on 26 September 1917. The City water supply covers the City and adjacent urban parts of the Shire of Warrnambool. Water is purchased from the State Rivers and Water Supply Commission's Otway system, and a substantial new water treatment system is planned for completion in 1984, following public acceptance in a plebiscite involving compulsory voting.

Warrnambool Sewerage Authority was constituted on 26 November 1929, and also consists of the Warrnambool City Councillors. Sewage is pumped via a main outfall to the Southern Ocean.

Both the City of Warrnambool and the Warrnambool Sewerage Authority made submissions to the Committee in 1980, on 26 August and 17 July respectively. Both were represented at the Public Hearing held by the Committee in Ballarat on 19

September 1980. In these submissions both bodies indicated their acceptance of the Bains recommendations and argued for the full integration of water supply and sewerage activities with municipal operations.

The City of Warrnambool re-iterated and reinforced these views in a further letter to the Committee dated 10 March 1981, which states in part:-

"There are numerous advantages by integrating operations as has been proved from the experience over many years at Warrnambool ... No known disadvantages occur in practice, and elected representatives take just as keen an interest in the water supply department activities as with such other departmental operations as saleyards, abattoirs, child care centres, parks and gardens, art galleries, etc."

These views were repeated in Discussions with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Warrnambool on 16 July 1981.

**The Committee's recommendation is that the City of Warrnambool cease to be constituted as a Local Governing Body under the Water Act, that the Warrnambool Sewerage Authority should cease to exist, and that at least until new funding arrangements are developed, the successor body should be a Warrnambool Water Board, closely integrated with the Council. The Committee recommends that reunification with the municipality be resumed as soon as present funding restrictions are overcome.**

Shire of Warrnambool

See: Peterborough Waterworks Trust

Westernport Waterworks Trust

Cowes Sewerage Authority

Inverloch Waterworks Trust

Inverloch Sewerage Authority

Wonthaggi Sewerage Authority

Westernport Waterworks Trust was constituted on 14 May 1947 by Order of the Governor in Council. The Trust consists of three Commissioners elected by the Shire of Phillip Island, two elected by the Shire of Bass and three persons appointed by the Minister of Water Supply. These same members constitute the Cowes Sewerage Authority. The Secretary of the Trust is Mr. C. F. Beasley who is also Secretary of the Cowes Sewerage Authority. Engineers to the Trust are John Scroggie Consulting Engineers Pty. Ltd.

The Trust serves a population of 8,000 which rises to 15,000 in the holiday period. Services are connected to 7,148 tenements including Cowes, Ventnor, Rhyll, Newhaven, San Remo, Coronet Bay, Corinella, Bass, Kilcunda, Dalyston and Archies Creek. The annual rate revenue is \$248,478 with a charge of 3 cents in the dollar N.A.V.

There is a high degree of integration between the Westernport Waterworks Trust and the Cowes Sewerage Authority.

The Trust presented evidence to the Lilydale Hearing on 31 October 1980 expressing the view that the present situation as a whole works quite satisfactorily. It would be inappropriate for the Westernport Waterworks Trust to go to a Council as the water district covers both Shires; water and sewerage facilities are similar.

Cowes Sewerage Authority was constituted on 14 September 1971 by Order of the Governor in Council. The Authority consists of three members appointed by the Shire of Phillip Island, two members appointed by the Shire of Bass and three Government Nominees. The Secretary and engineer also hold the same posts with the Westernport Waterworks Trust. Consulting engineers are John Scroggie Consulting Engineers Pty. Ltd. The Cowes Sewerage Authority is not in operation, it is still constructing work

and aims to commence operations in mid 1981. The works for Cowes will consist of reticulation sewers, three relift pumping stations, main pumping station and rising main, treatment works and outfall pipeline to discharge treated effluent to Bass Strait. There has been local opposition to the location of the treatment works which has delayed the commencement of construction. Three hearings have been held before the Town Planning Appeals Tribunal and approval has now been obtained for the works to proceed.

In 1980 there were approximately 1,700 rate assessments generating a rate revenue of \$90,000 per annum.

The Shire of Bass wrote to the Committee in May 1981 stating:-

"The inclusion of water and sewerage responsibilities to the role of local government could be administered within the framework of a municipality. The council has considered waste water management within the municipality and has applied for the whole municipality to be proclaimed a sewerage district. The council has designed a modified drainage system for the Coronet Bay Estate of approximately 900 allotments which is not in the district controlled by the Cowes Sewerage Authority."

Inverloch Waterworks Trust and Inverloch Sewerage Authority were constituted on 16 July 1947 and 16 May 1973 respectively, and comprise the three West Riding Councillors of the Shire of Woorayl and three Government Nominees. At the moment two Riding Councillors do not sit as Trust Commissioners and they have been replaced with two Government Nominees. The Trust has approached the Water Commission with the view to changing the constitution to allow for elected Commissioners.

Both bodies share the same Secretary and consulting engineers, who are also the consulting engineers for the Wonthaggi Sewerage Authority.

Water for the town of Inverloch is purchased from the State Rivers and Water Supply Commission's storage at Lance Creek and piped 16 km to the storage adjacent to the town.



The operation of the Trust and Authority is integrated with all staff being jointly employed.

The Trust has connections to 1,600 buildings and the Authority some 860 connections. Population is 1,650 but in the holiday period rises to 13,000. The average water rate is \$44 with sewerage being \$72.

In evidence to the Public Hearing held by the Committee at Dandenong on 3 October 1980 the Authority indicated there had been informal discussion with the Wonthaggi Sewerage Authority whereby the Inverloch Sewerage Authority would treat effluent from the Cape Patterson scheme which is under investigation by the Wonthaggi Authority.

Wonthaggi Sewerage Authority was constituted on 11 March 1970 by Order of the Governor in Council. The nine Councillors of the Borough of Wonthaggi are the Commissioners. The Sewerage Authority operation is closely integrated with that of the Borough of Wonthaggi.

The Authority and Council have jointly purchased office equipment and have combined their data processing requirements. Rate records are integrated and joint rate notices are issued. In addition the Authority shares workshop facilities with the municipality. The Secretary, Engineer and Rate Collector of the Authority also hold similar positions with the Borough of Wonthaggi. Consultant engineers to the Authority are Garlick and Stewart. The average rate for 1979/80 per property was \$50.99.

Water to the area is provided by the State Rivers and Water Supply Commission who have staff based in Wonthaggi.

The Authority has under investigation a proposal to sewer the town of Cape Patterson which has some 450 residences and another 800 building allotments. Septic tank operation is considered to be unsatisfactory in this area.

The Authority presented evidence to the Dandenong Public Hearing on 3 October 1980 and has made a further submission on the Committee's Second Report.

In a submission to the Committee it was noted the State Government gave the Sewerage Authority \$300,000 to start off. This came about in 1968 as part of a package associated with the closure of the State Coal Mine and was intended to provide alternative work in the town.

The Authority has indicated if a regional authority is required then their preference is Option R1 which is no regional authority as such but a periodic consultative forum. Their local preference is Option L7 which is the unification of water and sewerage bodies with local government.

**The Committee recommends that the Westernport Waterworks Trust, the Cowes Sewerage Authority, the Inverloch Waterworks Trust, the Inverloch Sewerage Authority and the Wonthaggi Sewerage Authority should cease to exist, and the successor body be the Westernport Water Board, with responsibilities for all necessary urban water and sewerage provision in the Shires of Phillip Island and Bass, the Borough of Wonthaggi, and the Inverloch district of the Shire of Woorayl.**

Whitfield Waterworks Trust

See: Moyhu Waterworks Trust

Winchelsea Waterworks Trust

Winchelsea Sewerage Authority

Winchelsea Waterworks Trust was created by Order of the Governor in Council on 29 June 1914. It consists of the Councillors for the East and West Ridings of the Shire of Winchelsea plus one person appointed by the Minister of Water Supply.

The Trust purchases water from the State Rivers and Water Supply Commission's Wurdee Boluc Reservoir, and supplies a population of 1,100 people at a rate of 9 cents in the dollar N.A.V.

Winchelsea Sewerage Authority was created on 27 May 1975 and is constituted similarly to the Trust. Sewage is treated north of the town by the lagoon system; treated effluent is disposed of by irrigation in the summer months.

Neither body was represented at the Public Hearing held by the Committee in Geelong on 26 September 1980, but on 22 December 1980 both bodies advised the Committee by separate letters that they wished to amalgamate. The Secretary of the Trust and Authority is the Shire Secretary of the Shire of Winchelsea. The East and West Ridings of the Shire are centred on Winchelsea; the Coast Riding on Lorne and the Middle Riding on Birregurra. Birregurra (population 500) is currently provided with water by the State Rivers and Water Supply Commission, while at Lorne there are separate water and sewerage bodies.

The Shire of Winchelsea advised the Committee on 15 April 1981 that it favoured the amalgamation of the water and sewerage bodies in the township of Winchelsea, and the amalgamation of the water and sewerage bodies in the township of Lorne, but strongly opposed water and sewerage services being provided by the municipal council.

**The Committee recommends that the Winchelsea Waterworks Trust and the Winchelsea Sewerage Authority cease to exist, and that the successor body be the Winchelsea Water Board, and that responsibility for urban water supply at Birregurra be transferred to the Board from the State Rivers and Water Supply Commission. The Committee recommends that the Winchelsea Water Board assume responsibility for all necessary urban water and sewerage services in all of the Shire of Winchelsea outside the Otway Coast Drainage Basin.**

Wodonga Waterworks Trust

Wodonga Sewerage Authority

Wodonga Waterworks Trust was constituted on 4 October 1897 and the Wodonga Sewerage Authority on 10 January 1939. Councillors of the Rural City of Wodonga are

members of both bodies. The Town Clerk and City Engineer also hold the corresponding posts in the two bodies.

All maintenance and administrative staff, plant and equipment etc. is employed and owned by the Rural City of Wodonga. The Sewerage Authority and Waterworks Trust pay lump sums to the City for maintenance, administration, staff and plant. The cost of materials, loan services, etc. is paid for directly by the bodies.

The Wodonga Sewerage Authority and Wodonga Waterworks Trust identified several advantages which result from this system of joint administration:-

- "a) economies of a combined operation,
- b) employment of expert staff,
- c) optimisation of plant usage,
- d) simplifies forward planning,
- e) more efficient construction."

The Wodonga Waterworks Trust and Wodonga Sewerage Authority serve over 5,000 tenements, the average water rate being \$53 and sewerage rate \$67.

In its written submission the Wodonga Sewerage Authority concluded by stating that the present arrangements whereby the three Authorities acting as one, has in Wodonga's case proved successful, as demonstrated by the economies of combined operations. Similar views have also been expressed by the municipality and the Waterworks Trust.

**The Committee recommends that the Wodonga Waterworks Trust and the Wodonga Sewerage Authority should cease to exist and the successor body be the Rural City of Wodonga.**

Wonthaggi Sewerage Authority

See: Westernport Waterworks Trust

Woodend Waterworks Trust

Woodend Sewerage Authority

Woodend Waterworks Trust was constituted on 14 February 1888 and its Commissioners are the three Councillors for the Woodend Riding of the Shire of Newham and Woodend plus three persons appointed by the Minister of Water Supply.

The Woodend Sewerage Authority consists of the nine Councillors of the Shire of Newham and Woodend.

The Secretary for both bodies is also Secretary of the Shire of Newham and Woodend. Consultant engineers to the Woodend Waterworks Trust are Camp Scott and Furphy Pty. Ltd. and for the Sewerage Authority Caldwell Connell Engineers Pty. Ltd.

The Trust serves 850 tenements and obtains water from the Mt. Macedon and Campaspe catchments. The Trust is undertaking investigations as to the possibility of constructing a new dam on the Campaspe River.

The Woodend Sewerage Authority has at this stage purchased a treatment site but has not been allocated funds to commence detailed designs and surveys for the work.

**The Committee recommends that the Woodend Waterworks Trust and the Woodend Sewerage Authority should cease to exist, and that the successor body be the Shire of Newham and Woodend.**

Wood's Point Waterworks Trust

See: Shire of Mansfield Waterworks Trust

### Woori Yallock-Launching Place Waterworks Trust

Woori Yallock-Launching Place Waterworks Trust was constituted on 13 August 1968 under the Water Act 1958 at the instigation of the Shire Council. The Trust consists of seven Commissioners, three being from the West Riding and one from the Central Riding of the Shire of Upper Yarra with three persons appointed by the Minister of Water Supply. The Trust Secretary is Mr. Peter Hardy who has held the position since 1975.

The Woori Yallock-Launching Place Waterworks Trust is one of three water trusts within the Shire of Upper Yarra, the others being the Launching Place Waterworks Trust and Warburton Waterworks Trust. Other water bodies are the Yarra River Improvement Trust and the Upper Yarra Sewerage Authority.

The Trust presented evidence in both the Dandenong and Lilydale Hearings as well as responding to the Committee's questionnaire. The Trust has subsequently presented a discussion paper on the Committee's Second Report and participated in a visit to the area by representatives of the Committee.

The evidence presented to the Committee by the Trust has been in favour of retention of the present Trust's operation but with some form of regional authority exercising a regional control on overall planning and able to offer specialist services to the Trust.

The Trust services the towns of Woori Yallock and Launching Place.

The Trust provided reticulated water to 1,472 allotments at a rate of 8.4 cents in the dollar in 1979 drawing water from two open weirs in the Don Valley. The Trust is currently looking to a number of options to improve water supply and alleviate the need for restrictions in summer months. The Trust is also proceeding with the construction of a 20 square office complex.

The Trust is seeking better co-ordination and water management in the region and is suggesting a division within the State Rivers and Water Supply Commission to be the Dandenong Ranges and Upper Yarra Valley Region co-ordinators.

Hon. Dr. Kevin J. Foley, M.L.C. visited the Trust on 18 June 1981.

**The Committee's recommendation is that the Woori Yallock-Launching Place Waterworks Trust cease to exist, and that the successor body be the Yarra Valley and Dandenong Ranges Water Board.**

Yackandandah Waterworks Trust

Yackandandah Sewerage Authority

See: Kiewa Waterworks Trust

Yallourn North Waterworks Trust

Yallourn North Sewerage Authority

Yarragon Waterworks Trust

See: Trafalgar Waterworks Trust

Yarra Junction Waterworks Trust

Yarra Junction Waterworks Trust was constituted on 3 September 1924 by Order of the Governor in Council. The Trust consists of six Commissioners, three being Central Riding Councillors of the Shire of Upper Yarra and three being persons appointed by the Minister of Water Supply. The Trust Secretary is Mr. Donald McLean who was appointed in 1978.

The Trust presented evidence to the Public Hearing held by the Committee at Lilydale on 31 October 1980 and has followed up with a submission on the Committee's Second Report. In all submissions the Trust has consistently advocated there should be no amalgamation of Trusts in the Yarra Valley nor should they become the "poor relation" of Local Government. The Trust has also stressed the efficiency, lack of duplication

and personal nature of the small Trusts, together with the high degree of informal co-operation with other Trusts, municipal councils, C.R.B., Telecom and the S.E.C.

The Trust operates from a shop front in Yarra Junction. The consulting engineers are Oliver and Adamson who replaced Camp Scott and Furphy in 1980.

The Trust serves a population of 2,500 with 720 properties connected to the mains. The current water rate is 11.5 cents in the dollar N.A.V. Water is supplied to the towns of Yarra Junction and Wesburn.

Hon. Dr. Kevin J. Foley, M.L.C. visited Yarra Junction on 18 June 1981 for talks with the Trust.

**The Committee's recommendation is that the Yarra Junction Waterworks Trust cease to exist, and that the successor body be the Yarra Valley and Dandenong Ranges Water Board.**

Yarram Waterworks Trust

Yarram Sewerage Authority

See: Alberton-Port Albert Waterworks Trust

Yarrawonga Urban Waterworks Trust

Yarrawonga Sewerage Authority

Yarrawonga Urban Waterworks Trust was constituted on 3 January 1891 and comprises the three Councillors of the East Town and West Town Ridings of the Shire of Yarrawonga plus three persons appointed by the Minister of Water Supply.

Yarrawonga Sewerage Authority was constituted on 28 November 1938. The twelve Councillors are the Commissioners of the Authority.



The Secretary of the Yarrawonga Sewerage Authority is also the Shire Secretary whilst the Yarrawonga Urban Waterworks Trust employs its own Secretary.

The Waterworks Trust draws water from the Murray River for the 1,400 tenements served. The population is 4,000 but this rises to 15,000 in the holiday season.

Rates for the Waterworks Trust are 6 cents in the dollar N.A.V.

The Yarrawonga Sewerage District was extended in 1978 to include proposed new subdivisions east of the main town. Construction of reticulation sewers, pump stations and rising main to Yarrawonga township are presently nearing completion for the first stage of this new development.

The Committee has noted the comments of the Yarrawonga Urban Waterworks Trust:-

"A situation such as we have in Yarrawonga would surely suggest that the Water Trust, and Sewerage Authority, should be under the control of a Committee representative of the Ratepayers serviced, and not by the Shire Council. Most certainly the Town Riding Councillors should be members of these two Authorities, thereby providing a strong link with the Municipality."

but also notes the twelve Councillors are members of the Sewerage Authority.

**The Committee recommends that the Yarrawonga Urban Waterworks Trust and the Yarrawonga Sewerage Authority should cease to exist, and that the successor body be the Shire of Yarrawonga.**

Yea Waterworks Trust

Yea Sewerage Authority

Yea Waterworks Trust was constituted on 9 August 1890 and the Yea Sewerage Authority on 2 September 1947. Both bodies consist of the same Commissioners, six

being elected by the ratepayers and one person being appointed by the Minister of Water Supply. Secretary to both bodies is Mr. F. Berkery who is also Secretary of the Shire of Yea. The consultant engineers are Gutteridge, Haskins and Davey Pty. Ltd.

The Yea Waterworks Trust draws water from a weir on the Yea River for the 500 tenements connected to the system. The Yea Sewerage Authority serves 453 tenements.

In response to the Committee's Second Report both bodies expressed a preference for Option L3. Whilst the two bodies have expressed a preference for amalgamation with the retention of separate corporate identities it is noted the bodies operate from the Yea Civic Centre and the Shire Secretary is Secretary to both bodies.

**The Committee recommends that the Yea Waterworks Trust and the Yea Sewerage Authority should cease to exist, and that the successor body should be the Shire of Yea.**

## 2. Regional Structures for urban water and sewerage services.

In its Second Report to Parliament, Future Structures for Water Management, the Committee proposed that there is scope for a regional level of administration in the water industry in Victoria, but that the type of regional structure adopted should reflect the scale and complexity of development and the degree of interdependency in the region.

The Committee's consultants identified a range of tasks\* which need to be developed regionally to ensure optimum planning, co-ordination and consultation on an appropriate area basis for the water industry. These tasks could include:-

- \* Co-ordination or control of the regional water cycle, in accordance with regional strategies and local interests; includes the development and implementation of regional preservation and development strategies.
- \* Co-ordination of water industry plans and activities with regional land-use planning and development strategies.
- \* Co-ordination and liaison with other agencies operating at a regional level.
- \* Co-ordination and monitoring of local authorities; performance and activities.
- \* Design and construction of regionally-based technical schemes.
- \* Collection of regional charges and rates.
- \* Representation of regional interests to State Government.

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\* See Public Service Board, The Performance and Structure of Local Water and Sewerage Authorities in Victoria. Consultancy Report for Public Bodies Review Committee, p. 28.

- \* Provision of a forum for community participation and representation on a regional basis.
- \* Regional administration of State Government programs and functions.

The Committee identified four regional water management options as a means of addressing the regional tasks\*\*:-

Option R1: No regional authority as such, but a periodic consultative forum within each defined region among water and sewerage trusts and authorities, and between such authorities and other government agencies, particularly regional planning authorities.

Option R2: No regional authority as such, but a co-ordinating committee for each defined region, similar to that proposed in "A Sewerage Strategy for the Yarra Valley", though not necessarily chaired from the Ministry of Water Resources.

Option R3: A regional authority created as a second tier above separate local authorities, with responsibility for region wide issues, including the provision of common headworks and disposal facilities where appropriate.

Option R4: A regional authority responsible for all water, sewerage, drainage and flood protection works in its region.

The Committee in its Second Report indicated that it favoured the adoption of one of these options in each region in Victoria, with Option R4 in those areas where development and inter-dependency is most obvious, and lesser options in other areas.

This approach and these concepts have attracted wide support in the responses to the Committee's Second Report, although in some areas, such as the Western District, there was no support for the R2-R4 proposals.

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\*\* See Public Bodies Review Committee Second Report to the Parliament 1981 Future Structures for Water Management, p. 49.

Illustrations of the views of local and regional authorities on regional proposals will be found at Appendices 1 and 2.

### R1 - Regional Consultative Forums

In its response, the State Rivers and Water Supply Commission supported the option of regional consultative forums and offered to convene periodic meetings of authorities in certain areas. The Committee commends the State Rivers and Water Supply Commission for this proposal but recommends that wherever possible it is preferable for local bodies to take the initiative.

It is proposed that the initial regional consultative forum would be between the water and sewerage trusts and authorities in each defined area. However, at an appropriate stage, the Committee considers there would be considerable merit in involving other relevant government and community agencies in the forums, for example, regional planning authorities, environmental groups, State Rivers and Water Supply Commission, Watershed Association, Soil Conservation Authority.

Since 1972, there has been an evolutionary development toward common regional boundaries by a number of Victorian government agencies. In keeping with these developments, the Committee suggests that initially the regional boundaries for government activity approved by the Victorian Government in 1972 (see Second Report, p. 50), should be adopted. The Committee is aware that in some regions (e.g. Central Highlands), these regions may be too large to be effective, and suggests that should this prove to be the case, a further sub-division within the general framework of the 1972 boundaries could be used (e.g. Central Highlands - East, centred on Ballarat; Central Highlands - West, centred on Ararat).

**Accordingly, the Committee recommends that the following regional consultative forums be established, initially:-**

- \* That a Northern Mallee Regional Consultative Forum take place at least annually and that the Sunraysia Water Board convene the initial meeting of this group.**

- \* That a Wimmera Regional Consultative Forum take place at least annually and that the State Rivers and Water Supply Commission convene the initial meeting of this group.
- \* That a South Western Regional Consultative Forum take place at least annually and that the Hamilton Water Board convene the initial meeting of this group.
- \* That a Loddon Campaspe Regional Consultative Forum take place at least annually and that the Bendigo Water Board convene the initial meeting of this group.
- \* That a Central Highlands Regional Consultative Forum take place at least annually and that the Ballarat Water Board convene the initial meeting of this group.
- \* That a Barwon Regional Consultative Forum take place at least annually and that the Barwon Regional Water Board convene the initial meeting of this group.
- \* That a North Eastern/Upper Murray Regional Consultative Forum take place at least annually and that the State Rivers and Water Supply Commission convene the initial meeting of this group.
- \* That a Central Gippsland Regional Consultative Forum take place at least annually and that the La Trobe Regional Water Board convene the initial meeting of this group.
- \* That an East Gippsland Regional Consultative Forum take place at least annually and that the La Trobe Regional Water Board convene the initial meeting of this group.

## R2 - Regional Co-ordinating Committees

While the Committee, in accordance with its evolutionary perspective, believes that some of the regional consultative forums proposed above may develop into regional co-ordinating committees in time, there is only one area where the Committee proposes that a regional co-ordinating committee should immediately be established, and that is the Westernport Catchment - Mornington Peninsula area. The Westernport Catchment Co-ordinating Group of the State Co-ordination Council has laid sound foundations for future sewerage co-ordination in this area through its valuable study "Wastewater Management in the Western Port Catchment and the Mornington Peninsula", and the Committee believes this work should be built on through the establishment of a regional co-ordinating committee in this area. The Committee recommends that the Nepean Water Board convene an initial meeting of water bodies in this area.

## R3 and R4 - Regional Authorities

The Committee has recommended earlier in this Report that structures of this type, which involve water management responsibilities extending over a number of municipal boundaries, be established as follows:-

- \* Ballarat Water Board
- \* Bendigo Water Board
- \* Cranbourne-Pakenham Water Board
- \* Geelong Water Board
- \* La Trobe Water Board
- \* Mount Alexander Water Board
- \* Sunraysia Urban Water Board
- \* Tarago Water Board
- \* Upper Murray Water Board
- \* Yarra Valley and Dandenong Ranges Water Board

### Regional Representation on the Water Resources Council

The Committee is concerned at the lack of representation currently afforded to the water and sewerage industry on the Victorian Water Resources Council. That body is inappropriately structured at present. Moreover, each water and sewerage body currently has to deal individually with State agencies: there is no means for the collective views of water and sewerage bodies in a region on such matters as resource allocation and priorities to be put to Government. Some comments on this matter have been put to the Committee by the La Trobe Valley Water and Sewerage Board and these appear at Appendix 3.

The Committee believes that five representatives of the water and sewerage industry should be involved in major decision making processes affecting the shape of the industry, following elections held at an annual meeting of regional consultative forums. The Committee suggests that one member should be elected to represent each of:-

- \* Gippsland District (East and Central Gippsland Regions)
- \* Western District (Central Highlands, Barwon and South Western Regions)
- \* North-Western District (Northern Mallee and Wimmera Regions)
- \* North-Eastern District (Loddon-Campaspe and North-Eastern Region)
- \* Port Phillip District (Melbourne and Metropolitan Board of Works and other bodies in the Melbourne Region)

The Committee considers that some of the existing representation on the Victorian Water Resources Council is inappropriate, and will be commenting further on this matter in a later Report.



3. The involvement of the State Rivers and Water Supply Commission in the retailing of urban water and sewerage services.

One of the major bodies involved in providing water supply and sewerage services in the non-metropolitan area is the State Rivers and Water Supply Commission. In Chapter 2 of this Report the Committee makes recommendations in respect of urban supplies from the Commission's regional supply centres of Mornington Peninsula, Bellarine Peninsula, Otway System and Coliban System and urban supplies to towns in the East Loddon, Waranga, Rochester, Cohuna, Gordon, Shepparton and Mildura Shires.

In this Chapter however the Committee wishes to principally focus on the water retailing activities of the State Rivers and Water Supply Commission in urban districts supplied from the Wimmera/Mallee and to some extent Murray River systems.

The State Rivers and Water Supply Commission of Victoria is a statutory body created by the Water Act 1905. It has three Commissioners appointed by the Governor in Council who are responsible for the discharge of the Commission's powers and duties as laid down by the Parliament. The Commission reports to Parliament through the Minister of Water Supply.

The Water Commission directly administers 130 town water supplies and provides general oversight of the engineering and financial activities of 203 local water authorities, 131 sewerage authorities and 32 local drainage and river improvement authorities outside the Melbourne Metropolitan area. The 130 towns directly supplied by the Commission are as follows:-

66 towns are supplied from 4 main urban supply systems for regional supply, namely, Mornington Peninsula, Bellarine Peninsula, Otway System and Coliban System, while 64 small towns located in the Commission's irrigation and waterworks districts also receive urban supplies.

The geographically largest water supply system the Commission operates is the Wimmera/Mallee Domestic and Stock Channel System. The land is one of the most productive plains in the State and supports a population of more than 50,000, including 59 towns and villages.

In most of the larger towns water is reticulated to householders by a local Waterworks Trust which in turn is supplied in bulk by the Commission. The smaller of these towns, of which there are 38, are supplied as Commission Urban Districts. The supplies are regarded as suitable only for general household purposes and garden watering and almost all consumers have rain water to provide drinking water, and, in some cases, for laundry and hot water services.

A further twelve towns, in this general area, covering three Shires are supplied from the River Murray System.

Management of the supply to the smaller towns revolves around the Town Local District Centres of Horsham, Birchip, Murtoa and Ouyen and the Regional Centre at Swan Hill and Sunraysia (Red Cliffs).

Set out below is a listing of these six Centres showing the Centre the Urban Districts within each Centre and the Shire in which the Districts are located.

District Centre - Ouyen

<u>Urban District</u>	<u>Shire</u>
Beulah	Karkarooc
Chinkapook	Swan Hill
Hopetoun	Karkarooc
Lascelles	Karkarooc
Nandaly	Wycheproof
Ouyen	Walpeup
Patchewollock	Karkarooc
Speed	Karkarooc
Tempy	Karkarooc

District Centre - Ouyen

Urban District

Walpeup

Yaapeet

Shire

Walpeup

Karkarooc

District Centre - Birchip

Urban District

Berriwillock

Birchip

Culgoa

Nullawil

Sea Lake

Watchem

Woomelang

Wycheproof

Shire

Wycheproof

Birchip

Wycheproof

Wycheproof

Wycheproof

Donald

Karkarooc

Wycheproof

District Centre - Murtoa (also responsible for irrigation)

Urban District

Marnoo

Minyip

Rupanyup

Brim

Jung

Shire

Stawell

Dunmunkle

Dunmunkle

Warracknabeal

Wimmera

District Centre - Horsham (also responsible for irrigation)

<u>Urban District</u>	<u>Shire</u>
Antwerp	Dimboola
Dimboola	Dimboola
Dooen	Wimmera
Jeparit	Dimboola
Natimuk	Arapiles
Pimpinio	Wimmera
Rainbow	Dimboola

Regional Centre - Swan Hill\*

<u>Urban District</u>	<u>Shire</u>
Chillingollah	Swan Hill
Lalbert	Kerang
Manangatang	Swan Hill
Quambatook	Kerang
Ultima	Swan Hill
Waitchie	Swan Hill
Woorinen	Swan Hill
Nyal*	Swan Hill
Nyal West*	Swan Hill
Piangil*	Swan Hill

\*River Murray System

Regional Centre - Sunraysia\*

<u>Urban District</u>	<u>Shire</u>
Canwarp	Mildura
Meringer	Mildura
Redcliffs	Mildura

Regional Centre - Sunraysia\*

Urban District

Robinvale

Werrimule

Koondrook

Shire

Swan Hill

Mildura

Kerang

\*River Murray System

The Centres tend to provide a service across Local Government boundaries. Set out below is a Table which indicates those towns within Shires that are supplied from the Wimmera/Mallee System and from which Centre they are supplied.

<u>Shire</u>	<u>Total Towns Supplied</u>	<u>Towns supplied from:</u>					<u>Sunraysia</u>
		<u>Ouyen</u>	<u>Birchip</u>	<u>Murtoa</u>	<u>Horsham</u>	<u>Swan Hill</u>	
Karkarooc	8	7	1				
Wycheproof	6	1	5				
Swan Hill	10	1				8	1
Walpeup	2	2					
Donald	1		1				
Stawell	1			1			
Dunmunkle	2			2			
Warracknabeal	1			1			
Wimmera	3			1	2		
Dimboola	4				4		
Arapiles	1				1		
Kerang*	3					2	1
Birchip	1		1			2	1
Mildura	4						4
<u>TOTALS:</u>	<u>47</u>	<u>11</u>	<u>8</u>	<u>5</u>	<u>7</u>	<u>10</u>	<u>6</u>

\*Two further towns (Macorna and Murrabit) in the Shire are supplied from separate systems.

In its Second Report to the Parliament the Committee questioned the appropriateness of the principal agency involved in Statewide planning and priority setting also acting as water retailer in a major way. The Committee considered that the possibility of the Commission divesting its interest in retailing of urban water supplies to regional or local authorities should be actively pursued.

The Commission in a submission in response to the Committee's Second Report disagreed with that view. The Commission felt that "if it is to continue to exercise an adequate technical and financial overview over other authorities, on behalf of the Government, it is essential for it to have access to current specific experience of all aspects of town water supply."

The Commission at a Public Hearing in Melbourne on 5 August 1981 re-iterated its view that the best way for a central water agency to demonstrate its capacity and expertise in its overview role is by being a practitioner in the business and that for this purpose the Commission would like to assume a greater practical and detailed role in sewerage.

One argument advanced in support of its need to remain on the retailing or "nuts and bolts" side of water supply was that it enabled the Commission to properly supervise consultants in developing countries and assess the best project to be undertaken.

While the Committee commends the Commission for its development activities it cannot accept it as a reason for being in water retailing nor does it accept the premise that nuts and bolts activities are required to ensure an effective overview role for the Commission.

The Committee notes a further argument put forward by the Commission in support of its retailing activities namely that for "many small towns in sparsely

populated areas ... it would seem more cost effective for this service to be continued by the Commission rather than assign it to another body with no expertise in urban servicing ... in the area."

The Committee does not accept the Commission's arguments for their continuing role in retailing of water for domestic use and recommends that:-

- (1) The State Rivers and Water Supply Commission's District Centres at Ouyen, Birchip, Murtoa and Horsham and its Regional Centres at Swan Hill and Sunraysia cease retailing water for domestic use.
- (2) The Shires of Donald, Dunmunkle, Warracknabeal, Wimmera, Dimboola, Arapiles, Kerang and Birchip assume responsibility for the supply of water to all towns in their Shires currently supplied by the State Rivers and Water Supply Commission.
- (3) The Shires of Mildura and Walpeup initially accept responsibility for the supply of water to those towns in their Shires currently being supplied by the State Rivers and Water Supply Commission but the Shire of Mildura hold discussions with consumers in Carwarp, Meringer and Werrimull and the Shire of Walpeup with consumers in Cowangie with a view to setting up Consumer Co-operatives.
- (4) The Shire of Stawell accept responsibility for the supply of domestic water to Marnoo.
- (5) The Shires of Karkaroc, Wycheproof and Swan Hill assume responsibility for the supply of water to those communities in their Shires currently receiving supplies from the State Rivers and Water Supply Commission and that these Shires give those communities of 50 consumers or less the option of setting up their own Consumer Co-operatives.

Recommendations concerning urban water retailing in other areas now served by the State Rivers and Water Supply Commission appear in Part (a) of this Chapter.



4. Provision by municipalities of urban water and sewerage services under Sections 689/692 of the Local Government Act 1958.

Part XXV of the Local Government Act 1958 provides, inter alia, a statutory mechanism whereby Local Government Authorities may provide water and sewerage services to communities in their area. At least eight Shire Councils, Ararat, Dimboola, East Loddon, Euroa, Kara Kara, Korong, Shepparton and Yea use this provision for water. The total number of communities provided with water is very small and the number of consumers within each community is also small.

The Committee is aware of one Shire - Ballarat which provides sewerage services under the Local Government Act. In 1980 the Shire began operating a service to the new subdivision of Cardigan (45 houses) which is situated approximately 15 km from Ballarat.

In July 1981 the Committee asked those Councils known to be currently providing a water supply under the Local Government Act to supply particulars of supplies made pursuant to that Act. Most Councils responded and details obtained from those are set out below. The responses from the Shires of East Loddon and Yea are representative of those received and are reproduced at Appendix 5 of this Report.

Shire of Ararat in presenting evidence to the Committee at Ballarat on 19 September 1980 advised that the Shire administers, on an informal basis, a number of small schemes developed with the local people. At Buangor (population 50) there is a minor scheme operated by the Shire which they hope to develop to a full urban system. At Pomonal (population 150) public meetings have put to the Shire the need to establish a Trust to enable funding of additional capital works. A bore was first sunk in Pomonal during the drought of 1968. Since then the township has grown and the second bore plus equipment have not allowed supply to keep pace with demand.

Shire of Dimboola currently supplies the community of Tarranyurk and is presently establishing a supply to Kiata. At Tarranyurk 9 consumers are supplied from a Council reservoir supplied by the State Rivers and Water Supply Commission at a charge of \$30 per annum. At Kiata it is proposed to service 12 consumers from a bore at an estimated cost of \$75 per annum. The estimated establishment cost is \$12,000.

Shire of East Loddon currently supplies the communities of Serpentine and Jarklin from the Serpentine Creek by arrangement with the State Rivers and Water Supply Commission. At Serpentine 54 consumers are served at a rate of 12 cents in the dollar N.A.V. with minimum charges of \$110 for tenements and \$25 for vacant land - the scheme is viable. At Jarklin 11 consumers are served at a rate of 17 cents in the dollar N.A.V. with minimum charges of \$250 for tenements and \$50 for vacant land. The Council has had to contribute from General Account from time to time to meet the accruing deficit.

Shire of Euora currently supplies 30 consumers at Strathfieldsaye by pumping water from Seven Creeks. A rate is levied on each property included in the scheme and in the year ended 30 September 1980 was able to reduce its bank overdraft to \$363.

Shire of Kara Kara supplies 31 tenements at Stuart Mill at a charge of \$90 per tenement and \$10 per vacant lot. The supply is piped from the Teddington Reservoirs approximately 5 km from Stuart Mill. The scheme is financially viable.

Shire of Korong pipes water to three communities, Wychitella - 9 houses, 2 vacant lots and 1 hotel and Borung/Mysia - 31 houses, 9 vacant lots and 3 tennis courts at a rate of \$86 per house, \$19 per vacant lot, \$14 per tennis court and \$140 for the hotel. The communities are in close proximity to one another and the water supply is a viable proposition.

Shire of Shepparton supplies 87 properties from the Gavangardie Weir on the Broken River at a rate of 2 cents in the dollar N.A.V. (minimum charge \$4). The

Shire took over responsibility for the supply following abolition of the Shire of Shepparton Waterworks Trust in 1978. The supply is fed through 4.8 km of main channel and 82 km of small distributary channels to farm properties. Little maintenance has been carried out since the Trust was constituted in 1892 and waterways are in a very poor condition.

Shire of Yea provides 16 consumers, domestic, garden, commercial and stockwater, in the township of Molesworth from the Goulburn River at a rate of 9.8 cents in the dollar N.A.V. with a minimum of \$125 on tenements, \$25 on vacant lots and \$60 on stock troughs.

The general view of the Shires is that the provisions of the Act enable small communities to receive a service that they may otherwise find burdensome to maintain. The Act is more flexible than the Water Act - there are less restraints on setting rates, there is not the requirement as is under the Water Act to employ a Secretary and Engineer separately and pay them in accordance with the Water and Sewerage Award, nor is there the requirement for the Engineer to be qualified as a Water Engineer pursuant to the Water Act apply.

Most Shires did, however, point to the major financial advantage (capital grants and loan funds at concessional interest rates) of being constituted under the Water Act, and suggested that similar provisions be incorporated into the Local Government Act. Communities of less than 20 consumers cannot be constituted under the Water Act.

The Sale City Council was constituted as a Local Governing Body under the Water Act on 28 September 1965. Until that time the municipal water supply was provided under the powers contained in the Local Government Act. In view of this, the Committee requested the City of Sale to explain the reason for the change.

The Town Clerk's reply of 7 August 1981 states that "the major consideration, which led to the City of Sale changing the basis of its water supply operations seems to have been the attraction of government interest subsidy".

The 1964 City of Sale Report which is reproduced as part of Appendix 5 to this Report is a significant document. It indicates the extent to which the financial incentive of interest subsidies induced the municipality to accept Local Governing Body status despite the extra costs and centralised supervision they anticipated as a result.

The Report indicated that before a Local Governing Body could be created the consent of the lenders of the six loans and a comprehensive report by a qualified Water Engineer would be required. The Report also indicated that the creation of a Local Governing Body would also involve the implementation of provisions of an additional Act (Water Act) opening of separate bank accounts, preparation of submissions to the Minister, keeping of separate minute books and books of account, preparation of separate vouchers for the waterworks, Commission approval for borrowing, overdraft accommodation, by-laws and to strike or levy a rate and engagement of a qualified Water Engineer.

The Committee at page 27 of its Second Report stated its view on this issue, namely, that "Government financial assistance should be allocated according to a comparative assessment of need, not on the basis of the legislative form of the recipient body ... funding should be independent of structure, and available to a voluntary co-operative, municipality or private enterprise initiative if needs based criteria are met".

## 5. Concluding Remarks

Construction of this Report, as those involved in Victoria's water industry will readily appreciate, has presented the Public Bodies Review Committee with a most difficult task. The two primary difficulties have been the sheer magnitude of dealing with 375 separate organisations and identifying the wide variety of social, economic and geographic differences that characterise Victoria - at least when it is looked at via the water industry.

As the Committee anticipated after the first several months of its Inquiry, that diversity has led it to conclude what most members of the water industry have always known: that is, the provision of non metropolitan water and sewerage in Victoria does not lend itself to a single structural solution. Irrespective of the way in which recommendations contained in this Report may be altered as a result of further discussion with water and sewerage authorities, the Committee is firmly of the view that the industry does not lend itself to the panacea of a single managerial model such as incorporation into local government or amalgamation into regional authorities. The Committee, since the early days of its Inquiry, has held to the view that each organisation should be examined separately and with a full understanding of its social, financial, political and administrative characteristics.

The format of this Report illustrates an individualised and sensitive approach. Its draft recommendations endorse the view that there is no place (at least in the foreseeable future) in Victoria's non metropolitan water industry for one management model. The Committee feels, as this Report clearly illustrates, that neither the one model nor the existing plethora of models is likely to lead to, or even approximate, an effective water industry. Clearly the Committee believes that the solution, or at least the structural solution, lies somewhere in between those extremes: that is, with some amalgamations into separate corporate entities, some regionalisation, some organisations remaining as they are and some being incorporated into local government authorities. The optimal arrangement will be determined by the next series of discussions between Victoria's non metropolitan water and sewerage authorities and this Committee.

COMMITTEE ROOM  
30 SEPTEMBER 1981

APPENDIX I.SELECTED RESPONSES OF LOCAL AUTHORITIES  
TO THE COMMITTEE'S SECOND REPORT

The Committee in this Appendix reproduces extracts from some of the valuable submissions and responses it has received. Often these submissions disclose local initiatives on restructuring being taken. The Committee has carefully considered the many responses it has received, and the extracts given here are typical of what has been put forward.

City of Bendigo

I enclose a copy of Engineer's Report E.217/81 considered by Council on the 3rd August, 1981.

Council resolved to adopt the option suggested in the report, subject to a more detailed report being submitted by the City Engineer covering representation of the committees at the Sub-Regional, Regional & State levels.

For clarity the option is quoted:-

## "Local Level (Bendigo Sub-Region

- (i) An independent authority responsible for the provision of both water supply, sewerage reticulation and treatment.
- (ii) The boundary of the authority to coincide with the area currently supplied with reticulated water.
- (iii) Differential rating to be applied, depending whether a particular property has access to either or both water and sewer.
- (iv) Authority to purchase bulk water from a regional body, responsible for headworks.
- (v) Authority to be controlled by representatives from each municipality falling within the authority's area. (Similar to Bendigo Sewerage Authority, but without Government nominee.)

## APPENDIX 1 (contd.)

### Regional Level

- (i) The S.R. & W.S.C. to continue to manage the Coliban Water Supply headworks to supply bulk water to individual Authorities.
- (ii) A regional Consultative Committee be formed, representing all local authorities, to whom water is supplied, together with representatives of S.R. & W.S.C.
- (iii) S.R. & W.S.C. to act as consultant to local authorities in laboratory testing and other technical services, and act as E.P.A. agent.

(These services could be extended to local Authorities not within the Coliban District.)

### State Level

- (i) S.R. & W.S.C. to be responsible for stream management, drainage and flood protection works on all streams with a catchment in excess of 400 ha. Urban areas and 1000 ha. in Rural areas.
- (ii) Municipalities to be given the option of undertaking any stream improvement or flood mitigation works within their boundaries.
- (iii) Consultative Committees to be formed within regions; where a river or stream falls entirely within a Regional Planning Authority's boundary, the committee to be formed in association with the planning authority.
- (iv) S.R. & W.S.C. to give consideration to decentralising activities related to stream management, laboratory services etc. wherever feasible.
- (v) S.R. & W.S.C. to perform its task as a state authority; separate ministerial oversight to be provided.  
(c.f. S.E.C. & Minister for Minerals & Energy)

APPENDIX 1 (contd.)

## 3.40 Advantages

Advantages of the suggested option are:-

- \* Areas of common interest will lead to a benefit to the community by saving duplication; particularly in areas of revenue collection, financing and general administration.
- \* When compared with (undefined) regional administration has greater accountability to ratepayers/consumers.
- \* Does not introduce an "additional level of government".
- \* Administration is sufficiently local (& responsive) to consider incentives to decentralized industries.
- \* Combination of water supply & sewerage will facilitate examination of waste water re-use.
- \* Option would apply equally to other areas where regional structure is not required.
- \* State wide flood mitigation body (S.R. & W.S.C.). (The Bendigo Creek Study has already shown that flood problems and solutions show no regard for arbitrary boundaries.)
- \* The S.R. & S.C.W., as operating body, would be subject to both financial and technical oversight.

## 4.00 RECOMMENDATION:

That Council adopt the option suggested in this report.



APPENDIX 1 (contd.)

LEONGATHA WATERWORKS TRUST AND LEONGATHA SEWERAGE AUTHORITY

OPTIONS

- LOCAL ADMINISTRATION

This Trust and Authority are in favour of option L.6. - "the unification within each local government area, of all water and sewerage bodies, under a single, but separate, corporate entity".

We see a number of advantages in this option, which by far outnumber the disadvantages in option L.7.

Already several Trusts and Authorities in Woorayl Shire are talking informally, and the idea of merger has been adopted in principle.

We realize that there are a number of implementation problems, but these can be overcome.

The Leongatha Sewerage Authority has an ocean outfall pipeline which transports industrial wastes from both Korumburra (in the Korumburra Shire) and Leongatha - (Woorayl Shire) to the sea.

We are of the firm opinion, that because of these factors alone the administration of the water and sewerage bodies in this area should remain divorced from the Woorayl Shire.

The preservation of separate interests will not lessen the existing co-operation between the water and sewerage bodies and the local Municipality.

A conflict of interest could develop between Woorayl and Korumburra Shires, if control of the outfall pipeline rested in the Woorayl Shire.

The Leongatha Sewerage Authority sees applications to discharge wastes into the outfall pipeline from any industry in either town in an unbiased manner, which indeed it has done for the past 15 years.

The Leongatha Waterworks Trust reservoirs are situated in the Korumburra Shire, and again this is another reason for independence.

There is, of course, an argument put forward by Shire Councils, that amalgamation of Trusts/Authorities with a Council, has a number of advantages - in co-ordination of works, cheaper administration, and using Councils engineering staff in preparation of plans for certain works.

However providing a Council can notify a Trust or Authority of impending works, water mains can be re-located or re-laid to a greater depth, and sewerage services altered; in complete harmony, and without impeding each others works.

We have on many occasions, carried out work together, to the complete satisfaction of both parties, but at a less cost than that of the Municipality, with its higher overheads.

Although Councils claim that they can achieve cheaper administration, than independent bodies, in practise, particularly in rural areas. this is not so.

In fact, costs are often loaded onto a Trust/Authority, so that Council rates can be retained or lowered. In these cases rural ratepayers benefit, and not the town ratepayers who pay these rates.

If a Municipality could use its engineering staff to carry out water supply and sewerage works, the staff naturally concentrate their efforts on Municipal works, and water and sewerage works take second place.

If a Municipality states that it could administer a Trust(s)/Authority(s), without engaging additional staff, then surely that Municipality is overstaffed. This would lead one to believe that the Municipality is not efficient in its own administration.

If the Municipality needs to engage additional staff to carry out water/sewerage works, then when these works are completed, we suggest that these staff salaries are often debited against Trust/Authority administration.

We also see no reason why a Shire Secretary should have his salary increased, in many instances, by many thousands of dollars per year, if he is to oversee the administration of water and sewerage bodies, when in fact, administrative officers are engaged by the Municipality to carry out most of the day to day functions of the Trust/Authority.

In Woorayl Shire, there is a nexus between the Shire Secretary's and Shire Engineers salary, in so far as each receives the same salary - if one salary increases, the other does so automatically.

If the Woorayl Shire Secretary administered Leongatha water and sewerage, Inverloch water and Sewerage, Dumbalk water and Meeniyan water, his salary, under the existing Awards would increase by approximately \$9,000 per year.

In this instance then, the additional salary paid by the Trust/Authority is doubled!!

We fail to see any economy in administration costs in this instance.

## APPENDIX 1 (contd.)

### Regional Options

We have opted for option R.1., for the following reasons.

South Gippsland, in our opinion, is a region in its own right.

It is divorced from the Latrobe Valley area by the Strzeleki ranges. All its rivers flow from these ranges southerly into, eventually Bass Strait. It has no physical affiliation with the Westernport regional area.

At present, there is discussion between Trusts and Authorities in the South Gippsland area, albeit on an officer and informal Commissioner level. There is also some contact with Planning Authorities in the region.

We see a need for periodic consultations on a formal basis.

Because of the relatively short river system in the area, few Trusts share a common river for water storage and effluent disposal.

One exception is the Tarwin River. The Leongatha water trust stores water in 4 reservoirs, in a major branch of the Tarwin River - Ruby Creek - which empties into the west branch of the Tarwin River. Dumbalk water trust pumps water from just downstream of the confluence of both branches of the river.

The Leongatha Sewerage Authority discharges treated effluent into a small tributary of the west branch of the river.

There is therefore some common affiliation between the Dumbalk, Meeniyan and Leongatha Trusts, and the Leongatha Sewerage Authority.

We see the possibility of a number of mergers between Trusts and Authorities in South Gippsland, and set out below is our appraisal of the situation.

There could be an option L.6. type body in the Yarram, Alberton and Port Albert area. Yarram does supply water to the latter two areas.

Similarly an option L.6. in the Toora - (which already supplied water to Welshpool, Port Welshpool, Barry Beach, Port Franklin, Hedley, and rural areas in between) - Foster and Fish Creek area.

We have already mentioned the feasibility of the four water trusts, and two sewerage authorities in the Woorayl Shire sharing a type L.6. option.

APPENDIX 1 (contd.)

At this stage we see Wonthaggi and Cape Paterson remaining as is, until perhaps the Authorities in the Woorayl Shire have merged into a workable body. There is an affiliation between Wonthaggi and Inverloch, as they share a common Reservoir.

It seems feasible that Korumburra Water and Sewerage accept the administration of Loch-Nyora-Poowong Waterworks Trust. Eventually this body, may be able to merge with the enlarged Woorayl option L.6. organization.

Mirboo North is approximately midway between Leongatha & Morwell, and does not share any common water supply. It could either be left as an option L.2., or merge with either the Woorayl option L.6. body, or with the existing Morwell, Churchell, Yinnar and Boolarra administration.

Because of the sheer size of the Westernport Water and Sewerage Authority, we see that area, which serves Phillip Island and nearby mainland towns, remaining as is, but again as an option L.2. under a consolidated water and sewerage Act.

We are not sufficiently informed on the Lang-Lang and Koo-wee-rup area, to make any comments on their possible future administration.

If the above option L.6. mergers took place, and if the water and sewerage authorities were governed by a common Act, the number of water and sewerage bodies in South Gippsland would be reduced from the existing 21 bodies, to 7 and possible to 5 in due course.

After a settling down period, and if the resultant 7 or 5 systems are workable, there is the option for further mergers if required.

However we are opposed to a large South Gippsland region on the grounds that:-

1. there is virtually no common water source.
2. there is virtually no common effluent disposal system.
3. in larger bodies costs increase through diminished efficiency.
4. the population of the area is relatively small and we see, at present, no need for a large region.

It could be pointed out that the only Municipal Administration of water and sewerage bodies in South Gippsland are at Foster (sewerage), Wonthaggi (sewerage) and at Korumburra (water for Loch-Nyora-Poowong).

## APPENDIX 1 (contd.)

The future of River Improvement Trusts has not been decided by the Public Bodies Review Committee as yet.

If they continue to exist, then we would urge for the administration of the Tarwin River Improvement Trust, to be absorbed by the proposed enlarged Woorayl option L.6. organization.

The River Improvement Trust already rents one of our offices on a part time basis, and we perform receipting and banking functions for that body at present.

Regionally part of the Tarwin River east branch is in South Gippsland Shire and part of the west branch is in the Mirboo Shire.

### LILYDALE SEWERAGE AUTHORITY

#### A MODEL ADMINISTRATION STRUCTURE FOR THE YARRA VALLEY AND DANDENONG RANGES REGION

4.1 The following is a discussion on what is considered to be a basis for a model for a structure that would be responsible for the complete water cycle in the Yarra Valley and Dandenong Ranges region. Such a model is the preferred option of this Authority as previously outlined in this submission and the two previous submissions forwarded by the Authority to the Committee in September 1980 and June 1981.

4.2 The structure as depicted would be responsible for water storage, water reticulation, sewerage reticulation, sewerage disposal, sewerage re-use, main drainage, river improvement, septic tank controls, pan services and such other services that are related to these facets.

APPENDIX 1 (contd.)

4.3 In considering the structure, consideration has been given to not only maintaining the strength of the present systems but also improving on it and eliminating the weaknesses.

4.4 The new structure would absorb the functions presently administered by the Lilydale, Shire of Healesville and Shire of Upper Yarra Sewerage Authorities, the Healesville, Woori Yallock/Launching Place, Yarra Junction, Warburton, and portion of the Gembrook, Cockatoo and Emerald Waterworks Trusts, the Yarra River Improvement Trust and the septic tank and pan services of the Shires of Lillydale, Healesville, Upper Yarra and Sherbrooke. It would also include those parts of the Shire of Sherbrooke and the Shire of Pakenham that fall within the catchment boundaries of the region.

4.5 A map depicting the boundaries of such a regional body was appended to the Submission of 12th June 1981. Those boundaries are based on the water catchment for the area. (Refer Appendix 2 attached)

4.6 The following factors will now be considered in the creation of such an organisation -

- Existing Facilities
- Water Options
- Sewerage Options
- Other "Water" Options
- Future Requirements
- Membership
- Management

APPENDIX 1 (contd.)

4.6.1 Existing Facilities:

- Water - all of the water trusts within the region have their own catchments and water storages with the exception of Healesville who use water from the M.M.B.W. for the Healesville & Yarra Glen Urban Districts.

Excluding the water district of the M.M.B.W., most urban centres have some type of reticulated water supply.

In addition the M.M.B.W. has major water catchment and storage areas in the Upper Yarra Valley.

- Sewerage - the major centres that are sewered are within the Lilydale Sewerage District - Chirnside Park, Coldstream, Lilydale, Montrose (part), Mooroolbark (part) and Seville. Work on the Mt. Evelyn Sewerage District has commenced and it is estimated that it will be completed within 4-5 years. Monbulk is awaiting general approval from the State Rivers & Water Supply Commission and then the allocation of funds before it can commence. The only other sewerage schemes that exist in the Valley are small subdivisions at Sanctuary Views in Healesville and Yarra Views at Woori Yallock in the Shire of Upper Yarra.

4.6.2 Water Options:

There are considered to be three options for the supply of water:-

- utilise and expand the existing catchments and/or storages.
- purchase water in bulk from the M.M.B.W.
- M.M.B.W. provide water and reticulation.

APPENDIX 1 (contd.)

After consideration of the option of the Board of Works absorbing the water function in Item 2.3, the option of the Board both providing and reticulating the water will not be considered further.

Possibly the best option would be to retain the most effective of the present storages and further expand them, with supplementary supplies purchased from the Board of Works. Also the water supplies for both Healesville and Yarra Glen should continue to be purchased from the Board.

4.6.3 Sewerage Options:

Options for sewerage were discussed in "A Sewerage Strategy for the Yarra Valley" and also partly in the Lilydale Sewerage Authority's Sewerage Master Plan.

Major treatment plants are envisaged for Lilydale, Woori-Yallock, Monbulk, Healesville and Yarra Glen.

As discussed in Item 2.3, the export of raw sewerage from the region is not considered to be economically justified.

4.6.4 Other "Water" Options:

It is also suggested that should a regional organisation be created that it also assume responsibility for the following "water" activities:



APPENDIX 1 (contd.)

- Septic Tank Control - the issue of permits, inspections etc. of septic tanks should be removed from the powers of councils and vested in sewerage authorities or a regional organisation. This would avoid duplication and could save considerable expense to landowners (the term septic tanks also includes minor treatment plants).

- Pan Disposal - at present pans are collected by Councils and disposed of by sewerage authorities (in the Yarra Valley by the Lilydale Sewerage Authority). The Authority charges each Council who in turn charge the ratepayer concerned. This could be streamlined by a sewerage authority or regional organisation assuming total control for this function.

- River Improvement - a regional organisation with its expertise in water management could ably take over the functions of the Yarra River Improvement Trust plus extend its responsibilities to all other rivers and streams within the region.

- Main Drainage - the regional organisation could also take responsibility for main drainage, retarding basins etc. in the region similar to the role fulfilled by the Dandenong Valley Authority in its region and the Melbourne & Metropolitan Board of Works in the metropolis.

APPENDIX 1 (contd.)

## 4.6.5 Future Requirements:

There is an urgent need for a reticulated sewerage service to be provided to all major urban centres in the region ie. Healesville, Yarra Glen, Wandin, Seville, Seville East, Woori-Yallock, Launching Place, Yarra Junction, Wesburn, Millgrove, Warburton, Monbulk, Olinda, Menzies Creek and Emerald.

Support for this contention is evidenced by

- "A Sewerage Strategy for the Yarra Valley"
- "Draft State Environment Protection Policy - Waters of the Yarra River and Tributaries"
- The Regional Strategy Plan.

Alternative methods of collection and treatment of effluent would need to be considered for smaller communities eg. Warburton East, Kalorama, The Patch, Kallista, Gembrook, Cockatoo.

Water services would need to be upgraded and reticulated water supplied to towns that are deficient ie. Seville East and Mt. Evelyn.

Improvements to storages would be required in order to provide a reasonable level of "drought-proofing" for the region ie. reduce the impositions of water restrictions in the Gembrook, Cockatoo, Emerald, Woori Yallock and Launching Place areas; combined with an educational and re-use of effluent program.

APPENDIX 1 (contd.)

4.6.6 Membership:

It is suggested that the total membership of the regional authority be 9 persons elected by the ratepayers. The Chairman would be elected from amongst all members and have both a deliberate and casting vote. Terms for all members would be three years, with only three members retiring each year, thus avoiding a complete "spill" of members.

There is a need to retain and develop local knowledge and representation, yet at the same time to be able to plan and take an overview on a regional and statewide basis.

A suggested membership is -

Nine (9) members elected by the sewerage district ratepayers of the Shires of Healesville, Lillydale, Sherbrooke, Upper Yarra and Pakenham. Elections would be held simultaneously and in conjunction with municipal elections.

Representation would be thus:-

Lilydale District	-	3 persons
Mt. Evelyn District	-	2 persons
Monbulk District	-	1 person (Sherbrooke)
Healesville/Yarra Glen District	-	1 person
Upper Yarra District	-	1 person
Gembrook & Cockatoo District	-	1 person (Pakenham)

APPENDIX 1 (contd.)

After the first election, lots would be drawn amongst the membership to determine whose first terms of office would be 1, 2 or 3 years with a proviso that only one Lilydale member would retire each year, thus maintaining consistency. (Likewise both Mt. Evelyn members would not retire the same year.)

#### 4.6.7 Management:

Although many of the management decisions would need to be made by the new organisation, the following matters should be considered by the Committee -

- Location of Head Office either at Lilydale or Woori-Yallock (both will be major treatment sites). The advantage of Lilydale is it is the major population centre, it is a focal point for the valley and there are existing facilities. The advantage of Woori-Yallock is that it would be central for all activities of a regional organisation.

- Branch maintenance depots/offices would need to be operated where facilities exist, to maintain a local presence and for the convenience of the public. Possible sites are Lilydale/Woori Yallock, Healesville and Monbulk.

- Staff of all existing Authorities and Trusts in the region (excluding dual Shire staff) could be absorbed into the new regional organisation and any reductions that may be necessary caused through natural attrition.

## APPENDIX 1 (contd.)

- Qualified staff should be employed in sufficient numbers to provide a base level of service for all functions undertaken by the region. Consultants could be used for exceptional or peak work periods. It is envisaged that not one firm of consultants would be retained.

- Rating of all urban areas should commence immediately to provide sufficient revenue to enable feasibility studies and designs to commence. This would be essential to enable work to proceed and not be a drain on available loan funds, assuming that the present Loan Council limit will be retained. To do this will entail a change of legislation as at present a development rate must be charged against the whole of the District.

4.7 Conclusion - In conclusion, the model of a regional organisation has been developed with a need to retain local knowledge and representation, be able to take a wider perspective of the whole water cycle than the parochial issues, maintain local contact through retaining of some existing offices and being able to develop sufficient funds to provide both an economical and effective service to the public and the Government.

## PART V - OTHER MATTERS -

### 5.1 PHASING IN OF THE NEW BODIES

5.1.1 The Parliamentary Committees (Public Bodies Review) Act 1980 provides inter alia that any body recommended to cease to exist shall on the first anniversary of the day on which the report of the committee is laid before the Parliament cease to exist and the members of the body shall go out of office (Section 48F).

APPENDIX 1 (contd.)

5.1.2 Except in exceptional circumstances, there would need to be some type of transition period between the cessation of an existing body and the absorption of its functions by some other body. Naturally where an existing body will be taking over another, the problems will not be so difficult or complex. However, if the suggestion of a regional organisation for the Yarra Valley area was adopted by the Committee, it would be fool-hardy to cease all existing bodies at midnight one day and expect a new organisation to pick up the reins and start operating the next day as if nothing had occurred.

5.1.3 One solution to this would be to establish a steering committee to plan the merger of all the bodies and the initial formative stages of the regional organisation. This could be achieved by seconding officers from the existing bodies who would be responsible to an Implementation Committee which would comprise representatives from the Public Bodies Review Committee (1), the Ministry of Water Resources (1) and existing local trust and authorities (1).

5.1.4 A problem with the above proposal (5.1.3) is that within the year between when the report is tabled and it becomes law, Parliament MAY legislate to negate the recommendations. The only way to overcome this would be to recommend that the bodies concerned cease to exist after two (2) years and that in the second year, the Implementation Committee be established with the objective of having the new organisation operational on the second anniversary of the tabling of the report.

APPENDIX 1 (contd.)

5.1.5 Much work would need to be carried out in the transition period, as a result of the recommendations of the Committee, examples of which would include:-

- preparations for election of Members
- declaration of urban areas for rating purposes
- preparation of first years budget.

5.1.6 The Committee in its report shall include in its recommendations, the arrangements that should be made in respect of:-

- a) the powers, functions and duties exercised or performed by the body;
- b) the property (if any) owned by the body or in which the body has an interest;
- c) where the body is established by or appointed pursuant to an Act, the repeal or amendment of that Act;
- d) the repeal or amendment of any other enactment referring to the body;
- e) where the body was established by or appointed pursuant to a rule, regulation, by-law, proclamation, order, Order in Council or other instrument of a legislative character, the revocation, amendment or variation thereof;
- f) the revocation, amendment or variation of any other rule, regulation, by-law, proclamation, order, Order in Council or other instrument of a legislative character referring to the body;
- g) the officers and employees of the body;

APPENDIX 1 (contd.)

- h) any contract, agreement or arrangements to which the body is a party;
- i) any legal or other proceedings or claim to which the body is a party or in which the body has an interest; and
- j) the financial and other liabilities and obligations of the body.

Section 48C (8).

## 5.2 THE YEAR OF "LIMBO"

5.2.1 If this was a perfect world, this year of "limbo" (ie. the year between the tabling of the report and the time it becomes law) would not be a problem. However the world is not perfect and people being what they are (opposing change and protecting what they know) it can be confidently predicted that some of those bodies which are recommended to cease to exist will actively lobby parliamentarians to legislate to reverse that situation.

This will not be a good thing for the water industry as it will be a year of misdirected energies and resources that could be better utilised in adjusting to the new structures and legislation and ensuring that it works for the benefit of all Victorians.

Nevertheless, with the goodwill of those persons, both members and staff, who are dedicated in their service to the water industry and who wish to see it improved, the problem should not be as pronounced as it was the industry itself who called for a review and overhaul of the system.



APPENDIX 1 (contd.)

5.2.2 A problem that may occur on the Melbourne fringe is a no-change recommendation pending a review of the functions of the Melbourne & Metropolitan Board of Works. No inquiry into the water industry could be complete without a study of the largest water organisation in Victoria. Similarly fringe authorities should not be suggested for amalgamation with the Board without first having undertaken a detailed review of the Melbourne & Metropolitan Board of Works, its structure, functions and future responsibilities.

Should such a situation arise, at least 3 years would possibly elapse before those fringe authorities would know their future. This would have a devastating effect on staff morale and also prove difficult to recruit staff. Another problem that would be incurred is the deferral of projects and decisions, a situation that is occurring now and should not be further prolonged or the whole system will deteriorate.

PART VI - CONCLUSIONS -

6.1 This submission is intended only as a basis for discussion as the Authority cannot pretend that it knows all of the answers. It is merely putting forward some of the options that are available and the advantages that it sees in respect of its preferred option ie. a total water management authority for the Upper Yarra Valley and Dandenong Ranges region.

APPENDIX 1 (contd.)SEYMOUR WATERWORKS TRUST  
TALLAROOK URBAN DISTRICT  
SEYMOUR SEWERAGE AUTHORITY

This Trust and Authority believe that the problems in the water and wastewater industry are associated with legislative and bureaucratic restraints and not in as much structural problems. Problems associated with loan works programmes loan borrowing, depreciation funding, liquidity holdings, accountability, audit and reporting are a direct result of legislative and administrative restraints placed on Trusts and Authorities by the legislators and the bureaucracy. However in this submission we confine our comments to what structural alterations we consider are necessary to enable the water and wastewater industry manage the growing requirements of Seymour and surrounding districts well into the next century.

We have invited representatives of the Public Bodies Review Committee, namely Mr. Hann and Mr. White to Seymour to reinforce and demonstrate our views on structure with a first hand inspection of the area.

2. Options for Future Water Management(a) Local Structure

The Public Bodies Review Committee tends to favour options L1, L4, L6 or L7 for future water management in areas not covered by regional authorities of type R4, and not directly supplied by the State Rivers and Water Supply Commission.

Seymour Waterworks Trust and Sewerage Authority considers itself falling broadly into the category of option L6 i.e. "the

unification within each Local Government area of all water and sewerage bodies under a single but separate corporate entity." We consider that this means the amalgamation of the Waterworks Trust and Sewerage Authority together with the Water Act and Sewerage Districts Act, encompassing Avenel, Tallarook and other possible water and sewerage structures within the region. This category is acceptable to this Trust and Authority only on the understanding that it does not involve unified administration with the municipality. This recommendation can be achieved by the establishment of the Seymour Water and Wastewater Board, separate from the municipality, to carry out the management of the water and wastewater industry throughout the region.

Alternatively it can be argued that option L1 (i.e. retention of each existing separately constituted water and sewerage authority) is suitable in our instance because of the significant divergence of interest between the municipality and the water and sewerage authority. The municipality has many diverse interests to attend to including the increasing social welfare responsibilities of home help, infant welfare, rehabilitation, libraries, recreation, weights and measure, car parks, roads, parks and gardens, dog control, building supervision etc., which are not akin to water and sewerage. This Trust and Authority considers that water and sewerage are the most vital public utility in any town, and indeed is "second only to the air we breathe." Therefore any lessening of the attention given to water and sewerage matters would only be to the detriment of the development of the town, and to the health and well being of the residents.

APPENDIX 1 (contd.)

The Trust and Authority consider that there are no cost benefits to be gained from any alteration to the present administrative structure in Seymour. It was argued in our original submission that present structure in Seymour offered advantages that most other districts did not offer. Evidence in relation to Structure was presented along five major criteria each of which are restated in the appendix to this submission.

Refer : Appendix A

- (1) General Relationship with Municipality
- (2) Tallarook Water Supply
- (3) Avenel Waterworks Trust
- (4) Puckapunyal Water and Sewerage Systems.
- (5) Other Regional Information

(b) Regional Structure

Option R1, proposes a periodic consultative forum with each defined region among Water and Sewerage Trusts and Authorities and between such authorities and other government agencies particularly regional planning authorities. Option R2 proposes a co-ordination committee for each defined region.

The idea of a consultative forum R1 in order to provide a means of discussion and co-operation has merit. However it may not have enough teeth to ensure that whatever consensus is agreed to is adhered to.

The option R2 of a co-ordinating committee, as long as it had no direct role in the provision of works and services appears to be more obligatory and therefore more favourable to this Trust and Authority.

It is suggested that a co-ordinating committee of water users along the Goulburn River would be ideal members of the committee. This would ensure that what works carried out upstream would not adversely effect the users downstream. Controlled management of the Goulburn River could then be achieved to the greater benefit of all the users.

(c) Advantages of Maintaining Local Authority in Seymour with some degree of Regionalisation.

Seymour Waterworks Trust and Sewerage Authority consider that there are numerous advantages to be gained from regionalisation as outlined in their original submission. These advantages may be summarised as follows:

- \* Sharing of Administrative resources, in particular the use of E.D.P. facilities, for the preparation of rate notices, accounting and other financial and managerial purposes

APPENDIX 1 (contd.)

- \* Enabling the sharing of technical resources such as plant, stores and maintenance services. Seymour Sewerage Authority owns a back hoe, has an extensive range of pipes and fittings in stock, and has maintenance staff on Standby 24 hours a day, seven days a week.
- \* As a group of Authorities the employment of an "in house" Engineer would become feasible.
- \* Physical proximity.
- \* Sharing of common headworks e.g. water supply from Seymour to the surrounding areas has occurred to Tallarook, been requested by Avenel, and considered by Mangalore, Broadford, Kilmore and Wallan. Puckapunyal pumps its water from the Goulburn River at Seymour. Excess treated sewerage effluent which is not used up in plant growth and evaporation from the district gradually finds its way towards the Goulburn River via its tributaries.
- \* Economies of Scale would become more evident as well as saving expensive duplication.
- \* Maintain close links with the community.
- \* Remain responsive to individual needs, circumstances and expectations.
- \* Negate the need for large scale structural change at the Municipal Level if they were to assume control of the Water and Sewerage Industry.
- \* Provide a single point of contact for the district, Seymour Waterworks Trust and Sewerage Authority already share the Municipal Offices.
- \* There already exists a great degree of co-operation and goodwill between the Authorities.
- \* Enable the water and waste water industry to accurately monitor the resources and costs involved in the performance of its function

Too often the water and sewerage rate payers have to bear an increasing disproportion of rate increases in municipal controlled Trusts and Authorities. Therefore the user pays principal can be more accurately determined and implemented.

### 3. Personell

With the amendments to the Water Act and Sewerage Districts Act, whereby developers are required to provide services to subdivisions and permitting the Trust and Authority to construct works at landowners expense, the work load on the administration of the Trust and Authority increased significantly. Specialised administrators who are experienced in water and sewerage matters can provide immediate answers to complex questions of subdividers, contributors to schemes, and ratepayers.

The Trust and Authority have recognised these increasing administration complexities and have taken steps to appoint qualified and experienced personell to oversee the every day running of the affairs of the Trust and Authority. The present Secretary who was appointed in September, 1979, has a University degree, is a qualified Accountant and has other qualifications and experience which enhance the performance of the duties of Secretary. The Administration Officer appointed November 1979 has a background in senior administration and has undertaken staff development courses especially in the computer area since commencing with the Trust and Authority.

The need for specialised experienced and trained staff also extends to the outdoor staff. The Trust and Authority has concieniously adopted a policy of promoting staff development as an essential feature of management. Regular attendance at the training courses conducted by the Ministry of Water Resources in relevant disciplines has been encouraged and indeed made compulsory. Attendance at seminars and other meetings

APPENDIX 1 (contd.)

is encouraged. Staff development meetings take place at regular intervals, and contribution from staff in the form of suggestions etc., are given serious consideration

The professionalism in the present management is a matter which the Public Bodies Review Committee cannot question. It follows therefore that if changes are to be made to the present administration in Seymour that the Public Bodies Review Committee must justify their decision in terms of a cost benefit analysis, which will mean that the present ratepayers will benefit. It is respectfully suggested that there are no benefits to be gained from the amalgamation of the administration with the municipality, and indeed would only mean that the present ratepayers would be disadvantaged.

The recommendations contained in the submission of the Seymour Waterworks Trust and Sewerage Authority in relation to the expansion of the present structure would mean that the benefits of this, specialised, experienced and qualified staff would extend to these outer areas in the region. The idea of a "Water and Waste Water Board" in the region as a separate identity to the municipality should be encouraged as providing the best possible administrative structure and service to the ratepayers in the region.'

Subsequent Events to Original Submission

Events which have occurred subsequent to the original submission include the fact that the Shire of Seymour has formally resolved on March 19, 1981.

"That the Public Bodies Review Committee be advised that in view of the size of the Seymour Shire it is considered more satisfactory



for the Sewerage Authority, Water and River Trusts to be administered as separate units from the municipality." (2)

This decision was reached after the Council considered:-

- (i) The efficiency and effectiveness of existing arrangements for the provision of water and sewerage to country Victoria.
- (ii) the advantages and disadvantages, economic social or otherwise of the amalgamation of water and sewerage functions with municipalities
- (iii) the extent to which engineering aspects of water and sewerage work could effectively be undertaken by municipal engineering departments.

It can therefore be argued that if the Public Bodies Review Committee recommend the amalgamation of the Water and Sewerage bodies within this Municipality then it will effectively be against the wishes of the elected representatives of the ratepayers of Seymour. In terms of a democratically elected Local Government body then any such recommendation will be a further weakening of the basic principles of democracy in Local Government. Unless the Public Bodies Review Committee can submit substantial additional information in terms of cost/benefit analysis to the ratepayers which will alter this view, then it is respectfully suggested that it must concur with the above resolution.

The Seymour Waterworks Trust and Sewerage Authority co-exists separately from Council therefore by positive choice of elected representatives. The co-operation between this office and that of the municipality is prompt, continuous and unquestioned. The preservation of separate interests works to the overall advantage of ratepayers, obtaining the benefits of highly

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(2) Minutes of the Meeting of the Seymour Shire Council held in the Seymour Municipal Chambers on March 10th, 1981.

Folio 58.

APPENDIX 1 (contd.)

specialised service organisations, each able to maximise efficiency by its limited area of responsibility. Any reduction in this specialised structure would result in less service to ratepayers and reduced value for their outlay.

At the meeting of the Seymour Waterworks Trust held on March 16th, 1981, the Trust accepted a tender for the sum of \$321,966 for the supply of water treatment equipment to augment and extend the existing water treatment plant at Seymour. The Trust has recently called tenders for the civil works component of the extension to the water treatment plant, the estimated cost of which is \$226,000. In order to expedite the works the Trust agreed at a deputation to S.R. & W.S.C. to finance part of the extensions by unsubsidised interest loans to the order of \$200,000. From this it can be seen that this Trust and Authority is prepared to improve its works when the need arises and not sit back and wait for funds to be made available.

## 5. Conclusion

The Seymour Waterworks Trust and Sewerage Authority together with the Shire of Seymour believe that the interest of the community are best served by a separate structure to manage the water and wastewater industry within the region. The amalgamation of the Waterworks Trust and Sewerage Authority together with other regional structures to form the Seymour Water and Wastewater Board is in our opinion the most suitable option open to the Public Bodies Review Committee if any re structure in the region is to take place.

APPENDIX 1 (contd.)

SHIRE OF RODNEY

Gentlemen,

Council offers the following submission to the Public Bodies Review Committee for its consideration when determining the future of Waterworks Trusts and Sewerage Authorities.

The two areas to be discussed in this submission are as follows:-

- (a) Relocation of the administration of the Tatura Waterworks Trust and Tatura Sewerage Authority to the Offices of the Shire of Rodney with joint use of office facilities, equipment and personnel, but to exist as independent bodies, and
- (b) The retention by the Tatura Waterworks Trust and Tatura Sewerage Authority of their independent status but to be administered by Officers of the municipality of the Shire of Rodney.

\* \* \* \* \*

- (a) Relocation of the administration of the Tatura Waterworks Trust and Tatura Sewerage Authority to the Offices of the Shire of Rodney with joint use of office facilities, equipment and personnel, but to exist as independent bodies.

The administration of the Shire and of the Water and Sewerage Authorities would remain as independent entities with the Council providing, at an agreed cost, office space, computer facilities, equipment and personnel to assist the running of the Trust and Authority.

In this manner, the burden of office administration costs would be spread over both organisations, by the encompassment of the Trust and Authority within the Municipal Office Complex, and an effective reduction in cost of service delivery to residents would be experienced.

This method would obviate the necessity of an office assistant to the Secretary of the Trust and Authority as the various accounting tasks would be undertaken by Council's existing staff and in all cases the water and sewerage functions would have the attention of trained administrative staff.

APPENDIX 1 (contd.)

It would be necessary for the Trust and Authority to have an additional terminal installed in order that information be obtained from the Computer. This terminal would cost in the vicinity of \$3,500 and would be programmed in order that the Trust Secretary would be able to enquire on matters pertaining to the operation of the bodies, such as wages and salaries, rating, ledgers, etc.

The Secretary of the Trust and Authority would prepare his own Rate Certificates, Code Pay Roll and Plant Hire sheets and accounts to the point of input to the Computer and undertake the normal secretarial work with the running of the bodies. Council staff would prepare Rate Notices for the bodies and rates would be collected by the Staff of the Municipality. The maintenance of ledgers would be undertaken via the creditors run of the computer along with payroll costing being undertaken on such facility.

The water and sewerage authorities would be requested to meet at least the equivalent of one member of council's administrative staff for one half of his/her time, thus a saving would be obtained. Estimated saving to Trust and Authority: One-half of one staff member, (i.e. approximately \$5,500 plus overheads.)

The Trust and Authority would have its own telephone connection and pay all its own calls. Printing, stationery, postage and advertising for the activities of the bodies would be the responsibility of the Trust Secretary.

The charge to the Waterworks Trust and Sewerage Authority would be 12½% of office cleaning, lighting and airconditioning, maintenance of office equipment, computer replacement fund and maintenance of computer.

Estimated Expenditure on Council Administration for 1980/81

Office Cleaning	\$ 4,600
Lighting and Airconditioning	7,100
Maintenance of Office Equipment	1,500
	<u>          </u>
	\$13,200

Plus Estimated Costs 1981/82

Computer Replacement Fund	10,000
Maintenance of Computer (exclusive of Trust Terminal)	5,000
	<u>          </u>
	\$28,200
	<u>          </u>

## APPENDIX 1 (contd.)

This method would obviate the necessity of an office assistant to the Secretary of the Trust and Authority as the various accounting tasks would be undertaken by Council's existing staff and in all cases the water and sewerage functions would have the attention of trained administrative staff.

At the present time, Council's Valuer returns a Valuation which is then forwarded to the Waterworks and Sewerage Bodies which necessitates both sets of books being amended by the new valuation and a gross duplication of tasks is experienced.

It is pointed out that under existing arrangements, Council is bearing the full cost of such valuations. Council will review this matter in the near future and the Waterworks Trust and Sewerage Authority may be requested to pay a proportion of such cost of valuations.

The function of the Municipal Offices as a "one stop shop" has benefits which cannot be assessed in financial terms. It would be most convenient for persons to be able to have all their queries in respect of services provided, attended to at the one office. It would also assist the administration of the Council and the Water and Sewerage functions in that all necessary detail would be available in respect of existing service lines, pipes, etc.

Presently Council has excellent liaison with the Water and Sewerage Trust, but the action of Council Staff visiting the Water and Sewerage Trust Offices is time consuming and thus further savings would be made.

Council would not be required to extend its existing offices to cope with the relocation of Waterworks Trust and Sewerage Authority staff. It would be practical for the present Secretary of the bodies to occupy the By-Laws Officer's Office, with the By-Laws Officer being relocated to the Drawing Office, and the present Works Superintendent using the old Office at the Water Tower.

It must be remembered that any proposed relocation to the Shire Offices of the Waterworks Trust and Sewerage Authority Staff would be subject to agreement of the proposal by Council.

APPENDIX 1 (contd.)SUMMARY OF COST ANALYSIS  
WITH PROPOSED RELOCATION OF STAFF

Saving on Staff (one-half person)	\$5,500	
Overheads (16%)	880	
Income from Office Lease	<u>3,500</u>	
Total Savings		\$9,880
Less additional Expenditure:-		
Computer Terminal ( <u>once only</u> )	3,500	
Annual Maintenance of Terminal	500	
Proportion Council Administration Costs	<u>3,525</u>	<u>7,525</u>
Total savings to Water & Sewerage Bodies		<u>\$2,355</u>

It must be pointed out that Council has been unable to determine current annual Office Expenses (electricity, insurances, etc.) and this would be additional to the \$2,355 detailed above.

In addition a cost saving to the community in service delivery is obtained by Council recouping staff wages and overheads (\$6,380) and proportion of office administration costs (\$3,525).

Total community saving in money terms would be in excess of \$13,000.

However this proposition does not achieve a great deal of benefit to all bodies.

APPENDIX 1 (contd.)

- (b) The retention by the Tatura Waterworks Trust and Tatura Sewerage Authority of their independent status but to be administered by Officers of the Municipality of the Shire of Rodney.

It has been advocated on many occasions that where local water and sewerage authorities are located within a municipal district that there should be one local administration and this should be the municipal council.

Integration of water and sewerage services for the Township of Tatura, and Merrigum water supply, with the Shire of Rodney, would produce a more viable unit, as the burden of administration costs would be spread over a larger organisation. Cost of service delivery to residents would be greatly reduced.

The emolument which would be paid to the Shire Engineer and Shire Secretary, should the administration of the Water and Sewerage bodies transfer to the municipality, would be in the vicinity of \$3,500 to \$4,000 per annum, each, thus a large saving of existing secretarial salaries would be forthcoming.

It should be remembered that there is no award provision for payment to Engineers providing water and sewerage services, however, Water and Sewerage Bodies normally agree on a salary equivalent to that as set down for the Secretary.

Council's existing staff would undertake the accounting functions for the Water and Sewerage Bodies, and it would be requested that two-thirds of one staff member's time be paid by the bodies.

Present costs of salaries to the Secretary and office assistant of the bodies is \$28,500.

APPENDIX 1 (contd.)

Proposed costs associated with administrative staff:

Shire Secretary & Shire Engineer	\$ 7,500
Rate Collector	1,750
Deputy Shire Sec. & Deputy Shire Eng. (in absence of Secretary and Engineer on Annual Leave)	625
Office Staff (two-thirds one person)	7,400
TOTAL COST	\$17,275

The above proposal provides the water and sewerage bodies with trained administrative staff and support staff at all times throughout the year, thus alleviating the present deficiency when the Secretary or Office Assistant is on annual leave. This system would be a bonus to the Water and Sewerage Bodies.

The Public Bodies Review Committee's Third Report to the Parliament entitled "Audit and Reporting of Public Bodies" was commissioned due to the knowledge of the poor audit and reporting standards of the water industry. The study undertaken by the consultants Touche Ross Services Pty. has confirmed that a serious breakdown exists in accountability of such bodies. It is purported that the above proposal would greatly improve accounting methods.

Additional advantages which would be gained would be that the preparation of one rate notice for the three services could be instituted, subsequent to the alteration of the financial year of the Water and Sewerage bodies to correspond with the Council year, thus assisting ratepayers with the payment of rates and charges to only one authority. Similarly, rate certificates would be able to be prepared on a joint certificate.

Further utilization of Council staff and facilities would be available:

- (a) Council Staff could assist in times of necessity with Water and Sewerage functions along with plant and materials.
- (b) Use of Council's depot facilities for servicing of plant and equipment, (Council has its own mechanics).



APPENDIX 1 (contd.)

- (c) Employment of additional staff such as electricians, plumbers etc. would be of great benefit to all bodies.
- (d) The personnel employed by the Water and Sewerage bodies could be employed on Council functions at times when not engaged on specific tasks relating to Water and Sewerage, thus making full use of personnel.
- (e) Outdoor supervisory staff could be more effectively utilized by inter-relating them rather than having them confined to their own tasks.
- (f) Improved back-up facilities for outdoor staff members when on leave.
- (g) Council could make fuel available at a lower cost.

Telephone, postage, advertising, printing and stationery costs would be allocated to the bodies on an agreed basis and should not vary to any degree of significance through integration of service provision, apart from the rate notices and rate certificates which would be printed at a lesser cost.

As detailed in section (a) of this report the costs of administration to be apportioned to the Trust and Authority would be \$3,525.

Details of improved methods of accounting are also outlined in section (a) of the report.

Accommodation for the present Works Superintendent would be at the Council Depot, with Office facilities in the Drawing Office of the Shire complex.

APPENDIX 1 (contd.)SUMMARY OF COST ANALYSIS WITH ADMINISTRATION OF THE  
BODIES UNDERTAKEN BY COUNCIL OFFICERS

Saving on Staff (minimum)	\$11,225	
Overheads (16%)	1,800	
Income from Office Lease	3,500	
Saving on Secretarial Vehicle (Changeover & Running Expenses - Annual Estimate)	2,000	
	<hr/>	\$18,525
Less additional expenditure Proportion Council Administration Costs		3,525
		<hr/>
	TOTAL SAVING	\$15,000
		<hr/> <hr/>

Again current expenses of the Water and Sewerage Offices have not been assessed and this would be additional to the \$15,000 detailed above.

In addition a further cost saving to the community in service delivery is obtained by Council recouping staff wages and overheads (\$8,600) and proportion of office administration costs (\$3,525).

It is believed that to attract major investment to this area that a unified body is imperative. A barrier to any such development is met when prospective investors have to deal with a number of different bodies.

Total community saving in money terms under this proposal would be in excess of \$28,000.

Council is agreeable to the administration of the Water and Sewerage bodies being undertaken by Council Officers, if so requested.

APPENDIX 1 (contd.)

Merrigum Waterworks Trust

The administration of the Merrigum Waterworks Trust due to its low volume of work would impose no problem to Council.

Mooroopna Waterworks Trust & Mooroopna Sewerage Authority

Council is of firm belief that the Mooroopna Bodies are viable operations due to the magnitude of the town and its location. As the township is located 10 miles from the Tatura township, Council believes local administration of the bodies is essential.

Council further believes that it may be able to assist the Trust and Authority with the preparation of rate notices on Council's computer system.

Broad Rationalisation of Waterworks Trusts & Sewerage Authorities

Council believes that should there be recommendations for the broad rationalisation of Waterworks Trusts and Sewerage Authorities throughout Victoria, then any such rationalisation should be on an existing municipal basis.

APPENDIX 2.

SELECTED RESPONSES OF REGIONAL AUTHORITIES

TO THE COMMITTEE'S SECOND REPORT

ON

FUTURE STRUCTURES FOR WATER MANAGEMENT

PART I : REGIONAL AND LOCAL ADMINISTRATION

Comments on the Public Bodies Review Committee Report on Structure of Local Water and Sewerage Authorities in Victoria.

1. The Commissioners and Authority support the Committee's approach to the concept of one Authority in each area for the control of the complete water cycle and specialisation of Authorities for this function.
2. The Commissioners (and Authority) are now operating a mixture of R1, R3 and R4 Systems.

In addition to serving the urban parts of the City of Ballarat, Borough of Sebastopol, Shires of Ballarat, Bungaree, Grenville and Buninyong, they supply water to the Buninyong, Bungaree-Wallace, Rokewood-Corindhap, Smythesdale and Linton Water Trusts.

They provide Laboratory Services to the following:

Anglesea Sewerage Authority  
Avoca and District Bush Nursing Hospital  
Avoca Shire  
Ararat Sewerage Authority  
Ballan Shire  
Ballarat Shire  
Beaufort Sewerage Authority  
Colac Sewerage Authority  
Colac Waterworks Trust  
Country Fire Authority (Ballarat)  
Horsham Sewerage Authority  
Horsham City Council  
Lismore and District Hospital  
Lorne Sewerage Authority  
Skipton and District Memorial Hospital  
Skipton Waterworks Trust  
Stawell Sewerage Authority  
West Moorabool Water Board

They provide Engineering Services to:

- a) The West Moorabool Water Board
- b) The Buninyong Water Trust

They assist Water Supply maintenance at Learmonth, Bungaree-Wallace and Buninyong on a fairly frequent basis and to Rokewood, Linton and Smythesdale Trusts in extreme emergencies.

They assist Daylesford and Ballan with plumbing inspection and house connection design services pending commencement of their Sewerage Authorities.

Such activities extend to areas beyond the range of responsibility that is practical in an "R4" System.

The Commissioners and the Authority are prepared to extend these services to other Water and Sewerage Authorities where requested, and would see advantages in the consultation proposals of the "R1" System.

3. The areas surrounding Ballarat which are critical to its water supply and sewerage operations have been shown on Drawing No. 1. It would accept responsibilities beyond this area if the Committee sees fit.

APPENDIX 2 (contd.)

Ballarat desires more effective and responsible roles in the protection of its catchments and for planning matters both within the Catchments and the Areas to be serviced. It considers that it is at present only legally entitled to "Object" to other bodies proposals in these matters and that limitation to this negative role is counter productive.

Ballarat considers that through proper measures in these fields, considerable benefits can be conferred on the Community.

It therefore recommends:

- a) That it be given power to make by-laws for protection of the streams within the catchments, including the methods of transporting contaminating substances through the water supply catchment;
- b) The S.R. & W.S.C. be restrained from approving any more diversions of water (surface or below ground) from the water supply catchments, without the concurrence of The Ballarat Water Commissioners.

That The Ballarat Water Commissioners and Sewerage Authority be appointed agents for the E.P.A. for inspecting, sampling and licencing of discharges in both the Water Supply Catchments and the Burrumbeet and Yarowee catchments shown on Drawing No. 1, and be given the responsibility of ensuring the streams are in acceptable state.

That The Ballarat Sewerage Authority be granted special funds for the continuous study of the algae phenomena in Lake Burrumbeet and Lake Learmonth and for preparation of plans for the necessary works to restore them to an acceptable state.

That the Sewerage Act be amended to provide for special funding which should not be chargeable to the rate-payers of The Ballarat Sewerage Authority for the construction by the Authority of the necessary works (other than sewerage treatment works the cost of which should continue to be borne by the Authority).

It should be noted that there does not appear to be any Department nor Authority which at present has a responsibility for undertaking works to rectify the situation at Lake Burrumbeet.

That the Town Planning Act be amended to prevent "bypassing" of Water and Sewerage Authorities by requiring Councils to obtain written approvals from Water and Sewerage Authorities to any changes or permits granted by Councils and that where such approvals are not available, the Authorities are to be deemed to have formally objected.

The Commissioners and the Authority will accept any additional R4 type functions that may be recommended by the Committee, but point out that these recommendations must consider the following matters:

- a) Representation
- b) Financial adjustments and provisions
- c) Recognition that distances will diminish physical efficiency and that 40 to 50 kilometres would be the practical limitation of range for R4 functions.

As the Committee has specifically referred to an R4 type organisation for Ballarat, it is desired to point out that only some Water Authorities lie wholly within Municipalities represented by The Ballarat Water Commissioners.

They are:

Buninyong  
Bungaree-Wallace  
Learmonth  
Scarsdale-Smythesdale

Portion of Linton Waterworks District lies in the Shire of Ripon and portion of Rokewood-Corindhap District is within the Shire of Leigh.

Should your Committee consider Ballarat being responsible for any additional areas it is recommended that it closely examines the matter of representation.

Ballarat has found representatives from Councils provide good liaison with those Councils.

However, because of the large number of Councils surrounding Ballarat, there would have to be a considerable increase in representation if the extent of its responsibilities is extended to include all the Water Authorities shown on Map 2, e.g.

Gordon-Mt. Egerton	- Representatives from Shire Ballan
Rokewood	- Representatives from Shire Leigh
Linton	- Representatives from Shire Ripon
Creswick	- Representatives from Shire Creswick
Waubra	- Representatives from Shire Lexton
Bannockburn	- Representatives from Shire Bannockburn
Daylesford	- Representatives from Shire Daylesford and Glenlyon

It is considered that some Shires with very small interests in a Regional Water Authority could share representation, as has been previously practised at Ballarat. However, more than 12 members would probably be impractical.

#### FINANCIAL ADJUSTMENTS AND PROVISIONS

Whilst Ballarat has comparatively low rates for water supply and sewerage, it has old over-loaded systems and is embarking on extensive augmentation schemes which at current interest rates are expected to elevate water and sewer rates substantially.

Hence, any additional responsibilities could not be accepted unless there are corresponding additional sources of income, e.g. sewerage ratepayers cannot be expected to pay for river improvement or main drainage works and a separate rate would need to be introduced.

Some of the surrounding Water Trusts still have deferred capital liability and special arrangements will be necessary before they could be integrated with Ballarat. In addition, there could be other requirements for bringing their works up to a comparable standard with those of Ballarat.

If amalgamation of The Ballarat Water Commissioners with The Ballarat Sewerage Authority was to result in the loss of loan allocation (e.g. at present \$ 1.2 million per year for each Authority) there will have to be opposition.

In the broader "R4" concept, Ballarat could accept responsibility for River Improvement as well as for stream quality outlined in Section 3 above for the Yarrowee Creek, the Burrumbeet Creek and the Lake Burrumbeet Catchment.

For main drainage it considers the M.M.B.W. example as appropriate.

- i.e. (a) Drains which serve two or more Municipalities may be declared Main Drains.
- (b) Drains which lie in one Municipality and drain more than 100 hectares may be taken over by arrangement with the Municipality.

Ballarat would accept responsibility for septic tanks within its designated urban areas if the Committee saw fit.

Ballarat requests the Committee to take into consideration the likely future developments in the area when considering a form of structure in this region.

Ballarat shares the Lal Lal Reservoir with Geelong and the formula for sharing provides for Ballarat to use up to 2/3rds of the output. Thereafter it may, with Governor-in-Council sanction, obtain a large share, but must reimburse Geelong for 'part of the amount contributed by them pursuant to the provisions of the Act', see Clause 26 (2) (b).

On present growth it appears that there will be surplus capacity until 1986-87 and thereafter Geelong will be required to reduce its consumption from this source. Ballarat consumption will amount to about 2/3rd of the reservoir's capacity shortly after the turn of the Century and grow to the full capacity about the year 2030. Hence, Ballarat expects to ultimately be responsible for the Lal Lal Reservoir.

There is obviously a need to rationalise the ultimate allocation of Water in the Barwon Catchment and this will involve Geelong, Colac and Warrnambool as well as Ballarat. If Geelong were to be assured of an adequate ultimate supply from the Gellibrand system it might be possible to wind up the West Moorabool Water Board and thus save the costs of its administration.

The extension of supplies through rural areas appears likely to continue although to a lesser degree than in the last two decades as most urban communities are already supplied. However, increasing demands on existing supplies can be expected.

The township of Elaine is expected to be supplied by an extension from Ballarat's existing Bungal Rising Main and it appears probable the supply to the Bannockburn Trust could eventually come from an extension of that system. This will be less wasteful and of better quality than the present supply.

Whilst Gordon and Mt. Egerton are developing a supply from bores, they could have been supplied from the Ballarat System by an off take at Wallace, but the subsidy formula swing the economics in favour of the local bores.

It is therefore considered that the practice of grants to new Authorities should be extended to grants for existing Authorities when extending supplies to new areas and thus it would obviate the need for new Authorities.

Sewerage of Creswick has been substantially completed. At Daylesford, work has commenced and at Buninyong and Ballan, proposals are well advanced. A need for sewerage at Learmonth is apparent. It can be expected that over the next fifty years, this service will be provided in other small communities.

While these could be drawn into an R4 organisation, it is considered that the problems of direct representation (already very apparent at Creswick) inhibit a wholesale adoption of R4 and that while there are so many individual municipalities in the surrounding region, there should be greater efforts to develop the R1 and R2 consultative approach for sharing of the specialist resources which are and will be available at Ballarat.



11. RIVER CATCHMENT RESPONSIBILITIES

Ballarat is concerned with the increasing demands being made on the available water resources (both surface and underground) particularly in the western half of Victoria and the problems of pollution caused by increasing populations.

It recognises that flood control, water quality protection and allocation of Water Resources are interdependent and best approached on a River Catchment basis and such a basis can involve adjacent catchments. e.g. The Barwon and Gellibrand Rivers.

Currently, most of these responsibilities are vested in Central Government Agencies which are remote from the problems, limited in resources and accessibility but very expensive in their operations. They are also unrepresentative of the communities affected.

It sees these responsibilities as properly those of a modified R3 type of Authority as proposed by the Committee (tentatively called a River Council), but with the following modifications:

- a) The River Council should function, not as a second tier "over" Local and Regional Authorities, but beside them, being responsible for the catchment wide issues of pollution, flooding, erosion and allocation of water resources.
- b) While it could be responsible for a storage intended for flood prevention or river control, it is considered that headworks for water supply and disposal systems should be the responsibility of the Local or Regional (R4) Authorities.

It appears that the R3 concept is based on the Latrobe Valley situation. In that case the Moondara Reservoir owned by the L.V.W. & S.B. serves as a headworks storage for separate Water Trusts at Morwell and Traralgon. The Latrobe Valley Outfall Sewer serves as a disposal system for both Sewerage Authorities. It is considered that this is inconsistent with the principle of a single Authority controlling the whole water cycle and not suitable for the Western Victorian situation.

It is considered that River Councils should be drawn from the Municipal Councils in the Catchment or consist of Government representatives, with some representation from Regional and Local Water and Sewerage Authorities. They should primarily be responsible for allocating water resources, both surface and underground within a catchment.

They would be responsible for vast areas which could include several adjacent rivers or parts of very large rivers such as the Goulburn.

Funding could be derived from licences, diversion fees, State allocation and rates on land.

If a River Council were to be formed for the Barwon River some of the R4 functions suggested for Ballarat (such as river improvement) could reside with the River Council. Initially, such a River Council could find it expedient to delegate some local work to an R4 type organisation at Ballarat although eventually it is considered a River Council could be self sufficient.

APPENDIX 2 (contd.)SUMMARY

Ballarat considers that the need for rationalisation can be achieved by:

an R4 Type REGION OF RESPONSIBILITY  
 which can be represented by The Ballarat Water Commissioners  
 surrounded by

an R2 Type REGION OF CONSULTATION  
 to ensure reasonable uniformity of practice in adjoining  
 areas extending to Beaufort, Ballan, Daylesford, etc.  
 with

an R3 Type REGION OF INTERDEPENDENCE  
 for the Barwon Gellibrand Catchment  
 with

a REGION OF SERVICE  
 for Laboratory services to Western Victoria.

GEEELONG WATERWORKS AND SEWERAGE TRUST.

Following the Geelong Waterworks and Sewerage Trust's submission to the Public Bodies Review Committee in September 1980, the Committee sought the Trust's views as to how water management responsibilities within the Barwon Region may be rationalised.

This report therefore presents a broad overview of the existing situation and sets forth a rationale for achieving an effective framework for future regional management of the water cycle.

Present water management in and adjacent to the Barwon Region is fragmented and lacks effective co-ordination. Water supply, sewerage, river management and main drainage responsibilities are divided amongst more than 30 local Authorities, the majority of which are concerned with water supply or sewerage. A number of Government Departments also carry out certain statutory water management functions, mainly allied to catchment protection and river management.

Heavy demands will be placed on a number of these Authorities in the future to adequately service projected urban and industrial growth and to protect the Region's catchments and waterways.

Major new water resources will need to be developed, sewerage services extended and far more attention paid to matters of catchment protection and river management, where serious conflicts already exist.

At present, the level of capital funding and financial assistance available to the respective bodies varies considerably, resulting in some inequity in the average annual payments made by ratepayers of adjacent Authorities for the receipt of similar services.

The Trust considers that rationalisation and integration of water management functions is essential throughout the Water Industry, in order to effectively deal with the mounting complexities of such matters in the future and to achieve increased efficiency and economy in the provision of these essential public services.

APPENDIX 2 (contd.)

Basically, the Trust sees this enhancement of management occurring in the Barwon Region through the establishment of a strong multi-functional Regional Water Management Authority with a mandate covering the area shown on *Plan No. 6*.

As the major water supply and sewerage body in the Region, the Trust considers that it has sufficient technical and administrative expertise, regional infrastructure and local knowledge to form the nucleus of such an Authority.

From an operational point of view, the Trust considers that the first logical step in the rationalising process would be for it to be given control of the *Bellarine Water Supply System*. With that merger, the Trust would have responsibility for the supply of water to over 75,000 properties, representing the vast majority of lands currently serviced with water in the Region.

Little difficulty would then be anticipated for the Trust to also absorb the functions of the *Forrest, Winchelsea and Bannockburn District Waterworks Trusts*, all of which are considered to play an integral part in the overall retailing of water throughout the Region.

From that regional base, it would be a relatively easy transition to accept further responsibility for sewerage by appropriate mergers with the *Bellarine, Queenscliffe, Barwon Heads, Torquay, Anglesea and Winchelsea Sewerage Authorities*.

At a later stage, main drainage and river management functions could also be undertaken. In the case of the latter, an in-depth study is needed by Government to resolve appropriate State-wide policies on methods of financing and management arrangements.

The approach suggested by the Trust would be for specialist Catchment Authorities to be established having responsibility for the co-ordination of such matters as land use planning, soil conservation, forest management and fisheries and wildlife conservation. Specific river management functions including river improvement, flood plain management, arterial drainage, pollution control, stream gauging and licensing of diversions from streams within the area shown on *Plan No. 6* could then be delegated to the Regional Water Management Authority.

APPENDIX 2 (contd.)

In order to deal effectively with matters that transcend the Regional boundary shown on *Plan No. 6*, the creation of similar kindred Authorities in abutting Regions would be an important feature of any restructuring.

To provide effective backing to the management structure suggested, a consolidated Regional Act would be required. Initially incorporating water supply and sewerage powers, this Act would need to be promulgated in stages to suit the implementation of the various management functions.

In that regard, the Trust considers it preferable for the rationalisation of responsibilities to be a process of gradual change involving suitably staged mergers of Authorities and functions rather than as a sudden across-the-board change in structure.

The Commissioners of the Trust have resolved that any proposed merger of other Authorities with the Trust should only proceed if it can be demonstrated that the Geelong ratepayers would not be disadvantaged in that process.

Accordingly, it would be the Trust's intention to initially levy differential rates and charges within the various Districts of the Region. Appropriate amendment of the Trust's Act would be needed to implement such a procedure. The ultimate objective would then be to equalise rate payments throughout the Region by suitable amalgamation of Districts when rates and charges have some probability of continued equality.

The long-term advantages which would flow to the Barwon Regional community from the integration of water management functions include:

- \* enhanced ability to formulate goals and objectives having regard to the relative priorities of competing demands.
- \* more effective consultation with planning bodies and Government Agencies.

APPENDIX 2 (contd.)

- \* the implementation of uniform policies which would assist in achieving balanced development within the Region.
- \* the broader financial base of a Regional Authority would facilitate the equalisation of consumer charges and lead to more effective utilisation of financial resources.
- \* economies of scale would be achieved through the provision of a greater depth of technical and administrative expertise and operational resources.

In essence, water management in the Barwon Region at present lacks cohesion and is poorly structured to meet the challenges confronting the Water Industry in all phases of the water cycle.

The Geelong Waterworks and Sewerage Trust therefore considers that the efficient execution of water management functions in this Region can best be achieved through the establishment of a Regional Water Management Authority with sound legislative backing and an adequate depth of expertise and resources.

In that way, the foundation could be laid for a structure capable of economically and effectively serving the water supply, sewerage, main drainage and river management needs of the community into the 21st Century.

## APPENDIX 2 (contd.)

### LATROBE VALLEY WATER AND SEWERAGE BOARD

Following the invitation extended in the Second Report of the Public Bodies Review Committee, the Latrobe Valley Water and Sewerage Board submits for further consideration outlines of the arrangements the Board considers would be appropriate for the Gippsland region within the framework of the philosophy and proposals of the Committee.

While the Board notes from the Second Report that in the Committee's view (page 22) changes at central, regional, and local levels are required; the Board as yet has not had the benefit of considering the Committee's proposals for administrative arrangements at the central level.

The Board has assumed there will be a State Agency with responsibilities for formulating State policies and priorities. This Agency (Ministry/Commission/Department) will co-ordinate the water industry and monitor attainment towards Government adopted policies and priorities.

### DISTRICT AND REGIONAL BOUNDARIES

In the Investigation Report on the Performance and Structure of Local Water and Sewerage Authorities in Victoria, the Consultants (page 5) suggest the basis for the establishment of a region might be:

- . Physical resources (a river basin or catchment area).
- . Population and community interest.
- . Economic significance.

These comprise an abridged version of the criteria used by the Government in 1972 to establish regional boundaries for Government activities which were:-

- (i) The economic, social, administrative and physical attributes of a region should display the maximum possible unity;

APPENDIX 2 (contd.)

- (ii) a region should embrace the full extent of known problems or resources of planning significance;
- (iii) the size and distribution of population in a region should be such that a regional planning programme can be supported and planning goals realised, and
- (iv) the political organisation and physical dimension of a region should be consistent with the efficient operation of a regional organisation.

The Government approved a pattern of five districts, excluding the Port Phillip District, divided into 10 regions. The Gippsland District was split into the Central and East Gippsland regions.

Within the Gippsland District, for which the district boundary and the overall water catchment boundary are fairly closely aligned, the river basins fall into three area groupings.

The first group encompasses the East Gippsland rivers (Genoa, Cann, Bemm, Brodribb, Snowy and Boggy) which all separately discharge to Bass Strait. The three most significant of these rivers are Genoa, Cann and Snowy which have their headwaters outside the State of Victoria and therefore pose a common problem for water resource management in this area. Other common factors in these river basins are rugged terrain, sparse population (total area 1976 Census about 10,500 inhabitants), and an economy based almost entirely on timber resources, agriculture and coastal tourism.

The second group comprises the rivers discharging to the Gippsland Lakes (Latrobe, Thomson, Macalister, Avon, Mitchell, Nicholson and Tambo). These can be divided into two sub-groupings comprising the rivers which converge into the Lower Latrobe River (Latrobe, Thomson and Macalister) and the Avon which discharge into Lake Wellington; and the other three rivers (Mitchell, Nicholson and Tambo) which discharge to Lake King.

Lake Wellington is reported in Ministry of Conservation studies to be significantly degraded in water quality and aquatic ecology and its restoration would be heavily dependent on the co-ordinated management of the input streams. The total Gippsland Lakes system is an irreplaceable tourism and recreational asset for both Gippsland and Melbourne and comprehensive water resource management will be vital for the future well-being of these lakes. In a conceptual report "Latrobe Valley Power Station Siting" the State Electricity Commission of Victoria (SECV) schedules the Latrobe, Macalister, Avon and Mitchell rivers as surface water resources which could be considered as possible sources of water supply for power station usage. Water needs of other industries based on the Gippsland brown coal resource also may require harvesting and conveyance of waters from these rivers.



The final group comprises the relatively short rivers and creeks which flow southward to the sea from the Strezlecki Divide. The brown coal resource in South Gippsland forms a common bond with the Latrobe Valley and similar problems affecting water resource management will arise. Saline wastewaters from the Latrobe Valley will need to be conveyed through this area and discharged to the ocean. A combination of the second and third area groups therefore may be appropriate for water resource management.

Further division of these three area groupings down to single river basins would result in a proliferation of authorities with jurisdiction over narrow strips each containing water resources which must be collectively assessed and managed in the best interests of Gippsland and of the State. It is an option which has many detrimental and no redeeming features.

Weighed against the criteria of physical attributes, the Gippsland District divides readily into three areas. However, resources of planning significance brown coal and water produce a common interest between areas 2 and 3; although there is a major physical barrier, the Strezlecki Range, which to date has substantially limited significant economic, social and administrative interactions between these two areas. There are some indications that development of the Gelliondale coal fields may involve finding solutions to technical problems which will be unique to these fields and also the environmental constraints may be significantly different from those applicable to the other coal fields. A minor adjustment to the physical catchment boundary may be appropriate for water resources management.

The Board recommends that the areas adopted for water resources management in Gippsland should be as shown on the accompanying map No. WRC1 with boundaries as shown in green if the physical attribute is adopted as the major criterion. Alternatively the Board would recommend the boundaries shown in red if the need to accord with municipal boundaries is seen as the dominant criterion. The areas based on local government boundaries are listed by City and Shire in Appendix 1.

## CORPORATE IDENTITY

The Board favours retention of corporate entities for the water industry separate from either municipal government, regional planning authorities or development commissions so as to enable the line of responsibility and accountability from and to the Minister of Water Resources to remain clearly defined. Unification with municipal government at local level could confuse this accountability and possibly also funding arrangements. Additionally, the

APPENDIX 2 (contd.)

State Government has endorsed increased local municipal government participation in provision of welfare and health services, and information systems amongst others. It may be more effective if municipal government were to devote its resources to responding to these new challenges without the need to grapple with the specialist problems of the water industry.

Retention of separate corporate identity could help to maintain the flexibility within the industry, the need for which was emphasised strongly by the Consultants. It is of interest to note that in some other States, whilst local schemes were the responsibility of municipal government, as these schemes were brought into regional arrangements the responsibility for the regional schemes was carried by the water industry.

At regional level where regional planning authorities or development commissions exist or are contemplated, a more effective system of check and balances is likely to evolve when these bodies and regional water resource management authorities co-exist as complementary organisations with appropriate consultative mechanisms. Unification of planning/development functions with water resources management functions provides greater potential for development of bureaucratic monoliths.

The water industry is complex and in itself requires an extensive range of expertise - civil, mechanical, electrical, chemical and communications engineering; biology and bacteriology at least from the applied sciences; plus economic and financial skills - particularly if it is to adequately discharge its responsibilities in catchment management. The formulation of policy, the setting of priority and overseeing of this wide spectrum of activities are complex tasks of considerable magnitude which warrant undivided attention. Thus the Board does not favour Options L4, L5 and L7.

## DEVELOPMENT AND INTERDEPENDENCY - GIPPSLAND DISTRICT

Within the areas recommended by the Board for water resources management the levels of development and interdependency vary substantially.

AREA 1. In Area 1 there is little development and there are no interdependencies between river basins. On individual rivers there is some interdependency between catchment use, water quality and river management. However, the Board considers it is desirable that the concept of a regional approach should be developed and would favour an R2 option coming into being relatively early. The

## APPENDIX 2 (contd.)

co-ordinating committee, and particularly a resident non-officer chairman, would provide the forum and focus for community participation and regional representation.

Within the Shire of Orbost, adoption of Option L6 to create a single but separate corporate entity for river and flood plain management, water and sewerage works would be feasible and could create a mechanism to co-ordinate priorities with local government's development proposals. Possibly for a remote centre such as Mallacoota the water authority would be assisted by establishment of a local advisory committee.

- AREA 3. While the level of development is higher in Area 3 compared with Area 1, the interdependencies presently are not great. Hence for reasoning similar to that for Area 1, the Board would favour early adoption of an R2 Option for Area 3. This could lead to easier introduction of Options R3 and R4 should the need be established by the pace of coal field development, either as separate entities or by amalgamation with an R3 or R4 authority in Sub-Area 2A.

Option L6 could be adopted for each of the four municipal government areas. These four bodies could be assigned flood plain and river management functions.

- AREA 2. Looking well into the future the developments and interdependencies within Area 2, particularly having regard to the dependency of the Gippsland Lakes eco-system on the input streams, will be such that all this area should be unified under an R3 Option as a minimum, and possibly an R4 Option for most effectiveness and efficiency.

For the Latrobe River basin the development and interdependencies in the central area - Cities of Moe, Traralgon and Shires of Morwell, Rosedale, Traralgon and Narracan already are extensive and are accelerating rapidly. Proposals of the SECV to divert the Morwell River, and possibly to locate a power station on the flood plain of the Latrobe River are examples of actions which will have major implications for catchment management. Integration of water supplies from the Latrobe, Thomson, Tanjil and Tyers Rivers to meet the potential needs of domestic, industrial and agricultural users at optimum efficiencies and effectiveness are tasks of increasing complexity requiring more than local arrangements for success. As conflicts for land use and the variety of pollutants increase, collection and satisfactory disposal of wastewater requires high expertise and regional evaluation of alternatives.

APPENDIX 2 (contd.)

Throughout Sub-Area 2A the interactions between water extraction, wastewater assimilation, and land usage - urban, industrial and agricultural - with the water cycle will be critical to maintaining environmental quality.

It is the opinion of the Board that establishment of an R4 type authority with tasks as outlined on pages 47 and 48 of the Committee's second report is of highest priority for this sub-area. This will provide the structure which will be essential to cope with accelerated development of the coalfields in the interest of the State and yet recognise the legitimate needs and interests of the resident community. Transfer of the reticulation function from local to regional could evolve as pressures increase and development demands are clarified.

In the major towns within this area reticulation of water and sewerage services could be brought into and remain the responsibility of L2 entities which would be under the supervision and control of the R4 Authority. As at present for towns served by regional schemes, the water would be supplied in bulk to agreed quantity and quality specifications at the town gate, and wastes, again to agreed quantity and quality specifications, would be accepted for disposal by the regional authority at the back door.

For the towns and smaller centres served by local water supply and wastewater disposal schemes, present L1 and L2 authorities could remain or these progressively could be amalgamated into municipal wide (L6) water and sewerage authorities. In both cases under the supervision of the R4 authority.

When new supply or waste disposal schemes or substantial augmentations of existing schemes are required; particularly when these would service centres in more than one municipality, these would be provided by the regional authority and the responsibility for reticulation then could be determined.

The Committee (page 48) has suggested that serious consideration should be given to the devolution of the State Rivers and Water Supply Commission's functions in water retailing. Additionally, the Consultants (page 22) stress that State policy, planning and control functions in their opinion, should not be combined with operational responsibilities at local or regional levels.

Following through the line of thought of these observations leads to the conclusion that the operational and retailing functions associated with irrigation schemes and licences to divert waters should be assigned to regional authorities; particularly when these schemes are contained totally within a water resources catchment. However some major works, such as the Thomson River Dam, which are of major significance to two or more catchment areas should be clearly under the policy control of the State Water Agency.

In Sub-Area 2B, development of an R2 Option may be adequate to cope with the present level of development and interdependencies for some considerable time. However formation of an R2 arrangement would allow the concept of a

## APPENDIX 2 (contd.)

regional approach to emerge. Option L6 could be implemented in the municipalities of Bairnsdale, Omeo and Tambo and where appropriate the municipal administration could serve these separate corporate entities. Possibly Bruthen should remain as a separately constituted water authority to permit it to relate more readily to the regional framework in which it falls. River and flood plain management could be progressively picked up by the municipally defined L6 authorities.

Based on present day knowledge the Board believes that the appropriate action will be to combine Sub-Areas 2A and 2B under a single R4 authority at some future date.

Details of the recommendations for regional and local arrangements are set out in Appendix 2. Where administration of water and sewerage authorities already is, or could with benefit be made, integral with that of a municipality these arrangements could continue or could be developed.

## THE WATER RESOURCE - QUANTITY AND QUALITY

Over the years responsibility for some aspects of water quality have been taken from the water industry and vested in other agencies of government, for example in the Environment Protection Authority (EPA) and the Soil Conservation Authority. While these actions have permitted overviews to be made of the total environment and of the land resource, these responsibility transfers have led to some confusion and division of accountability for management of the water resource.

Put very simply, it is of no benefit to have water of the highest quality if the quantity is insufficient, and, conversely abundant quantity is useless if the quality is unsatisfactory for the proposed use.

For the proper conservation of the water resource throughout the water cycle the characteristics of quantity and quality should be integrally managed on a catchment approach.

The action of making some of the water management authorities (SR&WSC, MMBW, LVWSB and DVA) agencies of the EPA for the licensing of wastes to water has assisted in maintaining involvement of the quantity managers in the quality aspects. The vision of this action has not been carried forward in more recent years and the implementation and management of State Environment Protection policies for

APPENDIX 2 (contd.)

water resources have not been assigned to the water quantity managers; although the waste licensing process which is the main instrument for achieving water quality objectives remains with the water authorities.

Additionally, over the period of the operation of the Environment Protection Authority some legal rulings and practical problems have arisen which have application to the delegations to the agencies. Rather than make the appropriate adjustments to the delegations, the EPA has resumed some of the powers delegated originally and these actions have further confused responsibility and accountability for water quality management.

The Board recommends strongly that the reunification of the quality and quantity management of the water resource be considered as a basic necessity in a restructuring of the water industry.

To satisfy the requirements for an environmental overview, and the need to formulate, adopt and achieve consistency in State Environment Policies, the EPA in mandatory consultation with the water resource managers could formulate and arrange carriage of State Policies to proclamation. The management and implementation then could be assigned to District/Regional water management authorities. Somewhat similarly to the State Agency responsible for water resources, the EPA would co-ordinate and monitor attainment towards Government adopted environment protection policies and priorities:

Aside from the alienation of the actual land area occupied for solid waste disposal, the major threat to the environment from solid waste disposal is the risk of pollution of surface and/or ground waters by leachate. At present in Victoria, the Health Commission for the remainder of the State, and, the Latrobe Valley Water and Sewerage Board for Gippsland are the delegated agencies of the EPA for the licensing of wastes to land.

It would be logical for the District/Regional water managers to handle both the licensing of wastes to land and to water; which would lead to the advantages of:

1. Integrated management of the quality of the water resource.
2. Removal of demarcation and interface problems between land and water licensing which occur outside of Gippsland because of the involvement of two agencies. In Gippsland the Latrobe Valley Water and Sewerage Board is delegated to licence discharges to land, water and air.
3. Regional and common access to the public for land and water licensing matters.

## APPENDIX 2 (contd.)

The Board considers assignment of licensing and policy management for discharge of wastes to land to the water managers warrants further consideration.

### COMPOSITION OF DISTRICT/REGIONAL AUTHORITIES

The composition of the Latrobe Valley Water and Sewerage Board (see Appendix 4) which provides a balance between State, major users and local interests provides a good basic model for the composition of the governing body of future District/Regional authorities.

Additionally, the structure, part time Chairman, full time Chief Executive Officer, and part time Members permits interaction between the policy makers and management while maintaining the distinction between the two functions. It also allows a corporate management approach within the organisation.

While the particular needs within each district/region would require individual consideration and would need to be in conformity with Government policy a governing body for Area 2A of Gippsland could comprise the following:

CHAIRMAN	:	Governor in Council Appointment
MEMBER REPRESENTING THE SECV	:	Governor in Council Appointment
MEMBER REPRESENTING PRIVATE INDUSTRY	:	Governor in Council Appointment
MEMBER REPRESENTING TRADE UNIONS	:	Governor in Council Appointment
MEMBER REPRESENTING IRRIGATORS	:	Governor in Council Appointment
3 MEMBERS ELECTED TO REPRESENT:-		
Community, urban water users and conservation interests	:	Elected
MEMBER/CHIEF EXECUTIVE OFFICER	:	Governor in Council Appointment on the recommendation of the governing body.

APPENDIX 2 (contd.)DISTRICT REPRESENTATION AND WATER RESOURCES COUNCIL

The Board considers it would be appropriate for each district of the State to have representation on the Water Resources Council to enable the Minister, if he wishes, to obtain advice outside of the line responsibility of the water industry. Additional benefit may be gained by the Minister if Membership of the Council included representatives from areas of water industry expertise. Examples of this expertise are The Australian Water and Wastewater Association, The Institute of Water Administration, and The Association of Consulting Engineers. For the Gippsland District a district equivalent of an R1 could be developed with non-officer representatives of the "R" level area arrangement forming a D1 consultative forum and either electing or nominating to the Minister a representative to the Water Resources Council.

Depending on Government policy and the assessed needs of the time, long term arrangements could provide for some 15 to 20 regional R4 authorities or some 6 to 10 district D4 authorities. Establishment of district (D1) forums with access to the Water Resources Council would provide the embryo on which a D4 structure for the State could be built in the future and would increase the options open to Government.

A staged approach to regional and possibly eventually district water resources management for the Gippsland District which is favoured by the Board is diagrammatically shown in Appendix 3.

SERVICES PROVIDED BY BOARD TO OTHER AREAS IN THE GIPPSLAND DISTRICT

Under contract arrangements with the State Rivers and Water Supply Commission, the Board tests water samples supplied monthly from the 47 water schemes throughout the Gippsland district for bacteriological quality and provides an advisory service to the management body when quality is unsatisfactory. This service arrangement could continue irrespective of the administrative arrangements adopted.

Several sewerage authorities have entered into contracts with the Board to sample and test the quality of final effluents discharged to the environment to ensure compliance with EPA licence requirements. At times testing of wastewaters entering and within



APPENDIX 2 (contd.)

treatment plants have been analysed at the request of the sewerage authorities to assist in determining the need for plant augmentations and/or reasons for malfunctions.

Additionally, the Board has carried out extensive surveys and studies on river and lake water qualities and ecologies under contract to the EPA, Ministry of Conservation and others.

It is unlikely that for many years the district could support another public body laboratory with adequate expertise in water chemistry and biology without duplicating the work of the Board's Laboratory or, at least, work which could be carried out by the Board at incremental cost only. Some private organisations have commenced offering scientific laboratory services within the district.

The Board could offer contract services in feasibility studies, operation and maintenance, administration and technical services. However, these would be confined to the routine or regular services which cannot be economically supplied by Consultants and/or Contractors.

On the Latrobe River system the Board operates an extensive network of river and stream flow gauging stations and, in conjunction with the Bureau of Meteorology, participates in a flood warning system. Flow gauging stations are being integrated with water quality (chemical and biological) monitoring and computer programs are used for data processing and compilation. These services could be provided at incremental cost to other areas in the district.

Adequate and accurate records of the quality and quantity of the water resource are essential pre-requisites for planning effective utilisation of this resource and determining the interactions with the environment.

\* \* \* \* \*

20th July, 1981.

APPENDIX 2 (contd.)

GIPPSLAND DISTRICT : WATER RESOURCE MANAGEMENT  
 BASED ON STATE DISTRICT AND LOCAL GOVERNMENT  
 BOUNDARIES

---

AREA I - Shire of Orbost

AREA II - SUB AREA IIA -

Cities of Sale, Traralgon, Moe.

Shires of Buln Buln, Warragul, Narracan,  
 Mirboo, Morwell, Traralgon,  
 Rosedale, Maffra and Avon.

- SUB AREA IIB -

Shires of Bairnsdale, Omeo and Tambo.

AREA III - Shires of Korumburra, Woorayl, South  
 Gippsland and Alberton.

GIPPSLAND DISTRICT : WATER RESOURCE MANAGEMENT

RECOMMENDATIONS - REGIONAL AND  
LOCAL ADMINISTRATION

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AREA 1.      REGIONAL - R2 evolving to R4

LOCAL

Orbost Waterworks Trust & Sewerage Authority	)	
Mallacoota Waterworks Trust & Sewerage Authority	)	<i>Preferred L6 for Shire of Orbost. Alternatively L2 for Waterworks Trusts and Sewerage Authorities and equivalent to L6 for River Improvement Trusts.</i>
Cann River Waterworks Trust	)	
Genoa River Improvement Trust	)	
Cann River Improvement Trust	)	
Snowy River Improvement Trust	)	
Buchan Waterworks Trust		L1

AREA 2A.      REGIONAL - R4 with L2 for reticulation in and around major towns, and L1, L2 for separate schemes possibly amalgamating to L6 entities.

LOCAL

. Warragul Waterworks Trust and Sewerage Authority	L2
. Moe Waterworks Trust and Sewerage Authority	L2
. Morwell & Churchill Waterworks Trust and Sew.Auth.	L2
. Traralgon Waterworks Trust and Sewerage Authority	L2
. Rosedale Waterworks Trust and Sewerage Authority	L2
. Sale Waterworks Trust and Sewerage Authority	L2
. Heyfield Waterworks Trust and Sewerage Authority	L2
. Maffra Waterworks Trust and Sewerage Authority	L2
. Drouin Waterworks Trust and Sewerage Authority	L2 (if in Area)

SHIRE OF BULN BULN

. Noojee Waterworks Trust	}	<i>L1 amalgamating to L6 possibly with Drouin Waterworks Trust &amp; Sewerage Auth.</i>
. Neerim South Waterworks Trust		

(Contd.)

APPENDIX 2 (contd.)

SHIRE OF NARRACAN

- . Erica Waterworks Trust )
- . Yarragon Waterworks Trust )
- . Trafalgar Waterworks Trust ) *L1, L2, amalgamating*
- . Thorpdale Waterworks Trust ) *to L6*
- . Yallourn North Waterworks Trust )
- & Sewerage Authority )
- . Narracan Sewerage Authority )

SHIRE OF MORWELL

- . Boolarra Waterworks Trust )
- . Yinnar Waterworks Trust ) *L1 amalgamating to L6*
- . Hernes Oak Waterworks Trust ) *possibly with Morwell/*  
*Churchill*

SHIRE OF ROSEDALE

- . Seaspray Waterworks Trust )
- . Glengarry, Toongabbie, Cowwarr ) *L1 either amalgamating*  
*to L6 possibly with*  
*Rosedale Waterworks Trust*  
*& Sewerage Authority or*  
*handled by R4 Authority.*  
*Tyers and distribution*  
*main of Tyers/Glengarry*  
*Scheme to be handled by*  
*R4 Authority.*

SHIRE OF AVON

- . Stratford ) *L2. Possibly handled by*  
*R4 Authority if sub-regional*  
*scheme developed to serve*  
*Maffra/Stratford area.*

SHIRE OF MAFFRA

- . Briagolong Waterworks Trust ) *L1, possibly amalgamating*  
*to L6 with Heyfield Water-*  
*works Trust & Sewerage*  
*Authority and Maffra Water-*  
*works Trust & Sew.Auth.*

SHIRE OF MIRBOO

- . Mirboo North Waterworks Trust & Sewerage Authority L2

(Contd.)

APPENDIX 2 (contd.)

RIVER IMPROVEMENT TRUSTS

Latrobe River	)	<i>River Improvement and Drainage Trusts to be disbanded and functions to be taken over by the R4 Authority.</i>
Thomson River	)	
Avon River	)	
Trafalgar Meadows Drain- age Area	)	
Macalister River	)	

AREA 2B. REGIONAL - R2 evolving to amalgamate with Area 2A in an R4.

LOCAL

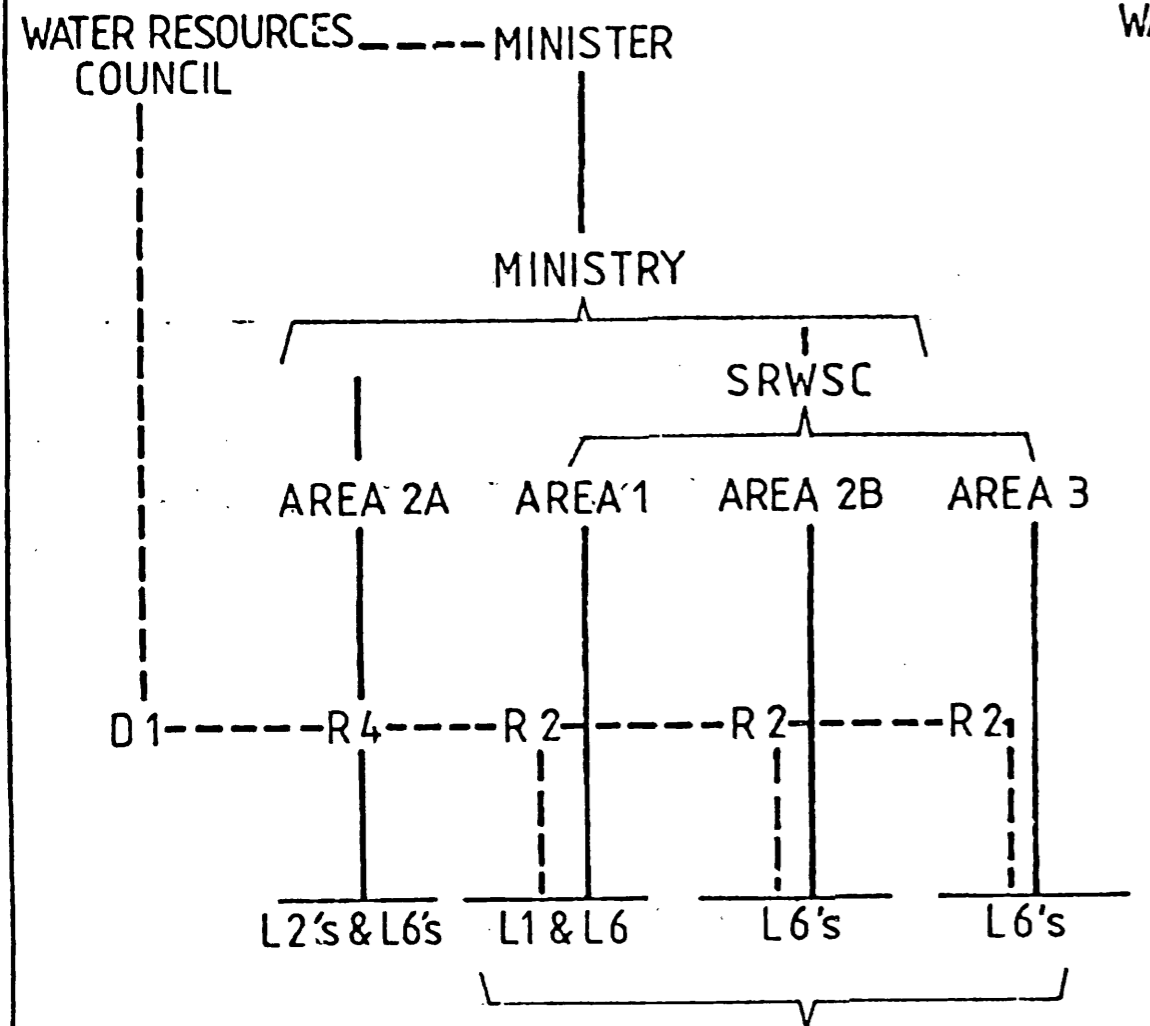
Lindenow Waterworks Trust	)	<i>Preferred L6 based on Shires of Bairnsdale, Omeo and Tambo. Alternatively L1 for Water Trusts, L2 for Waterworks Trusts and Sewerage Authorities and equivalent to L6 for River Improvement Trusts.</i>
Bairnsdale Waterworks Trust & Sewerage Authority	)	
Paynesville Waterworks Trust & Sewerage Authority	)	
Metung Waterworks Trust	)	
Lakes Entrance Waterworks Trust & Sewerage Authority	)	
Bruthen Waterworks Trust	)	
Swifts Creek Waterworks Trust	)	
Omeo Waterworks Trust	)	
Tambo River Improvement Trust	)	
Mitchell River Improvement Trust	)	

AREA 3. REGIONAL - R2 evolving to R4

LOCAL

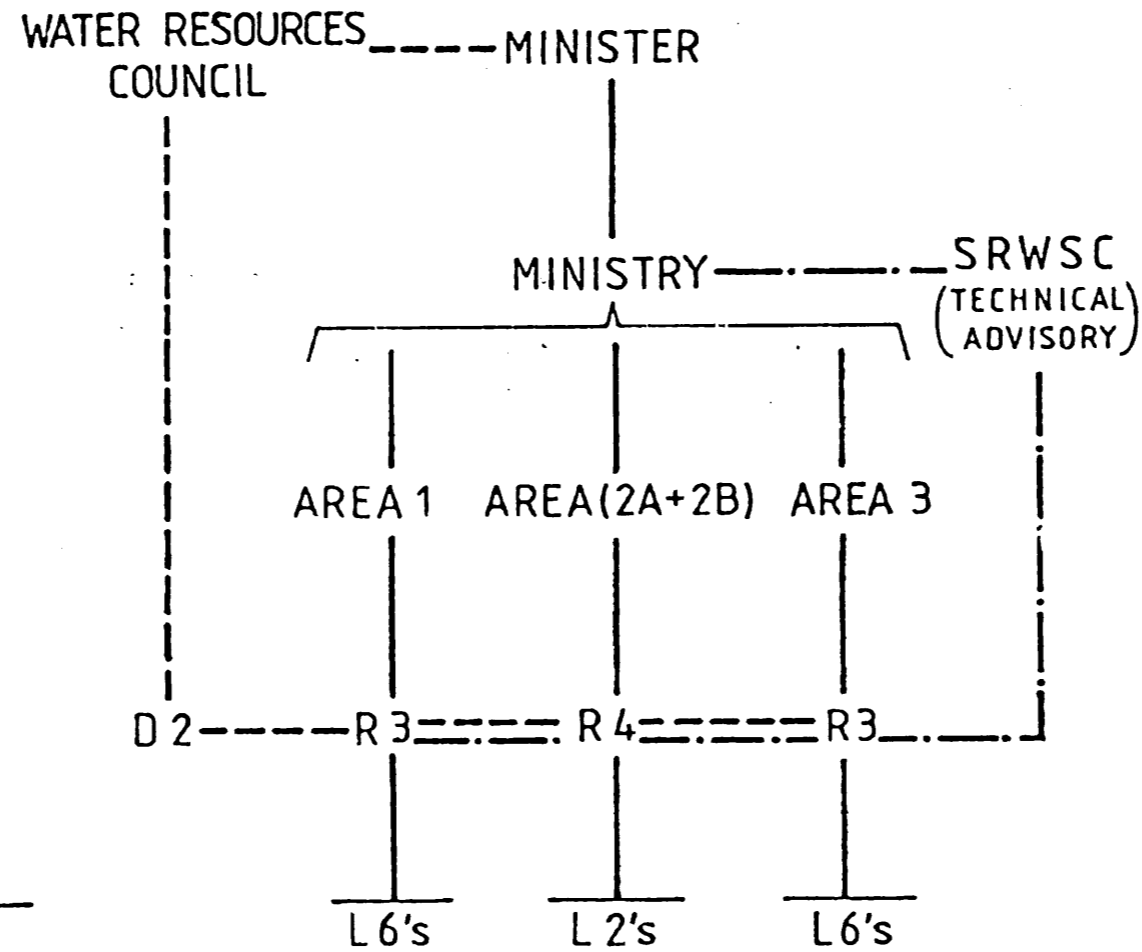
Inverloch Waterworks Trust & Sewerage Authority	)	<i>Preferred L6 based on Shires of Korumburra, Woorayl, South Gippsland and Alberton. Alternatively L1 for Waterworks Trusts, L2 for Waterworks Trusts and Sewerage Authorities and equivalent to L6 for River Improvement Trust</i>
Korumburra Waterworks Trust & Sewerage Authority	)	
Leongatha Waterworks Trust & Sew. Authority	)	
Dumbalk Waterworks Trust	)	
Meeniyan Waterworks Trust	)	
Fish Creek Waterworks Trust	)	
Poowong-Loch-Nyora Water Trust	)	
Foster Waterworks Trust & Sew.Auth.	)	
Toora Waterworks Trust & Sew.Auth.	)	
Alberton-Port Albert Water Trust	)	
Yarram Waterworks Trust & Sew.Auth.	)	
Tarwin River Improvement Trust	)	
Korumburra Shire River Improvement Trust	)	

STAGE 1

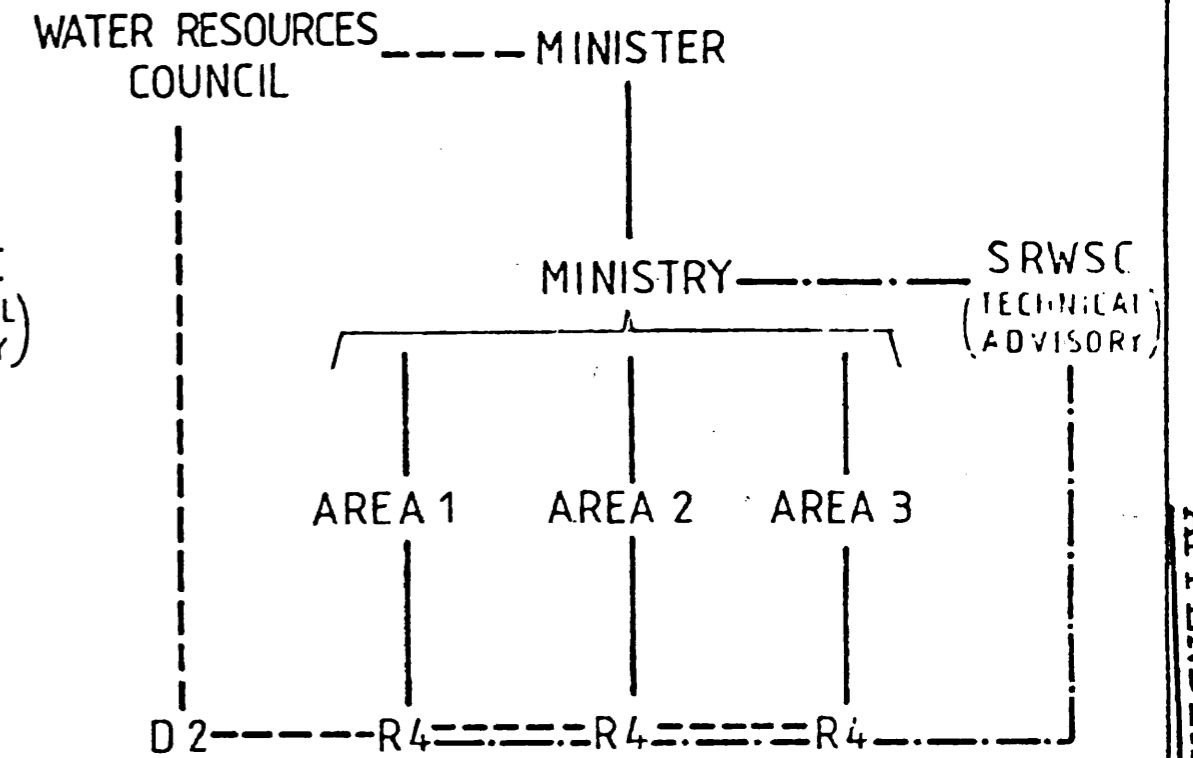


ALTERNATIVE  
L1's, L2's FOR WATER & SEWERAGE  
L6 FOR RIVERS & FLOOD PLAIN

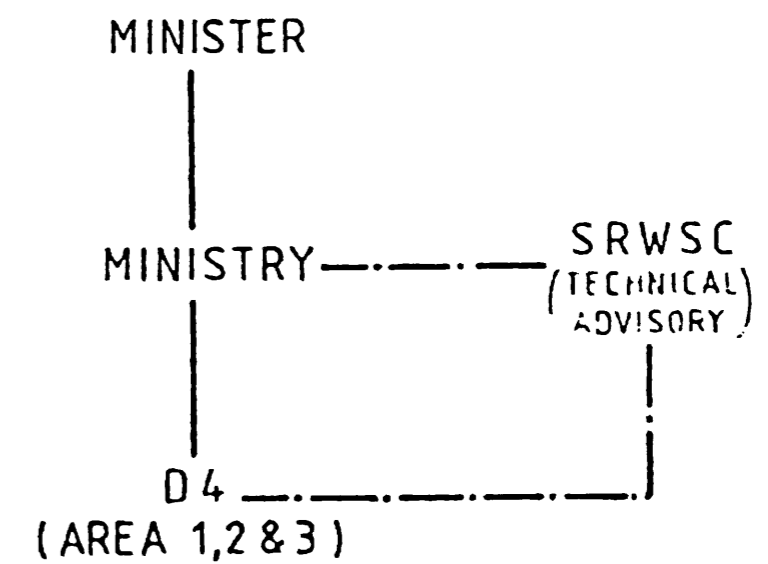
STAGE 2



STAGE 3



ALTERNATIVE — STAGE 3



STRUCTURES FOR WATER MANAGEMENT  
GIPPSLAND DISTRICT

APPENDIX 2 (contd.)

LATROBE VALLEY WATER AND SEWERAGE BOARD

CONSTITUTED 1ST JULY 1954

LATROBE VALLEY ACT 1958 NO. 6290

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CHAIRMAN	:	<i>Government Nominee</i>
MEMBER REPRESENTING WATERWORKS TRUSTS	:	<i>Elected</i>
MEMBER REPRESENTING SEWERAGE AUTHORITIES	:	<i>Elected</i>
MEMBER REPRESENTING MUNICIPAL COUNCILS	:	<i>Elected</i>
MEMBER REPRESENTING RIVER IMPROVEMENT TRUSTS	:	<i>Elected</i>
MEMBER REPRESENTING STATE ELECTRICITY COMMISSION OF VIC.	:	<i>Governor in Council Appointment</i>
MEMBER REPRESENTING PRIVATE INDUSTRY	:	<i>Governor in Council Appointment</i>
MANAGER	:	<i>Governor in Council Appointment</i>

APPENDIX 3.

EXCERPT OF THE RESPONSE OF

THE STATE RIVERS AND WATER SUPPLY COMMISSION

TO THE COMMITTEE'S SECOND REPORT



2. THE STRUCTURE OF THE WATER INDUSTRY IN VICTORIA

2.1 Current Structure

The Minister of Water Supply heads the Ministry of Water Resources and Water Supply which embraces the activities of both the State Rivers and Water Supply Commission and the Melbourne and Metropolitan Board of Works, particularly in respect to water supply sewerage and drainage matters.

The State Rivers and Water Supply Commission

The Water Commission is a statutory corporation, constituted by the Water Act 1905, comprising three commissioners who are responsible to the Minister of Water Supply for discharging its powers and duties as laid down by Parliament in the Water Act 1958.

The Water Commission's main functions are :

- (a) to investigate the nature and extent of the State's surface water resources;
- (b) to design schemes for the conservation and use of these resources;
- (c) to construct and operate such works as are authorised by Parliament to be State Works of Water Supply or drainage;
- (d) to construct and manage large irrigation systems and town water supplies;
- (e) to provide domestic and stock supplies over extensive rural areas; and
- (f) to overview the expenditure and operations of local authorities providing water supply and sewerage facilities to country towns.

APPENDIX 3 (contd.)

The role of the Water Commission is more fully explained in its submission of May, 1980, to the Public Bodies Review Committee. <sup>(1)</sup>

The Water Commission directly administers 130 town water supplies (359,000 population) and provides general oversight of the engineering and financial activities of 203 local water authorities (725,000 population), 131 sewerage authorities (1,025,000 population) and 32 local drainage and river improvement authorities outside the Melbourne Metropolitan area.

- (a) four main urban supply systems for regional supply to 66 towns in -
- \* Mornington Peninsula (275,000 population)
  - \* Bellarine Peninsula (59,000 population)
  - \* Otway System (7,000 population)
  - \* Coliban System (70,000 urban population)
- (b) some 64 small urban supplies to towns located in the Commission's irrigation and waterworks districts (59,000 population).

### Local Water Authorities

At June, 1981, there were 333 country towns throughout Victoria supplied by 203 local water authorities. Five of these authorities operate under special Acts. The remainder have been constituted under the Water Act 1958, which provides several different ways in which such a local authority could be constituted so as to meet a variety of local conditions.

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1. State Rivers & Water Supply Commission, Victoria. A Background Paper on Water Management in Victoria "The Commission's Role". Submitted to the Public Bodies Review Committee, 29th May, 1980.

There are two broad classes of local water authorities -

"Local governing bodies", which are municipal councils constituted as local governing bodies under the Water Act, 1958, and "Waterworks Trusts", the Commissioners of which might comprise :

- (a) the councillors for the time being of the municipality concerned plus one or more Government nominees;
- (b) Councillors of one or more municipal ridings plus up to three Government nominees;
- (c) Commissioners elected directly by the water ratepayers and if the Government so desires up to three Government nominees.

Local water authorities are largely independent responsible bodies which enjoy considerable autonomy in the matter of decision making, engagement of staff and construction and management of their own works. However, as the Government usually provides a substantial degree of financial assistance, all their operations and proposals are subject to general review by the Commission, acting as advisor to the Minister of Water Supply.

They are also required, before the commencement of each year, to obtain the approval of the Minister of Water Supply to the estimates of their proposed expenditure and revenue, and also the rate to be made.

Broadly speaking, the responsibilities of a local water authority comprise the construction and management of a water supply to consumers within its constituted district (which may extend over more than one municipal district)

APPENDIX 3 (contd.)

which may be purely urban in character or may include rural areas. Supplies for industries or for other special purposes within an urban district, may be made by agreement provided the annual payments by such consumers are not less than if the properties were rated. Supplies to persons outside an authority's Waterworks District can be made by agreement with the consent of the Governor in Council.

Sewerage Authorities

Sewerage authorities are very similar to local water authorities in their operation, being responsible statutory bodies which are required to plan, construct and manage their own works.

Like water authorities, they may also receive substantial Government financial assistance and are therefore subject to general supervision by the Commission as regards both their engineering work and financial management.

A sewerage authority may be constituted in a variety of ways very similar to those enumerated for water authorities. However, one additional form of constitution is available - the appointment of members for the time being of the local water supply authority as members of the sewerage authority. This arrangement is used in a majority of cases.

At June, 1981, there were 125 towns with sewerage works in operation, served by 113 sewerage authorities. There were 26 authorities with sewerage works not yet in operation.

The inter-relationship between the Minister of Water Supply, the State Rivers and Water Supply Commission and Local Water and Sewerage Authorities has been developed to its present position over the past eighty years. This

relationship is explained in detail in a paper submitted by the State Rivers and Water Supply Commission to the Public Bodies Review Committee in September, 1980.<sup>(1)</sup>

## 2.2 Features of the Current Structure

The Water and associated Acts in Victoria place responsibility for water management with the Minister of Water Supply. In Parliamentary Debates in establishing early legislation, it was stated that "supreme power and responsibility in connection with the care and custody of water and in certain cases in the construction and management of works, can be vested nowhere else than in the State itself".

These powers and responsibilities are just as necessary now as when the early legislation was enacted. That early legislation provided for the initiative to be exercised by local communities for the establishment of urban water and sewerage systems, subject to the general oversight of the Minister and his advisers.

Development since 1905 has fragmented substantially the ability of the Minister to effectively implement State policies. Nevertheless, while State Government responsibility for total water management remains within a single Ministry, and provided adequate legislative powers are available, the Government's wishes in relation to water management can be effectively implemented and the statewide planning of resource development and use can be soundly based. Water management in this context embraces all aspects of water and wastewater management.

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1. State Rivers and Water Supply Commission, Victoria, Administration of Urban Water Supply and Sewerage Services, The Relationship Between the Minister of Water Supply, the State Rivers and Water Supply Commission and Local Water Supply and Sewerage Authorities. Submitted to the Public Bodies Review Committee September 1980.

APPENDIX 3 (contd.)

Furthermore, outside the Melbourne metropolitan area, the current arrangement where the Water Commission acts as adviser to the Minister of Water Supply was designed to provide for :

- (a) water management activities in different parts of the State to be co-ordinated and so to facilitate optimum use of available natural and financial resources.
- (b) an appropriate standard of service throughout the State to be pursued.
- (c) Government financial policies in relation to water services to be effectively implemented.
- (d) a centralised cell of expertise to provide advice and assistance across the State.
- (e) proper consideration to be given to equity across the State in charges for water related services.
- (f) Government development strategies for the State to be facilitated by the provision of adequate and timely water related services.

The Water Commission, however, recognises that some aspects of water management in many areas of Victoria are presently fragmented, particularly in relation to urban water supply and sewerage services. Substantial amalgamation of groups of local authorities is essential to achieve the best use of resources through a better co-ordinated approach to planning and development of water management services.<sup>(1)</sup> The degree of fragmentation makes the listed beneficial

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1. S.R. & W.S.C. Submission to Victorian Water Resources Council on the final report of the Board of Review of the Role, Structure and Administration of Local Government in Victoria, March, 1980.

features of the current structure more difficult to realise and emphasises the need for a consolidation of the industry.

To this extent, the Commission agrees with the Public Bodies Review Committee that :

"the number, (functional diversity and arbitrary boundaries) of existing water related authorities involves a multi-dimensional complex of fragmentation which must necessarily complicate the systematic assessment of needs." (1)

"this system is difficult for the (State Rivers and Water Supply) Commission to administer." (1)

### 2.3 Possible Improvements to the Current Structure

The short term objective identified by the Water Commission to restructure the Victorian water industry, (2) is the selective amalgamation of present local authorities wherever appropriate, having regard to the ultimate goal of consolidation. This strategy is consistent with the Commission's practice in recent years of encouraging amalgamations where they appeared advantageous and of promoting the extension of services by established authorities into new towns rather than allowing the continued proliferation of new authorities. Appendices A and B list authorities which are already providing services in more than one town or more than one municipality.

For the longer term, there are presently several large water management systems in Victoria which form effective

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1. Public Bodies Review Committee Second Report to Parliament. Future Structures for Water Management, Part 1: Regional and Local Administration page 15, page 31.
  2. S.R. & W.S.C. submission to V.W.R.C. on the final report of the Board of Review of Local Government. March, 1980.

APPENDIX 3 (contd.)

management units or have the potential to do so. Among these are the systems operated by the Melbourne and Metropolitan Board of Works, the Geelong Water and Sewerage Trust, the Latrobe Valley Water and Sewerage Board, the Ballarat Water Commissioners and Ballarat Sewerage Authority and systems operated by the Water Commission itself such as the Mornington Peninsula, the Otway System, Coliban System, the Bellarine Peninsula System and the Wimmera-Mallee System.

However, the advice by the technical consultants to the Public Bodies Review Committee that :

"the large number of small bodies has hindered the development of cheaper regional schemes,"<sup>(1)</sup>

cannot be accepted as a general criticism. Studies of recent years have indicated for instance that regional schemes of water supply or sewerage in the Merbein-Red Cliffs, Upper Latrobe Valley and the Westernport catchment were less economical than local schemes.

Furthermore, the deficiencies brought to the attention of the Committee by the Environment Protection Authority<sup>(2)</sup> in relation to the lack of adequate sewerage in parts of Victoria are not necessarily due to the lack of regional schemes. Rather they are the direct result of inadequate funds to enable all urgent sewerage works to be undertaken.

Victorian water Acts from the 1850's up to the beginning of this century advanced the traditional English law and arrangements in relation to rights to water and/or institutional arrangements by a thousand years on the

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1. P.B.R.C. Second Report p. 31.

2. P.B.R.C. Second Report p. 32.



system Victoria had inherited from England. The Victorian model is one that has been widely adopted in most of the other States and is still seen to be the basis against which other systems in Australia and overseas might be judged. Later legislation in Victoria, particularly in connection with water quality management and pollution control, has regard to legislative systems developed in America. The American system creates an adversary approach to the management of water quality as distinct to water quantity and, by placing responsibilities in different institutions and different Ministries, inhibits a co-ordinated approach to total water resource management. It should be noted that in the United Kingdom and in several other States of the Commonwealth, the legislation gives the water authorities responsibility for all aspects of water resource management including water quality.

Comments have been provided to the Public Bodies Review Committee that the English model of dividing the country or the State into regional water authorities is appropriate. The comments have not been provided by people experienced in or knowledgeable of water resources generally or the machinery of government. They ignore the fact that the largest regional water authority in England, occupying an area approximately that of the Yarra Valley, has a population equal to that of Australia, and the smallest authority has a population approximately equal to that of Victoria outside the Metropolitan area. The topography, climate and hydrology are vastly different. Irrigation is not a significant user of water and the more highly urban and industrial communities create vastly different problems in relation to water quality management.

Historically, the American scene in relation to water resource management has been characterised by over-exploitation of available resources and excessive

APPENDIX 3 (contd.)

pollution and with disregard to environmental aspects of water quality management, leading to very significant levels of pollution of inland rivers and estuaries arising from massive industrial and urban development.

The rights to water in the United States are an administrative and legal nightmare and the arrangements existing in that country are not seen to be a satisfactory basis to establish a model for institutional arrangements in Australia.

The arrangements necessary in Victoria must be based on its geographical, demographical and hydrological characteristics and must have regard to the social and political framework in which we have developed.

The Commission believes that development of institutional arrangements appropriate to Victoria will almost inevitably be by a process of gradual change, and the important requirement will be to make key decisions on the appropriate structures and to ensure that there are mechanisms for implementing change at the appropriate times. Consistency in direction will be essential if change is to occur without serious disruption to the provision of services.

The Commission also believes that, having regard to the relative distribution of population across the State and the emerging inter-dependency in the development of water resources in many river basins, development has reached the point where only a limited number of separate, autonomous regional authorities could be established across the State.

#### 2.4 Amalgamations Achieved Within the Present Structure

Although it is recognised that more strenuous efforts are required to achieve any substantial amount of amalgamation

### APPENDIX 3 (contd.)

and consolidation of the water industry in Victoria, there has already been substantial movement in this direction within the main urban systems managed by the State Rivers and Water Supply Commission and to a more modest extent by local water and sewerage authorities.

In the case of the Commission's main urban supply systems, the seven waterworks districts and thirty-one urban districts which existed in 1944 have been progressively amalgamated and reorganised to four waterworks, two rural and five urban districts in 1981. (In this context, the Coliban System of waterworks has been counted among the Waterworks Districts). Appendix C shows the progressive achievement of the present structure.

In the case of local authorities, there is a large number of water and sewerage authorities which provide services in two or more towns and in up to five abutting municipalities. Appendices A and B list the authorities in this category. Since 1971, forty new town supplies have been constructed or approved, twenty-eight of which will be administered by existing authorities and only twelve by newly constituted authorities. This in itself is a measure of performance in achieving a degree of consolidation while still extending services to new areas.

A number of amalgamations of water authorities and sewerage authorities have also been achieved in the past, either on the initiative of the local authorities or with the encouragement of the Water Commission. These are listed below.

#### Water Authorities Which Have Amalgamated

Talbot and Clunes (1965)

Timboon and Port Campbell (1968)

APPENDIX 3 (contd.)

Ballarat and Miners Rest (1973)  
 Carisbrook and Bowenvale Timor (1977)  
 Shire of Tallangatta and Tallangatta (1978)  
 Kilmore and Wallan (1978)  
 Mansfield and Bonnie Doon (1979)  
 Morwell and Hernes Oak (1981)

Sewerage Authorities Which Have Amalgamated

Shire of Tallangatta and Tallangatta (1978)  
 Merbein and Red Cliffs (1978)  
 Cobden and Simpson (1978)

In the outer Melbourne fringe areas, a number of local authorities have been incorporated into the system managed by the Melbourne and Metropolitan Board of Works, where such a change was seen to be advantageous in terms of consumer services or resource management. In recent years, water supply and sewerage services have been taken over by the Board in the following areas :

Water Supply

Springvale/Dandenong (1958 and 1959)  
 Chelsea (1962)  
 Warrandyte (1973)  
 Hampton Park/South Dandenong (1978)

Sewerage

Chelsea  
 Werribee

Water supplies managed by local authorities at Plenty-Yarrambat and at Hurstbridge are planned for transfer in October, 1981 and October, 1982 respectively.

APPENDIX 3 (contd.)

For the same reasons of sound management, economy and consumer service, management of the water supply to Koo-wee-rup was transferred from a Waterworks Trust to the State Rivers and Water Supply Commission on 1st January, 1981. On that date, Koo-wee-rup became part of the Mornington Peninsula Waterworks District.

Under the circumstances, where sound management indicated a transfer from the Water Commission to local control, local authorities have accepted responsibility for town water supplies.

In this category are :

Cohuna (1961) - new Waterworks Trust

Camperdown (1969) - new Local Governing Body

Heyfield (1974) - new Waterworks Trust

Lake Boga (1977) - transferred to Swan Hill Waterworks Trust

Merbein (1979) - transferred to Mildura Urban Water Trust

Leitchville (1981) - transferred to Cohuna Waterworks Trust

The growing tendency for single authorities to service more than one town and for authorities to amalgamate is seen to represent a positive movement towards rationalisation.

However, a more vigorous and systematic approach to this concept is required if the long term objectives are to be achieved. It will be necessary to provide both incentives and the legislative powers and will of Government to achieve amalgamations leading ultimately (at the appropriate time) to the establishment of a more appropriate institutional structure.

In this regard the Commission would be willing to participate in a Committee which might also include representatives of the Waterworks Trusts and Provincial Sewerage Authorities'

APPENDIX 3 (contd.)

associations and the Institute of Water Administration to recommend appropriate amalgamations to Government.

It is believed that such a program could reduce the number of water and sewerage authorities by half.

\* \* \*

APPENDIX 4.

STATE RIVERS AND WATER SUPPLY COMMISSION  
Main Urban Supplies Division Districts

<u>SYSTEM</u>	<u>COMMENCED</u>	<u>PURPOSE/HISTORY</u>	1944/45	1954/55
BELLARINE	1927	. Reticulated supply to Anglesea, Torquay Barwon Heads, Ocean Grove Point Lonsdale, Drysdale and Portarlington . Bulk Supply to City of Geelong . Headworks transferred to Geelong 1955	Bellarine Peninsula WWD Anglesea U.D. Barwon Heads & Ocean Grove UD Drysdale U.D. Portarlington UD. Queenscliff & Pt.Lonsdale UD Torquay U.D.	Bellarine Peninsula WWD Anglesea U.D. Barwon Heads & Ocean Grove UD Birregura U.D. Drysdale UD Portarlington UD Queenscliff & Pt.Lonsdale UD Torquay UD.
COLIBAN	1861	. Urban & mining water to gold towns . Districts abolished on 1.7.70: Axe Creek W.W.D. Bagshot WWD Emu Valley WWD Harcourt WWD Huntly WWD Marong WWD Marong UD Elphinstone WWD Elphinstone UD Strothfieldsaye WWD Strothfieldsaye UD . Newstead abolished 1981	Coliban (Bendigo, Castlemaine Eaglehawk, Maldon, Barker's Creek, Campbell's Creek, Chewton, Elphinstone, Epsom, Ascot, Fryerstown, Guildford, Harcourt, Huntly, Kangaroo Flat, Myer's Flat, Raywood, Sebastian Spring Gully, Taradale and Yapeen) Axe Creek W.W.D. Harcourt W.W.D. Marong U.D. Newstead U.D. Newstead W.W.D.	Coliban Axe Creek WWD Harcourt WWD Marong UD Newstead UD Newstead WWD
MORNINGTON	1916	. Supply to Flinders Naval Base . Dandenong WaterWorks Trust taken over in 1920 . Springvale-Dandenong and Chelsea-Frankston Urban Districts transferred to MMBW in 50's & 60's . South Dandenong and Hampton Park transferred to MMBW in 1978	Mornington Peninsula W.W.D. Berwick U.D. Bittern U.D. Bunyip U.D. Carrum U.D. Cranbourne U.D. Crib Point U.D. Dandenong U.D. Dromana-Portsea U.D. Frankston U.D. Garfield U.D. Hastings U.D. Longwarry U.D. Mornington U.D. Pakenham U.D. Somerville U.D. South Frankston U.D. Springvale U.D.	Mornington Peninsula WWD Berwick U.D. Bittern-Crib Point U.D. Bunyip " Chelsea-Frankston " Cranbourne " Dandenong-Springvale " Dromana-Portsea " Garfield " Hastings " Longwarry " Mornington " Pakenham " Somerville " South Frankston "
OTWAY	1935	. Reticulated supply to Camperdown, Terang, Cobden & Allansford . Bulk supply to Warrnambool . Camperdown transferred to Borough in 1969 . Bulk supply to Lismore-Derrinallum Trust in 1975	Otway W.W.D. Allansford U.D. Camperdown U.D. Cobden U.D. Terang U.D.	Otway W.W.D. Allansford U.D. Camperdown U.D. Cobden U.D. Terang U.D.
WONTHAGGI	1911	Take over from State Coal Mines	Wonthaggi U.D. North Wonthaggi U.D.	Wonthaggi U.D.

APPENDIX 4 (contd.)

1964/65	1974/75	1981/82
Bellarine Peninsula WMD Anglesea U.D. Barwon Heads-Ocean Grove UD Birregurra UD Drysdale UD Indented Head-St. Leonard UD  Leopold UD Portarlington UD Queenscliff-Pt. Lonsdale UD Torquay	Bellarine Peninsula W.W.D. Bellarine U.D. Birregurra U.D. Breamlea U.D. Mt. Duneed R.D.	Bellarine Peninsula WMD Bellarine U.D. Mt. Duneed RD.
Coliban Elphinstone UD Marong UD Newstead UD Axe Creek WMD Harcourt WMD	Coliban Newstead U.D.	Coliban
Mornington Peninsula WMD Baxter-Pearcedale U.D. Berwick " Bunyip " Corrum Downs " Cranbourne "	Mornington Peninsula W.W.D. Mornington Peninsula U.D.	Mornington Peninsula WMD Mornington Peninsula UD Upper Beaconsfield UD
Dandenong-Springvale " Dromana-Portsea " Frankston-Mornington " Garfield " Hampton Park " Longwarry " Narre Warren " Nar-Nar-Goon-Tynong " Officer " Pakenham " Westernport "		
Otway W.W.D. Allansford U.D. Otway U.D.	Otway W.W.D. Otway U.D. Otway R.D.	Otway W.W.D. Otway U.D. Otway R.D.
Wonthaggi U.D.	Wonthaggi U.D.	Wonthaggi U.D.



APPENDIX 5

Correspondence concerning the municipal provision of water supply and sewerage facilities under Sections 689/692 of the Local Government Act.

COPY

City of Sale  
Council Chambers  
SALE, Vic. 3850

7 August, 1981

Chairman,  
Public Bodies Review Committee,  
2nd Floor,  
"Treasury Gate"  
1-15 Little Collins Street  
MELBOURNE. 3000.

Dear Sir,

I refer to your letter of 6th ultimo concerning the change of basis of the City of Sale water supply operations.

A thorough search of this Council's records has revealed a report on the matter prepared by the then Town Clerk, Mr. J. R. Ray, a copy of this report is attached for your perusal. You will note that the major consideration which led to the City of Sale changing the basis of its water supply operations appears to have been the attraction of the government interest subsidy.

Please advise if your Committee requires any further information on this matter.

Yours faithfully,

JOHN L. LOW  
Town Clerk

Council Chambers  
Sale,  
2nd June, 1964

The Mayor and Councillors  
CITY OF SALE.

Gentlemen,

WATERWORKS ADMINISTRATION.

The above question has been previously considered by Council on three occasions, viz:- in 1953, 1955 and 1959.

I pointed out at the time in 1953 and 1955, that there was no power, under the then existing legislation, to enable the Council to transfer its privately raised loans over to a trust or local governing body and legislation was subsequently passed to "cure" this position. Even so, it was decided a "change-over" was not desirable in 1959 but an understanding was agreed upon that the position be reviewed at a later date. The time for review has now arrived.

There is no doubt whatsoever that the only proposition to be considered is that of the creation or setting-up of a "Local Governing Body" and this report will deal with that proposal only.

The setting-up of a Local Governing Body will necessitate:-

1. The consent of the lenders of six loans to such loans being secured by the revenue of the Local Governing Body.
2. The preparation of a report by a qualified water engineer for submission to the State Rivers & Water Supply Commission. (Despite what Mr. Richmond said, this will have to be a fairly comprehensive report because it will influence the Commission in determining the amount which will have to be set aside annually for depreciation and it will be the basis upon which the newly created body will function).

The creation of a local Governing Body will also involve:-

- a. The implementation of the provisions of an additional Act, i.e., the Water Act.
- b. The opening of a separate bank account or accounts.
- c. The preparation and submission of yearly estimates of receipts and expenditure to the Minister who may approve, alter or reject same.
- d. The keeping of separate minute books and books of accounts.

- e. The preparation of separate vouchers for the waterworks.
- f. The submission for approval of all reports, plans and specifications for capital works exceeding £500. (Preliminary reports firstly - detailed plans later).
- g. Commission approval for borrowing and overdraft accommodation, and for all by-laws.
- h. Commission approval to strike or levy a rate.
- i. The engagement of a qualified water engineer to prepare plans for and supervise all works.

Mr. Richmond stated the Commission would supervise the activities of the Local Governing Body under the Water Act - it would not control it but it could exercise the power of "VETO". He also made it quite clear that Sale could not hope to get governmental subsidies towards the cost of capital works at the present time. It is doubtful whether capital works subsidies would ever apply. He also stated the Local Governing Body would have the benefit of the Commission's knowledge and experience when planning and executing capital works and it would further qualify for the government subsidy or rebate of interest paid on loans, exceeding 3% per annum.

Government loan funds would be available to Local Governing Bodies works at a charge of  $3\frac{1}{4}\%$  per annum of which 3% would be interest and the balance for redemption. Under this scheme loans would have a currency or term of  $87\frac{1}{2}$  years.

Speaking of loans and interest, the following is of interest:-

METHODS OF BORROWING.

Example - £30,000 @ 5%. Interest and Redemption - Half-yearly:-

	<u>30 Year Term</u>	<u>40 Year Term</u>
Total Payment	£58,260	£77,680
Interest Payable	28,260	47,680

Example - £30,000 @  $3\frac{1}{4}\%$  (Redemption and Interest)  $87\frac{1}{2}$  year term.

Total Payment	£85,263
Interest Payable	55,263

The main advantage in a change-over to administration under the Water Acts is that it would enable the waterworks undertakings to qualify for the governmental interest subsidy. According to my calculations, the subsidy payable next year would amount to £2,400 and this would decrease slightly in following years during the currency of loans No's. 11, 12 and 13.

The other advantage to be gained is the benefit of the Commission's knowledge and experience. I would, however, remind you that the Commission did not appear to greatly assist in solving problems associated with the sewerage scheme or in correcting many things which occurred during construction of that undertaking.

Mr. Richmond stated it would take  $87\frac{1}{2}$  years to repay loans raised at  $3\frac{1}{4}\%$  - redemption and interest. Such being the case; the Local Governing Body will be required to provide out of revenue each year a substantial sum for a depreciation reserve, which is required to be paid into a separate account and which can only be debited with expenditure on approval by the Commission. According to my calculations on present book values, the amount to be set aside annually would be approximately £2,200.

In the past, waterworks administration has been "tied-in" with the administration of the municipality with the thought in mind that overall expenditure had to be met by the one set of ratepayers. This has operated very satisfactorily in that Sale has been able to provide a pumped, treated water supply at a far cheaper rate than nearly all the other water authorities in the State.

A change-over to a Local Governing Body will undoubtedly increase overall administration costs because of the extra work involved in the keeping of separate records and sets of accounts. The following will increase in cost:- Audit fees, printing, advertising, stationery, etc.

Contrary to a statement made by Mr. Richmond, it would appear a "set-off" would not be allowable on the water account against interest on overdraft in the municipal account.

A change-over will have an effect on salaries chargeable to the waterworks undertaking. Firstly it would seem a proportion of the city engineer's salary could not be charged against the waterworks because under the Water Act only a qualified water engineer's services may be engaged. This would render the municipal revenue liable to meet the full cost of the city engineer's salary. In addition to this, the Commission may or may not agree to the proposed apportionment of salaries and this could impose a further burden on municipal revenue. Individual salaries which might be affected in a change-over would be those of the city engineer and myself. The position re salaries would have to be determined, in conjunction with the respective Officers' Association, when the overall picture is known. Should the change-over result in a decrease in the city engineer's and my salaries - the amount payable by way of fees to consulting engineers would more than off-set any saving so achieved.

Mr. Richmond made a statement to the effect that administration of the waterworks under the Water Act could revert back to administration under the Local Government Act provided the Council could later give an undertaking that it could satisfactorily operate the waterworks and assume the liabilities associated therewith. I would stress the point that if it is decided to operate under the Water Act - that decision will become final for all times. The Commission would put quite a few obstacles in the way of a further change-over and I do not think the lenders would possibly agree to any "chopping or changing" in the matter.

The Council would undoubtedly be restricted in administering the waterworks under the Water Acts. The Commission does exercise control as well as supervision,

in the plans, estimates, loan monies, rates, etc. are subject to approval before anything can be done. The Council also loses the right to finalise agreements with organisations outside its district - Ministerial approval is required.

There are quite a number of points which could be further elaborated but I think I have provided you with "sufficient food for thought" in your deliberations on a very important issue as far as the City is concerned. I would stress I have endeavoured to keep an over-all picture in my mind as I have written this report and I ask the Council to give very careful consideration to the statements I have made. No doubt you will have many questions to ask and I will try and answer these to the best of my ability in order to further assist you in the matter. You can, however, rest assured that, up to date, Sale has not lost very much - if anything at all - by managing its own affairs with the waterworks undertaking.

One final thought. Sale has one of the oldest established waterworks in the State and it has had freedom to operate the undertaking, with very good results, over a long period of years. Decentralisation is a by-word in country centres and the waterworks could be described as being a decentralised local undertaking. Immediately you invoke the provisions of the Water Acts you come under centralised supervision and control by the Commission. Would the Council consider a suggestion that it approach the Minister with a request that it be enabled to continue to administer the waterworks under the provisions of the Local Government Act, but it be permitted to qualify for interest and capital subsidies by submitting plans and specifications for the Commission's approval prior to the commencement of works. When all is said and done the Council has, by its administration of the waterworks as a municipal undertaking, been merely exercising the same functions as other water authorities in Victoria. If such a suggestion is put forward and is finally approved it would overcome some difficulties which will be encountered in a switch to administration under the Water Acts.

Yours faithfully,

J. R. RAY.  
TOWN CLERK.

C O P Y

PUBLIC BODIES REVIEW COMMITTEE

July 6, 1981

Mr. J. L. Low  
Town Clerk  
City of Sale  
Municipal Offices  
SALE, Vic. 3850

I understand that until 1965, the City of Sale provided an urban water supply under the powers contained in Sections 689/692 of the Local Government Act rather than as a Local Governing Body under Section 184 of the Water Act. It has been suggested that the Sale municipal water supply was the last major water supply to be operated under the Local Government Act.

The Committee wishes to establish the considerations which led the City of Sale to change the basis of its water supply operations in this way, and would be grateful for any background information you may be able to provide on this subject.

Yours sincerely,

DR. KEVIN J. FOLEY  
Chairman

EWR/mc

C O P Y

Shire of East Loddon  
Shire Office  
SERPENTINE, Vic. 3517

The Chairman,  
Public Bodies Review Committee,  
2nd Floor,  
"Treasury Gate",  
1 - 15 Little Collins Street,  
MELBOURNE, VIC. 3000

Dear Dr. Foley,

I refer to your letter of 6th inst. and advise information requested as follows:

The Council operates two water supply schemes pursuant to section 691 of the Local Government Act in Serpentine and Jarklin.

- (1) The names of the communities served are Serpentine township and Jarklin settlement.
- (2) The number of consumers are:  

Serpentine - 54  
Jarklin - 11
- (3) The source of the water supplied is Serpentine Creek in both cases - by arrangement with the State Rivers and Water Supply Commission.
- (4) The water supplied is for domestic purposes, but mainly the water is used for washing and gardens. Little is used for drinking, all people having separate rain water supply.
- (5) Serpentine Scheme

This Scheme was installed in 1955 with the assistance of a State Rivers and Water Supply Commission subsidy. Council contribution was raised by loan, i.e. \$5,900.

Recently the Council borrowed a further \$13,000 for improvements. These funds were borrowed at prevailing interest rates with no government subsidy.

A small subsidy of \$2,062 being  $\frac{1}{2}$  cost of a larger pump was approved in 1978. It was paid in 1981.

The present rate is 12¢ in the \$ on N.A.V. with minimum charges of \$110 for tenements and \$25 for vacant land.

This scheme is a viable scheme but a filtration plant is required.

This improvement could not be financed by the Council because of the small number of consumers, and the Council will have to be constituted a water authority under section 184 of the Water Act in order to qualify for immediate assistance by way of capital grant and loan funds at the concessional rate of interest.

(6) Jarklin Scheme

The Jarklin Scheme was installed in 1962 and such installation was financed by a loan raised by the Council. No subsidies of any kind were received.

Unfortunately development did not take place at Jarklin and the scheme is now of doubtful viability.

The present rate is 17¢ in the \$ on N.A.V., the hotel being the only property paying on this basis. The minimum charge for tenements is \$250 and for vacant land \$50.

Council has had to contribute from General Account from time to time to meet the accruing deficit.

However, works recently approved, i.e. increase in capacity of overhead storage, are expected to reduce costs and increase efficiency. It is the wish of the residents that the scheme continue and these latest works are being funded by a loan of \$8,000 provided by the residents on a self-help basis, i.e. 4% interest. The people are subsidising what in some other instances is being subsidised by the Government.

The Jarklin Scheme having less than 20 consumers is not eligible for constitution under the Water Act, and is, of course, not eligible for subsidy.

- (7) The advantages of retaining provision for operation of small schemes under the Local Government Act is that it allows Councils to provide supply under circumstances not provided for by the S.R. & W.S.C. Without these provisions the Jarklin Scheme would not exist. Although it is of doubtful viability now it did work well for several years. The addition of 4 or 5 more consumers would make it viable even now.

A scheme under the Water Act must employ a Secretary and Engineer separately and pay them in accordance with the Water and Sewerage Award. Besides the engineer must be qualified as a water engineer pursuant to the Water Act.



If a scheme is not eligible for subsidy it is probably better for it to be free of restrictions that would result from constitution pursuant to section 184.

Unfortunately I have had no experience in the administration of a scheme under the Water Act. This makes comparisons rather difficult.

Yours sincerely,

T.J. Rudkins,  
SHIRE SECRETARY

July 16th, 1981

C O P Y

Shire of Yea  
Civic Centre  
YEA, Vic. 3717

21st August, 1981

The Chairman,  
Public Bodies Review Committee,  
Treasury Gate  
1 Little Collins Street  
MELBOURNE. VIC. 3000

Dear Dr. Foley,

I was absent on leave in July and thus apologise for the delay in answering your letter of 6th July, 1981, regarding the Municipal water supply.

Particulars of the scheme are set out hereunder:-

- |                     |   |  |
|---------------------|---|--|
| Name of Community   | - | Township of Molesworth   |
| Number of Consumers | - | 16   |
| Source of Water     | - | Goulburn River   |
| Consumers           | - | Domestic and gardens, commercial and stock water.  |
| Finance             | - | Rates are based on the N.A.V. system with a schedule of minimum charges to apportion the costs in a fair and equitable manner. |

A copy of the estimates on which the rate order for 1979/80 and 1980/81 was based is attached. Copies of the financial statements are also attached.

Council conducts the scheme to provide a service for the community free of administrative charges, and to provide a service which the small community may otherwise find burdensome to maintain.

I believe that Section 689-693 of the Local Government Act confers powers and flexibility not available in the Water Act. There are less restraints on making of rates, the appointment of Committees of Management that include civilian representatives without the need of elections and also powers of delegation. Moreover, loss of these powers would seriously interfere with the general competence of Local Government to provide services for sections of the community that lack the expertise in these matters.

The Local Government Act has been used by Council for the benefit of Molesworth and Yea and may yet prove to be the most economical method of providing a water supply to rural/urban dwellers outside the districts of established Trusts.

There is a much stronger case for retaining the powers under the Local Government Act rather than arguments advanced to streamline legislation by reposing all authority in the Water Act.

Yours sincerely,

F.F. Berkery  
Shire Secretary

Encl.

APPENDIX 6.FULL LIST OF HEARINGS AND DISCUSSIONS HELD BY  
THE PUBLIC BODIES REVIEW COMMITTEE

<u>Date</u>	<u>Location</u>	<u>Witnesses - Representative/s</u>
29.5.80	Melbourne	The Hon. F. J. Granter, Minister of Water Supply.
"	"	Mr. W. E. Bromfield, Chairman, State Rivers and Water Supply Commission.
"	"	Mr. J. N. Mann, Director, Water Resources and Water Supply.
11.6.80	Melbourne	Mr. A. H. Croxford, Chairman, Melbourne and Metropolitan Board of Works.
"	"	Mr. I. G. Baker, Director of Finance, Treasury.
"	"	Mr. I. R. Pawsey, Secretary, Waterworks Trusts Association, Provincial Sewerage Authorities Association of Victoria, Municipal Association of Victoria.
12.6.80	Queenscliff	*Queenscliffe Sewerage Authority.
13.6.80	Queenscliff	*Queenscliffe Sewerage Authority.
13.6.80	Drysdale	*Ocean Grove Sewerage Authority.
26.6.80	Dandenong	*Dandenong Valley Authority.
27.6.80	Dandenong	*Dandenong Valley Authority.
2.7.80	Melbourne	Professor J. Power, University of Melbourne.
3.7.80	Wangaratta	*Ovens and King River Trust.
"	"	*Fifteen Mile Creek Improvement Trust.
4.7.80	Wangaratta	*Ovens and King River Trust.
"	"	*Black Dog Creek Improvement Trust.
9.7.80	Melbourne	State Rivers and Water Supply Commission
11.7.80	Ballarat	*Ballarat Water Commissioners and Ballarat Sewerage Authority.
18.7.80	Mildura	Mildura Urban Water Trust.
"	"	Mildura City Council.
"	"	Mildura Sewerage Authority.
"	"	Murrayville Waterworks Trust.
"	"	Underbool Waterworks Trust.
"	"	Shire of Walpeup Waterworks Trust.
"	"	Shire of Mildura Sewerage Authority.
"	"	Shire of Mildura.
31.7.80	Horsham	*Horsham Sewerage Authority.
"	"	*Horsham Waterworks Trust.
1.8.80	Horsham	Serviceton Sewerage Authority.
"	"	Shire of Kaniva Waterworks Trust.
"	"	Kaniva Sewerage Authority.
"	"	Shire of Kaniva.

<u>Date</u>	<u>Location</u>	<u>Witnesses - Representative/s</u>
1.8.80	Horsham	Nhill Waterworks Trust.
"	"	Nhill Sewerage Authority.
"	"	Mrs. Turner, Wannan Conservation Socy.
"	"	Mr. G. Greenall, Resident, Halls Gap.
"	"	Birchip Sewerage Authority.
"	"	Murtoa Sewerage Authority.
"	"	Murtoa Waterworks Trust.
"	"	Shire of Kowree Waterworks Trust.
"	"	Mr. V. H. Hausler, Resident.
"	"	Minyip Sewerage Authority.
"	"	Rupanyup Sewerage Authority.
"	"	Horsham Sewerage Authority.
"	"	Horsham Waterworks Trust.
"	"	Donald Sewerage Authority.
"	"	Donald Waterworks Trust.
"	"	Town of Stawell Water Supply District.
"	"	Stawell Sewerage Authority.
8.8.80	Portland	Coleraine and Casterton Waterworks Trust.
"	"	Koroit Waterworks Trust.
"	"	Yatchaw Drainage Trust.
"	"	Terang Sewerage Authority.
"	"	Strathdownie Drainage Trust.
"	"	Glenelg River Improvement Trust.
"	"	Shire of Dundas Waterworks Trust.
"	"	Hamilton City Council.
"	"	Hamilton Waterworks Trust.
"	"	Hamilton Sewerage Authority.
"	"	Balmoral Waterworks Trust.
"	"	Coleraine Sewerage Authority.
"	"	Portland Town Council.
"	"	Portland Waterworks Trust.
"	"	Portland Sewerage Authority.
"	"	Mr. R. C. Page, Resident
"	"	Shire of Glenelg.
"	"	Shire of Glenelg Waterworks Trust.
"	"	Mr. J. C. Fairbairn, REsident.
15.8.80	Bairnsdale	Avon River Improvement Trust.
"	"	Bairnsdale Waterworks Trust.
"	"	Bairnsdale Sewerage Authority.
"	"	Mitchell River Improvement Trust.
"	"	Tambo River Improvement Trust.
"	"	Bruthen Waterworks Trust.
"	"	Metung Waterworks Trust.
"	"	Lakes Entrance Waterworks Trust.
"	"	Lakes Entrance Sewerage Authority.
"	"	Sale City Council.
"	"	Sale Sewerage Authority.
"	"	Snowy River Improvement Trust.

<u>Date</u>	<u>Location</u>	<u>Witnesses - Representative/s</u>
15.8.80	Bairnsdale	Mallacoota Waterworks Trust.
"	"	Mallacoota Sewerage Authority.
"	"	Lindenow Waterworks Trust.
"	"	Paynesville Waterworks Trust.
"	"	Stratford Waterworks Trust.
"	"	Macalister River Improvement Trust.
"	"	Cann River Improvement Trust,
"	"	Mr. J. J. Hopkins, Resident.
"	"	Mr. G. W. Reddick, Resident.
21.8.80	Melbourne	*Sir Ronald East, Former Chairman, State Rivers and Water Supply Commission.
22.8.80	Wodonga	Wangaratta Waterworks Trust.
"	"	Wangaratta Sewerage Authority.
"	"	Kiewa River Improvement Trust.
"	"	Mount Beauty Waterworks Trust.
"	"	Black Dog Creek Improvement Trust.
"	"	Ovens and King River Trust.
"	"	Mitta Mitta River Improvement Trust.
"	"	Wodonga Waterworks Trust.
"	"	Wodonga Sewerage Authority.
"	"	Corryong Waterworks Trust.
"	"	Corryong Sewerage Authority.
"	"	Walwa Waterworks Trust.
"	"	Cudgewa Waterworks Trust.
"	"	Yackandandah Waterworks Trust.
29.8.80	Shepparton	*Shepparton Urban Waterworks Trust.
"	"	*Benalla Waterworks Trust.
"	"	*Benalla Sewerage Authority.
"	"	*Commissioner E. J. Guppy.
"	"	*Seymour Waterworks Trust.
"	"	*Seymour Sewerage Authority.
"	"	*Association of Victorian River Improve- ment Trusts.
"	"	*Seymour Shire River Improvement Trust.
"	"	*Devenish Waterworks Trust.
"	"	*Glenrowan Waterworks Trust.
"	"	*Broken River Improvement Trust.
"	"	*Goorambat Waterworks Trust.
"	"	*Alexandra Waterworks Trust.
"	"	*Alexandra Sewerage Authority.
"	"	*Shire of Alexandra River Improvement Trust.
"	"	*Thornton Waterworks Trust.
"	"	*Kilmore & District Waterworks Trust.
"	"	*Kilmore Sewerage Authority.

<u>Date</u>	<u>Location</u>	<u>Witnesses - Representative/s</u>
29.8.80	Shepparton	*Kyabram Town Council.
"	"	*Kyabram Water and Sewerage Authority.
"	"	*Broadford Waterworks Trust.
"	"	*Broadford Sewerage Authority.
"	"	*Euroa Waterworks Trust.
"	"	*Dookie Waterworks Trust.
"	"	*Mooroopna Waterworks Trust.
"	"	*Mooroopna Sewerage Authority.
"	"	*Mr. F. Dawson, Resident.
"	"	*Lower Broken Creek Pumpers Assocn.
"	"	*Anti-Canal Committee.
"	"	*Shire of Tungamah Waterworks Trust.
5.9.80	Traralgon	Morwell Waterworks Trust.
"	"	Morwell Sewerage Authority.
"	"	Churchill Sewerage Authority.
"	"	Boolarra Waterworks Trust.
"	"	Leongatha Waterworks Trust.
"	"	Leongatha Sewerage Authority.
"	"	Latrobe Valley Water and Sewerage Board.
"	"	Traralgon Sewerage and Waterworks Trust.
"	"	Drouin Waterworks Trust.
"	"	Drouin Sewerage Authority.
"	"	Korumburra Sewerage Authority.
"	"	Korumburra Waterworks Trust.
"	"	Yarram Sewerage Authority.
"	"	Yarram Waterworks Trust.
"	"	Maffra Waterworks Trust.
"	"	Maffra Sewerage Authority.
"	"	Warragul Waterworks Trust.
"	"	Warragul Sewerage Authority.
"	"	Toora Waterworks Trust.
"	"	Toora Sewerage Authority.
"	"	Thomson River Improvement Trust.
"	"	Neerim South Waterworks Trust.
"	"	Noojee Waterworks Trust.
"	"	Latrobe River Improvement Trust.
"	"	Tyers and Glengaray Waterworks Trust.
"	"	Meenyan Waterworks Trust.
"	"	Dumbalk Waterworks Trust.
"	"	Heyfield Sewerage Authority.
"	"	Heyfield Waterworks Trust.
"	"	Rosedale Waterworks Trust.
"	"	Rosedale Sewerage Authority.
"	"	Seaspray Waterworks Trust.
"	"	Mr. Tom Barnes, Cowwarr.

<u>Date</u>	<u>Location</u>	<u>Witnesses - Representative/s</u>
5.9.80	Traralgon	Poowong Loch and Nyora Waterworks Trust.
"	"	Shire of Korumburra River Improvement Trust.
12.9.80	Bendigo	Bendigo Creek Improvement Trust.
"	"	Bendigo Sewerage Authority.
"	"	Boort Waterworks Trust.
"	"	Bullock Creek Improvement Trust.
"	"	Maryborough Sewerage Authority.
"	"	Maryborough Waterworks Trust.
"	"	State Rivers and Water Supply Commission.
"	"	Goornong Waterworks Trust.
"	"	Bridgewater Waterworks Trust.
"	"	Avoca River Improvement Trust.
"	"	Loddon-Campaspe Regional Planning Authority.
"	"	City of Bendigo.
"	"	Kyneton Shire Waterworks Trust.
"	"	Kyneton Sewerage Authority.
"	"	Mr. B. G. Callaway, Resident.
"	"	Victorian Field and Game Association.
"	"	Mr. Andrew Adam, Resident.
"	"	Gisborne Waterworks Trust.
17.9.80	Melbourne	State Rivers and Water Supply Commission.
19.9.80	Ballarat	City of Warrnambool.
"	"	Warrnambool Sewerage Authority.
"	"	City of Warrnambool Water Supply District.
"	"	Linton Waterworks Trust.
"	"	Smythesdale-Scarsdale Waterworks Trust.
"	"	Learmonth Waterworks Trust.
"	"	Hall's Gap Sewerage Authority.
"	"	Shire of Ararat Waterworks Trust.
"	"	Willaura Sewerage Authority.
"	"	City of Ararat Water Supply.
"	"	Ararat Sewerage Authority.
"	"	Rokewood Waterworks Trust.
"	"	Daylesford Waterworks Trust.
"	"	Daylesford Sewerage Authority.
"	"	Save our Bushland Action Group, Daylesford.
"	"	Dr. A. J. Carless.
"	"	Shire of Ballarat.
"	"	Mr. A. O. Lawrence, Resident.
"	"	Mt. Clear-Mt. Helen Progress Asscn.



<u>Date</u>	<u>Location</u>	<u>Witnesses - Representative/s</u>
19.9.80	Ballarat	Mrs. B. McNulty, Resident.
"	"	Mr. J. Elsworth, Smeaton, Resident.
"	"	Shire of Bungaree.
"	"	Mr. John Mildren, Resident.
"	"	Ballarat Water Commissioners.
"	"	Ballarat Sewerage Authority.
26.9.80	Geelong	Lough Calvert Drainage Trust.
"	"	Bannockburn District Waterworks Trust.
"	"	The Combined Ratepayers' Association of Bellarine.
"	"	Portarlington Sewerage Authority.
"	"	Ocean Grove Sewerage Authority.
"	"	Aireys Inlet Waterworks Trust.
"	"	Anglesea Sewerage Authority.
"	"	Torquay Sewerage Authority.
"	"	Colac Waterworks Trust.
"	"	Colac Sewerage Authority.
"	"	Forrest Waterworks Trust.
"	"	Geelong Waterworks and Sewerage Trust.
1.10.80	Melbourne	Latrobe Valley Water and Sewerage Board.
3.10.80	Dandenong	Wonthaggi Sewerage Authority.
"	"	Inverlock Waterworks Trust.
"	"	Inverlock Sewerage Authority.
"	"	Riddell's Creek Waterworks Trust.
"	"	Shire of Cranbourne Sewerage Authority
"	"	Moe Waterworks Trust.
"	"	Moe Sewerage Authority.
"	"	Mirboo North Waterworks Trust.
"	"	Longwarry Drainage Trust.
"	"	Springvale and Noble Park Sewerage Authority.
"	"	Mr. P. C. Collins, Member of Parliament.
"	"	Dandenong Sewerage Authority.
"	"	Mr. G. Paull, Resident.
"	"	Woori Yallock-Launching Place Waterworks Trust.
"	"	Dandenong Valley Authority.
8.10.80	Melbourne	Mr. Tom Barnes, Cowwarr.
8.10.80	Melbourne	State Rivers and Water Supply Commsn.
22.10.80	Melbourne	Mrs. J. Erbs, Willow Grove.
22.10.80	Melbourne	State Rivers and Water Supply Commsn.
29.10.80	Melbourne	State Rivers and Water Supply Commsn.
31.10.80	Lilydale	Mount Martha Sewerage Action Group.
"	"	Mornington Sewerage Authority.
"	"	Mount Eliza Sewerage Authority.

<u>Date</u>	<u>Location</u>	<u>Witnesses - Representative/s</u>
31.10.80	Lilydale	Dromana-Rosebud Sewerage Authority.
"	"	Melton Waterworks Trust
"	"	Melton Sewerage Authority
"	"	Woori Yallock-Launching Place Waterworks Trust.
"	"	Mr. G. Coleman, Resident.
"	"	Yarra Junction Waterworks Trust
"	"	Yarra River Improvement Trust
"	"	Shire of Healesville Sewerage Authority.
"	"	Healesville Waterworks Trust
"	"	Hurstbridge Waterworks Trust
"	"	Hurstbridge Sewerage Authority
"	"	Frankston Sewerage Authority
"	"	Gembrook-Cockatoo-Emerald Waterworks Trust.
"	"	Marysville Waterworks Trust
"	"	Sunbury Waterworks Trust
"	"	Sunbury Sewerage Authority
"	"	Westernport Waterworks Trust
"	"	Cowes Sewerage Authority
"	"	Lang Lang Waterworks Trust
"	"	Lang Lang Sewerage Authority
"	"	Chirnside Park Sewerage Action Group
"	"	Lilydale Sewerage Authority.
19.11.80	Melbourne	State Electricity Commission of Victoria.
3.12.80	Melbourne	Association of Consulting Engineers, Australia (Victorian Chapter).
25. 2.81	Melbourne	Upper Yarra Valley and Dandenong Ranges Authority.
"	"	Soil Conservation Authority
"	"	Environment Protection Authority
"	"	Health Commission - Victoria.
4. 3.81	Melbourne	Shire of Deakin Waterworks Trust
"	"	Tongala Sewerage Authority.
"	"	Mr. I. G. Baker, Director of Finance, Treasury of Victoria.
"	"	Waterworks Trust Association of Victoria.
"	"	Provincial Sewerage Authorities Association of Victoria.
"	"	Upper Yarra Sewerage Authority.
"	"	Shire of Pakenham.
"	"	Shepparton Sewerage Authority.
11. 3.81	Melbourne	State Rivers and Water Supply Commission
25. 3.81	Melbourne	Pental Island River Improvement Trust.

<u>Date</u>	<u>Location</u>	<u>Witnesses - Representative/s</u>
1. 4.81	Melbourne	Mr. B. J. Waldron, Auditor-General of Victoria.
15. 4.81	Melbourne	Bright Waterworks Trust
"	"	Bright Sewerage Authority.
13. 7.81	Echuca	Goulburn Murray Irrigation District Advisory Council.
"	"	Shire of Deakin
"	"	Torrumbarry System Irrigators' Association
"	"	Victorian Irrigators' Central Council.
"	"	Boort Irrigation Advisory Board.
"	"	Lower Broken Creek Pumpers' Association
"	"	Pyramid Hill Advisory Board.
"	"	Tongala Centre Advisory Board
"	"	Shepparton Irrigation Area Advisory Board.
"	"	Rodney Irrigation Area Advisory Board.
"	"	Rochester Irrigation Area Advisory Board.
"	"	Campaspe Irrigation District Advisory Board.
"	"	Cr. P. S. Robins, Shire of Kerang.
22. 7.81	Mildura	First Mildura Irrigation Trust
"	"	Inland Salinity Action Committee
"	"	Lake Charm Restoration Committee
"	"	Nyah Irrigation Advisory Board.
"	"	Mildura Urban Water Trust.
"	"	Merbein Irrigation District Advisory Board.
"	"	Red Cliffs Advisory Board.
"	"	Robinvale Advisory Board.
29. 7.81	Melbourne	Murray Valley Irrigation Area Advisory Board.
"	"	Fisher Cleeland Turner & Dwyer (Vic.) Pty. Ltd.
"	"	Combined Irrigators Advisory Boards of Bacchus Marsh and Werribee.
"	"	Mildura District Dried Fruits Association.
"	"	Central Gippsland Irrigation Area and Maffra-Sale Irrigation Area Advisory Boards.
"	"	Macalister District Water Users League.
"	"	Victorian Irrigation Research and Promotion Organisation and Watershed Association of Victoria.
5. 8.81	Melbourne	State Rivers and Water Supply Commission.
"	"	Mr. I. G. Baker, Director of Finance, Treasury of Victoria.

12.	8.81	Melbourne	Mr. B. J. Waldron, Auditor-General of Victoria.
19.	8.81	Melbourne	State Electricity Commission of Victoria.
"	"	"	Grain Elevators Board.
"	"	"	Public Service Board of Victoria.
"	"	"	Mr. K. Pattison.
"	"	"	Members of the Victorian Institute of Chartered Accountants.

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Discussions denoted by \* .

\* \* \*

## APPENDIX 7.

### LOCAL AND REGIONAL OPTIONS PROPOSED BY THE COMMITTEE IN ITS SECOND REPORT

#### Local Options

The Committee identified the following Options for future water management in areas not covered by regional authorities of type R4, and not directly supplied by the State Rivers and Water Supply Commission.

These Options, for the provision of water and sewerage to individual country centres, were:-

- Option L1: Retention of each existing separately constituted water and sewerage authority.
- Option L2: Amalgamation of those water and sewerage authorities presently served by a joint administration, but retention of a separate corporate identity for the merged body.
- Option L3: Amalgamation of those water and sewerage authorities whose administration is integral with that of a municipality with that municipality, with retention of a separate corporate identity for the merged water body.
- Option L4: Amalgamation of those water and sewerage authorities whose administration is integral with a municipality with that municipality, without the retention of a separate corporate identity for the merged water body.

APPENDIX 7. (contd.)

- Option L5: Universal amalgamation of all water authorities with municipalities.
- Option L6: The unification within each local Government area of all water and sewerage bodies under a single but separate corporate entity.
- Option L7: The unification within each local Government area of all water and sewerage bodies without a corporate identity separate from that of municipal Government.

\* \* \*

## APPENDIX 7. (contd.)

### Regional Options

The Committee identified the following regional water management options:-

- Option R1: No regional authority as such, but a periodic consultative forum within each defined region among water and sewerage trusts and authorities, and between such authorities and other government agencies, particularly regional planning authorities.
- Option R2: No regional authority as such, but a co-ordinating committee for each defined region, similar to that proposed in "A Sewerage Strategy for the Yarra Valley," though not necessarily chaired from the Ministry of Water Resources.
- Option R3: A regional authority created as a second tier above separate local authorities, with responsibility for region wide issues, including the provision of common headworks and disposal facilities where appropriate.
- Option R4: A regional authority responsible for all water, sewerage, drainage and flood protection works in its region.

The Committee's current thinking favours the adoption of one of these Options in each region in Victoria, with Option R4 in those areas where development and interdependency is most obvious, and lesser Options in other areas.

EXTRACTS FROM THE PROCEEDINGS

The Minutes of the Proceedings of the Committee show Divisions which took place during the consideration of the Draft Report. A summary of those Proceedings follows:

TUESDAY, 29 SEPTEMBER 1981

The Committee divided on the respective questions -

- (i) That the recommendations relating to the following Waterworks Trusts and Sewerage Authorities and Local Governing Bodies, stand part of the Report:

Bannockburn District Waterworks Trust,  
Barwon Heads Sewerage Authority,  
Shire of Bellarine Sewerage Authority,  
Charlton Waterworks Trust,  
Charlton Sewerage Authority.

- (ii) That Chapter 1 - Principles, Purpose and Scope, and the recommendations relating to the following Waterworks Trusts, Sewerage Authorities and Local Governing Bodies, as amended, stand part of the Report:

Airey's Inlet Waterworks Trust,  
Anglesea Sewerage Authority,  
Torquay Sewerage Authority,  
Barnawartha Waterworks Trust,  
Bealiba Waterworks Trust, Shire of Bet Bet,  
United Shire of Beechworth,  
Beechworth Sewerage Authority.

In each case, the result of the Division was:

Ayes, 4.

Noes, 1.

The Hon. B. A. Chamberlain      Mrs. J. Chambers  
The Hon. Dr. K. J. Foley  
Mrs. P. A. Sibree  
The Hon. D. R. White.

Severally resolved in the affirmative.

\*           \*           \*



The Committee divided on the respective questions -

- (i) That the recommendations relating to the following Waterworks Trusts and Sewerage Authorities and Local Governing Bodies, stand part of the Report:

Heathcote Waterworks Trust,  
Heathcote Sewerage Authority,  
Koroit Waterworks Trust,  
Korumburra Waterworks Trust,  
Korumburra Sewerage Authority,  
Poowong, Loch and Nyora Waterworks Trust,  
Shire of Kyneton Waterworks Trust,  
Kyneton Sewerage Authority,  
Malmsbury Waterworks Trust,  
Trentham Waterworks Trust,  
Lakes Entrance Waterworks Trust,  
Lakes Entrance Sewerage Authority,  
Metung Waterworks Trust,  
Bruthen Waterworks Trust,  
Buchan Waterworks Trust.

- (ii) That the recommendations relating to the following Waterworks Trusts and Sewerage Authorities and Local Governing Bodies, as amended, stand part of the Report:

Drouin Waterworks Trust,  
Drouin Sewerage Authority,  
Neerim South Waterworks Trust,  
Noojee Waterworks Trust,  
Warragul Waterworks Trust,  
Warragul Sewerage Authority,  
Geelong Waterworks and Sewerage Trust,  
Queenscliffe Sewerage Authority.

In each case, the result of the Division was:

Ayes, 6.

Noes, 1.

The Hon. B. A. Chamberlain  
Mr. S. M. Crabb  
The Hon. Dr. K. J. Foley  
Mr. E. J. Hann  
Mrs. P. A. Sibree  
The Hon. D. R. White

Mrs. J. Chambers

Severally resolved in the affirmative.

\* \* \*

AIREY'S INLET WATERWORKS TRUST (as amended)  
ANGLESEA SEWERAGE AUTHORITY  
TORQUAY SEWERAGE AUTHORITY

The Committee's recommendation is that the Airey's Inlet Waterworks Trust, the Anglesea Sewerage Authority and the Torquay Sewerage Authority in the Shire of Barrabool cease to exist, and that the successor bodies should be the Airey's Inlet Water Board, the Anglesea Water Board and the Torquay Water Board, responsible for water and sewerage services to those towns. The Committee further recommends that should the Water Boards consider that at some future time in the interests of their ratepayers they should continue with a larger body, then that body should be the Geelong Regional Water Board. The Committee considers that no further water boards should be established in the coastal regions of the Shire of Barrabool.

Amendment proposed - That the words 'Airey's Inlet Water Board, the Anglesea Water Board and the Torquay Water Board' be omitted with the view of inserting in place thereof 'Barrabool Water Board'.

(Mr. White)

Question - That the words proposed to be omitted stand part of the recommendation - put.

The Committee divided.

Ayes, 1.

Noes, 4.

Mrs. J. Chambers

The Hon. B. A. Chamberlain  
 The Hon. Dr. K. J. Foley  
 Mrs. P. A. Sibree  
 The Hon. D. R. White

And so it was resolved in the negative.

Question - That the words proposed to be inserted be so inserted - put.

The Committee divided.

Ayes, 4.

Noes, 1.

The Hon. B. A. Chamberlain  
 The Hon. Dr. K. J. Foley  
 Mrs. P. A. Sibree  
 The Hon. D. R. White

Mrs. J. Chambers

And so it was resolved in the affirmative.

\* \* \*

BUNGAREE AND WALLACE WATERWORKS TRUST

The Committee recommends that the Bungaree and Wallace Waterworks Trust should cease to exist, and that the successor body should be the Bungaree and Wallace Water Board, with responsibilities for water and sewerage provision throughout the Shire of Bungaree and Wallace. The Committee further recommends that should the Board consider that at some future time in the interests of the ratepayers, it should be combined with a larger body, then that body should be the Ballarat Water Board.

Amendment proposed - That the words 'Bungaree and Wallace Water Board' be omitted with the view of inserting in place thereof 'Ballarat Water Board', and that all the words thereafter be omitted.

(Mr. White)

Question - That the words proposed to be omitted stand part of the recommendation - put.

The Committee divided.

Ayes, 2.

Noes, 5.

The Hon. B. A. Chamberlain  
Mrs. J. Chambers

Mr. S. M. Crabb  
The Hon. Dr. K. J. Foley  
Mr. E. J. Hann  
Mrs. P. A. Sibree  
The Hon. D. R. White

And so it was resolved in the negative.

Question - That the words proposed to be inserted be so inserted - put.

The Committee divided.

Ayes, 5.

Noes, 2.

Mr. S. M. Crabb  
The Hon. Dr. K. J. Foley  
Mr. E. J. Hann  
Mrs. P. A. Sibree  
The Hon. D. R. White

The Hon. B. A. Chamberlain  
Mrs. J. Chambers

And so it was resolved in the affirmative.

\* \* \*

BUNGAREE AND WALLACE WATERWORKS TRUST (contd.)

Question - That the recommendation relating to Bungaree and Wallace Waterworks Trust, as amended, stand part of the Report - put.

The Committee divided.

Ayes, 5.

Noes, 2.

Mr. S. M. Crabb  
The Hon. Dr. K. J. Foley  
Mr. E. J. Hann  
Mrs. P. A. Sibree  
The Hon. D. R. White

The Hon. B. A. Chamberlain  
Mrs. J. Chambers

And so it was resolved in the affirmative.

\* \* \*

LINTON WATERWORKS TRUST &  
SMYTHESDALE-SCARSDALE WATERWORKS TRUST

The Committee recommends that the Linton Waterworks Trust and the Smythesdale-Scarsdale Waterworks Trust cease to exist, and that the successor bodies be the Linton Water Board and the Smythesdale-Scarsdale Water Board, but be subject to review by this Committee within five years, and that no further water bodies be created within the Shire of Grenville.

Amendment proposed - That all the words after 'cease to exist', be omitted, with the view of inserting in its place thereof, and that the successor body be the Ballarat Water Board with responsibilities for water and sewerage provisions in the Shire of Grenville.

Question - That the words proposed to be omitted stand part of the recommendation - put.

The Committee divided.

Ayes, 4.

Noes, 3.

The Hon. B. A. Chamberlain  
Mrs. J. Chambers  
The Hon. Dr. K. J. Foley  
Mr. E. J. Hann

Mr. S. M. Crabb  
Mrs. P. A. Sibree  
The Hon. D. R. White

And so it was resolved in the affirmative - Amendment negatived.

Question - That the recommendation relating to Linton Waterworks and Smythesdale-Scarsdale Waterworks Trust, stand part of the Report - put.

The Committee divided.

Ayes, 4.

Noes, 3.

The Hon. B. A. Chamberlain  
Mrs. J. Chambers  
Mr. E. J. Hann  
Mrs. P. A. Sibree

Mr. S. M. Crabb  
The Hon. Dr. K. J. Foley  
The Hon. D. R. White

And so it was resolved in the affirmative.

\* \* \*

BUNINYONG WATERWORKS TRUST (as amended)

The Committee recommends that the Buninyong Waterworks Trust should cease to exist, and that the successor body should be the Buninyong Water Board, with responsibilities for water and sewerage provision throughout the Shire of Buninyong.

Amendment proposed - That the words 'Buninyong Water Board' be omitted with the view of inserting in place thereof 'Ballarat Water Board', and that all the words thereafter be omitted.

(Mr. White)

Question - That the words proposed to be omitted stand part of the recommendation - put.

The Committee divided.

Ayes, 2.

Noes, 5.

The Hon. B. A. Chamberlain  
Mrs. J. Chambers

Mr. S. M. Crabb  
The Hon. Dr. K. J. Foley  
Mr. E. J. Hann  
Mrs. P. A. Sibree  
The Hon. D. R. White

And so it was resolved in the negative.

Question - That the words proposed to be inserted be so inserted - put.

The Committee divided.

Ayes, 5.

Noes, 5.

Mr. S. M. Crabb  
The Hon. Dr. K. J. Foley  
Mr. E. J. Hann  
Mrs. P. A. Sibree  
The Hon. D. R. White

The Hon. B. A. Chamberlain  
Mrs. J. Chambers

And so it was resolved in the affirmative.

\* \* \*

BUNINYONG WATERWORKS TRUST (contd.)

Question - That the recommendation relating to Buninyong Waterworks Trust, as amended, stand part of the Report - put.

The Committee divided.

Ayes, 5.

Noes, 2.

Mr. S. M. Crabb  
The Hon. Dr. K. J. Foley  
Mr. E. J. Hann  
Mrs. P. A. Sibree  
The Hon. D. R. White

The Hon. B. A. Chamberlain  
Mrs. J. Chambers

And so it was resolved in the affirmative.

\* \* \*

WEDNESDAY, 30 SEPTEMBER 1981

The Committee divided on the question, That the recommendation relating to the Springhurst Waterworks Trust, stand part of the Report.

The result of the Division was:

Ayes, 4.

Noes, 1.

The Hon. Dr. K. J. Foley  
Mr. R. A. Jolly  
Mrs. P. A. Sibree  
The Hon. D. R. White

Mr. S. M. Crabb

And so it was resolved in the affirmative.

\* \* \*

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PUBLIC BODIES REVIEW COMMITTEE

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FIFTH REPORT TO THE PARLIAMENT

THE ECONOMIC

IMPACT OF PUBLIC BODIES

IN VICTORIA

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Ordered to be printed

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1981





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RESIDENT CONSULTANT TO THE COMMITTEE

Dr. D. P. Gracey, by courtesy of the Canadian and Commonwealth  
 Governments.

\* \* \*

EXTRACTED FROM THE MINUTES OF THE PROCEEDINGS OF THE  
LEGISLATIVE COUNCIL

---

TUESDAY, 8 SEPTEMBER 1981

13. PUBLIC BODIES REVIEW COMMITTEE - The Honourable A. J. Hunt moved, by leave, That the Honourables B. A. Chamberlain, Dr. K. J. Foley and D. R. White be Members of the Public Bodies Review Committee, and that the said Committee have power to send for persons, papers and records.  
Question - put and resolved in the affirmative.
- 

EXTRACTED FROM THE VOTES AND PROCEEDINGS OF THE  
LEGISLATIVE ASSEMBLY

---

TUESDAY, 8 SEPTEMBER 1981

17. PUBLIC BODIES REVIEW COMMITTEE - Motion made, by leave, and question - That - (a) Mrs. Chambers, Mr. Crabb, Mr. Hann, Mr. Jolly and Mrs. Sibree be Members of the Public Bodies Review Committee; (b) the Committee have power to send for persons, papers and records; and (c) Standing Order No. 208 be suspended in respect of the Committee to allow - (i) publication of fair and accurate reports of evidence given by witnesses examined at public hearings; and (ii) the release of evidence, discussion notes and other documents and the publication thereof at the discretion of the Committee (*Mr. Thompson*) -
- 

WEDNESDAY, 2 APRIL 1980

18. PUBLIC BODIES REVIEW COMMITTEE - Motion made and question - That the State Rivers and Water Supply Commission and each constituted water, sewerage, drainage and river improvement trust or authority, except the Melbourne and Metropolitan Board of Works, be referred to the Public Bodies Review Committee for review (*Mr. Mackinnon*) - put, after debate, and agreed to.

EXTRACTED FROM THE VICTORIAN GOVERNMENT GAZETTE  
OF 20 MAY 1981, NO. 42, p. 1595.

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PARLIAMENTARY COMMITTEES ACT  
PUBLIC BODIES REVIEW COMMITTEE

---

At the Executive Council Chamber, Melbourne, the nineteenth  
day of May, 1981.

PRESENT:

His Excellency the Governor of Victoria	
Mr. Crozier	Mr. Borthwick
Mr. Lacy	

---

NOMINATION OF PUBLIC BODIES FOR REVIEW  
BY THE PUBLIC BODIES REVIEW COMMITTEE

Whereas section 48B(1) of the *Parliamentary Committees Act* 1968, No. 9367, provides *inter alia* that the Legislative Council or the Legislative Assembly may by resolution or the Governor in Council may by Order published in the *Government Gazette* at any time nominate a public body for review by the Public Bodies Review Committee.

And whereas on 2 April 1980 the Legislative Assembly resolved "That the State Rivers and Water Supply Commission and each constituted water, sewerage, drainage and river improvement trust or authority, except the Melbourne and Metropolitan Board of Works, be referred to the Public Bodies Review Committee for review."

Now therefore His Excellency the Governor of the State of Victoria by and with the advice of the Executive Council thereof and in exercise of the powers conferred by section 48B(1) of the *Parliamentary Committees Act* 1968 doth hereby nominate the Local Governing Bodies constituted under the *Water Act* 1958, the Ballarat Water Commissioners and Sewerage Authority, the Dandenong Valley Authority, the First Mildura Irrigation Trust, the Geelong Waterworks and Sewerage Trust, the LaTrobe Valley Water and Sewerage Board, the Mildura Urban Water Trust, the West Moorabool Water Board and the personnel of the State Rivers and Water Supply Commission, for review by the Public Bodies Review Committee.

And the Honourable Rupert James Hamer, Her Majesty's Premier for the State of Victoria, shall give the necessary directions herein accordingly.

TOM FORRISTAL,  
Clerk of the Council.

## TABLE OF CONTENTS

Introduction and Acknowledgments

### THE RELEVANCE OF UNDERSTANDING VICTORIA'S PUBLIC BODIES SECTOR.

1. Context.
2. The Economic Impact of Public Bodies in Victoria : A Summary of Comments and Recommendations made by the Institute of Applied Economic and Social Research.
  - 2.1 Major Business Authorities
  - 2.2 Financial Authorities
  - 2.3 The Water Industry
  - 2.4 Borrowing, Debt and the Loan Council.
3. The Steps Ahead.

### APPENDIX A :

THE ECONOMIC IMPACT OF PUBLIC BODIES IN VICTORIA : A REPORT TO THE PUBLIC BODIES REVIEW COMMITTEE, PARLIAMENT OF VICTORIA, BY THE INSTITUTE OF APPLIED ECONOMIC AND SOCIAL RESEARCH, UNIVERSITY OF MELBOURNE.

INTRODUCTION AND ACKNOWLEDGMENTS

At its inception the Public Bodies Review Committee appreciated that in addition to considering the reference of a public body or public bodies it would need, in the first instance, to establish an understanding of the public bodies sector itself. Without that understanding the Committee believed that however competent its examination of a particular reference the recommendations drawn from it could, and almost certainly would, be partial and lack relevance. Were the Committee to conduct its Inquiry in that way, that is, without an understanding of context and without adopting a systemic view, it would be perpetuating the very error which has led to the establishment of a public bodies sector which is excessively fragmented and too large to allow effective management. In short, this, the largest and most important component of Victoria's public sector, lacks coherence because it has been constructed, or rather additions have been made to it, without a full appreciation of what was being added to.

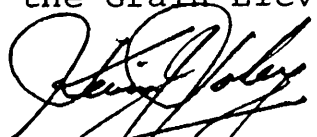
This Committee intends that if it is to make recommendations that will add or subtract, either by function or number of bodies, to this sector of government, then those recommendations for change will have coherence and be made with a knowledge of the essential features of the public bodies sector.

When the Public Bodies Review Committee was established in March 1980 it was not possible for the Committee, or anyone else working from published documents to measure even the size, let alone the relevance, economic impact and social

significance of the public bodies sector of the Victorian economy. In spite of the detailed study conducted for the Committee by the Institute of Applied Economic and Social Research of the University of Melbourne which appears as Appendix A to this Report, Victoria's public bodies sector remains more obscure than it should.

Finally, let me thank the 277 bodies included in the Committee's reference who responded, often at very short notice and under staffing difficulties, to a questionnaire circulated by the Committee to all bodies in the reference. Information provided in response to that questionnaire has been of immense value to the Committee, and of course it was critical to the construction of the core Chapters of the Institute of Applied Economic and Social Research study. However, without diminishing the importance of that information, or the efforts involved in its collection, the Committee reserves a special thanks for *all those bodies not included in its reference*, who, out of an interest in the Committee's work, and a commitment to the philosophy that underpins its enabling legislation (i.e. efficiency in government), responded to a detailed questionnaire and provided other, both verbal and written, information to the Committee and its researchers.

Though it is always dangerous to single out a few organisations from the very large number that have provided assistance to the Committee with this the first ever attempt to assess the economic significance of public bodies in Victoria, the Committee does nevertheless extend special thanks to the State Electricity Commission, Gas and Fuel Corporation, Melbourne and Metropolitan Board of Works, Treasury, and the Grain Elevators Board.

  
DR. KEVIN J. FOLEY,  
Chairman.

VICTORIA'S NON-METROPOLITAN WATER INDUSTRY :

THE NEED FOR A WIDER VIEW.

1. Context

The establishment of the Public Bodies Review Committee in 1980 reflected a deep-seated concern, shared by all political parties, that greater efficiency and effectiveness in Government was needed, and that a breakdown had occurred in the accountability to Parliament of Victoria's plethora of public bodies.

The *Parliamentary Committees (Public Bodies Review) Act 1980*, No. 9367, was framed to enable the Victorian Parliament to act upon this concern, and to provide the Public Bodies Review Committee with a facility to undertake reviews on the reporting, the economy, efficiency and effectiveness of its public bodies.

At the outset of its Inquiry into Victoria's non-metropolitan water industry, the Public Bodies Review Committee took the view that it would not be possible to develop responsible, objective and workable recommendations for those 377 bodies under review if information gathering and analysis were restricted to the bodies specifically mentioned in its reference. Taking the view that the *Parliamentary Committees (Public Bodies Review) Act* and the need to produce relevant recommendations requires:

- (a) a knowledge and understanding of the context in which the bodies under review



operate, and

- (b) an awareness of how other public bodies perform functions and meet problems similar or identical to those of the 377 public bodies referred to it for review,

the Committee commissioned a number of studies designed to provide that necessary guidance and contextual understanding. The Institute of Applied Economic and Social Research document which appears as Appendix A to this Report, was designed to place those 377 components of Victoria's non-metropolitan water industry into the context of Victoria's public bodies sector. To put the Institute of Applied Economic and Social Research study [*The Economic Impact of Public Bodies in Victoria*] into proper perspective and appreciate its place in the Committee's present Inquiry it should be read in conjunction with the recently published Touche Ross Services Pty. [*Report on a Study of the Audit and Reporting Responsibilities of Public Bodies in Victoria*] and the following three studies which the Committee will be making public in the next several weeks:

- . *Ministerial Responsibility and Public Bodies in Victoria*; Dr. D. P. Gracey of the Canadian Privy Council Office.\*
- . *Technical Standards in the Provision of Water and Sewerage to Towns in Victoria*; Sinclair Knight and Partners.

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\* Dr. Gracey, a Senior Canadian public servant and distinguished scholar, spent 6 weeks with the Committee during August-September 1981.

*The Potential for Irrigated Agriculture in  
Northern Victoria to the Year 2000;*  
Department of Agriculture, Victoria.

In presenting its research on this previously uncharted area of government activity, the Institute stated:

"These comments are not intended as criticisms of the management of public bodies nor of the officials in the departments to which they report, but to the incredibly cumbersome and antiquated system in which they are forced to work. The issues are so complex that this Report is intended only to open up the problems and some solutions for public discussion, rather than to put forward any definitive analysis."

In presenting this Report to Parliament this Committee would wish to underscore those remarks.

\* \* \*

2. The Economic Impact of Public Bodies in Victoria :  
a summary of comments and recommendations made by  
the Institute of Applied Economic and Social Research.

As mentioned previously the *Economic Impact of Public Bodies in Victoria* is a first attempt to shed light on an area of government activity which dominates Victoria's public sector and has until now been something of a *terra incognita*.

To compile that material Dr. Sheehan and his colleagues have brought together data obtained by the Public Bodies Review Committee, organizations within the Committee's reference, statistical information compiled by the Australian Bureau of Statistics, and statistical and other information obtained from more than 200 public bodies not expressly mentioned in the Committee's reference.

To place Victoria's non-metropolitan water industry in perspective and provide insight into such central matters as finance and asset replacement management, the Institute has separated out and made general comments, observations and recommendations on Victoria's major business authorities, e.g. State Electricity Commission, Melbourne and Metropolitan Board of Works, and its financial authorities, e.g. superannuation boards, as well as water authorities within the Committee's reference. The study also looks at the role of the financial authorities and the existing Loan Council arrangements in financing capital works, and makes recommendations to the Committee regarding the utilization of Victoria's public sector financial resources.

The main features of the Institute's report and its recommendations can be summarised as follows:

## 2.1 Major Business Authorities.

Authorities that cover a substantial portion of their costs through charges to consumers can be divided into three categories:

- (i) those who cover costs (after depreciation at replacement cost but before interest) and have earned a significant positive real rate of interest on total funds employed, e.g. State Electricity Commission, Gas and Fuel Corporation, and the Melbourne and Metropolitan Board of Works;
- (ii) those with cost recovery rate of only about 50%, e.g. Vic Rail and the Melbourne and Metropolitan Tramways Board;
- (iii) those who do not cover full economic costs before depreciation.

Following an analysis of those categories the study concludes that the \$380 Million in financial assets held by the 15 major Victorian business authorities at 30 June 1980 is excessive having regard to:

- (a) the shortage of funds for capital investment,
- (b) comparisons with the private sector, and
- (c) comparisons with public enterprises such as *Telecom*.

## Summary of Institute's Report (contd.)

The Committee in publishing that research, *exactly* as it was received, wishes to make quite clear that publication in no way indicates acceptance or agreement with the Institute's findings and recommendations. The Committee's conclusions on these matters will be contained in the Financial Management recommendations of its own Final Report.

Here it is important to emphasize that the Committee has adopted the practice of using studies such as those mentioned above (and others) as a catalyst for generating alternative views, new data and wider public debate. It is from those two sets of data (i.e. the study and the material its wide circulation generates) that the Committee reaches its final conclusions.

This Report is therefore published to generate public and expert comment, and as part of the Committee's commitment to make publicly available as much as possible of the evidence presented to it and upon which it must necessarily base recommendations to Parliament.

On the question of investment financing and analysis, which is of central relevance to the Committee's Inquiry, the study makes the comment that since investment in public business authorities is currently a leading growth sector of the Victorian economy, issues concerning both the financing of that investment and the procedures employed to evaluate and choose investment projects are of vital importance. Addressing that issue it is pointed out that policies which require 50% of investment to be funded out of retained earnings during a period of escalating interest

Summary of Institute's Report (contd.)

rates have had the effect of raising the equity : wealth ratio of authorities when, in times of rising investment, it could be expected that this ratio would fall.

Following analysis of these matters the study recommends to the Committee that it should recommend that the Government:

- . distinguish between those authorities or parts of authorities which are expected to function as business authorities and those which are not;
- . require all business authorities to provide information to the Government, to Parliament, and to the public in an adequate and uniform format, and in particular in a format which recognizes the existence of inflation;
- . delineate clearly the areas where subsidies will be provided, and if possible the magnitude of the subsidies involved, so that in spite of the provision of subsidies the performance of authorities can be assessed;
- . repeal, other than in exceptional cases, existing legislative requirements that authorities hold sinking funds;

Summary of Institute's Report (contd.)

- . require authorities to utilize financial assets to a much greater degree within the enterprise, and to meet debt repayment and asset replacement by better management of borrowing and cash flows;
- . generally require authorities to rigorously assess their methods of financial management, and where appropriate, complement improved techniques which are being used, for example, in Telecom and in many private sector firms;
- . provide detailed and public guidelines for business authorities in the areas of pricing policy, investment financing and appraisal, financial management, and so on.

Commenting further the Institute observes that the Public Works Committee, which has a key role in current evaluation procedures, lacks adequate staff to carry out this task comprehensively; and the role of State Treasury in investment analysis of key projects seems to be small.

Addressing the Melbourne and Metropolitan Board of Works, the Institute comments that the Board's capital investment is falling in real terms, its rates are increasing rapidly, its financial asset holdings are very large, and it finances a low proportion of investment from internal sources. Following those observations, and noting the significance of the Melbourne and Metropolitan Board of Works, the Institute recommends that :

Summary of Institute's Report (contd.)

- . the Parliament of Victoria provide the Public Bodies Review Committee with a reference to investigate the activities of the Melbourne and Metropolitan Board of Works.

2.2 Financial Authorities

On the issue of Victoria's financial authorities the Institute notes that at 30 June 1980 the total investments of the major State superannuation, insurance and other financial bodies amounted to \$2,270 Million. The Report goes on to observe that :

- . at present there are 22 bodies operating 25 public sector superannuation funds and that their volume of business is of a similar magnitude to that handled by life offices in Melbourne. Total assets of these funds to 30 June 1980 were \$1,369 Million, having increased at an annual rate of 16.4% since June 1975.
- . The State Insurance Office - assets at 30 June 1980 were just on \$900 Million.

Following those observations the Institute expresses concern at the structure of the Government finance sector of the industry, questions the desirability of shifts in the pattern of investment of funds (into property and commercial loans), and recommends



## Summary of Institute's Report (contd.)

that the Parliament of Victoria provide the Public Bodies Review Committee with a reference concerning public sector superannuation funds in Victoria.

### 2.3 The Water Industry

The Institute study notes that the water industry in Victoria involves the provision of four main types of service:

- . rural water supply
- . urban water supply
- . sewerage services
- . river improvement and drainage services,

and observes that those activities are carried out by more than 400 separate bodies, which in 1980-81 had a recurrent expenditure in excess of \$400 Million, and capital expenditure in the order of \$270 Million. Here the Institute points out, as did the Committee in previous reports to the Parliament, that capital expenditure has fallen sharply in recent years.

Dealing specifically with the Committee's reference the Institute study focusses on four issues:

- . Subsidies.

Here it is pointed out that virtually all authorities receive significant subsidies and those subsidies are a dominant influence

Summary of Institute's Report (contd.)

on the prices charged for water and sewerage. Six types of subsidy are identified:

- (i) grants to assist the construction of new works;
- (ii) fixed low interest rates on Government loans to water authorities;
- (iii) subsidy on private loans for sewerage authorities;
- (iv) interest-free advances to meet cost of survey plans and specifications for new systems;
- (v) offset of costs above maximum rate level;
- (vi) temporary deferment of Government loan where liability cannot be met within the maximum rate of 17.5¢ in the dollar N.A.V.

Given the fact that much of the subsidy arises from the difference between current interest rates and the subsidized 'three per cent' figure, the study concludes that it is not surprising that the total subsidy to the industry is increasing rapidly - \$65.1 Million in 1978-79.

It is argued that those subsidies are antiquated, inefficient and inequitable.

## Summary of Institute's Report (contd.)

### . Financial assets, borrowing and investment.

The Institute points to "an unusual interrelationship between the levels of these three items." Taking the 377 authorities covered in the Public Bodies Review Committee's survey, in 1979, financial assets totalled \$80 Million, their theoretical borrowing capacity under the 'Gentlemen's Agreement' (Loan Council arrangements) was \$281 Million but actual borrowing in 1978-79 was \$37.4 Million or 13.3% of capacity.

On the issue of borrowing the Institute notes that in practice the vast majority of authorities do not borrow anywhere near their theoretical maximum - almost 90% of authorities borrowed less than \$0.2 Million in 1979, and only 20 borrowed more than \$0.5 Million in any of the years 1977-79. Subsidized borrowing accounted for 94.5% of total borrowings in 1978-79 - it is the shortage of subsidized capital rather than the inadequacy of borrowing allocations under the 'Gentlemen's Agreement' that has resulted in the low level of borrowing of the Authorities.

### . Structure.

On this question which has now been dealt with in some detail by the Committee, the Institute argues that there is excessive fragmentation which:

- (i) hinders the development of the most efficient forms of water and sewerage provision, as a result of the areas in which independent initiative and responsibility are vested, being in many cases smaller than the optimal planning area;

Summary of Institute's Report (contd.)

- (ii) encourages the use of the simple forms of financial management, such as holding of liquid assets at the expense of more efficient methods;
- (iii) limits the extent to which authorities can utilize available borrowing power and can undertake large-scale projects;
- (iv) complicates the task of planning, co-ordination, data collection and supervision at the level of the Victorian Government, and so hinders the development of rational policies towards the industry as a whole in Victoria.

. Pricing Policy.

The Institute argues that pricing policy has been distorted by subsidies. The study further questions the adequacy of property rates as an appropriate basis for levying charges. Following analysis of those issues the Institute recommends that:

- . local water and sewerage authorities be reorganized into a much smaller number of bodies, along lines which take account of:
  - (a) the physical and economic facts of the water industry,
  - (b) the gains from integrating the various functions of the industry under a single regional body, and
  - (c) the benefits of amalgamation with local government authorities.

## Summary of Institute's Report (contd.)

- . subsidies to larger bodies be abolished, except perhaps for limited direct revenue subsidies to authorities where the average cost of service provision is well above the State average;
- . a Central Financial Management and Borrowing Agency be established to increase the efficiency with which existing financial resources of the industry are utilized and to facilitate borrowing.

### 2.4 Borrowing, Debt and the Loan Council.

Discussion of the Australian Loan Council is a particularly interesting and thought-provoking element of this study. The Institute observes that the Financial Agreement leaves the States and the Commonwealth free to:

- . borrow money for temporary purposes, subject only to Loan Council direction as to terms and conditions;
- . use for any purpose whatsoever public moneys of the State which are available under the laws of the State;
- . borrow money from bodies within the State without being subject to Loan Council control as to amount provided that no securities are issued.

Following those observations the Committee's attention is drawn to problems of interpretation of the key terms, 'temporary purposes', 'public moneys' and 'securities'. It is argued that the lack of clarity regarding those terms leaves the Victorian Government with considerable room to manoeuvre in relation to finances of public bodies.

Summary of Institute's Report (contd.)

Concluding this section of the Institute's study is the further observation that over the 1970's net debt fell as a proportion of gross domestic product from 13.9% at the middle of 1970, to 8.9%; and the real value of the debt fell by 17.5% over that time, i.e. resources were drawn from revenue to reduce the debt. It is suggested that one reason for this situation was a build-up of financial asset holdings, and another the fact that 37.6% of approved Loan Council domestic borrowings in the years 1978-79 and 1979-80 were filled from within the public bodies sector.

As a result of that focus the Institute recommends that:

- . the Public Bodies Review Committee seeks a legal opinion as to the precise interpretation of the financial agreements;
- . the Government establishes a Financial Management Fund and requires most or all public bodies to hold a high proportion of their portfolios of short-term financial assets in this fund;
- . The Government establishes a State Development Fund, perhaps in conjunction with a consortium of banks, and requires those public bodies holding medium and long-term financial assets to progressively move towards the placement of a significant proportion of these assets in the Fund.

Summary of Institute's Report (contd.)

The Institute points out that the sums involved in these Funds would be substantial, and even taking the most conservative interpretation of the Financial Agreement and limiting the use of the Funds to borrowings for temporary purposes, the establishment of such Funds would both transform the financial management of the Victorian public sector, and provide urgently needed resources for the development of the State.

\* \* \*

### 3. The Steps Ahead.

The Institute of Applied Economic and Social Research study, which, as mentioned earlier, is presented in its entirety as Appendix A to this, the Committee's Fifth Report to Parliament, is the second element in the Committee's program which will culminate in its final recommendations on the financial and structural aspects of Victoria's non-metropolitan water industry. The first step towards generating information on this central and complex issue was taken via public hearings and written submissions from organisations both inside and outside the Committee's reference. The next step is to circulate the Institute study for expert comment, i.e. repeat the process which has been conducted with such marked success on the Touche Ross study on *Audit and Reporting*.

As a result of circulating the Institute's study to the private sector (primarily banks and other financial institutions), State Government (Treasury, Grants Commission, business authorities, financial authorities, and, of course, the water industry) and Federal Government (Treasury, Loan Council, Grants Commission), the Committee will receive written submissions and hold further hearings.

Finally, after considering those *three sets of data* and thus having brought together all the strands of its most complex reference, the Committee will reach its conclusions and make recommendation to Parliament. Thus, although the Committee will be making recommendations that relate primarily to finance, those recommendations will be made with a full understanding of the



manner in which they relate to, impinge upon, constrain and/or augment recommendations relating to technical standards, organizational structure audit, reporting, etc.

Separation of the Committee's Inquiry into what have appeared to be discrete areas is a research convenience, not a reflection of reality.

In reality, the Committee's reference is extraordinarily complex. The 377 public bodies specifically mentioned in its reference present a web of association and interdependencies which, in some cases, even after 18 months of continuous and detailed study, are barely perceived. When that complex web of associations and interdependencies is shown to be but a subset of the wider, partially understood, and much more complex public bodies sector of the Victorian economy, the task of the Committee must be seen as profoundly difficult. But that is not the end of the complexity confronting the Committee, or any other group attempting to measure the effectiveness of a Government agent or activity.

Victoria's public bodies sector, which in spite of the Institute of Applied Economic and Social Research study remains undefined in any detailed sense is but one component of the wider public sector. How the public bodies element is related to the wider public sector is far from clear. For example, if the public sector is divided into budget and non-budget components (as it is often divided by analysts), that part of the Victorian economy populated by the public body would

not only appear in both components but the nature and extent of many of the linkages and/or their rationale would either be unclear, or on published information, impossible to determine.

It is that complexity, those interdependencies, and the lack of data on the public bodies sector as a whole, which has caused the Public Bodies Review Committee to devote considerable attention to establishing context, drawing the parameters of its reference and attempting to delineate the more important interdependencies, first within its specific reference, and then between its reference and the wider public bodies sector of the Victorian economy.

In response to that complexity, and as a result of the need to establish a coherence for its recommendations, the Committee intends that the last section of its Final Report to Parliament should draw the various threads together. In that section many of the Committee's recommendations regarding structure, finance, reporting, etc., will be drawn together to suggest principles and procedures that Government might consider adopting throughout the public sector, or at least beyond the 377 bodies expressly mentioned in the Committee's first reference.

COMMITTEE ROOM,  
14 October 1981.

EXTRACTS FROM THE PROCEEDINGS

The Minutes of the Proceedings of the Committee show Divisions which took place during the consideration of the Draft Report. A summary of those proceedings follows:

WEDNESDAY, 14 OCTOBER 1981

INTRODUCTION AND ACKNOWLEDGMENTS

. . . Were the Committee to conduct its Inquiry in that way, that is, without an understanding of context and without adopting a systemic view, it would be perpetuating the very error which has led to the establishment of a public bodies sector which is excessively fragmented and too large to allow effective management. In short, this, the largest and most important component of Victoria's public sector, lacks coherence because it has been constructed, or rather additions have been made to it, without a full appreciation of what was being added to.

Question - That all the words after 'fragmented' in the first paragraph of Introduction and Acknowledgments be omitted - put.

(Mrs. Chambers).

The Committee divided.

Ayes, 1.

Noes, 7.

Mrs. J. Chambers

The Hon. B. A. Chamberlain  
Mr. S. M. Crabb  
The Hon. Dr. K. J. Foley  
Mr. E. J. Hann  
Mrs. P. A. Sibree  
The Hon. D. R. White  
Mr. R. A. Jolly

And so it was resolved in the negative.

\* \* \*

The Committee divided on the question, That the first, second and third paragraphs of Page 1, entitled '1. Context', as amended, stand part of the Report.

The result of the Division was:

Ayes, 7.

Noes, 1.

The Hon. B. A. Chamberlain	Mrs. J. Chambers
Mr. S. M. Crabb	
The Hon. Dr. K. J. Foley	
Mr. E. J. Hann	
Mr. R. A. Jolly	
Mrs. P. A. Sibree	
The Hon. D. R. White	

And so it was resolved in the affirmative.

\* \* \*

The Committee divided on the question, That the heading on Page 5 be 'Summary of Institute's Report'.

The result of the Division was:

Ayes, 4.

Noes, 4.

The Hon. B. A. Chamberlain	Mr. S. M. Crabb
Mrs. J. Chambers	The Hon. Dr. K. J. Foley
Mr. E. J. Hann	Mr. R. A. Jolly
Mrs. P. A. Sibree	The Hon. D. R. White

The votes for the Ayes and Noes being respectively 4, the Chairman gave his casting vote with the Noes, and the question was negatived.

\* \* \*

The Committee divided on the question, That at the top of Pages 6 to 16 inclusive, where a summary of the Institute of Applied Economic and Social Research's recommendations appears, the heading shall read, 'Summary of Institute's Report (contd.)'

The result of the Division was:

Ayes, 5.

Noes, 3.

The Hon. B. A. Chamberlain  
Mrs. J. Chambers  
Mr. E. J. Hann  
Mrs. P. A. Sibree  
The Hon. D. R. White

Mr. S. M. Crabb  
The Hon. Dr. K. J. Foley  
Mr. R. A. Jolly

And so it was resolved in the affirmative.

\* \* \*

The Committee divided on the question of adding as final paragraph on Page 19 -

'The Committee will be most interested to receive public response to the views and recommendations expressed in the Report of the Institute of Applied Economic and Social Research.'

The result of the Division was:

Ayes, 2.

Noes, 5.

The Hon. B. A. Chamberlain  
Mrs. J. Chambers

Mr. S. M. Crabb  
The Hon. Dr. K. J. Foley  
Mr. E. J. Hann  
Mr. R. A. Jolly  
Mrs. P. A. Sibree

And so it was resolved in the negative.

\* \* \*

The Committee divided on the question of inserting the following words at the commencement of the Report -

'The Committee will be most interested to receive public response to the views and recommendations expressed in the Report of the Institute of Applied Economic and Social Research.'

The result of the Division was:

Ayes, 2.

Noes, 5.

The Hon. B. A. Chamberlain  
Mrs. J. Chambers

Mr. S. M. Crabb  
The Hon. Dr. K. J. Foley  
Mr. E. J. Hann  
Mr. R. A. Jolly  
Mrs. P. A. Sibree

And so it was resolved in the negative.

\* \* \*



A P P E N D I X A.

THE ECONOMIC IMPACT OF PUBLIC BODIES IN VICTORIA :

A REPORT TO THE PUBLIC BODIES REVIEW COMMITTEE,

PARLIAMENT OF VICTORIA

BY

THE INSTITUTE OF APPLIED ECONOMIC AND SOCIAL RESEARCH

UNIVERSITY OF MELBOURNE

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THE ECONOMIC IMPACT OF PUBLIC BODIES IN VICTORIA

A Report to  
The Public Bodies Review Committee  
Parliament of Victoria

by

The Institute of Applied Economic and Social Research

University of Melbourne

August 1981

This report was prepared by Dr. P.J. Sheehan, Mr. R. Gunston and Mr. T. Friend of the Institute staff. Mr. Gunston was seconded to the Institute from the Department of Accounting, University of Melbourne, for much of the period of preparation of the Report. Many other members of the Institute contributed in diverse ways to the Report, and the authors would particularly like to thank Mr. R.B. Lewis, Mr. J. McDonnell, Mrs. E. Mielczarek, Mrs. B. Carevic and Mrs. M. Coppins. They would also like to express their thanks to Dr. Kevin Foley MP and Mr. R. Jolly MP, Chairman and Member of the Public Bodies Review Committee respectively, and to Dr. E.W. Russell, Director of Research of that Committee, for the invaluable assistance and support which they provided. The co-operation of the Australian Bureau of Statistics, and particularly of Mr. F. Gilfelt, was vital to the completion of the Report, and is gratefully acknowledged. Discussions with Dr. C. Saunders of the University of Melbourne Law School were also most valuable. Finally the authors would like to thank the numerous officers of Victorian public bodies who willingly provided statistical and other information. Responsibility for the views expressed here lies with the Institute and the authors, and cannot be ascribed in any way to any of the other individuals mentioned.



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SUMMARY OF REPORT AND RECOMMENDATIONS

From the beginnings of European settlement Victoria has relied heavily on public bodies for the management of its affairs. In the 1850s many public enterprises, as well as regulatory and advisory bodies, were established; the first quarter of the twentieth century saw a rapid expansion of public sector business activity, with many State enterprises which are important today being established in that period; the 1960s and the 1970s saw a vast proliferation of smaller public bodies, although the relative importance of some of the larger authorities waned. Thus by the early 1980s public bodies had become a dominant force in the Victorian economy. Using a broad definition of this sector, the public bodies sector now accounts for over one half of all Victorian public sector current expenditure, some three-quarters of all State public sector capital expenditure and about 11 per cent of all employed persons in the State. What is more, largely because of the rapid expansion of investment in energy industries and the relative stagnation of both the private sector and of the general government area, public bodies are again playing the leading role in the development of Victoria, as they did in the first quarter of this century. The regulatory functions of public bodies have also become vital influences on private sector decision making.

In spite of this historical role and growing importance, it is clear that the state of the public bodies sector is unsatisfactory in many respects, including the following:

- The sheer number of public bodies, the variety of their structures and of their relationships to both the State government and the budgetary process, have made the efficient management of the Victorian public sector virtually impossible. The government does not have adequate systems to monitor developments in the public bodies sector, let alone to co-ordinate and control those developments.
- Many aspects of the management systems employed in public bodies, particularly in regard to accounting, reporting, pricing and investment appraisal, are antiquated and inefficient. While this is true in general, one important respect is in the failure to adjust procedures to the fact of inflation. Other examples are the entrenched and inequitable

systems of subsidies which prevail in many areas, notably the water industry, and the unduly high level of financial assets held by many authorities.

- There is a notable absence of general criteria or guidelines provided by Victorian governments for the guidance of authority decisions in relation to pricing, investment appraisal, financial management and so on. Consequently there is no uniform basis on which the performance of public bodies might be assessed, and no mechanisms by which any such assessment might be carried out.
- Major changes have occurred in the past decade in the financial aspects of public bodies, such as, the growth of public superannuation and insurance bodies, the increase in financial asset holdings of other bodies, big changes in the demand for loan capital and so on. These changes have major implications for the financial situation of the State government and indeed for the future of Victoria itself, but there are few indications of appropriate responses in State policy to come to grips with these changes.
- Given the way public bodies and general government are intertwined in Victoria, the complexity and confusion of the public bodies sector inevitably has its impact on the general government sector. One clear example of this is the State Budget which, largely because of the diverse ways in which hundreds of public bodies are related to the budgetary process, does not give a clear indication of trends either in general government or in the overall Victorian public sector. While some progress has been made in this area in recent years much remains to be done.

These comments are not intended as criticisms of the managements of public bodies nor of the officials in the departments to which they report, but of the incredibly cumbersome and antiquated system in which they are forced to work. The process of writing this Report has been one of continual discovery of the magnitude of the problems and of both the urgency of, and the scope for, change. Nevertheless the issues are so complex that this Report is intended only to open up the problems and some solutions for public discussion, rather than to put forward any definite analysis.

### Major Business Authorities

While the central focus of this Report is on the water industry, to fulfill our terms of reference and to provide perspective to the analysis of that industry we have found it necessary to devote close attention to the eighteen or so major authorities who seek to cover a substantial proportion of their costs through charges to consumers. These are referred to throughout the Report as the major business authorities. Even here the diversity is startling in relation to matters such as methods of accounting and reporting, relationship to the government and to the budget, and the utilisation of taxpayer's funds. As a result of our consideration of these matters, it is recommended that the government should:

- mark as clear a distinction as possible between those authorities or parts of authorities which are expected to function as business authorities and those which are not;
- require all business authorities to provide information to the government, to Parliament and to the public in an adequate and uniform format, and in particular in a format which recognizes the existence of inflation;
- delineate clearly the areas where subsidies will be provided, and if possible the magnitude of the subsidies involved, so that in spite of the provision of subsidies the performance of authorities can be assessed;
- provide detailed and public guidelines for business authorities in the areas of pricing policy, investment financing and appraisal, financial management and so on.

We expect that the promulgation of guidelines such as these would both increase the effective control of the government over public enterprises and at the same time free those enterprises from ad hoc government interference. Detailed but tentative suggestions concerning the content of these guidelines are made in Chapter 7.



## Pricing Policy

Apart from a few authorities, little information is available about the pricing policies which the major business authorities pursue. But what information is available indicates that authorities typically take a range of factors - the need to cover costs, the aim of achieving a target rate of return on funds employed, a target goal for the proportion of new investment funded by retained earnings and a desire to hold price increases below movements in the consumer price index - into account in settling prices. These various goals can and often do conflict with one another, and one or all of the targets may prove to be unachievable. It is not clear how authorities respond to these situations of conflict, and by what means priorities are established. Certainly authorities have received little systematic guidance on these issues from Victorian governments.

In analysing the effect of pricing policies actually implemented, it is clear that there are three types of business authority. One group, which includes the SECV, the Gas and Fuel Corporation and the MMBW, have covered costs (after depreciation at replacement cost but before interest) and have earned a significant positive real rate of interest on total funds employed. Indeed, largely because of the negative real rate of interest at which they were borrowing funds over the 1970s, these authorities were highly profitable in terms of the real rate of return to the owners of the enterprise, and the equity of the public in these enterprises increased rapidly over this decade. The second group consisted of VicRail and the Melbourne and Metropolitan Tramways Board, and had a cost recovery rate of only about 50 per cent. While these authorities have not been investigated in detail in this Report, we would be concerned about any tendency to base pricing policy on the supposed inevitability of such a low cost recovery rate. The third group is a disparate one, and did not as a whole cover full economic costs after depreciation. The performance of this group highlights again the need to delineate more clearly those authorities or parts of authorities which are expected to operate as business authorities, and to specify the guidelines according to which such authorities should operate.

It is our view that the dominant criterion in business authority pricing policy should be a target real rate of return on funds employed, before interest but after allowing for depreciation at replacement cost. To the extent which is practicable, authorities should not be allowed to, or forced to, deviate from this target because of short-term deviations in real interest rates from the long-term trend nor because of constraints on loan finance for investment. Furthermore, when interest rates have fully adjusted to inflation nominal interest rates include a capital maintenance component which is the counterpart to the falling real value of debt. If consumers are required to provide for this capital maintenance component through prices, they are in fact financing the capital gain accruing to the enterprise. It seems that each of these factors are distorting business enterprise pricing in Victoria at the present time, as is indicated by the 54 per cent increase in electricity tariffs in less than two years and the large increases in many MMBW rates in recent years. In view of the complexity of these issues and their importance for Victoria, it is recommended that the Parliament of Victoria provide the Public Bodies Review Committee with a reference to examine the pricing policy of major public sector business authorities.

#### Financial Assets

Our investigations have indicated that 15 major Victorian business authorities held about \$380 million in financial assets at 30 June 1980, of which nearly one half were held by the MMBW. The level of these holdings is clearly excessive, having regard to comparisons with the private sector and with public enterprises such as Telecom Australia and also to the shortage of funds for capital investment. There seem to be three main reasons for the very high level of these holdings, viz. the prevalence throughout the public bodies sector of antiquated requirements and practices in regard to sinking funds, the fact that a few authorities incorporate superannuation and insurance functions in their accounts and the general inadequacy of the financial management systems in operation in business authorities. In relation to these holdings of financial assets it is recommended that the government:

- repeal, other than in exceptional cases, existing legislative requirements that authorities hold sinking funds;

- require authorities to utilize financial assets to a much greater degree within the enterprise, and to meet debt repayment and asset replacement by better management of borrowing and cash flows;
- generally require authorities to assess rigorously their methods of financial management and where appropriate implement improved techniques such as those which are being used, for example, in Telecom and in many private sector firms.

Proposals are also made later to improve the utilisation, for the benefit of the State, of those financial assets which authorities continue to hold.

#### Investment Financing and Analysis

With investment in public business authorities currently being the leading growth sector in the Victorian economy, issues concerning both the financing of that investment and the procedures employed to evaluate and choose investment projects are of vital importance. While Loan Council and other policies may force the hand of both the authorities and the State government, when investment is rising sharply we can see no justification for rules which require, for example, that 50 per cent of investment be funded out of retained earnings. This is especially so when the effect of such a rule would be to lead to a rise in the equity: wealth ratio of the authorities - when investment is rising sharply it would be reasonable to expect this ratio to fall. Thus, given continuing Loan Council constraints it is crucial that the State government find additional sources of finance for authorities with soundly based expansion programmes underway - proposals are made later in this Report as how these funds might be obtained by better utilisation of the State's existing public sector financial resources.

It is the utmost importance that these investment programmes be soundly based, yet there appear to be reasons for real concern about the quality of the processes of investment analysis in the Victorian public sector. While we have not had the opportunity to investigate this matter in detail we have noted the following:

- there are few if any government guidelines about investment analysis procedures;

- there appears to be a prevalence in the Victorian public sector of projects justified only on a needs basis, or being undertaken because of a sudden availability of funds;
- partly as a consequence, there appears to be relatively little investigation or analysis of alternative ways of achieving a given end;
- the Public Works Committee, which has a key role in current evaluation procedures, lacks adequate staff to carry out this task comprehensively;
- the role of State Treasury in investment analysis of key projects seems to be small.

This is clearly an area which needs urgent attention from the government and the Parliament.

#### Melbourne and Metropolitan Board of Works

In many respects emerging in this report, the MMBW appears to occupy a special position. Though not included in the Public Bodies Review Committee's current reference, it is intimately related to the area of that reference. The Board's capital investment is falling in real terms, its rates are increasing rapidly, its financial asset holdings are very large and it finances a low proportion of investment from internal sources. In view of this special position, and of the proximity of the MMBW to the Committee's present reference, it is recommended that the Parliament of Victoria provide the Public Bodies Review Committee with a reference to investigate the activities of the MMBW.

#### The Water Industry

The Victorian water industry is a large but very disparate one. It involves the provision of four main types of service - rural water supply, urban water supply, sewerage services and river improvement and drainage services - and these activities are carried out by some 400 separate bodies. Total recurrent expenditure in the industry exceeded \$400 million in 1980-81, while capital

expenditure was of the order of \$270 million in that year. The industry is a very highly subsidised one, total subsidies paid to the industry by the State government being about \$65 million in 1978-79 on a conservative reckoning. Local water and sewerage authorities, which are of special importance in the terms of reference for this Report (see Appendix I) are examined in detail in Chapters 9 and 10.

Among our major findings are the following:

- While there are undoubtedly good reasons for substantial decentralization in an industry such as the water industry which is heavily influenced by local conditions, the present system of 400 odd bodies is inefficient to the point of absurdity;
- The six types of subsidy which are available to these authorities add up to a subsidy system which is antiquated, inefficient and inequitable. The subsidies are calculated on principles appropriate to another time (when the bond rate was 3 per cent, for example); they undoubtedly encourage inefficient use of water and sewerage services and they do little to equalize the cost of these services to individuals;
- In real terms, capital investment in the industry appears to be falling in spite of rapidly increasing financial asset holdings among local authorities (in excess of \$80 million at 30 June 1980) and overall usage of borrowing powers of less than 15 per cent. This seems to be largely due to the dependence of the industry on subsidies, and the inevitable rationing of those subsidies by the government.

In the light of these and other findings, it is recommended that:

- local water and sewerage authorities be re-organized into a much smaller number of bodies, along lines which take account of the physical and economic facts of the water industry, the gains from integrating the various functions of the industry under a single regional body and the possibilities in some cases of amalgamation with local councils;
- subsidies to these larger bodies be abolished, except perhaps for

limited direct revenue subsidies to authorities where the average cost of service provision is well above the State average;

- these authorities be encouraged to fix a standard charge for basic services, and so to cross-subsidise within the region, but to set charges for additional services in line with the marginal costs of providing services in each local area;
- a Central Financial Management and Borrowing Agency for local water and sewerage authorities be established, to increase the efficiency with which the existing financial resources of the industry are utilized and to facilitate borrowing.

Further elaboration of these recommendations is provided in Chapter 10.

#### Financial Authorities

The magnitude and importance of the Victorian public sector financial institutions, even after excluding the State Bank, are not widely realized. By 30 June 1980 the total investments of the major State superannuation, insurance and other financial bodies amounted to \$2270 million, having increased by \$679 million or an average annual rate of 19.5 per cent in the two years to that date. Clearly the disposition of these funds is not only of major importance to the bodies placing the investments but also to the very development of the State itself.

While information on Victorian public sector superannuation funds is limited, it appears that there are 22 separate bodies operating 25 superannuation funds in Victoria at the present time. The volume of superannuation business carried out by these funds is of a similar magnitude to that handled by the life offices in Victoria, and their total assets as at 30 June 1980 were \$1369 million, having increased at an average annual rate of 16.4 per cent since 30 June 1975. The preliminary examination of these funds which has been possible in this Report has raised many questions. For example, questions arise concerning the structure of this industry, the efficiency of 25 separate funds, and the desirability of shifts in the pattern of investment of funds (for example, into property and commercial loans) which have occurred in

recent years. So important are these institutions in relation to our knowledge of their activities and procedures that it is recommended that the Parliament of Victoria provide the Public Bodies Review Committee or a similarly constituted Parliamentary Committee with a reference concerning public sector superannuation funds in Victoria.

The other major financial institution - the State Insurance Office, which had assets of just on \$900 million at 30 June 1980 - is more well-known, but is not for that reason any less important in relation to the financial resources of this State. Indeed, the pattern of investment of these funds should be of major concern not only to the Office but also to those shaping Victorian government economic policy.

#### Borrowing, Debt and the Loan Council

In examining the level of financial resources in the Victorian public sector and considering whether they could be utilized to meet part of the perceived shortage of capital funds in the State, two issues have been of particular importance. One concerns the freedom which the Agreements surrounding the Loan Council - the Financial Agreement and the Gentlemen's Agreement - leave to the State government to re-organize and utilise more effectively the financial resources of the public bodies sector. The second concerns trends in State public sector debt, and whether there is in fact a case for a further increase in the net indebtedness of that sector at the present time.

While the Institute has no expertise in the legal issues involved, there do appear to be three major relevant areas in which the State government remains free to act in utilizing these resources, so that it is our view that this Agreement does not stand in the way of the necessary re-organisation. The Financial Agreement leaves the States and the Commonwealth free:

- (i) to borrow money for temporary purposes, subject only to Loan Council direction as to terms and conditions;
- (ii) to use for any purpose whatsoever public moneys of the State which are available under the laws of the State;

- (iii) to borrow money from bodies within the State without being subject to Loan Council control as to amount, provided that no securities are issued.

There are clearly potential problems involved in the interpretation of the key terms in each of these - 'temporary purposes', 'public moneys' and 'securities' - but on a natural reading, and on the basis of the reading indicated by commentators such as R.S. Gilbert, it would appear that these three freedoms leave the government with considerable room to manoeuvre in relation to the finances of public bodies. From the point of view of the usual interpretation of the Gentlemen's Agreement, authorities are free to borrow on a temporary basis or from governments without Loan Council control as to amount. Certainly these issues are of fundamental importance in relation to any financial re-organisation of the public bodies sector, and it is recommended that the Public Bodies Review Committee seek legal opinion as to the precise interpretation of these Agreements.

In relation to Victorian borrowing and debt, several of our findings are of importance. The series for the net debt of the State which was constructed for this Report indicated that over the 1970s this net debt fell as a proportion of gross domestic product (GDP) from 13.9 per cent at June 1970 to 8.9 per cent at June 1980 and the real value of that debt fell by 17.5 per cent over that time. Thus the Victorian public sector was a net saver over this period, drawing resources from its revenue to reduce its net debt. Part of the reason for this was the build-up of financial asset holdings noted above, but another reason is contained in our second finding. Victorian public bodies invest heavily in securities of one another, and at 30 June 1980 the holdings by Victorian public bodies of Victorian local and semi-government securities totalled \$1086 million. With these holdings increasing rapidly, 37.6 per cent of approved Loan Council domestic borrowing in the years 1978-79 and 1979-80 combined were filled from within the public bodies sector.

Whatever may have been the case in the early 1970s, there can be no doubt that in the early 1980s Victoria should seek to increase its public sector net debt as a share of GDP, so that funds for capital works can be provided. The level of activity remains subdued, Victoria is receiving little direct benefit from the resources boom and there is a perceived shortage of funds for capital



investment. To a considerable extent this increase in net borrowing can be achieved by a rationalization of financial asset holdings and by reduction in the extent to which Loan Council allocations are filled from within the public bodies sector.

### Improved Financial Management in Victoria

In addition to the proposal made in relation to the water industry, two detailed and related recommendations are made in this report to improve the utilisation of Victoria's public sector financial resources and to increase the supply of capital funds available to this sector. Thus, it is recommended that:

- the government establish a Financial Management Fund, and require most or all public bodies to hold a high proportion of their portfolios of short-term financial assets in this Fund;
- the government establish a State Development Fund, perhaps in conjunction with a consortium of banks, and require those public bodies holding medium and long-term financial assets progressively to move towards the placement of a significant proportion of these assets in the Fund.

The sums involved in these Funds would be substantial - on plausible assumptions about required asset ratios it is estimated in Chapter 14 that, were these Funds to be established now, deposits in the Management Fund might be of the order of \$200-250 million by 30 June 1982, and deposits in the Development Fund could exceed \$1000 million by 30 June 1984. Clearly the ease with which the State government can utilise the deposits of the Fund will depend on the interpretation of the powers remaining to the government under the Financial and Gentlemen's Agreement. But these proposals are designed to be viable under the current conventional (and we believe, unduly restrictive) interpretation, that the only major relevant power remaining to State governments is that of borrowing for temporary purposes. It is our view that these initiatives could both transform the financial management of the Victorian public sector and also provide urgently needed resources for the development of the State.

## Chapter 1

### Victorian Public Bodies - An Historical Perspective

In spite of being a young country with a relatively short development history, one of the striking features of economic and political debate in Australia is the lack of any awareness of the historical origins of the institutions or problems under discussion. This is particularly true of debates concerning the public sector, whether they are about 'big government' and the relationship between the public and private sector in general or more specifically about public bodies in Victoria in the 1980's. In preparing this Report on the economic impact of Victorian public bodies we have found that many of the existing institutions and practices can only be understood in the context of their history and development, and in this chapter we present a very brief review of the role of public bodies in the Victorian economy over the past century.

#### Overview

The broad picture to be outlined in this chapter is as follows. While the idea of the department directly under the control of a Minister as the ideal form of public administration was being developed in Britain during the later nineteenth century, and was the pre-eminent form of public administration in Britain at that time, the Australian colonies were developing their own less structured blends of administrative arrangements - in part based on a Minister, in part based on the concept of the "public officer", and often involved in enterprises which in Britain at that time were the preserve of private capital. In Victoria this involved the initiation of State government activity in road building (1853), telegraphy (1854) and railways (1857) and other areas, as well as the growth of government regulatory bodies; government involvements in development and other activity continued to be a feature of the second half of the 19th Century. But these public sector initiatives were eclipsed by those of the first quarter of the 20th century - often referred to as "the golden age of State socialism" in Victoria - when the role of public enterprises in particular but also of other public bodies was established or enlarged in many key areas of the Victorian economy, such as transport services, power generation and supply, coal-mining, water supply and sewerage, road-making,

health and hospital services, harbours and ports, banking and insurance, land settlement and so on. Indeed, over this period the public bodies sector was the dominant growth sector in the Victorian economy. Between 1903 and 1927 employment in State public bodies in Victoria virtually trebled, growing at an average annual rate of 5.0 per cent by comparison with a growth rate of private employment in Australia of only 2.1 per cent. By 1927 most of the major public enterprises which are important in Victoria in 1981 had been established, and the structure and some of the practices of many of these enterprises go back to this 'golden age'.

Given the importance of overseas loans in financing this growth, the public enterprise sector was hit heavily by the Great Depression, and it was not until the sharp recovery from the Second World War that the 1927 level of employment in Victorian public bodies was restored and then exceeded. During the long and virtually uninterrupted economic expansion between 1953 and 1973 public bodies occupied something of a back seat, although they continued to account for more than one employed Victorian in ten and provided goods and services which were fundamental to that expansion. But between 1953 and 1973 employment in public bodies in Victoria grew at only about half the rate of the private sector employment and little consideration was given to the institutions or the economics of the public bodies sector. But while the growth of the large public enterprises was subdued the number of public bodies increased sharply, as regulatory, advisory and management bodies proliferated. With increasing demand for services and renewed stress on energy developments, since 1974 the public bodies sector has been one of the few growth areas of the Victorian economy, employment in this sector growing by more than 10 per cent between 1974 and 1980 while the number of civilian employees has hardly risen at all. Further, in the second half of the 1970's and in the early 1980's the pattern of Victorian investment has shifted sharply towards the public bodies sector, so that these bodies will exert an increasingly dominant impact on economic life in Victoria during much of the 1980s.

Thus Victoria enters the 1980s with a large and growing public bodies sector, which will be a dominant feature of the economy over the next decade. But many of the main institutions and practices in the public enterprises in this sector go back to the first quarter of this century; there has been virtually no analysis or review of many of these bodies since the 1930's, and

official policies towards this sector have been largely non-existent or, where policies have been in place, these have varied little since that period. What is more, the expansion of both the number of public bodies and the scale of their activities during the postwar decades has not been documented or understood, even by the State government itself. So the task of understanding and assessing, and if necessary reforming, both the public bodies sector itself and official policies towards that sector is one of real urgency for the future of Victoria.

### The "Golden Age" and its Antecedents

The central role of the public sector in economic activity in Victoria goes back to its earliest days as a European settlement. The first permanent European settlement occurred with the Henty brothers at Portland in 1834, followed by Batman and Fawcner at Melbourne in 1835. Almost immediately the authorities were involved in regulation of land settlement and in economic activities such as coal mining. Many writers<sup>1</sup> regard the inauguration in 1841 of the original savings bank at Port Phillip, which is now the State Bank of Victoria, as the beginnings of the Australian experiment with the public corporation or public enterprise. Whether or not this is correct, within the next two decades government involvement in the economy through public bodies emerged rapidly in Victoria, both through the establishment of business enterprises and of regulatory bodies. Transport was an early concern of the administrators of the new colony, which was established as independent of New South Wales in 1851. A Steam Navigation Board was established in 1853 to regulate shipping, while following a report of a Select Committee of the Legislative Council, a Central Roads Board was established in 1853. In 1853 the government decided to move actively into public construction of railways, although the administrative instrument chosen on this occasion was a Department of Railways, which was created in 1856. Power, water and sewerage were also obvious and immediate concerns of the colonial administrators, with the government involved in one way or another in black coal mining since 1840 and a Board of Commissioners of Sewers and Water Supply for Melbourne being established in 1853. Postal services had been placed under government control in 1837, and in 1854 Australia's first commercial telegraph service was set up in Victoria as a government operation. When Victoria became a separate colony in 1851 it inherited from New South Wales a system of boards administering

education, including a National Schools Board administering schools owned by the government and a Denominational Schools Board which administered church schools receiving government financial aid.

Wettenhall<sup>2</sup> argues that the advent of self government, in Victoria (as in New South Wales) in 1856, led to a desire to secure the responsibility of the whole administration, both boards and departments, to Parliament and to ministers responsible to Parliament. This implied a tendency to prefer departments, under the direct control of ministers, to boards and commissions with a degree of independence, and the first thirty years or so after self-government saw a relative decline in the role of quasi-independent public bodies. Not only were few new public bodies established over this period (although the Melbourne Harbour Trust was set up in 1877) but the functions of some existing bodies were transferred to departments. For example, the Boards administering education were abolished and the Education Department established in 1872 and a separate authority for technical education, the Technological Commission, which was set up in 1869 was abolished in 1890. As another example, the Board of Land and Works which was set up in 1857 had a minister as President and soon other ministers were appointed as vice-presidents, so that it soon virtually disintegrated into separate departments.<sup>3</sup>

Towards the end of the 19th century, however, the climate of opinion began to change again. Water supply had been a continuing problem in the colony and a number of initiatives were taken in this regard in the 1880's. The Water Conservation Act of 1881 established Waterworks Trusts to construct and manage supply works throughout Victoria. The Irrigation Act of 1886 effectively nationalised all surface waters in Victoria and established a wide range of Irrigation Trusts. A Royal Commission into Melbourne's sanitary conditions in 1889 recommended the establishment of a water supply, sewerage and drainage body for Melbourne, and the Melbourne and Metropolitan Board of Works began operation in 1891.

These and other developments in the later years of the 19th century proved the forerunners of the great expansion of the public bodies sector in the 'golden age' of the first quarter of the 20th century. This activity began from close to the turn of the century - in 1897 the State Savings Bank was incorporated, in 1904 the Land Purchase and Management Board was set up, while

in 1905 the State Rivers and Water Supply Commission was established, with overall responsibility for provision of water supply services outside Melbourne. The year 1906 saw the establishment of the Licenses Reduction Board, the State Coal Mine was set up in 1909, and in 1913 the Country Roads Board came into existence and the Melbourne Harbour Trust was reorganised as an appointed commission. The State Accident Insurance Office was set up in 1914. A Royal Commission recommended in 1911 the consolidation of the various independent trusts and companies running tramways into a single public body, and the Melbourne and Metropolitan Tramways Board began operations in 1919.

The prospects of large numbers of soldiers returning from the 1914-18 war and seeking work gave a further impetus to public sector developments after 1918. In 1919 the State Electricity Commission was established, with Sir John Monash, G.O.C. of Australian troops in the war, as chairman, and work began immediately to generate electricity from Gippsland coal. At this time the Lands Authority was renamed the Closer Settlement Board, and a major scheme for settling returned soldiers on the land was begun. The 1920's saw a major expansion programme by most if not all of these public bodies, financed largely by substantial borrowing programmes in overseas capital markets, and the public bodies sector was clearly the driving force behind the development of Victoria for the first three decades of the 20th century.

Unfortunately few data are available over the past eighty years to support these assertions. Barnard, Butlin and Pincus<sup>4</sup> of the Australian National University have prepared detailed estimates of public sector employment by States over the period 1901-1974. Their figures cover the whole of the public sector although it should be noted that they exclude persons employed in universities and 'public' hospitals and on unemployment relief works. A broad estimate of employment in the public bodies sector over this period can be obtained by subtracting from these figures employment under the Public Service Act and of teachers in government schools. Limited data on these two forms of public employment in Victoria are available from Public Service Board Annual Reports and from annual reports to the Minister of Public Instruction and later the Minister for Education, and we have used simple interpolation and estimation techniques to overcome the deficiencies in these data. Thus we have assembled one measure of employment in the public bodies sector over the period 1901-1974, this sector being defined for the purpose of this series as total

public sector employment excluding employment under the Public Service Act and in schools, universities and public hospitals. Even on this definition the series has many deficiencies and must be taken as indicating broad orders of magnitudes only. Rather surprisingly, there appears to be no consistent series for total Victorian employment going back to 1901, and so we are forced to compare trends in Victorian public bodies employment with those in the series for total Australian employment produced by Barnard et. al. While this again limits the accuracy of the comparisons for Victoria, it is unlikely that the broad trends are significantly distorted.

Using these data, Chart 1.1 shows the average annual percentage change in public body employment in Victoria on a five-year span basis from 1906 to 1974 (i.e. the average annual percentage change between 1901 and 1906 and so on), while Chart 1.2 shows the share of this Victorian employment in total Australian employment over this period. The dramatic growth in public bodies during the 'golden age' is apparent in the employment data. As we have noted earlier, public body employment grew at an average annual rate of 5.0 per cent between 1903 and 1927, while employment in the Australian private sector increased by only 1.8 per cent and all Australian employment grew by 2.1 per cent. Over this period employment in Victorian public bodies rose from 1.45 per cent to 2.85 per cent of all Australian employment, and the share of total Victorian employment accounted for by Victorian public bodies must have risen strongly. The growth was fairly even over the period, apart from the drop brought about in all employment series by the massive commitment of men to the 1914-18 war.

What forces and reasons lay behind this massive expansion of the Victorian public bodies sector, and was the 'experiment' a successful one? The literature on both these questions has been valuably surveyed by Russell<sup>5</sup> in one of the few recent discussions of these issues, and it is clear from his analysis that a definitive answer cannot be given to either question at the present time. Among the reasons which have been offered are the dominant role of the government and the relative weakness of the private sector in the face of the problems facing the new colony, the need for the public sector to provide infrastructure to make profitable private enterprise possible, the growing influence of socialist ideologies and of the new Labour party, and the requirements of stabilization policy, particularly after the collapse of the

Chart 1.1

Five Year Span Percentage Change in Victorian Public Bodies Employment

1906 - 1974

Average annual change over 5 year period per cent

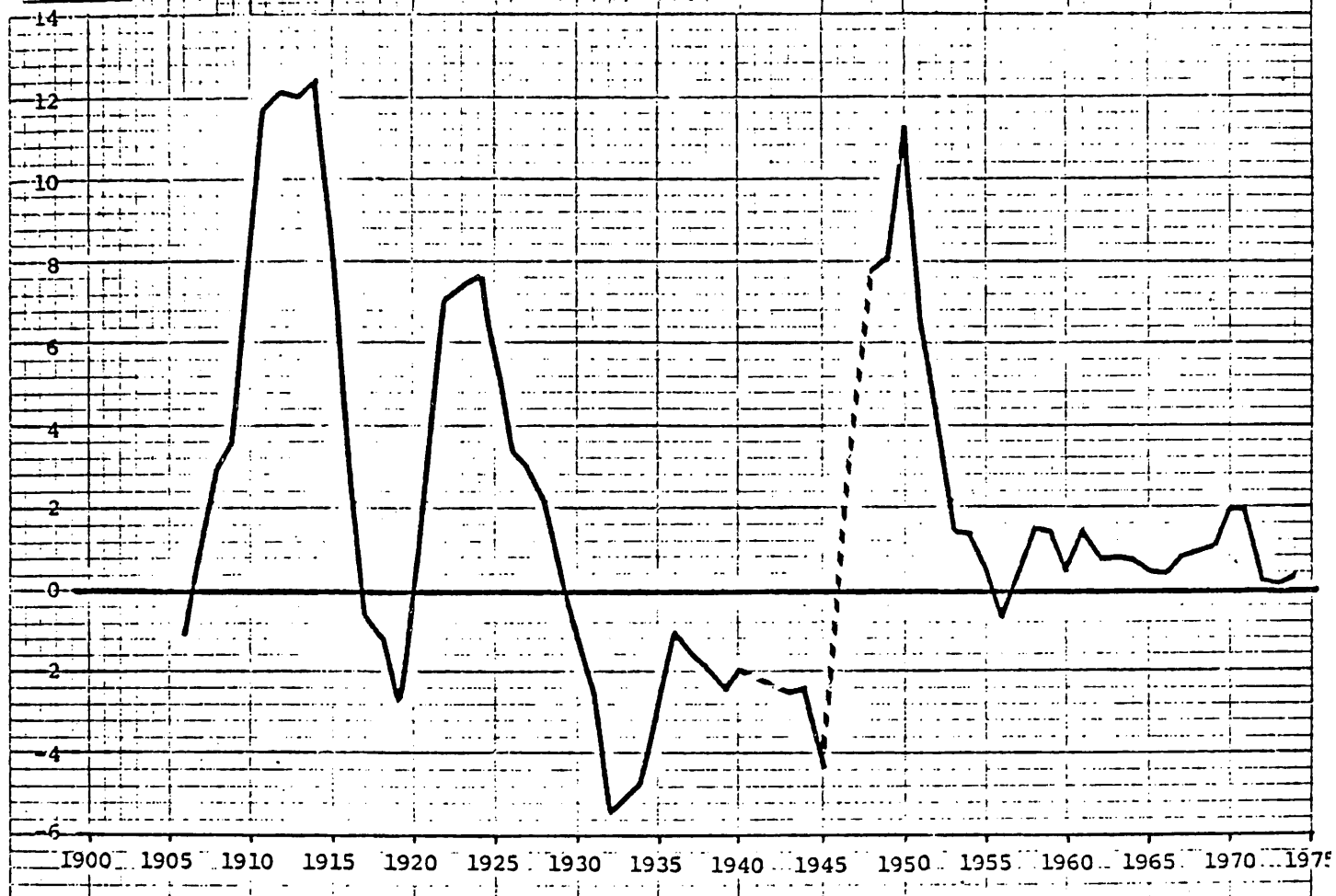
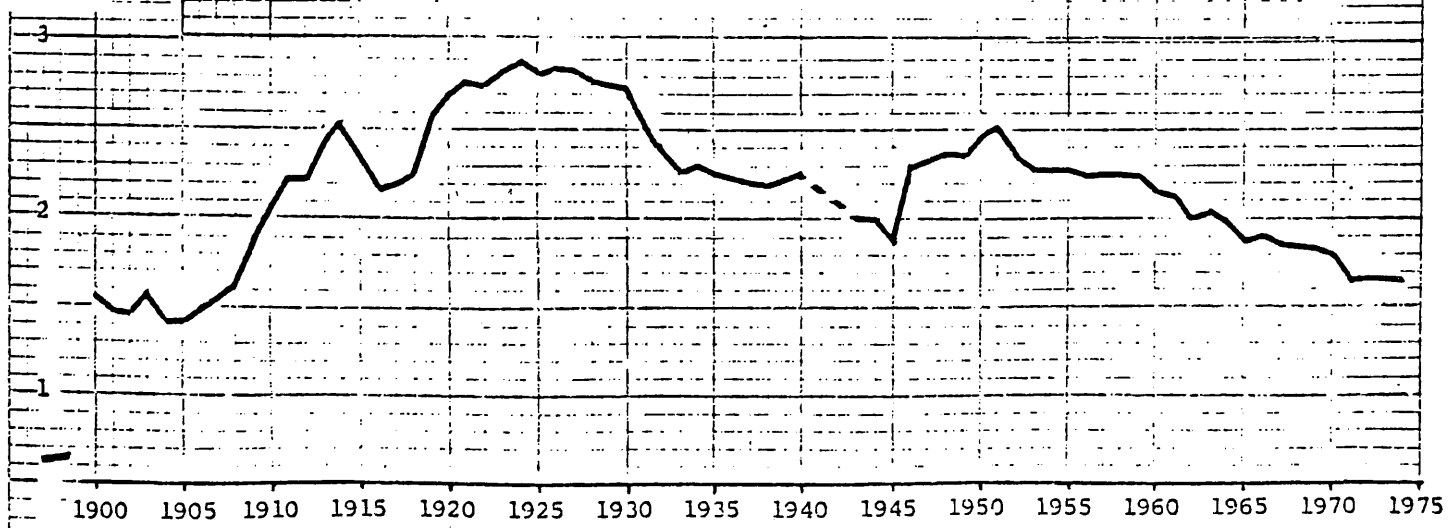


Chart 1.2

Ratio of Victorian Public Bodies Employment to

Total Australian Employment 1901 - 1974

per cent





Land Boom in the 1890s and when soldiers were returning to Victoria after the 1914-18 war. All of these factors seem to have some place, but given the present state of historical knowledge it is not possible to determine their relative roles in a total explanation. It is a remarkable fact, to which Russell draws attention and to which we will return later, that there has been only one substantial evaluation of public enterprises in Victoria, namely the classical study by Eggleston<sup>6</sup> published in 1932. Eggleston was writing in the midst of the Depression and was deeply pessimistic about the achievements of the public bodies he examined, but it is an entirely new question whether this assessment is valid fifty years later.

### The Development of Public Bodies 1930-1980

In terms of our only quantitative measure, the high point of the public bodies sector in Victoria was reached in 1927, the time of the great prosperity of public enterprises. At that date some 14 per cent of all employed Victorians were working for Victorian public bodies, but this proportion declined steadily between 1927 and 1972, being virtually back to the 1903 proportion by the latter year. Given the importance of overseas loans for their expansion in the 1920s many public bodies were sorely hit by the world financial crisis of 1929 to 1932, and by their complete exclusion from the London capital market, while worsening demand conditions within Australia also enacted their toll. Some major bodies (such as the Closer Settlement Board) folded up during the 1930's and others (such as the State Coal Mine) were mortally wounded by the events of the early part of that decade although they lingered on for many years. But most of the major public enterprises established before 1920 survived the Depression at a reduced level of activity. Indeed, as our employment chart suggests, some participated in the renewed expansion of the Victorian economy after 1932 and also played a central role in the expansion of the economy immediately after the Second World War. Indeed, in the five years to 1950 employment in Victorian public bodies increased by 70 per cent, but growth rates have been much more subdued since the early 1950's.

Thus the basic foundation of the direct involvement of the Victorian government in the economy - the large scale public enterprises, commissions and boards - goes back to the 19th century and to the 'golden age' of the first quarter of the 20th century. As we will see throughout this report, many

aspects of these enterprises reflect the date of their origins and the fact that they have been subject to little public assessment or review since that date. Of the major public business authorities in operation in 1981 only two date from later than 1920 - the Housing Commission, established in 1938, and the Gas and Fuel Corporation, set up in 1951. The much more recent origins of the Gas and Fuel Corporation are evident in many aspects of its organisation and practices, which we will have occasion to detail in several chapters below. As Charts 1.1 and 1.2 show, the two decades between 1953 and 1973 were ones of steady but quite modest growth in public bodies employment, with the share of public bodies in total employment falling. In these two decades employment in public bodies as defined for the long-run charts increased at an annual rate of only 0.8 per cent while total Victorian employment grew at a rate of 2.8 per cent per annum.

These facts may convey an impression of a relatively fixed and stable public bodies sector gradually declining in significance as the private sector expanded, but this would be totally misleading. On the contrary, these decades saw a dramatic expansion of the number of public bodies in existence in Victoria, these bodies including many exercising advisory and management functions as well as many smaller scale business authorities, and this expansion continued through the 1970s. Thus the stability of structure of the major public enterprises was accompanied by an almost bewildering proliferation of smaller public bodies, which exerted increasing influence on the Victorian economy, and the employment data in the charts are the net outcome of these trends.

It is in the nature of this proliferation process that no adequate documentation of it exists. Indeed the preparation of a comprehensive list of public bodies was one of the first tasks of the Public Bodies Review Committee on its establishment in 1980, and no definitive history exists of the estimated 9000 public bodies in existence in 1981.

One broad indication of the expansion of public bodies in the 1960s and 1970s is available from the Victorian Year Book, which began in 1962 to list each year Victorian government statutory authorities, employing the classification used in the pioneering study by Jean Holmes and others from the Department of Political Science at the University of Melbourne.<sup>7</sup> In 1962 the

list included 118 bodies, plus numerous local water and sewerage authorities, improvement and drainage trusts and cemetery trustees.<sup>8</sup> By 1980 the number listed had more than doubled to 246, with the same additions plus "various regional tourists authorities".<sup>9</sup> But statutory authorities are only part of the story, and much of the proliferation of public bodies over recent decades can only be documented qualitatively, and through examples. Let us illustrate this proliferation by considering the development of public bodies in three areas - planning, agriculture, and education.

Public sector planning has been one area where the developments have been largely postwar. Statutory planning in Victoria began with the constitution of the Town and Country Planning Board in 1944, and the Board commenced operations in 1946. The Board's activities in its first two decades consisted primarily of examining and reporting to the Minister on local planning schemes and assisting and advising councils on planning. But in 1968 the Act was amended to establish regional planning authorities, and gave increased responsibility to planning sectors within municipalities. Regional authorities have been set up for Western port, the Upper Yarra Valley and Dandenong Ranges, and the Loddon-Campaspe Region, with regional committees for East and Central Gippsland. The Geelong Regional Commission was set up in 1977, with planning powers for the Geelong area. Regional offices of the board have been established in Bendigo, Warrnambool, Taralgon and Wodonga. The Albury-Wodonga Development Corporation was set up in 1973 and the Urban Land Council in 1975, both with Commonwealth government assistance. There were also many public bodies created in areas relating to planning and development. For example, the Dandenong Valley Authority was established in 1963 to provide for drainage and improvement of lands in that area, the Victorian Development Corporation was set up in 1973 to promote industrial and other development, the Government Travel Authority began in 1977 to encourage tourism, and so on.

Victoria has a wide range of advisory, regulatory, management and marketing authorities in the agricultural sector. The 1980 edition of the Victorian Government Directory lists 29 statutory authorities and 24 non-statutory bodies for which the Minister is responsible, and most of these derive from the postwar period. Among the many noteworthy additions during the postwar period in this area have been the Australian Barley Board in 1948 and numerous bodies concerned with the tobacco industry in 1966, the poultry and meat industries in

1973, the tomato processing industry in 1976, the dairy industry in 1977 and the wheat industry in 1979.

Education was one of the growth areas of the postwar decades, and this growth has been duly reflected in the growth of educational public bodies. In addition to three new universities and a number of new institutions designated as Colleges of Advanced Education, numerous advisory, regulatory or administrative and participatory bodies have been created. These include the State Council for Technical Education (1972), the Victorian Institute of Secondary Education (1976) and the Victorian Post-Secondary Education Commission (1978), in addition to eighteen or twenty advisory committees on topics ranging from health and human relations education and pre-driver education to educational issues concerning migrants and aboriginals. The general movement towards greater community participation in education received a substantial boost in 1975 when the government established Schools Councils in State schools. By 30th June 1980 2165 School Councils had been constituted under the Education (School Council) Act 1975. While these bodies are small and are generally treated as beyond the scope of this report, they do illustrate some of the problems of a rapid increase in the number of public bodies. In 1979-80 these councils received \$75 million by way of grants from the government, and in his report for that year the Auditor-General complained that 48 per cent of councils had not lodged adequate audited financial statements.

These examples must suffice to demonstrate the proliferation of public bodies in Victoria in the postwar decades. This process seems to have continued apace since 1974, while at the same time demand for the goods and services provided by some of the more established bodies, notably hospitals and power utilities, has increased. With the level of private sector economic activity in Victoria very subdued since the 1974 downturn, these factors have meant a sharp increase in the relative importance of public bodies in the Victorian economy since 1974. As will be outlined in some detail in Chapter 2, the pattern of investment in Victoria has swung sharply towards public bodies in this period also, so that this trend is likely to be continued well into the 1980s.

### Conclusion

This cursory review of the historical role of public bodies in the Victorian

economy serves to focus our attention on three key points. The first is that virtually all of the major public enterprises which are important in the Victorian economy today date back to the years before 1920, and many seem to have varied little in their structure and organisation since that date. What is certain is that there has been no major general assessment of these enterprises, by either private authors or government officials, since the 1930s. There has been nothing comparable to Eggleston's classic State Socialism in Victoria in the fifty years since he published it in 1932, and the major reference on the depreciation and sinking fund practices of Victorian public enterprises remains the paper by McLaren read before the Economic Society of Australia and New Zealand on 22 November 1935. The second point is that, while there has been little change in the structure of these major enterprises since the 1930s, the postwar decades have seen a vast proliferation of advisory, regulatory, management and other bodies so that by 1981 there is little comprehension, either within government or without, of either the scope of these bodies or their impact on the Victorian economy. The third point is that, as a result of a number of developments, public bodies seem destined to play an increasingly important role in the Victorian economy in the 1980s.

This increased reliance on public bodies in Victoria comes at a time at which there is increasing disenchantment both in Australia and abroad about the role of public bodies, and particularly public business authorities, in a mixed economy. Oettle<sup>10</sup> has documented some of the pressures in West Germany in recent years to put public enterprises back into private hands; the Canadian government has undertaken several reviews of the role and management of public bodies in the form of a White Paper<sup>11</sup> and a Royal Commission<sup>12</sup>; commenting on Pryke's devastating review of the performance of nationalised industries in Britain since 1968,<sup>13</sup> the London Economist has argued that the usefulness of this particular form of economic organisation has come to an end, and that there must be "much more energetic efforts to privatise public industry".<sup>14</sup> In Australia the Federal Government has made it clear in 1980 and 1981 that it seeks to transfer public enterprises back into private hands where possible, and has taken several initiatives to that end. If the future of Victoria is in fact to be substantially in the hands of public bodies then, to say the least, we should investigate vigorously the health of these public bodies and the state of government policy towards them.

These points seem to us to demonstrate beyond doubt both the need for a major review of the public bodies sector and the urgency of that task. This report, while placing special emphasis on water and sewerage authorities, examines the economic impact of public enterprises, financial authorities and the broad sweep of public bodies, and is intended as the Institute's contribution to this urgent task.

## Footnotes

1. See the authorities cited in footnote 12 of Wettenhall, R.L., "Administrative Boards in Nineteenth Century Australia", Public Administration, Vol. XXII No. 2, June 1963, pp.255-268.
2. Wettenhall (1963), op.cit., pp.258-60.
3. *ibid.*
4. Barnard, A., Butlin, N.G. and Pincus, J.J., "Public and Private Sector Employment in Australia, 1901-1974", Australian Economic Review, 1977.
5. Russell, E.W., The State Coal Mine and State Socialism in Victoria, Ph.D. Thesis, Monash University, December 1980, Chapter 1.
6. Eggleston. F.W., State Socialism in Victoria, P.S. King and Son Ltd, London 1932.
7. Holmes, Jean et al, The Government of Victoria, Melbourne University Press, 1957.
8. Victorian Year Book, 1962, pp.108-9.
9. Victorian Year Book, 1980, pp.130-132.
10. Oettle, K. Public enterprise in West Germany, in A. Gelinas, (ed) Public Enterprise and the Public Interest, The Institute of Public Administration of Canada, Toronto 1977, pp.170-185.
11. Crown corporations - Direction, Control, Accountability, Government of Canada White Paper, Privy Council Office, Toronto 1977.
12. Final Report, Royal Commission on Financial Management and Accountability, Canadian Government Publishing Centre, March 1979.
13. Pryke, Richard, The Nationalised Industries, Martin Robertson, Oxford, 1981.
14. The Economist, London, 20-26 June 1981, p.15.

## Chapter 2

### The Economic Impact of Public Bodies

The first impression which strikes a student of Victorian public bodies is the bewildering number and variety of these bodies, and this is an impression which has deepened progressively as this study developed. This chapter, which aims to examine in broad terms the role and impact of public bodies within the Victorian economy, begins by exploring this profusion of bodies and authorities. After having explained the sources of information which are available on Victorian public bodies, we assess the impact of these bodies by analysing data on current and capital expenditure and on employment. Our concern here is to draw out not only the relative importance of public bodies in the Victorian economy in these respects, but also to isolate relevant trends both within the public bodies sector and in its relationships to the larger State economy. The chapter also touches upon some of the issues which arise concerning several major classes of bodies, notably hospitals, tertiary educational institutions and advisory and regulatory bodies, which are not subject to subsequent individual analysis in this Report.

### The Kaleidoscope

Some idea of the variety of public bodies in Victoria has already been given in Chapter 1, where we stressed the extent to which the administrative device of quasi-independent bodies was employed in the earliest years of the new colony and in the first quarter of the twentieth century, together with the proliferation of bodies in the postwar decades. Writing in 1974, the authors of the First Report of the Board of Inquiry into the Victorian Public Service (the Bland Report) wrote:

"The Statute books bulge with legislation establishing commissions, boards, authorities, committees, councils, corporations and other designated agencies. Some are State wide in their responsibilities: others are geographically confined. The activities of some touch every citizen: those of others may have but a sectional application. Some have wide, and others limited, purposes or objects. The degree to which all these agencies are subject to the control of the Executive or a Minister varies markedly. Some



function under the umbrella of departments: others strive to keep at arms length from the departments whose Ministers are nonetheless responsible to the Parliament for the agencies." (paragraph 4.14)

Having thus eloquently evoked the variety of Victorian public bodies they went on to assert that

"Nothing short of a monumental study would admit light to the reasons that led a succession of governments, ministers, officials, promoters of causes, aspirants to high places and Parliaments to choose the courses that now reveal themselves in the Statutes constituting agencies" (paragraph 4.15).

While having no pretensions to the "monumental study" which is clearly needed, it is necessary to go beyond a sense of awe at the bewildering complexity of the Victorian public bodies sector. This sense of awe, and the massive demands of administering such a complex system, are among the major reasons why this system not only remains intact but also continues to proliferate.

#### The Extent of Public Bodies

Our starting point is a list of public bodies provided by the Public Bodies Review Committee and reproduced as Table 2.1. There remains some uncertainty about whether all of the 9000 odd bodies listed in that table are public bodies in the sense relevant to the mandate of the Public Bodies Review Committee, but this issue is of little importance to our attempt to understand the structure of the Victorian public sector. Our concern here is not with the meanings which may be given to the term "public body" but with the actual structure and practices of the public sector. Certainly the most important group for our purposes are the 267 statutory authorities listed in the Victorian Government Directory for July 1980. These authorities are listed in full, classified both by function and by the departments to which they report, in Appendix II of the Touche Ross Services Pty Report to the Public Bodies Review Committee in March 1981. As with other classifications, a wide range of types of body are covered here, extending from such large and old-established bodies as the MMBW, the SECV and the State Rivers and Water Supply Commission to much smaller and more recently established bodies such as the Tomato Processing Industry Negotiating

Table 2.1 The Extent of Public Bodies in Victoria (Approximate numbers only, as at May 1981)

1. Statutory authorities listed in the Victorian Government Directory <sup>1</sup>		267
2. Hospitals and Health Commission bodies <sup>2</sup> :-		
Metropolitan Hospitals	39	
Country Hospitals	108	
Hospitals for the Aged, Benevolent Homes	24	
Children's and Foundlings Homes		
Female Refuges		
Hostels		
Convalescent Homes		
Blind, Deaf and Dumb Institutions		
Institutes for Maternal and Infant Welfare		
Community Health Centres and Services	49	
Training Schools		
Nursing Services and Societies		
Bush Nursing Centres		
Ambulance Services		
Kindergardens	273	
Senior Citizens Clubs, etc.	551	
Other	64	
3. <u>Tertiary Education Institutions</u> <sup>3</sup> :-		1108
State Colleges of Victoria	8	
Colleges of Advanced Education, other than those which are companies	11	
		19
4. <u>Municipalities</u> <sup>4</sup> :-	211	
Estimate <sup>5</sup> of number of committees created by municipalities	800	
		1,011
5. <u>Weights and Measures Unions</u>		16
6. <u>Water Bodies, n.e.i.</u> :-	369	
Estimate of number of further consultative and advisory committees created by water bodies	50	
		419
7. <u>Regional Planning Authorities</u> created by Order in Council		2
8. Bodies created by Order in Council under the Public Service Act, other than Ministerial Departments		1
9. <u>School Councils</u>		2,221

**Table 2.1 The Extent of Public Bodies in Victoria (Approximate numbers only, as at May 1981) (Cont'd)**

10. Other bodies established by Order in Council under the Education Act	1
11. <u>Land Reserves Committees of Management</u>	4,000
12. <u>Wages Boards</u>	220
13. Bodies established by Ministerial Direction, excluding Ministerial Departments	3
Estimated Total:	<u>9,288</u>

### Footnotes

1. Victorian Government Directory, Premier's Department, July 1980.
2. List of Institutes and Benevolent Societies Registered under the Provisions of the Hospital and Charities Act as at June 30, 1980, Health Commission of Victoria, (Hospitals Division) 1980. The question of whether all these are public bodies is under consideration by the Crown Solicitor. Many of the bodies listed may finally fall outside the definitions of the Parliamentary Committees (Public Bodies Review) Act 1980, No. 9367.
3. Excluding the four universities, which fall in the group of 267 authorities in category (1) above.
4. Based on list provided by Local Government Departments.
5. Estimate only.

Source: Public Bodies Review Committee

Committee, the Raffles and Bingo Permits Board and the Extractive Industries Advisory Committee, and to bodies of a quite different type, such as the four universities, the Ombudsman and the Council of Adult Education. The Touche Ross Report has provided the following useful classification of these authorities, by function

Regulatory	82
Advisory	59
Trading	
(a) Principals	22
(b) Agents	3
(c) Fund Managers	9
<hr/> Total	34
Community Services	33
Industry Assistance	9
Judicial	24
Departmental	26
<hr/> Total	267

In terms of direct economic impact it is of course the 34 trading authorities which are of greatest importance; many of these authorities operate on a large scale and will be examined in some detail later in this Report. But there can be little doubt that the 82 regulatory, 59 advisory and 9 industry assistance authorities have a substantial influence on the economy, although this influence is intrinsically difficult to quantify. Also, as we shall see below, the role of the educational and other bodies included under community services is quite substantial even in economic terms alone.

Four of the other classes of body listed in Table 2.1 also play central roles in the Victorian economy. These are hospitals and related bodies falling under the Health Commission, which the Committee puts at close to 1000 at May 1981; municipalities, of which there are currently 211 in Victoria, and the estimated number of some 800 committees which they have established; water industry bodies, which are a central focus of this study and of which there are 369 at the present time, plus many consultative and advisory committees which have been set up by these bodies; and tertiary educational institutions other than universities, of which there are 19 which are public bodies and two which are incorporated as companies. Another class of public bodies which may have an important role in the economy, but which are unfortunately not investigated

further in this Report, are the 220 Wages Boards set up under the Labour and Industry Act 1958. These Boards each cover particular categories of workers in a trade, a branch of a trade or a related group of trades, and have responsibility in regard to industrial matters concerning wages and non-physical conditions of employment. The large numbers of smaller bodies shown in Table 2.1 - the 2221 School Councils and the Land Reserves Committee of Management, of which there are estimated to be approximately 4000 - are of less importance for our present enterprise.

In addition to the bodies listed in Table 2.1, the Touche Ross Report referred to above drew attention to a wide range of other bodies and committees which are in the main listed in the Victorian Government Directory as non-statutory bodies for which a particular Minister is responsible. While many but by no means all of these bodies are advisory, consultative or administrative instruments of departments, it is worth dwelling on them for the further insight which they give into the Victorian public sector. In Appendix III of their Report, Touche Ross list a further 391 such Committees, Boards, Institutes, Councils, Working Parties, Panels and so on. Further again to these, they point to 12 Regional Councils for Technical Education, which report to the State Council for Technical Education, a statutory body; 51 Forest Reserve Committees of Management appointed by the Minister of Forestry to manage, or to advise on the management of, forest reserves; a very large number of Hospital Management Committees; about 140 District Advisory Committees constituted by the Minister of Lands under the Vermin and Noxious Weeds Act; "some fifty committees associated with housing, building and welfare issues" for which the Minister for Housing is responsible, the quote being from the July 1980 Victorian Government Directory (p.169), and an unknown number of legal Boards of Inquiry. Clearly the committee, board and statutory authority syndrome is thoroughly endemic in the Victorian public sector.

### The Pattern of Public Bodies

Not only is the number of public bodies and related committees so large in Victoria as to inevitably create a sense of confusion and complexity, but the shifting patterns of relationships both between public bodies themselves and between the public body and departmental sectors also adds to the sense of impenetrability. Three aspects of these patterns will be briefly noted here,

viz. terminology, relationships to the budget sector and contribution by the taxpayer to the cost of providing goods and services.

One of the immediate problems in understanding the Victorian public sector is the inconsistency of terminology. For example, the term "Commission", which might be thought to be a clear mark of a quasi-independent authority, is in fact used for a wide variety of institutions. Thus the Health Commission is not a statutory body and is in effect the administrative arm of the Minister of Health; the Housing Commission is a statutory body, but is in many respects similar to the Health Commission, and the permanent head of the Ministry of Housing is the chairman of the Housing Commission; at the other extreme, the State Electricity Commission is the only one of the 33 trading authorities noted above which is a 'Commission'. Similar comments could be made about the range of bodies covered by the other terms in frequent use, such 'Board', 'Authority', 'Trust', 'Council', and 'Committee'. There is no need to labour the point: the fact is that the current inconsistent use of terminology contributes to the sense of the complexity concerning this sector.

A more important issue concerns the lack of any correlation between the structure of bodies and their relationship to the Victorian budgetary process. The most obvious example concerns the Victorian Railways Board (VicRail) and the Melbourne and Metropolitan Tramways Board, which are in most respects parallel bodies except that VicRail is completely incorporated into the State budget sector while the MMTB is free to manage its own finances and to borrow on its own account. The accounts of a large number of statutory authorities (e.g. the Environment Protection Authority, the Soil Conservation Authority and many others) are totally integrated into the accounts of the department to which they report, so that they have no effective financial independence, while many other statutory authorities have a very real degree of financial independence. Others again such as the Country Roads Board and the State Rivers and Water Supply Commission (which are both statutory authorities) are partly but not entirely in the budget sector, in that part of the funds they receive for current and particularly capital expenditure does not pass through the Consolidated Fund. This lack of correlation not only makes it more difficult to understand the financial situation of individual authorities but also makes it virtually impossible to give a clear economic meaning to the Victorian Budget itself.

Another simple idea which one naturally brings to the study of public bodies is that the departmental sector of the Victorian public sector is concerned with provision of services financed by the taxpayer while the public bodies sector is concerned with provision of services largely financed by the users of those goods and services. But again this idea is not clearly reflected in the Victorian reality. This is not only because the activities of many public bodies are entirely financed by the taxpayer or because some departmental activities are carried out on a fee for service basis, but also because the activities of many statutory authorities are substantially financed from the public purse. Thus, on very preliminary estimates, it appears that the taxpayer meets about 80 per cent of expenditure on hospital services, 60 per cent of spending on roads, approximately 50 per cent of the cost of providing rail and tram services and 40 per cent of the cost of providing water and sewerage services outside the Melbourne metropolitan area. Indeed, this issue of the relative incidence of taxpayer contributions and user charges across the whole range of the public sector is a most important one, and one which we have not been able to explore adequately in this Report.

## Conclusion

There is much to be said, in our view, for the decentralization of the decision-making of government, with power being devolved down to authorities at the local level or to authorities or groups with special expertise, commitment or abilities in particular areas. But this process of devolution must take place in a way which preserves the economic viability and efficiency of the individual units, which is consistent with State government knowledge and control of the public sector and which does not generate a multitude of unco-ordinated authorities which hinder the development of both the public and the private sector. It is our submission that on each of these grounds the present structure of the Victorian public sector is inadequate, and it is most likely that this structural inadequacy is significantly hindering the development of the Victorian economy. We now turn to a more detailed examination of the impact of this sector on the Victorian economy.

Information Concerning Public Bodies

Given the multiplicity of public bodies, there is obviously a question about the quality of the information available, either to the government or to the interested public, about these bodies. One source is the annual reports of these bodies but, in addition to being of enormous number, for the most part these reports are unsatisfactory sources of information, in ways which have been detailed in the Touche Ross Report referred to above. When one seeks data at some substantial level of aggregation, three sources are available. One is the statistical material produced for individual States by the Australian Bureau of Statistics in its publication State and Local Government Finance (ABS Catalogue No. 5504.0) and in related publications. The second source is the survey of selected public bodies undertaken by the Public Bodies Review Committee, while a third potential source is the information which the State government collects each year on employment in the public sector in preparation for the State budget. In view of both its importance and its unfamiliarity to many people, it is worth briefly describing the Australian Bureau of Statistics (ABS) information.

The published ABS data provide information on income, current and capital expenditure and on financing transactions for all Victorian State authorities and also for Victorian local authorities, with the expenditure items dis-aggregated to a quite substantial extent by function. In itself these published data tell us little specifically about the public bodies sector, but the Bureau has made available to the Institute data relating to two further breakdowns of the all State authorities figures. One is a split of most of the information concerning all Victorian State authorities into the budget and non-sectors, while the second is a split of selected series into public trading enterprises and general government. These forms of dis-aggregation allow us to say a good deal about the public bodies sector, although each form provides a different implicit definition of that sector.

Table 2.2 provides a listing of the major statutory authorities and other public bodies which are covered by the ABS category of the budget sector, together with a complete enumeration of bodies included in the non-budget sector and in public financial enterprises. In addition to numerous water and sewerage authorities outside Melbourne, the non-budget sector comprises 19 non-financial authorities and (for reasons which are not clear) one financial authority, the State Superannuation Board. Thus this non-budget sector can be



**Table 2.2** Coverage of Victorian Budget and Non-Budget Sectors, ABS Data  
Major Statutory Authorities and other Public Bodies in these  
sectors.

**Budget Sector**

- Country Roads Board
- \* Victorian Railways Board
- \* State Rivers and Water Supply Commission
- Universities
- Public Hospitals
- Colleges of Advanced Education
- Non Budget Sector
- \* Housing Commission
- Home Finance Trust
- \* Teacher Housing Authority
- \* State Electricity Commission
- \* Gas and Fuel Corporation
- \* Totalizator Agency Board
- Metropolitan Fire Brigades Board
- Country Fire Authority
- \* Melbourne and Metropolitan Board of Works
- \* Victorian Sewerage Authorities
- \* Geelong Sewerage
- \* Geelong Waterworks
- \* Ballarat Sewerage Authority
- \* Ballarat Water Commission
- \* Latrobe Valley Water and Sewerage Board
- \* Port of Melbourne Authority
- \* Portland Harbour Trust
- \* Geelong Harbour Trust
- \* Grain Elevators Board
- \* Melbourne Underground Rail Loop Authority
- \* Melbourne and Metropolitan Tramways Board
- Rural Finance Commission
- State Superannuation Board
- \* Victorian Pipelines Commission
- \* West Gate Bridge Authority

**Public Financial Enterprises**

- State Insurance Office
- Insurers Guarantee Compensation Fund
- Victorian Development Corporation
- Motor Accident Board
- State Savings Bank of Victoria

\* Part or all of the authorities with an asterisk are classified as public trading enterprises

Source: Provided by the Australian Bureau of Statistics.

taken as giving estimates for one narrowly defined group of public bodies, including many but not all of the major bodies. But the budget sector contains three major statutory bodies - VicRail, the Country Roads Board and State Rivers - while many other small statutory authorities whose accounts are handled by the relevant department would also be in the budget sector. Furthermore, this latter sector includes public hospitals, universities and Colleges of Advanced Education, whose transactions are largely recorded in the Consolidated Fund and the trust funds. The extent to which this is a deficiency for our purposes is uncertain, for it might be argued that these institutions should not be classed as public bodies or at least that they are public bodies of a quite different type than public trading enterprises. Thus the non-budget sector data offers us a useful but quite incomplete coverage of the public bodies sector.

Public trading enterprises are defined by the Bureau as those authorities which aim at covering the bulk of their expenses by revenue raised from sale of goods and/or services. The authorities with an asterisk in Table 2.2. are those part or all of which are included in the category of public trading enterprises. For some authorities the Statistician includes only that part of any authority which operates on a trading basis in this category. For example, the supervisory, administrative and planning functions of State Rivers and of MMBW are included in the general government sector, while their enterprise functions fall within the trading enterprises category. Even leaving aside public hospitals and tertiary educational institutions, this category excludes many public bodies, for many of these bodies are not trading enterprises. But the coverage of the trading enterprise sector in relation to public bodies is rather more extensive than that of the non-budget sector, for while it excludes some smaller bodies included in the latter sector, it has the great advantage of including VicRail and the enterprise aspects of State Rivers. In the discussion below data are presented on each of these bases, but the broadest definition of public bodies on which information is available consists of public trading enterprises plus hospitals and tertiary educational institutions, and this is the one which receives most attention.

#### The Economic Significance of Public Bodies

In this section we explore, using the information sources just described, the

significance of State public bodies in the Victorian economy, and attempt to isolate some of the main trends both within the public bodies sector and in the relationship between that sector and the broader economy. We concentrate here on three topics, viz. current expenditure, capital expenditure in the sense of expenditure on new fixed assets, and employment. Various other aspects of the economic significance of public bodies are explored in other parts of this Report.

### Current Expenditure

As the term is used here, current expenditure is taken to cover both final consumption expenditure by general government authorities and the current operating expenses of trading enterprises. It is intended as a general measure of the purchase of goods and services by public bodies, other than on capital items. Table 2.3 provides estimates of current expenditure over 1974-75 to 1978-79 for the departmental sector and for the broader measure of public bodies referred to above, viz. public trading enterprises plus public hospitals and tertiary educational institutions. It should be noted that there is one significant difference between the series used in Table 2.3 - those for public trading enterprises refer to operating expenses, and hence are gross of any receipts for services rendered, while for the non-trading authorities the figures are net of fees received for services. As always in this area, the data must be taken as indicating trends only.

Nevertheless, those trends are quite clear. Firstly, expenditure on current goods and services by the public bodies sector, so defined, is greater than that by departments and on average over the five years covered was one third greater. In 1978-79 public bodies accounted for 57.1 per cent of all Victorian public sector current expenditure. With the netting out of receipts being especially important for public hospitals, and many public bodies not included, this conclusion will tend to be understated. But nearly one third of all of this public body current expenditure takes place in hospitals and tertiary institutions, and current expenditure by trading enterprises was by 1978-79 less than 80 per cent of that by departments. Secondly, current expenditure by departments has been increasing a good deal faster than that by public bodies, particularly trading enterprises. In real terms the growth rate of this form of expenditure over the period shown was three times greater for

Table 2.3 Current Expenditure by Victorian Public Bodies (Broad Definition)  
1974-75 to 1978-79

	1974-75	1975-76	1976-77	1977-78	1978-79	Average Annual Percentage Change 1974-75 to 1978-79
(\$million, current prices)						
<u>Departmental</u> <sup>1</sup>	964	1237	1476	1705	1895	18.4
<u>Public Bodies</u>						
Public trading enterprises	895	1062	1215	1295	1445	12.7
Public hospitals <sup>2</sup>	183	365	416	464	515	29.5
Tertiary education institutions <sup>3</sup>	200	227	282	310	314	11.9
Local Authorities	151	186	203	232	253	13.8
<u>Total Public Bodies</u>	<u>1429</u>	<u>1840</u>	<u>2116</u>	<u>2301</u>	<u>2527</u>	<u>15.3</u>
<u>Total</u>	<u>2393</u>	<u>3077</u>	<u>3592</u>	<u>4006</u>	<u>4422</u>	<u>16.6</u>
<u>Public Bodies as a proportion of total (%)</u>	<u>59.7</u>	<u>59.8</u>	<u>58.9</u>	<u>57.4</u>	<u>57.1</u>	
(\$million, constant 1974-75 prices <sup>4</sup> )						
<u>Departmental</u>	964	1075	1155	1237	1297	7.7
<u>Public Bodies</u>						
Public trading enterprises	895	923	951	940	989	2.5
Public hospitals & tertiary institutions	383	514	546	562	567	10.3
Local authorities	151	162	159	168	173	3.5
<u>Total Public Bodies</u>	<u>1429</u>	<u>1599</u>	<u>1656</u>	<u>1670</u>	<u>1729</u>	<u>4.9</u>

1. Defined as general government less public hospitals and tertiary educational institutions.

2. Hospitals and clinical services, excluding mental health services and nursing homes, in the ABS data.

3. Universities plus other higher education in the ABS data.

4. After deflating by the implicit deflator for all government final consumption expenditure.

Source: ABS, State and Local Government Finance, Australia, 1978-79, ABS Cat. No. 5504.0 and unpublished information provided by the Bureau.

departments than for trading enterprises. The strength of departmental spending reflects in particular rapid growth in real terms in spending on schools, law and order and general administration over this period. The figures for hospitals are distorted by the effects of changes in the national health scheme - excluding these changes, real current expenditure by public bodies would have increased by an annual rate of about 3 per cent over the period shown, by comparison with a rate of 7.7 per cent for departments.

### Capital Expenditure

Many major public bodies have been set up to provide goods and services whose production is particularly capital intensive, while most departments provide services without the need for extensive capital structures. Thus one might expect public bodies to be less involved in current expenditure than the departments, and given this the finding above is a striking indication of the magnitude of the public bodies sector. This finding is, as one would expect, further enhanced when one looks at capital expenditure on a similar basis (cf. Table 2.4). By 1978-79 capital expenditure by public bodies, broadly defined, was more than double that by departments and so accounted for more than two-thirds of all Victorian public sector capital investment. What is more, and by contrast with current expenditure, capital spending by public bodies is increasing strongly with public trading enterprises as the area of growth, while capital investment by the departmental sector was lower in real terms in 1978-79 than in 1974-75. Indeed, real spending by public bodies increased at an annual rate of 3.5 per cent per annum over this period, in spite of the fact that real investment in public hospitals and tertiary institutions declined at an annual rate of just on 10 per cent and of the fact that investment spending by local authorities was subdued. Public trading enterprises accounted for 57.7 per cent of all public sector capital investment in 1978-79 and for 17 per cent of all Victorian investment in that year, and indeed have been by far the strongest element of investment in the Victorian economy in recent years. As we shall see in Part II, capital investment by key elements within the public enterprise sector, notably the power utilities, has increased rapidly since 1978-79.

The information necessary to provide estimates for investment on the broad definition of the public bodies sector is available only from 1974-75, but

Table 2.4 Expenditure on New Fixed Assets by Victorian Public Bodies (Broad Definition) 1974-75 to 1978-79

	1974-75	1975-76	1976-77	1977-78	1978-79	Average Annual Percentage Change 1974-75 to 1978-79
(\$million, current prices)						
<u>Departmental</u>	316	385	412	463	460	9.8
<u>Public Bodies</u>						
Public trading enterprises	476	554	658	783	903	17.4
Public hospitals	31	47	58	46	42	7.9
Tertiary educational institutions	52	44	33	27	40	-6.3
Local authorities	188	221	247	278	300	12.4
Total Public Bodies	<u>747</u>	<u>866</u>	<u>996</u>	<u>1134</u>	<u>1285</u>	<u>14.5</u>
Total	1063	1251	1408	1597	1745	13.2
per cent						
Public bodies as a proportion of total (%)	70.3	69.2	70.7	71.0	73.6	
(\$million, 1974-75 constant prices)						
<u>Departmental</u>	316	335	116	329	306	-0.8
<u>Public Bodies</u>						
Public trading enterprises	476	482	505	557	602	6.0
Public hospitals and tertiary institutions	83	79	70	52	55	-9.9
Local authorities	188	192	190	198	200	1.6
All public bodies	<u>747</u>	<u>753</u>	<u>764</u>	<u>807</u>	<u>856</u>	<u>3.5</u>

Notes and Sources: As for Table 2.3, with the exception that the deflator used is the implicit deflator for all public investment.

information on some components of this sector is available for earlier periods. This earlier information is of considerable value, for it brings out that the trends noted above for the second half of the 1970s did not in fact obtain in the first half of that decade. For example, Table 2.5 shows capital expenditure by all Victorian State authorities split into public trading enterprises and general government while Table 2.6 shows some breakdown of investment by industry, although this is only available on a budget and non budget sector basis. These tables show that there were three distinct phases of public sector investment in Victoria over the 1970s. In the early years of the decade, investment spending by general government was stagnant and that by public trading enterprises was falling. The decline in the case of trading enterprises was dominated by the big fall (nearly 30 per cent over these three years) in real investment by the gas and electricity industry. Overall, real investment by all State authorities was 3.2 per cent lower in 1972-73 than in 1969-70. The next phase, between 1972-73 and 1975-76, was the Whitlam era, when plentiful funds were made available from the Commonwealth for public sector social and development projects. Over this period investment in the Victorian public sector generally increased rapidly, the average annual rate of real growth being 9.9 per cent for general government, 4.7 per cent for public trading enterprises and 7.6 per cent for local government authorities. But in spite of increasing broadly in line with the public trading enterprise sector generally, real investment by the gas and electricity industry was still 18.8 per cent lower in 1975-76 than in 1969-70.

The years since 1975-76 have seen the emergence of the trends described in relation to Table 2.4, viz. strong growth in investment in the trading enterprise sector, and above all in gas and electricity, together with a declining volume of investment by Victorian general government. However, Tables 2.5 and 2.6 bring out some new perspectives on these trends. For one thing, the size of the fall in general government investment - 12.8 per cent lower in volume in 1978-79 than three years earlier - becomes apparent. So also does the size of the investment expansion in the gas and electricity, which was 83.9 per cent higher in 1978-79 than three years earlier. Thus major changes in the structure of the Victorian public sector have been occurring over recent years, and are undoubtedly continuing to occur.

Table 2.5 Public Sector Expenditure on New Fixed Assets, Victoria, 1970-71 to 1978-79

	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	Average Annual Percentage Change		
											1969-70 to 1972-73	1972-73 to 1975-76	1975-76 to 1978-79
(\$million, current prices)													
<u>Public Sector</u>													
Public trading enterprises	262	251	258	298	332	476	554	658	783	903	4.4	23.0	17.7
General government	185	200	212	225	264	399	476	503	542	542	6.7	28.3	4.4
Total	447	451	470	523	596	875	1030	1161	1325	1445	5.4	25.3	12.0
(\$million, constant 1974-75 prices)													
Public trading enterprises	446	405	385	420	410	476	482	505	557	602	-2.0	4.7	7.7
General government	315	323	318	317	326	399	414	386	385	361	0.2	9.9	-4.5
Total	761	728	703	737	736	875	896	891	942	963	-1.1	6.7	2.4
<u>Composition of Public Trading Enterprise Investment</u>													
Gas and Electricity	191	171	144	135	114	127	155	174	218	285	-10.9	4.7	22.5
Other	255	234	241	285	296	349	327	331	339	317	3.8	4.7	-1.0
All public trading enterprises	446	405	385	420	410	476	482	505	557	602	-2.0	4.7	7.7

Source: As for Table 2.3.



**Table 2.6 Public Sector Expenditure on New Fixed Assets, At Constant Prices, Victoria - 1970-71 to 1978-79**

	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	Average Annual Percentage Change 1970-71 to 1978-79
(\$million, constant 1974-75 prices)										
<b><u>Budget Sector</u></b>										
Education	113	112	123	124	170	147	120	120	125	1.3
Roads	115	108	100	98	121	117	112	117	112	-0.3
Health	31	27	28	37	48	63	61	50	45	4.8
All other	97	88	89	87	111	134	137	138	127	3.4
<b>Total</b>	<b>356</b>	<b>335</b>	<b>340</b>	<b>346</b>	<b>450</b>	<b>461</b>	<b>430</b>	<b>425</b>	<b>409</b>	<b>1.8</b>
<b><u>Non-Budget Sector</u></b>										
Gas and Electricity	171	144	135	114	127	155	174	218	285	6.6
All other	202	225	262	277	298	278	285	295	268	3.6
<b>Total</b>	<b>373</b>	<b>369</b>	<b>397</b>	<b>391</b>	<b>425</b>	<b>433</b>	<b>459</b>	<b>513</b>	<b>553</b>	<b>5.0</b>
Local Authorities	152	156	154	153	188	192	190	198	200	3.5
<b>Total</b>	<b>881</b>	<b>860</b>	<b>891</b>	<b>890</b>	<b>1063</b>	<b>1086</b>	<b>1079</b>	<b>1136</b>	<b>1162</b>	<b>3.5</b>

**Source:** As for Table 2.3 .

To some degree, these trends in State public sector investment over the 1970s can be seen as having a valuable counter-cyclical component. The private sector of the Victorian economy was growing strongly for most of the period 1969-70 to 1973-74 (the average annual growth of Australian real non-farm GDP for this period was 4.8 per cent) and it was appropriate on counter-cyclical grounds that public sector investment be subdued. But this low rate of investment did have implications in terms of inadequate social infrastructure, while the fact that investment in gas and electricity was a good deal lower in 1975-76 than in 1969-70 is clearly at the heart of present worries about the availability of power supplies in Victoria. The years 1974-75 and 1975-76 were years of deep recession for Victoria as for the rest of Australia, and it was entirely appropriate in macro-economic terms that public investment increase strongly, as it did.

Since 1975-76 the Victorian economy has generally remained subdued, although the level of activity has been supported by increasing investment by the public bodies sector. But declining real investment by Victorian general government has been a continuing source of weakness in the State economy.

### Employment

As indicated earlier, there is also some information available concerning employment in the Victorian public bodies sector, and this information is reproduced in Table 2.7. With the exception of local government authorities, the data refer to full time equivalents and are as at April of each year. By April 1980, the Victorian public sector was employing some 286,000 persons, and this constitutes 17 per cent of total civilian employment in the State. Using the broad definition, public bodies account for nearly two-thirds of this public sector employment and for some 11.4 per cent of total Victorian employment by 1980. Thus the public bodies sector is an employer of major proportions, although this sector's share of Victorian employment is now well below the peak figures attained in the late 1920s.

Of total employment in Victorian public bodies of some 188,000 persons at April 1980, 41 per cent are employed in trading enterprises or major business authorities, 34 per cent are employed in hospitals and tertiary educational institutions, while the remaining 25 per cent are employed in local government and in other smaller public bodies. Within these various categories there are

**Table 2.7** Employment in the Victorian Public Sector, 1976-1980  
(Data refer to April of each year, and are expressed in terms of full time equivalents).

	1976	1977	1978	1979	1980	Average Annual Percentage Change 1976-1980
<b>Departments</b> (excluding Vic Rail and student teachers in training)	89.1	93.1	95.9	98.2	98.5	2.5
<b>Major Business Authorities</b>						
Railways	22.3	21.7	21.4	20.8	20.6	-2.0
MMBW	9.0	9.1	9.3	8.8	8.7	-0.8
SECV	18.6	18.9	19.3	19.8	20.4	2.4
State Bank	6.0	6.1	6.3	6.5	6.7	2.8
Gas and Fuel	4.2	4.3	4.4	4.5	4.9	3.9
CRB	4.8	5.0	5.1	5.1	5.2	2.0
MMTB	4.5	5.7	5.7	6.2	6.3	8.8
Other	5.7	5.7	5.7	6.2	6.3	2.5
<b>Total</b>	<b>75.1</b>	<b>76.5</b>	<b>76.2</b>	<b>77.9</b>	<b>79.1</b>	<b>1.3</b>
<b>Hospitals and Nursing Homes</b>	38.4	40.5	42.0	44.1	44.7	3.8
<b>Universities and CAE's</b>	18.2	18.3	18.6	18.9	19.0	1.2
<b>Other</b>	13.8	14.6	14.7	14.5	14.1	0.5
<b>Total Victorian State Sector</b>	<b>234.6</b>	<b>243.0</b>	<b>247.4</b>	<b>253.6</b>	<b>255.4</b>	<b>2.0</b>
<b>Memorandum items</b>						
<b>Major Business Authorities excluding Vic. Rail</b>	52.8	53.7	54.8	55.6	56.8	1.8
<b>Student teachers in training</b>	9.4	6.3	3.6	1.8	0.6	n.a.
<b>Local government authorities</b>	27.6	29.1	30.6	31.6	32.5	4.2
<b>All Public Bodies (Broad Definition)</b>	173.1	177.9	182.1	185.5	187.7	2.0

**Source:** Based on information provided by the Public Service Board, and ABS: Civilian Employees MBS Cat. No. 6214.0.

substantial differences in growth rates over the second half of the 1970s. For example, employment in VicRail has fallen steadily, but employment in the power and finance industry has increased substantially. As is the case throughout Australia, employment in the Victorian health sector has increased strongly over these years, while the growth in employment in tertiary education and in other smaller public bodies has been only modest. But, reflecting the strong growth in current expenditure noted earlier, employment in the departmental sector has grown by 2.5 per cent per year, so that employment in this sector has increased more rapidly than in the public bodies sector generally. However, these two components of the public sector have been the only overall contributors to employment growth in Victoria in the second half of the 1970s, for the number of civilian employees in the Victorian private sector was lower in April 1980 than in April 1974.

To an extent which it is impossible to quantify, these figures understate the employment generated by the public sector, for much investment expenditure on behalf of both departments and public bodies is carried out by private sector contractors. This point is particularly important in relation to public bodies in the late 1970s and early 1980s, given the expansion of investment which is underway in some of these bodies. But, even excluding this point, it is apparent that public bodies remain major employers in the Victorian context and, given current trends in both this sector and in the private sector, they seem likely to grow in importance both as employers in their own right and as generators of employment in the private sector.

### Conclusion

Three themes have dominated this chapter. Two have been concerned with the magnitude of the public sector and its significance in the Victorian economy. The first involves the magnitude of this sector in an extensive sense - the sheer number of public bodies, the variety of their structures and relationships to the central government, to the budgetary process and to the use of taxpayer's funds, and the difficulties which this variety creates for government knowledge and control of the sector, not to say for broader economic policy and planning. The second concerns the magnitude of the economic operations of this sector, which now accounts for about 57 per cent of current spending and 74 per cent of capital spending by the Victorian public sector and

directly employs about 188,000 persons or 11.4 per cent of all Victorian civilian employment. The third theme concerns emerging trends in the last half of the 1970s. In a manner somewhat reminiscent of the first quarter of this century certain public enterprises, in this case those in the gas and electricity industry, are the leading forces in the Victorian economy. But for all other public trading enterprises in Victoria as a whole investment fell in the four years to 1978-79, for reasons which are not immediately apparent.

Thus the Victorian public bodies sector is not only a very large and disparate one, but it is one which seems destined to play a crucial role in the development of the Victorian economy over the next decade. Given the lack of knowledge concerning this sector, and the breadth of the terms of reference for this Report, a multitude of issues could be taken up about the various types of public body. The next three Parts of this Report take up three central areas of concern - the major business authorities, the water industry and the cluster of issues concerning financial authorities, borrowing powers and the Loan Council and the reform of the States financial management.

## PART II MAJOR BUSINESS AUTHORITIES

### Introduction to Part II

The discussion of the various chapters of Part I has highlighted the crucial role which major State government business enterprises have played in the development of Victoria and, more importantly, their central role in the future of this State. In this part of the Report we look more closely at various features of the operations of these authorities and of State government policy towards them.

Even a cursory examination of the 18 major business authorities in the Victorian public sector reveals a wide diversity of structures, of business and financial practices and of goals. For example, major authorities differ substantially in the accounting methods employed, and the range and type of information made public; wide variation exists in the operating and financial targets which authorities seek to achieve, and hence in methods employed to set prices and investment patterns; individual authorities have quite different attitudes to financial management and to the holding of financial assets, so that the extent of holdings of financial assets varies widely; while the criteria employed to evaluate investment proposals are not clearly evident for any Victorian authority, there do seem to be wide variations in the criteria implicitly used, and so on. What is more, this diversity cannot be regarded as a fruitful flowering of individual initiatives in the context of overall government guidelines and supervision. On the contrary, the diversity of practices severely limits the ability of the State government to adequately monitor developments in the public business authority sector and to impose some overall set of priorities on those developments. At the same time the lack of any clear general government policy guidelines restricts the effective freedom of authorities, who are liable to be subject to ad hoc government intervention at any time.

In exploring this diversity of the public business authority sector in Victoria, and the inadequacy of State government policy towards this sector, it is important to keep in mind not only the historical roots of these phenomena but also the special problems which emerged for all business authorities during

the 1970s. So this Part of the Report begins with two chapters of a more general nature. Chapter 3 outlines the issues of government and business authority policy with which we are concerned, and provides a background to our more detailed discussion by describing some of the policy initiatives taken in this regard in other countries, notably the United Kingdom. One of the factors complicating our investigations in this area has been the general state of controversy and even confusion which exists in the economics and accounting professions about methods of assessing business enterprises in conditions of inflation. Chapter 4 is therefore devoted to developing an adequate intellectual framework for analysing issues concerning the income, investment and financial performance of public sector business authorities.

The remaining three chapters of Part II (Chapters 5 to 7) explore the Victorian experience in these regards in some detail. Chapter 5 looks at income, pricing policy and financial measures of efficiency and at the rate of return achieved on funds employed, while Chapter 6 considers the financial management policies of authorities and their holdings of financial assets and examines methods of financing investment and of evaluating investment proposals. While various recommendations emerge naturally throughout these discussions the full elaboration of our recommendations concerning major business authorities are brought together in Chapter 7. As we have stressed on several other occasions throughout this Report, these matters are highly complex and many of them are now being explored in the Victorian context for the first time. So this Report aims to open up the issues in the most fruitful way possible and does not pretend to offer a definitive treatment.

### Chapter 3

#### Issues of Government and Business Authority Policy

In this Part of the Report the emphasis is placed on the major members of one particular category of public authorities which are very important in the economy of Victoria. This category is the `business authority`, as we have called them, and they also often referred to also as `public enterprises`. Particular attention is paid to the three largest business authorities outside the budget - the State Electricity Commission of Victoria, the Gas and Fuel Corporation and the Melbourne and Metropolitan Board of Works - the Victorian Railways Board is second in size only to the SECV and receives considerable attention also. This category of public authorities is very close to one used by the Senate Standing Committee on Finance and Government Operations in its study of Statutory Authorities of the Commonwealth, and hence the description used by that Committee is useful in explaining the type of authorities that we are referring to in this chapter:

"The essential feature of these authorities is that they perform business-type activities which could be performed, or are being performed, by the private sector. Characteristics which they will usually if not always have in common are that they are incorporated, at least partly self-financing, staffed outside the Public Service Act and autonomously managed with ministerial power of direction."<sup>1</sup>

Although in Victoria only one of these authorities, the Gas and Fuel Corporation, is incorporated, all the other characteristics mentioned above are common in Victorian business authorities. In the words of the Canadian Royal Commission into Financial Management and Accountability of Governmental Bodies, the public authorities we are concerned with here are those where "the pervasive feature" is the "managerial and operational functions akin to those found in comparable private sector entrepreneurial undertakings in a market setting".<sup>2</sup>

#### The Issues

At the end of the 1970s the eighteen Victorian business authorities with which we are presently concerned owned fixed assets with a value of the order of \$10



billion at replacement cost prices, received total revenue of the order of \$2 billion per year, invested in new fixed assets at an annual rate in excess of \$1 billion, had a total loan liability to the public of over \$6 billion and held financial assets of some \$400 million. The sheer scale of these enterprises, in relation to both the Victorian public sector and to the Victorian economy as whole, mean that many aspects of the operations of these authorities are of considerable public interest. These include:

- the efficiency with which the massive volume of the State's capital resources tied up in these enterprises is being used, as measured by the rate of return obtained and other indicators;
- the pricing policies which these enterprises adopt, and the way economic and social factors are taken account of in determining levels of prices and other charges;
- the procedure undertaken to evaluate new investment proposals, and the criteria used in deciding between alternative investment options;
- the techniques of financial management employed and the efficiency aspects of both the level of holdings of financial assets and the manner in which they are invested.

While there are certainly other questions of interest, these are the four central issues which are addressed in this Part of the Report. Other issues involving these authorities, notably aspects of their borrowing through the Loan Council and their relationships to the Victorian budgetary process, are taken up in Part IV. These four central issues need to be taken up in two different ways. One concerns actual trends and practices in the authorities themselves, and the evaluation of these trends and practices; the other concerns both the actual and the desirable policy stance of the State government in relation to each issue. In other words we are interested not only in what individual authorities are doing and what they ought to be doing, but also in what guidelines and policy directives the government is, and should be, adopting. Before proceeding it may be useful to explore the four central issues a little further.

## Financial Efficiency

According to estimates prepared by R.G. Hawkins when he was at the Reserve Bank of Australia (see Table 4.1 in the next chapter) the total value at replacement cost prices of the fixed assets employed in the private corporate trading sector in Australia in mid-1978 was \$73 billion. On our estimates (see Chapter 5) the corresponding value of the fixed assets employed by the major business authorities being discussed here is about 11 per cent of this Australia-wide total. Thus the efficiency with which these resources are being used is a question of major importance. Are they being used, in strictly economic terms (e.g. in terms of rate of return on funds employed) as efficiently as resources are being used on the private sector? If they are not, does this reflect social factors being taken into account in pricing and other decisions, the nature of the industries in which public sector investment has occurred or inefficiencies in management and organization? What mechanisms does the State government have for monitoring the efficiency of use of these capital resources? Does the government have, or should it have, guidelines or targets for the rate of return required on public investment in various areas? Have there been substantial changes over recent years in the return achieved on these assets, and how should the rate of return be best measured? Are there ways other than financial ones of measuring the efficiency with which these resources are being used? These are the type of questions which seem to us to be important in this area.

## Pricing Policy

In virtually all considerations of the pricing policies of business authorities or public enterprises the starting point is the principle that at the very least revenue should cover costs, that prices should be set so as to cover the costs incurred by the authority in the performance of its activities. Some Victorian authorities, such as the SECV, have this minimum principle enshrined in the Acts under which they operate. While this is the general theme of most policy discussion, many questions remain even after this general principle has been promulgated. These include:

- what costs should be included in those to be covered by current revenue?

- over what sort of time period should these costs be covered?
- should it be marginal costs or average costs that are of concern?
- if marginal costs are relevant, are there long-run or short-run marginal costs?
- what is the role of social factors here, and how do we account for them?
- should the opportunity costs involved in the use of various inputs to the productive process be included in the costs to be covered?
- what further targets should pricing policy aim at other than this minimum one of covering the costs of production?

While these and many other questions seem to us to be of immediate concern in relation to Victorian public sector business enterprises it is not pretended that all of them can be adequately considered in this Report. One of the factors complicating pricing policy, even in theory, is that in the main it concerns the setting of prices on existing rather than new products, and these products are normally produced by the use of capital equipment and organizational and financial processes with long and complex histories. Consequently many of the simplicities of pricing policy for the proposed output of a new project are inapplicable to general pricing policy issues.<sup>3</sup> As before, we are concerned not only with what pricing policies individuals do adopt, and with what they should adopt, but also with the role of the State government in monitoring pricing policies of authorities and providing general guidelines in this area.

### Investment Policy

With resources in excess of \$1 billion per year now being spent by these Victorian authorities on new investment, issues about both the procedures for choosing investment projects and the methods of financing them are of major concern. The fact, brought out in Chapter 2, that the public business authority sector is now the leading investment sector in the Victorian economy heightens this concern. So it is important to get some idea of the procedures which are actually employed, at both the level of the individual enterprise and of the evaluative processes of government and to consider the techniques of investment appraisal which are most appropriate for public enterprises. Thus questions arise such as the following. Do individual authorities and/or the State government in fact carry out detailed cost-benefit or discounted cash flow

analyses prior to taking major investment decisions? If not, on what basis are these decisions actually taken? How should social factors and the inescapable necessity for certain types of investment be taken account of in investment appraisal? What measure of the opportunity cost of capital should be used in public sector investment appraisal? Should the Victorian government establish firm guidelines and new machinery for investment appraisal in this State?

Equally important questions arise about the methods by which this investment is financed, and these are particularly relevant in 1981 when a situation of capital shortage and of high interest rates prevails. How do the business authorities actually finance their investment programmes? How important are internal funds, Loan Council borrowings and other sources of funds in their total financing activities? Should authorities aim to finance a given proportion of their investment programmes from internally generated funds, and should governments impose such targets on authorities? Are there sound reasons for the present Federal government policy of restricting the Loan Council borrowings which authorities can make? Are there alternative methods whereby the investment programmes of the major authorities can be financed?

#### Financial Management

As explained earlier, the categorization employed in this Report distinguishes business authorities from financial authorities, so that the authorities we are concerned with here are not primarily involved in the provision of financial services. But many of them hold substantial levels of financial assets, in some cases exceeding 50 per cent of annual cash flow, and important questions must be asked about these assets. How does the level of financial asset holdings of major Victorian business authorities compare with those of other public authorities and the private sector? Is the level of these holdings an indication of inadequate systems of financial management, or can it be ascribed to the sinking fund requirements imposed on these authorities or to other special factors? Above all, is it necessary for the efficient discharge of their obligations that authorities hold financial assets to this extent? Or, especially in a situation of capital shortage, could part of these holdings be utilized in other ways for the benefit of the State?

Government Policy and The Interdependence of Targets - The British Experience

Most of these questions have several aspects, as we have already noted. They raise queries about the practices which authorities actually follow and about what would be the most appropriate procedures for individual authorities. But they also raise fundamental issues about the relationship of the State government to the major public sector business authorities, about the manner of control, and also indeed the degree of control, which the government should seek to assert over these authorities and about the policy objectives which the government should pursue in this area. Subsequent chapters will reveal that Victorian government activity here has been minimal, but this is not so in other countries. So it is useful to briefly review the experience of at least one other country, and that review has the useful additional function of drawing out some of the inter-relationships which exist between the issues raised above.

In setting the policy framework for public enterprises governments of several countries have proposed or implemented a range of different targets or guidelines for these enterprises. For example, in 1977 the Canadian government published a White Paper Crown Corporations: Direction, Control and Accountability containing a range of new proposals in relation to public sector business authorities, most of which were subsequently implemented. But it is in the United Kingdom that discussion and implementation of these measures has been most pronounced. Matters for which targets or guidelines have been set in the United Kingdom include

- (i) pricing policy, targets being set in terms of the need to cover total costs (including depreciation at replacement cost and the accumulation of reserves) or in terms of covering long-run marginal costs;
- (ii) financial objectives, such as a target rate of return on total net assets employed;
- (iii) guidelines for new investment, either in the form of a test discount rate to be used in discounted cash flow analysis of new investment or of a required rate of return on all new investment;
- (iv) methods for financing investment, for example in terms of a guideline

that a certain proportion of current investment be financed from current earnings rather than from borrowings.

It is clear that targets or decisions in one of these areas cannot be treated as independent of those in the other areas but also that the four areas cannot be adequately covered by a single target or guideline. The relationships between these areas must therefore be clearly understood.

Pricing policy concerns prices to be charged on the whole range of goods and services provided by the enterprise, and so covers a much wider scope than policies concerned with new investment and hence with goods and services to be provided in the future. Given the existing organisation and techniques of production, the current level of costs and so on, the pricing policy an enterprise follows determines rate of return earned on total assets employed. But these other factors - scale and pattern of operation, level of costs, organisation and techniques of production etc. - can and should vary, so no simple correlation between pricing policy and rate of return should be presupposed. Indeed, within a given pricing policy enterprises should be encouraged to alter the pattern and techniques of their operations to maximise their rate of return. When the rate of return is determined the surplus available for financing investment is also determined, but what proportion of investment this finances depends on the scale of the investment programme which the enterprise is undertaking. The rate of return on total assets employed applies to the total assets of an enterprise which have been accumulated and been brought into production at various times and in varying circumstances over many years. So the question of what rate of return an enterprise should seek to achieve on total funds is distinct from that of the return which should be sought on new investment, or of the test rate of discount which should be used to determine whether a project should go ahead. Thus the rate of discount which it may be reasonable for enterprises to apply to new investment decisions will not necessarily be an appropriate target for the rate of return on total funds employed. But one cannot determine the likely returns to new investment without giving a clear specification of the pricing policy to be applied once the project comes into operation.

The importance of these complex inter-relationships can be brought out by briefly reviewing the British debate about nationalised industry policy over the past two decades.

In the 1961 White Paper The Financial and Economic Obligations of the Nationalised Industries<sup>4</sup> the British Government instituted a system of financial targets, normally in the form of a required rate of return on total funds employed, for the nationalised industries. While comments were made on minimum pricing policy, the basic position adopted was that pricing and investment policies should be devised so as to enable the industries to achieve the financial targets i.e. the stated financial objectives were considered to be the essential criterion to follow and policies with respect to pricing and investment must be devised so as to work towards the achievement of these objectives. The 1967 White Paper<sup>5</sup> moved away somewhat from this position of the financial objective essentially determining the pricing and investment policies. This document introduced more specific pricing and investment policies in addition to the financial target, stressing the role of marginal cost factors in pricing decisions and requiring authorities to use a test discount rate of 8 per cent in real terms in investment appraisal. One intention of this White Paper was to point out that investment, pricing and efficiency policies would be taken into account by the government in setting financial objectives, as stated in this extract from paragraph 34:

"...the setting of objectives ..... will take into account the following considerations - return on new investment, soundly based pricing policy, social objectives not covered by a subsidy, efficient operation, (and) national prices and incomes policy".

Generally the government stressed the inter-relationships between the three targets and the need to take account of the particular circumstances of individual enterprises, but nevertheless opted for fairly specific targets in each of the three areas.

The Select Committee on Nationalised Industries (which had been set up in 1956) reviewed the 'new economic framework' set out in the 1967 White Paper in 1968<sup>6</sup>. They discussed the inter-relationship of economic criteria and the possibility of conflict between the targets, concluding that the approach of placing emphasis on the three objectives was inappropriate. The Committee was of the view that the emphasis should be placed on efficient pricing and

investment criteria rather than on the achievement of predetermined financial objectives. According to the Committee the government had failed to think out the full consequences of its `new` policy of marginal cost pricing and investment criteria, which implied that a financial target was now redundant. Thus the Select Committee adopted the view that pricing and investment policies should be independently set and that the financial performance would thus be determined as the residual, and that pricing and investment criteria are effective instruments of control over nationalised industries. In a case (e.g. of an industry which has just achieved a technical breakthrough) where marginal cost pricing leads to a low rate of return or even a deficit, this should be accepted and not regarded as an indicator of failure.

However the government was not without its supporters in this dispute. For example, Robson<sup>7</sup> vehemently attacked the Select Committee's stress on marginal cost pricing and investment criteria at the expense of the financial target rate of return. He argued that financial targets are an important instrument of control, that in some industries where marginal costs were falling rapidly pricing according to these costs could have very adverse consequences, such as large deficits and a breakdown on the supply side, and that the three criteria needed to be considered together, along with all their interactions. The government reasserted its position in response to the Select Committee's comments in a further White Paper in 1969.<sup>8</sup>

The turbulent decade of the 1970's, with oil crises, incomes policies and a deteriorating economic situation in the U.K., was most unkind to these attempts at regulation of the public enterprise sector and by 1977 the system set up in the later 1960s had broken down. By 1978 the government was anxious to restore clear guidelines for these enterprises and in that year yet another White Paper re-established targets along similar lines to those of 1967. The new guidelines were more circumspect about marginal cost pricing than the 1967 document, although they did indicate that in determining prices industries should "pay attention" to the structure of costs. Financial targets remained central to the guidelines, and for investment decisions a required real rate of return of 5 per cent on all new investment replaced the test discount rate of 8 per cent to be applied to individual projects. The control package of the late 1970s also included cash limits on borrowing by the nationalised industries and a request that enterprises publish other performance indicators such as productivity series, international comparisons and so on.



This brief review of British developments highlights a number of points. One is the range of criteria that have been used in providing a framework for public enterprise operations and both the differences in scope of, and the inter-relationships between, these various criteria. Another is the implicit comparison between the long history of discussion of these issues in Britain and the fact that these matters have as yet hardly been raised at all in relation to Victorian public enterprises. Finally, but incidentally, the fact that these guidelines have become irrelevant again for many British industries in the wake of the industrial collapse consequent on the policies of the Thatcher government since 1979, indicates their dependence on a viable macro-economic environment. But the fact that rational policies towards public enterprises collapse in a situation of macro-economic crisis is not a reason for ignoring these policies; rather it points up again the need for viable policies towards the economy at large.

#### Public Business Authorities and Inflation

To a large extent the breakdown of official policy towards nationalised industries in Britain during the 1970s reflects the unique character of that decade, and the new problems which it has posed for business enterprises in both the public and private sectors in all Western countries.

One dominant feature of the past decade has been rapid inflation - in Australia the consumer price level increased by 179 per cent in the decade to mid 1981 by comparison with an increase of 32 per cent in the previous decade - and the reaction of governments and businesses to this inflation. While there has been considerable discussion of the effect of inflation on the business and accounting practices of the company sector in Australia, very little attention has been paid to these effects in relation to public enterprises, and this is strikingly so for Victoria. But even a cursory analysis indicates that there are specific features of the major public sector business enterprises which imply that these effects are likely to be particularly important in relation to these enterprises in Victoria.

The discussion in Chapter 1 indicated that most of Victoria's larger public sector business authorities date back to the 19th century or to the first

quarter of the 20th century. In the main they were established to undertake works of a capital nature or to produce goods or services (e.g. electricity or passenger transport) whose provision is particularly capital intensive. They have almost entirely been funded by borrowing rather than by equity capital, and in the majority of cases the contribution of current earnings to capital expenditure has been low. These and other features of their development mean that Victoria's public business authorities have many features which are quite distinctive, relative to private sector enterprises. Some of these differences are brought out in Table 3.1, which gives data on certain indicators for 1978-79 for Victoria's three largest business authorities outside the budget and for the Reserve Bank's 'constant group' of 588 of Australia's largest private companies.

Some of the contrasts brought out by this table are quite startling and highly relevant to assessing the impact of inflation on the Victorian authorities. The three main points - that relative to private companies the three authorities are highly capital intensive, have high debt to asset ratios and have very high interest bills - are brought out in the ratios at the bottom of the table. Thus for these three Victorian authorities trading revenue amounts to only 30 per cent of the value of net fixed assets employed in generating it, while for private companies revenue is three times net fixed assets. For the three enterprises capital liabilities are equal to 86 per cent of net fixed assets while for the companies the figure is only 54 per cent. As a consequence of these two facts, and in spite of the lower rates of interest payable by public sector borrowers, interest payments account for 24 per cent of trading revenue while for the companies the figure is less than 2 per cent. So the three authorities considered run enterprises which are, on one measure, about ten times more capital intensive than the private sector average and have a much higher proportion of their net assets funded by external borrowing, so that interest on those borrowings is a dominant factor in their accounts.

Each of these factors imply that the effect of inflation on capital costs, on interest rates and on the real value of debt will be especially important for Victoria's public enterprises, but these issues have received virtually no attention. To our knowledge, all Victorian public sector business authorities

Table 3.1 Selected Indicators, Public and Private Trading Enterprises, 1978-79

	Three Victorian public enterprises <sup>1</sup>	Australian private companies ('constant group') <sup>2</sup>
	\$million	\$million
<u>Levels</u>		
Trading Revenue	1197	55004
Net Fixed Assets <sup>3</sup>	3954	18389
Capital Liability	3390	9945
Interest payments	287	999
<u>Ratios</u>		
	per cent	per cent
Interest/Trading Revenue payments	24.0	1.8
Capital Liabilities/Net fixed assets	85.7	54.1
Trading Revenue/Net fixed assets	30.3	299.1

1 SECV, MMBW and Gas and Fuel Corporation

2 588 private companies included in the Reserve Bank's 'constant group' for 1978-79

3 At historical cost

Source: Reserve Bank of Australia and reports of the authorities.

still compile and publish their accounts on an historical cost basis, although the Port of Melbourne Authority has begun to incorporate some replacement cost elements. The practices of some authorities (e.g. the MMBW does not charge depreciation on most of its assets) leave much to be desired even in terms of the historical cost framework, as the Touche Ross Services Pty Report to the Public Bodies Review Committee has pointed out. But the points just made above indicate that these accounts will be particularly misleading for Victorian business authorities in a time of rapid inflation.

Three aspects of this distortion are worth specific mention. Firstly, when inflation continues in a society for any length of time nominal interest rates come to incorporate a component which reflects expected rates of inflation over the term of the loan, so that some part of the interest payment compensates the lender for the decline in the real value of his capital while the remainder provides a real return to lending. So for an enterprise which is largely or entirely funded by borrowings denominated in money terms, inclusion of the total nominal interest charge in the costs of production in fact charges to those costs an element of capital repayment, and overstates the true cost to the enterprise of borrowed funds employed. The interest payments charged to the cost of production include a charge which is simply a counterpart to the falling real value of nominal debt.

The second aspect is directly related to this. When enterprises have large quantities of debt denominated in money terms, and these funds are invested mainly in fixed assets, the enterprise makes a gain in periods of inflation to the extent to which the interest rate does not rise to offset fully the rate of increase in value of these assets. For semi-government authorities this effect is likely to be particularly large, for the bulk of their debt is long-term fixed interest debt and so the average rate of interest payable on debt will respond slowly to movements in inflation. Thus when inflation rises real rates of interest are likely to become negative (the average nominal interest rate being less than the rate of inflation) and a gain accrues; similarly, if average interest rates on debt are established in a period of rapid inflation and then inflation falls sharply, very large real interest rates would become payable by the authorities and less would accrue to the enterprise.

Thus to the extent to which average interest rates payable adjust to movements in inflation in fixed asset values there will be a distortion in

enterprise accounts if total interest payments are charged to the costs of production, some part of these being the counterpart to capital gains on nominal debt; to the extent to which average interest rates payable do not adjust to increases in inflation the enterprise achieves a substantial gain from those borrowers whose return from their investment is not even maintaining their capital in real terms. Historical series for nominal and real interest rates on semi-government borrowing and debt are provided in Chapter 13. But some indication of the magnitude of these effects in one case can be obtained from an analysis of the accounts of SECV, although this discussion anticipates somewhat the treatment of later chapters. In 1978-79 the average interest rate paid by the SECV on capital liabilities was 7.5 per cent while the rate of inflation in that year was 9.6 per cent, implying a real interest rate of about minus 2 per cent. The real rate of interest being paid by SECV has been persistently negative over the inflationary decade of the 1970s, and in 1973-74 and 1974-75 was of the order of minus 8 per cent. Using the most plausible assumptions possible short of having full access to the SECV data, we have calculated a series for the net fixed assets of the SECV at replacement cost prices, after allowing for depreciation also at replacement costs. These estimates put some approximate magnitudes on the gains accruing to the SECV over the seventies as a result of these effects of inflation. At 30th June 1971 the net replacement cost value for the SECV's fixed assets was \$1210 million at current prices and capital liabilities totalled \$1098 million. By 30 June 1980 the replacement cost value of the net fixed assets was estimated to be \$3603 million, an increase of nearly 200 per cent over nine years, while capital liabilities were \$2231 million, and increase of 103 per cent. Thus over this nine year period the ratio of net fixed assets at replacement cost to capital liabilities increased from 1.10 to 1.61 per cent, and the excess of the value of these assets over capital liabilities increased by \$1260 million. These figures give some indication of the strengthening of the SECV's true financial position which occurred over the 1970s as a result of the effects of inflation and of the negative real interest rate being paid by the SECV on funds borrowed.

It is clear from this discussion that we must develop a clear conceptual structure with which to analyse the transactions of public enterprises under conditions of inflation before we can adequately discuss the specific issues. The next chapter undertakes this task, and the detailed issues concerning Victorian authorities are explored in the subsequent three chapters.

FOOTNOTES

1. Senate Standing Committee on Finance and Government Operations, Second Report, AGPS Canberra 1980, p.9.
2. Royal Commission into Financial Management and Accountability, Canadian Government Printer, Ontario 1979, Final report p.287.
3. For a review of this area, which stresses the need to use a range of pricing policy tools to design an adequate pricing policy for actual enterprises, see Nancy Ruggles 'Recent Developments in Marginal Cost Pricing', in R. Turvey (ed.) Public Enterprise, Penguin Books Ltd, London 1968.
4. The Financial and Economic Objectives of Nationalised Industries, Command Paper 1337, Her Majesty's Stationery Office, 1961.
5. Nationalised Industries: a Review of Economic and Financial Objectives Command Paper 3437, Her Majesty's Stationery Office, November 1967.
6. Select Committee on Nationalised Industries, session 1967-68, Report on Ministerial Control of the Nationalised Industries, Vol.1, July 1968.
7. W.A. Robson, 'Ministerial Control of the Nationalised Industries', Political Quarterly, vol.40, no.1, January 1969, pp.105-8.
8. Ministerial Control of the Nationalised Industries, Command Paper 4027, May 1969.

## Chapter 4

### Income, Efficiency and Investment: Theoretical Considerations

In the previous chapters some of the distorting effects of inflation on the activities and accounts of business enterprises have been noted, and it has also been pointed out that certain features of public sector business authorities in Victoria mean that these distorting effects are likely to be especially relevant here. In this chapter we develop a general framework within which the particular issues concerning pricing and investment policies, financial efficiency and the financing of investment under conditions of inflation can be rationally discussed. Controversy has raged over the past decade, within both the economics and the accounting professions, about the proper methods of assessing business enterprises under conditions of inflation. No attempt can be made to resolve those controversies here, but we do need to elaborate a consistent framework within which our discussion can proceed. Rather than attempting to discuss in comparative fashion the various approaches which have been proposed, we develop this framework from first principles and only briefly note its relationships to proposals which are in general use currently.

### Income and Rates of Return of the Enterprise

Two principles guide the standard economic approach to the analysis of the income and rates of return achieved by a business enterprise, and these principles provide our starting point. (For valuable and relevant discussions of many of these issues, on which we draw heavily, see Swan (1980)<sup>1</sup> and Hawkins (1979)<sup>2</sup>, while many of the basic matters are discussed also in the Report of the Committee of Enquiry into Inflation and Taxation (the Mathews Report).<sup>3</sup>) These principles are that the wealth of an individual or enterprise at any point of time is the maximum amount that the person or the owners of the enterprise could consume assuming that all assets held were disposed of in the best possible market, and that income in any period is the maximum amount that could be consumed while leaving wealth at the same level at the end of the period as at the beginning.

Let us start with a simple model which ignores inflation and uncertainty, and in which a firm possesses a single physical asset A, whose market value at

the end of period zero is  $A_0$ . Now suppose that by the use of that asset the firm generates revenue, net of all costs incurred, of  $N_1$  and that the market value of the asset at the end of period one is  $A_1$ . Now by our second principle, that income is the maximum amount which could be consumed while leaving wealth ( $W$ ) unchanged, it follows that the firm's income,  $Y_1$ , during period one is given by

$$Y_1 = W_1 - W_0 = (N_1 + A_1) - A_0 = N_1 + (A_1 - A_0) \quad (1)$$

It should be noted that this change in wealth,  $W_1 - W_0$ , is before considering any changes in wealth brought about by investing and borrowing, that  $N_1$  is the net cash revenue attributable to the use of  $A$  (and hence, in a wider model, would exclude interest payments in respect of new projects) and that  $A_0$  and  $A_1$  refer to the market value of the asset  $A$ . The difference between  $A_0$  and  $A_1$  (i.e.  $A_0 - A_1$ ), the decline in the market value of  $A$ , is often referred to as economic depreciation.

Now let us include inflation in the model, using  $g$  for the rate of increase in consumer prices and  $p$  for the rate of increases in the implicit deflator for capital expenditure. In this case (1), i.e.

$$Y_1 = N_1 + (A_1 - A_0)$$

does not give the true increase in wealth accruing during the period, for the potential consumption of goods and services implied by  $N_1 + A_1$  will be less if inflation has occurred during period one than if prices had remained stable during that period. That is, true income ( $Y_T$ ) must be measured as the amount which could be consumed while leaving real wealth unchanged. Notice, however, that true income in this sense is quite distinct from income expressed at constant prices, being the potential consumption stream after maintaining wealth in real terms rather than the real value of the income measure  $Y_1$  derived above. So true income is the difference between wealth at the end of period one,  $N_1 + A_1$ , and the value of wealth in period one prices necessary to maintain the real value of  $W_0$ , i.e.  $W_0 (1+g)$ . Thus

$$Y_{T1} = N_1 + A_1 - W_0 (1+g) = N_1 + A_1 - A_0 (1+g) \quad (2)$$

where  $W_0 (1+g)$  gives the value of wealth at the end of period one which is the equivalent, in terms of potential real consumption, of the wealth  $W_0 = A_0$  at



the end of period zero. Generalizing for the case in which the wealth of the firm consists of a range of physical assets still represented by

$$A \text{ (i.e. } W_0 = \sum A_{i0} = A_0)$$

we get true income of the firm in period one,  $Y_{T1}$ , as

$$Y_{T1} = N_1 + A_1 - W_0 (1+g) = N_1 - (A_0 - A_1) - W_0 g \quad (3)$$

Now economic depreciation  $(A_0 - A_1)$ , being the decline in the market value of the assets  $A_1$  over period one, can be thought of as made up of two components, namely the depreciation of the assets during period one, measured in the replacement cost prices of period one ( $D_{RC}$ ), and the change in the market value of these assets excluding depreciation. If the rate of increase of these asset prices in period one is  $q$  then the decline in market value of the  $A_1$  in period one is given by

$$A_0 - A_1 = D_{RC} - q W_0 \quad (4)$$

and true income can be written as

$$Y_{T1} = N_1 - D_{RC} + W_0 (q-g) \quad (5)$$

and the rate of return on wealth  $W_0$  is

$$RT = \frac{Y_{T1}}{W_0} = \frac{N_1 - D_{RC}}{W_0} + (q-g) \quad (6)$$

Thus the rate of return on wealth also has two components, one  $\frac{(N_1 - D_{RC})}{W_0}$  deriving from net revenue after allowing for depreciation at replacement cost and the other deriving from the difference between the rates of growth of asset values and of consumer prices.

The argument so far is a relatively uncontroversial development from the basic economic principles that wealth is the maximum consumption obtainable from a given level of assets and income and that income in a given period is maximum amount which could be consumed while leaving wealth unchanged. The basic problem in applying (5) and (6) to actual enterprises is that in most

cases  $W_1$  and  $q$  are not known, i.e. neither the actual market value of the assets of a firm nor the rate of change in that value are known at the end of each accounting period. There are several reasons for this - firms for whose assets there are appropriate and operating markets cannot afford to value them in those markets every period, while for many assets (steel mills, chemical plants and power stations) the relevant markets do not exist. Many of the methods of measuring the income and rate of return achieved by firms can be distinguished by the assumptions they make in relation to  $W_1$ . Some of the main ones are noted below. It should be noted that here we employ a single economic classification; the more complex issue of the way these variants relate to particular inflation accounting proposals is a topic for another occasion.

1. Historical cost accounting. This methodology was designed for periods in which there is no inflation and no movement in relative prices. Consequently, in terms of (5) and (6), this methodology can be taken as assuming that  $q$  is equal to zero i.e. that asset values do not change other than on account of depreciation. Furthermore, because there is no change in prices there is no distinction between depreciation at historical cost ( $D_{HC}$ ) and at replacement cost. Thus true income is given by

$$Y_{T1} = N_1 - D_{HC}$$

As changes in prices are not recognised, any increase in the value of stocks is included in  $N_1$  and hence in income.

2. Inflation Accounting - consumer price variant. In the respects relevant to the present discussion, this inflation accounting variant can be taken as assuming that, leaving aside depreciation, asset values move in line with consumer prices. That is, that  $q=g$  and the undepreciated value of  $W_0$  at the end of period one is  $W_0(1+g)$ . But this scheme does not require that all prices, and particularly investment prices, move in line with consumer prices, so that the notion of depreciation at replacement cost is still employed. So true income is

$$Y_{T1} = N_1 - D_{RC}$$

and the rate of return on wealth  $R$  is given by

$$R = \frac{N_1}{W_0} - \frac{D_{RC}}{W_0}$$

Here stocks are treated as part of wealth, so that the increase in the value of stocks due to the general level of inflation is excluded from  $N_1$  and  $Y_{T1}$ .

3. Inflation Accounting - replacement cost variant. This proposal has been outlined from an economic viewpoint by Swan (Swan 1980). It is assumed that, depreciation aside, the value of assets moves in line with replacement costs so that  $q=p$ , where  $p$  is the rate of increase in the capital expenditure deflator. On this proposal, true income  $Y_{T1}$  is given by

$$Y_{T1} = N_1 - DRC + W_0 (p-g)$$

or alternatively, if  $d$  is the real depreciation rate (the proportion of the real capital stock depreciated in period one), then

$$Y_{T1} = N_1 + W_0 (p-g-d)$$

and

$$R = \frac{N_1}{W_0} + (p-g-d)$$

So, in the respects developed to this stage, this proposal differs from the second proposal in that it approximates the increase in market values of the  $A_1$  by the movements in the investment deflator rather than by movements in consumer prices.

4. Inflation Accounting - market capitalization variant. Perhaps the most obvious way to derive an estimate of the value at the end of period one of the assets  $W_0$  is by the market capitalization of the firm i.e. the total value put by the stockmarket on the assets  $A_1$  of the firm. The value at the end of period one of the assets  $A_{10}$  could be calculated from this capitalization, giving  $W_{MCI}$ . So the true income is given by

$$Y_{T1} = N_1 + (W_{MCI} - W_0) - W_0g$$

None of these four options is entirely satisfactory. We can put aside quite quickly historical cost accounting, although it is still used by most firms and is used exclusively (with the exception of the Port of Melbourne Authority) by

Victorian public sector business authorities. This system was designed for conditions of stable prices, and can in no way be regarded as an adequate response to the problem of inflation. To take one example, there can be no doubt that, if the capital stock deteriorates by 5 per cent in producing the output of this period, the sum which should be counted as a cost of production is the cost of replacing this 5 per cent this period rather than some five or ten years ago. That is, the cost of the capital stock used up this period must be represented at replacement cost, rather than at historical cost, prices. But the issue as between the other three (and further alternatives which could be elaborated) is not so clear.

Indeed, it is apparent that neither of the three assumptions about trends in market value excluding depreciation of the assets  $A_1$  - movement in line with consumer prices, with replacement costs or with adjusted market capitalization - is particularly compelling. It is evident that the consumer price assumption could only be at best a broad approximation, while there are clear potential problems with the other two alternatives. In economic theory the market value of an income producing asset should be given by the discounted present value of those income streams. Thus there is a clear possibility that, if conditions in the markets for output deteriorate and rates of return fall, the market value of the asset associated with potential income streams will fall below the replacement cost value. This is widely asserted to have occurred in Australian industry in the 1970s (particularly between 1974 and 1976) and in parts of the international mining industry during the second half of the 1970s. Many other factors, such as technological change leading to unexpected obsolescence or changes in the level of protection, may also drive a wedge between market and replacement cost valuations. It is even possible that there is some inverse correlation between the two forms of valuation, in the sense that market values tend to be depressed relative to replacement cost values particularly when replacement cost prices are rising rapidly.

Similar problems are apparent with the market capitalization alternative. The capitalization of a firm in the stock market can be influenced by a wide variety of factors other than the market value of that firm's assets, such as income in the current period, variations in interest rates and in expectations, factors affecting the supply of investment funds and so on. Perusal of Table 4.1, which provides data assembled by Hawkins and Swan on the value of

assets of private corporate trading enterprises in Australia, shows both the wide year to year changes which occur in market capitalization and the differences between this measure and that for assets valued at replacement cost prices. Hawkins and others have documented the big swings which have taken place in the ratio of these two valuations (often referred to as the Tobin q ratio) in Australia over the 1970s. Over the nine year period shown the value of the physical assets of these firms increased at an average annual rate of 14.6 per cent at replacement cost prices but at only 4.6 per cent at market capitalization values. Between 30 June 1973 and 30 June 1975 the replacement cost figure rose by 54 per cent while the market capitalization figure fell by 19 per cent, and it is unlikely that either figure gives an adequate assessment of market values in the complex situation of rapid inflation, deep recession and low earnings prevailing in those years.

Table 4.2 assembles estimates of private trading company income on three of the four bases described above. As indicated earlier, we disregard historical cost accounting as being totally inadequate for periods of rapid inflation but estimates are shown on this basis because of its continued use, while the problems in the market capitalization alternative seem to be insurmountable. As Table 4.2 reveals, the differences between the remaining two alternatives are less substantial, the differences between true income in terms of the consumer price and the replacement cost alternatives representing the effect of the difference between the rate of increase of investment (including inventory) prices and of consumer prices. In what follows we use the consumer price variant as our preferred approach for a number of reasons. This variant has the virtue of simplicity, and there is no certainty that when asset values in the replacement cost variant deviate from the consumer price assumption (i.e. when  $p-g$  is different from zero) that the market values of firm's assets will be correlated with that deviation. For example, in 1973-1975  $(p-g)$  was positive and the replacement cost method implies that the market value of undepreciated assets was increasing more rapidly than the consumer price index, even though earnings were low and market capitalization was falling. So, lacking good reasons for believing that the  $(p-g)$  adjustment adds to the precision of the estimates, we dispense with it and use the simpler consumer price approach. But the difference between the two is fairly small and both can be regarded as only an ad hoc solution to a complex problem.

**Table 4.1 Private Corporate Trading Enterprises: Physical Assets and Equity, Australia 1969-1978**  
(Data refer to 30th June of each year)

	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	Average Annual Growth 1969-1978
<b>Value of Physical Assets</b>											
1. At replacement cost prices	21286	23680	26828	30044	32546	40062	50130	58380	66261	72744	14.6
2. At market capitalization	30411	30320	29102	35301	35867	30790	28892	35608	38037	45466	4.6
3. On consumer price assumption	22194	25006	28750	32015	33784	40975	49610	58093	65383	71608	13.9
<b>Interest Paying Debt</b>	6702	7676	8737	9750	12377	14042	13400	16035	16638	18981	12.3
<b>Equity</b>											
1. At replacement cost prices	14554	16004	18091	20294	20169	26020	36730	42345	49623	53763	15.6
2. At market capitalization	23709	22644	20365	25551	23490	16748	15492	19573	21399	26485	1.2
3. On consumer price assumption	15492	17330	20013	22265	21407	26933	36210	42058	48745	52627	14.6

**Source:** P.L. Swan, An Optimum Business Tax Structure for Australia, Technical Paper No.7, Australian Financial System Inquiry, August 1980 (hereafter Swan (1980)), Table 3, based on data provided by Hawkins (1979) and the Australian Treasury.

Table 4.2 Private Corporate Trading Enterprises: Measures of Income, Australia, 1969-70 to 1977-78

	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78
	(\$million)								
<u>Selected Series</u>									
1. Company Income (net of SVA but before providing depreciation)	4177	4309	4593	5309	5752	5716	6530	7843	8511
2. Stock Valuation Adjustment (SVA)	181	214	353	539	1180	1676	1744	1324	1105
3. Depreciation - Historical Cost	1191	1318	1488	1599	1766	1984	2279	2561	2805
4. Depreciation - Replacement Cost	1351	1521	1760	1927	2165	2757	3254	3721	4170
5. Increase in replacment cost value non-inventory assets, before depreciation	596	1025	1381	1285	4348	6806	5786	5114	4144
6. Purchasing power loss on total funds employed	893	1421	1744	1803	3873	6891	7770	6422	6162
<u>Company Income Measures (before tax)<sup>1</sup></u>									
7. Historical Cost (1+2-3)	3167	3205	3458	4249	5166	5408	5995	6606	6811
8. Inflation Accounting - Consumer price variant	2826	2788	2833	2382	3587	2959	3276	4122	4341
9. Inflation Accounting - Replacement Cost variant	2739	2696	2823	3403	5242	4550	3036	4138	3428

1. Income after depreciation and interest, but before tax.

Source: Swan (1980), Tables 3, 4 and 6, based on data provided by Hawkins and Treasury.

Income and Rate of Return of Enterprises and of Owners

So far the model has taken no account of the methods by which the assets of the enterprise are financed, and hence of the distinction between debt and equity finance. If one calculated income as in Table 4.2 but before deducting interest, one would have a measure of true income earned on the total capital employed in the enterprise, irrespective of the division of ownership of this capital or of the manner and terms on which the capital has been provided. But another sense of income, which is at least equally important, is income accruing after meeting debt obligations, i.e. income accruing to the owners of the enterprise after meeting these obligations, and to develop this concept we must incorporate debt in the model.

If the total interest payments of a firm (excluding those relating to new projects) are  $I$ , then net cash revenue before deducting interest payments ( $N_B$ ) is given by

$$N_B = N + I$$

and from (5) true income can be expressed as

$$Y_{T1} = N_{B1} - DRC_1 + W_0 (q-g) - I \quad (7)$$

This means that the total true income of the enterprise after interest will vary with the way in which the firm is financed and hence with the magnitude of the interest bill, ( $I$ ). To take the two extremes, compare two firms whose activities, prices etc. are identical and the only difference is that one is totally financed by equity ( $I=0$ ) and the other is entirely financed by borrowing. Obviously, the income ascribed to the owners of the firm by (7) will be much larger in the former case than in the latter. So  $Y_T$  and  $R_T$  will not be adequate measures of either the income generated by the use of the firm's assets, however financed, or of the rate of return on those assets. But such a measure can be generated simply by adding back interest payments, i.e.  $Y_A = Y_T + I$ , and this will have the same value for all firms or enterprises who differ only in the methods of financing. The rate of return measure defined in this way will give the rate of return achieved on the total assets employed in the enterprise, and can be viewed as an indicator of the efficiency with which



assets are utilized in that enterprise.

Income of the enterprise before interest is shown on two bases for private corporate trading enterprises in Table 4.3. This measure can be regarded as the income which would accrue to the enterprise, after allowing for the maintenance of real wealth, if all assets were fully owned by the enterprise and its shareholders and there was no debt. As one would expect, the rates of return before interest are greater than those net of interest, and again there are only small differences between those on the two bases. Over the nine years to 1977-78 private corporate trading enterprises in Australia achieved a real rate of return on all assets employed, before interest, of about 12 per cent per annum

But enterprises do hold debt and do vary in the extent to which the total wealth they hold is financed by equity (E) and by debt (D). As all assets are financed in one way or the other

$$W_1 = E_1 + D_1 \quad (8)$$

and equity is the net wealth of the enterprise. Consequently the true income accruing to the owners of the enterprise in conditions of inflation should be defined as the maximum amount which could be consumed in the period while leaving the real net wealth of the enterprise unchanged. The net wealth of the enterprise at the end of period zero is given by  $W_0 = A_0 - D_0$  and the nominal value of this same real wealth (in terms of potential consumption) at the end of period one is  $(A_0 - D_0)(1+g)$ , while as debt is specified in nominal terms this will, leaving aside new borrowings or capital repayments, remain unchanged at  $D_0$  at the end of period one. So the true income of the owners in period one ( $Y_{01}$ ) is given by

$$\begin{aligned} Y_{01} &= N_1 + (A_1 - D_0) - (A_0 - D_0)(1+g) \\ &= N_1 + (A_1 - A_0)(1+g) + D_0g \end{aligned} \quad (9)$$

Now by (5)

$$A_0 - A_1 = DRC - qA_0$$

we get

$$Y_{01} = N_1 - DRC + A_0(q-g) + D_0g \quad (10)$$

so that the income attributable to the owners is that derived above in (6) for the no debt case plus the item  $D_0g$  due to fact that the real value of the nominal debt  $D_0$  declines in proportion to the inflation rate  $g$ .

Another approach to the same result is to start from (7), i.e.

$$Y_{T1} = NB1 - DRC + A0 (q-g) - I \quad (7)$$

and to notice that interest payments ( $I$ ) in regard to debt  $D$  can be divided into a component corresponding to a real interest rate  $r_1$  and another component compensating lenders for the effect of inflation on the real value of their funds,

$$\text{i.e.} \quad I_1 = r_1 D_0 + gD_0 \quad (11)$$

But as  $gD_0$  is paid to creditors only to preserve the real value of the debt, this component should be excluded when consideration turns to income after the maintenance of real net wealth of the owners of the enterprise. So in this context  $I$  in (7) should be replaced by only interest payments corresponding to the real rate of interest (i.e.  $r_1 D_0$ ) which gives income after preserving real net wealth as

$$Y_{01} = NB1 - DRC + A0 (q-g) - r_1 D_0$$

$$\text{and as} \quad N_{B1} - r_1 D_0 = N1 + D_0g$$

$$\text{we again derive} \quad Y_{01} = N1 - DRC + A0 (q-g) + D_0g \quad (10)$$

Estimates of income accruing to owners in this sense are provided for private trading companies in Table 4.3, using both the consumer price and replacement cost variants. As one would expect given that real rates of return to the firm as a whole before interest are greater than real rates of interest paid on debt, the rates of return on equity are on both bases considerably greater than the rates of return on total funds employed before interest. The average real rates of return on equity capital over the period 1969-70 to 1977-78 were 17.0 per cent on the consumer price basis and 19.3 per cent on the replacement cost basis, the different patterns in the two series reflecting variations in the relative rates of increase of prices for consumer goods and services and for investment goods. Of course, both series will overestimate the

returns to the extent to which, if at all, values of undepreciated assets have failed to keep pace with the relevant one of these price indices.

This discussion of income and rates of return of business enterprises leads us to focus on the two types of measure shown in Table 4.3. The first of these is income and rate of return accruing to the firm as a whole before interest paid after allowing for the maintenance of real wealth, and throughout the subsequent chapters of this Report we will refer to this as true income (and rate of return) of the enterprise before interest. The second is income and rate of return accruing to the owners of the firm after allowing for the maintenance of real net wealth, and this will be referred to as true income (and rate of return) of the owners of the enterprise. Both of these measures will be important in regard to public sector business authorities, the former because it is an indicator of the rate of return being achieved on the total funds being employed by the authority and the latter because it measures the return being achieved on the equity in the authority owned by the citizens of Victoria. For the reasons noted earlier we use the consumer price variant in our subsequent analyses, although it should be noted that the many inflation accounting proposals do not take the final step here to calculation of income accruing to the owners.

The difference between the two income measures - true income of the enterprise before interest and true income of the owners - is in fact interest payments corresponding to the real rate of interest. So if one had a view as to what was the 'true' or 'long-run' real rate of interest (say 2 per cent per annum) one could split the income accruing to the owners into that arising from the operations of the firm at long-run real interest rates and that arising from the subsidy (if any) provided by lenders to borrowers when real interest rates are below this figure. It is apparent that this subsidy was substantial for private companies in the middle of the 1970s, real interest rates in 1974-75 for example being about minus 8 per cent, and this distinction will also prove important for Victorian public enterprises.

### The Financing of Investment

A related set of issues for which we need an adequate conceptual structure concerns the financing of investment, again taking note of the continuance of

**Table 4.3 Private Corporate Trading Enterprises; Measures of True Income and Rate of Return of Enterprise and of Owners, Before Tax, Australia 1969-70 - 1977-78**

	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	Average rate of return 1969-70 to 1977-78
(\$million)										
1. Net interest payments (I)	537	682	822	978	1232	1721	1931	2109	2345	
2. Purchasing power gain on debt	275	461	568	585	1273	2415	2077	1812	1547	
<u>Income of Enterprise before interest</u>										
Consumer price variant	3399	3470	3655	3360	4819	4680	5207	6231	6686	
Replacment cost variant	3303	3288	3645	4381	6474	6271	4967	6247	5773	
(per cent)										
<u>Rate of Return Measures</u>										
Consumer price variant	15.3	13.9	12.7	10.5	14.3	11.4	10.5	10.7	10.2	12.2
Replacment cost variant	15.5	13.9	13.6	14.6	19.9	15.7	9.9	10.7	8.7	13.6
<u>Income Accruing to Owners<sup>1</sup></u>										
(\$million)										
Consumer price variant	3101	3249	3401	2967	4860	5374	5353	5934	5888	
Replacment cost variant	3005	3067	3391	3988	6715	6966	5113	5775	4975	
<u>Rate of Return to Owners on Equity</u>										
(per cent)										
Consumer price variant	20.0	18.7	17.0	13.3	22.7	20.2	14.8	14.1	12.1	17.0
Replacment cost variant	20.6	19.2	18.7	19.7	33.3	26.8	13.9	13.6	10.0	19.3

1. After taking account of gains on holdings of nominal debt, but does not include losses on holdings of monetary assets.

Source: Based on data in Swan (1980) and estimates of the Institute.

inflation. How do we measure the way enterprises finance their investment, and what do these measurements mean? What lessons can we learn from this investigation about the financing of public business authority investment? For example, is there any justification for the widespread view that public enterprises should aim to finance 50 per cent of new investment spending from retained earnings?

In the previous discussion we have abstracted from the possibility of investment, and considered only the case of the firm which operates with a fixed set of depreciating assets  $A_1$ . Now let us allow for investment and refer to  $w_1$  as the wealth of the firm at the end of period one, after including gross fixed capital investment  $G$  in that period. Let us further assume that the enterprise holds assets only in terms of physical assets, i.e. that it holds no monetary assets and that cash income in period one is entirely either devoted to capital investment or distributed to shareholders. Now  $w_1$ , the stock of wealth embodied in the assets of the firm at the end of period one, is a quite different concept from our earlier concept  $W_1$ , the wealth accruing to the firm at the end of period one as a result of the activities carried out in period one with the assets in place at the end of period zero. For the wealth generated in this latter sense will be distributed to shareholders, who may in turn contribute equity capital to finance investment.

Thus wealth  $w_1$  in this asset sense can be expressed in terms of the contributing factors during period one to the total value of assets at the end of this period. That is,

$$w_1 = A_0 (1+g) - D_{RC} + G = W_0 + A_0 g - D_{RC} + G \quad (11)$$

given the consumer price assumption about the market value of the assets  $A_1$  in place at the end of period zero. We can define the contribution of internal funds (IC) to the financing of capital investment by

$$\begin{aligned} IC_1 &= G_1 - \Delta D_1 \\ \text{or } D_1 &= D_0 + (G_1 - IC_1) \end{aligned} \quad (12)$$

For a private firm IC will be made up of both retained earnings and of equity funds contributed by the shareholders, but for a public enterprise it will

consist only of retained earnings. The equity component  $e_i$  of this asset conception of wealth can again be defined by

$$w_i = e_i + D_i \quad \text{or} \quad \Delta w_i = \Delta e_i + \Delta D_i \quad (8)$$

and using this in conjunction with (11) and (12) we obtain

$$e_i = e_0 + (A0g - D_{RC}) + IC$$

i.e.  $\Delta e_1 = (A0g - D_{RC}) + IC \quad (11)$

Thus the change in the owner's equity in the enterprise is equal to the contribution of internal funds (IC) plus the increase in market value, after allowing for depreciation, of the assets in place at the end of period zero. On the consumer price assumption being here employed this latter magnitude is equal to

$$(W_0^g - D_{RC}).$$

In this framework, one plausible goal for investment financing is that it aims to maintain the relative shares of debt and equity in the wealth of the enterprise, i.e. that

$$\frac{\Delta e}{\Delta w} = \frac{e}{w} = k$$

In other words, if a financing pattern is to maintain a constant debt: equity ratio under the assumptions being employed here, the change in debt must bear a given relationship to the change in equity, that relationship reflecting the particular equity: wealth situation of the firm.

From the ratio of equity to wealth for the private corporate trading enterprise sector derivable from Table 4.1; it is apparent that this ratio remained quite stable at around 70 per cent over the 1970s. So it appears that, whether or not by design, the private sector has in fact followed over the 1970s this rule of financing investment so that the ratio of equity to wealth (and hence of debt to wealth) remains approximately constant, and this has meant that the average increase in debt has been less than half of the average increase in equity. Of course, in the private sector increases in equity capital come from both retained earnings and from direct contributions by shareholders.

As we will examine in more detail in Chapter 6, the ratio of equity to wealth in a typical Victorian public enterprise is of the order of 0.3 to 0.5. This lower ratio than for the private sector reflects the fact that debt has traditionally been a more important means of financing for public enterprises and also the fact that the owners of public enterprises, the Victorian government and citizens, do not in general contribute to equity capital. Values of the equity/wealth ratio of this order imply that if the equity/wealth ratio is to remain fixed debt finance should provide between 60 per cent and 70 per cent of the total funds for investment. Looked at another way, these figures imply that, for typical Victorian public enterprises, a requirement that 50 per cent of investment be financed through retained earnings amounts to a requirement that the share of equity in total wealth rise. Not only is no justification apparent for this requirement that the share of equity rise, but it also stands in contrast to the experience of the private corporate trading sector, which has seen an effectively stable ratio of equity to wealth over the 1970s.

The central difference between private firms and public enterprises is that, while the owners of the public enterprises do have considerable equity holdings, these holdings are acquired only by retained earnings and they provide no equity capital. Thus public enterprises only have two sources of investment funds - borrowing and retained earnings - and lack the third option of equity capital. Traditionally this lack has been made up by greater borrowing, and this is the reason for some of the features of Victorian public business authorities noted at the end of Chapter 3, viz. that they have high debt: asset ratios and that a high proportion of revenue must be put into debt service.

## Conclusion

This chapter has served several purposes in the overall context of this Report. It has developed the basic structure which we will use in the next two chapters to analyse the performance of the Victorian business authorities, and has focused attention on two pairs of analytical measures to be used in those chapters. Both of these measures are defined in a way which takes account of the effects of inflation: the first pair is the true income and rate of return of the enterprise before interest but after maintaining the real wealth of the enterprise; the second pair is the true income and rate of return of the owners of the enterprise, after maintaining the real net wealth of the owners. Our preferred versions of these measures are those based on the consumer price assumption that the market value of the undepreciated assets of the firm increases in line with consumer prices. The chapter also draws attention to the equity component of public enterprises, and to the potential effects on enterprise accounts when nominal interest rates adjust to movements in inflation. Finally we have considered some of the general issues concerning the financing of investment, noting that the private corporate trading sector in Australia has in fact followed an investment financing pattern over the 1970s which has kept the debt: wealth ratio relatively constant, and have suggested that this might be a reasonable criterion for public enterprises to adopt. Given prevailing debt: wealth ratios in most Victorian public trading enterprises, the common suggestion that these enterprises should finance 50 per cent of their new investment from retained earnings would in fact imply rising equity: wealth (falling debt: wealth) ratios.



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## Chapter 5

### Pricing Policy and Income

Having established in the previous chapter some general principles which can be used in examining the activities of business enterprises under conditions of inflation, we turn in this chapter to examine the Victorian experience in relation to the setting of prices by major public bodies, the income and rates of return they earn on capital employed and questions concerning the efficiency of their operations. As indicated earlier, we are interested in both of two aspects of these questions - firstly, the actual practice of Victorian public enterprises and the actual policy of the Victorian government towards the enterprises and, secondly, the normative issues about the policies which both individual enterprises and the State government should adopt in these respects. Clearly these are massive issues and all we can hope to do here is to highlight the main points and open up the topics for further public debate. The complexity of the issues are greatly increased by the lack of uniformity in practice among the major authorities and the lack of any general guidelines or policy statements issuing from the State government, and this provides our point of entry.

### Diversity in Practices and the Absence of State Policy

In our view, proper scrutiny of public enterprises by either the government or the public is possible only if certain minimum requirements are met. These requirements include

- the publication by enterprises of full financial and operating information, in a format which is reasonably uniform across authorities and is adequate to disclose the true state of affairs;
- clear statements of targets or objectives by authorities (for matters such as pricing policy, target rate of return, efficiency measures) again in a reasonable uniform format;
- specific statements by the government of their policy objectives for the public enterprise sector as a whole, and the way these objectives are varied in relation to particular business authorities;

- in particular, clear identification by the government of areas where social policy requires the performance by authorities of activities which are not commercially viable, or the provision of goods and services at subsidised rates, together with quantification of the subsidies involved;
- similar elaboration of the principles on which the taxation of State business authorities is to be based.

None of these requirements are currently being met in Victoria at the present time, and this greatly complicates the economic assessment of the pricing policy and financial performance of the authorities. This point can be clearly illustrated by dwelling briefly on the treatment of depreciation by Victoria's major public sector business authorities.

The question of depreciation allowances and their treatment in the public sector is a matter of considerable controversy and uncertainty, and an area in which there is an urgent need for reform. The highly diverse approaches used in Victorian public authorities to record the expiration of the service potential of their fixed assets and to put aside funds for the ultimate replacement of these assets is evidence enough of the need for some uniformity in this area. This diversity of practice means that it is a substantial undertaking to make comparisons between authorities. What is more, the lack of any direction or legal requirements as to the treatment of depreciation has resulted in many authorities wrongly accounting for depreciation through sinking funds predominantly established for debt redemption purposes. This issue of the role of sinking funds is discussed below in Chapter 6. From a study of Annual Reports it is apparent that while authorities such as the SECV and the Gas and Fuel Corporation account for depreciation as private companies are required to under the Companies Act (as a deduction from revenue and shown as accumulated depreciation against the asset), many other authorities just appropriate depreciation funds from the reported net profit figure into a depreciation reserve (along the same lines as a sinking fund), while some others do not disclose any depreciation charge in their reports. One such example is the Housing Commission, which considers the charge to revenue on account of debt redemption as a satisfactory substitute for depreciation.<sup>1</sup>

Of particular interest to the current study are the practices of the MMBW and VicRail with respect to depreciation. The MMBW in fact charges depreciation only on furniture and fittings, motor vehicles, plant and tools, and works temporarily capitalised against revenue as general expenditure in the Revenue Account of the Metropolitan General Fund. Hence, in 1978-79 the MMBW depreciation charge was only \$1.1 million. But included as Statutory Expenditure in a different section of the Revenue Account of this Fund was a transfer to the Renewals Fund of \$3,167,852. This Renewals Fund is then offset against the value of the reported fixed assets of the Board including water supply, sewerage, main drainage and river improvement works, in the manner of a normal accumulated depreciation provision. But with the Renewals Fund standing at \$34.2 million at the 30th June, 1979, and the total of these fixed assets at \$1,759 million, the Renewals Fund does not appear to be of sufficient magnitude to be a proper depreciation provision.

VicRail provides an interesting situation, being in many financial respects like a department, with lapsing annual appropriations, artificial separation of revenue and expenditure, and recognition of cash costs only. This cash accounting approach results in depreciation only being reported in respect of cash appropriations provided for depreciation purposes, which are only about \$400,000 per year. However, the depreciation recorded in VicRail accounts kept under the accrual method of accounting indicate that the 'true' historical cost depreciation charges are well in excess of this amount - of the magnitude of \$13.9 million in 1977-78 and \$13.0 million in 1978-79.

Finally, it needs to be pointed out that all the depreciation allowances provided in the Annual Reports of Victorian authorities are, with one exception, based entirely on historical cost values of assets. The one exception is the Port of Melbourne authority, which from 1979-80 has provided some replacement cost magnitudes. But as we have seen in Chapter 4, any discussion of pricing policy, and of the extent to which authorities cover costs, in terms of historical cost depreciation is highly misleading. So when we come to analyse pricing policies in economic terms below we do so on the basis of replacement cost depreciation estimates prepared for all authorities on a common basis. But before that analysis is reached we must review the

qualitative information we have on the pricing policies which authorities follow and on the institutional framework of those policies.

### The Institutional Framework of Pricing Policy

Qualitative information on public authority pricing policies is relatively scarce, with little information available in annual reports or similar documents on how authorities arrive at the prices they are charging or the tariffs or charges they are levying. In a survey of public bodies carried out by the Public Bodies Review Committee some information has been collected on the views of authorities in regard to the structure of decision making about prices, tariffs and charges. While this is the only source of aggregate information, various individual sources enable us to study the declared pricing policies of certain authorities in an effort to obtain some indications of how prices are set in the public authority sector.

Firstly, looking at the results of the survey (see Table 5.1), of the 269 authorities for which replies are available the question of setting prices and tariffs applied to 157 of these. In 65 of these the view of the authority was that prices and charges were set entirely within the organisation itself, in 25 that they were set by the organisation in co-operation with the minister and in 11 that they were set in co-operation with another statutory authority (such as an advisory board). In another 11 authorities the view was that prices and tariffs were set entirely by the Minister, while a further 11 reported them as set entirely by Cabinet, and the remaining 24 authorities saw their prices and tariffs set in some other manner. The answers to this question thus indicate a great degree of variation in terms of authority autonomy and governmental intervention in the pricing policies of Victorian public bodies, with no apparent consistent framework or pattern underlying this current position. In some cases (42.3 per cent of those charging tariffs on prices), the tariffs and prices are set the organisation, whereas in some 15.5 per cent of them they are set entirely independently of the organization either by the Minister or the Cabinet. Even within the much narrower category of major business authorities which are our central concern here, the variation is considerable, with 5 authorities regarding themselves as the sole determinant of price changes, 7 seeing the setting of prices as occurring in consultation with the Minister and 2 indicating that price changes took place by Cabinet

Table 5.1 The Structure of Pricing Decisions (Responses as given by authorities to questionnaire)

	Major Business Author- ities	Selected Hospitals	Selected Tertiary Educ. Inst's	Other Non- Financial Authorities	Financial Authorities	Total
Number in Sample	20	32	28	177	10	269
<u>Decisions on tariffs and charges are:</u>						
1. Made within organisation	5	2	20	35	3	65
2. Made in conjunction with the Minister	7			18	1	26
3. Made in conjunction with a statutory authority		7	2	2		11
4. Made entirely by Minister		7		5		12
5. Determined by Cabinet		2	6	4		12
6. Other		7	1	14	2	25
7. Not applicable	1	3	1	99	4	118

Source: Public Bodies Review Committee survey of selected public bodies.

decision. In the wider group of other non-financial authorities, of the 78 authorities which were involved in price setting, nearly half (35) made these decisions themselves, 9 saw them as entirely in the hands of the Minister or Cabinet, while 20 saw price setting as a consultative process between the authority and either the Minister or another authority. Clearly the perceptions of the respondents to this survey will be influenced by a wide range of factors, but it does provide further evidence of the variety of processes within the Victorian public bodies sector.

### Three Major Business Authorities

When we turn to individual authorities, clearly the most important authority is the State Electricity Commission of Victoria. The SECV's stated tariff policy aim is to ensure that the total annual sales revenue covers total annual expenditure and maintains an adequate level of internal financing and liquidity. The tariff levels are determined by the SECV in co-operation with the minister, so the SECV does not have complete freedom to set tariff levels, the government through the Minister also being involved in price setting. It appears from statements in the Annual Reports that the tariffs are set and increases calculated after assessing the funding situation for capital expenditure, so as to ensure adequate internal financing of this investment over and above the covering of annual operating type expenditures. In a study of public authorities in Melbourne, Pickett outlined the pricing policy of the SECV as he saw it at that time:

"The tariff schedules are structured to provide for a rate of return on net investment of approximately 12 per cent (interest, depreciation and other non-cash provisions, and balance of income). The objective is to finance a major proportion of capital works from internal resources which also are required to meet the statutory contribution to the Consolidated Fund of the State of Victoria".<sup>2</sup>

So not only did the SECV seek to fully cover their costs of operation, but they set tariffs which also seek to provide a large contribution towards investment expenditure.

The relationship of these types of statement to the present pricing policy of

the SECV and to the quantified SEC targets published more recently in the Commission's Annual Report are not particularly clear. In the 1978-79 Annual Report the stated target for return on investment was to achieve a return of at least 7 per cent (but no indication is given as to how this is to be calculated). By the 1979-80 Report this financial target had been deleted. But in both Reports there is also a stated aim to keep the margin between the increase in selling prices and the C.P.I. as great as possible. The Commission also indicated, in the 1979-80 Report and elsewhere, that it aims to meet 50 per cent of capital needs from internal financing.

Thus, although the SECV has probably been more forthcoming than any other authority about the general principles behind its overall pricing policy, it remains difficult to get a clear statement of their approach to price setting. The statements collected above have mentioned many factors that are relevant, viz:

- covering annual expenditure and maintaining an adequate level of liquidity;
- ensuring a given rate of return on investment;
- maintaining a substantial level (50%) of internal financing of capital needs;
- ensuring that charges for electricity increase by less than consumer price index over the medium-term.

In particular, it is not at all clear how prices are set if, as has occurred in recent years, the various criteria are inconsistent or one or more are not achievable. It will be recalled from Chapter 3 that this is precisely one issue which arose often in the United Kingdom in relation to criteria proposed by official White Papers in the 1960s.

Another public enterprise which also sets its tariffs in co-operation with the Minister of the relevant Department is the Gas and Fuel Corporation of Victoria. The tariff schedule of the Corporation is approved by the Government through the Minister, and it does not appear to be tied in any way to



electricity tariffs. There is little information supplied in Annual Reports as to the Corporation's pricing policy except to state that it attempts to keep tariff increases to a minimum consistent with efficient operation, the tariff increases of 8 per cent in 1979 and 4 per cent in 1980 being due to inflation and the increased rate of contribution required to be made to the Consolidated Fund, and that the Corporation intends that operating surpluses provide approximately 50 per cent of total capital requirements in each year.

The Melbourne and Metropolitan Board of Works makes and levies appropriate ratings after considering the estimated requirements for the forthcoming year, these requirements being essentially the same as the previous two business authorities discussed except that the MMBW generally places less stress on the contribution of internal funds to investment expenditure. The Board operates through two funds and levies four different rates to finance the expenditures of these funds. The Metropolitan General Fund services the traditional functions of the Board of water supply, sewerage and drainage, and is contributed to by three rates - the Water Rate, the Metropolitan General Rate and the Metropolitan Drainage and River Improvement Rate. The Metropolitan Improvement Fund services planning functions and metropolitan park purchasing of the Board, and the costs of carrying these functions out are met by the Metropolitan Improvement Rate. The Board works out all its expenditures for administrative and operations, interest and sinking fund requirements, then sets the rates accordingly to cover the year's operations and make some contribution towards the total cost of the Board's investment (although not to the extent of the SECV and Gas and Fuel Corporation). The Board may only make and levy rates sufficient to meet expected expenditure, and they must be within the maxima and minima as set down by legislation for each particular rating.<sup>3</sup>

However, this requirement that the MMBW may only make and levy rates sufficient to meet expected expenditure does leave the Board with considerable flexibility, as is illustrated by the rate changes that occurred in 1979-80. The increases in those rates that finance the General Fund were substantial in that year - 35 per cent increase in the Water Rate, 13.7 per cent increase in the Metropolitan General Rate, and an 18.2 per cent increase in the Metropolitan Drainage and River Improvement Rate - which resulted in an operating surplus much greater than that reported in 1978-79. The outcome of this was a greater amount of capital works financed out of revenue and

significant increases in other appropriations to reserves, etc. But the magnitude of the operating surplus also allowed a surplus even after the creation of a new Reserve Fund for Capital Works of \$9 million and an additional contribution of \$2.5 million to the Insurance Fund above nominal levels.

The upshot of these discussions is that there are many similarities between the processes of setting overall prices within these three authorities. In each case there is a substantial involvement of a Minister or Cabinet in any decision, although there is a striking lack of any official government guidelines concerning pricing policy. In at least two cases each of the three factors discussed in Chapter 3 - covering current costs, achieving a target rate of return on funds employed and financing a given proportion of capital expenditure from retained earnings - are asserted to be relevant to pricing policy and for the MMBW the first and third of these are said to be taken into account. But it is not at all clear to what extent these criteria are actually followed, how the enterprises see them as inter-related, which one takes priority when the set proves to be incompatible or unachievable, and so on. Clearly the public interest requires much greater precision in this area and, as we will argue below (particularly in Chapter 7), this could best be achieved by the establishment of common structures for reporting by authorities and of explicit government guidelines concerning pricing policy.

Two other crucial issues concerning pricing policy can only be briefly mentioned here, but this brevity is not meant to be an indication of the importance we attach to them. One of these is the issue of the structure as opposed to the level of prices, and the other concerns the extent to which the opportunity cost of basic resource inputs is appropriately reflected in prices charged by relevant authorities. Each of these authorities, but particularly the SECV and the Gas and Fuel Corporation, operates a pricing policy in which prices for services vary for different categories of users, reflecting at least partially the marginal costs of providing those services. These price structures have on occasion been criticised, Swan<sup>4</sup> and Richardson<sup>5</sup> for example arguing that the SECV tariffs involve a good deal of inappropriate cross-subsidization. Similarly, there have been varying views about the adequacy of current Victorian arrangements concerning the role of the opportunity cost of coal and gas resources in setting user charges for

electricity and gas. Thus the Centre of Policy Studies at Monash University<sup>6</sup> has argued that the opportunity cost of brown coal is only marginally above cost, in which case the present levy of 2.5 cents per tonne of brown coal produced is presumably an adequate reflection of these costs. On the other hand, Clarke and Hocking<sup>7</sup> have argued that present gas prices in Victoria do not adequately reflect the opportunity cost of natural gas to the State. Conflicting views have been taken on both these issues, and we do not attempt to resolve them here. Our intention is simply to stress the importance of both of these issues in relation to the pricing policy of public bodies in Victoria.

Two authorities, viz. VicRail and the Melbourne and Metropolitan Tramways Board, dominate much of the statistical material concerning Victorian public sector business authorities because of the magnitude of the deficits which they generate. The similarities between them are striking - they are both concerned with providing public passenger transport, both operate at a substantial loss which is made up by the Government, and both have their prices or charges determined by Cabinet - although they differ in the major respect that VicRail but not MMTB is incorporated in the budget sector for financial purposes. These authorities both generate revenue at the level determined by Cabinet which (in terms of conventional measures) goes only about half the way towards covering the operating costs of the authority with the costs not covered, i.e. the operating deficit, being covered by a revenue supplement from the Government. So in respect of pricing policies in these transport authorities, the common procedure is to concentrate on one measure of the effectiveness and efficiency of urban public transport authorities, that measure being the "cost recovery rate". This measures the extent to which the users of public transport meet the cash costs of providing those services directly through fare and freight charges. From the VicRail Annual Report 1978-79 comes the suggestion that "it is generally accepted in heavily motorized communities throughout the world that if passengers are to be induced to use public transport in preference to the private car, charges cannot be set at a level that will yield a cost recovery rate better than about 50 per cent."

In the Lonie Report (1980), the percentage of costs met by passengers, i.e. the cost recovery rate, for both Australian and overseas railway networks were listed for the purpose of comparison. Some of these rates were: VicRail - 49 per cent, Sydney - 31 per cent, Brisbane - 52 per cent, Adelaide -

49 per cent, Hobart - 36 per cent, Holland - 32 per cent, France - 48 per cent, United States - 50 per cent, Britain - 70 per cent, but little information is currently available concerning the comparability of the definitions lying behind these various figures. But in terms of these figures it is suggested that VicRail's financial performance has been better than the railway authorities of South Australia, Tasmania, NSW, Holland and France, and only marginally less than in Queensland and the United States, although well behind British Rail. With a 49 per cent cost recovery rate VicRail was also operating very close to the level suggested in its 1978-79 Annual Report as the maximum feasible level for urban public transport authorities. In the Lonie Report report the cost recovery rate the Melbourne and Metropolitan Tramways Board was estimated to be 53 per cent.

There are many aspects of current pricing policy in these authorities which are in our view matters for concern. For one thing, these cost recovery rates exclude many elements of true economic cost, such as adequate allowance for depreciation and for interest charges. Furthermore, a general acceptance of a 50 per cent cost recovery rate as the maximum feasible for public transport system would be most undesirable, and would provide a cloak behind which inefficiencies of various types might readily proliferate. We do not doubt that there are strong social and other grounds for provision of subsidies to public transport at the present time. But this should be achieved by specific and quantitative subsidies within a detailed framework for the efficient operation of these authorities, rather than by blanket subsidies behind the cloak of inevitably low cost recovery rates.

#### The Economic Analysis of Pricing Policies

Having described some of the institutional factors and general goals underlying the pricing policy of major public sector business authorities, we now turn to the problems of analysing the actual effect of pricing and other decisions on the performance of authorities in an economically meaningful way. To do this we employ the framework developed in Chapter 4. That is, we concentrate on two pairs of measures of the performance of authorities. One is the true income of the enterprise, defined as income after depreciation at replacement cost but before interest payments, and the associated rate of return on total assets

employed valued at current prices; the other is true income of the owners of the enterprise, struck after taking account also of interest payments and of the gain or loss on net debt or assets denominated in nominal terms, and the corresponding rate of return on the equity components of total assets employed. In seeking to apply this framework to the major Victorian business authorities numerous problems have been encountered, and the difficulties of applying an adequate framework are a major part of the point we wish to make. Thus the estimates presented below should be regarded as indicating orders of magnitude only. Several issues are worth specific mention. Concerning depreciation, we have attempted to revalue the assets and investment of authorities at constant 1974-75 prices, and have used a uniform method (straight-line depreciation over twenty years) for all authorities to calculate depreciation at constant prices, before converting to replacement cost prices. This means that the depreciation charges shown in the tables below bear no resemblance to those shown, if indeed any are shown, in the Annual Reports of the authorities. Clearly there are many sources of potential inaccuracy in this procedure - the effective life of assets will differ both within and between authorities, the implicit deflator for all public investment will misrepresent movements in replacement costs to varying degrees in different authorities and so on - but even so this procedure will give a much better indication of the usage of capital services in authorities than the historical cost measures. Another source of uncertainty in our figures is the opening figure, at 30 June 1970, for the depreciated value of fixed assets at current market values at that date. This had to be estimated on a range of assumptions and must be regarded as having wide margins of error; consequently the assets, equity and rates of return figures for the early 1970s are unreliable, but any errors in the opening 1970 figures decline in importance as the decade proceeds. It should also be noted that the figures presented in this section make no allowance for inventory holdings by Victorian business authorities, but the magnitudes involved are very small.

The best estimates we have been able to make for the three major business authorities outside the budget - the SECV, the Gas and Fuel Corporation and the MMBW - as well as for the non-budget sector as a whole are presented in Tables 5.2 to 5.5. Some of the main points of interest which emerge from these estimates are as follows.

**Table 5.1 The Structure of Pricing Decisions (Responses as given by authorities to questionnaire; number of authorities)**

	Major Business Author- ities	Selected Hospitals	Selected Tertiary Educ. Inst'ns	Other Non- Financial Authorities	Financial Authorities	Total
Number in Sample	20	32	28	177	10	269
<u>Decisions on tariffs and charges are:</u>						
1. Made within organisation	5	2	20	35	3	65
2. Made in conjunction with the Minister	7			18	1	26
3. Made in conjunction with a statutory authority		7	2	2		11
4. Made entirely by Minister		7		5		12
5. Determined by Cabinet		2	6	4		12
6. Other		7	1	14	2	25
7. Not applicable	1	3	1	99	4	118

Source: Public Bodies Review Committee survey of selected public bodies.

Table 5.2 Income and Rate of Return Measures, SECV, 1970-71 to 1979-80

	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	Average rate of return 1970-71 1979-80
(\$million and per cent)											
Revenue	232	241	253	298	348	398	478	548	640	726	
Operating Expenses	119	133	144	164	200	238	276	317	384	455	
Depreciation at Replacement Cost	70	71	75	82	94	102	116	132	155	193	
True income of enterprise, before interest	43	37	34	52	54	58	86	99	101	78	
Rate of return on total assets (%)	3.3	2.6	2.2	3.4	3.0	2.7	3.4	3.2	3.1	2.1	3.1
Net interest paid	55	59	62	65	69	80	94	112	140	184	
Purchasing power gain on net nominal liabilities	58	70	67	130	197	186	148	138	157	202	
True income of owners	46	48	39	117	182	164	140	125	118	96	
Rate of return in equity (%)	11.5	10.2	7.8	15.7	17.9	12.5	9.0	7.1	5.9	4.1	10.1
<u>Memorandum item</u>											
Equity of owners (depreciated fixed assets at current values cost less net monetary liabilities)	439	471	499	746	1017	1312	1557	1756	2004	2351	

Source: Estimates of the authors, based on SECV data from Annual Reports.

	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	Average Rate of Return 1970-71 to 1978-79
Revenue	66	77	83	101	128	162	186	205	227	
Operating Expenses	27	35	39	38	54	60	70	90	102	
Depreciation at Replacement Cost	24	30	37	47	56	69	84	98	113	
True income of enterprise, before interest	15	12	7	16	18	33	32	17	12	
Rate of Return on Total Assets (%)	3.5	2.3	1.1	2.0	1.7	2.7	2.2	1.0	0.6	1.9
Net Interest Paid	27	31	37	42	52	64	74	89	106	
Purchasing power gain on net monetary liabilities	25	36	39	85	144	143	119	111	118	
True Income of Owners	13	17	9	59	110	112	77	39	24	
Rate of Return on Equity (%)	11.6	14.0	4.8	17.4	28.7	19.7	11.2	5.2	2.9	12.8
Memorandum Item Equity (depreciated fixed assets at current values less net monetary liabilities)	112	121	186	339	383	569	686	752	818	



**Table 5.4 Income and Rate of Return Measures, Gas and Fuel Corporation 1972-73 to 1978-79**

	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	Average Rate of return 1972-73 to 1978-79 <sup>1</sup>
Revenue	64	105	136	157	188	207	231	
Operating expenses	44	73	114	132	142	140	149	
Depreciation at replacement cost	8	13	16	19	23	26	32	
True income of enterprises, before interest	12	19	6	6	23	41	50	
Rate of return on total assets (%)	7.2	11.4	2.0	1.7	5.4	8.4	9.2	6.5
Net interest paid	10	13	15	16	18	21	22	
Purchasing power gain on net nominal liabilities 34	9	39	39	40	31	26		
True income of owners	11	45	30	30	36	46	62	
Rate of return on equity (%)	n.a.	n.a.	42.6	26.6	21.5	22.6	27.9	28.2
<u>Memorandum item</u>								
Equity (depreciated fixed assets at current values less net monetary liabilities)	n.a.	81	122	171	216	258	324	

<sup>1</sup> Period 1974-75 to 1978-79 for rate of return on equity.

Table 5.5 Income and Rate of Return, Victoria Public Trading Enterprises Outside the Budget 1970-71 to 1978-79

	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
Revenue	477	515	578	666	799	964	1138	1254	1411
Operating expenses	344	378	430	488	599	729	841	933	1064
Depreciation of replacement Cost	129	151	174	214	284	337	394	439	489
True income of enterprises, before interest (1-2-3)	4	-14	-26	-36	-84	-102	-97	-118	-142
Rate of return on total (%) assets		-0.5	-0.8	-1.1	-2.0	-2.1	-1.6	-1.8	-1.9
Interest paid	128	141	158	172	195	233	273	324	381
Purchasing power gain on debt	163	189	173	333	489	444	342	302	365
True income of owners (4-5+6)	39	34	-11	125	210	109	-28	-140	-158
Rate of return on equity	n.a.	n.a.	n.a.	n.a.	15.8	5.2	-1.0	-4.4	-3.9

Sources: Rows 1 and 2 are unpublished data provided by the Australian Bureau of Statistics  
 Rows 3 and 5 are derived by the authors, using inter alia ABS data on capital investment by the non-budget sector and on financing items for this sector (see Chapter 13).  
 Row 5 is an unpublished ABS series from 1974-75, and prior to that date is estimated by the authors.

(i) Each of the three major authorities earned positive real rates of return on total assets employed before interest but after allowing for depreciation at replacement cost over the 1970s - for the SECV the figure was about 3 per cent, for the Gas and Fuel Corporation about 6 per cent and for the MMBW about 2 per cent. While these rates are well below those reported for the private sector in Chapter 4 - about 12 per cent over a slightly earlier period - they do at least indicate that these three authorities were not only covering the economic costs of their operations but were, in addition, earning some positive real rate on total funds employed. It is an important policy question, which will be taken up a little in a later chapter, as to the real rate of return which public sector enterprises should be required to earn on funds employed. But at least these three authorities have, whether consciously or not, followed pricing policies which have met the basic requirement of covering full costs and earning some positive real rate of return. One should also note that the actual rate of return on total funds employed is quite different from the required rate of return on new investment.

(ii) One of the most striking features of these three authorities is the rate of increase over the 1970s in the value of the equity holdings of the owners of the authorities, in this case ultimately the people of Victoria. It is not usual to speak of the equity of the public in a public enterprise, yet for each of these authorities the value of their assets (using the consumer price assumption outlined in Chapter 4) increased much more rapidly over the 1970s than their net debt or net monetary liabilities. This meant that the value of fixed asset holdings not covered by liabilities, which is being here referred to as equity, increased sharply. So in one important sense, viz. true income of the owners, these enterprises have proved to be highly profitable over the 1970s, with the average real rate of return on equity funds employed exceeding 10 per cent for the SECV and MMBW and being considerably higher for the Gas and Fuel Corporation. For the former two, the figures are again lower than those indicated for the private sector in Chapter 4 but are still quite high.

(iii) These facts illustrate two main points. One is that developed at the end of Chapter 3, viz. that the structure of public sector business authorities is such (particularly in relation to fixed interest debt) as to make their accounts particularly liable to be distorted by the effects of inflation on interest payments and on depreciation allowances. The other point is that negative real interest rates over much of the 1970s provided these authorities

with very substantial capital gains, and this is the main reason for the high rates of return shown on equity capital. The business environment for these authorities was very much cushioned during the 1970s by the effective subsidies that they received from borrowers, and this environment has changed dramatically over the past year or two as the real rate of interest on borrowings has risen sharply. Given an accounting treatment in which total interest payments (i.e. both the inflation or capital maintenance component and the real component) are offset against revenue and the declining real value of debt is ignored, it is likely that authorities will over-react to rising real interest rates by seeking to recover both interest rate components from prices. But this will mean that consumers of the services provided by the authorities are being asked to pay for large increases in the equity component of the assets of the authorities, corresponding to the falling real value of debt.

(iv) The SECV provides a good example of some of these forces at work. In 1979-80, on these estimates, the SECV earned a real rate of return on total assets of 2.1 per cent before interest and tax, although their historical cost accounting procedures showed a shortage of revenue of \$23.1 million after contributions to the Consolidated Fund. Reacting to this result, to rising real interest rates and to investment financing needs, electricity tariffs have been increased four times, and by a total of 54 per cent between October/November 1979 and August 1981. But on our estimates the value of the SECV's assets not covered by debt increased by about 430 per cent between 30th June 1971 and 30th June 1980, and to the extent to which these increases in charges reflect belated adjustment of interest rates to inflation, electricity consumers in Victoria are being asked to pay for further increases in the public's equity holdings in the SECV. In our judgement this point will be of fundamental importance in relation to pricing policy in public sector business authorities in the 1980s. Interest rates on new borrowings have now fully adjusted to the fact of inflation and average rates paid by authorities on debt outstanding are in the process of so adjusting, so that interest payments of authorities such as the SECV will incorporate a large capital maintenance component. It is not at all clear that the result given by the simple 'covering current costs' formula will give the correct result; in fact, it will lead to price increases which have the effect of financing increased equity for the SECV and similar authorities.

(v) The figures for the non-budget sector as whole, which include the Tramways Board but not VicRail, indicate that when taken as an entity this sector did not cover full economic costs before interest over the 1970s in spite of the relatively strong performance of the three major business authorities (see Table 5.5). This reflects numerous factors, in addition to the deficit of the MMTB discussed above, notably the high degree of subsidisation of local water and sewerage authorities (which is discussed in Part III) and the presence in this sector of many authorities (such as the Housing Commission, the Home Finance Trust and the Rural Finance Commission) which combine business enterprise functions with either welfare or general policy functions or both. It is beyond the scope of this Report to attempt to analyse the financial situation of every authority included in the non-budget sector. But the point that the figures in Tables 5.5 do reinforce is the need to separate out as much as possible those authorities, or parts of authorities, which are intended to fulfill a business enterprise role, so that the performance of those authorities or parts thereof can be judged according to the criteria appropriate to such a role.

Several important conclusions and recommendations about pricing policy follow from these five points. It is our view that pricing policy should be primarily based on a target rate of return on total assets employed, valued at replacement cost prices, after allowing for depreciation at replacement cost but before interest. That is, major business authorities should be required to earn a given rate of return on the current value of total assets, after allowing for their maintenance in real terms, and independently of the way in which those assets are financed. This is the essential requirement to ensure efficient use of resources in the public sector. Authorities should not be allowed to let this rate of return drop because loan funds are available at negative real rates, nor forced to drive this rate up if the real cost of their borrowings is temporarily above the long-term real rate. This latter point is particularly important in 1981-82, when the real rate of interest on semi-government borrowing is 5-6 per cent. And while it may be necessary at times, it is not desirable in our view that pricing policy be distorted from this basic target by considerations of the availability of finance for new investment. Authorities or parts of authorities which are not intended to operate according to these criteria should be clearly identified, so that the pricing policy of each authority can be assessed in terms of its appropriate function.

## Conclusion

In our view, the pricing policies of some of the major Victorian public sector business authorities are in considerable disarray. This arises from the lack of any clear and consistent guidelines from the State government, the inadequate form in which the basic accounting information on which decisions are made is available and the various and often conflicting criteria which authorities use in determining prices. It is our recommendation, which will be developed in more detail in Chapter 7, that the Victorian government issue clear guidelines as to both the form in which accounting information is made available and the criteria to be used in price setting. The central criterion should be a requirement that authorities cover full economic costs and earn a specified positive real rate of return on total assets employed, and government policy should seek to ensure that other factors (such as liquidity factors arising from short-term trends in real interest rates or financing needs for new investment) do not force authorities to deviate from this target. Where it is not desired that authorities cover the full economic cost of the activities they undertake, areas to be subsidized should be clearly designated and authorities should be required to operate other areas of their activities according to the prescribed pricing policy.

The question of the financing of investment and its effect on pricing policy is discussed in the next chapter. But it is clear that, in a situation in which interest rates have fully adjusted to inflation and so contain a major element compensating lenders for the decline in the real value of debt, consumers should not be required to meet this capital component through tariffs and charges. That is, where practical some or all of this capital component should be capitalised, so that consumers are not forced to generate capital gains for the enterprise. The practicality of this proposal depends, of course, on the availability of loan finance; to the extent that it is not practical because of lending constraints, this is another case in which present restrictions on borrowings are distorting the activities of Victorian public sector business authorities.

Footnotes

1. Auditor-General's Supplementary Report, 30 June, 1979.
2. J.C. Pickett, Public Authorities and Development in Melbourne Urban Research Unit, research School of Social Sciences, Australia National University, 1973, p.101.
3. William J. Robertson, The Role of the MMBW in National Development, MBA Thesis, University of Melbourne, December 1968, p.33.
4. P.L. Swan, "Pricing of Electricity to Alcoa at Portland, Victoria", mimeographed, A.N.U. March 1981.
5. C. Richardson, "Hidden Electricity Cross Subsidies: Alcoa's Aluminium Smelter at Portland, Victoria," Ninth Conference of Economists, Brisbane 1980.
6. Centre of Policy Studies, The Aluminium Industry in Australia in the 1980s, Monash University March 1981.
7. R.J. Clarke and D.M. Hocking, "Pricing, Export and Taxation Policy" Paper presented at a Conference on Natural Gas, Melbourne 1980.

## Chapter 6

### Financial Management and Investment

In this chapter we examine three related issues concerning Victoria's major business authorities. The first concerns the high level of holdings of financial assets of many of these authorities, the reasons for these asset holdings and the adequacy of the systems of financial management used by, or imposed on, authorities. The second concerns sources of finance for capital expenditure, and some of the issues which have arisen in this area in recent years, including the relationship to financial asset holdings. The third concerns the procedures actually employed in Victorian public sector business authorities for the appraisal of new investment projects, and the adequacy of these procedures. These three issues take on a special relevance in view of many features of the role of public sector business authorities in Victoria which have emerged above, notably the increase in investment in some of these authorities which is taking place and consequently the leading role which they have acquired in the Victorian economy in the 1980s. As with other aspects of this investigation, we have been made acutely conscious of the complexity of these issues and of the fact that our discussion can only begin to unravel this complexity.

### Financial Assets and Financial Management

The importance of this aspect of public enterprise management is shown by the very substantial holdings of investments by Victorian public bodies, the broad but incomplete total identified in this Report being \$2866 million at 30 June 1980. A very substantial part of this, of the order of \$1,000 million, is held in Victorian semi-government and local government securities, with many other large holdings of Commonwealth government securities, commercial loans and other short-term financial assets. So obviously the holdings of these financial assets by public bodies is of vital importance, but it must also be realised that many of these securities have also been issued by these bodies, so that the financial and economic impacts of financial asset transactions in the Victorian public bodies sector are considerable. There are basically three types of bodies which hold these assets - superannuation, insurance and other financial bodies (which shall be discussed separately in Chapter 11), major



business authorities (which are considered here) and water and sewerage authorities, which are analysed at length in Part II.

The terms `financial assets` and `financial investments` will be used widely throughout this chapter, so before proceeding any further it is appropriate to provide a definition of our use of these concepts. As defined here, financial assets or investments include cash, bank deposits and holdings of bank and commercial bills and similar securities, investments in the short term money market and in Commonwealth securities and in Victorian and interstate semi-government securities and in other securities. They exclude as far as possible investments in mortgages, company shares and other similar less liquid securities. This is the definition and approach which has been adopted in this chapter so that the figures used in any discussion of `financial assets` will be taken to relate to these items as we have decided to treat them. A broader concept of `investments` is also used on occasions through the Report.

#### A Profile of Financial Asset Holdings

Table 6.1 provides a summary of the financial asset holdings of fifteen of the largest Victorian public sector authorities, and while obviously this is only a sample of such bodies this list does include major bodies such as the MMBW, the SECV and the Gas and Fuel Corporation as well as a good cross-section of the other Victorian business authorities. An examination of this table provides us with a picture of great variety with respect to the magnitude of financial asset holdings of these authorities, and this applies also to the relative proportions that different types of securities represent within the total holdings of each individual body.

The table showing the holdings of most of these authorities as at 30 June 1980 indicates two dominant points. One is the magnitude of the total holdings of these bodies, totalling about \$385 million at that date. The other is the large differences between the business authorities. At 30 June, 1980 the financial asset holdings of the MMBW were \$186 million held in various securities, nearly three and a half times more than the holdings of the authority with the next highest holdings, the SECV, which held financial assets of \$54 million at that date. In fact, the MMBW's financial assets holdings

Table 6.1 Financial Investments and Cash Flows - Selected Victorian Business Authorities and other Enterprises (\$ million and per cent)

Victorian Authorities	30th June 1978		30th June 1979		30th June 1980	
	Financial Investments	Proportion of Cash Flow <sup>1</sup>	Financial Investments	Proportion of Cash Flow <sup>1</sup>	Financial Investments	Proportion of Cash Flow <sup>1</sup>
1. SECV	79.2	14	52.8	7	54.2	6
2. NMBW <sup>2</sup>	145.5	36	147.3	36	186.1	43
3. Gas and Fuel Corporation	21.8	9	24.0	10	28.7	11
4. Totalisation Agency Board	17.5		17.1		14.1	
5. Port of Melbourne Authority	10.4	26	21.6	47	18.0	
6. Grain Elevators Board <sup>3</sup>	22.7	108	24.5	86	24.5	
7. Housing Commission <sup>4</sup>	18.7		19.9		20.1	
8. Geelong Harbour Trust <sup>5</sup>	9.5	175	13.7	230	6.8	
9. Australian Barley Board	0.2		0.2		5.4	
10. Urban Land Authority	4.3		8.0		9.0	
11. Portland Harbour Trust	3.3	85	3.6	85	4.0	
12. Melbourne Underground Loop Authority	0.2	0.3	5.8	7	5.2	
13. Metropolitan Fire Brigades Board	4.1	11	2.5	6	3.0	7
14. Melbourne and Metropolitan Tramways Board	2.6	4	1.3	2	2.0	2
15. Victorian Development Corporation	3.2		3.4		4.1	
Total of the above	343.2	23.6	345.7	20.4	385.2	20.5
<b>Other Enterprises</b>						
Telecom Australia	26.9	1.3	25.0	1.9	80.1	3.1
<b>Private Trading Enterprises (Reserve Bank Constant Group)<sup>6</sup></b>						
Narrow definition of assets	441	1.0	527	1.0	n.a.	n.a.
Broad definition of assets	2620	5.9	3185	6.1	n.a.	n.a.

**Notes:**

- 1 For the purposes of this table, cash flow is approximated by the sum of the current expenses plus capital expenditure, but it is difficult to obtain consistent or precise estimates of this item.
- 2 Includes investments on behalf of the Superannuation Fund.
- 3 Data refer to 31 October of each year.
- 4 Includes the Death Benefit Fund.
- 5 Data refer to 31 December of each year.
- 6 The two definitions are due to the classification of investments in the Reserve Bank Statistical Bulletin. It is impossible to find exact figures to fit the definition of financial assets we have been using, so we have included two definitions here - the definition includes investments in items other than what would fit into our definition of financial assets.

**Source:** Public Bodies Review Committee survey of selected business authorities; Annual Reports of Enterprises and Supplementary Reports of the Auditor General; for the private sector, the Reserve Bank Statistical Bulletin, Company Supplement.

accounted for nearly one half of the total for the 15 authorities for which we have information, that is, the MMBW holds nearly as many financial assets as the other 14 Victorian business authorities in that table put together. We shall address ourselves to explanations and reasons for this later; our present purpose is purely to examine the actual extent of financial asset holdings that exist in Victorian public trading enterprises. As was mentioned above, the SECV is the next largest holder of financial assets, with the Gas and Fuel Corporation being the third in line in terms of holdings with \$28.7 million, just over half the total holdings of the SECV, as at 30 June 1980. Other Victorian business authorities with quite substantial financial asset holdings as at 30 June 1980 were the Grain Elevators Board with holdings of \$24.5 million, the Housing Commission (\$20.1 million), the Port of Melbourne Authority (\$18 million) and the Totalizator Agency Board which was holding \$14.1 million at that date. The other authorities covered in this table had holdings of financial assets ranging from the Urban Land Authority with nearly \$9 million, down to the Melbourne and Metropolitan Tramways Board with financial asset holdings of only \$2.0 million. While there are some significant variations for individual authorities, the picture was basically similar to this for the two earlier years shown in the table.

While information on the absolute magnitudes is obviously of substantial relevance and necessary to understand the extent of financial asset holdings in Victorian business authorities, they need also to be considered according to the scale of operations of the particular body. Hence we have constructed another column relating to financial asset holdings which shows each authority's financial asset holdings in relation to their cash flow in that year. There are considerable difficulties in deriving adequate and comparable cash flow measures for the various authorities (and in some cases no such measure gives a sensible result) but in general cash flow is approximated by the sum of current plus capital expenditure. These data provide us with some measure of the relative importance of these holdings to the particular authorities considered.

The dominant result from this approach is again the special position of the MMBW - the MMBW's financial asset holdings represent a high proportion of the cash flows, in contrast to the more modest proportions of the SECV and the Gas and Fuel Corporation. So this shows that while the MMBW's holdings of financial

assets are well in excess of those of the other 2 business authorities in absolute terms, the reason or explanation for this is not purely because it is a larger authority or operates on a larger scale, because while the MMBW hold financial assets which represent about 40 per cent of their annual cash flow the SECV and Gas and Fuel hold financial assets representing on average about 10 per cent or less of their annual cash flow. Holdings of financial assets by MMBW at 30 June 1980 exceeded its total capital expenditure on water and sewerage during 1979-80. Many other smaller authorities also hold large financial assets holdings in relation to their cash flow. Notable here are the Geelong Harbour Trust, the Port of Melbourne Authority, the Grain Elevators Board, the Portland Harbour Trust and the Urban Land Authority.

Data on the type of assets held by these authorities are provided in Table 6.2. The main form of asset held is Victorian local and semi-government securities, in which the 15 authorities shown had investments of \$124.1 million at 30 June 1979. This investment by Victorian business authorities in securities of other Victorian public bodies raises fascinating questions about the fulfilment of Loan Council programmes and indeed about the public sector borrowing strategy in Victoria as a whole. These questions are explored in later chapters. But authorities also have major investments in private sector liabilities such as bank deposits, commercial bills and related securities, deposits on the short term money market and so on. Investments of these types for the 15 authorities totalled \$229.5 million at 30 June 1980.

There is no doubt then, about the magnitude of the financial asset holdings of Victorian public trading enterprises, not only in absolute dollar terms but also in relation to their total cash flows. This is particularly brought out when we compare the situation of these authorities with that of Telecom and of the private sector. From Table 6.1 it can be seen that, although Telecom itself had a cash flow greater than that of the 15 Victorian authorities combined, it held a much smaller quantity of financial assets. In fact, at 30 June 1978 and 1979, Telecom's holdings of assets (\$26.9 million and \$25.0 million respectively) which represented less than 2 per cent of the cash flow generated in each of those years. Holdings at 30 June 1980 were a little higher (at \$80 million) but still represented only 3 per cent of Telecom's total cash flow in 1979-80. There were no Victorian authorities (other than MMTB) operating close to that level in any of these years. In fact, taking the fifteen authorities

together, the comparative percentages in 1978 and 1979 were 23.6 per cent and 20.4 per cent respectively. This thus raises the questions of why Victorian authorities do not operate at a comparable level of holdings in relation to cash flow, and what enables Telecom to operate at this low level of holdings in relation to these other bodies? We shall see later that a major reason for this is the cash management techniques employed by Telecom combined with the absence of outdated sinking fund requirements.

A further comparison, this time with the private sector, provides us with some additional interesting results. Information is available on private trading enterprises in Australia from the Reserve Bank's Constant Group data. It is not possible to obtain from that source figures on financial assets on precisely the same basis as employed elsewhere in Table 6.1, and so data are provided on a narrow and on a broad definition of financial assets. The narrow definition covers only cash and government securities, while the broad definition includes as well other investments but excluding shares. But on either definition we obtain rates of financial assets to cash flow for the private corporate sector that are well below that of the fifteen Victorian authorities. Accounting for the fact that the broader ratio of about 6 per cent would be even lower if a more precise figure for financial asset holdings could be obtained, the holdings of the Victorian public authorities do appear excessive. Using the narrow definition (which it should be noted covers most of types of asset held by the public sector authorities) the result is a private sector financial asset: cash flow ratio of only 1 per cent, and the contrast with Victorian public sector business authorities is outstanding.

#### Reasons for Financial Asset Holdings

While it is difficult to assemble precise quantitative information on the reasons for the extent of financial asset holdings among Victorian public sector business authorities, our investigations have indicated that three main factors are responsible, viz. the continued use of sinking funds, the fact that some authorities accumulate funds for purposes of insurance and superannuation and the apparent inadequacy of the financial management techniques employed by many authorities. Each of these reasons are discussed further below.

Table 6.2 Holdings of Financial Investments, Selected Victorian Business Authorities, 30th June 1980

	Commonwealth		Victorian		Interstate	Bank	Commercial	Deposit on	Other	Total
	Federal government	Semi government	Semi government	Local government	Local and semi government	Deposits	Bills and similar securities	Short term money market		
1. SECV	8.7		14.9	12.0	15.5	1.1	2.0			54.2
2. MMBW	2.5			42.0 <sup>1</sup>		2.2	129.7	9.7		186.1
3. Gas and Fuel Corporation			15.0			8.0	0.9	3.8	1.0	28.7
4. Totalisation Agency Board						4.4	8.3	1.4		14.1
5. Port of Melbourne Authority	0.1		0.3		0.1	2.8	14.4	0.3		18.0
6. Grain Elevators Board				16.1 <sup>1</sup>		5.7			2.7	24.5
7. Housing Commission			14.5	1.6		4.0				20.1
8. Geelong Harbour Trust				5.5			0.7	0.2	0.4	6.8
9. Australian Barley Board					0.1			5.3		5.4
10. Urban Land Authority							9.0			9.0
11. Portland Harbour Trust				2.0	1.4		0.6			4.0
12. Melbourne Underground Loop Authority				0.4			2.9		1.9	5.2
13. Metropolitan Fire Brigades Board										3.0 <sup>2</sup>
14. Melbourne and Metropolitan Tramways Board						2.0				2.0
15. Victorian Development Corporation						0.4	3.2	0.5		4.1
Total of the above	11.3	-	83.3	40.8	17.1	30.6	171.7	21.2	6.0	385.2

Notes:

1 Lack of data on break up of this between semi and local government securities. In the totals it has been divided up as two thirds to semi-government securities and one third to local government securities.

2 Unable to find data on types of securities this figure represents.

Source: Same as Table 6.1

## (i) Sinking Funds

The term `sinking fund` is today used in a wide variety of connections, and covers a myriad of cash reserves now maintained by Victorian government business undertakings. The term, and the practice of creating and maintaining such funds, have their origins back in the eighteenth century in England when the sinking fund method of public debt repayment first came into prominence. The first sinking fund was set up in 1717 under legislation which provided that certain surplus reserves were to be used for the purpose of debt repayment. Due to mismanagement of the funds the idea lost favouritism until it was given a new impetus with the idea of compound interest in the late eighteenth century.

In Australia, the use of sinking funds was publicised with the National Debt Sinking Fund which was set up in 1923 into which redemptions from revenue at set annual contribution rates would be paid in respect of Commonwealth Debt. Later, in 1928, under the Financial Agreement Act of that year and the Financial Agreement Validation Act, 1929, the State Governments were required to contribute to the National Debt Sinking Fund towards the redemption of the public debts of the State and of loans raised by the Commonwealth for and on behalf of the States. So in terms of the Victorian public sector the term `sinking fund` was then applied to the reserve moneys paid by the State from time to time to reduce the National Debt by the cancellation of government stock.

This method of cash accumulation into sinking funds was at this time seen as the most effective and practical means of discharging the debts of governmental bodies, with the result that not only the State Governments made use of this technique. Within the States, including Victoria, the public enterprises and business authorities, as well as other public bodies, also adopted the sinking fund technique as a means of debt redemption for the debt finance that they had raised in the course of their operations. In Victoria, public business authorities such as the State Electricity Commission, the Melbourne and Metropolitan Board of Works, the Melbourne Harbour Trust and the Melbourne Tramways Trust (as it was then named), all bodies created by legislation, had some requirements in their legislation relating to the necessity to establish and maintain sinking funds for the purposes of debt redemption. The fact that most of the legislation which set up most of Victoria's larger and older public bodies, including a great many public

business authorities, still remains with very little change since the days of their creation, means that these bodies are still required today to maintain sinking funds under the requirements of their enabling legislation. However, in the public bodies today the term 'sinking fund' is very widely used to cover any systematic accumulation of moneys not only for the purposes of debt repayment at definite future dates but also in relation to depreciation reserves designed to provide funds for the replacement of assets at the relevant time.

The present role of sinking funds in Victorian public sector business authorities may be clarified by again concentrating on the three major authorities - the SECV, the MMBW, and the Gas and Fuel Corporation - where we find marked differences in the use and treatment of sinking funds and depreciation. In the MMBW historical legacies and the use of fund accounting have resulted in the existence of substantial sinking funds which are invested in a large variety of securities as was seen earlier. In its Balance Sheet under the heading 'Funds and Reserves' some of the following sinking funds are disclosed as at 30 June, 1980: Sinking Fund in Metropolitan General Fund \$72,931,458; Loans redeemed from Revenue Reserve \$64,876,522; Replacement Fund - Interior Fittings, Head Office Building \$671,370; Sinking Fund - Improvement Fund \$800,000. It can be seen that these sinking funds cover both debt repayment and asset replacement, although the major funds relate to debt repayment, these sinking funds of the General Fund and Improvement Fund having been required to be established under enabling legislation for the repayment of the Board's loan liability as raised through public issues of the Board's securities. The Board is required to make a contribution of a set proportion of its loan liability to these funds at the end of each financial year.

This situation can be contrasted with those existing in the Gas and Fuel Corporation and the SECV with respect to the approach of these authorities to depreciation and debt redemption reserves. Although the SECV is also an authority which was set up early in this century, in 1918, it has not, as the MMBW has done, remained completely bound to out-dated requirements and practices, as it now operates under the more recent 1958 State Electricity Commission Act, No. 6377. The SECV does operate a Loan Redemption Sinking Fund of which some is placed in a variety of financial investments, this amount at 30 June, 1979, stood at approximately \$29.8 million, while the rest of this



sinking fund, \$40.4 million, represented loans repurchased and repaid prior to maturity. So the balance of this Sinking Fund for redemption of Commission stock and debentures stood at \$70,195,000 at that date. There are also sinking fund requirements in respect of Victorian Government advances to the SECV, and these along with the other sinking fund requirements are met from depreciation moneys. Depreciation is charged as an expense incurred in earning revenue in the normal commercial practice, with fixed assets shown at cost less the accumulated depreciation provision. Hence the sinking fund method is not used for depreciation in the SECV, and the funds that are released by the depreciation allowances charged against revenue do contribute to debt redemption sinking funds, but the major portion of these depreciation moneys are invested in new investment in fixed assets each year. Hence while the SECV still uses sinking funds for debt redemption purposes, the sinking fund approach is not used for asset replacement purposes - depreciation allowances are charged against revenue as done in normal commercial practice.

The Gas and Fuel Corporation, which is one Victorian public trading enterprise which is incorporated, is a body that was set up much more recently than the other two larger authorities we have just examined. The combination of the company law requirements with the lack of any historical related procedures or requirements due to the much more recent establishment date, has meant that the sinking fund techniques have not been incorporated into the financial and accounting systems of the Gas and Fuel Corporation. Completely in line with usual commercial practice, no sinking funds for debt redemption or asset replacement are used and being a company incorporated under the Companies Act it is required to account for and disclose depreciation, which is calculated on a straight-line basis at rates based on the estimated working life of fixed assets. The efficiency of this body and its performance indicate that the sinking fund methods are not necessary in governmental bodies. A similar conclusion is reached from an examination of the procedures of Telecom Australia, where no sinking funds at all are maintained and debt management and asset replacement are successfully carried out with a low level of financial asset holdings.

Two conclusions emerge strongly from this discussion, and from our investigation of other authorities. One is that the existence of sinking funds is a major reason for the high level of asset holdings among the major business

authorities. The second is that, other than in exceptional circumstances, there is no justification or need for authorities to continue this inefficient practice. Consequently we recommend that legislative requirements to maintain sinking funds should generally be repealed, and that authorities be encouraged to use available funds in their own activities and to provide for debt repayment and asset replacement by appropriate financial management techniques.

#### (ii) Insurance and Superannuation Funds

The fact that some of the Victorian public trading enterprises which we have examined do operate their own Insurance and/or Superannuation funds does necessitate the holding of some financial asset resources to finance these operations. It should be noted here that at present we are only dealing with those authorities which administer insurance and/or superannuation funds internally - most authorities have separate superannuation funds and these are dealt with in a later chapter.

Thus any account of the reasons for financial asset holdings must take account of this factor. The MMBW, for example, conducts its own superannuation schemes and the financial transactions relating to these various superannuation schemes are processed through the Superannuation Account of the Board. At 30 June, 1979, this Superannuation Account stood at \$38.7 million. Of the \$38.7 million in the Superannuation Account, \$9.9 million represented the investment of employee contributions in semi-and local-government securities. In addition to this, the Board self-insures the majority of the insurance risks associated with its operations through an Insurance Fund, and some of these funds are invested in financial assets to ensure an adequate coverage of motor vehicle accidents and public liability. The Port of Melbourne Authority also operates both a Superannuation Fund and makes its own insurance provisions, although no indication is given on what proportion of these funds are held in financial assets.

A number of other authorities maintain Insurance Reserve Funds, including the Geelong Harbour Trust, which invests these monies in a variety of financial assets; the Grain Elevators Board; the SECV, in which the Insurance Fund of \$2.0 million as at 30 June 1980 was invested in various securities; and the Totalizator Agency Board. Hence the effect of insurance funds on the holdings

of financial asset resources, while obviously of some importance, is difficult to quantify. But it can be stated that while they are significant they do not constitute a major purpose or reason for holding financial assets.

### (iii) Financial Management Techniques

If financial asset holdings for sinking fund purposes, and for superannuation and insurance purposes, are taken out of total holdings many bodies still hold quite substantial amounts of financial assets to finance the day-to-day operations of the authority. While these particular holdings will naturally vary depending upon the financial and liquidity situation prevailing in the particular entity at the time, financial assets for these purposes generally represent 1 to 2 per cent of revenue in private sector companies, while in most Victorian public trading enterprises the percentage generally appears to range between 3 and 5 per cent. This is also well above the 1 to 2 per cent level at which Telecom usually operates. An examination of the cash management techniques employed by Telecom and companies such as Repco Australia Ltd. will provide an indication of the financial management techniques that should be utilised by Victorian public enterprises to ensure against large precautionary balances of financial assets being held by these bodies, as currently appears to be happening.

Telecom has established a system whereby all investment of cash resources is centralised in the Head Office, although cash collections are made through various State collection centres. Each day the State centres telephone in information concerning that day's receipts and expected receipts and disbursements for the next 2 days to the Head Office. During the morning the Telecom broker has already invested 90 per cent of that day's expected receipts in the market (based on the previous day's telephone information), and then after the telephone calls for that day are made the broker goes back into the market in the afternoon and invests the balance of the actual receipts in interest-bearing securities. With the level of liquidity thus closely monitored, longer term planning of receipts, expenditure and borrowing can maximise the extent to which available funds are used in Telecom's operations.

Repco Ltd. use a similar technique in attempting to resolve the problems arising from divisional autonomy and to reconcile decentralised cash

collection and centralised liquidity management. This company operates through a large number of subsidiary companies, all of which are required to keep their bank accounts at the same branch of the same bank, located near the Company's head office. Each day before the bank opens, the Company's finance manager receives a computer print-out of the state of all the Company's accounts as at the close of trading on the previous day, as well as the overall balance. Acting on this information, he then invests excess funds on the short-term money markets or calls in funds from those markets to bring the overall balance to the desired level.

While the examples only relate to cash management, one form of financial assets, they do indicate the substantial advantages of the implementation and operation of sophisticated financial management techniques in any body. The opportunity cost of holding balances of cash within a business that are not required for immediate use is the rate of interest that could be earned on the investment of that cash in the appropriate securities on the short-term money market. The techniques employed by Telecom and Repco reduce this cost to a minimum by ensuring that no excess balances of cash do exist at any location with the organisation. In extending this point to financial asset management generally, and relating it to the situation in Victorian public trading enterprises we have examined, there are great opportunity costs of holding excessive financial asset balances. These funds could be otherwise invested in that authority to help finance its operations and investment, or released to another authority which is having problems financing its operations and/or investment programme. These are currently being financed through higher tariffs or changes to consumers, or expensive loan funds from the public. Through the application of more sophisticated financial management techniques than appear to currently be in use at present in Victorian bodies, the amount of financial asset holdings could be reduced to a more efficient level with the funds utilised in more productive ways.

### Investment Financing

A knowledge of the sources of funds from which Victorian public bodies, particularly the larger public enterprises, finance their investment strategies is of essential importance in acquiring an understanding of the overall economic impact of these bodies on the Victorian economy. The different costs

of alternative sources of funds, and the differential effects of these alternative sources on different segments of the financial community make understanding of this area vital to our study.

The importance of understanding how investment of Victorian public trading enterprises is financed is also borne out by the fact that investment is rising strongly in the major authorities and that Loan Council restrictions on borrowing for capital works have tightened progressively in recent years. The current discussions concerning the pricing policy of the State Electricity Commission of Victoria and its relation to investment financing provides an outstanding example of the significance of this area of public sector economics.

The two major sources of funds used for the financing of investment in new fixed assets by public bodies are the same as those used to finance private enterprise investment - internally generated funds retained in the business for capital purposes, and funds obtained from domestic borrowing programmes - although there is no public sector analogue of the provision of new equity funds by shareholders. In addition to these two main sources of capital funds, public authorities also acquire funds for these investment purposes from government advances, in some cases from overseas borrowing, and from various other external sources of funds under different techniques that have evolved in response to the continual need of these public authorities for capital funds.

The internal funds that are used for capital purposes are derived from the net income generated by the body from its operations, and also from non-cash items that are charged against revenue - the most important of these being the depreciation allowance provided by the body in each year. The importance of internal sources of investment funds varies between authorities and, as Table 6.3 illustrates, it is a more important source of funds to the Gas and Fuel Corporation than to the SECV or MMBW (representing over 50 per cent of investment in the Gas and Fuel Corporation, but between 10 and 20 per cent in the other two Victorian authorities). Even despite the Gas and Fuel's greater utilisation of internal funds, from Table 6.3 it is evident that these Victorian public trading enterprises depend more on other sources of funds than Telecom, in which internal funds have provided 70 to 80 per cent of investment funds in recent years.

**Table 6.3 The Financing of Investments Selected Authorities, 1976-77 to 1979-80 (proportion of total investment financed through various sources; per cent)**

	Internal funds <sup>1</sup>	Net borrowing <sup>2</sup>	Net advances from governments	Other <sup>3</sup>	Total
<b>SECV</b>					
1976-77	30.6	52.4	7.1	9.9	100
1977-78	28.6	40.7	5.1	25.6	100
1978-79	27.4	46.9	-	25.7	100
1979-80	20.6	48.3	-	31.1	100
<b>MMBW</b>					
1976-77	7.2	60.0	18.1	14.7	100
1977-78	15.9	57.3	15.9	10.9	100
1978-79	13.8	70.2	12.3	3.7	100
1979-80					
<b>Gas and Fuel</b>					
1976-77	41.5	58.5	-	-	100
1977-78	46.3	53.7	-	-	100
1978-79	56.4	43.6	-	-	100
1979-80	56.0	44.0	-	-	100
<b>Telecom</b>					
1976-77	54.5	21.6	23.9	-	100
1977-78	71.7	21.4	6.9	-	100
1978-79	80.8	19.2	-	-	100
1979-80	73.2	26.8	-	-	100

1 Includes depreciation and similar provisions.

2 Net borrowings from the public; mainly Loan Council programmes, but may include some short-term debt.

3 Includes trade credit, customer 'self-help' advances etc.

Source: Annual Reports of the authorities.

The other major source of funds for investment purposes are those obtained from the authorities' borrowing programmes, and since this area is discussed in other parts of the report, all that shall be stated here is that this source of funds is vital to major Victorian public trading authorities in financing their investment programmes (as can be seen in Table 6.3). In addition to these two major sources of funds for capital expenditure purposes, there are other avenues through which public authorities have acquired the necessary funds for investment purposes. Advances and Grants from Governments are one such source, although in recent years, at least in respect of the non-budget sector, the use of such funds has diminished markedly. The guidelines in relation to public authority funding as established by the Loan Council are very precise, leaving the alternatives for funds which are available very limited in type and usually unattractive for long-term financing. But many authorities, particularly the larger business authorities, have been able to find other external sources of funds within the private sector financing market to get around these restrictions. One such additional source that has become very important to the SECV in its capital expenditure programme is trade credit, or contract-related deferred payment. This financial arrangement operates as such:

^In a tripartite agreement, a financial source (such as a major bank), the contractor and the authority enter into an arrangement under which the financial source pays the contractor on the authority's behalf. There is also a bipartite form which is an agreement between the financial source and the authority with the contractor not really getting into the act at all in a legal sense. Trade credit is like raising a bank loan or taking an overdraft, except that the authority uses the funds only as it needs to pay the contract.<sup>-2</sup>

The SECV's growing dependence on these other sources of funds to finance investment is shown by the proportion of investment that these funds now represent - in 1979/80 the proportion was 31.1 per cent (from Table 6.3), and now exceeds the contribution made from internal funds. In addition to trade credit financing, these 'other' funds represent customer self-help contributions and other advances and contributions, which is also an important source of capital funds to the MMBW, although to a declining extent in recent years. Leasing is also becoming an attractive source of investment funding to Victorian authorities, and in particular the SECV is beginning to make

substantial use of the sale and leaseback facility to provide both investment funds and capital equipment.

An interesting feature that emerges from Table 6.3 is the large variations within Victoria's three largest public trading enterprises with respect to investment financing. The Gas and Fuel Corporation, an incorporated body, has found no need to look for funds outside those generated and retained internally and those derived from long-term borrowing to finance its investment programmes. The SECV, as we have just noted, has increasingly become dependent on funds from other sources such as trade credit financing, and this together with net borrowing accounts for nearly 80 per cent of all investment funding. The MMBW's financing of investment reflects another different pattern of major reliance on borrowed funds and advances from governments, with lesser contributions from internal funds and 'other' sources of finance such as customer contributions.

The MMBW's greater reliance on borrowed funds is also reflected in its comparatively lower equity-wealth ratio of 38.5 per cent in 1978/79, compared to the ratios in excess of 50 per cent for the SECV, the Gas and Fuel Corporation, and for all Victorian non-budget sector authorities (refer to Table 6.4). Of importance from Table 6.4 is the observation that while the private sector has funded its investment on a relatively fixed equity-wealth ratio (with only slight rises), the past experience over the time period covered by the data is for the equity/wealth ratios to rise in Victorian public authorities. For all authorities in the Victorian non-budget sector this ratio increased substantially from 32.9 per cent in 1973/74 to 54.6 per cent in 1978/79, with the three large authorities each showing rising ratios, although they are growing at different rates.

There appears to be no economic case for forcing upon these authorities funding patterns which imply further equity/wealth rises - and indeed with big increases in capital expenditure and hence in the current value of their assets, the equity-wealth ratios of authorities might reasonably fall. What is obvious, particularly in the light of current developments with the SECV, is that there is an urgent need for the State Government to find additional funds for Victoria's leading authorities, and a re-organisation of public sector financial resources (in the ways we suggest later in the report) is one way of achieving this.



**Table 6.4** Equity-Wealth Ratios, Selected Victorian Authorities and Total Private Sector (the ratio of the value of total fixed assets not covered by debt to the value of those assets, at current values; per cent)

	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
1. SECV	40.9	47.6	52.3	54.8	54.7	53.5
2. MMBW	32.3	31.9	38.3	40.0	39.1	38.5
3. Gas and Fuel Corporation	27.5	35.1	40.3	44.4	47.7	51.9
4. All Victorian Non-budget sector	32.9	42.4	49.5	52.7	53.6	54.6
5. Private Corporate Trading Enterprises - Australia	65.7	73.0	72.3	74.6	73.5	n.a.

Sources: Estimates of the authors based on relevant tables in Chapters 4 and 5.

### Investment Analysis

The area of investment analysis and decision-making in the public sector is an extremely important one given the large volume of public funds that are expended on capital projects within the State, particularly by Victoria's larger public trading enterprises which account for a substantial amount of this investment expenditure undertaken by the public sector. It is of vital importance that public sector investment growth be founded on viable projects, and hence we are concerned in this section with how authorities, and the Government itself, decide upon what investment projects are required and on what basis they are ranked, accepted and undertaken or rejected. While time and resource constraints have prevented us from carrying out a major investigation of this issue, our work in this area has been adequate enough to generate some real concern at some outstanding inadequacies.

The first of these is that there appear to be no general guidelines existing for authorities in relation to required investment analysis. When examining the actual situation in Victoria with respect to the techniques and methods of investment appraisal that public authorities actually use, the dominant impression is that it is a most uncertain area with very little information available. There are no general directives or guidelines that authorities must follow in their analysis and decision-making of investment proposals, and there is also a general lack of information about the investment appraisal practices that are being followed by Victorian authorities.

One feature which did emerge from our work in this area is the prevalence of a needs justification for projects that are undertaken, and also the prevalence of major projects being undertaken mainly because of the sudden availability of finance. Mr. Charles Trethowan, Chairman of the SECV, in an address to a National Congress of Public Accountants mentioned the need to rank projects according to priority given that funding is generally less than perceived need.<sup>3</sup> This basic approach of assessed needs and perceived importance as the major determinants in investment decisions appears to apply generally across all Victorian authorities with respect to most investment decisions, with the general situation appearing to be one of inadequate evaluation of

alternatives. While there are occasional examples of, and references to, the use of cost/benefit analysis in relation to assessing investment proposals and the alternatives for particular projects, there is no indication that consistently applied investment evaluation techniques such as discounted cash flow analysis are utilised generally in the evaluation of investment alternatives or in the final decision-making process.

At the State Government level, as well as the authority level, the procedures used for investment appraisal, and the staffing of these bodies, is inadequate for the important task that is required of them. Mr. I. G. Baker, the Director of Finance in the Victorian Treasury, indicated to the Public Bodies Review Committee at a hearing in early 1981 that the Public Works Committee does not have the expertise to undertake cost/benefit analysis by itself, and that it had little support staff such as consultants to assist in the more technical areas of investment analysis. Mr. Baker also indicated that Treasury play only a very minor role in this area, and it appears that when Treasury does become involved, it is often only after the major decision processes have been undertaken.

Another relevant point from Mr. Baker's evidence was that while the Government may refer projects to the Public Works Committee, not all major projects go to the Committee or to the Treasury. Hence while most major projects usually do go to the Public Works Committee, it is apparent that this is not an automatic or required procedure, one example being the fact that the Sandhurst Dam project did not go to the Public Works Committee. Hence the situation in Victoria presents a picture of inadequate public assessment of major projects. There is reason to believe that some of Victoria's largest capital projects such as the World Trade Centre, the Underground Rail Loop, the Loy Yang Power Station and the Mitchell Dam, provide examples of the inadequate evaluation of investment projects and the inadequate assessment of possible alternative means of achieving given ends.

It is absolutely vital to the economy and people of Victoria, as well as to the public sector of this State, that investment growth is soundly based upon adequate and consistently applied investment guidelines at both the State and authority levels, especially if funds are to be diverted from other uses to finance the large investment programmes undertaken by the Victorian public sector, and in particular the larger public trading enterprises.

## Footnotes

- 1 From Van Horne, J., Nicol, R. and Wright, K., Financial Management and Policy in Australia, Prentice-Hall of Australia Pty. Ltd., 1981, page 435.
- 2 Trethowan, J.C. "Financial Management and Accountability in a Statutory Authority", presented at a National Government Accountants Group Convention of the A.S.A. in Canberra, February 21-24, 1980.
- 3 Op.cit., pages 39-40.

## Chapter 7

### Policies for Business Authorities

Our earlier discussions have indicated that major aspects of Victoria's future lie in the hands of the larger business authorities. They have a dominant role in the provision of energy, of passenger and to a lesser extent freight transport, of water supplies and sewerage, and of ports, roads and other infrastructure, while a wide range of other services are also provided to Victorians by public sector business authorities. In spite of their importance, little attention has been given over the past fifty years to the major issues of public policy involved in their operation and in their relationships to the State government. As far as we can discover there does not exist at the present time any general policy guidelines which might inform government dealings with these enterprises and provide the framework within which the enterprises could fully exercise their freedom of initiative. What is more, it is clear that there are wide variations between business authorities in their relationship to the government, and in the role of ministers and the Cabinet in such matters as setting prices and determining investment patterns. Wide variations also exist in accounting and reporting procedures, making it very difficult to analyse the performance of authorities on a consistent basis. And it has been demonstrated above there are major conceptual and other problems involved in the pricing policies currently being followed, and major variations between authorities in rate of return on funds employed and in techniques for assessing new investment and in methods of financial management. One effect of this diversity in objectives, procedures and results is to generate a sense of confusion, even within the government itself, about the overall thrust of public enterprise activity and hence about the directions of economic policy in the State.

After fifty years of relative neglect it is clear that these issues deserve a much more detailed treatment than is possible in this Report, and in our view it is of the utmost importance that the Public Bodies Review Committee undertake further detailed work on the major business authorities. But even as a result of the incomplete examination of these issues which we have been able to undertake the need for a number of changes, both in the practices of business authorities and in official policy towards them, has become apparent.

Many of these changes have already been indicated in the pages above. So in this chapter we draw together our conclusions and recommendations in relation to business authorities. Given the magnitude of the topic and the brief time available to us, these are offered as tentative recommendations only. It is hoped that they will provoke serious discussion, and a deeper analysis of these crucial issues.

1. Business authorities or departments?

The activities of the modern government sector are highly complex, and we outlined in Chapter 2 the wide range of administrative, regulatory, advisory, management, business and other activities carried out by the Victorian public sector. While this complexity cannot be avoided, the lines of demarcation between the different types of activity are particularly confused in Victoria at present. For example, VicRail, which is the largest public enterprise in Victoria after the SECV, is included in the Consolidated Fund and is subject to many of the controls and financial constraints of a government department. But the Tramways Board, in many ways a parallel enterprise to VicRail, is an independent authority managing its own finances, borrowing from the public and so on. Numerous boards and commissions, such as the Housing Commission, the State Rivers and Water Supply Commission and the Country Roads Board, are involved in a range of business activities in the sense that they provide goods and services which are financed by user charges, but they also have many of the administrative and supervisory functions characteristic of a ministerial department. The Melbourne and Metropolitan Board of Works is the third largest business enterprise, but it is also the planning authority for metropolitan Melbourne and also has many administrative responsibilities. In our view, this lack of demarcation between business and other activities hinders the proper fulfilment of both business and departmental tasks. Business enterprises are not provided with clear guidelines within which to operate, while their decisions can be unduly influenced by political considerations and by the ready availability of government support. Departmental activities can also be harmed by the pressures of administrative supply processes and by the dominance of individuals with skills in the area of production rather than of advice and planning.

Consequently we recommend that the clearest possible demarcation be made between business activities and the activities traditionally associated with government administration. The traditional method in Victoria, which has been to establish a commission or board with some genuine independence, has much to recommend it. But if this is not thought appropriate in particular cases, at the least the business activities of a department or similar agency should be clearly established in a separate section, publishing its own reports and financial statements. Only when this clear delineation of different types of activities has been made can the appropriate personnel be attracted into each activity.

## 2. Guidelines and Independence

Among the reasons normally cited for creation of independent authorities to carry on public sector business activities are the need for decisions in this area to be subject to competent business and technical judgement and the freedom from normal Public Service procedures obtained from statutory authority status.<sup>1</sup> To these we would only add that it seems inevitable that the skills, temperament and interests required to successfully run a business enterprise are quite different from those required by a successful administrator. But there is a remarkably consistent thread of argument, running from Bland in New South Wales in 1923<sup>2</sup> and Eggleston in Victoria 1932<sup>3</sup> to Pryke's major study of the nationalised industries in Britain published in 1981<sup>4</sup>, that nothing is more destructive of the performance of public enterprises than political interference in business decision making. Eggleston cited "the habit and extent of political interference in Victoria"<sup>5</sup> as the major explanation of the 'failure' of public enterprise in this State; in 1981 Pryke cited the distorting effects of government pressures on public enterprises in the U.K. to act in uneconomic ways as a central reason for the far less disputable failure of nationalised industries in that country in recent decades. 'Political interference' here means either day to day intervention on matters of policy and administration or, more likely, random intervention in major decisions to do with pricing, investment or the allocation of resources. There is no doubt that political interference in this sense in the affairs of most public enterprises is rife in Victoria today.

Of course, interference must be distinguished from control. The government must exert final control over all business enterprises, and it has special

responsibility for enterprises in the public sector. Indeed we would argue that the present Victorian situation is characterised by too much government interference in, but too little government control over, the affairs of public enterprises. Partly because the government has not formulated firm guidelines for the operation of these enterprises, and has neither the data nor the machinery to systematically review their activities, it must resort to random and ad hoc interventions when major issues are at stake. Consequently we recommend the development of specific guidelines governing the operation of public enterprises in Victoria and of mechanisms for monitoring the authorities performance in relation to these guidelines. More detailed proposals as to the content of these guidelines and the nature of these mechanisms are made below. But part of the reason for promulgating firm guidelines and specific review processes would be to give those responsible for public enterprises greater freedom of operation within those overall constraints. The benefits of carrying out business enterprises by independent authorities rather than enlarged departments will be obtained only if genuine independence is available. The responsibility of the government for overall public sector policy will be met only if this independence is set within a context of clear and public guidelines and regular review processes.

### 3. Accounts and Reporting

A necessary condition for the establishment and application of uniform guidelines is that accounting and other data concerning the business authorities be available on a comprehensive and consistent basis. To facilitate this, we support the recommendation by Touche Ross Services Pty to the Public Bodies Review Committee that the Australian Statement of Accounting Standards currently applicable to the private sector be made mandatory for public enterprises in Victoria.<sup>6</sup> This would provide the basis for a system of uniform and adequate disclosure of information about these enterprises. But, partly in addition, it is important that adequate data also be provided on

- provision for depreciation at replacement cost, whether by use of the Provisional Accounting Standards (Current Cost) or in some other way;
- all costs, including full interest and other charges, incurred in carrying on the activities of the enterprise;



- all subsidies or other payments received from the government, and all payments made, in the nature of a dividend or otherwise, to the government;
- the sources of investment finance and the rates of interest payable on different types of finance;
- the rate of return achieved on net funds employed;
- holdings of financial assets with detail provided on the form of asset held and the purposes for which they are held.

While authorities may continue to present their accounts on the basis of historical cost accounting, the State government should also determine a standard procedure for accounting in periods of inflation and require each authority to provide accounts on that basis also. Detailed suggestions about the content of that procedure were developed above.

#### 4. Content of the Guidelines

The specific content of the guidelines to be issued to business authorities needs to be the subject of more thorough investigation than has been possible in this Report. Nevertheless certain conclusions do emerge from our analysis and these are put forward as tentative recommendations, provisional on the results of those further investigations. We therefore propose that these guidelines have the following form.

(1) Authorities be required to gradually increase their real rate of return on total assets (defined as net revenue before interest and tax but less depreciation at replacement cost as a proportion of the estimated market value of total assets employed) until it at least equals the long-term real rate of interest on semi-government borrowing. In present circumstances this would imply minimum real rates of return of 2-3 per cent although a higher rate would be preferable. For authorities for which such a target is not appropriate, such as VicRail and the Tramways Board, other specific financial targets should be set in ways which allow the performance of the authority to be evaluated in similar terms after allowing for a given level of subsidy.

It is our view that such a single criterion should be paramount in determining the average level of prices and the government should attempt to ensure that other factors (such as the need to meet interest bills swollen by inflation or the unavailability of loan finance for investment) do not destroy the ability of authorities to follow this criterion.

(ii) This real rate of return requirement implies, for a given state of technique and form of organization, a particular setting of the average level of prices on existing output. But the pattern of prices should reflect as far as possible the marginal costs of producing different types of output, and new output should be priced in line with marginal costs including the cost of capital specified below.

(iii) That all new investment proposals of any substance should be subject to thorough discounted cash flow analysis, and this analysis to include an extensive investigation of alternative means of achieving the same ends. Authorities should employ the following criteria for the economic viability of new investment proposals:

**Economic:** projects which show a margin of at least 10 per cent in terms of their real rate of return over the real long-term cost of new capital (currently, projects with returns at or over say 13 per cent);

**Marginally Economic:** projects whose real rate of return is greater than the real cost of new capital but where the margin is less than 10 per cent (currently, projects with returns between say 3 per cent and 13 per cent);

**Uneconomic:** projects whose real rate of return is less than the current real cost of new capital (currently, projects showing real rates of return of less than about 3 per cent).

(iv) Projects classed as economic would normally be permitted to proceed subject to approval of the investment analysis, and to the desirability of the project on social, environment and planning grounds. Projects classed as marginally economic would be the subject of detailed investigation by the

government as to their desirability on the grounds just mentioned, the degree of risk involved and the margins of error involved in costing and pricing assumptions, the possibility of pricing at economic levels, the necessity of the project to the development of the State and so on. Projects classified as uneconomic would not generally be permitted to proceed. In the case in which projects classified as uneconomic are deemed to be necessary and unavoidable, there should be detailed analysis by both the government and the authority concerning this supposed necessity and of alternative means of achieving the same ends by economic means.

(v) Where the government specifically requires authorities to provide goods and services at prices lower than necessary to meet the required rate of return, or to proceed with projects which are deemed to be uneconomic, estimates of the cost of these requirements should be agreed between the government and the authority. The sums involved should be noted annually in the annual reports of the authority and should be taken into account in assessing the performance of authorities in relation to these guidelines.

(vi) The government should in general require authorities to support new investment projects from internally generated funds to the extent necessary to maintain the share of equity funds in total wealth. But this requirement may be temporarily eased in the case of authorities with particularly large capital investment programmes, while more stringent self-financing demands may be made of authorities in which the equity component is low. Provided that projects are approved under (iv) above, the government should seek to ensure that loan funds are available to meet the balance of investment outlays, either through the Loan Council, through the new measures for utilizing Victoria's financial resources outlined in Chapter 14 below or through short-term borrowings of the authorities.

(vii) That all authorities be required to give close attention to the management of their financial assets, and to the development of efficient systems of cash flow management, including systems for the management of debt repayments. To this end the government should repeal requirements in authority statute's concerning the maintenance of sinking funds, and authorities should be required to manage debt turnover and new investment with a minimum of holdings of financial assets. Authorities should also be required to meet the cash management requirements outlined in Chapter 14.

(viii) Authorities should also be required to develop and publish a range of performance indicators by which the efficiency of the enterprise can be assessed, particularly in regard to the performance, according to similar measures, of comparable enterprises overseas. These indicators might include output or sales per unit of input, particularly labour input, selling price per unit of output, scale of plant, administrative overheads per unit of output and more specific measures appropriate to individual enterprises.

#### 5. The Guidelines - Freedom and Control

Part of the reason for promulgating guidelines of this type is to increase both the freedom of operation of individual enterprises within clearly defined areas and to increase the control of the State government and the Parliament over the broad thrust of public enterprise development. In implementing any such guidelines it would be crucial to ensure that government interventions which affect the ability of enterprises to meet the guidelines should be public and where possible in quantified terms, so that enterprise managements have clear areas of initiative and hence can be held responsible for the performance of their enterprise in relation to the guidelines. It would also be necessary that the government have adequate processes for monitoring performance in relation to the guidelines, particularly in relation to rates of return, pricing policy and investment criteria. As demonstrated in various chapters of this Part of the Report the existing mechanisms are far from adequate, particularly in relation to the absence of any systematic review process and to the inadequate resources available in both Departments and Parliamentary Committees for monitoring the performance of public business authorities.

Our recommendation is that the performance of these authorities in relation to the guidelines should be monitored on an annual basis, with detailed reviews of all aspects of each authority carried out on a periodic basis (say every 8 or 10 years). Consideration might be given to linking the terms of appointment of chief executives and commissioners of these authorities to the outcome of these periodic reviews. Clearly the type of information made available by authorities for these processes will be most important. In our view a requirement that annual operating budgets be approved each year by the government would be likely to

impose undue restrictions on the freedom of enterprise managements. But the government should obtain detailed information, probably on a quarterly basis and in a uniform format, so that it can monitor all aspects of the performance of enterprises. Enterprises should be required to present detailed capital budgets to the government, for tabling in Parliament, well in advance of the beginning of the year; these budgets would be basic inputs to the State government's economic and financial planning for the year ahead, and would enable the government to consider all the competing demands on investment funds and rank them in a rational way.

However it is clear that neither the structures nor the staff resources currently exist in either the bureaucracy or the institutions of Parliament (such as the Public Works Committee) to carry out this process of monitoring and evaluation of Victorian public sector business authorities. Clearly a new structure is needed in the bureaucracy, either through a major refurbishment and enlargement of the Works Co-ordination section of Treasury or in some other way. Attention also needs to be given to strengthening the monitoring and evaluative capacities of those departmental bodies (e.g. State Rivers and Water Supply Commission, Minerals and Energy) to which major business authorities report. Finally, if Parliamentary Committees are to be able to exercise a genuine review function they must be provided with qualified staff of appropriate seniority and must be able to draw regularly on the advice of outside experts.

#### Footnotes

1. For a discussion of these reasons see Directions for Change, Interim Report of the Review of New South Wales Government Administration, Government Printer, N.S.W. 1979, Chapter 3 and Report of the Royal Commission on Australian Government Administration, A.G.P.S. Canberra 1978, Chapter 3.
2. Bland, F.A., Shadows and Realities of Government, W.E.A. Sydney 1923.
3. Eggleston, F.W., State Socialism in Victoria, P.S. King and Son, London 1932.
4. Pryke, R., The Nationalised Industries: Policies and Performance since 1968, Martin Robertson, London, 1981.

5. *ibid.* p.296.
6. See Touche Ross Services Pty, Report on a Study of the Audit and Reporting Responsibilities of Public Bodies in Victoria, Parliament of Victoria, 1981, especially sections 4.1 and 9.3.

## Part III The Water Industry

### Chapter 8

#### A Profile of the Water Industry in Victoria

Many of the features of the Victorian public bodies sector noted above - the fragmentation of activities, the diversity of institutions and practices and the inadequacy of central systems of policy and control - are exemplified to a remarkable degree in the Victorian water industry. This industry is almost completely dominated by the public sector, which consists of the State Rivers and Water Supply Commission, a statutory body responsible to the Minister of Water Supply, and about 350 other public bodies. These public bodies range from an institution of the size of the Melbourne and Metropolitan Board of Works, with total revenue of about \$300 million per year, to bodies which only have one or two persons involved on a part time basis. We begin this chapter with a brief profile of this highly disparate public industry.

There are four main functions of the water industry in Victoria, namely rural water supply (particularly irrigation), urban water supply, sewerage and drainage and river improvement activities, and it will be useful to discuss the industry under these various functions. The public bodies involved in the industry divide into three categories - the State Rivers and Water Supply Commission, which supervises the whole industry and carries on many activities itself in Commission districts, the M.M.B.W which has responsibility for water supply, sewerage, drainage and planning in metropolitan Melbourne, and the 345 local bodies, some of which go back to the nineteenth century and all of which carry out their activities independently but under the general supervision of the Commission. Unfortunately, the definition of the metropolitan area of Melbourne is not uniform for the different services, so that in some areas M.M.B.W. is responsible for water supply but other authorities are responsible for sewerage and/or drainage. Thus the line between the activities of the M.M.B.W. and of other authorities cannot be a simply geographical one.

#### Rural Water Supply

The State Rivers and Water Supply Commission was established in 1905 partly to

take over the control of the districts developed by the local irrigation trusts in the second half of the nineteenth century. With the exception of the First Mildura Irrigation Trust, the Commission now directly administers all the State's irrigation districts and areas and 552,000 hectares of land in Victoria were irrigated in 1978-79 mainly in northern Victoria. However, during the past ninety years of intensive irrigation in northern Victoria drainage and salinity control measures have been neglected, and the Commission has put forward a programme of measures as the initial steps in overcoming these problems. The Commission controls private diversions from streams, and is developing a system to meter all such diversions. The Commission also operates eleven waterworks districts and three rural districts, providing reticulated water supply for stock and domestic purposes in rural areas, as well as operating two flood protection districts and being responsible for all drainage outside the Melbourne metropolitan area and the district controlled by the Dandenong Valley Authority.

Some indication of the scale of the rural water supply component of the water industry can be obtained from the data on annual recurrent and capital expenditure provided in Table 8.1. These data indicate that in 1978-79 this aspect of the industry involved total expenditure in excess of \$70 million, of which recurrent expenditure totalled \$54.4 million. It is clear from the table that provision of rural water supply is a heavily subsidised activity, with about 60 per cent of recurrent expenditure met by the State and only 40 per cent met by water users. The magnitude of this subsidy largely results from the tradition that users of irrigation services should not be required to meet any capital charges and will be discussed further below.

#### Urban Water Supply

By contrast with rural water supplies, the provision of urban water supply services in Victoria is divided between the three types of authority cited above. The M.M.B.W. is responsible for water supply in metropolitan Melbourne, and similar authorities constituted under separate Acts administer water supply in Geelong, Mildura and the La Trobe Valley, 199 independent local authorities (184 Waterworks Trust and 15 Local Governing Bodies) are responsible for supply in many urban centres in country Victoria, while the Commission directly administers four main urban systems covering about 80 urban communities and



also administers 67 Commission urban districts mainly located in the northern and western regions of Victoria. Clearly this amounts to a highly complex and confusing administrative structure and not surprisingly good statistical information is difficult to obtain. The best information available on recurrent expenditure is summarised in Table 8.2, but these data must be taken as giving orders of magnitude only.

Although these data cannot be taken as giving a complete picture of the recurrent costs of providing urban water supply in Victoria (for example, none of the figures include adequate depreciation allowances and the Commission Districts figures exclude superannuation and workers' compensation provisions) the magnitude of the activities of these diverse bodies in this area is apparent. Total recurrent expenditure on urban water supply exceeded \$133 million in 1978-79, and on past trends would have been of the order of \$180 million in 1980-81, with about two-thirds being in respect of the Melbourne metropolitan region. Although urban water supply is not subsidised by the State government to the same extent as rural water supply, the subsidies involved are considerable, and these will be explored later.

### Sewerage

The administrative structure of the sewerage industry is similar to that of urban water supply - the MMBW is responsible for the Melbourne metropolitan area, two authorities constituted under separate acts are responsible for Geelong and the LaTrobe Valley respectively, 108 independent local sewerage authorities provide sewerage services in urban centres in country areas (and in areas of Melbourne not covered in this respect by the MMBW) and the Commission is responsible for sewerage in Eildon. But the sewerage industry which these diverse authorities constitute is also one of substantial magnitude. The data in Table 8.3, which is again incomplete, indicate that the total recurrent expenditure on sewerage in Victoria was at least \$155 million in 1978-79 and almost certainly exceeded \$200 million in 1980-81. The MMBW is also the dominant institution involved in the provision of sewerage, servicing two-thirds of the population provided with sewerage and accounting for nearly three quarters of all recurrent expenditure.

**Table 8.1** Recurrent and Capital Expenditure: Rural Water Supply, Victoria  
1976-77 to 1978-79 (\$ million and per cent; excludes First Mildura  
Irrigation Trust)

	1976-77	1977-78	1978-79
	\$ million		
<u>Recurrent Expenditure</u>			
Paid by Water Users	18.5	20.1	21.4
Paid by State			
Capital charges	19.0	21.0	24.0
Other	7.3	8.4	9.0
Total	44.8	49.5	54.4
		per cent	
Proportion borne by State	58.7	59.4	60.7
		\$ million	
Capital Expenditure (Works and Services Account) <sup>1</sup>	14.4	21.3	16.3

<sup>1</sup> Involves only expenditure from Works and Services Account, as statistics on contributions to capital expenditure by landholders and other authorities, and indeed an overall capital expenditure, do not seem to be available.

Source: State Rivers and Water Supply Commission

**Table 8.2** Recurrent Expenditure, Urban Water Supply, Victoria 1976-77 to 1978-79 (\$ million)

	1976-77	1977-78	1978-79
<b>1. <u>M.M.B.W.</u></b>			
General	36.6	39.4	45.2
Net interest	28.6	36.0	45.8
<b>2. <u>Local Water Authorities</u> (203 authorities)</b>			
General	14.0	15.8	18.0
Net interest	12.0	13.5	15.0
<b>3. <u>Commission Districts</u></b>			
General	5.2	5.9	6.8
Net interest	1.7	2.0	2.3
<b>Total</b>	<b>98.1</b>	<b>112.6</b>	<b>133.1</b>

Source: State Rivers and Water Supply Commission

Table 8.3 Recurrent Expenditure, Sewerage, Victoria 1976-77 to 1978-79

	1976-77	1977-78	1978-79
<b>1. <u>M.M.B.W.</u></b>			
General	49.2	53.0	58.2
Net interest	42.2	49.1	55.8
<b>2. <u>Local Sewerage Authorities (110 authorities)</u></b>			
General	13.8	16.1	18.5
Net interest	14.7	18.1	22.2
<b>3. <u>Commission District (Eildon)</u></b>			
Total	0.01	0.02	0.02
<b>Total</b>	<b>119.9</b>	<b>136.3</b>	<b>154.7</b>

Source: State Rivers and Water Supply Commission.

## River Improvement and Drainage

Three major authorities are responsible for main drainage in Victoria - the MMBW in the Melbourne metropolitan area, the Dandenong Valley Authority in a region surrounding Dandenong and the Commission, responsible for the rest of the State. Municipalities have some responsibility for local drainage, but there are 32 River Improvement Trusts and 4 Drainage Trusts scattered throughout the State and responsible for drainage and related issues in particular areas. Little information is available about the recurrent expenditure of these Trusts, although data are available on the sources of these Trusts over the 1970s and information in relation to other aspects for recent years is contained on the Public Bodies Review Committee's survey of public bodies in the water industry (see below). This material indicates that they are on average a good deal smaller than the local authorities involved in urban water supply and sewerage in country areas. For example the total income, on both current and capital account, of these Trusts in the ten years 1971-72 to 1980-81 was \$22.0 million of which \$8.7 million was Works and Services allocation for capital expenditure.

## Capital Investment in the Water Industry

So far we have briefly summarised the complex structure of the Victorian water industry and have indicated, using data assembled by the State Rivers and Water Supply Commission, that total current spending in this industry was of the order of \$350 million in 1978-79 and would have been well in excess of \$400 million in 1980-81. While much of this expenditure does not pass through the Consolidated Fund, an idea of the scale of the industry within the Victorian public sector can be conveyed by noting that this expenditure is equivalent to 11 to 12 per cent of annual expenditure in the Consolidated Fund of the Victorian budget.

In its nature the water industry is a fairly capital intensive one, for it involves the provision of extensive structures for irrigation, water supply, sewerage and drainage. Unfortunately it seems that State Rivers does not have detailed data on capital expenditure by the various sections of the industry, in the sense of actual outlays on new fixed assets. They have data only on the funds available for capital works from the main sources of finance. But some capital investment data are available from the Australian Bureau of Statistics,

although the available form of disaggregation of the industry data is different from that employed above. But this source has the great advantage of giving us historical information over a good span of years, which is brought together in Table 8.4.

According to the Bureau figures, total capital investment in the public sector water industry in Victoria amounted to \$285 million in 1977-78 and \$272 million in 1978-79. In 1978-79, about 41 per cent of this investment was in the area of sewerage and drainage, with 46 per cent in the provision of water supply. Most of the remainder is in the general area of water resources, although the figures involve a small item of investment in soil conservation, which cannot be separated out from the water industry proper given the form in which the data are available. As Table 8.4 also shows, most of this investment is classified as in the non-budget sector and indeed between 1971-72 and 1975-76 the water industry accounted for 40 per cent on average of total investment in the Victorian non-budget sector. In this period it also accounted for 20 per cent of all capital expenditure by the Victorian public sector, and was 30 per cent greater than total State public sector expenditure on electricity and gas.

The relative positions of these two public sector industries - the water industry and the gas and electricity industry - have changed dramatically over the past five years. In real terms investment by the water industry initially stabilised at the level which obtained over the 1972-73 to 1975-76 period, and then fell sharply after 1977-78. On our estimates the volume of investment in the industry was 21 per cent lower in 1979-80 than in 1977-78, and seems to have fallen further in 1980-81. As we will evidence later in this Part, this reduction in investment has not been the result of a decline in the demand for, or in the need for, the services of the water industry but of restrictions on finance and, to a marked degree, of the inadequacy of the structures and practices of much of the industry. By contrast public sector investment in the electricity and gas industry increased sharply in the second half of the 1970s, so that the share of the water industry in total non-budget sector investment fell from 41 per cent in 1974-75 to 28 per cent in 1978-79 and probably to around 24 per cent in 1979-80. These fluctuations amount to major changes in the structure of the Victoria non-budget public sector.

Table 8.4 also shows the split of water industry investment between the MMBW and another sector, which is comprised of the Commission and the 350 independent authorities discussed above. It is apparent that real investment in both categories has fallen appreciably since the peak years of the mid 1970s. For the MMBW the volume of investment concerned with water and sewerage was some 31 per cent lower in 1979-80 than in the peak year 1972-73 and 24 per cent lower than the average of 1973-74 to 1975-76, while for the other sector estimated real investment was 23 per cent lower in 1979-80 than in 1975-76, although only 9 per cent lower than the average for those three years. Our central concern in this chapter is not with the MMBW, which has been discussed more fully in the context of the major business authorities in Part II. But this disturbing investment trend is one of several reasons why we recommend elsewhere that Parliament provide the Public Bodies Review Committee with a reference to examine the MMBW. Our concern here is with the other sector of the water industry whose structure has been outlined above and which also showed a decline in real investment over the last half of the 1970s.

### Conclusion

Thus the Victorian water industry is a large but very disparate one. It involves four main types of activity - provision of rural water supply, of urban water supply, of sewerage services and river improvement and drainage services - and these activities are carried out by an enormous range of different bodies. Total recurrent expenditure in the industry almost certainly exceeded \$440 million in 1980-81, while capital expenditure was of the order of \$270 million. But it appears that the volume of capital expenditure in the industry has been falling quite sharply in recent years and this is one of many facts which indicate that a closer examination of the industry is required. In line with the focus of this Report on public bodies, our concern here is with the local authorities in the industry and the enterprise activities of the State Rivers and Water Supply Commission are not examined further.

Table 8.4 Capital Expenditure By the Water Industry, Victoria 1969-70 to 1978-79

	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80 estimate
(\$million)											
<b>Total Investment, by Industry Type</b>											
<b>State Authorities</b>											
1. Sewerage and drainage	43	43	63	81	88	114	126	116	116	112	n.a.
2. Soil and water resources	18	16	14	13	16	25	32	36	36	29	n.a.
3. Water supply	29	30	39	48	50	64	74	102	127	125	n.a.
<b>Local Government</b>											
4. All water functions	29	1	39	48			1	1	6	6	n.a.
<b>Total State Authorities</b>	<b>90</b>	<b>89</b>	<b>116</b>	<b>142</b>	<b>154</b>	<b>203</b>	<b>232</b>	<b>254</b>	<b>279</b>	<b>266</b>	<b>(270)</b>
<b>Total at constant 1974-75 prices<sup>1</sup></b>	<b>153</b>	<b>144</b>	<b>174</b>	<b>203</b>	<b>191</b>	<b>203</b>	<b>203</b>	<b>195</b>	<b>203</b>	<b>182</b>	<b>(160)</b>
(\$million)											
<b>Total Investment, by Sector</b>											
<b>State Authorities</b>											
Budget sector	18	16	14	13	16	25	32	37	37	30	(30)
Non budget sector	72	73	102	130	139	178	200	216	242	236	(240)
<b>Total Investment, by Institution Current Prices</b>											
MMBW	53	57	83	106	113	135	148	161	178	177	174
Other	37	33	33	37	42	68	85	93	107	95	(96)
<b>Constant Prices</b>											
MMBW	90	92	124	149	140	135	129	124	127	118	103
Other	63	52	50	52	51	68	74	71	76	63	(57)

1 Deflated by the implicit deflator for all public capital expenditure.

Source: Australian Bureau of Statistics, State and Local Government Finance, Australia, 1978-79 and additional unpublished information provided by ABS; MMBW data were provided by the Board, while figures in brackets are institute estimates.



## Chapter 9

### Local Water and Sewerage Authorities

We now turn to an analysis of the 350 local authorities involved in the provision of water supply, sewerage and drainage in Victoria, together with the activities of the State Rivers and Water Supply Commission in the areas which it directly administers. The main sources of information concerning these authorities are material provided by the Commission, particularly in the form of a series of papers prepared for the Public Bodies Review Committee, and a survey of these local authorities carried out by that Committee. At the time of preparing this Report responses to the survey questionnaire were available from 277 bodies, and this group forms the basis of all the survey data reported below. While about 70 local authorities are not included in this data set, many but not all of these are very small. Four issues are given particular attention below - pricing policies of authorities and the subsidisation of their activities by the Victorian government, the financial management of these authorities and particularly their holdings of financial assets, their borrowing powers and activities and issues concerning financing of, and decision making in respect of, capital expenditure.

### Pricing Policy and Subsidies

It is impossible to discuss the pricing policies of authorities providing water and sewerage outside metropolitan Melbourne without at the same time considering the magnitude of the subsidies received by these authorities. For virtually all of these authorities do receive significant subsidies from the Victorian government and as these vary markedly in their incidence from authority to authority they are dominant influences on prices charged for water and sewerage.

The case for overall subsidies for the provision of water and sewerage services outside metropolitan Melbourne has traditionally rested on the need to provide these services to households at a reasonable cost, while the case for differential subsidies to various authorities has rested on the big disparities in the unsubsidised cost of providing these services between regions of Victoria. A Committee of Inquiry into water supplies in country towns in 1944

recommended a set of subsidy arrangements aimed at holding consumer annual charges for water close to one week's basic wage (at that time \$9); in 1954 a revised formula was adopted to achieve this basic aim in changed circumstances, while in 1964 a second Committee of Inquiry reasserted that annual payments per household equal to one week's basic wage (at that time \$29) would be a reasonable charge for water supply, and present subsidy arrangements are largely unchanged from that time. The case for differential subsidies lies in one inescapable fact about the water industry, that the cost of providing water and sewerage services differs enormously between different areas of the state, depending above all on geographical, topographical and hydrological factors but also on others such as the scale of operations. In some major areas of Victoria the cost of water supply per tenement, as measured by the unsubsidised average water bill, was less than \$60 per year in 1978-79 (for example, Kyneton \$46, Bacchus Marsh \$47, Lorne \$55, Rutherglen \$59, Apollo Bay \$59) while in many others it was well in excess of \$200 per year (for example, Lakes Entrance \$360, Glenrowan \$327, Melton \$295, Romsey and Wallon \$246, Hurstbridge \$228). While no firm information is available on the relative costs of provision of sewerage services by different authorities, it seems that there is a similar spread of costs here also. Of course, some part of these differences in cost reflect the quality of the services provided but the dominant factor seems to be the differing geographical and other circumstances of the authorities.

Charges for both water and sewerage are set by the individual authorities, normally as rate payments on the basis of improved property valuations using the net annual value, but some authorities use unimproved capital value or site value. In general charges are set to cover total costs after subsidies for both local authorities and Commission districts, although no depreciation payments are made for Commission districts and local authorities are required to make depreciation provisions only until the accumulated credit in the depreciation account, including interest, covers the historical cost of the asset. For water supply the rate struck provides the consumer with a basic water allowance, and usage over that allowance is subject to an excess water charge. This charge, which is a potentially important means of regulating demand for water, varies widely between authorities and appears to be in many cases below the average, not to say the marginal, cost of providing water. According to data from the Public Bodies Review Committee survey, the excess water charge varies from as low as 3 cents per kilolitre in a few water authorities and 5 to 7 cents in

many others to a quite common charge of about 25 cents per kilolitre in more than 25 authorities and figures as high as 65 cents per kilolitre in one or two areas.

Table 9.1 shows the average cost and the average charge per rated building for water and sewerage in the various areas of Victoria in 1978-79. For water, average costs of supply were about 48 per cent higher in local authority areas, and were twice as high in Commission districts, than in the MMBW area. These differences clearly reflect both physical differences in the regions supplied and the effects on efficiency of small-scale operations by an enormous number of unco-ordinated authorities, although we cannot make any estimate of the relative importance of the two factors. But in spite of these differences in costs the average water bill paid by consumers in local authority areas was below the MMBW charge, while for Commission districts the average bill was only 10 per cent higher than in the MMBW area. This reflects, of course, the massive subsidies being paid to consumers of urban water supplies in these areas, the subsidy accounting for 37 per cent of the average cost of supply for local authorities and 45 per cent for Commission districts. For sewerage the comparison is even more striking. The average cost of supplying sewerage was 28 per cent lower for local authorities than for the MMBW in 1979-80, but consumers in local authority areas received a subsidy equal to 31 per cent of the cost of supply, so that average sewerage bills in these areas were only half those in the MMBW area in 1978-79. These figures do not include the amounts paid by the government for rates subsidy for pensioners in all areas, which amounted to about \$16 million in 1979-80.

There are six different types of subsidy to local authorities and Commission districts in respect of sewerage or water supply. These are briefly noted below.

(1) Dating from the 1930s both water and sewerage authorities have been eligible for grants to assist the construction of new works. This scheme seems to have been begun during the Depression to counter unemployment but was continued through the postwar decades of full employment. Separate formulae operate to determine the eligibility of water and sewerage authorities for grants. Total grants to these authorities amounted to \$7.8 million in 1978-79.

**Table 9.1 Urban Water Supply and Sewerage Costs, Victoria 1978-79**  
(Weighted average cost per rated building, in dollars per annum)

	M.M.B.W.	Local Authorities	Commission Districts
<b><u>Water Supply (1978-79)</u></b>			
Unsubsidised	71 <sup>1</sup>	105	141
Subsidy		39	63
Actual bill	71 <sup>1</sup>	66	78
<b><u>Sewerage (1979-80)</u></b>			
Unsubsidised	125	90	n.a.
Subsidy		28	n.a.
Actual bill	125	62	n.a.

1 Only the figure for 1979-80 (\$78) is available for MMBW; for purposes of comparison we have assumed that this figure was 10 per cent above the 1978-79 figure.

Source: State Rivers and Water Supply Commission, Pricing Policy and Financial Assistance for Urban Water Supplies and Sewerage, paper submitted to the Public Bodies Review Committee, August 1980, pp.6-8 and p.24.

(ii) Dating from 1943, the interest charged on Government loans to the SRWSC is fixed at 3 per cent per annum with redemption over 400 years, while local water authorities also receive Government loans at interest and redemption of three and a quarter per cent. Estimates prepared by the Commission indicate that capital charges borne by the State in regard to SRWSC urban water supply and flood protection districts totalled \$7.6 million in 1978-79, while charges borne on behalf of local water supply and drainage authorities totalled \$7.5 million. These estimates are prepared by applying the average bond rate payable on State government debt in relation to the water industry to the total debt being serviced in respect of these authorities.

(iii) While the 1943 legislation also permitted loans at  $3\frac{1}{2}$  per cent interest plus redemption to local sewerage authorities, these loans have been phased out in favour of borrowing under another provision of that legislation, namely that the Government bear interest payments in excess of 3 per cent per annum on private loans raised by sewerage authorities. The cost of residual loans under the former arrangement was estimated at \$2 million in 1978-79, while subsidies to private loans cost \$7.4 million. In 1952 the private loans provision was extended to water authorities, and cost \$2.5 million in 1978-79. With interest rates rising, this subsidy on private loans is increasing sharply, and grew by 74 per cent (from \$5.7 million to \$9.9 million) between 1976-77 and 1978-79. Further large increases must have taken place since 1978-79.

(iv) Authorities may also receive interest free advances from the State to meet the cost of survey plans and specifications for new systems. But these are limited to a small proportion of the total cost of the works and are repayable when construction begins, so the subsidy element is fairly small.

(v) In 1958, the government introduced a maximum rating level, deciding that even if after all the subsidies above the cost of water cannot be met by a rate of 17.5 cents in the dollar Net Annual Value the government may directly offset costs. However payments under this scheme totalled only \$24,290 in 1978-79.

(vi) Finally in 1964, another form of assistance was introduced whereby water authorities could have their liability in relation to a government loan temporarily deferred if this liability cannot be met within a maximum rate of

17.5 cents in the dollar Net Annual Value. This is not a major form of assistance in terms of subsidy cost.

In addition to these subsidies to urban water supply and sewerage, there are in Victoria massive direct subsidies to the provision of rural water supplies, most particularly for irrigation. Much of these subsidies arise from the long established practice that Victorian irrigators are not required to meet capital charges nor, in more recent years, depreciation provisions. There are also some subsidies to the water industry through the services provided by SRWSC, only part of the costs of which are recovered by fees and charges. Finally, another form of support for the industry is the payment by the Government of part of the rates payable by pensioners, at a cost of some \$16 million (including MMBW) in 1979-80.

The Annual Reports of the State Rivers and Water Supply Commission do not present a clear picture of Government subsidies to the industry, and this is not easy to derive even from the papers presented by SRWSC to the Public Bodies Review Committee. The estimates we have been able to assemble, largely from those papers, are shown in Table 9.2. This table does not cover any subsidy implicit in SRWSC services nor does it include payments under the pensioners rates scheme, and it probably understates the subsidy figure in that the subsidy element of both government loans and grants are assessed by applying the average rate of interest on all government loans in respect of the water industry to capital liability and grant totals for these authorities. Of course, if rates on new borrowing by way of semi-government securities were applied to the total capital liability to provide an opportunity cost estimate of the subsidy, the figures would be much higher than shown in Table 9.2. But even on the basis and coverage employed in the table the total subsidy to the water industry in 1978-79 was \$65.1 million, having increased by one-third since 1976-77, and being about equally divided between rural water supply and water supply and sewerage outside metropolitan Melbourne. Given the fact that much of the subsidy arises from the difference between current interest rates and the subsidised 3 per cent figure, the total subsidy must have increased very sharply since 1978-79.

Not only are these subsidies a major burden on the State budget, but it is beyond dispute that in their current form, at least in regard to the water and

**Table 9.2** Subsidies to Water and Sewerage Provision in Victoria - 1976-77 to 1978-79 (\$million)

	1976-77	1977-78	1978-79
<b>Rural Water Supply</b>			
Capital charges borne by State	19.0	21.0	24.0
Other costs borne by State	7.3	8.4	9.0
<b>Total</b>	<b>26.3</b>	<b>29.4</b>	<b>33.0</b>
<b>Urban Water Supply</b>			
<b>SRWSC districts<sup>1</sup></b>			
Capital charges on government loan money	n.a.	7.2	7.6
Subsidy value of grants	n.a.	1.8 <sup>3</sup>	2.2
<b>Local authorities<sup>2</sup></b>			
Capital charges on government loan money	n.a.	7.0	7.5
Subsidies on private loan money	n.a.	1.9	2.5
Subsidies value of grants	n.a.	1.2 <sup>3</sup>	1.5
<b>Total</b>	<b>16.7</b>	<b>19.1</b>	<b>21.3</b>
<b>Local Sewerage Authorities</b>			
Capital charges on government loan money	1.0	2.0	2.0
Subsidies on private loan money	4.3	5.4	7.4
Subsidy value of grants	0.8 <sup>3</sup>	1.1 <sup>3</sup>	1.4 <sup>3</sup>
<b>Total</b>	<b>6.1</b>	<b>8.5</b>	<b>10.8</b>
<b>Total Subsidies</b>	<b>49.1</b>	<b>57.0</b>	<b>65.1</b>

<sup>1</sup> Includes flood protection districts.

<sup>2</sup> Includes drainage authorities.

<sup>3</sup> Broad estimates only.

Source: Estimates prepared by authors from a range of SRWSC and other sources.

sewerage authorities which are our central concern here, they are antiquated, inefficient and inequitable. They are antiquated, in that many of the subsidies go back to the mid 1940s, when they were established in relation to a target of one week's basic wage per year for water (then \$9 per week) and in relation to a government long term bond rate of just on 3 per cent. But they have been preserved in unchanged form in quite different circumstances, such that by 1978-79 the average payment for water supply was less than 40 per cent of the minimum wage and the long term government bond rate is just on 15 per cent. The grant element of the subsidy was introduced in the Depression to combat unemployment but has been maintained through major changes in employment conditions.

There can be no doubt, either, that the subsidies are inefficient in that they have encouraged wasteful use of these services and forms of economic development which may be dependent on subsidy for their viability. As we have seen in Table 9.2, the average water bill in local authorities (excluding MMBW) is only 63 per cent, and in Commission districts only 55 per cent, of the true cost of providing water, while sewerage charges in local authorities on average cover only 69 per cent of costs. In many authorities consumers cover less than one-third of water and sewerage costs and excess water charges are minimal; these patterns must encourage uneconomic usage and development. We will see below other ways in which present subsidy arrangements are hindering the efficient operation of the industry.

Above all, it is very clear that the present forms of subsidy are inequitable, both as between different consumers in Victoria at the present time and different generations of Victorians. Some examples of inequities between present consumers are illustrated in Table 9.3, which provides data on authorities whose unsubsidised cost of water in 1978-79 was less than \$80 per annum but who received more than \$10,000 in subsidy, together with data on some other authorities for purposes of comparison. This table lists 18 authorities fulfilling these conditions - their weighted average cost of water supply in 1978-79 was \$66 per year, but they received nearly \$1.2 million in subsidy so that the actual average water bill was \$42 per year. By comparison the average bill in the MMBW area was about \$71 and no subsidy was received, whereas in Geelong the figure was \$82 after a small subsidy, and the actual average water bill paid in Warrnambool was \$103, in Kilmore \$132 and in Bright \$148. Other



**Table 9.3** Subsidies to Local Water Authorities with Low Average Water Bills, 1978-79 (Authorities who received total subsidy of more than \$10,000 in 1978-79 and where the unsubsidised cost of water was less than \$80 per annum).

Authority	Unsubsidised Average Water Bill (\$per year)	Total Subsidy (\$'000)	Subsidised Average Water Bill
Apollo Bay	59	11.5	41
Bacchus Marsh	47	33.2	27
Beaufort	75	14.3	34
Beechworth	75	24.4	44
Healesville	67	40.7	47
Inverloch	78	68.6	48
Kyabram	58	14.6	49
Lorne	55	12.5	41
Moe	74	145.8	45
Morewell	67	158.0	42
Mount Beauty	72	23.7	38
Paynesville	41	17.4	26
Rochester	73	17.3	51
Rutherglen	59	11.4	41
Trafalgar	68	17.8	41
Trafalgon	74	178.9	37
Wangaratta	75	156.4	48
Westernport	78	247.1	41
	66	1193.6	42
<b>Memorandum Items</b>			
M.M.B.W. <sup>1</sup>	71		71
Geelong	88		82
Colac	105	310.0	34
Wodonga	93	218.6	46
Ballarat	97	950.6	55
Bright	219	40.0	148
Kilmore	268	76.2	132
Warrnambool City	139	247.3	103

<sup>1</sup> Estimate for 1978-79, based on 1979-80 figure of \$78.

Source: State Rivers and Water Supply Commission, Review of Financial Assistance for Water Supply, January 1980, Appendix 2.

examples of interest are Colac, Wodonga and Ballarat, which in total received subsidies of nearly \$1.5 million in 1978-79 to bring average water bills down to \$34, \$46 and \$55 dollars per annum respectively.

It is apparent, then, that the present system of subsidies to the water industry in Victoria is totally unsatisfactory in form as well as being very costly in aggregate, and need to be completely re-assessed. We return to this issue in the context of policy issues and recommendations in Chapter 10.

### Financial Assets, Borrowing and Investment

The most striking puzzle about Victorian water and sewerage authorities concerns the inter-relationships between their holdings of financial assets, their use of borrowing powers and the level of their investment in new fixed assets. One element of this puzzle is that the 277 authorities covered by our survey held \$80.3 million in financial assets in 1979, this figure having increased by \$20.8 or 35.1 per cent in the previous two years. A second element is that in 1978-79 these 277 authorities had a theoretical borrowing capacity under the Gentlemen's Agreement of \$281 million (including allocations to larger bodies of \$9 million) plus the freedom to use short-term borrowings such as overdrafts, but the actual borrowing by these authorities (including advances from the government) in 1978-79 was \$37.4 million or only 13.3 per cent of theoretical capacity. Finally, a constant theme in most discussions of these authorities concerns the inadequacy of funds for capital works in recent years. For example, the State Rivers and Water Supply Commission has written that

"There is a very severe limitation of capital funds for water supply and sewerage development and this has caused many systems to be augmented by expedient measures rather than by the appropriate form of system development".

How can it be that these three elements co-exist together? If capital funds are so short as to seriously prejudice the rational development of the water and sewerage system, why are authorities adding to their holdings of financial assets to such an extent, and why is only 13 per cent of theoretical borrowing capacity being utilized? Alternatively, what factors lead authorities to add to

financial asset holdings when capital funds are so tight and why do they not utilize their borrowing powers more fully? These questions are examined in some detail in this section. But it is clear at the outset that taken together these three facts imply that there are serious deficiencies somewhere in the system for organizing the provision of water and sewerage services outside Melbourne, whether they arise from the vast number of authorities involved, the distorting effects of subsidies, an inadequacy of the administrative systems of State Rivers and the Treasury or from other sources.

### Holdings of Financial Assets

As has been already indicated, the 277 local water and sewerage authorities on which survey data are available at the time of writing held \$80.3 million in financial assets at the end of the accounting year terminating in 1979. The authorities are about equally divided between those whose accounting year ends on 30 September and those for whom it ends on 31 December (43 per cent 30 September, 54 per cent 31 December, 3 per cent 30 June and other), so the data in Tables 9.4 and 9.5 generally refer to the closing months of the calendar year. Financial assets are defined to include bank deposits, all government and semi-government securities and other public and private and private sector paper such as debentures and notes, but it is apparent from Table 9.4 that these assets are held almost entirely in the form of bank deposits and government and semi-government securities. Bank deposits held amounted to \$40.6 million in 1979, an increase of \$11 million or 37.2 per cent over two years, while holdings of government and semi-government securities totalled \$38.2 million and increased by \$8.8 million or 29.9 per cent over the two year period. Of these, holdings of the securities of other water and sewerage authorities, representing back-to-back lending within the industry, amounted to \$16.3 in 1979, having increased by 43 per cent since 1977. Thus financial assets of \$64.1 were held outside the water and sewerage industry in 1979.

A breakdown of these holdings by authority is provided in Table 9.5. The sixteen authorities who held more than \$1 million in at least one of the years 1977-79 account for about 60 per cent of all financial assets, although the holdings of the smaller authorities has been increasing more rapidly. Indeed, holdings of the 261 other authorities increased by 58.5 per cent between 1977 and 1979, while holdings of the sixteen authorities listed grew by 22.1 per

**Table 9.4 Financial Assets of Water and Sewerage Authorities, 1977-79**  
 (For definitions see Table 8.8)

	1977	1978	1979
	(\$million)		
<u>All authority covered</u> (277 authorities)			
Bank deposits	29.6	33.3	40.6
Holdings of government and semi-government securities	29.4	33.3	38.2
Other financial assets	0.4	0.4	1.6
<b>Total financial assets</b>	<b>59.4</b>	<b>67.0</b>	<b>80.4</b>

Source: Public Bodies Review Committee survey of local water and sewerage authorities.

**Table 9.5** Financial Assets of Water and Sewerage Authorities, 1977-79  
 (Financial assets cover bank deposits, holdings of government and semi-government securities and of debentures, notes etc; data refer to the end of the financial year for each authority falling within the calendar year in question, and authorities whose total financial assets in one year exceeded \$1 million are shown explicitly).

	1977	1978	1979
	(\$'000)		
1. Geelong Water and Sewerage Trust	10935	10705	12959
2. LaTrobe Valley Water and Sewerage Board	3039	3789	3547
3. Frankston Sewerage Authority	2996	2968	2716
4. Ballarat Water Commissioners	3494	3189	3289
5. Ballarat Sewerage Authority	2261	2625	3035
6. Dandenong Valley Authority	3426	3549	4574
7. Mt. Eliza Sewerage Authority	258	1098	1430
8. Springvale and Noble Park Sewerage Authority	1798	2207	2585
9. Mornington Sewerage Authority	1911	1775	2251
10. Dandenong Sewerage Authority	2342	2982	3224
11. Lilydale Sewerage Authority	962	1725	2183
12. Colac Water Trust	993	1122	1379
13. Moe Water Trust	679	828	1150
14. Mildura Urban Water Trust	1008	1201	1387
15. Cranbourne Sewerage Authority	1150	909	995
16. Sunbury Sewerage Authority	1060	368	76
<b>Total of these 16 Authorities</b>	<b>38312</b>	<b>41040</b>	<b>467800</b>
<b>Other authorities surveyed (261)</b>	<b>21158</b>	<b>25983</b>	<b>33540</b>
<b>Total (277 authorities)</b>	<b>59470</b>	<b>67023</b>	<b>80340</b>

Source: Public Bodies Review Committee survey of local water and sewerage authorities.

cent. This very rapid growth of holdings by the smaller authorities is particularly important, and is another indication of the management problem implicit in these trends. By far the largest holder of financial assets is the Geelong Waterworks and Sewerage Trust, where the total was \$13.0 million in 1979. But it should be noted that this figure includes holdings of \$2.7 million in the Trust's own securities and \$3.3 million of investments by the Trust in other water and sewerage authorities.

Of course the level of financial assets held by an authority is not in itself significant; it must be seen in relation to the scale of the physical and financial operations of that authority. Some comparative information, in relation to capital expenditure and to borrowing, is provided in the last two columns of Table 9.6 in terms of average relationships for the 1977-80 period. For the 277 authorities as a whole, financial asset holdings at the end of a year averaged one and a half times the level of capital expenditure within the year and twice the borrowings raised within the year. That is, financial asset holdings amounted to nearly 18 months of capital investment and two years of borrowing over this period, so that the holdings of these authorities were quite massive in relation to their operations. It may be worth recalling two comparisons from Chapter 7. Over the same period the financial asset holdings of Telecom Australia amounted to less than one month of capital investment and less than three month's borrowing, while the relationships for the MMBW are quite similar to those shown in Table 9.6 for local water and sewerage authorities. These simple comparisons lead to a clear conclusion - that the massive holdings of financial assets revealed by our data are not necessary for the efficient running of a public sector business enterprise, but they do seem to be a pervasive feature of the organisation of the water industry in Victoria. Another perspective on the magnitude of these holdings can be gained by noting that the increase in total financial assets of these 277 authorities between 1977 and 1979 (\$20.9 million) was equivalent to 44 per cent of their average annual capital expenditure over this period and to 60 per cent of their average annual borrowing, and exceeded the average annual subsidy which they received.

In spite of this pervasiveness through the Victorian water industry there are major differences between authorities in the relative extent of their holdings of financial assets. Some of the older established authorities have

Table 9.6 Capital Expenditure and Borrowing in Relation to Financial Assets, Water and Sewerage Authorities, 1977-1980

	Capital Expenditure				Borrowing <sup>2</sup>			Ratio of Financial Assets at end of year flow during year to: Capital Expenditure      Borrowing Average for 1977-1979	
	1977	1978	1979	1980	1977	1978	1979		
	(\$million)								
<u>Major Authorities</u>									
1. Geelong Water and Sewerage Trust	3.4	3.6	3.7	6.3	1.8	2.8	4.3 <sup>3</sup>	3.22	7.25
2. LaTrobe Valley Water and Sewerage Board	1.1	1.0	4.1	9.5	1.0	1.0	3.4 <sup>4</sup>	1.67	1.93
3. Dandenong Valley Authority	3.8	3.9	3.4	3.4	0.8	1.1	1.0	1.04	3.97
4. Frankston Sewerage Authority	1.4	2.1	2.9	1.6	1.5	1.5	2.7	1.36	1.53
5. Cranbourne Sewerage Authority	2.3	2.6	2.0	2.1	0.8	1.0	0.8	0.44	1.15
6. Mornington Sewerage Authority	3.4	1.9	1.5	1.2	3.1	1.2	1.2	0.87	1.07
7. Dandenong Sewerage Authority	2.8	1.9	1.8	1.2	0.8	1.0	1.0	1.32	3.07
8. Melton Sewerage Authority	1.4	2.8	4.7	2.5	2.5	2.5	2.5	0.14	1.17
Total	19.6	19.8	24.1	27.8	12.3	12.1	16.9	1.32	2.03
<u>Other Authorities</u> (269 authorities)									
	21.1	27.3	30.6	28.2	18.7	20.9	23.0	1.56	1.96
Total (277 authorities)	40.7	47.1	54.7	56.0	31.0	33.0	39.9	1.45	1.99
<u>Capital Expenditure at constant 1974-75 prices</u>									
Major authorities	15.0	14.1	16.1	16.5					
Other authorities	16.2	19.4	20.4	16.7					
Total	31.2	33.5	36.4	33.2					
Total excluding authorities 1 + 2 above	26.7	28.9	28.6	17.4					

1 Authorities whose capital expenditure exceeds \$2.5 million in at least one of the years 1977-1980.

2 Includes short-term borrowing.

3 Includes infrastructure borrowing.

4 Includes advances from SECV of \$2.4 million.

very large ratios of financial asset holdings to investment, (e.g. Colac Water Trust 8.74, Moe Water Trust 5.31, Lilydale Sewerage Authority 4.43, Springvale and Noble Park Sewerage Authority 3.88) while many quite large authorities have financial assets which are on average equivalent to two to three years capital expenditure. These include the Mildura Urban Water Trust, for which the financial asset/ capital expenditure ratio is 3.27, Geelong Water and Sewerage Trust 3.22, Mt. Eliza Sewerage Authority 2.79, Ballarat Water Commissioners 2.43 and Ballarat Sewerage Authority 2.08. On the other hand, some authorities operate substantial current and capital programmes with relatively low levels of financial assets, equivalent to less than six months of capital expenditure. For example, the financial assets/capital expenditure ratio was 0.14 for the Melton Sewerage Authority and 0.44 for the Cranbourne Sewerage Authority, Swan Hill Sewerage Authority and City of Warrnambool Local Government Body.

Among the reasons which can be postulated to explain the large scale holdings of financial assets of many authorities are the following.

(i) Local water and sewerage authorities are required to make annual contributions to depreciation accounts in respect of any machinery, plant or perishable structure financed from loans, according to a schedule approved by the Minister for Water Supply. These payments continue to be made until the credit in the account, including accrued interest, covers the historical cost of the particular asset in question. Apart from the fact that the historical costs sums thereby accumulated will be totally inadequate to cover replacement of the asset, this procedure has the disadvantage of leading to the holding of financial assets for long periods. Prior to November 1979 the only use authorities could make of these funds was to lend them to other water and sewerage authorities for capital works, and this goes a long way to explain the extent of "back-to-back" lending among authorities. In November 1979 a provision was introduced into the Sewerage Districts Act allowing a sewerage authority, with the approval of the Minister, to use part of the depreciation funds for capital works. While a move in the right direction, this provision remains inadequate both in that it requires Ministerial approval for what has long been normal commercial practice and in that it does not cover water authorities. Clearly the methods for providing for depreciation in water and sewerage authorities will need a major overhaul, and, as with many other aspects, this could be best accomplished in the context of a rationalization of general structure of the industry.



(ii) Many authorities also establish sinking funds, that is accumulations of financial assets over a period of time so that monies are available to repay loans when they fall due. Given the size of individual authorities and the constraints on their financial operations there may be a real need for many authorities to establish such funds, but they do represent an inefficient use of limited capital resources. An optimal management strategy would involve the repayment of loans from roll-over borrowings and internal funds, supplemented where necessary by short-term borrowings, rather than by the accumulation of sinking funds. That the industry as a whole would be enabled to follow such a strategy by a financial and organizational rationalization is a further argument for such a process.

(iii) One of the features of the asset holdings of authorities noted informally above was that some older authorities had high levels of financial assets relative to present capital expenditure. The current subsidy system, which subsidises the cost of loans to authorities back to 3 per cent, particularly assists those authorities which have extensive capital structures financed by subsidised loans. With their capital structures generating both rate revenue and interest subsidies the financial position of many of these authorities should be very strong. With returns on financial assets well in excess of the interest cost to the authority there is no incentive to repay loans and, given uncertainty about the future, authorities may be unwilling to reduce the level of rates charged to consumers. Consequently holdings of financial assets are allowed to increase and authorities make a substantial gain, at the expense of the State government, on holdings of those assets which are covered by subsidised debt.

(iv) The level of financial asset holdings must also partly reflect inadequacies of financial management, deriving again to some degree from the multiplicity of authorities. When there are so many independent authorities the financial expertise available to many authorities will be limited, their financial position vis-a-vis the banks and other financial institutions will be relatively weak, there will be few opportunities to offset fluctuations in cash flows and there must be considerable uncertainty about future borrowing options. While it is probably the case that better procedures in individual

authorities could improve cash flow management, the main needs here seem to be for a reduction in the number of independent authorities and for a centralised financial management system. Both of these are taken up in the next chapter.

### Borrowing

Another element of our conundrum concerning the financial and expenditure activities of these authorities is their borrowing powers, and the extent to which these powers are being utilized in a situation in which funds for capital expenditure are asserted to be extremely tight. The borrowing powers of these as of other public bodies are under the general regulation of the Loan Council, and aspects of these matters are dealt with more fully in Chapter 12. The Loan Council regulates the borrowing of all semi-government authorities wishing to borrow more than a given annual amount (\$1.0 million up to 1978-79, \$1.2 million thereafter) in respect of both amount and terms and conditions, but the borrowing of authorities wishing to borrow less than this amount is controlled only in respect of terms and conditions. Although the matter is not explicitly canvassed in the 'Gentlemen's Agreement' the convention is that short-term borrowings of authorities, such as by overdraft, are not subject to Loan Council approval, and neither are advances to authorities by the State or Federal governments. Victorian water and sewerage authorities are permitted by the State government to utilize overdraft facilities up to predetermined limits.

Thus each water and sewerage authority is now permitted by the Loan Council to borrow up to at least \$1.2 million each year in addition to overdraft finance and government advances, while a few larger authorities are authorized by the Loan Council to borrow amounts in excess of \$1.2 million. In practice the vast majority of authorities do not borrow anywhere near their theoretical maximum. Table 9.7 provides some information on borrowings over the 1977-1979 period by the 277 authorities covered by the Public Bodies Review Committee survey. The figures shown in that table refer to net borrowings in the sense that they exclude borrowings for conversion or redemption purposes, but they do not refer to the net change in debt (i.e. they do not take account of movements in financial assets). They also include borrowings from the State government and by way of overdraft. It should also be noted that in the period covered by the table the Loan Council maximum for 'smaller' authorities was \$1 million.

**Table 9.7** Borrowing by Water and Sewerage Authorities 1977-79 (Includes advances from State government, and overdraft and any other short-term borrowings).

Borrowing	Number of Authorities		
	1977	1978	1979
Less than \$200,000	239	243	236
\$200,000 to under \$500,000	23	18	25
\$500,000 to under \$1 million	6	5	7
\$1million to under \$1.5 million	3	7	4
\$1.5 million and over	6	4	5
<b>Total</b>	<b>277</b>	<b>277</b>	<b>277</b>
	Amount Borrowed (\$million)		
Authorities borrowing less than \$1 million (Number of authorities)	15.3 (268)	15.9 (266)	19.5 (268)
Authorities borrowing \$1 million or more	15.7	17.1	20.4
<b>Total borrowing</b>	<b>31.0</b>	<b>33.0</b>	<b>39.9</b>
of which:			
Borrowing approved by the Loan Council for larger authorities	6.2	7.3	9.0

Source: Public Bodies Review Committee survey on water and sewerage authorities.

The data collected in Table 9.7 are most striking. Even in the broad sense of borrowing used here, only 15 (in 1977) or 16 (in 1978 and 1979) authorities borrowed more than \$500,000 each year. Between 85 per cent and 87 per cent of authorities covered did not even borrow \$200,000, while on average 22 authorities or 8 per cent of the sample borrowed between \$200,000 and \$500,000. Of the authorities who borrowed less than \$500,000 in a year the average borrowing per authority was \$42,400 in 1977 (262 authorities), \$48,300 in 1978 (261 authorities) and \$55,900 in 1979 (261 authorities). In other words, the vast majority of authorities, about 85 per cent, undertake annual borrowing of less than \$500,000, and the average borrowing undertaken by the authorities is very low, amounting to only about 5 per cent of their prescribed limit. What is more, only 20 authorities out of the 277 borrowed more than \$500,000 in any one of the three years covered by the table.

Why is it that, when capital funds are supposedly so tight, the borrowing by the vast majority of authorities is so limited? Part of the answer must be that a significant proportion of the demand for new services is in new areas covered by the larger authorities, and they are in fact being substantially restricted in their borrowing. While this must contain some element of truth, two facts indicate that it cannot be the total explanation. One is the fact that, partly because of allocations to the Geelong Waterworks and Sewerage Trust, loan allocations from the Loan Council to authorities borrowing more than \$1.2 million have been quite strong in recent years. These approved borrowings increased from \$8.64 million in 1976-77 and \$10.80 million in 1977-78 to \$14.25 million in 1978-79 and \$14.2 million in 1979-80. So the funds that the very largest authorities have been permitted to borrow have in fact been increasing significantly. Secondly, in the years covered by Table 9.7 there were very few authorities pressing the borrowing limit of \$1 million. Only six authorities per year on average were borrowing between \$500,000 and \$1 million, and none of these were borrowing more than \$800,000 in any year. So there is no evidence here of a substantial number of authorities pressing the borrowing limit and showing signs of having their desired borrowing programmes curtailed by the Loan Council restrictions. We must look elsewhere for the dominant reasons for the low level of borrowings by most authorities.

Virtually all the borrowings undertaken by water and sewerage authorities are now at subsidised rates, mainly at the subsidised rate of 3 per cent on government and private loans. With interest rates on semi-government securities in excess of 15 per cent in 1981, the level of subsidy involved here is very high, and not surprisingly authorities are unwilling to proceed with works on an unsubsidised basis if there is a reasonable chance that subsidised funds will be available in the future. In the Loan Works Programmes for 1979-80 and 1980-81 only the Geelong Waterworks and Sewerage Trust, the Dandenong Sewerage Authority and Springvale and Noble Park Sewerage Authority were provided with any allocation for unsubsidised borrowing, and these above authorities are specifically established by statute and are denied subsidies on loan expenditure. Our survey of other authorities indicates that a handful of authorities undertake small amounts of unsubsidised borrowing, but for the 274 authorities covered other than the three above subsidised borrowing accounted for 94.5 per cent of total borrowing in 1978-79. Borrowing at unsubsidised rates is not in fact a significant part of the financial operations of these authorities.

Given its high and rising cost to the Victorian budget, the amount of subsidised borrowing by the authorities is closely controlled by the State Treasury. In 1980-81, for example, interest subsidised borrowing by local water and sewerage authorities approved by Treasury (other than Works and Services advances) totalled \$31.857 million, an increase of only 4.9 per cent on the approval of \$30,357 million for 1979-80. Thus although advances from the Works and Services account increased by 12.6 per cent to \$6.08 million, the total loan allocation excluding unsubsidised borrowings on the open money market grew by only 5.8 per cent to \$37.937 million, and so fell by about 6 per cent in real terms. Indeed this allocation was only 3.8 per cent higher in 1980-81 than in 1977-78, and in real terms had fallen by about 23 per cent over those four years. Information is not available on the requests by authorities for a subsidised borrowing allocation, but there are data on the level of works deferred because loan funds are not available. In 1979-80 the level of works planned by local water and sewerage authorities but deferred because of lack of funds was \$84.5 million, but this increased by \$23.4 million or 27.7 per cent in 1980-81 to a total of \$107.9 million. Thus it is clear that there is a substantial backlog of loan requests which cannot be approved because of the cost of the subsidies to the Victorian budget.

It is apparent, then, that a number of familiar responses to subsidised interest rates are taking place in the Victorian water industry. Because of the wide disparity between subsidised and other interest rates, authorities are most reluctant to finance capital works from funds borrowed at unsubsidised rates on the open market. But because of the increasing cost of the subsidy to those footing the bill, here the State government, the supply of these subsidised funds has been drying up and the industry has become most conscious of a shortage of capital. To a large extent, however, the shortage is of subsidised capital rather than an inadequacy of general borrowing allocations available under the Gentlemen's Agreement. The Victorian water industry has become dependent on subsidies and because of this dependence is unable to make use of the wide powers for unsubsidised borrowing still available to it.

#### Capital Expenditure

The third element of our conundrum concerns the subdued level of capital expenditure which apparently prevails in the relevant aspects of the Victorian water industry, and its relationship to the supply of loan finance, the low rate of usage of borrowing powers and the high levels of financial asset holdings. Unfortunately, discussion of this topic is hindered by the fact that State Rivers does not appear to have statistical information on actual expenditure on new fixed assets by water and sewerage authorities, as opposed to movements in the main sources of loan finance available to these authorities. It is clear that, when authorities overall hold financial assets equivalent to about eighteen months capital expenditure, movements in sources of loan finance may prove to be a quite inadequate measure of actual expenditure on new fixed assets.

We have already referred to aspects of the availability of loan finance for local authorities, but the full loan allocation programme for 1976-77 to 1980-81 is approved by Treasury and the Minister of Water Supply is summarised in Table 9.8. While these data are not equivalent to capital expenditure data, the foundations for the view that capital expenditure in this area has been weakening in recent years are apparent from that table. The total allocation of loan finance for these authorities was about 15 per cent lower in real terms in 1980-81 than in 1976-77, having remained roughly constant in the first two years of this period but then falling by more than 15 per cent in the two years

Table 9.8 Local Water and Sewerage Authorities - Loan Allocations 1976-77 to 1980-81

	1976-77	1977-78	1978-79	1979-80	1980-81	Percentage change 1976-77 to 1980-81
(\$million, current prices)						
Works and Services Account	6.61	7.645	8.7	5.10	5.78	-12.6
Private Loan						
Subsidised						
Sewerage	17.81	19.80	21.61	20.457	20.457	14.9
Water (including water treatment)	7.49	8.20	9.10	8.70	10.20	36.2
Unsubsidised	4.038	5.50	7.25	7.20	12.80	217.0
Total Private Loan	29.338	33.50	37.96	36.357	43.457	48.1
National Sewerage Programme	4.0					
Total Allocation	39.948	41.145	46.66	41.457	49.237	23.3
of which: Geelong Water and Sewerage Trust	1.938	2.80	4.55	4.50	10.70	442.1
Total excluding Geelong	38.01	38.345	42.11	36.957	38.537	1.4
(\$million, constant 1974-75 prices)						
Allocation at constant 1974-75 prices <sup>1</sup>						
Total allocation	30.7	29.3	31.1	24.6	26.0	-15.3
Geelong Water Sewerage Trust	1.5	2.0	3.0	2.7	5.7	280.0
Total allocation excluding Geelong	29.2	27.3	28.1	21.9	20.4	-30.0

1 Deflated by the implicit deflator for all public sector capital investment.

Source: State Rivers and Water Supply Commission, Local Authorities Division, Loan Works Programme, 1979-80 and 1980-81, and estimates of the

to 1980-81. But the overall allocation from 1978-79 includes borrowings permitted to the Geelong Waterworks and Sewerage Trust under the Loan Council infrastructure programme, and some larger sewerage authorities have also received larger allocations in recent years. Excluding borrowings by the Geelong Trust, the real value of loan allocations was 30 per cent lower in 1980-81 than in 1976-77. As we have already noted, this fall has been concentrated in subsidised allocations from the Works and Services Account and from private loans.

There seem to be only two sources of data available on actual capital expenditure on new fixed assets by water and sewerage authorities, namely that available from the Bureau of Statistics and brought together in Table 8.4 and that available from the Public Bodies Review Committee survey, summarized in Table 9.6. Although the measures differ in coverage and scope, they both confirm the picture of a fall in real capital expenditure at the end of the 1970s, although the survey data show some continued growth in investment by local authorities as a whole up to 1978-79. The Bureau data do not enable us to distinguish capital expenditure by SRWSC itself from that by local authorities. However, they indicate that the combined volume of capital expenditure was broadly constant over 1976-77 to 1978-79 at a level some 12 per cent below the 1975-76 peak. Our survey and other sources suggest that real investment by both the Commission and local authorities fell sharply in 1980-81, and according to the survey the volume of investment by the 275 authorities covered other than the Geelong Waterworks and Sewerage Trust and the LaTrobe Valley Water Sewerage Board was about 14 per cent lower in 1979-80 than in 1976-77, while the loan allocations data indicate that a further fall may have been experienced in 1980-81.

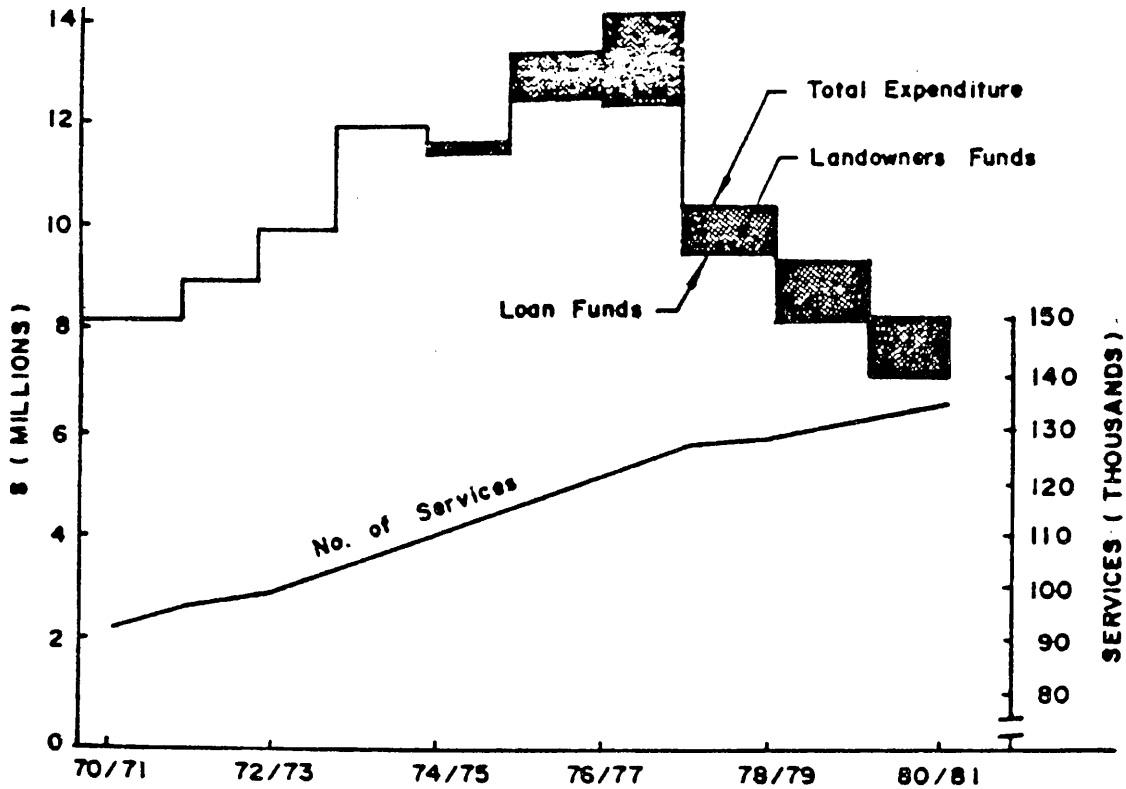
There is no immutable law which requires that the capital expenditure of a given industrial sector must either maintain a given level or continue to increase, and the possibility needs to be explored that this fall in investment reflects a decline in demand for new water and sewerage services as the needs of the community become more fully met. Assessment of this question is complicated by the magnitude of the subsidies available in the system, for there may be a demand for subsidised services which would not exist if full economic costs were to be borne. Indeed, we have just noted that the usage of unsubsidised borrowing powers is very low. However, the Commission is



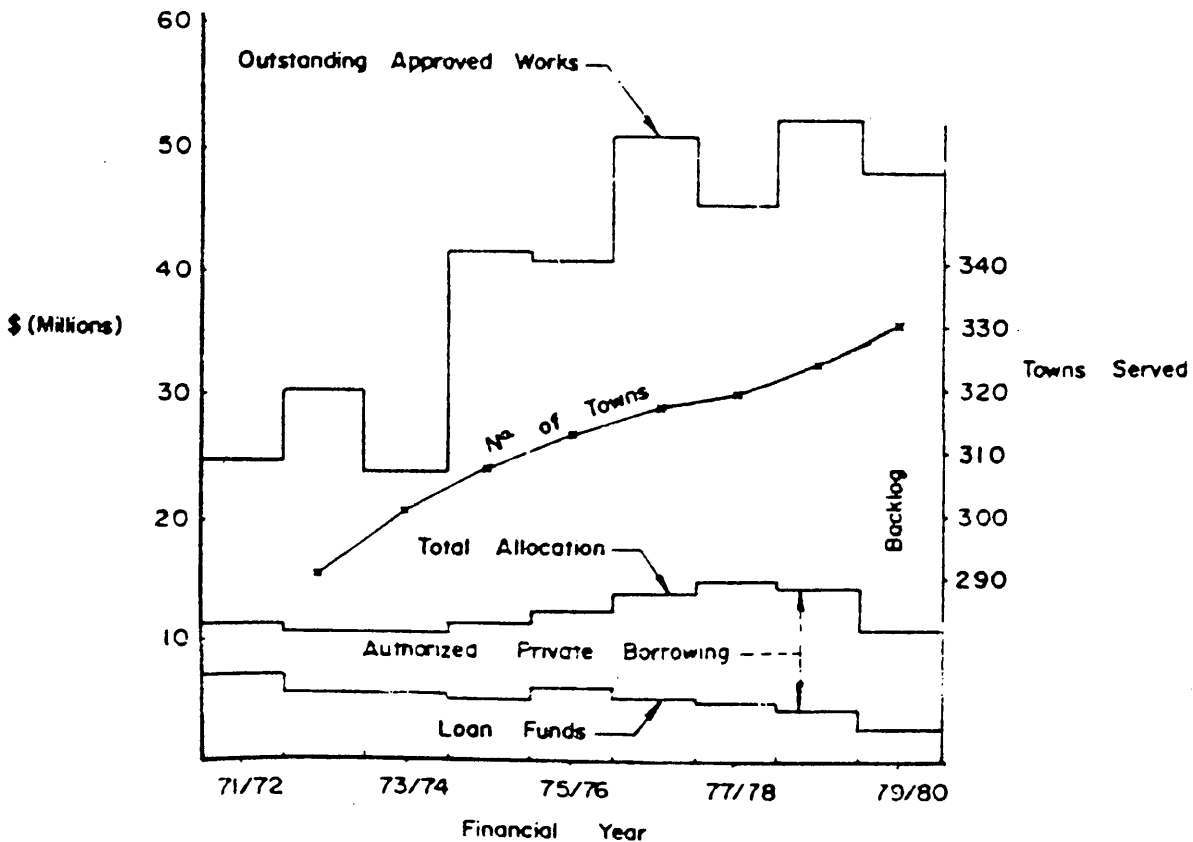
strongly of the view that, far from being saturated, there is a widespread unsatisfied demand for water and sewerage services. The two panels of Chart 9-A refer to finance and services in Commission Districts and in local authorities areas respectively. Panel (i) indicates the way the volume of capital funds available in respect of Commission urban systems has fallen since 1976-77 while the number of services supplied by these systems has continued to grow. Panel (ii) shows the widening gap for local water authorities (excluding the Geelong and LaTrobe Valley authorities again) between the real value of loan allocations and the volume of outstanding approved works, or in other words the increasing backlog of approved works for which funds are not available. It is apparent that the growth in this backlog is associated with the steady increase in the number of towns serviced by these authorities. While strictly comparable data are not available for 1980-81, we have already pointed out that total deferred works increased by 27.7 per cent in 1980-81 and that the real value of loan allocations (excluding Geelong) fell again.

These facts amount to a persuasive case for the view that there is widespread unsatisfied demand for water and sewerage services outside the Melbourne metropolitan area, although the extent to which this demand is a product of the degree of subsidy available remains a major uncertainty. Other aspects of the system for planning, analysing and financing investment in these areas also remain matters for concern. The Commission has indicated that the shortage of funds is leading to the use of inadequate expedient measures which hinder long-term systems development, one example being the use of temporary cross connections and booster pumps which lead to water quality problems when peak demand develops. It is also clear that there is no effective consultation between the Commission and the Treasury or any other central government body about planning strategies for the medium term, the effect of financial decisions and so on. As the Victorian system currently stands, the responsibility for installing, developing and implementing local investment programmes stands with the 350 local authorities. With so many individual authorities, and with Commission staff hard-pressed, there must also be serious concerns about the quality of project planning, evaluation and assessment, particularly in regard to the setting of priorities on both economic and non-economic grounds between a wide range of competing alternatives.

Chart 9-A



Panel (i) Capital Expenditure in Main Commission Districts (1979 prices)



Panel (ii) Loan Funds and Approved Works, Local Water Authorities (1979 prices)

## Chapter 10

### Policy Issues and Recommendations

It is clear from the analysis so far that the public sector water industry in Victoria is in considerable disarray. Investment is falling and seems to be well short of meeting demand, in spite of very large subsidies and high levels of holdings of financial assets, and the inadequacy of investment is affecting the quality and efficiency of the physical supply systems. The system of subsidies is antiquated, inefficient and inequitable and, partly as a result, the pricing system is most unsatisfactory and is undoubtedly contributing to the inefficient use of resources in this area. The dependence on subsidies has also led to authorities being unwilling to utilize available sources of unsubsidised finance and, together with the lack of any system of central financial management and other factors, has contributed to the generation of very large holdings of financial assets. In our view these and other problems basically arise from four inter-related aspects of the industry - the system of subsidies, the fragmented nature of its organizational structure, the lack of any centralized financial systems and pricing policy - and recommendations in these four areas occupy most of the remainder of this chapter.

#### Subsidies

The issue of subsidies for water and sewerage authorities and districts in Victoria breaks up into three parts - whether there should be overall subsidies for the provision of water and sewerage services outside metropolitan Melbourne, whether there should be differential levels of subsidy (or cross-subsidies if there is no overall subsidy) between individual authorities, and how subsidies to individual authorities can be reconciled with the economic need to relate charges to marginal costs, so that inefficient use of these services is discouraged. Each of these issues are taken up briefly below. We do not consider at all here the question of subsidies to rural water supply (as opposed to urban supply outside the metropolitan area). These subsidies, which amounted to some \$33 million in 1978-79 (see Table 9.2) urgently need to be reviewed in the context of an overall review of assistance to Victorian agriculture. But they are outside the scope of this Report and are not examined further. Our concern is with subsidies to urban water supply and

sewerage, which amounted to \$32 million in 1978-79 (Table 9.2) in terms of the average cost of capital employed but whose value is much greater in terms of the opportunity cost of capital.

The question of whether there should be overall subsidies for the provision of water and sewerage services outside the metropolitan area is a broad policy issue, involving the whole set of the Government's policies towards the relative costs of living in country and city areas. What is beyond dispute is that over the past twenty years the overall level of subsidy has grown out of control, to the extent that average water supply and sewerage bills in local authority areas were well below those in unsubsidized regions (See Table 9.1). In both Commission districts and local authority areas average actual water bills in 1978-79 were, after subsidy, less than half of the target presented by both the 1944 and 1964 Committees of Inquiry (an annual household water bill equal to one week's basic wage) and indeed the unsubsidised cost of water was in 1979 only 59 per cent of this target in local authority areas and 79 per cent of it in Commission districts. For sewerage, the average charge for sewerage in local authority areas is only half that in the MMBW areas. Taking water and sewerage together, the average actual cost of these services per rated building was virtually identical in local authority areas and MMBW areas, but because of subsidies the actual bill to consumers of these services was 35 per cent lower in local authority areas.

Having regard to these facts, and to the need to integrate the provision of water and the sewerage, there is in our view a strong case for phasing out overall subsidies for these services entirely, with the limited exceptions noted below. Even after the distorting effects of three decades of subsidy the average costs of supplying urban water and sewerage services in city and country districts are similar, and there can be no justification for providing massive subsidies in aggregate to one rather than the other. Indeed, if more rational pricing and organizational structures were adopted in the water industry, the cost of provision of these services in country areas might indeed fall below those in metropolitan Melbourne.

To say that overall subsidies to the country urban water and sewerage industries should be largely eliminated is not to deny that there should be substantial cross-subsidisation within the industry. As has been noted above,

the average cost of providing both water and sewerage services differs dramatically between various authorities and districts. Now while cognizance must be taken of these variations in setting charges, so that uneconomic developments are not encouraged by incorrect relative prices, there is also a strong equity case for evening out some of these variations in setting charges. Again part of the problem is the highly disaggregated nature of the industry because the smaller the area of provision the more likely it is that geographical and economies of scale factors will affect relative costs of supply.

Our basic recommendation here is as follows. As argued below, we believe that there is a strong case for re-organizing the existing water and sewerage authorities into a much smaller number of authorities (say 15-25), which would have overall regional responsibility for both water and sewerage and which may, in some cases, have a close association with one or more municipalities. These authorities should adopt a uniform charge for the provision of basic water and sewerage services, thus facilitating a degree of cross-subsidization between areas within each region. But the services provided for this common charge should be tightly restricted, and excess charges should be established which bear a close relationship to the marginal cost of providing the services in each area. In this way some weight can be given to both the equity case of consumers in high cost areas and to the economic need to relate charges to marginal costs so as to discourage uneconomic usage. In general regions should be expected to provide water and sewerage services without subsidy, but consideration could be given to providing direct revenue subsidies to regions whose average cost of water supply and sewerage provision was (say) 25 per cent in excess of that for the Melbourne metropolitan area. Whether or not some subsidies are provided, these larger authorities should be expected to operate as business authorities in the sense explored in detail in Part II of this Report, and to meet, as far as is practicable, the recommendations in relation to the major business authorities in the Victorian public sector. This issue is taken up further below when we consider pricing policy.

### The Structure of the Water Industry

One theme running through this chapter has been the problems generated by the highly fragmented nature of an industry whose activities are carried on by

about 350 independent bodies. It has been suggested that this fragmentation must:

- . hinder the development of the most efficient forms of water and sewerage provision, as a result of the areas in which independent initiative and responsibility are vested being in many cases smaller than the optimal planning area;
- . encourage the use of the simple forms of financial management, such as holding of liquid assets, at the expense of more efficient methods;
- . limit the extent to which authorities can utilize available borrowing power and can undertake large scale projects;
- . greatly complicate the task of planning, co-ordination, data collection and supervision at the level of the Victorian government, and so hinder the development of rational policies towards the industry as a whole in Victoria;
- . generally hinder processes of analysis of investment, financing, pricing and subsidy developments in individual regions of Victoria so that distinctive policies for each region are hard to develop.

None of this is intended to deny that, especially in an industry in which variations in geographical and hydrological conditions are of the utmost importance, there are strong grounds for substantial decentralization of initiative and responsibility. But it does seem indisputable that the present degree of decentralization in the Victorian water industry is inefficient to the point of absurdity.

It is beyond the scope of this Report to make detailed proposals as to the form of administrative re-structuring which would be appropriate. We seek only to make four points. Firstly, the new organisational structure should be closely related to the physical and economic facts of the water industry so that they readily facilitate water and sewerage developments on the optimal economic scale. Secondly, this implies that there is a strong case for bringing

the various aspects of the water industry in a given region - water supply, sewerage, drainage and flood protection - under a single authority, so that the maximum degree of integration of these activities can be obtained. Thirdly, the activities of the water industry are clearly closely related to many activities currently carried out by municipal councils, so that there must be a strong case, in appropriate circumstances, for closer integration of water authorities and municipalities. These points together imply broad support for Options R4 and L4 as outlined in the Public Bodies Review Committee Report Future Structures for Water Management Part I 1981. Fourthly, while the present unsatisfactory Loan Council arrangements for borrowing by smaller authorities remain in force it may be necessary to retain formally several authorities associated with each structure, so that borrowing powers are not unduly reduced by the re-organisation. Given the low average level of borrowings by authorities, and the ease with which formal structures can be retained or re-created, we do not see this as a major problem for the proposed re-organisation. Generally we assume here that the results of this re-organisation would be to reduce the number of local water authorities from about 345 to 15-25 authorities.

#### Central Financial Management and Borrowing Agency

Whether or not such a re-organisation is implemented we strongly recommend the establishment of a centralized Financial Management and Borrowing Agency to improve the efficiency with which the existing financial resources of the industry are utilized and to rationalize borrowing procedures. In our view the costs of such a change in terms of some loss of independence by individual authorities would be far outweighed by the efficiency gains.

There are various ways in which a system of centralized financial management might operate. Perhaps the simplest way would involve the creation of a Water Industry Management Account either in one or perhaps in each of the major banks operating in Victoria. Every local water or sewerage authority would be required to hold a high proportion of its financial assets in this account. By agreement with the banks, and for a suitable management fee, each authority would hold an individually designated account or set of accounts (e.g. Water and Sewerage Management Account - Donald Sewerage Authority No. 1) which would be treated by the branch bank as an individual account but the overall balances for all the Management Accounts would be cumulated in the Melbourne head office

of the bank and would be available to the operating agency (the SRWSC or some other body) for disbursement or investment. Individual authorities would be free to choose any of the forms of current or fixed deposit available at any time in the banking system, although perhaps with a limitation on the term of the deposit. The charge to the operating agency for this service could probably be negotiated with the banks on the basis of the sum of the interest payments made to individual authorities plus a fee for the provision of the facility. We can see no reason why authorities could not be required to move all bank deposits into this account quite quickly, and a substantial proportion of other financial assets could be transferred into the account over a more extended period. According to the figures provided above, this implies that deposits in the account should total about \$60 million after it has been in operation for a year or so. The only constraint on the freedom of individual authorities would be the requirement that they use this Account for the bulk of whatever financial assets they decide to hold.

The second element of the present proposal is that the authority operating the Management Account also be empowered to operate a centralized borrowing facility. There obviously are inefficiencies involved in 350 separate authorities all undertaking their borrowing independently. These will include limited access to the cheaper sources of finance, a weak bargaining position when financial conditions are tight, limited ability to co-ordinate timing of borrowings with expenditure requirements and inability, apart from a few of the largest authorities, to borrow funds direct from the public. Much would be gained, therefore, by having a central authority borrow regularly on behalf of local authorities and provide those funds, in co-ordination with the cash management process, to local authorities as required. Such a central agency could handle both public and private borrowing, and could even issue specific securities for water industry borrowings from the public ('Water Industry Bonds') designated as being the borrowings of individual authorities. In view of the frequent reports which are heard about municipal authorities having trouble filling borrowing programmes, such an agency might eventually extend this borrowing facility to local councils. In the case of both water industry authorities and councils participation in the borrowing facility should be optional.



Taken together these two innovations - a Water Industry Management Account and centralized borrowing operations by the authority managing that Account - should vastly improve the financial management of the water industry. It has been noted above that the industry holds large quantities of financial assets which are not being utilized for capital expenditure and borrows only a small proportion of funds available to it under Loan Council rules. For example they would enable local authorities to

- . reduce their holdings of financial investments in favour of capital expenditure, because temporary financing facilities are available from the Management Account;
- . borrow closer to their limit and hold the funds in the Account until required;
- . plan capital developments with assurance that an agreed flow of funds will be available over several years;
- . borrow from the Account to fund peaks in capital expenditure in particular years and so on.

In short these innovations would, in our view, make a major contribution to both increased financial efficiency and to increased capital expenditure in the Victorian water industry.

Two final comments must be made concerning these proposals, by way of elaboration and qualification. On our understanding of the meaning of the Financial Agreement and the practices of the Gentlemen's Agreement (see Chapter 12 below) there are three ways in which these proposals might be consistent with these Agreements. Firstly, if the Water and Sewerage Act were amended to require authorities to hold financial assets in the Management Account, these funds might then be "public moneys of the State which are available under the laws of the State" (Financial Agreement 5-(1)-(b)) in which case they could be used for any purpose whatsoever. Were this is the case, there would be no restraints on the use of these funds by the operating authority to increase capital expenditure in the industry, and funds advanced from the Management Account would not count as part of borrowing by local authorities for Loan Council purposes. Secondly, the Financial Agreement allows a State to

"borrow moneys within the State from authorities, bodies, funds or institutions (including Savings Banks) constituted or established under Commonwealth or State law or practice" (Financial Agreement 5-(1)-(a)) without controls as to amount by the Loan Council provided that securities are not issued. The State is free to use such funds borrowed without the issue of securities for any purpose. As there would appear to be no need to issue securities in respect of prescribed deposits by local authorities in the Management Account, the State should be free to use these funds for any purpose, including advances to authorities for capital works. Again, advances from the management Account would not be included in borrowing by local authorities for the purposes of the Gentlemen's Agreement, just as advances from the State government are currently not so included. But the legal position in regard to these issues seems to be quite uncertain, and this may not be an acceptable interpretation. Thirdly, however, it is clear that local authorities can borrow for temporary purposes without Loan Council control as to amount, and this freedom would be sufficient to facilitate the operation of our proposal.

The other comment concerns the role of interest subsidies in limiting borrowing and investment in the water industry. To the extent to which the effective constraint is the supply of subsidised finance, the proposal made here will be limited increasing the effective availability of funds for investment, unless the authorities are willing to subsidize the operations of the Management Account. Thus these proposals will have their greatest importance once the industry begins to be weaned from its dependence on subsidy and to seek greater utilization of unsubsidised capital. In the short run, and to the extent to which the supply of subsidy is the dominant constraint on borrowing and investment, the best thing the government could do to increase the level of investment in the industry is to reduce the degree of subsidy and thus increase the volume of loan funds which can be serviced by a fixed amount of subsidy.

#### Pricing Policy and Other Issues

According to the criteria employed earlier in this Report (that a business authority is one producing goods and services financed in the main by charges on consumers) the local water and sewerage authorities are business authorities, although this becomes less apparent as the industry becomes

distorted and dominated by subsidies. Nevertheless we believe that the authorities emerging from any re-organisation of the water industry should be expected to act fully as business authorities, and meet conditions including the usage of uniform methods of accounting and reporting which acknowledge the effects of inflation, preparation of detailed capital plans and utilization of adequate methods of investment appraisal, and periodic reviews of managerial and financial efficiency.

In particular, however, it follows that water and sewerage authorities should follow pricing policies which aim to recover total costs of services provided, including depreciation at replacement cost, all capital charges and other costs such as superannuation, workers' compensation and insurance, and in addition to earn some small but positive real rate of return on funds employed. If these pricing policies are followed, authorities should be able to finance a significant part of their new investment from internally generated funds. When it is the policy of the State government that charges to consumers in a given area should be lower than is implied by such a pricing policy, this should be achieved by a single explicit subsidy which can be clearly located in the accounts of the authority. Thus the performance of authorities can be monitored on a systematic basis even though there are differences between authorities in the degree of subsidy received. In setting charges for excess usage of services, it is important that authorities have regard to the marginal cost of providing services in different areas, so that an optimal pricing structure might involve a standard fee within a region for basic services and a charge for additional services which varies within the region in line with variation in marginal costs.

One other issue which seems to us to be of considerable importance, has not been considered in this Report because of the limited time available. This concerns the adequacy of property rates as the basic form of charge for water and sewerage. There must be serious questions about whether this remains an appropriate way of levying these charges, and we recommend that this issue be the subject of further investigation by the Public Bodies Review Committee.

## Chapter 11

### The Financial Authorities

The Victorian public bodies sector, as it has been defined throughout this Report, includes many authorities whose activities are primarily of a financial nature, and which are referred to here as the financial authorities. These authorities are divided here into three categories - those engaged in the provision of superannuation and related benefits, those involved in the general field of insurance and a third group covering a range of financial activities. It should be re-iterated that the State Bank of Victoria is taken to be outside the scope of this Report.

The information available within the State about superannuation funds and related bodies is most unsatisfactory. The Government Statistician (Mr. J.M. Ryder) indicated to the Public Bodies Review Committee in a letter that "there is no authoritative list of Superannuation Schemes with State Government connections" and certainly the flow of information in respect of this major area of public sector activity needs to be greatly improved. There seems to be a strong case for a Public Bodies Review Committee reference to this area.

The major public sector superannuation body in Victoria is the State Superannuation Board, which is responsible for administering the Superannuation Fund (covering employees of the public service, the railways and some statutory bodies, and teachers), the Pensions Supplementation Fund, the Married Women's Superannuation Fund and the Parliamentary Contributory Superannuation Fund. The Hospitals Superannuation Board provides a superannuation scheme for employees of participating hospitals and other institutions while the Local Authorities Superannuation Board operates schemes to provide pensions, retiring allowances and disability benefits for permanent employees of local government bodies. The following public authorities are listed in the Superannuation Benefit Regulations 1979 as prescribed public authorities for the purposes of the Superannuation Benefits Act 1977, which in effect means that they are permitted to establish their own independent superannuation funds:

Australian Barley Board  
 Gas and Fuel Corporation of Victoria  
 Grain Elevators Board  
 Housing Commission (Holmesglen Constructions)  
 Melbourne and Metropolitan Board of Works  
 Melbourne and Metropolitan Tramways Board  
 Melbourne Underground Rail Loop Authority  
 Melbourne Fire Brigades Board  
 Port of Melbourne Authority  
 Portland Harbour Trust Commissioners  
 State Electricity Commission of Victoria  
 The Commissioners of the State Savings Bank of Victoria  
 The Geelong Harbour Trust Commissioners  
 Victorian Dried Fruits Board  
 Victorian Egg Marketing Board  
 West Gate Bridge Authority

In addition the State Employees Retirement Benefits Board was established on 23 January 1980 to provide superannuation benefits for certain employees of the Country Roads Board and State departments, together with some other officers not otherwise covered by superannuation benefits. Another related body is the Building Industry Long Service Leave Board, which was established in 1975 to receive deposits from employers and to administer long service leave benefits in the building industry. There are also a number of other superannuation schemes, funds, and related bodies.

By comparison with this complex and confusing picture in regard to superannuation funds the Victorian public sector involvement in insurance is more clear cut. The dominant institution is the State Insurance Office, which was established in 1975 to assume the functions of the State Accident Insurance Office and the State Motor Car Insurance Office. The main business transacted by the Office concerns employer insurance against workers compensation and comprehensive and third party motor vehicle insurance. On a much smaller scale, the Motor Accident Board was established in 1973 to pay compensation to individuals (or their relatives) involved in motor vehicle accidents, funds for these payments being obtained from authorized insurers and from surcharges on certain drivers. While some other authorities, such as the MMBW, act as their

own insurers there seems to be no other significant Victorian public body whose primary activity is the provision of insurance services.

There are a number of other substantial Victorian public bodies whose activities are primarily financial, although the distinction between financial and other bodies is not a sharp one. For example, the Rural Finance Commission provides financial assistance to primary and secondary industry in rural Victoria as well as having administrative responsibility for a range of government programmes for the rural sector. To this end it has received loans and advances from the Victorian government of \$140 million and had loans outstanding to clients of \$135 million at 30 June 1980. The Home Finance Trust fills a similar function in relation to housing, borrowing funds from banks and insurance companies and lending them as first and second mortgage finance to approved borrowers. The Credit Societies Reserve Fund Advisory Committee operates the reserve funds for credit co-operatives. The Public Trustee manages the estates of individuals who are incapable of managing their own affairs and of certain other persons, and may be appointed executor of a will in certain circumstances. The Victorian Development Corporation is provided with advances from the Works and Services Account in the Budget and has limited borrowing powers so that it may facilitate the development of industry outside of Melbourne and of tourist facilities throughout the State. Numerous other public bodies of a similar nature could be included here, but given the time and resources available our discussion cannot attempt to be exhaustive, and the analysis which follows is confined to the bodies listed above, although individual information is not available on some of the superannuation funds.

The magnitude of the activities of these authorities is evident from Table 11.1, which indicates that the 19 Victorian public sector financial authorities with which we are mainly concerned in this chapter (the twelve superannuation funds and related bodies listed in Table 11.4 and the seven bodies mentioned in the last two paragraphs) had total investments of \$2270 million at 30 June 1980. While data are not available on the total assets of all financial institutions in Victoria, whether private or public, our estimates on the basis of Reserve Bank data for Australia as a whole suggest that these 19 institutions hold close to 10 per cent of the assets of all non-bank financial institutions in Victoria. What is more, the growth rate of these assets (an average annual rate of 19.5 per cent between 30 June 1978 and

Table 11.1 Investments of Selected Victorian Public Sector Financial Authorities (\$million and per cent; data refer to 30 June of each year, or balance date nearest to that date; figures in brackets are percentage changes over the previous year)

	1978	1979	1980
Superannuation Bodies	891.9	1046.6 (17.3)	1229.2 (17.4)
Insurance Bodies	595.7	769.3 (29.1)	910.0 (18.3)
Other Financial Bodies	103.4	121.3 (17.3)	131.2 (8.2)
<b>Total</b>	<b>1591.0</b>	<b>1964.2</b> (23.4)	<b>2270.4</b> (15.6)

Source: Public Bodies Review Committee survey of Victorian public sector financial authorities, and Supplementary Reports of the Auditor General.

30 June 1980) appears to be well in advance of the rate of growth of the assets of all Victorian financial institutions.

### The Superannuation Funds

#### Scale of Operations

Given the size of the public sector in the Victorian economy, and the much higher incidence of superannuation schemes among public than private sector employees in Australia, it is to be expected that the provision of superannuation for Victorian government employees amounts to a major industry. Just how large that operation is can be seen not only from the asset data of Table 11.1 but also from the comparative data assembled in Table 11.2 for 1977-78. These data show that the level of superannuation business flowing through the various public sector funds in Victoria was approximately comparable to the level of superannuation business arising in Victoria for the Life Insurance Companies. For total contributions paid to the Victorian public sector funds amounted to 93 per cent of all superannuation premiums received throughout Victoria by life companies, while the number of persons covered by the public sector funds was 10 per cent greater than the number of Victorians whose superannuation business was handled through the life insurance companies. So, in regard to superannuation, the business transacted by superannuation funds in the Victoria public bodies sector is of the same order of magnitude as that carried out by the life insurance companies.

The scale of this business has expanded dramatically over the 1970s without any serious consideration of the implications of these developments, or even any apparent awareness at the government level of the magnitude of the changes which were taking place. There are two sources of information available to us concerning the activities of these superannuation funds. From 1963-64 the Australian Bureau of Statistics publication Public Authority Pension and Superannuation Schemes (Ref. No. 5.23) provided data on these Victorian funds, but publication ceased after the 1975-76 issue. However the Bureau has made available to the Public Bodies Review Committee selected data for Victoria consistent with this publication through to 1979-80. In 1981 the Public Bodies Review Committee sent a questionnaire concerning asset holdings to principal



**Table 11.2 Superannuation Business: Victorian Government Schemes and Life Insurance Companies, Victoria: 1977-78.**

	1. Separately Constituted Government Funds - Victoria 30 June 1977	2. Life Insurance Companies - Victoria December 1978
	(\$million)	
Contributions, premiums received	214	231
	(Thousand persons or policies)	
No. of contributors/policies of end of period	146	133

Source: Victorian data. Australian Bureau of Statistics Survey, reported in Victorian Yearbook, 1980 p.469  
 Life Insurance Company data: Life Insurance Australia, 1978, Australian Bureau of Statistics Cat. N.56220

public sector financial institutions in Victoria, and the coverage of the questionnaire included twelve superannuation funds and related bodies.

The Bureau of Statistics data covers, at 1979-80, 25 superannuation funds operated by 22 Victorian public bodies. These data, summarised in Table 11.3, document the rapid growth of these funds to the point at which at 30 June 1980 they controlled assets of \$1359 million. Between 1965 and 1980 the total assets of these funds increased at an average annual rate of 11.5 per cent, with the growth rate over the five years to 30 June 1980 being 111 per cent. In real terms, after deflation by the personal consumption deflator, the value of their assets increased by 82.0 per cent or 4.1 per cent per annum. This is more than double the real growth rate for the assets of all life insurance companies in Australia over this period, whose assets increased at an average annual rate of 10.1 per cent in current prices or 1.8 per cent in real terms over these fifteen years. The most important type of asset in the portfolios of these superannuation funds continues to be local and semi-government securities, which account for 37 per cent of their asset holdings at 30 June 1980, although their relative importance has declined considerably since 1965. As we shall see, there have been some large increases in holdings of some other types of asset over the past few years, particularly holdings of company shares, debentures and notes and some assets included in the 'other' category of Table 11.3.

#### Differences Between Funds

While detailed information by fund is available to us only for twelve superannuation funds and related bodies, and in full detail only for three years, nevertheless many differences between the various boards and funds stand out (see Table 11.4). For example, while total assets of these funds are growing very rapidly, by 37.8 per cent in the two years to 30 June 1980, there are marked variations in growth rates within authorities. For example, the Hospitals and Local Authorities Superannuation Boards both increased their assets by more than 50 per cent in these two years, while for the largest institution, the State Superannuation Board, asset growth amounted to 29 per cent. These and other variations reflect relative growth rates of different parts of the public sector, the extent to which increased coverage by superannuation schemes has occurred in different areas and so on.

**Table 11.3** Income and Assets of separately constituted Public Sector Superannuation Funds, Victoria 1965-1980 (\$million and per cent)

	1965	1970	1975	1980	Average annual rate of growth	
					1965-1975	1975-1980
<u>Income</u>	40.1	77.1	190.4	477.7	16.8	20.2
<u>Assets (in current prices)</u>						
Cash	1.0	1.0	40.1	34.3	44.6	-3.1
Commonwealth government securities	15.5	12.3	7.3	2.0	92.7	-22.8
Local and semi-government securities	155.0	247.5	303.7	450.8	6.9	8.2
Company shares, debentures and notes	4.7	17.9	72.9	161.0	31.5	17.1
Mortgages (housing)	0.3	3.1	25.6	70.9	55.9	22.5
Other	42.9	72.0	192.3	639.9	16.1	27.1
<b>Total Assets</b>	<b>219.4</b>	<b>353.8</b>	<b>641.9</b>	<b>1358.9</b>	<b>11.3</b>	<b>16.2</b>
<u>Assets (in 1974-75 prices)<sup>1</sup></u>	409.3	552.0	611.9	812.3		

**Source:** ABS: Public Authority Pension and Superannuation Schemes, Ref. No. 5.23, various issues, and unpublished data provided by the Bureau.

1. Deflated by the implicit deflator for personal consumption expenditure.

Table 11.4 Assets of Selected Public Sector Superannuation Funds and Related Bodies, Victoria 1978-1980 (\$million; data refer to 30 June of each year).

	Victorian Local and Semi- government securities		Other Assets		Total Assets		Per- centage Change % 1978-1980
	1978	1980	1978	1980	1978	1980	
Hospitals Superannuation Board	7.7	21.2	53.8	71.7	61.5	92.9	51.1
State Superannuation Board	217.9	250.4	172.0	251.7	389.9	502.1	28.8
Local Authorities Superannuation Board	75.2	111.5	35.2	55.7	110.7	167.2	51.0
Metropolitan Fire Brigades Superannuation Board	2.9	3.7	26.1	39.0	29.0	42.7	47.2
Geelong Harbour Trust Superannuation Fund	3.6	3.4	0.3	0.2	3.9	3.6	-7.7
Port of Melbourne Superannuation Fund			3.0	4.0	3.0	4.0	33.3
M.M.B.W. Superannuation Fund	6.2	14.3	25.2	33.6	31.4	47.9	52.5
SECV Superannuation Fund	37.2	37.2	177.7	253.1	214.9	290.3	35.1
SECV Employees Retirement Benefit Fund			8.1	12.1	8.1	12.1	49.4
Gas and Fuel Superannuation Fund	3.7	8.0	28.1	41.6	31.8	49.6	56.0
Pilots Superannuation Fund	2.4	2.0	0.3	0.1	2.7	2.1	-22.2
Buildings Industry Long Service Leave Board	2.1	7.1	2.9	7.6	5.0	14.7	194.0
<b>Total</b>	<b>358.9</b>	<b>458.8</b>	<b>532.7</b>	<b>770.4</b>	<b>891.9</b>	<b>1229.2</b>	<b>37.8</b>

But there are much more fundamental differences than these. One set of differences concerns the basic structure of the various superannuation funds. The superannuation funds of some of the major business authorities are wholly or partly invested in the operations of the authority, while this is not an option for funds which are not related to a business authority in this way. Thus all the assets of the Port of Melbourne Superannuation Fund are utilized in the parent body and interest is credited to the Fund, while at 30 June 1980 62.4 per cent of the assets of the SECV Superannuation Fund or \$181.1 million were so invested (including \$37.2 million invested in SECV securities) and for the Gas and Fuel Corporation Fund the proportion was 10.5 per cent, all of which was invested in Gas and Fuel securities. Most of the other funds provide benefits to contributors out of the income from their own investments, but the Hospitals Superannuation Board commits more than half of its assets to various life insurance companies under deposit administration and equity linked schemes. Thus three techniques for providing superannuation - using the funds in the parent body, building up a separate investment fund and making use of Life Office programmes - are used to varying degrees.

There are also wide variations between funds in the forms of asset held, and detailed information for 1980 is provided in Table 11.5. The two largest independent Boards, the State and the Local Authorities Superannuation Boards, account for nearly 80 per cent of investment in Victorian local and semi-government securities by these 12 funds although they possess only a little more than half the total assets, and together they hold 54 per cent of their assets in these securities. But both Boards, and particularly the State Superannuation Board, lend substantial sums for mortgages and for commercial loans of various types. These two Boards had \$219.4 million or 33 per cent of their assets invested in mortgage and commercial loans at 30 June 1980. For both Boards commercial loans have been the most rapidly growing component of their assets, increasing for the two combined from \$78.2 million to \$141.2 million in the two years to June 1980, an increase of 79 per cent. While many other funds use superannuation money to provide mortgage loans (often to contributors), the Metropolitan Fire Brigades Board is the only other fund of those listed in Table 11.5 to be involved in commercial loans. This Board had \$33.5 million invested in commercial loans at 30 June 1980, this constituting a 60 per cent increase over two years.

Table 11.5 Assets of Selected Public Sector Superannuation Funds and Related Bodies, Victoria 30 June 1980 (\$million)

	Commonwealth		Victoria		Interstate Local and Semi-govt.	Cash and Bank Deposits		Commercial Bills	Short Term Money Market	Company Debentures and Notes	Shares	Mortgage Loans	Commercial Loans	Advances to Parent Body	Investment in Fixed Assets	Life Assurance Company Schemes	Total Assets
	Govt.	Semi- Govt.	Semi- Govt.	Local		Current	Fixed										
Hospitals Superannuation Board			21.2			0.1			1.2			16.3				54.2	52.9
State Superannuation Board		6.5	190.3	60.1					15.7			65.1	121.7		42.7		502.1
Local Authorities Superannuation Board			34.4	77.1		0.7	0.2	2.2	1.4			13.1	19.5		18.7		167.2
Metropolitan Fire Brigades Superannuation Board			2.7	1.0					1.0			4.2	33.5		0.3		42.7
Geelong Harbour Trust Superannuation Fund			3.4					0.2									3.6
Port of Melbourne Superannuation Fund														4.0			4.0
H.M.B.W. Superannuation Fund			7.1	7.2		3.8			3.8					18.1	7.9		47.9
S.E.C.V. Superannuation Fund			37.2			7.0		6.0		10.4	40.3	10.7		143.9	34.8		290.3
S.E.C.V. Employees Retirement Benefit Fund						1.1		0.9		2.6	4.4	0.8			2.4		12.1
Gas and Fuel Superannuation Fund	0.6		7.7	0.3	1.4				1.4	10.7	18.3	3.6			5.6		49.6
Pilots Superannuation Fund			2.0			0.1											2.1
Building Industry Long Service Leave Board	2.2	1.1	6.9	0.2	0.7			0.5	0.2	1.0	2.0						14.7
<b>Total</b>	<b>2.8</b>	<b>7.6</b>	<b>312.9</b>	<b>145.9</b>	<b>2.1</b>	<b>12.8</b>	<b>0.2</b>	<b>9.8</b>	<b>24.7</b>	<b>24.7</b>	<b>65.0</b>	<b>113.8</b>	<b>174.7</b>	<b>166.0</b>	<b>112.4</b>	<b>54.2</b>	<b>1229.2</b>

Source: Public Inquiry Review Committee Questionnaire, 1981, and Supplementary Report of the Auditor General, 1979-80.

By comparison with these three Boards, and indeed with all the other funds considered, the two funds tied to the SECV and the Gas and Fuel Corporation Superannuation Fund have invested substantially in the private corporate sector, in the form of shares and of company debentures and notes. Indeed these three funds have more than half of their assets which are not placed with the parent body invested in the private corporate sector (\$86.7 million at June 1980). There are also big variations in the extent to which funds invest directly in fixed assets, the State Superannuation Board and the SECV Superannuation Funds having the largest holdings in this regard. Thus a number of quite different investment philosophies are apparent in the superannuation funds covered by Table 11.5, leading to major variations in the distribution of their assets. To some extent these variations would reflect differences in the regulations under which the funds operate, but we have not had an opportunity to investigate the extent to which investment decisions of individual funds are constrained by those regulations.

#### Assets of the State Superannuation Board

More detailed information than is presented in Table 11.5 is not currently available for most of the funds covered by that table. However, considerably more detail is available concerning aspects of the operations of the largest of those institutions, the State Superannuation Board of Victoria, and it will contribute to our understanding of these matters if we examine these activities a little more closely. But it should be noted that attention is focused on this Board only because the information is available, and not because the activities of this Board are more in need of investigation than those of the other institutions.

The State Superannuation Board of Victoria is responsible for the administration of four funds (Superannuation Fund, Married Women's Superannuation Fund, Parliamentary Contributory Superannuation Fund and the Pensions Supplementation Fund), of which only the first three hold assets. The Superannuation (Amendment) Act 1979 provides that the Board's funds would as far as practicable be invested in loans secured by mortgage of an estate or of leasehold interest in land in Victoria, or else invested in a manner authorised by the Trustee Act 1958. Partly reflecting this Act, the Board's current investment activities have a strong focus on mortgage and commercial loans. The

investments made on behalf of the State Superannuation Fund during 1979-80 are as follows:

	<u>\$million</u>
1. Local and semi-government loans, etc.	29.4
2. Mortgage Loans	
- Commercial property	46.0
- Housing - contributors	11.9
- Housing - other	1.8
3. Land and Buildings	0.3
<u>Total investments</u>	<u>89.4</u>

Thus 65 per cent of the Fund's investment in that year went into mortgage loans, including commercial property, although at the beginning of the year they accounted for only 30 per cent of total assets, indicating that a major swing in the pattern of the Board's investment into property is underway.

Table 11.6 provides a detailed breakdown of the investments of the State Superannuation Fund as at 30 June 1980, and this table brings out the wide range of public institutions, and some private institutions, whose securities the Fund purchases. After the item of \$117.5 million for commercial loans, the three large State business authorities (SECV, MMBW and Gas and Fuel Corporation) are the principal beneficiaries of the Fund's investments, and portions of the loan raisings of these authorities are met from private placements from the Fund's resources. But numerous other institutions - large and small, State and Federal, public and private - receive investment moneys from the Fund. Loans to four institutions (Melbourne Cricket Club, Olympic Park Committee, Victorian Public Offices Corporation and private hospitals) are backed by specific Victorian government guarantees.

While Table 11.6 gives valuable information about the bodies with which the Funds investments are placed, little information is available about the composition of the commercial loans item or about the interest rates and maturity structures attaching to these investments. More details are available, however, about the much smaller Parliamentary Contributory Superannuation Fund also administered by the State Superannuation Board, and some of this



**Table 11.6 Investments of State Superannuation Fund. Investments as at 30 June 1980**

Security	Face Value (\$'000)
Commonwealth Bonds	Nil
Country Fire Authority	671
Dandenong Valley Authority	410
Gas and Fuel Corporation of Victoria	23,536
Geelong Harbor Trust	400
Grain Elevators Board	3,020
Housing Commission of Victoria	400
Melbourne City Council	2,871
Melbourne Cricket Club	1,000
Melbourne & Metropolitan Board of Works	63,503
Melbourne & Metropolitan Tramway Board	11,330
Melbourne Underground Rail Loop Authority	2,500
Olympic Park Committee	1,120
Port of Melbourne Authority	12,382
Portland Harbor Trust	780
Rural Finance Committee	300
State Electricity Commission of Victoria	59,104
Victorian Dairy Industry Authority	1,800
Victorian Public Offices Corporation	700
West Gate Bridge Authority	6,300
Municipalities	27,324
Sewerage Authorities	27,724
Waterworks Trusts	5,027
Australian Resources Development Bank	5,000
Commonwealth Development Bank	1,500
Private Hospitals	1,345
Commercial Loans	117,517
Housing Loans - Contributors	50,628
- Others	1,842
Land and Buildings	42,750
Short Term Deposits	14,389
	\$487,173

Source: Annual Report, 1979-80, State Superannuation Board of Victoria.

information is reproduced in Table 11.7. Only \$0.2 million of the assets of nearly \$10 million of this Fund are invested in semi-government paper and just under \$1 million is on short-term deposit, while \$8.7 million has been placed by way of a large number of fairly small private loans. These loans are to small companies and nominee companies, and seem to be all secured by mortgages on property. They carry interest rates of between 12 per cent and 13.9 per cent, and are fairly evenly spread over a range of maturities as at 30 June 1980 varying from a few months to just under five years.

Thus the State Superannuation Board of Victoria manages a very large portfolio of assets, exceeding \$500 million at June 1980 and increasing by 13-15 per cent per year. It has wide powers of discretion in relation to its investment patterns, although recent amendments to the relevant Act have placed increased stress on property investment. The Board in fact lends money to a wide range of public and private institutions, and is becoming a significant force in Victorian property finance. According to the Board's Report for 1980-81 in May 1980 the Director of Finance requested the Public Service Board to allow a Management Review Team to investigate the operations of the Board and to examine the possibility of the Board and the State Employees Retirement Benefits Board using common services. This request had been approved and the Team was due to start its review in early 1981.

#### Reflections on Public Superannuation Funds in Victoria

This rather cursory outline of some aspects of Victoria's large scale public superannuation industry reveals a situation in this area which mirrors that of Victorian public bodies generally as outlined in Chapter 2 of this Report. That is, the industry consists of a large number of unconnected bodies, there being 22 authorities operating 25 funds included in the Bureau of Statistics data, with there being major differences between these bodies in their basic approaches to the provision of superannuation, in their investment philosophies and so on. The State government's knowledge of the details of this industry appears to be very limited, there are no general policy guidelines for the industry and it appears to have developed in response to individual needs without having been the subject of any general investigation of goals, structures or policy questions. We are most conscious of the fact that an adequate study of this industry is beyond the scope of this Report, but in this

Table 11.7 Parliamentary Contributory Superannuation Fund. Investments as at 30 June 1980

	Amount (\$'000s)		Rate of Interest	Date of Maturity
<b><u>INSCRIBED STOCK:</u></b>				
Geelong Water & Sewerage Board	100		5.125	1.1.1994
Melbourne & Metropolitan Board Works	100	200,000	5.125	1.10.1993
<b><u>PRIVATE LOANS</u></b>				
C. Feldman Nominees Pty. Ltd.,	330		13.9	20.1.1982
Savas Securities Pty. Ltd.,	101		13.5	28.7.1982
Leighanco Pty. Ltd.	141		12.0	22.8.1984
Primsec Industries Pty. Ltd.	74		13.9	20.3.1980
John Margot Pty. Ltd.	70		13.9	27.6.1980
A.J. Southwick	100		13.9	25.7.1980
Danda Nom. P/L: & GDM Investments Pty. Ltd.	115		13.9	10.9.1981
Figleaf Felixstone Nom. Pty. Ltd.	220		13.9	21.10.1981
Dermatex Lilliput Co. Pty. Ltd.	261		13.9	12.11.1981
Garry Smith Nominees Pty. Ltd.	412		13.9	12.11.1981
Belrow Nominees Pty. Ltd.	210		13.9	14.12.1981
Malecki and Glasman	200		13.9	16.12.1981
Stilton Holdings Pty. Ltd.	104		13.9	10.2.1981
B & S Horin and Others	160		13.2	24.2.1982
Arten Nominees Pty. Ltd.	143		13.2	3.3.1982
Whiteway Sales and Manufacturing Pty. Ltd.	321		13.5	27.7.1982
Ezra Developments Pty. Ltd.	316		13.2	1.8.1982
Lowe & Lippmann Nominees Pty. Ltd.	148		13.0	5.10.1982
C. Feldman & Minerva Nominees Pty. Ltd.	486		13.0	11.11.1982
Merchant Properties	405		12.5	4.5.1981
Patel Nominees Pty. Ltd.	195		12.5	25.5.1983
Pomeroy Industries	210		12.5	19.5.1981
Norbee Nominees Pty. Ltd.	315		12.5	14.6.1981
Minerva Nominees Pty. Ltd.	207		12.5	16.6.1981
Yambulla Holdings, Chilmack Holdings Pty. Ltd. & Others	400		12.5	23.6.1983
L. Slonim & Others	132		12.0	11.10.1984
S. Doble & P.A. Smythe	312		12.0	11.10.1984
H.R.R. Nominees Pty. Ltd.	234		12.0	12.10.1984
Drake & Co. Pty. Ltd.	138		12.0	25.10.1984
Helroy Nominees Pty. Ltd.	160		12.0	25.10.1984
KFIR Pty. Ltd.	135		12.0	25.10.1984
Daguri Administrators Pty. Ltd.	219		12.0	1.11.1984
D. Rosenberg Shoes Pty. Ltd.	135		12.0	8.11.1982
Stannard Bros. Holdings Pty. Ltd.	630		12.0	8.2.1985
Yandiah Nominees Pty. Ltd.	150		12.0	29.2.1985
Louida Nominees Pty. Ltd.	225		12.0	10.3.1985

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Table 11.7 Parliamentary Contributory Superannuation Fund. Investments as at  
30 June 1980 (Cont'd)

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Palma Nominees Pty. Ltd.	100		12.0	31.3.1983
L. & N. Freeman Nom. Pty. Ltd.	480	\$8,694,000	12.0	1.5.1985
<u>SHORT TERM DEPOSITS</u>		\$950,000		
		<hr/>		
		\$9,644,000		
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Source: Documents attached to the Annual Report, 1979-80, State Superannuation Board of Victoria.

context several fundamental questions force themselves to the surface. These are briefly noted below.

(i) Firstly, there are a nest of questions concerning the adequacy and efficiency of current methods of providing superannuation for the State's public sector employees. Is the utilization of 22 or more separate authorities the best way of doing it? Are there not very real risks of duplication of facilities and other inefficiencies in such a dis-aggregated system? Are the benefits available to individuals fairly uniform across the various Funds, and should they be uniform? Would limited management and investment expertise be better utilized by a more centralized system?

(ii) Secondly, the big divergence in investment patterns raises issues concerning whether the investment results of these Funds are optimal from the point of view of contributors. Can commercial judgements about patterns of investment vary so much while all being adequate, or have there been wide variations in average rates of return achieved by Funds? What are the costs and benefits of lending large amounts of superannuation money back to the parent body? To what extent are the investment decisions of funds constrained by regulations governing their asset holdings? How widespread, and how desirable, is the practice of provision of housing loans by these Funds to contributors? In general, how efficient are the investment processes of these superannuation authorities?

(iii) Thirdly, and most importantly for our present purposes, questions arise about whether the investment policies followed by Funds are optimal from the point of view of State economic policy as a whole. While the authorities must seek an adequate return for contributors on moneys invested, their decisions should also reflect the economic strategies and priorities of the State government. But, to take one example, is it clear that the private loans listed in Table 11.7 adequately reflect the State's priorities and needs in this area? Or, to take another example which will be very important in subsequent chapters of this Report, is it clear that the investment by these funds of over \$400 million in Victorian local and semi-government securities is a sensible employment of moneys? For the State public sector is limited by the Loan Council in regard to the total amount it can borrow each year, and to the extent that this allocation is filled from within the public sector the

effective net borrowing of the sector as a whole is reduced. Is it necessary that the 12 institutions covered in Table 11.5 hold \$122 million in commercial bills, money market deposits and company debentures, shares and notes? In short, how can the investment policies of these institutions best be integrated into overall State economic policies, while still preserving adequate rates of return for the funds?

As has been indicated, most of these questions are beyond the scope of this Report, although some of the third group are taken up later in this Report. But with its assets approaching \$1500 million by mid 1981, the Victorian public sector superannuation industry is one of major importance for this State, and we regard it as a matter of some urgency that all these questions are explored in a systematic way. Consequently we recommend that the Parliament of Victoria refer the public sector superannuation industry to the Public Bodies Review Committee for a thorough investigation of these and other issues.

#### Insurance and Other Financial Authorities

##### The State Insurance Office

The State Insurance Act 1975 amalgamated the State Motor Car Insurance Office and the State Accident Insurance Office into a single organisation, the State Insurance Office, as from 1 July 1975. The new Office carried on the three types of business of its predecessors - employer insurance against workers compensation liability, compulsory third-party insurance and comprehensive motor vehicle insurance - and also continued the rapid growth rates established by those predecessors. Table 11.8 shows investments of the relevant bodies from 1971-72 to 1979-80, and indicates an average annual rate of growth of total investment over this eight year period of 39.3 per cent. Rapid growth was experienced in each year of the 1970s, but was particularly sharp in 1976-77 and 1977-78 (average annual, 52.5 per cent), reflecting in part the fact that from 1 January 1977 the State Insurance Office became the sole insurer for compulsory third-party insurance. But even in recent years the growth in total investments has been substantial, increasing by \$310 million or an average annual rate of 23.5 per cent; this has led to an increase in interest received from investments. In regard to the latter, the Office should be a major beneficiary from the jumps in interest rates which have occurred since June 1980.

**Table 11.8** Investments of State Insurance Office and Predecessors, 1971-72 to 1979-80 (Prior to 1975-76 data refer to the State Motor Car Insurance Office and the State Accident Insurance Office combined; data refer to end of each financial year; \$million)

	Cash at Bank and at Treasury	Other Investments (Government Securities, Debentures etc)	Total Investments
1971-72	18.3	45.4	63.7
1972-73	7.3	77.5	84.8
1973-74	10.3	90.0	100.3
1974-75	5.7	156.5	162.2
1975-76	..	253.4	253.4
1976-77	..	400.4	400.4
1977-78	-4.8	594.4	589.6
1978-79	-4.5	765.2	760.7
1979-80	-4.9	904.3	899.4

Source: Supplementary report of the Victorian Auditor-General, various issues.

As with many private organisations operating in the general insurance field, the underwriting results of the Office have deteriorated in recent years, and this has been particularly so in relation to third party insurance. As shown in Table 11.9, on all business the Office had an underwriting deficit of \$64.9 million in 1979-80, by comparison with a surplus of \$14.8 million in 1977-78 and a deficit of \$7 million in 1975-76. In 1979-80, 78 per cent of the total underwriting deficit was accounted for by the third party result. But non-operating income, which is almost entirely accounted for by income from investments, has increased almost fivefold between 1975-76 and 1979-80, and this has insured that the Office has continued to generate an overall profit. Nevertheless these data do bring out the importance of investment income to the commercial viability of the Office, so that the need to earn an adequate rate of return on funds invested must remain a matter of priority in the investment strategy of the Office.

The assets of the Office, which will have exceeded the \$1000 million mark by 30 June 1981, are invested by the State Insurance Commissioner in classes of securities approved by the Treasurer, and with the advice of an Investment Advisory Committee, constituted under the State Insurance Act. The net results of those investment decisions since 1975 are shown in Table 11.10. The largest single item in the portfolio of the Office is holdings of Victoria semi-government securities, which totalled \$495.1 million or 55 per cent of total investments at 30 June 1980. The magnitude of these holdings presumably reflects in part Victorian government policy, and it is a policy which we will have cause to question in Chapters 13 and 14 below. The Office also holds substantial investments in Commonwealth government and semi-government securities (\$88.6 million at 30 June 1980), interstate semi-government securities (\$104.3 million) and Victorian local government securities (\$18.6 million). In total the holdings of government sector paper by the Office were \$706.6 million at 30 June 1980, or 78.5 per cent of total investments at that date.

The remaining 21.5 per cent of the Office portfolio is invested in a range of other financial and non-financial assets. Two trends are particularly noticeable. One is the growing diversification of the assets of the Office over



Table 11.9 State Insurance Office - Profit and Loss Account 1975-76 to 1979-80

	1975-76	1976-77	1977-78	1978-79	1979-80
	(\$million)				
<b>Underwriting</b>					
Employers Liability	-4.2	-13.3	7.0	-5.4	-13.8
Compulsory Third Party	-3.4	-0.7	5.3	-24.5	-50.6
Comprehensive Motor Vehicle	0.7	4.0	2.5	-1.3	-0.5
<b>Total</b>	<b>-7.0</b>	<b>-10.0</b>	<b>14.8</b>	<b>-31.3</b>	<b>-64.9</b>
<b>Net Non-operating Income</b>	<b>18.1</b>	<b>29.5</b>	<b>46.8</b>	<b>64.9</b>	<b>85.3</b>
<b>Profit for year</b>	<b>11.1</b>	<b>19.5</b>	<b>61.7</b>	<b>33.6</b>	<b>20.4</b>

Source: Supplementary Reports of the Victorian Auditor-General, various issues.

Table 11.10 Details of State Insurance Office Investments, 1975-76 to 1979-80

	1975-76	1976-77	1977-78	1978-79	1979-80
Commonwealth Government Securities	14.5	27.9	51.2	44.6	41.0
Commonwealth Semi-government Securities	..	12.5	44.0	41.0	47.6
Victorian Semi-government Securities	72.0	157.0	262.8	397.7	495.1
Victorian Local Government Securities	1.7	2.2	8.9	14.1	18.6
Interstate Semi-government Securities	21.0	60.8	96.3	108.8	104.3
Bank Term Deposits	132.1	105.2	59.6	68.4	68.2
Bank Accepted Commercial Bills	10.1	30.5	41.6	31.5	27.9
First Mortgages	..	..	9.5	21.7	30.6
Land and Property held for Investment	..	..	7.8	10.1	16.2
Deposits on Short-term Money Market	2.0	4.5	8.0	2.5	8.0
Company Debentures	..	..	..	20.0	36.0
Leveraged Lease	..	..	..	..	4.6
Promissory Notes	..	..	..	..	1.9
<b>Total</b>	<b>253.4</b>	<b>400.6</b>	<b>589.7</b>	<b>760.4</b>	<b>900.0</b>

Source: Supplementary Report of the Victorian Auditor-General, 1977-78 and 1979-80

recent years, with investment in mortgage loans and in land and property being undertaken for the first time in 1977-78, company debentures being taken up in 1978-79 and investment in leveraged leasing and in promissory notes being initiated in 1979-80. The leveraged lease investment of \$4.6 million at 30 June 1980 involves the participation of the Office with two companies in a project to finance 130 new buses for the Melbourne and Metropolitan Tramways Board. The second and related trend concerns the reduction in holdings of bank term deposits in line with this diversification, these deposits having fallen by nearly one-half between 1975-76 and 1979-80 and being the only type of asset holdings of which have declined over the period.

In summary, the State Insurance Office is a large and rapidly growing institution, holding a large and increasingly diversified portfolio of assets. In recent years the Office has seen its underwriting deficit increase, but this has been offset by rapidly rising interest on investments. With major rises in interest rates having taken place over the past year, the Office's investment income should continue to increase rapidly, as should the total value of its investments. Given the size and rate of growth of this portfolio, it is of considerable importance that it is invested in a manner which is optimal from the point of view of the State as a whole as well as providing adequate income to the Office, and it is not clear that the first of these requirements are being met.

#### Other Financial Authorities

The six authorities which we have selected in this category have been briefly described above, and data on their investments is provided in Table 11.11. Even this small group indicates again the diversity of Victorian public bodies and the extent of their investments, and the list could be extended to include many other public bodies with primarily financial functions. Two of the bodies shown (the Rural Finance Commission and the Victorian Development Corporation) receive advances from the Victorian government to support their activities, while a third (the Home Finance Trust) can borrow funds from private institutions with government guarantee. It is therefore surprising to find that these three authorities hold financial investments of \$38.9 million at 30 June 1980. The dominant body here is the Rural Finance Commission, which has held Victorian semi-government securities, bank term deposits and deposits on the

short-term money market in excess of \$32 million for each of the last three years. While the Commission has indicated to the Public Bodies Review Committee that a programme is underway to utilise these funds, this would seem to be a clear if small scale case of that inefficient use of financial resources which is a main theme of this Report.

The other major body covered by Table 11.11 is that based on the Public Trustee. The assets of the Common Fund controlled by the Public Trustee amounted to \$87.5 million at 30 June 1980, of which \$56.8 million or 65 per cent were mortgage loans and the bulk of the remainder were financial assets. The Public Trustee is in a special position among public bodies, in that he receives moneys on behalf of private individuals and estates and administers those funds on behalf of the beneficiaries. Nevertheless the Public Trustee operates under legislative direction, and it is sensible to ask whether the investment policies he follows, notably the stress on mortgage loans and on semi-government paper, are optimal from the point of view of either or both the beneficiaries or the State as a whole.

Table 11.11 Investments of Selected Other Financial Institutions, Victoria 1978-1980 (Data refer to 30 June of each year; \$million)

	Commonwealth Securities	Local and semi-government securities	Bank Deposits	Commercial Bills and Money Market	Mortgage Loans	Total
1977-78						
Motor Accidents Board			5.5	0.6		6.1
Rural Finance Commission <sup>1</sup>	0.1	17.3	12.8	3.3		33.4
Home Finance Trust <sup>1</sup>		0.1	0.8			0.9
Credit Societies Reserve Fund	0.1	1.2				2.3
Public Trust Common Fund	2.6	8.6	3.9		45.2	63.7 <sup>2</sup>
Victorian Development Corporation				3.1		3.1
Total of these six	2.8	27.2	23.0	7.0	45.2	109.5
1978-79						
Motor Accidents Board			6.6	2.0		8.6
Rural Finance Commission <sup>1</sup>	0.1	29.0	6.9	2.2		38.2
Home Finance Trust <sup>1</sup>		0.1	1.3			1.4
Credit Societies Reserve Fund	0.1	2.0	0.8			2.9
Public Trustee - Common Fund	3.1	9.5	8.2		51.4	75.6 <sup>2</sup>
Victorian Development Corporation				3.2		3.2
Total of these six	3.0	40.6	23.8	7.4	51.4	129.9
1979-80						
Motor Accidents Board			2.0	8.6		10.6
Rural Finance Commission <sup>1</sup>	0.6	24.1	7.9	0.8		33.4
Home Finance Trust <sup>1</sup>		0.1	1.5			1.6
Credit Societies Reserve Fund	0.1	3.7	1.1			4.8
Public Trustee - Common Fund	3.0	13.9 <sup>3</sup>	3.2	7.2	56.8	87.5 <sup>2</sup>
Victorian Development Corporation			0.2	3.7		3.9
Total of these six	3.7	41.8	15.9	20.3	56.8	141.8

Table 11.11 (Cont'd)

- 1 Excludes for the Rural Finance Commission loans and advances in pursuit of the basic objectives of the Commission (\$134.7 million at 30 June 1980) and for the Home Finance Trust excludes mortgage loans (\$31.1 million at 30 June 1979).
- 2 Includes investment of \$3.3 million in fixed assets.
- 3 Includes \$2.0 million invested in interstate semi-government securities.

Source: Public Bodies Review Committee survey of financial institutions, and Supplementary Reports of the Victorian Auditor-General.

## Chapter 12

### Public Bodies and the Loan Council

One of the fundamental and controversial features of the Australian economic scene in the 1980s is the Loan Council, a body comprising Commonwealth and State heads of government or their representatives. The decisions of the Loan Council regulate the amount of borrowing to be undertaken both by the Commonwealth on behalf of State governments and by larger public bodies (currently defined as those seeking more than \$1.2 million per year) at State and Federal level, as well as deciding the terms and conditions applicable to these borrowings and to those of small authorities. Clearly the activities of the Loan Council have a major impact on the position of both the Victorian government and public bodies, and this has been dramatically illustrated by events at the Premiers' Conference in June 1981. As with many of the other activities under investigation in this report, these activities can only be properly understood in terms of their historical origins.

The fundamental concern which lies behind our interest in the Loan Council is how, if at all, the Victorian government is restricted by the Financial Agreement and the Gentlemen's Agreement in any attempts to improve the financial management of the public bodies sector and to utilize more efficiently the financial resources of this sector. In the chapters above we have noted the high levels of financial assets held by some major business authorities, the financial disarray in the water industry, the wide range of other non-financial institutions with large and complex financial aspects and the massive volume of funds being generated and invested by public sector superannuation and insurance bodies in Victoria. In seeking to come to grips with these issues, and to maximise the benefits accruing to the State from these public sector financial resources, to what extent is the Victorian government constrained by the two Agreements associated with the Loan Council? The answer we develop below to this crucial question is that the Council, acting under the Gentlemen's Agreement, is in fact exerting severe and deleterious restraints on the development of some Victorian public bodies. But the Financial Agreement appears to leave the State government much more freedom to rationalize the utilization of public sector financial resources than is

commonly supposed, so that the way is open for a major transformation of Victoria's financial management.

### The Origins of the Loan Council

Three issues dominated the financial debates prior to Federation in Australia. They were the problems which would be created for State budgets by the transfer to the Commonwealth of the States' main revenue source, customs and excise duties; the magnitude of State debts, which was such that immediately prior to Federation the total interest on the public debt of the Colonies was about equal to their customs and excise revenue, and the fact that there was an unequal level of development, and hence of taxable capacity, among the States. The initial response of the founding fathers to the first of these issues, as expressed in the Constitution, was that for the first ten years after the establishment of the Commonwealth three-quarters of customs and excise revenue would be returned to the States and that this revenue be distributed on a per capita basis after a five year adjustment period. In relation to the other issues they decided to provide the Commonwealth with the power to take over State debts and also with the power to provide financial assistance to individual States. But to a significant extent these decisions meant that the problems of Federal-State financial relations were expected to be solved in the future rather than in the present. The return of customs and excise revenue was only a temporary measure, and had the effect of tying much of the Commonwealth's revenue to the needs of the States, while the problem of the States' debts remained and intensified in the early years of the Federation.

The first proposal for a Loan Council was made by the Commonwealth at a Premiers' Conference in 1908. This proposal involved the handing over of all State debt to the Commonwealth, the payment by the Commonwealth of \$12 million (equal to the State's interest bill in 1908) in lieu of the customs and excise revenue and the establishment of a Council which would replace State borrowing with centralized borrowing by the Commonwealth, which it was hoped would result in less expensive loans. The States rejected this proposal, for reasons which have a contemporary ring - they regarded the \$12 million as inadequate, and wanted to remain the sole judges of their loan raisings. In any event, the arrangements adopted following the ending of the customs and excise payments in 1910 were a return to simple per capita ideas floated prior to Federation, the



Commonwealth agreeing to pay to the States \$2.50 per head per year, with an additional payment to Western Australian.

The second decade of the Federation saw the growth of the Commonwealth's economic power, spurred considerably by the requirements of the 1914-18 war, and of the tension between the Commonwealth and the States to which these new powers gave rise. The Commonwealth first began to borrow directly from the Australian public in 1915, for war purposes, while its first income tax was levied in 1915-16 and entertainment tax was raised by the Commonwealth for the first time in 1916-17. Thus in both taxation and loan areas the Commonwealth began to compete strongly with the States, and the Commonwealth's fiscal position was greatly strengthened when the demands for war time expenditures ceased. As we have seen in Chapter 1, the decade after the First World War saw the rapid development of public sector business and development activity on the part of the States, and their demands on both Australian and overseas capital markets were very heavy. For example, between June 1919 and June 1925 the Australian held debt of the States doubled, and interest rates were at historically high levels, and rising, throughout much of this period.

These economic factors combined with political ones to make the States willing to participate in a voluntary Loan Council, with only advisory powers, by 1923. As a result of the establishment of such a Council, the Commonwealth agreed to leave the local market free for State loans and began floating domestic loans on behalf of the States in 1924, using Commonwealth securities. These securities were also used from 1925 to raise loans on behalf of the States in overseas markets. The voluntary Loan Council proved relatively successful in co-ordinating and limiting the demands on the capital market in line with funds available, and in lowering interest rates.

But while successes were being achieved on this front, dis-satisfaction with the per capita arrangement for grants to the States deepened, partly due to the very different circumstances of States who were all receiving the same per capita amount. There was still strong political pressure for a co-ordinated financial system, in the sense of an independence of State and Commonwealth finances and avoidance of a situation in which one government raised revenue for another to spend. And there were inherent limitations in a voluntary Loan Council, depending as it did only on agreement and unity between the

Commonwealth and the States. The result of these and other pressures, and of a ferment of discussion and controversy during the 1920s, was the Financial Agreement and the inauguration of the statutory Loan Council in 1927.

The Financial Agreement, which was signed by the Premiers on 12 December 1927, had two main parts. Part I established the Loan Council, and transferred to it the power to decide the amount and terms and conditions of all Commonwealth and State government loan raisings, for which the Commonwealth was to be the borrowing authority. Excluded from the coverage of the Agreement were Commonwealth loans for defence purposes, temporary borrowings by the States borrowings which do not involve the issuing of securities and the use by both levels of government of public moneys accruing. Part III committed the Commonwealth to taking over the debt of the States, which at that time amounted to \$669.5 million or over 80 per cent of total Australian gross national product, and the Commonwealth to pay interest on this debt and to contribute to a sinking fund for its redemption. Issues concerning allocation of the loan program and overseas borrowing by the States required unanimous decision but otherwise decisions were to be by simple majority, the Commonwealth being given two votes plus a casting vote and the States one vote each.

This Agreement was not reached without considerable controversy and opposition, notably by J.T. Lang as Premier of New South Wales until October 1927. Lang argued that, because loans of an individual State would be smaller than the proposed Commonwealth borrowings, individual States would be able to raise loans more readily and at cheaper rates. He was also reluctant to allow the Commonwealth and other States a say in the borrowing programmes, and hence the economic development, of New South Wales and was especially concerned about eventual control of semi-government borrowing by the Council. Nevertheless consensus was reached, the constitution amendments required to validate the Agreement were supported at a referendum by a 3 to 1 majority of the Australian people and the relevant Act received Royal Assent on 18 March 1929. One important feature of the constitutional amendment, s105A, which was passed was that it established the Loan Council as a supraparliamentary institution, in that agreements made under s105A were to be binding on the Commonwealth and the States notwithstanding anything in the constitution or laws of either the Commonwealth or the States.

Although from its earliest days the statutory Loan Council took account of borrowings by local and semi-government authorities, procedures did not become codified and these borrowings published as part of the Loan Council's programme until the 'Gentlemen's Agreement' of May 1936. This aspect of the Loan Council's work was relatively uncontroversial in the pre-war period and over the 1930s these borrowings averaged less than one third of those undertaken by the Commonwealth on behalf of the State governments. This dominance, in terms of relative magnitudes, of State government over local and semi-government borrowing continued in the initial post-war decades but has been sharply reversed in the 1970s, as the Commonwealth has been anxious to curtail its budgetary commitments under the general government borrowing programme. By 1981-82 the approved programme for local and semi-government authorities is 60 per cent greater than that for State governments, and controversy concerning the former programme has grown accordingly, although the general form of the Gentlemen's Agreement remains close to that established in 1936.

### The Loan Council in 1981

#### Developments since 1927

These Agreements remain the corner-stone of Federal-State financial relations in Victoria, although the economic context in which they operate has changed dramatically since 1927. Probably the most important change was the imposition of uniform taxation by the Commonwealth in 1942, the consequent withdrawal of the States from this field and the institution of tax re-imbusement grants to the States. This change was one of many factors which fundamentally altered the financial balance in Australia in favour of the Commonwealth. Some conception of the importance of the change in regard to income tax can be gained from Table 12.1. In 1929-30 the customs and excise duties, which had been transferred from the States to the Commonwealth at Federation, generated revenue of \$83.6 million, 71.8 per cent of all Federal taxation revenue and well in excess of total taxation revenue received by the States in 1929-30. In that year total Commonwealth grants to the States (including Special Grants and Roads Grants) totalled \$25.2 million, while half of the States' taxation revenue came from income taxation. Under severe financial pressure during 1930s the States resorted to increased levels of income taxation, receipts from this

Table 12.1 Taxation by Australian Governments, 1929-30 and 1938-39  
(\$million)

	Commonwealth		State	
	1929-30	1938-39	1929-30	1938-39
Customs duties	60.3	62.3		
Excise duties	23.3	32.9		
Sales taxes		18.6		
Land taxes	5.7	3.0	3.7	2.8
Stamp duties			7.2	7.0
Motor taxes			9.0	14.0
Income taxes	22.2	23.8	33.9	59.6
Death duties	4.2	3.8	8.0	10.0
Other taxes	0.8	3.6	5.7	7.6
<b>Total taxes</b>	<b>116.5</b>	<b>148.0</b>	<b>67.5</b>	<b>101.0</b>

Source: R.L. Mathews and W.R.C. Jay, Federal Finance, Nelson, Melbourne 1972, Table 19 p.152.

source rising by 77.4 per cent between 1929-30 and 1938-39 while other State taxation revenue rose by only 23.2 per cent. By 1938-39 income tax provided 59 per cent of the taxation receipts of the States. Thus the forced withdrawal of the States from the income taxation field after 1942 was a major blow to their financial position, and vastly strengthened the relative position of the Commonwealth.

Three trends have dominated financial transactions associated with the Financial Agreement in the postwar decades (see Table 12.2). Reflecting the various formulae employed over the period, general revenue grants (successively referred to as tax reimbursement grants, financial assistance grants and income tax sharing entitlements) have grown as a proportion of national income, as have specific purpose payments. Specific purposes payments more than trebled in importance between 1969-70 and 1975-76, reflecting above all the emphasis on these payments in the Whitlam years, but have since fallen considerably as a proportion of national income. As a partial offset to these increases, borrowing on behalf of State governments under the Financial Agreement has declined substantially in relative terms, falling from 3.5 per cent of gross national income in 1949-50 to 0.9 per cent in 1981-82. These trends have had varied consequences for the States. For example, funds made available to State governments for spending according to their own priorities have fallen from 6.6 per cent of gross national income (GNI) in 1949-50 to 5.3 per cent in 1981-82, but the proportion of GNI provided by the Commonwealth as grants rather than as advances has risen significantly over this thirty year period. Approvals for local and semi-government borrowing have been more stable, being the same proportion of GNI in 1980-81 as in 1949-50.

#### The Financial Agreement, 1981

Although it has been subject to many variations over the years, the Financial Agreement presently in force remains in essence that agreed in 1927 and enacted in 1929, and it retains that supraparliamentary character noted above. With the exceptions discussed below, State governments are permitted to borrow only via the Commonwealth and subject to Loan Council direction as to amount and to terms and conditions. In practice this has come to mean that, given its overwhelming financial position, the Commonwealth informs the Loan Council each year of the level of State government borrowing programmes it will support, and

Table 12.2 Commonwealth Payments to the States and Loan Programmes, Selected Years 1949-50 to 1981-82 (Proportion of gross national income; per cent)

	1949-50	1959-60	1969-70	1975-76	1980-81	1981-82 estimate <sup>1</sup>
1. General revenue grants	3.1	3.7	4.0	4.6	4.7	4.4
2. Specific purpose payments	0.7	1.1	1.6	5.0	4.1	3.6
3. Loan Council programmes						
State government	3.5	3.2	2.6	1.7	1.0	0.9
Local and semi-government	1.9	1.5	1.6	1.6	1.9	1.8
Total Loan Council	5.4	4.7	4.2	3.3	2.9	2.7
<b>Total</b>	<b>14.6</b>	<b>14.2</b>	<b>14.0</b>	<b>16.2</b>	<b>14.6</b>	<b>13.4</b>

<sup>1</sup> Estimates of the Institute, based on Premiers Conference and Loan Council decisions for items 1 and 3.

Source: R.L. Mathews and W.R.C. Jay Federal Finance, Nelson, Melbourne 1972, Table 55 p.306, Federal Treasury, Payments to or for the States, the Northern Territory and Local Government Authorities, 1980-81 Budget Paper No.7, Canberra 1980, and estimates of the Institute.

provides these funds to the States through the Federal budget. As we have seen, the magnitude of the programmes which the Commonwealth has supported has fallen persistently as a proportion of GNI over the past three decades. Three specific aspects of the Financial Agreement are most relevant to our present enterprise, in that they represent the three freedoms which are left open by the Agreement and which the Victorian government could utilize in seeking to improve the financial management of the State's public sector resources.

(i) At several points the Financial Agreement leaves the States and the Commonwealth free to borrow money for temporary purposes, subject only to Loan Council direction as to terms and conditions. For example, sub-clause 5-(9) of the Agreement says *inter alia*, that

"notwithstanding anything contained in this Agreement, any State may ... subject to maximum limits (if any) decided on by the Loan Council from time to time for interest, brokerage discount and other charges, borrow money for temporary purposes by way of overdraft or fixed special or other deposit, and the provisions of this Agreement other than this sub-clause shall not apply to such monies".

Similarly, sub-clause 5-(3) says, after indicating that borrowing which involves the issuing of securities shall be subject to Loan Council control, that

"Where any such borrowing or use is solely for temporary purposes, the provisions of this Agreement, other than this clause, shall not apply".

Thus there can be no doubt about the existence of this general power of borrowing for temporary purposes, and indeed its ultimate inclusion in the Agreement required a variation in the Commonwealth's original draft which was achieved after considerable debate. However, one issue about which uncertainty remains concerns the meaning of "borrowing for temporary purposes" - there is no definition of this concept in the Agreement and no High Court decision has taken a definite stand on the issue. The normal presumption, following hints given in definitions of other items in versions of the Agreement current up to 1975, has been that it covers borrowings with a term of less than one year. In his Annotation to the Financial Agreement, Gilbert<sup>1</sup> sums up this power as

follows:

"The Australian government and the States may borrow from any source at home or abroad for temporary purposes by way of overdraft or fixed special or other deposit; and they are subject to the Loan Council only with respect to the maximum limits (if any) decided upon from time to time for interest, brokerage discount and other charges. No other law or regulation of any government can touch such borrowing (sub-clauses 5-(9) and 6-(7))".

(ii) The second power which the Financial Agreement explicitly leaves open to the States is that of using for any purpose whatsoever public moneys of the State. According to 5-(1) a State may, for any purpose

"use any public moneys of the State which are available under the laws of the State".

While the general import of this measure is clear - that neither the Commonwealth nor the Loan Council have any authority over the utilization by a State of tax revenue and other public moneys subject only to the requirement that this use not involve the issuing of securities - the specific import of the provision is not clear in relation to the coverage of "public moneys", because this key term is not defined in the Agreement. That is, it is clear that this provision is intended to allow the State the freedom to manage its own finances without Loan Council intervention, but does this extend to the finances of the public bodies sector in general? For example, are the revenues of VicRail (which are included in the Consolidated Fund) and of S.E.C.V., M.M.B.W. and the Tramways Board (which are not included in the Consolidated Fund) equally public moneys?

As far as we can discover, there is no definitive answer to this question at the present time. While State legislation would not itself decide the issue, it has been pointed out that the New South Wales Audit Act defines public moneys as including

"... all revenue, loan trust and other moneys whatsoever, received by, for and on account of the State, and all moneys and fees declared by this Act to be public moneys"<sup>2</sup>



and this would certainly suggest a broad definition of 'public moneys'. This is not an issue that can be resolved in this Report, but it does seem possible that this provision gives the State government control, without Loan Council constraints, of the finances of much of the public bodies sector. This would leave it free to rationalize the financial management of much of the public bodies sector without hindrance, and to re-allocate and re-invest the financial resources of this sector as it saw fit. Certainly we recommend that the Public Bodies Review Committee pursue further investigation of this important issue.

(iii) The third freedom which the Financial Agreement leaves to the States is to borrow money from bodies within the State without being subject to Loan Council control as to amount, provided that securities are not issued in respect of the borrowing. Thus sub-clause 5-(1) indicates that a State may for any purpose borrow moneys within the State from authorities, institutions and the public subject to the terms and conditions set by the Loan Council, while 5-(2) lays down that if securities are issued they must be Commonwealth securities and 5-(5) that the total amount of such borrowing by the issuance of securities shall be controlled by the Loan Council. Gilbert summarizes the freedom which the States have to borrow without the issuance of security thus:

"A State may borrow long-term within its own territory for any purpose (including redemption) from authorities, bodies, funds or institutions (including savings banks) constituted or established under Australian Government or State law or practice; and it may use for long-term purposes any public moneys of the State available under the laws of the State. If no securities are issued to the lender then these borrowings and uses of moneys are compulsorily subject to the Loan Council only with respect to interest, brokerage, discount and other charges as decided on from time to time. Such borrowings are not counted as part of the member's share of the loan programme".<sup>3</sup>

This power has been utilized by States quite often, several States borrowing on this basis from Savings Banks and some, as the former Auditor-General of New South Wales, W.J. Campbell, indicated in 1954,<sup>4</sup> borrowing in this way on a long-term basis from semi-governmental authorities within the State. Perhaps

the main lack of clarity here concerns the meaning of `security` which is defined in the Agreement as covering a range of stock and bonds, plus debentures, but this definition in part transfers the question to the meaning of the term `debentures`. But there is no doubt that there can be transfers of funds within the public bodies sector which do not involve the issuing of securities in any reasonable sense. For example, were the Victorian government to establish the Water Industry Management Account recommended in Chapter 8 and require water and sewerage authorities to deposit financial assets in the Account, there would be no need for the issuance of securities. As with bank deposits, authorities would simply be able to obtain at any time a statement of their balances in the Account. Thus this scheme would be free of Loan Council control except that the government, through the Account, could not pay higher rates of interest on deposits than the Loan Council ceilings. The State government would be free, as far as the Financial Agreement is concerned, to use balances in the Account for any purpose whatsoever.

Thus the Financial Agreement quite explicitly leaves the States with three financial powers - to borrow for temporary purposes, to use public moneys and to borrow for any term, within the State without issuing securities - which can be exercised subject only to general Loan Council direction as to terms and conditions of any borrowing. While there remain major uncertainties about the key terms involved in the relevant provisions, notably concerning the precise meaning of "borrowing for temporary purposes", "public moneys" and "securities", we submit that this Agreement leaves the Victorian government with substantial powers which will be of key importance in any attempt to rationalize the management of Victoria's public sector financial resources.

#### The Gentlemen's Agreement

While the financial Agreement has supraparliamentary authority by virtue of s105A of the Constitution, the Gentlemen's Agreement has no such legal force and has the formal status of a voluntary agreement only. However the dominant position of the Commonwealth means that this is something of a legal fiction, for the Commonwealth makes it clear that it will pay the State government component of the Loan Council programme only on the condition that the States agree to observe the limits set on local and semi-government borrowing. And while the States can control the Loan Council in theory, and hence could

overturn this position, the Commonwealth holds the ultimate trump cards in the dependence of the States on income tax sharing and specific purpose grants.

As a result of the Gentlemen's Agreement, the Loan Council controls, as to both amount and terms and conditions, borrowing by local and semi-government authorities seeking to borrow more than \$1.2 million in any year. Borrowings by authorities raising less than \$1.2 million per year are subject only to Loan Council direction in regard to terms and conditions. The Council's control as to amount covers medium and long-term borrowing, and excludes short-term borrowing, longer term finance from overseas and from within Australia by use of trade credit, deferred payment and leasing arrangements. As we have seen in Chapter 7, each of these methods of finance have been employed by some Victorian business authorities in recent years, and it is worth dwelling on these a little further.

(i) By contrast with the Financial Agreement, the Gentlemen's Agreement contains no reference to the term of borrowings covered but the convention appears to be that local and semi-government authorities borrowing by public loan have a term of no less than four years, and that these borrowings are the principal concern of the Agreement. For example the amendments agreed at the 27 June 1980 meeting set maximum placement fees on securities with maturities of 4 years and more. Thus shorter term borrowings are outside the detailed control of the Loan Council as to amount and authorities, both Commonwealth and State, have made extensive use of these borrowings in recent years. Perhaps the largest short-term borrowings are made by the Australian Wheat Board, which since 1979 has been required by the Commonwealth to finance much of the advances to growers under the guaranteed minimum price scheme from commercial loans. The issue of short-term promissory notes by both Commonwealth and State authorities has also become increasingly common.

(ii) While the Gentlemen's Agreement explicitly allows authorities to enter into trade credit and other deferred payment contracts, there are various limitations imposed on these arrangements. Trade credit from overseas suppliers is allowed without regard to term under (xiii) -(b) of the Agreement, provided that it is used only for the financing of direct overseas expenditure. All trade credit and other deferred payment arrangements within Australia must be approved by the Loan Council if the amounts involved are in excess of \$1million

and payments are to be made over a period of more than three years (see clause xiv)). Thus the conditions are more stringent on arrangements concerning domestic than overseas suppliers. As we have seen, trade credit has been of importance to the SECV in the financing of recent power projects. Leasing arrangements are not explicitly mentioned in the Gentlemen's Agreement, but clause (xiv) would seem to imply that they require Loan Council approval only to the extent that they amount to a deferred payment contract (i.e. eventually involve transfer of the asset to the authority), with payments extending over more than three years.

It is also important to notice that advances to State or Commonwealth authorities by parent governments are not subject to Loan Council control. Borrowing by authorities under the Gentlemen's Agreement covers all borrowing other than direct borrowing from parent governments and that discussed above. For example, advances by the Victorian government to the major business authorities (e.g. SECV and MMBW) and to water and sewerage authorities do not constitute borrowings in the relevant sense and the advances made for many years by the Australian government to Telecom (and its antecedents) were not part of that authorities approved Loan Council borrowing. This is important in that it means that, were funds available, the State government might increase advances to authorities without meeting Loan Council constraints. But equally important is that fact that borrowing and lending other than short-term, within the public bodies sector does constitute part of the approved Loan Council programme, so that to the extent that Victorian authorities borrow from one another the total net borrowing of the public bodies sector is reduced. This matter has already been touched on in Chapter 11 and will be taken up further below.

Until recently the Gentlemen's Agreement has been less controversial than many other aspects of Federal/State relations in Australia and, as we noted earlier, from Table 12.2 the level of borrowings approved by the Loan Council for local and semi-government authorities was the same proportion of gross national income in 1980-81 as in 1949-50. But in the past three years, as the demands on the States for public utility developments have increased and the financial position of the States has tightened, dis-satisfaction with the Agreement has surfaced and more reliance has been placed on sources of finance not subject to Loan Council approval. One response to this dis-satisfaction was

the infrastructure borrowing programme which, although partly offset by tighter limits on other borrowing, did lead to real increases in semi-government borrowing between 1977-78 and 1980-81. But with this programme being tightened again in 1981, the dis-satisfaction has returned and the resort to alternative financing instruments is accelerating. The situation is being further complicated in 1981-82 by the stringent monetary policy being followed by the Federal authorities and the fact that interest rates on semi-government securities are lagging behind developments in the market place.

Footnotes

1. Gilbert R.S. 'The Future of the Australian Loan Council' Centre for Research on Federal Financial Relations, ANU, Canberra, 1974.
2. Cited in Gilbert, op. cit. p. 115.
3. Gilbert, op. cit., p.107.
4. See Gilbert, op. cit. p.113.

## Chapter 13

### Victorian Public Sector Borrowing and Debt

The discussion in the previous Chapter should serve, among other things, to bring out some of the complexities of public sector borrowing processes. In seeking to understand these issues further in the case of Victoria, two crucial distinctions must form our starting point. The first is that between the flow of borrowing in a given period and the stock of debt outstanding at a point in time. While discussion in this area often focusses entirely on a flow analysis, much can be learnt from examining trends in total indebtedness. The second distinction is between what one might call official gross debt, as measured for example by total Victorian public sector securities on issue, and true net debt, the latter concept taking account also of types of borrowing other than those involving the issue of securities, of borrowing and lending within the public sector and of holdings of financial assets. There has been something of a tradition in Australia of focusing only on official gross debt, and hence of ignoring these three other factors which are important influences on the net debt of the public sector in Victoria.

### Official Borrowing and Debt

Nevertheless we can begin from the familiar data on official gross borrowing, summarized in Table 13.1. The two components of this borrowing are advances from the Commonwealth to the State government and the approved borrowing programmes of local and semi-government authorities. Table 13.1 provides the data on net advances to the State government, which are made up of Loan Council advances net of Sinking Fund repayments - the counterpart of State government borrowing when that was taken over by the Loan Council in 1927 - and advances (net of repayments) from the Commonwealth under specific purpose payment schemes. While these net advances received a new lease of life in the Whitlam years, rising from 0.38 per cent of GDP in 1971-72 to 0.50 per cent in 1974-75, they have been cut back sharply in the Fraser years, having fallen by 1980-81 to only 0.17 per cent of GDP. Both components have suffered severe cutbacks in real terms, although the axe has fallen particularly heavily on advances for specific purposes. While not strictly relevant to net borrowing, it is worth noting that with interest payable on advances continuing to rise as interest

Table 13.1 Borrowing and Official Debt of Victorian Government 1970-71 to 1981-82 (\$ million and per cent)

	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82
<b>General government</b>												
<b>Net Advances</b>												
1. General purpose capital funds (Loan Council net)	132.6	142.9	165.2	115.1	148.4	181.2	189.5	198.0	194.3	160.3	168.6	167.0 <sup>1</sup>
2. Other net advances from the Commonwealth				69.3	158.4	174.0	138.1	116.3	90.0	44.8	50.3	50.0 <sup>1</sup>
3. Total net advances from Commonwealth	132.6	142.9	165.2	184.4	306.8	355.2	327.6	314.3	284.3	205.1	218.9	217.0
Proportion of GDP (%)	0.39	0.38	0.39	0.36	0.50	0.49	0.39	0.35	0.28	0.18	0.17	0.15
<b>Official Debt</b>												
Current prices	2672.8	2815.7	2980.9	3165.3	3472.0	3827.0	4155.8	4472.1	4758.5	4964.0	5182.9	5399.0
Constant prices	4243	4184	4028	3746	3472	3334	3262	3248	3207	3031	2863	2659
Proportion of GDP(%)	7.9	7.5	7.0	6.2	5.6	5.3	5.0	5.0	4.7	4.4	4.0	3.6
<b>Memorandum Item</b>												
<b>Net receipts on loan account from Commonwealth</b>												
<b>((3) less interest payments)</b>												
	n.a.	n.a.	n.a.	9.8	112.2	137.6	66.1	14.8	-39.0	-138.7	-162.0	-200.0 <sup>1</sup>

1. Estimated.

Source: Commonwealth and Victorian Budget Papers, and estimates of the authors.



rates rise, by the early 1980s the Victorian government's net advance from the Commonwealth was considerably less than its interest bill on past and present advances, so that its net receipts on loan account from the Commonwealth will be negative to the extent of some \$200 million in 1981-82.

This table also shows the official State Debt of Victoria to the Commonwealth, the series given in Table 13.1 being consistent, apart from a few very minor items, with that provided under the title 'State Debt of Victoria' in the Victorian Budget Papers 1980-81 (p.70). As a result of the low level of net advances, there has been a dramatic decline in this debt as a proportion of GDP, falling from 7.9 per cent of GDP in 1970-71 to 4.0 per cent in 1980-81 and an estimated 3.6 per cent in 1981-82. In terms of command over gross domestic product, the real value of this debt has fallen by 37 per cent between 1970-71 and 1981-81. Thus over the 1970s the Victorian government has been a massive net saver relative to the Commonwealth, generating real resources from taxation or other sources to reduce its debt to the Commonwealth. This has, of course, not been a policy chosen by the State government but one forced on it by the decisions of the Commonwealth.

By comparison with this picture, approved borrowing by Victorian local and semi-government authorities has been quite stable, being a slightly higher proportion of GDP in 1981-82 than in 1970-71 (see Table 13.2). Over this eleven year period the real value of this borrowing, in terms of command over public investment goods, has risen at an average annual rate of 3.2 per cent whereas Australia's total real GDP has risen at a rate of only 2.9 per cent. Three distinct phases are apparent in real borrowing by these authorities. The nominal value of their borrowing allocation did not keep pace with accelerating inflation after 1972-73, and in real terms the allocation was a little lower in 1975-76 than in 1972-73. However, as limits were adjusted a little lower in 1975-76 than in 1972-73. However, as limits were adjusted upwards, and with the infrastructure programme beginning in 1978-79, the real value of these allocations increased by one-third between 1975-76 and 1979-80. But as the Commonwealth became increasingly concerned about the public sector borrowing requirement and interest rate pressures, the real value of these allocations has fallen again (by 3-4 per cent in two years to 1981-82) and this trend seems likely to continue for the immediate future. So far as we know there is no readily available series for the total 'official' debt of local and

Table 13.2 Loan Council Borrowing by Victorian Local and Semi-government Authorities, 1970-71 to 1981-82 (\$ million and per cent)												
	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82
<u>Loan Council Programme</u>												
Larger Authorities	138.1	147.9	168.7	182.7	213.9	256.7	304.3	357.6	427.7	498.8	556.4	600.7
Smaller Authorities	18.7	23.6	30.9	35.8	44.3	63.3	88.3	115.5	111.9	126.0	137.0	150.0
<u>Total Programme:</u>												
Current prices	156.8	171.5	199.6	218.5	258.2	320.0	392.6	473.1	539.6	624.8	693.4	750.7
Constant prices	252	257	281	270	258	278	301	336	359	371	366	358
Proportion of GDP(%)	0.47	0.46	0.47	0.42	0.42	0.43	0.47	0.52	0.53	0.55	0.53	0.50

Source: Commonwealth Budget Papers, and estimates of the authors.

semi-government authorities, although one could be assembled from the accounts of major authorities. We have not undertaken this task because other concepts of debt are more relevant for these authorities.

### Net Borrowing and Debt, Non Financial Sector

The three other factors which influence true net borrowing and debt of the public sector in addition to movements in securities on issue are borrowing and lending within the public sector, borrowing of types other than those covered by Tables 13.1 and 13.2 and movements in holdings of financial assets. Here we examine trends in Victorian public sector transactions taking account of these factors, although we continue to exclude public sector financial institutions. Fortunately good data are available from the Australian Bureau of Statistics concerning relevant financing transactions of the Victorian public sector, dis-aggregated into State government budget and non budget sectors and local authorities, while J.P. McAuley has assembled benchmarks on an appropriate basis in his book The Structure of Australian Public Debt. These two sources are used to compile the estimates shown in Tables 13.3 and 13.4. While McAuley does not provide detailed estimates for Victoria, we have basically followed his methodology in compiling the figures presented here. The coverage of the budget and non-budget sectors has been discussed in Chapter 2 above.

Table 13.3 shows four items for both the budget and non-budget sectors of the Victorian government. For the budget sector there are two items which represent direct increases in indebtedness - net advances from the Commonwealth (c.f. Table 13.1) and miscellaneous other net borrowing, which also includes errors and omissions - and two items which are offsets to that indebtedness, viz. the increase in holdings of cash, bank deposits and securities and increases in assets in the form of advances to the non-budget sector. This table makes it clear how much movements in net indebtedness of the budget sector can differ from movements in State Debt as shown in Table 13.1. Indeed, over the nine years shown the increase in net indebtedness was only 56 per cent of the increase in State Debt arising from net advances from the Commonwealth, both because there was a net increase in financial assets of \$132 million and because of net advances to the non-budget sector of \$887 million over this period. There is a clear pattern to movements in both these items, reflecting in their different ways the increasing stringency facing State budgets in

Table 13.3 Movements in Total Public Sector Net Indebtedness, Excluding Financial Enterprises, Victoria 1970-71 to 1978-79

	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
<b>State Government</b>									
<b>Budget Sector</b>									
Net advances from Commonwealth	133	143	165	184	307	355	328	314	284
Other net borrowing	20	-3	-5	-3	13	6	-21	19	14
<b>Less</b>									
Increase in cash and security holdings	26	23	29	28	59	-9	-12	12	-24
Advances to non-Budget Sector	46	66	75	100	140	165	134	102	59
<b>Change in net indebtedness</b>	<b>81</b>	<b>51</b>	<b>56</b>	<b>53</b>	<b>121</b>	<b>205</b>	<b>185</b>	<b>219</b>	<b>265</b>
<b>Non-Budget Sector</b>									
Advances from Budget Sector	46	66	75	100	140	165	134	102	59
Loan Council borrowings	(138)	(146)	(166)	178	208	257	327	389	458
Other net borrowings	(-6)	(-23)	(-8)	-23	208	48	65	110	164
<b>Less</b>									
Increase in cash and security holdings	30	50	59	73	60	90	79	44	65
<b>Change in net indebtedness</b>	<b>148</b>	<b>139</b>	<b>174</b>	<b>182</b>	<b>288</b>	<b>380</b>	<b>447</b>	<b>557</b>	<b>616</b>
<b>Loan Council borrowing as proportion of increase in net indebtedness(%)</b>	<b>93.2</b>	<b>105.0</b>	<b>95.0</b>	<b>97.8</b>	<b>72.2</b>	<b>67.6</b>	<b>73.2</b>	<b>69.8</b>	<b>74.4</b>

Source: Based on unpublished information provided by the Australian Bureau of Statistics, and on data and methodology in J.P. McAuley, The Structure of Australian Public Debt, A.N.U. 1979.

recent years. Over the five years up to 1974-75 the financial assets of the budget sector built up by \$165 million, but in the four years to 1978-79 there has been a net reduction of \$33 million; advances to public bodies outside the budget sector increased every year between 1970-71 and 1975-76, increasing nearly fourfold over that time, but since then the government has been much less willing to provide funds to public enterprises, and net advances had fallen by nearly two thirds by 1978-79.

These figures on the annual change in net indebtedness of the budget sector can be used to provide estimates of the net debt of the Victorian government budget sector for 30 June of each year in the 1970s (Table 13.4). Our starting point is McAuley's estimate for net debt as at 30 June 1971, and the annual figures are compiled from this benchmark. Over the nine years in question net debt of this sector increased by 86.5 per cent but this was far less than the increase in prices of public sector investment goods (157.2 per cent) or in Australia's GDP (330.6 per cent) over that time. Thus the real value of the budget sector's debt has fallen by 27.5 per cent over the 1970s, and as a proportion of GDP has fallen from 4.6 per cent to 2.6 per cent. Thus these more refined estimates confirm the picture derived earlier of the budget sector as a substantial net saver over the 1970s, generating real resources from its operations to reduce the real level of government debt and to reduce the proportion of the nation's output which its debt represents.

The second section of Table 13.3 shows parallel figures relating to movements in net indebtedness for the non-budget sector, which is of course dominated by the major public enterprises. Three items contributing to increased indebtedness are shown - advances received from the budget sector, Loan Council borrowing for semi-government authorities and other net borrowings, which include overdraft finance, short-term borrowing such as by promissory notes, trade credit financing and so on. Only one offset to increased indebtedness is shown - increases in holdings of cash, bank deposits and securities - but it is a massive offset item, these holdings increasing by \$550 million in the nine years to 1978-79.

Here again there seem to be two quite different trends in influences on net debt in the two halves of the 1970s. In the four years to 1973-74, the total increase in net indebtedness of the non-budget sector closely paralleled new

Table 13.4 Public Sector Net Debt, Excluding Financial Enterprises, Victoria 1969-70 to 1978-79

	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
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(\$million)

State Government

Budget Sector	1427	1508	1559	1615	1668	1789	1994	2179	2398	2661
Non-Budget Sector	2588	2736	2875	3049	3231	3519	3899	4346	4803	5519
<u>Local Government</u>	225	258	297	334	385	450	515	583	672	770

<b>Total</b>	<b>4240</b>	<b>4502</b>	<b>4731</b>	<b>4998</b>	<b>5284</b>	<b>5758</b>	<b>6408</b>	<b>7108</b>	<b>7873</b>	<b>8950</b>
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(proportion of G.D.P.)

State Government

Budget Sector	4.7	4.5	4.1	3.8	3.3	2.9	2.8	2.6	2.7	2.6
Non-Budget Sector	8.5	8.1	7.6	7.1	6.3	5.7	5.4	5.2	5.5	5.5
<u>Local Government</u>	0.7	0.8	0.8	0.8	0.8	0.7	0.7	0.7	0.7	0.8

<b>Total</b>	<b>13.9</b>	<b>13.4</b>	<b>12.5</b>	<b>11.7</b>	<b>10.4</b>	<b>9.3</b>	<b>8.9</b>	<b>8.5</b>	<b>8.9</b>	<b>8.9</b>
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Source: As for Table 13.3.

borrowings by semi-government authorities under Loan Council approval, the latter allocations being equivalent to 98 per cent of the increase in net debt over this period. While advances from the budget sector were important (totalling \$287 million over the four years), they were more than offset by a net repayment of other borrowings and by a massive increase of \$212 million in holdings of cash and securities. Over these four years the real net debt of the non-budget sector fell by 14.3 per cent and net debt as a proportion of GDP declined from 8.5 per cent to 6.3 per cent (Table 13.4). These were years in which capital investment was sluggish, funds available from the State government and the Loan Council were relatively abundant and considerable resources were devoted to reducing the net debt of these enterprises. These were the years of financial abundance and probably of complacency. It is worth noting that this decline in real net debt is the counterpart to the rising public equity in the major business authorities which was brought out in Part II of this Report.

The years since 1973-74 or 1974-75 have been very different. As discussed in Chapter 2, investment has been increasing strongly - it was estimated in that chapter that real investment in the Victorian non-budget sector was about 80 per cent higher in real terms in 1980-81 than in 1973-74. In the early stages of this investment upswing there was some increase in the real value of advances provided by the Victorian government and through the Loan Council, advances from these sources increasing by 6.8 per cent in real terms between 1973-74 and 1975-76. But soon these funds began to be restricted, initially from the Victorian government and later through the Loan Council, so that the real value of these advances had returned to the 1973-74 level by 1978-79, in spite of the much higher level of investment. Thus the public enterprise sector has come under increasing financial pressure, and their response has been a major increase in borrowing from other sources. As we have just seen, in the four years to 1973-74 there was a net repayment of other borrowings of \$60 million, but in the five years to 1978-79 the net borrowing of authorities from other sources was \$387 million. Somewhat surprisingly, but reflecting the inadequacies of the financial management systems of the Victorian public sector, explored in earlier Chapters, financial asset holdings continued to increase rapidly, increasing by \$338 million in the five years to 1978-79. Mainly as a result of the surge in other borrowing, net indebtedness of the authorities as a proportion of GDP increased a little after 1976-77, having continued to decline up to that year.

While the Bureau of Statistics data on which Tables 13.3 and 13.4 are based is not available after 1978-79 other sources, including those brought together in Table 13.1 and 13.2 indicate that these trends have continued over the past three years. For example, Table 12.3 indicates that the real value of net advances from the Commonwealth to the Victorian government will be about 45 per cent lower in 1981-82 than in 1978-79; Table 12.4 shows that, in terms of real command over investment goods, approved Loan Council borrowing programmes for Victorian local and semi-government authorities will be at the same level in 1981-82 as in 1978-79, in spite of the rapid increase in investment; the discussion in Chapters 6 and 7 brought out the increasing reliance of the major business authorities in aggregate on other sources of finance, and the fact that their holdings of financial assets remain very large, although no longer increasing very rapidly. Overall, the net debt of the Victorian budget sector has certainly been lower, both in real terms and as a proportion of GDP, in 1981-82 than in 1978-79, indicating that this sector continues to be a net saver, generating real resources from its net revenues to reduce its debt. It also seems certain that, in spite of Loan Council constraints, the net debt of the non-budget sector will be higher, both in real terms and as a proportion of GDP, at the end of 1981-82 than three years earlier. This will be largely a result of the utilization of sources of finance outside the Loan Council programme to fund current investment programmes.

#### Debt Held Outside the Public Sector

The concept of net debt discussed above has taken account of lending and borrowing within the non-financial public sector, as these transactions are netted out in the Bureau of Statistics data. Thus, for example, the data considered above take account of the holdings of the MMBW of securities of other Victorian public authorities. But holdings of these securities by public sector financial institutions (excluding the State Insurance Office) have not been considered, and we have seen in the last chapter (e.f. also Table 13.5) that these holdings amounted to \$970 million at 30 June 1980. When talking of public sector financial institutions we continue to exclude the State Bank.

While public sector financial institutions hold both assets and



liabilities, their assets could in principle be confined to liabilities of the private sector or they could, as they do, invest substantially in liabilities of the Victorian public sector. The latter course assists Victorian authorities in filling their loan programs at going rates of interest, but it also means that the net borrowing of the public bodies sector (even in respect of loan borrowings) is less than allowed under Loan Council allocations. In fact, as we shall see, a substantial proportion of the borrowing programmes of Victorian local and semi-government authorities has been filled in recent years from within the public bodies sector of this State.

Table 13.5 brings together data from earlier chapters of this Report concerning holdings of Victorian local and semi-government securities by superannuation, insurance and related authorities and by major business authorities. These holdings amounted to \$1086.4 million at the end of 1979-80, an increase of \$338.1 million or 55.6 per cent over two years. Over the same two year period, total approved Loan Council domestic borrowings by local and semi-government authorities were \$1032.3, so that 37.6 per cent of these borrowings were met from within the Victorian public bodies sector itself, the proportions being 47.1 per cent in 1978-79 and 28.8 per cent in 1979-80. This figure excludes borrowings overseas under the infrastructure programme - if these are included, 33.3 per cent or exactly one-third of Loan Council borrowings of these authorities were met from within the public bodies sector over 1978-79 and 1979-80. These are remarkable facts and to some extent reflect as specific Victorian government policy that public bodies should support the Victorian loan programme. If borrowing allocations were unconstrained and the problem was to fill these programmes at acceptable rates of interest, they might be taken as impressive evidence of the extent to which the government has imposed a policy objective on the public bodies sector. In practice the dominant problem has been, and will continue to be, the inadequacy of Loan Council programmes for the perceived needs of the State. Thus the facts cited are again evidence of the inadequacy and mis-direction of the financial management processes in the Victorian public sector.

It is more difficult, both conceptually and practically, to obtain adequate estimates of composition of the net debt of the Victorian non-budget sector. But such estimates as we have been able to make imply that at 30 June 1980 superannuation, insurance and related Victorian public bodies held about

**Table 13.5** Borrowing by Victorian Local and Semi-government Authorities from within the Public Bodies Sector, 1977-78 to 1979-80 (\$million and per cent)

	1977-78	1978-79	1979-80
<u>Holdings with Victorian public bodies sector of Victorian local and semi-government securities</u>			
Superannuation Authorities	318.3	380.4	416.4
Insurance and other Authorities	298.9	452.4	553.5
Major Business Authorities	91.0	98.6	116.5
<b>Total</b>	<b>708.2</b>	<b>931.4</b>	<b>1086.4</b>
Change in holdings	n.a.	223.2	155.0
<u>Victorian Local and Semi-government authorities</u>			
Domestic borrowing Loan Council	473.1	494.6 <sup>1</sup>	537.7 <sup>1</sup>
Proportion of domestic Loan Council programme net by public bodies sector (%)	n.a.	47.1	28.8

<sup>1</sup> Excludes infrastructure borrowing overseas, estimated at \$45.0 million in 1978-79 and \$87.1 million in 1979-80. The proportion of the total borrowing programme of Victorian local and semi-government authorities net from within the public bodies sector was 43.2 per cent in 1978-79 and 24.8 per cent in 1979-80.

Sources: Calculated by the authors from data in Tables 12.2 and 12.4.

15 per cent, and the Victorian government about 30 per cent, of the net debt of the Victorian non-budget sector. With the banks, and particularly the State Bank, likely to hold a good proportion of the remainder it is apparent that the proportion held by the non-bank private financial sector and the public is fairly small. This has a number of important implications, one of which is that, if it is desired to increase the net borrowing by the Victorian public sector, attention will have to be given to the marketing of public securities to the non-bank private sector.

### Interest Rates and Maturity Structure

To round off the picture which has been provided of Victorian public sector borrowing and debt, it is necessary to advert to trends in interest rates and in the maturity structure of that debt. Little information is available in these regards about specifically Victorian public sector debt, we have to rely on interest rate data on all Australian semi-government securities and data on the maturity structure of all non-official holdings of government securities in Australia. While these data can only be taken as indications of Victorian trends, it is unlikely that they will be seriously misleading as to the magnitude and direction of those trends.

The dominant feature revealed by Table 13.6 is the remarkable difference in the behaviour of both nominal and real interest rates in the 1960s and in the 1970s. In the 1960s, a decade of low inflation, both the nominal average interest rate on State government securities outstanding and the nominal new issue rate on semi-government securities were low and stable, but both rates generated positive real rates of return to lenders. The average real rate on securities outstanding on behalf of State governments from 1960 to 1970 (inclusive) was 2.0 per cent, while the average real new issue rate was 2.8 per cent. Developments over the next decade were very different in each of these respects. Both nominal and real interest rates varied considerably, and real rates on both measures were negative for most of the decade. Over the 1970s the average rate of interest on securities outstanding was on average about 4 per cent below the rate of increase in consumer prices, and this real rate fell to 0-8 per cent in 1974. While the new issue rate on semi-government securities was obviously more responsive to inflationary trends, real rates here were negative for much of the decade and only became positive again at the end of the decade.

**Table 13.6** Indicators of Interest Rates and Maturities: State Public Sector Securities 1960-81 (Nominal interest rate data refer to 30 June of each year; the real interest rate figures are calculated by deflating these nominal rates by the average increase in the consumer price index in the calendar year in question)

	1 Nominal Interest Rates		3 Real Interest Rates		5
	Average interest rate Securities or issue for State governments (%)	New issue interest rate Semi-govt. securities (7-9 years) (%)	Average interest rate (State government) securities (%)	New issue interest rate (Semi- government) securities (%)	Weighted average period to maturity (All non- official holdings of government securities (months)
June					
1960	4.15	5.375	0.5	1.7	81
1961	4.35	5.75	1.7	3.1	77
1962	4.43	5.375	4.8	5.8	83
1963	4.42	4.875	3.8	4.2	94
1964	4.44	4.75	2.1	2.4	95
1965	4.58	5.375	0.7	1.4	108
1966	4.75	5.375	1.7	2.3	111
1967	4.82	5.375	1.5	2.0	120
1968	4.86	5.375	2.2	2.7	124
1969	4.92	5.375	2.0	2.4	126
1970	5.10	7.0	1.2	3.0	126
1971	5.37	7.0	-0.6	0.9	123
1972	5.50	6.0	-0.5	-	124
1973	5.51	6.3	-3.6	-2.9	118
1974	5.81	10.0	-8.0	-4.3	137
1975	6.31	9.7	-6.6	-3.6	105
1976	7.10	10.2			107
1977	7.47	10.7			106
1978	7.83	9.5			101
1979	7.94	10.4			89
1980	8.21	12.2			78
1981	n.a.	15.5 <sup>1</sup>	n.a.	5.0	

<sup>1</sup> As at August 1981.

**Source:** Column (1): Australian Treasury, 1980-81 Budget Paper No. 6 Government Securities on Issue at 30 June 1980, Table 11  
Column (2) and (5): Reserve Bank of Australia, Statistical Bulletin - Financial Supplement, March 1981, pp.138-9 and pp.130-1.  
Columns (3) and (4): Estimates of the Institute.

Thus during much of the 1970s public bodies throughout Australia, including those in Victoria made massive gains on their outstanding debt, as neither average interest rates on debt outstanding nor even new issue rates adjusted fully to changes in the rate of inflation. This matter has been considered in Part II above in relation to the major Victorian business authorities. However, over the past few years, and especially in 1981, new issue rates have again become substantially positive. In addition to the process of gradual adjustment to the continued reality of inflation, factors behind this have been the increased competition in financial markets associated with the freeing of bank interest rates and the resources boom, as well as the tight monetary policy adopted by the Federal government. It seems apparent that public bodies face the prospect of positive and substantial real interest rates for some time to come (unless there is a major acceleration in inflation), and in this respect the early years of the 1980s will probably be more like those of the 1960s than of the 1970s. As outstanding debt comes to reflect more and more the double-digit new issue rates which have prevailed for the most part since 1974, average interest rates on securities outstanding will continue to rise and be positive in some years.

In August 1981 the new issue rate for semi-government securities was raised to 14.8 per cent compared to a likely rate of increase in the consumer price index (yearly average) of about 10 per cent. Thus the real new issue rate, on the basis used in Table 13.6, is close to 5 per cent in 1981, a figure exceeded only once in the 22 years shown in that table. At the same time, as column 5 of Table 13.6 indicates, the maturity structure of government debt has shortened considerably. The weighted average period to maturity of all non-official holdings of government securities had fallen to 78 months by 30 June 1980, by comparison with a previous peak of 137 months at 30 June 1974, and has undoubtedly shortened further since that date. There is no doubt that a similar shortening of the maturity structure has occurred with Victorian public sector securities, as the comments of numerous authority chairmen testify.

Concern is often expressed about this shortening of the structure of debt. For example, in its 1979-80 Annual Report the SECV commented as follows in relation to the effects of inflation on the willingness of investors to commit

funds on a long-term basis:

"Shorter dated securities are, therefore, preferred which then require earlier refinancing action. These conditions make the financing of large scale public investment projects subject to highly variable fluctuations with respect to both the cost and availability of funds .

Both when both nominal and real new issue rates are well above the long-term trend it is wise for authorities to borrow short-term, in the anticipation of lower rates in the future. In particular, were inflation and nominal interest rates to decline significantly as the 1980s develop, authorities with a large portfolio of long-term debt borrowed at 1981 rates would be in a most disadvantageous position. This reason for authorities to borrow short in the current climate will be taken up in Chapter 14 when we consider new proposals for more efficient utilization of Victoria's public sector financial resources.

### Conclusion

This chapter has indicated that over the 1970s Victoria's public sector net debt declined significantly both as a proportion of GDP and in real terms. At the same time real interest rates on semi-government securities have risen sharply over the past few years and by August 1981 were probably the highest on record. With Victoria's present economic situation characterised by a stagnant economy with high unemployment, relatively few direct expansionary effects from the resources boom but with the prospects of adverse long-term effects on manufacturing from resources exports, and a perceived shortage of capital funds, it is beyond dispute that Victoria should seek to increase its public sector net debt to finance capital expenditure. Two aspects of that increased borrowing also follow from the discussion above - that part of the increase in borrowing might come from rationalisation of existing borrowing activities by public bodies, in particular a cessation or at least a reduction in the practice of filling Loan Council programmes from within the public bodies sector, and that, given the level of real interest rates, that increase in net debt should be at the short end of the maturity spectrum.

## Chapter 14

### Utilizing Victoria's Financial Resources

One of the central conclusions of the preceding analysis has been that the individual and unco-ordinated financial decisions of hundreds of public bodies, even if they are completely appropriate to the objectives of each body, do not necessarily imply in aggregate the best use of public sector financial resources for the State as a whole. On the contrary, we have seen in various chapters above that there are many respects in which the utilization of these financial resources is far from optimal from an overall Victorian point of view. In Chapter 13 it was argued that in current circumstances there is a strong case for increased net borrowing by the Victorian public sector, and that central elements here were more efficient use of the financial assets of the business authorities and some re-direction of the investments of the financial authorities. This chapter outlines our recommendations concerning methods of achieving a more efficient utilization of financial resources of the Victorian public bodies sector as a whole. This issue of the efficient use of existing financial resources is of paramount importance in the present climate of financial stringency and of severe cutbacks in the level of payments from the Commonwealth to the States. In the climate of Commonwealth generosity in the 1960s and in the first half of the 1970s the inefficiencies noted earlier could perhaps be tolerated, but with the new mood of real stringency in the 1980s a much tighter system of financial management is required.

This discussion starts from one basic premise, namely that the conditions facing the Victorian government in the 1980s are characterised by an inadequate flow of income, given existing rates of State taxation, of Commonwealth payments to the States and of permitted borrowings under the Loan Council, to meet desired expenditure programmes and perceived needs. The range of possible responses of the State authorities to this situation, such as increased indirect taxation, introduction of a State income tax, an increase in public enterprise charges or a re-ordering of expenditure priorities, are not under consideration here. But we start from the premise that the Victorian public sector faces a substantial shortfall of revenue relative to desired expenditure, so that any contribution from more efficient use of existing financial resources towards funding expenditure programmes and meeting broader

economic and social goals will be most welcome.

The discussions in earlier chapters have outlined the different types of Victorian public body which hold financial assets, the different reasons for which they are held, and the distribution of various type of assets in the main portfolios. In summary, at 30 June 1980,

- business authorities (including MMBW but excluding other water and sewerage authorities) held about \$380 million in financial assets, for a range of reasons including sinking funds, depreciation or capital investment reserve funds, insurance funds and reserves held as working capital or for contingencies;
- water and sewerage authorities (excluding MMBW) held about \$80 million in financial assets, this being equivalent to about two years capital investment at current levels;
- superannuation, insurance and other State government financial institutions (but excluding the State Bank) held some \$2,270 million in investments of which the bulk were in financial assets.

There are also additional holdings of financial assets, certainly in excess of \$100 million, located in other public bodies such as public hospitals, tertiary education institutions and so on.

Complete data is not available for the latest period, but on the basis of such information as is available and of past trends it is apparent that the total holdings of financial assets of the Victorian public bodies sector was approaching \$2,500 million at 30 June 1981. One of our main themes in this report has been the enormous variety of public bodies in Victoria, and this point must not be lost when considering their financial resources. There are many different types of bodies holding financial assets for quite different reasons, and this variety of types and of reasons must be fully acknowledged in any proposals for improved financial management systems. The other potential constraint on more efficient utilization of these assets, the limitation of the financial powers of the State government under the Financial and Gentlemen's Agreements, has been discussed in Chapter 12.



We have considered a range of possible initiatives to improve the utilization of the State's financial resources, and the proposals made here represent our assessment of the preferred options within this range, and having regard to the constraints referred to above. The following sections outline proposals for two new Funds - a Financial Management Fund for the borrowing and use of moneys on a temporary basis and a State Development Fund in the banking system for the utilization of moneys held by public bodies on a more permanent basis - in addition to the Central Management Account proposed in Chapter 10 to improve the allocation of financial resources in the water and sewerage sector.

### Financial Management Fund

Many public bodies in Victoria hold financial reserves for various temporary purposes and these reserves are held in financial assets with a high degree of liquidity. The most general and most important of these temporary purposes involves timing differences between receipts or borrowings and payments, but there could be other factors also. While assets can be held for short-term purposes in a range of other forms of investment as well, one minimum indication of 'temporary' asset holding is given by holdings of current and fixed term bank deposits and of commercial bills, together with deposits on the short-term money market. While data on the form of liquid asset holdings remain inadequate for many public bodies, our investigations reported above indicate that at both 30th June 1979 and 30th June 1980 the holdings of these liquid assets by Victorian public bodies was of the order of \$250 million. Taking account of the holding of other financial assets for temporary purposes (such as holdings of Treasury notes, Australian Savings Bonds and other short-term government bonds) the total holdings of assets for these purposes would be significantly in excess of this figure.

At present these financial holdings make no contribution to achieving the expenditure or investment goals of the Victorian public sector as a whole, although they do of course provide funds to banks and other financial agents for lending for economic activities. To provide some mechanism for utilizing some of these temporary holdings, we recommend that the Victorian government set up a Financial Management Fund and require that, apart from a few exceptions, all public bodies invest a certain proportion of their temporary

holdings of financial assets in this fund. The exceptions would be those bodies whose accounts are already incorporated in the Consolidated Fund (and so do not hold financial assets); water and sewerage authorities other than MMBW for which proposals have been developed in Chapter 10, and public hospitals, where improved financial management is perhaps best achieved through new systems based on the Health Commission. This question of proposals for hospitals requires further consideration as do the parallel questions about tertiary educational institutions.

The Fund would borrow these moneys on a short-term basis, and would offer a range of terms and conditions for the deposits it accepts comparable to, and perhaps even tied to, those available in financial markets. Thus there would be no disadvantages, from the point of view of the investing bodies, in holding its short-term assets with the fund rather than with the various institutions of existing financial markets. Nevertheless, there are reasons why bodies would need to continue to hold short-term investments in private financial institutions. While a more detailed analysis of these reasons, or practical experience in administering such a Fund, might lead to differential requirements for different types of bodies, one starting point would be to require that all public bodies hold one dollar in the Fund for every dollar held in private or other public securities or deposits with a term of less than (say) eighteen months. If such a requirement were to be implemented in 1981-82 our figures imply that the balance in this Fund would be of the order of \$200-250 million by 30th June 1982. This should be a conservative starting point in the sense that experience should show that bodies could be required to utilize the Fund on more than a dollar for dollar basis.

It has been argued in Chapter 12 above that there are other freedoms available to the State government, other than the familiar freedom open to all levels of government to borrow on a temporary basis without Loan Council constraints as to amount. But in view of the uncertainty surrounding these issues, it may be useful to indicate that the proposal is viable in terms of the temporary power alone. Indeed this requirement poses no objections to the recommendation being advanced here, for there are many ways in which an increased flow of funds for temporary purposes could help to meet the economic and social objectives of the Victorian government. Some of these ways are outlined briefly below.

- (i) At the 30th June 1980 the holdings of cash balances associated with the Consolidated Fund and the Trust Fund amounts to \$326 million, amounting to 8.3 per cent of Consolidated Fund outlays and 5.5 per cent of total Public Account outlays. These balances, which are often referred to as 'Treasury Balances' and are quite separate from the financial assets of public bodies which are the main focus of this chapter, are held by the central Victorian authorities and provide the 'working capital' and the liquidity reserve of State expenditure programmes. With a Financial Management Fund of a similar magnitude available to provide short-term funds and to meet temporary deficiencies in State accounts, it would be possible to operate the Public Account with a much lower level of Treasury balances, so utilizing much of these balances in Consolidated Fund outlays.
- (ii) There are many occasions on which spending programmes of departments are curtailed by a temporary shortage of finance, as spending on schools, hospitals, roads or housing is held back until Commonwealth funds are received, borrowed funds become available or until the allocation for the next financial year is available for disbursement. Again, a temporary provision of funds from a Financial Management Fund would often facilitate spending programmes in these areas, and could also be used as the need arose to bring forward programmes which are regarded as of special importance. Of course, this temporary use of funds need not be confined to the Public Account, and temporary loans could also be made available to statutory authorities or other public bodies with urgent spending programmes.
- (iii) There are precedents in other States, notably the Bridging Finance Scheme<sup>1</sup> for housing in South Australia, in which funds originating in the public bodies sector are advanced on a temporary basis to individuals or firms and so are used to increase the level of economic activity in the private sector. While any particular proposal along these lines needs close analysis, there is little doubt that a useful contribution could be made in this area once a Financial Management Fund was established.

In summary, it is beyond dispute that the Financial Agreement permits the

State to borrow and to use funds without constraint on a temporary basis. Given the high level of holdings of very liquid assets by public bodies, it is recommended that a Financial Management Fund be established and that all public bodies be required to hold a significant proportion of their short-term financial assets in this Fund. Temporary allocations of moneys from this Fund could be used in a range of ways to improve the financial management of the State and to expedite desired expenditure programmes.

#### State Development Fund

While the short-term financial assets held by public bodies are substantial a much larger volume of financial assets are held for reasons which cannot be regarded as temporary or short-term. For one thing, insurance offices, superannuation funds and the like are in the business of holding financial and other investments on a long-term basis, while some business authorities in the public sector hold substantial assets in long-term depreciation or sinking funds and there are many other reasons why investments are held by public bodies on a more permanent basis. If some \$300-\$400 million of the financial asset holdings of Victorian Public Bodies is regarded as being for temporary or short-term purposes as at 30th June 1980, our estimates imply that holdings of the order of \$2,000 million are to be regarded as of a more long-term character.

While the State government may choose to utilize some of these funds also on a temporary basis, it has been argued above that the Financial Agreement does not rule out the possibility of the State borrowing any of these funds on a long term basis and using the proceeds to fund expenditure or investment programmes. Thus it appears to us that, using either the 'public moneys' or the 'borrowing without securities' power, the State government could require public bodies to hold a given proportion of their financial assets in a designated government Fund, and could use this money to finance state development. But given that this interpretation is controversial we again develop a proposal which is viable under the 'temporary borrowing' power. What is clear is that, given the overall financial situation facing Victoria, there is a strong case in efficiency for utilizing some of these funds on a continuing basis to achieve the economic objectives of the State government.

The recommended mechanism for achieving this result is a State Development

Fund, set up by agreement between the Victorian government and the major banks operating in Victoria. As a result of this agreement each of the banks who agree to participate in the scheme would accept medium term deposits, on terms and conditions agreed to by the government, from Victorian public bodies and these deposits would constitute the State Development Fund. In accepting these deposits the banks would agree to invest the moneys in the Fund, on terms and conditions agreed to by the government and subject to the liquidity ratios of the banks, in projects designated by the government. The government would legislate to require various types of public bodies to hold set proportions of their financial assets in this Fund.

In introducing investment requirements in the Fund the government would need to have regard to the different circumstances of different types of public body and also to the fact that it is sometimes difficult to change quickly the distribution of medium to long term investment portfolios without incurring capital losses. Thus there would appear to be a case for requiring administrative, regulatory and advisory authorities to hold a high proportion of their 'non-temporary' holdings of financial assets in the fund, while the same might also apply to business authorities to the extent to which they held financial assets for depreciation or sinking fund purposes. Superannuation funds hold large quantities of medium to long term financial investments and a significant proportion of these could be re-directed over time to the Fund. This would in no way impair the efficiency of the superannuation bodies, provided the yields offered in the State Development Fund were competitive and that these bodies remained free to place the majority of their portfolios in investments of their choice. These considerations apply with even more force to a body such as the State Insurance Office, which operates in a competitive market situation and should not be burdened with required investments at yields below going market rates.

Two features of the asset holdings of Victorian public bodies which were brought out above are of particular relevance here. Firstly, we noted the tendency for many bodies to hold Victorian semi-government and local government securities, and even noted that the Victorian government has encouraged this tendency. While this obviously makes it easier for Victorian authorities to fill their loan programmes, these investments are regarded as part of approved Loan Council borrowing for the borrowing authorities. Thus the overall effect of

this investment by authorities in one another's securities, which we estimate to exceed \$1,000 million at 30th June 1981, is to reduce the net inflow of funds to the Victorian public sector corresponding to any given Loan Council allocation. It was pointed out that, in the two years 1978-79 and 1979-80 taken together, over one third of local and semi-government domestic borrowing was obtained from within the Victorian public bodies sector. Thus the government should encourage authorities to phase down their investment in, and eventually begin to move out of, Victorian (and interstate) semi-government and local government securities and to invest these funds instead in State Development Fund deposits. Secondly, we noted in passing in Chapter 11 above the extent of the investment by public bodies in mortgage loans, commercial and industrial loans and so on. We have not been able to study these investments in any detail, but recommend that these investments be examined in depth to determine whether they represent an efficient and optimal use of public sector financial resources.

As is apparent from the figures already mentioned in the text, the sums of money involved in such a State Development Fund could be very large. For example, if a decision were made to establish such a Fund to require superannuation and insurance offices to hold 30 per cent of medium to long-term financial assets in the Fund by 30th June 1984 and administrative, regulative and business authorities to hold 50 per cent of these assets in the Fund by that date, the deposits in the Fund would be likely to exceed \$1000 million by 30th June 1984. While the constraints on the utilization of such a Fund must be realised, it is our view that such a Fund could make a major contribution to achievement of the Victorian government's economic and social goals.

The constraints on the utilization of these deposits, if any, flow from the Financial Agreement and the Gentlemen's Agreement. On one conventional interpretation, these Agreements mean that neither the State government nor any of its departments could borrow on a continuing basis from the Fund, and that any loans to statutory authorities or to other public bodies borrowing \$1.2 million would form part of the Loan Council allocations for these bodies. It has been clearly indicated above that we dispute this interpretation. But even if it were correct there are many other ways in which these deposits could be used to achieve the governments goals. One way would be investment by the banks, using Fund deposits, in joint ventures with government agencies or

authorities in the provision of public sector goods and services. Thus a consortium of the banks involved in the Fund could join with the Housing Commission in the construction and operation of a particular welfare housing project, with the SECV or the Gas and Fuel Corporation in the development of a particular power generating enterprise, and so on. The terms and conditions of the Fund's involvement in these ventures would be agreed between the government and the banks, and if necessary (as in the welfare housing example), perhaps this involvement be subsidised by the government. Another alternative would be for the banks administering the Fund to invest directly in the construction of particular projects (housing, schools, trains, power stations etc.) and to lease them back to the government department or the authority concerned on a continuing basis. In short, there are many ways in which the recommended State Development Fund could be used to promote the development of Victoria without falling foul of Loan Council restrictions.

Footnotes

- 1 For a full documentation and analysis of this scheme see T. Carmody, B. Derody, D.S. Ironmonger and P.J. Sheehan, Fluctuations in Dwelling Construction in South Australia, Institute of Applied Economic and Social Research Technical Paper No. 13, Melbourne 1979.



## Appendix I Purpose and Terms of Reference of Present Study

This appendix reproduces statements concerning the purpose and terms of reference of the study of which this Report is the result. These statements were prepared by the Public Bodies Review Committee, and it was on this basis that the Committee commissioned the Institute of Applied Economic and Social Research at the University of Melbourne to prepare a Report.

### Purpose of the Study

By the Parliamentary Committees (Public Bodies Review) Act 1980, No. 9367, which received Royal Assent on 18 March 1980, the Victorian Parliament established a Public Bodies Review Committee with wide powers to review the efficiency, effectiveness, structure and role of Victoria's public bodies. The Committee has been formed to provide further information for the Parliament on the activities of the non-budget sector of government activity and implement a Government commitment to introduce Sunset Legislation. The Public Bodies Review Committee, which may receive a reference from either House of Parliament or the Governor in Council, has the authority to recommend that a public body cease to exist. Such a recommendation automatically takes effect on the anniversary of the Committee's report being laid before Parliament unless Parliament otherwise resolves.

The Committee's current reference is:

That, the State Rivers and Water Supply Commission and each constituted water, sewerage, drainage and river improvement trust or authority, except the Melbourne and Metropolitan Board of Works, be referred to the Public Bodies Review Committee for review.

One important aspect of the activities of statutory bodies about which little information is available is their economic impact. The Senate Standing Committee on Finance and Government Operations described the potential economic impact of authorities as their most striking feature, and commissioned some research on these bodies in the Commonwealth Government arena.

No corresponding research findings are available concerning the economic impact of Victorian statutory authorities. With its obligation under its present reference to review some 400 such authorities, all of which are related to the water and sewerage industry, the Public Bodies Review Committee intends to commission a study designed to provide some broad aggregate information on the economic impact of Victorian statutory authorities.

While the study specifications envisage a study covering statutory authorities generally, the consultants will be expected to carry out their work against the background of the Committee's current reference, to use examples from the water and sewerage industry where possible, and to provide results which will illustrate the relative significance of the water and sewerage industry within the context of the economic impact of statutory authorities generally. The Public Bodies Review Committee is gathering statistical and financial information concerning the water and sewerage industry and this will be made available to the consultants.

#### Terms of Reference

This study is designed to examine the impact of statutory authorities on the economy in Victoria.

The study will examine:

- (a) the size and pattern of statutory authority activity in the Victorian economy;
- (b) the borrowing powers of statutory authorities and the extent to which smaller authorities utilize their borrowing power, including evaluation of the reasons for variation in the degree of utilisation of borrowing powers;
- (c) the extent to which statutory authorities are borrowers from the private sector, and the relationship between borrowing by statutory authorities and the credit position of the private sector of the economy;

- (d) the scope, range and impact of investment policies and decisions by statutory authorities, including an assessment as to whether such investment is neutral with respect to the cyclical behaviour of the economy;
- (e) the extent to which the pattern of statutory authority investment is or should be made subject to co-ordinated central management;
- (f) the scope, range and impact of revenue decisions and policies of statutory authorities;
- (g) the extent to which the pattern of statutory authority revenue policies is or should be made subject to co-ordinated central management;
- (h) the extent of aggregate assets held by statutory authorities;
- (i) the level of liquid assets held by statutory authorities, and criteria for determining desirable liquid asset holdings;
- (j) the extent to which depreciation and other major reserves are consistently treated among authorities;
- (k) the impact of the behaviour of the non-budget sector authorities upon the budget sector of Victorian government activity;
- (l) the appropriateness and adequacy of existing State, Loan Council and Commonwealth controls on major economic decisions of statutory authorities;
- (m) the extent to which the spending of Victorian statutory authorities is directed to suppliers within Victoria, within Australia and overseas.

The Report of the study will contain recommendations as to desirable administrative and legislative changes (if any).

When making a submission to undertake the study on 21 October 1980 the Institute of Applied Economic and Social Research indicated that, having regard to the scope of the terms of reference and the time constraints involved, it may not be possible to give adequate attention to all items in those terms of reference, particularly items (f), (g), (h) and (m). The Institute's submission was accepted on this basis.



PUBLIC BODIES REVIEW COMMITTEE

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SIXTH REPORT TO THE PARLIAMENT

FUTURE STRUCTURES FOR WATER MANAGEMENT

VOLUME 1.

FINAL RECOMMENDATIONS :

REGIONAL AND LOCAL STRUCTURES FOR URBAN SERVICES

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\* \* \* \* \*



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EXTRACTED FROM THE MINUTES OF THE PROCEEDINGS OF THE  
LEGISLATIVE COUNCIL

---

TUESDAY, 8 SEPTEMBER 1981

13. PUBLIC BODIES REVIEW COMMITTEE - The Honourable A. J. Hunt moved, by leave, That the Honourables B. A. Chamberlain, Dr. K. J. Foley and D. R. White be Members of the Public Bodies Review Committee, and that the said Committee have power to send for persons, papers and records.

Question - put and resolved in the affirmative.

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EXTRACTED FROM THE VOTES AND PROCEEDINGS OF THE  
LEGISLATIVE ASSEMBLY

---

TUESDAY, 8 SEPTEMBER 1981

17. PUBLIC BODIES REVIEW COMMITTEE - Motion made, by leave, and question - That - (a) Mrs. Chambers, Mr. Crabb, Mr. Hann, Mr. Jolly and Mrs. Sibree be Members of the Public Bodies Review Committee; (b) the Committee have power to send for persons, papers and records; and (c) Standing Order No. 208 be suspended in respect of the Committee to allow - (i) publication of fair and accurate reports of evidence given by witnesses examined at public hearings; and (ii) the release of evidence, discussion notes and other documents and the publication thereof at the discretion of the Committee (Mr. Thompson) - put and agreed to.
- 

WEDNESDAY, 2 APRIL 1980

18. PUBLIC BODIES REVIEW COMMITTEE - Motion made and question - That the State Rivers and Water Supply Commission and each constituted water, sewerage, drainage and river improvement trust or authority, except the Melbourne and Metropolitan Board of Works, be referred to the Public Bodies Review Committee for review (Mr. Mackinnon) - put, after debate, and agreed to.

EXTRACTED FROM THE VICTORIAN GOVERNMENT GAZETTE  
OF 20 MAY 1981, NO. 42, p. 1595

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PARLIAMENTARY COMMITTEES ACT  
PUBLIC BODIES REVIEW COMMITTEE

---

At the Executive Council Chamber, Melbourne, the nineteenth day of May, 1981

PRESENT:

His Excellency the Governor of Victoria  
Mr. Crozier                                  Mr. Borthwick  
Mr. Lacy

---

NOMINATION OF PUBLIC BODIES FOR REVIEW  
BY THE PUBLIC BODIES REVIEW COMMITTEE

Whereas section 48B(1) of the Parliamentary Committees Act 1968, No. 9367, provides inter alia that the Legislative Council or the Legislative Assembly may by resolution or the Governor in Council may by Order published in the Government Gazette at any time nominate a public body for review by the Public Bodies Review Committee.

And whereas on 2 April 1980 the Legislative Assembly resolved "That the State Rivers and Water Supply Commission and each constituted water, sewerage, drainage and river improvement trust or authority, except the Melbourne and Metropolitan Board of Works, be referred to the Public Bodies Review Committee for review."

Now therefore His Excellency the Governor of the State of Victoria by and with the advice of the Executive Council thereof and in exercise of the powers conferred by section 48B(1) of the Parliamentary Committees Act 1968 doth hereby nominate the Local Governing Bodies constituted under the Water Act 1958, the Ballarat Water Commissioners and Sewerage Authority, the Dandenong Valley Authority, the First Mildura Irrigation Trust, the Geelong Waterworks and Sewerage Trust, the LaTrobe Valley Water and Sewerage Board, the Mildura Urban Water Trust, the West Moorabool Water Board and the personnel of the State Rivers and Water Supply Commission, for review by the Public Bodies Review Committee.

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And the Honourable Rupert James Hamer, Her Majesty's Premier for the State of Victoria, shall give the necessary directions herein accordingly.

TOM FORRISTAL,  
Clerk of the Executive Council.

## INTRODUCTION AND ACKNOWLEDGMENTS

This document, as its title indicates, is the first volume of the Committee's Final Report on its first reference, which is:-

That the State Rivers and Water Supply Commission and each constituted water, sewerage, drainage and river improvement trust or authority, the Local Governing Bodies constituted under the Water Act 1958, the Ballarat Water Commissioners and Sewerage Authority, the Dandenong Valley Authority, the First Mildura Irrigation Trust, the Geelong Waterworks and Sewerage Trust, the Latrobe Valley Water and Sewerage Board, the Mildura Urban Water Trust, the West Moorabool Water Board and the personnel of the State Rivers and Water Supply Commission, except the Melbourne and Metropolitan Board of Works, be referred to the Public Bodies Review Committee for review.

This volume contains one of the central components of the Committee's Report on its reference, that is, recommendations on the future of Victoria's 339 non-metropolitan water and sewerage bodies. These recommendations are made with the full force of the Committee's unique legislation, which provides for them automatically to take effect twelve months from tabling unless Parliament resolves otherwise.

To reach this stage in one of the most complex and important inquiries in the 126 year history of responsible government in Victoria in just twenty months has required unremitting effort by all the many people involved; and I wish to acknowledge that effort.

In earlier Reports to the Parliament I have taken the opportunity to pay tribute to those Members, Commissioners and Officers of the bodies under review, and those very many Officers of public bodies not in the reference, who have made a major contribution to the Committee's work. Let me express again the Committee's gratitude, and say that to work with those people in a spirit of co-operation and dedication to the principle of better government has been the most illuminating and rewarding aspect of my parliamentary career.

In addition to those members of what is now described as the public bodies sector of Victorian government who have given so much time and energy, there is another smaller but equally dedicated group who have made the Committee's most complex task not merely manageable but a rich and enjoyable experience. I refer of course to the Committee's staff. The work done, the very long hours committed, the spirit in which that work has been done, and the competence of that work, has

been the cause of justifiable pride (and sometimes incredulity) by the Committee. The water industry, at least that part included in the Committee's first reference, and the Parliament of Victoria, owes a great deal to the endeavours and dedication of the Committee's staff. Matthew Tricarico, the Committee's Secretary, and Jean Anderson have kept the Committee's secretariat functioning, while handling the massive load of correspondence which a consultation process involving over 600 separate bodies requires. Bill Russell and Margaret Graham have worked countless evenings and weekends on the preparation for the Committee of the papers leading to this Report, and its direct antecedent, the Fourth Report, assisted in various aspects by Sandy Fitts, Gerald Ashman and Colin Bell. These reports are marked by a grasp both of broad structure and of intricate detail: and without the contribution the staff have made to the Committee's understanding and handling of these questions of organisational structure, the Committee would not have been able to meet its commitment to bring down its Final Report on Structure in the Spring Sessional Period of Parliament.

Nor would the publication within a span of three months of two Reports on the scale of the Committee's Fourth and Sixth Reports have been possible without the splendid work of those responsible for producing it. Mary Chrystiuk has typed both these volumes through their many drafts speedily and elegantly, drawing the most from the Committee's word processor, while at the same time serving as switchboard operator and receptionist for the Committee. And Frank Atkinson, the Government Printer, and his staff have ensured that the Committee's Reports have set high standards for documents of their type so far as design, speed and quality of production are concerned.

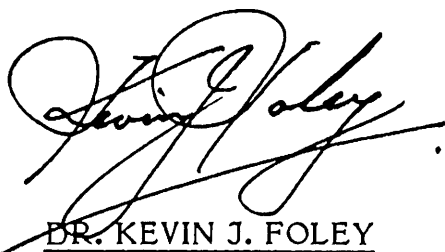
Apart from remarkable efforts on the part of those in the public bodies sector (and particularly those in the bodies under review), and on the part of the Committee's staff, I must emphasize the truly remarkable way in which my Committee colleagues have discharged their unprecedented responsibilities. The statistics of the review give some indication of the extra workload being a member of this Committee has meant for them: over 100 formal meetings; nearly 3,000 pages of evidence; 20,000 pages of submissions. Yet these statistics do not disclose the way in which the Members of the Committee have travelled the State, developed personal relationships with all the leading members of its water industry and many other people relevant to the reference: and above all forged themselves into an effective and unified working team.



During the year, the Committee has actively sought to develop secondment arrangements, to enable it to benefit from outside expertise, while offering in exchange the experience of working for and with the Committee. Apart from the Committee's two research staff, who themselves are seconded from State departments, the Committee has so far had the benefit of the services of Don Gracey, Margaret Graham and Colin Bell on this basis. For the services of Don Gracey, the Committee is indebted to the Canadian and Commonwealth Governments. Margaret Graham, from the Commonwealth Department of Science and Technology, has been made available to the Committee through the Commonwealth Public Service Board's Interchange Program, and I thank the Department and the Board particularly for making Margaret, with her remarkable facility to quickly master the complexities of the task, available to us. And I also acknowledge the Committee's debt to, the Minister for Conservation, the Hon. W. V. Houghton, M.L.C. for making Colin Bell available to the Committee on a secondment basis.

Although this Report deals with the organisational structure of Victoria's urban water and sewerage agencies, that should not be taken as an indication that the Committee has viewed structure as independent from finance, audit and reporting, and the legislative framework within which water bodies operate. On the contrary, the Committee has highlighted, often we expect for the first time on the public record, the web of interdependencies that characterise Victoria's water industry. This Report focuses on structure as an analytic and administrative convenience and with the publication of this initial volume of the Final Report, the integration of the various dimensions of the Committee's findings is commenced.

In the twenty months taken to reach this stage of its Inquiry the Committee has established a relationship and exchange of views with those under review that is, I believe, without precedent in an Inquiry of this magnitude. That process, which proceeds through the Committee publishing and seeking comment on draft recommendations, will be repeated for each of the major dimensions yet to be finalised. The process itself is by no means the least valuable of the products of the Committee's work.



DR. KEVIN J. FOLEY

CHAIRMAN

## CHAPTER ONE

### THE COMMITTEE AND THE REFERENCE

#### 1.1 The Committee, its Powers and Obligations

The Public Bodies Review Committee was established by the Parliamentary Committees (Public Bodies Review) Act 1980 No. 9367, which received Royal Assent on 18 March 1980. The Act provides for a Committee of eight members drawn from both Houses of Parliament, and enables the Council or the Assembly by resolution or the Governor in Council by Order to nominate a public body for review by the Committee. The Committee must then review each body so nominated and report to the Parliament on the question of whether the body should cease to exist.

A public body is defined in Section 48B(5) of the legislation as any public body established by or appointed pursuant to any Act, rule, regulation, by-law, order, Order in Council or other instrument of a legislative character.

In reviewing such bodies the Committee is required by Section 48C(5) of the Act to examine any matter it considers relevant to the question of whether the body should continue to exist or not, and particularly it is required to examine:-

- (a) whether or not the objects of the body are worth pursuing in contemporary society;
- (b) whether or not the body pursues its objectives efficiently, effectively and economically;
- (c) whether or not the structure of the body is suited to the activities it performs;
- (d) whether or not the body duplicates the work of another person or body;

- (e) the financial and other liabilities and obligations of the body;
- (f) the extent to which the body seeks information as to the effect of its activities and acts on the information it receives;
- (g) the extent to which the body considers the public interest when performing its activities;
- (h) the extent to which the body encourages public participation in its activities;
- (i) the manner in which the body handles complaints about its activities; and
- (j) the extent to which the body is prepared to improve its structure, composition or procedures.

The Committee may recommend either that a body shall cease to exist or continue, and where it recommends continued existence it may recommend a period within which the body should again be reviewed as well as changes in the structure, membership, procedures, functions, powers and duties of the body. As well, the Committee may state the objects which in its opinion the body should pursue.

On the other hand, where the cessation of a body is recommended, the Committee is required to provide recommendations as to arrangements to be made on its cessation, as to the powers, functions and duties of the body, disposal of property and staff, repeal or alteration of relevant legislation, and the handling of legal, contractual and financial arrangements entered into by the body.

The Committee may require submissions from bodies under review, and is obliged to hold a public hearing before reporting to Parliament on the question whether or not a body should cease to exist. At such hearings the Committee is required to allow any member of a body under review to give evidence to it.

Where the Committee recommends that a body should cease to exist, that recommendation automatically takes effect on the anniversary of the Report being laid before Parliament, unless Parliament expressly provides for the body to be continued.

These powers are unique among Parliamentary committees in the Westminster system, and the present Report, the Sixth the Committee has made to the Parliament in the past twelve months, contains the first use of the Committee's powers to recommend that a body should cease to exist, as well as the first use of the Committee's powers to formally recommend new administrative structures and arrangements.

## 1.2 The Committee's Reference and Task

Since its creation, the Committee has had before it a single reference\*: the review of virtually the whole of Victoria's non-metropolitan water industry. That industry, divided and fragmented geographically as well as functionally among nearly four hundred separate public bodies, had developed over one and a quarter centuries without ever having been subjected to comprehensive review. It had been administered during that time by Governments sometimes more concerned with the delivery of electoral promises to particular clientele than with the overall effectiveness and efficiency of the industry; by State agencies sometimes more proficient at engineering than at economics or management, and by local authorities whose public spirit and enthusiasm was often confined by the externally imposed strictures within which they were forced to operate.

The Committee's task then has been to become sufficiently familiar not only with the 400 bodies in its reference but also with the web of legislation; accounting, auditing and reporting requirements; financial management arrangements; and associated systems, from those for engineering support to those for local popular representation, to enable recommendations for the future to be made.

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\* Contained, however, in two separate instruments, a Legislative Assembly resolution of 2 April 1980 and an Order in Council of 19 May 1981, both reproduced above.

This task has not just involved looking at the operations of existing Waterworks Trusts and Sewerage Authorities. The Committee has also given consideration to the role of the State Rivers and Water Supply Commission in urban water retailing, to the roles of regional bodies and to the activities of municipalities supplying water or sewerage services under the powers contained in Sections 689/692 of the Local Government Act. Nor has that Inquiry merely involved looking backward, it has, more importantly, involved looking forward. The Committee sees its role not as recommending a structure or management framework that can operate in the present more efficiently, economically and effectively than that currently in existence. Rather the Committee believes it has a responsibility to design and recommend structures and procedures that will allow continued evolution toward more efficient, economic and effective allocation and utilization of water resources over the next several decades. Such an objective suggests the need to recognize the inherent uncertainty of the future by avoiding structures and procedures that are inflexible.

From that recognition it follows that some recommendations regarding procedure and structure will be couched in terms of an evolutionary process rather than distinct change. The Committee is conscious that it cannot accurately predict the future, consequently it must take special care to avoid recommending structures that, due to unpredicted change, are no more efficient, economic or effective in a future environment than those they replace.

If structures and procedures are to maintain their effectiveness in a world of uncertainty they must be both adaptable and flexible.

Looking forward, the Committee believes that Victoria's non-metropolitan water industry must be made more structurally coherent, and that geographical and functional fragmentation must be reduced. Accordingly, the general thrust of the recommendations is to pursue the objective of combining responsibility for water and sewerage in one body, and, where possible, both reducing the number of bodies responsible in each municipality for water and sewerage to one, and extending the jurisdiction of that body to the total area of the municipality, or to several adjoining municipalities.

Until recently, it had generally been the practice to establish a new, separate public body for each new water supply scheme, each new sewerage scheme, each new river improvement scheme, and each new drainage scheme. With such an approach, there was no effective limit to the number of new water bodies which could be created in the State. The Committee's recommendations are designed not only to reduce the number of existing bodies, but curtail this open-ended formula for proliferation. An existing body will under these recommendations be responsible for any new schemes needed in the future.

The Committee's position in relation to the role of the State Rivers and Water Supply Commission in the retailing of urban water and sewerage has been guided by the view that devolved, local management for the delivery of these services is the appropriate overall model to pursue.

Where responsibilities can be placed with local communities for managing their own affairs, the Committee believes this should be done. Furthermore, the Committee repeats its reservations, expressed in both the Second and Fourth Reports, as to the appropriateness and efficiency of the State Rivers and Water Supply Commission being involved in the retail side of local water supply administration.

In proposing new structures, and in making recommendations as to whether future water management responsibilities in each municipality should be handled by the municipality or by a specialised water board, the Committee has followed conservative principles of organisational change. It has sought to build on existing bodies wherever possible, and in no case does it envisage the creation of a new statutory body which has no association with or relevance to an existing organization.

In making judgments as to whether responsibility for urban water and sewerage in a particular area should be placed with a municipality or with a specialised water board, the Committee has often had to balance a number of factors. These have included:-

- whether there is an existing full-time professional water administration in the district;

- whether the municipality has existing involvement in water and sewerage services;
- the recent history of responsibility for water administration in the area (e.g.: cases where a conscious and recent choice has been made to municipalise or de-municipalise the water function);
- the geography of the municipality, including the distances and physical features separating the town from which the municipality is administered from the towns where urban water services are provided;
- the composition of municipalities, including the extent to which they include or do not include urban ratepayers. The absence of urban ratepayers on municipal councils has frequently led the Committee to recommend a water board where otherwise it might have recommended the transfer of water functions to a municipality.

Decisions on these questions do require an exercise of informed judgment: this the Committee has sought to do. At the same time, the Committee appreciates that others may form, in some cases, differing judgments\*, and that the significance of some factors will change over time. The Committee therefore stresses its belief that structure in the water industry, as in other areas of public administration, should be seen as dynamic, not static. It is of the greatest practical importance that mechanisms for simple change form part of Victoria's water law, so that in future responsibilities can be shifted from municipalities to water boards, and vice versa, amalgamations can be effected, and evolutionary developments fostered, as circumstances demand. The Committee will be commenting further on this in a later Report.

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\* See extracts from the Victoria Grants Commission's and the State Rivers and Water Supply Commission's responses to the Committee's Fourth Report where they criticise the Committee for having been influenced by local views and the need for democratic representatives on the responsible bodies.

In consequence, the Committee has been able to give attention to the counsel it has been so often offered, of allowing for individual variation, and avoiding an oversimplified or simplistic solution. The Committee has not therefore adopted the recommendation of the Board of Review of the Role, Structure and Administration of Local Government in Victoria concerning the universal transfer of the water and sewerage function to restructured municipalities outside the metropolitan area. The Recommendations contained in this Report rather provide for some structural diversity. The Committee's recommendations include the creation of a number of water boards, with municipality-wide responsibilities for water and sewerage; a number of water boards with responsibilities for water and sewerage covering several municipalities; some regional water boards, as well as, in many cases, a municipalisation of the water and sewerage function. The Committee's conclusion is that there is a place for each of these models in our new structure, but that there is no place for bodies created solely to satisfy artificial legal requirements or local or bureaucratic whim or prejudice.

As illustrated in the Committee's Fourth Report to Parliament, it has clearly sometimes been the case that municipalities have been cajoled into establishing water bodies where there is no substantive need for them. The Committee seeks an end to such practices and to the maximum extent possible to do away with the phenomenon of shell entities and "the man who writes letters to himself".

The Committee also realises that in some cases where water and sewerage functions have been municipalised, representation of consumers on the Councils is marginal. In some of these cases the Councils have suggested the establishment of a Water Advisory Committee to ensure that the expertise and public spirited endeavour of the former local Commissioners and Members of water and sewerage bodies is not lost. The Committee supports and commends those Councils.

The State Rivers and Water Supply Commission has argued that, ideally, water bodies should exist separately from municipalities so as to preserve ministerial responsibility and accountability to the Minister of Water Supply. The Committee has given considerable attention to questions of ministerial responsibility and accountability, and has conducted searching analysis in each



field. Municipalities are by definition general purpose; they have interfaces with a multiplicity of State subject-matter agencies, and the requirements of accountability and ministerial responsibility can be adequately covered by legislation, and by the adoption of responsibility centre accounting. There is not a need to establish separate local corporate entities to cover each and every activity a municipality is involved in. In the course of a month, a municipality could have dealings with, and responsibility to, the Ministers of Local Government, Lands, Health, Transport, Conservation, Labour and Industry and others. It is perhaps worth pointing out that separate trusts once did exist for roads and for markets; in the interests of a more effective use of resources, these management arrangements have been absorbed into structures managing a variety of responsibilities many years ago.

For very small communities, where there may be less than 100 consumers, the Committee questions the need for bureaucratic structures to manage the water supply function. In these communities, the Committee sees merit in responsibility being left to co-operatives of consumers. The Committee has received evidence concerning the successful operation of such "water societies" in the Shire of Lowan, (Transcript, p. 307-8) and in this Report recommends that the concept be explored in the Shire of Walpeup and the Shire of Mildura.

In a reference as vast as that presently before the Committee, it is inevitable that there will be a range of areas not covered in a report dealing with one aspect. This Report does not deal with other aspects of the role of the State Rivers and Water Supply Commission beyond its urban water supply function - its central management, for instance. Nor does it deal with river improvement and drainage bodies, or irrigation management. On all of these matters the Committee will be reporting separately in the very near future. To say this does not mean that the Committee will be neglecting the structural implications of these relationships and interdependencies. These will be drawn together as the Inquiry proceeds.

The Committee believes the Recommendations it has produced are flexible and sensitive; that they build on the best that is in Victoria's specialist water industry and its tradition of self management, and that they provide a more consolidated and coherent administrative structure with which to cope with the complex demands of coming decades.

### 1.3 The Committee's Methodology and Approach

The Committee, in approaching this task, has adopted perhaps the most intensive review process ever devised by a Parliamentary Committee in Victoria. It has been a process with a number of important components, the integration of which is commenced with the publication of this Report. Key strands in the process have included a round of public hearings held in all regions of Victoria, visits and inspections, the use of specialist consultants on a number of fundamental issues, and most importantly, the development of a process of dialogue with those groups, individuals, and organizations in the community who have identified themselves as being concerned about the future of the water industry.

This process of dialogue and consultation has been developed by the Committee in keeping with the spirit of its legislation, but is in itself a significant innovation. The Committee commenced by familiarising itself with water and sewerage administration by a process of informal visits to representative bodies in various parts of the State. Public hearings throughout the State followed, accompanied by the receipt of initial submissions from those giving evidence.

The Committee responded in turn by the issue of its Second Report in May 1981, and by the issue of a companion consultancy report on the performance and structure of water and sewerage bodies. The Second Report narrowed down future structural options to seven local and four regional possibilities; again responses were sought and obtained from bodies throughout the State. At this point, the Committee Members divided into four groups for intensive informal discussions with authorities throughout the State. These discussions continued throughout the period of the preparation of the Committee's Fourth Report.

In September 1981, the Committee moved the process of dialogue closer to finality by issuing its Fourth Report, Draft Proposals on Future Regional and Local Structures for Urban Services. In that Report the Committee recorded the discussions it had had and the provisional conclusions it had reached. Again, comment, data, and corrections were invited, and very extensive submissions were received. By this time, it had become apparent that consensus had been achieved in most parts of the State: the Committee could therefore focus on a relatively small number of contentious areas. This it has done, and in issuing the firm recommendations contained in this Report the Committee confidently anticipates widespread acceptance of them.

The Committee believes this process can be applied with equal success to the other structural questions posed by the present reference: that is, to the resolution of the questions of future structures for central management in the water industry, for irrigation management, and for the management of waterways, catchments, drainage and flooding. The Committee also considers that a version of this consultative process can be applied to the development of recommendations on the management themes which cross cut the reference and which will underpin the Committee's recommendations on the future efficiency and effectiveness of the industry. Accordingly, processes of consultation have been initiated with respect to accounting, auditing and reporting; financial arrangements; technical standards; a new legislative framework and the implementation of change. In each of these cases, the Committee has found it can utilise a vast fund of community spirit and expertise: individuals and organizations involved in this reference have shown, almost without exception, a real desire to take this unique opportunity to establish more effective and efficient ground rules for the public bodies with which they are associated, whether as customers, Commissioners, staff or business associates.

#### 1.4 This Report

This Report then, marks the commencement of the Committee's formal reporting process, but not the end of dialogue and discussion in respect of the other main strands identified above. The recommendations contained in this Report have the authority of Section 48F(1) of the Parliamentary Committees (Public Bodies Review) Act 1980 No. 9367 behind them. This section provides that:-

"48F(1) Where a public body is reviewed by the committee and the committee recommends that the body should cease to exist then subject to this section on the first anniversary of the day on which the report of the committee is laid before the Parliament -

- (a) the body shall cease to exist; and
- (b) the members of the body shall go out of office."

## 1.5 Other Structural Recommendations

The Committee, in order to place these recommendations in context and as part of the process of developing its structural proposals in respect of the other parts of its reference, is currently issuing three further documents covering respectively, the central management of Victoria's water industry, irrigation management and river improvement and drainage trusts. Of these, the Committee particularly draws attention to the issue of water industry central management, as one which must be borne in mind in considering future structures at local and regional levels.

## 1.6 Regional Structures for Urban Water and Sewerage Services

In its Second Report to Parliament, Future Structures for Water Management, the Committee proposed that there is scope for a regional level of administration in the water industry in Victoria, but that the type of regional structure adopted should reflect the scale and complexity of development and the degree of interdependency in the region.

The Committee's consultants identified a range of tasks\* which need to be developed regionally to ensure optimum planning, co-ordination and consultation on an appropriate area basis for the water industry. These tasks could include:-

- Co-ordination or control of the regional water cycle, in accordance with regional strategies and local interests; includes the development and implementation of regional preservation and development strategies.
- Co-ordination of water industry plans and activities with regional land-use planning and development strategies.
- Co-ordination and liaison with other agencies operating at a regional level.
- Co-ordination and monitoring of local authorities' performance and activities.

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\* See Public Service Board, The Performance and Structure of Local Water and Sewerage Authorities in Victoria. Consultancy Report for Public Bodies Review Committee, p. 28.

- . Design and construction of regionally-based technical schemes.
- . Collection of regional charges and rates.
- . Representation of regional interests to State Government.
- . Provision of a forum for community participation and representation on a regional basis.
- . Regional administration of State Government programs and functions.

The Committee identified four regional water management options as a means of addressing the regional tasks\*:-

Option R1: No regional authority as such, but a periodic consultative forum within each defined region among water and sewerage trusts and authorities, and between such authorities and other government agencies, particularly regional planning authorities.

Option R2: No regional authority as such, but a co-ordinating committee for each defined region, similar to that proposed in "A Sewerage Strategy for the Yarra Valley", though not necessarily chaired from the Ministry of Water Resources.

Option R3: A regional authority created as a second tier above separate local authorities, with responsibility for region wide issues, including the provision of common headworks and disposal facilities where appropriate.

Option R4: A regional authority responsible for all water, sewerage, drainage and flood protection works in its region.

The Committee in its Second Report indicated that it favoured the adoption of one of these options in each region in Victoria, with Option R4 in those areas where development and inter-dependency is most obvious, and lesser options in other areas.

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\* See Public Bodies Review Committee Second Report to Parliament 1981, Future Structures for Water Management, p. 49.

The State Rivers and Water Supply Commission has indicated its support for regional consultative forums and has offered to convene periodic meetings of authorities in certain areas. The Committee commends the State Rivers and Water Supply Commission for this proposal but considers that wherever possible it is preferable for local bodies to take the initiative.

Since 1972, there has been an evolutionary development toward common regional boundaries by a number of Victorian government agencies. In keeping with these developments, the Committee suggested in its Fourth Report that a number of consultative forums be established, using those boundaries.

The Committee has recommended in Chapter 2 of this Report the establishment of a number of R3 and R4\* bodies but has held any firm decision on R1 and R2's in abeyance until the development of its proposals concerning central management, irrigation and drainage management is further advanced.

#### 1.7 Central Management of Victoria's Water Industry

The central management and co-ordination of Victoria's water industry is a function of critical importance in efficiently and effectively meeting the State's water resource needs, and one which the Committee must address not only in relation to its reference to review the State Rivers and Water Supply Commission, but also because central management arrangements set the framework and context within which the local and regional bodies covered by the present volume operate. The Committee cannot complete the present reference without reporting on central management arrangements as well as local and regional structures.

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\* See Appendix 5 for a description of R1, R2, R3 and R4 bodies.

In considering this issue, the Committee has inescapably been required to take into account the roles of the Ministry of Water Resources and the Victorian Water Resources Council, despite the fact that these bodies are not within the present reference, and, in the case of the Ministry, despite an opinion from the Crown Solicitor that it cannot be the subject of review by the Committee under the present terms of the Parliamentary Committees (Public Bodies Review) Act 1980 No. 9367. The Committee will therefore have to encompass the roles of these two bodies by making observations rather than recommendations about them.

The Committee has to date received two major studies relevant to the central management of the industry - a study of Ministerial Responsibility and Public Bodies in Victoria by Dr. Donald P. Gracey, of the Canadian Privy Council Office\*, and a study directly focussed on the Central Management of Victoria's water industry, completed by the Public Service Board of Victoria acting in a consultancy capacity to the Committee as provided for by Section 48D(3) of the Parliamentary Committees (Public Bodies Review) Act 1980 No. 9367. Both these documents are being released concurrently with this Report.

Dr. Gracey's paper gives particular attention to the need for a redefinition of the appropriate relationships between Ministers and public bodies for the purpose of constructing a logical and consistent structure of control, direction and accountability, including an allocation of responsibility amongst the legislature, individual Ministers, the Ministry generally and the management of public bodies. Such a structure would provide the basis for defining the appropriate mechanisms of control, direction and accountability for public bodies, including those in the water industry. The paper provides a valuable starting point for considering future central management arrangements in the Victorian water industry.

The Public Service Board study examines current central management arrangements in the water industry and concludes by identifying and evaluating five options, of which one is preferred by the consultants. The five options are:-

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\* Dr. Gracey was made available to the Committee as a Resident Consultant during 1981 by the Commonwealth and Canadian Governments.

- Minimal change - rationalising current arrangements to give the Director of Water Resources formal responsibility to develop and co-ordinate State-wide industry policy, while maintaining SRWSC and MMBW in their current roles and relationships;
- Separate Ministry of Water Resources - development of the Director and his staff as a separate Ministerial agency with the full central management support role to the Minister for the whole water industry;
- SRWSC as the central management agency - development of SRWSC as the State agency charged with responsibility for the full central management support role, initially by absorbing the Director and his staff;
- Separation of revenue raising districts from SRWSC - involving early separation of SRWSC's main revenue raising districts into an independent State water authority or independent regional authorities, with the balance of SRWSC being re-structured into a "State department" with the prime central management support role;
- A Water Management Board (WMB) - with the prime responsibility for the central management support role to the Minister. The Board would include a full-time Chairman (appointed by Governor in Council) and a number of part-time members who would comprise the Chairmen of all major multi-functional statutory water authorities (e.g.: MMBW and SRWSC) and two other members appointed by Governor in Council. A relatively small staff group, provided through SRWSC, would provide permanent and on-going executive and administrative support to the Board.



The Water Management Board is the option preferred by the consultants.

While the Committee will not necessarily confine itself to those options in making its recommendations for change, they do represent a major input on the subject, and one on which the Committee is currently seeking comment.

#### 1.8 The Balance of the Reference

As the various consultations described above unfold, the Committee will progressively complete its recommendations on the other dimensions of its reference. It is now reasonable to predict that as a result:

- . the number of significant public bodies in Victoria will be appreciably reduced;
- . the objectives of public bodies in the water industry will be clarified;
- . improved methods of accounting, auditing and reporting will be adopted;
- . very substantial savings will result from more rigorous financial management and project evaluation;
- . accountability in the water industry, both upwards to Parliament and downwards to communities will be enhanced;
- . a new framework of water law will be adopted;
- . a wide range of specific changes will be made in many public bodies;
- . a very wide-ranging exercise in change through consensus will have been successfully completed.

The Committee believes these changes to be in the public interest, and to be a vindication of the value of the new mechanisms established by the Parliamentary Committees (Public Bodies Review) Act. At the same time, the Committee wishes to record the inestimable part in this process which has been played by the Commissioners and staff of the bodies under review. The Chairman, Commissioners and staff of the State Rivers and Water Supply Commission have made a formidable contribution to this process - often acting within the tightest of time constraints; but so too have the Commissioners, Members and staff of bodies throughout the State. The Committee pays particular tribute to them in arriving at these historic recommendations.

## CHAPTER TWO

### STRUCTURAL PROPOSALS

#### 2.1 Local Structures for urban water and sewerage.

##### Introduction

Outside the area of the Melbourne and Meropolitan Board of Works, there are some 340 public bodies responsible for supplying urban water and sewerage services. The largest of these bodies is the State Rivers and Water Supply Commission, which directly provides urban water supply to some 130 towns, and directly provides sewerage to one town.

The other bodies are all confined to limited geographical domains, not uncommonly a single urban centre, or a portion of a single urban centre. Almost universally, and throughout the area supplied with water by the Commission, there is a functional split, with separate public bodies for water and sewerage services. Thus in areas like Geelong, Mildura, Shepparton or the La Trobe Valley, there are numbers of these bodies engaged in similar work in adjacent (or sometimes overlapping) bailiwicks. And, fragmented as Victorian local government boundaries are, there are few Shires without a plurality of water and sewerage bodies active within their bounds.

In this Chapter, the Committee comments on each of the Waterworks Trusts, "Local Governing Bodies under the Water Act"\*, Sewerage Authorities, and bodies created by special statute engaged in non-metropolitan urban water supply and sewerage services. This, incidentally, involves all the bodies in the Committee's current reference except the Dandenong Valley Authority, the First Mildura Irrigation Trust, the West Moorabool Water Board and some 32 river improvement and drainage trusts.

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\* The so-called "Local Governing Bodies under the Water Act" are separate corporate entities which have been created in some fifteen towns in Victoria where the municipality is effectively the water supply authority. Those puzzled by the need for such a device should consult Chapter 2, Part 5 and Appendix 5 of the Committee's Fourth Report, Future Structures for Water Management: Recommendations on Regional and Local Structures for Urban Services.

The Committee's comments are arranged alphabetically, but related bodies have been grouped together (and cross-indexed) for ease of discussion. Data in this Chapter concerning rating levels and population derives from information supplied to the Committee by the State Rivers and Water Supply Commission in 1980.

Where in this Report the Committee refers to a Water Board, it envisages a body capable of providing both water and sewerage services to the area it serves. The Committee considers that the term "Water" connotes both water and wastewater. The term "Board" is proposed in accordance with recommendations as to consistent terminology in the naming of public bodies at page 27 of this Committee's Third Report, Audit and Reporting of Public Bodies.

Airey's Inlet Waterworks Trust

Anglesea Sewerage Authority

Torquay Sewerage Authority

The Airey's Inlet Waterworks Trust was constituted on 6 August 1975 by Order of the Governor in Council. The Trust consists of six Commissioners, three being Coast Riding Councillors of the Shire of Barrabool, and three being persons appointed by the Minister of Water Supply. The three Riding Councillors are also Commissioners of the Anglesea Sewerage Authority, while the Trust Secretary, Mr. Mervyn Hair, is also Shire Secretary of the Shire of Barrabool and Secretary of the Anglesea Sewerage Authority and the Torquay Sewerage Authority. In view of the close relationship between these four separate public bodies, Mr. Hair was asked to comment at the Public Hearing in Geelong on 26 September 1980 as to the possibility of their amalgamation. He stated (Transcript, p. 1212): "There are possibilities in that."

The Trust commenced works to provide a reticulated water supply for 470 buildings at Airey's Inlet and Fairhaven early in 1978. The Trust has completed a 410 ML reservoir on Painkalac Creek, and some 4 km of pipeline and rising main, but its pump station, service basin, supply mains and town reticulation mains have yet to be completed.

The Trust was constituted after a number of alternative schemes for the provision of water to Airey's Inlet had been considered, including the extension of the Anglesea

district by the State Rivers and Water Supply Commission. The Trust provided a written submission to the Public Bodies Review Committee on 17 September 1980, and the Trust was represented at a Public Hearing held by the Committee at Geelong on 26 September 1980.

The Airey's Inlet Waterworks Trust is one of three water/sewerage bodies administered by the Shire of Barrabool, which is located at South Geelong. The others are the Anglesea Sewerage Authority and the Torquay Sewerage Authority. The Shire of Barrabool has branch offices (open 24-26 hours per week) at Torquay and Anglesea, but has no office at Airey's Inlet. Water supply to Torquay and Anglesea is provided by the State Rivers and Water Supply Commission.

Anglesea Sewerage Authority was constituted on 4 July 1967. It consists of the three Coast Riding Councillors of the Shire of Barrabool, and three Government Nominees. The Authority's works include some 35 km of reticulation sewers and several pumping stations. The Authority made a submission to the Committee on 17 September 1980 and was represented at the Public Hearing held by the Committee at Geelong on 26 September 1980 by an Authority Member, the Authority Secretary and a representative of its consulting engineers.

Torquay Sewerage Authority was also constituted in 1967, on 19 December. It consists of two Barrabool Shire Councillors, two South Barwon Shire Councillors and a Government Nominee. The Authority serves some 3,400 tenements and all sewerage is disposed of after treatment through the Geelong Waterworks and Sewerage Trust's Black Rock outfall.

The Authority made a submission to the Committee on 18 September 1980, and was represented at the Public Hearing held by the Committee at Geelong on 26 September 1980 by its Chairman, Secretary and a representative of its consulting engineers.

Both the Anglesea Sewerage Authority and the Torquay Sewerage Authority, in separate letters to the Committee dated 18 June 1980 and 3 June 1980 respectively, advised that the reason for the existence of each Authority was that:-

"It was considered more practicable to create a separate Authority, rather than have the sewerage district developed by the Geelong Waterworks and

Sewerage Trust, due to the availability of interest subsidies on construction loans."

The Shire of Barrabool, in a letter to the Committee dated 19 March 1981, suggested that "thought could be given to the development of one overall water and sewerage authority throughout each municipality where multiple authorities presently exist." The Shire also called for the development of "a regional structure to which municipalities can relate ... in the necessity of achieving an overall management of the water system."

The Geelong Waterworks and Sewerage Trust, in its Report to the Public Bodies Review Committee dated July 1981 on "Possible Rationalisation of Water Management Responsibilities in the Barwon Region", has suggested that Airey's Inlet should lie outside the boundaries of any proposed Barwon regional water authority, but that Anglesea and Torquay (slightly to the east) should be included. This would result in two of these coastal townships being included within the jurisdiction of such a new authority, and one being excluded.

Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. held discussions with the Authority at Geelong on 24 July 1981.

In a joint submission dated 16 November 1981 in response to the Committee's Fourth Report, the Airey's Inlet Waterworks Trust, the Anglesea Sewerage Authority and the Torquay Sewerage Authority advised their strong support for amalgamation into a Barrabool Water Board which they saw as "sound and logical" and "the most economical and representative body to serve the needs of" those "areas in the future".

The Geelong Waterworks and Sewerage Trust and the State Rivers and Water Supply Commission have placed before the Committee strong evidence in support of Anglesea and Torquay being included in a Geelong Regional Water Board. Relevant extracts from the State Rivers and Water Supply Commission's submission have been reproduced as an Appendix to this Report.

**The Committee's recommendation is that the Airey's Inlet Waterworks Trust and the Anglesea Sewerage Authority cease to exist and that the successor**

body be the Barrabool Water Board. The Committee also recommends that the Torquay Sewerage Authority cease to exist and that the successor body should be the Geelong Regional Water Board. The Committee further recommends that the water retailing functions of the State Rivers and Water Supply Commission in Anglesea and Torquay be transferred as soon as practicable to the Barrabool Water Board and the Geelong Regional Water Board respectively. (Recommendation 1).

Alberton-Port Albert Waterworks Trust

Yarram Waterworks Trust

Yarram Sewerage Authority

The Alberton-Port Albert Waterworks Trust was constituted on 23 August 1966 by Order of the Governor in Council. The Trust consists of six Commissioners elected by the ratepayers and one person appointed by the Minister of Water Supply.

The Trust purchases water in bulk from the Yarram Waterworks Trust, and has some 10 km of main pipeline, 7 km of service mains and an elevated concrete storage at Port Albert.

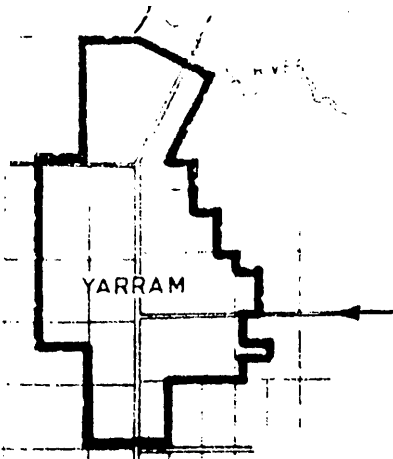
The Trust did not provide a written submission to the Committee during 1980 and did not appear at the Regional Hearing held in Traralgon on 5 September 1980.

The Shire of Alberton River Improvement Trust was constituted in April 1980, and consists of the nine Councillors of the Shire of Alberton. The Trust's district is the whole of the Shire of Alberton, and as the upper reaches of most of the streams fall within the Shire, it is effectively responsible for the whole of a catchment. The officers of the Trust are Council officers and the Shire of Alberton in a letter to the Committee dated 30 June 1981 made it clear that the Trust exists only to obtain funding advantages, but produces administrative duplication as a result:-

"Duplication of some of the Council's administrative functions by the Shire of Alberton River Improvement Trust is in the opinion of Council unnecessary ... Administrative duplication as well as being inefficient is an additional expense to ratepayers and government."

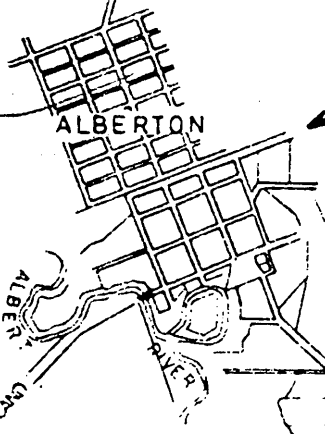
MAP 1 - ENCIRCLEMENT OF  
ALBERTON-PORT ALBERT  
WATERWORKS TRUST BY  
YARRAM SEWERAGE AUTHORITY.

Yarram Waterworks Trust and  
Sewerage Authority District.



PARISH OF YARRAM YARRAM

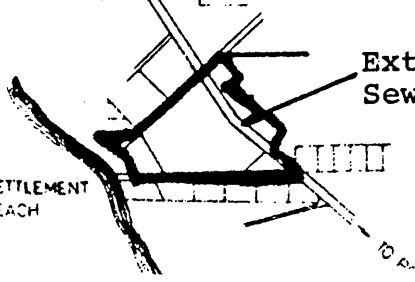
SPECIAL SURVEY (ORR)  
SOUTH GIPPSLAND HIGHWAY



Alberton-Port Albert Water-  
works Trust District.

ALBERTON RIVER  
SOUTH GIPPSLAND HIGHWAY

PARISH OF ALBERTON EAST



Extension to Yarram  
Sewerage Authority Region



2211



Yarram Waterworks Trust was created on 13 March 1905 by Order of the Governor in Council. It consists of six Commissioners elected by the ratepayers and one appointed by the Minister of Water Supply. The Trust obtains water from the Tarra River via a 10 km pipeline, supplying a population of 2,000 people at a rate of 3.5 cents in the dollar N.A.V.

Yarram Sewerage Authority was established on 26 April 1939, and since 1978 has consisted of the Commissioners of the Yarram Waterworks Trust. The Authority pumps sewerage through a 23 km sewerage main to the ocean.

The Yarram Waterworks Trust and Yarram Sewerage Authority are administered jointly, and separately from the Shire of Alberton. As only two Councillors of the Shire of Alberton are ratepayers of the Yarram Waterworks Trust, and only one is a ratepayer of the Yarram Sewerage Authority, a cogent reason for separate administration is apparent.

The Yarram Waterworks Trust and Yarram Sewerage Authority made a joint submission to the Committee on 27 August 1980. This submission stressed the meaningless separation between the Waterworks Trust and the Sewerage Authority:-

"The Trust and Authority ... see no need for two separate Acts and strongly believe the industry could operate as one under a uniform Act. Even now, although the minutes show this Trust and Authority dealing with matters separately, in fact both are usually discussed at the one time and for matter of record only are shown separately in the minutes."

The Trust and Authority were represented at a Public Hearing held by the Committee in Traralgon on 5 September 1980, by their Chairman and Secretary.

Following the publication of the Committee's Second Report, the Yarram Waterworks Trust and Yarram Sewerage Authority made a second submission to the Committee. This submission, apart from advocating the amalgamation of the present Trust and Authority, pointed out the extent to which the Alberton-Port Albert Waterworks Trust had become encircled by the two Yarram bodies. The Alberton-Port Albert

Waterworks Trust obtains its water from the Yarram Waterworks Trust, but will supply water to the Yarram Sewerage Authority, which is the responsible authority for sewerage in Port Albert.

In a letter dated 10 November 1981 the Chairman, Mr. R. L. Nicoll, and Secretary Manager, Mr. N. J. Rohde, advised the Trust's and Authority's support for the proposed Alberton Water Board.

The Shire of Alberton, in a response dated 30 June 1981 to the Second Report of the Public Bodies Review Committee has argued that a single Water Management body should be created to replace the Yarram Waterworks Trust, the Yarram Sewerage Authority and the Alberton-Port Albert Waterworks Trust, and that river improvement become a direct responsibility of the Shire.

**The Committee's recommendation is that the Alberton-Port Albert Waterworks Trust, the Yarram Waterworks Trust and the Yarram Sewerage Authority should cease to exist, and that the successor body should be a new body known as the Alberton Water Board, with responsibilities for all urban water and sewerage works required in the Shire of Alberton. (Recommendation 2).**

Alexandra Waterworks Trust

Alexandra Sewerage Authority

Thornton Waterworks Trust

The Alexandra Waterworks Trust was constituted by Order of the Governor in Council on 11 January 1899. The Trust has, since 1957, consisted of the three Councillors for the Alexandra Riding of the Shire of Alexandra, and three persons appointed by the Minister of Water Supply.

The Trust Secretary, Mr. Gerald Walshe, is also Shire Secretary of the Shire of Alexandra, Secretary of the Alexandra Sewerage Authority, Secretary of the Shire of Alexandra River Improvement Trust and Secretary of the Thornton Waterworks Trust. These five bodies are all administered from the Alexandra Shire Offices. The two

waterworks trusts and the sewerage authority all employ Garlick and Stewart as consulting engineers, and all five authorities share and contribute to the salary of the Shire Engineer, Mr. Roy Ton.

The Trust serves a population of 1,800 people, and the current water rate is 4.05 cents in the dollar N.A.V. Water is pumped from the Goulburn River to two service basins from which it is reticulated to the township.

Alexandra Sewerage Authority was constituted on 8 December 1966, and consists of the members of the Alexandra Waterworks Trust. The sewerage installation involves a pumping station, lagoons and an irrigation system.

The Trust and Authority advised by letter dated 3 November 1981 that subject to the Council being allowed to strike differential water rates and expend depreciation funds on capital works they believed that amalgamation with the Shire was in the best interest of the ratepayers.

Thornton Waterworks Trust was created by Order of the Governor in Council on 12 May 1964, and consists of the three Councillors for the East Riding of the Shire of Alexandra, plus three persons appointed by the Minister of Water Supply. A population of 120 people is provided with water at a rate of 5.5 cents in the dollar N.A.V. Water is obtained from the Rubicon River and reticulated through the township by gravity. The Trust and Shire on 12 November 1981 advised that subject to being able to strike rate differentials they would support amalgamation with the Shire.

The Shire of Alexandra River Improvement Trust was constituted in February 1963, and consists of the 15 Councillors of the Shire of Alexandra. It was the first 'whole of Shire' River Improvement district to be constituted, and its responsibilities embrace parts of the Goulburn, Acheron and Rubicon Rivers.

These bodies made a written submission to the Committee dated 14 and 15 August 1980, and were represented at the Discussion held by the Committee at Shepparton on 29 August 1980.

There is already a high degree of integration among these five bodies. Administrative costs are apportioned among them, officers and Commissioners are to varying extents shared, and the same consulting engineers are employed.

Sewerage at Eildon, within the Shire, is provided by the State Rivers and Water Supply Commission, the only community in Victoria in which the Commission provides sewerage services.

The Shire of Alexandra advised the Committee on 18 March 1981 that "it would be a distinct advantage to amalgamate water and sewerage functions with municipalities to achieve a considerable economic advantage".

The Committee believes there is little advantage in maintaining these separate entities, and adding to them in order to provide water supply to Buxton and Yarck, both of which are in the Shire of Alexandra, and both of which have examined the possibility of obtaining water supply funding.

**The Committee's recommendation is that the Alexandra Waterworks Trust, the Alexandra Sewerage Authority and the Thornton Waterworks Trust should cease to exist, and that the successor body be the Shire of Alexandra, responsible for the provision of urban water supply and sewerage services at Eildon, as part of an overall responsibility for urban water management within the boundaries of the Shire. (Recommendation 3).**

Anglesea Sewerage Authority

See: Airey's Inlet Waterworks Trust

Apollo Bay Waterworks Trust

Apollo Bay Sewerage Authority

Skene's Creek Waterworks Trust

The Apollo Bay Waterworks Trust was constituted by Order of the Governor in Council on 15 January 1924. It consists of the three Councillors of the Apollo Bay Riding of

the Shire of Otway and three persons appointed by the Minister of Water Supply. The three ministerial appointees at December 1980 had each given over ten years' service to the Trust, and were each also members of Apollo Bay Sewerage Authority.

The Trust in its submission to the Committee of 30 September 1980 stated that the Commissioners are "local identities" who have a good knowledge of the local area.

The Trust obtains water from an offtake weir on Barham River and from a reservoir on Anderson's Creek, and supplies a population of 1,200 at a rate of 8 cents in the dollar N.A.V.

Apollo Bay Sewerage Authority was created on 24 October 1967, and consists of the three Councillors for the Apollo Bay Riding of the Shire of Otway plus three government nominees. The Authority operates a number of pump stations and an ocean outfall at Black Beacon, near Marengo.

Skene's Creek Waterworks Trust was constituted on 21 August 1973. It is a body of six Commissioners elected by the ratepayers and one appointed by the Minister of Water Supply. The Trust obtains water from a diversion weir on Skene's Creek, 7 km north of the township, and supplies a population of 300 people at a rate of 15 cents in the dollar N.A.V.

Although the Apollo Bay Waterworks Trust and Sewerage Authority did not appear at the Public Hearing held by the Committee at Geelong on 26 September 1980, they subsequently provided written submissions and responded to the Committee's questionnaire. Apollo Bay is some 46 km distant from the centre of administration of the Otway Shire at Beech Forest, and is located well beyond the area of influence of the Geelong Waterworks and Sewerage Trust.

A submission from the Colac Waterworks Trust has demonstrated a number of economic links with Colac. On the other hand, there is also a natural affinity among communities along the Great Ocean Road. All are in a common topographic unit - the 'Otway Coast' drainage basin; all obtain their water from separate short streams running into the sea; all face problems in water and sewerage provision and funding by reason of the tourist trade, and in all cases the need exists to control development and pollution of a major recreational zone.

The closest links presently existing with the Apollo Bay Waterworks Trust and Sewerage Authority are those between them and Skene's Creek Waterworks Trust, which shares the administrative staff, office and workshops and board room and employs the same consulting engineers as the Apollo Bay bodies.

Further east of Skene's Creek lie the townships of Kennet River and Wye River, neither of which currently has a waterworks trust or sewerage authority. However, proposals currently exist for the creation of a waterworks trust to provide reticulated water supply to Wye River and Separation Creek, despite some opposition from persons owning properties there.

The Apollo Bay Waterworks Trust in a submission to the Committee dated 30 September 1980 has advocated a single authority serving Apollo Bay, Skene's Creek, Wye River and Kennet River.

Discussions took place between the Trust's representatives and Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P., at Geelong on 24 July 1981.

By letters dated 10 November 1981, the Apollo Bay Waterworks Trust, the Apollo Bay Sewerage Authority and the Skene's Creek Waterworks Trust advised their support for amalgamation within an Otway Coast Water Board.

**The Committee recommends that the Apollo Bay Waterworks Trust, the Apollo Bay Sewerage Authority and the Skene's Creek Waterworks Trust cease to exist, and that the successor body be an Otway Coast Water Board with responsibilities for urban water and sewerage in the whole of that part of the Otway Coast drainage basin falling within the Shire of Otway. The Committee also recommends that a Wye River Waterworks Trust not be constituted and further recommends that should the Otway Coast Water Board consider that at some future time in the interests of its ratepayers it should combine with a larger body, then that body should be the Colac Water Board. (Recommendation 4).**

City of Ararat

Ararat Sewerage Authority

Shire of Ararat Waterworks Trust

Willaura Sewerage Authority

The City of Ararat has provided a water supply to Ararat for over a century, but was constituted a Local Governing Body under the Water Act on 5 August 1940. The City obtains water from a concrete dam at Mount Cole, as well as from Lake Fyans, which is controlled by the State Rivers and Water Supply Commission. A population of 9,100 is supplied at a rate of 5.6 cents in the dollar N.A.V.

Ararat Sewerage Authority was constituted on 21 October 1935 and consists of the Councillors of the City of Ararat. The Authority operates a treatment works and lagoons, in winter discharging treated effluent to the Hopkins River.

Both the water supply and the sewerage are administered integrally with the municipality, and both bodies, in submissions to the Committee dated 11 September 1980, indicated support for the Bains recommendations. Both authorities were represented at a Public Hearing held by the Committee at Ballarat on 19 September 1980. Further discussions took place with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P., at Horsham on 28 July 1981.

The City of Ararat and the Ararat Sewerage Authority, in responding on 18 and 17 August 1981 respectively to the Committee's Second Report, recommended Option L4, as they considered it would "streamline administrative and other functions (and) would strengthen the individual local government unit." By letters dated 11 November 1981, they supported the proposal that water supply and sewerage services be supplied by the City of Ararat.

The Shire of Ararat Waterworks Trust was constituted by Order of the Governor in Council on 28 November 1945, and held its first meeting on 15 February 1946. The Trust consists of the Councillors of all Ridings of the Shire of Ararat plus one person appointed by the Minister of Water Supply.

The Trust operates water supply systems to six townships within the Shire of Ararat, viz., Willaura, Streatham, Lake Bolac, Elmhurst, Moyston and Wickliffe. Four of these

towns obtain their supplies from Willaura's headworks, which consist of diversion weirs and bores in the vicinity of Stoney Creek, on the east side of the Grampians, linked to the townships by lengthy supply mains. Elmhurst and Streatham have separate systems. The six townships are constituted as separate urban districts; all but Lake Bolac, Streatham and Willaura are on the maximum rate of 17.5 cents in the dollar N.A.V., and all have a relatively high minimum rate of \$61 for buildings. The average population of each urban district is about 200 persons.

The Shire of Ararat Waterworks Trust was represented at a Public Hearing held by the Committee at Ballarat on 19 September 1980, and provided both written submission and questionnaire response to the Committee. Further discussions took place with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Ballarat on 2 July 1981.

The Shire of Ararat Waterworks Trust is one of three bodies administered from the offices of the Shire of Ararat - the other two being the Shire itself and the Willaura Sewerage Authority. The elected representatives of all three bodies are the same, and all share the same Secretary and resident engineer.

The Trust serves most towns in the Shire, while the Shire provides several small water supply schemes under its Local Government Act powers. Two of the towns in the Shire which are not currently provided with water by the Trust, Pomonal and Buangor, are being considered for water supply improvements.

The Committee commends the Shire of Ararat for its integrated approach to water supply.

Willaura Sewerage Authority was constituted on 18 March 1964, and consists of the twelve Councillors of the Shire of Ararat plus one Government Nominee. The Authority serves the township of Willaura. Treatment is by the lagoon system, and final effluent is disposed of by evaporation from a further lagoon.

By letter dated 30 October 1981 the Shire of Ararat, the Shire of Ararat Waterworks Trust and the Willaura Sewerage Authority advised that they were fully in accord with the proposal that the Shire of Ararat accept the responsibilities currently undertaken by the Trust and Authority.



The Committee's recommendation is that the City of Ararat cease to be a Local Governing Body under the Water Act, and that in future water supply in the City of Ararat be the direct responsibility of the municipality. The Committee also recommends that the Ararat Sewerage Authority cease to exist, and that the successor body be the City of Ararat. The Committee further recommends that the Shire of Ararat Waterworks Trust and the Willaura Sewerage Authority cease to exist, and that the successor body should be the Shire of Ararat. (Recommendation 5).

Avenel Waterworks Trust

See: Seymour Waterworks Trust

Avoca Township Waterworks Trust

Landsborough Waterworks Trust

Redbank Waterworks Trust

The Avoca Township Waterworks Trust was created by Order of the Governor in Council on 12 March 1909. The Trust consists of the three Councillors for the South Riding of the Shire of Avoca and three persons appointed by the Minister of Water Supply. The present Commissioners have given lengthy periods of service to the Trust, four having been members of it for twenty years or more.

The Trust obtains its water from two dams and a bore; the population of 1,130 people being supplied at a rate of 5 cents in the dollar N.A.V. With a minimum rate of \$20 per building and an average charge of \$43, the price of water is by no means excessive.

Landsborough Waterworks Trust was created by Order of the Governor in Council on 10 November 1964. It consists of the Councillors for the West Riding of the Shire of Avoca and three persons appointed by the Minister of Water Supply. The Trust supplies water from a reservoir on Franks Gully to the townships of Landsborough and Navarre, where populations of 200 and 100 respectively are served at rates of 11 and 15 cents in the dollar N.A.V.

Redbank Waterworks Trust, the smallest Waterworks Trust in Victoria with an annual revenue of just over two thousand dollars, was created by Order of the Governor in Council on 2 December 1968. It consists of the Councillors for the North Riding of the Shire of Avoca and three persons appointed by the Minister of Water Supply. The Trust obtains its water from a reservoir in State Forest, and serves a population of 90 people at a rate of 10 cents in the dollar N.A.V.

The Avoca Township Waterworks Trust, the Landsborough Waterworks Trust and the Redbank Waterworks Trust did not appear at the Public Hearing held by the Committee at Ballarat on 19 September 1980.

The Landsborough Waterworks Trust and the Shire of Avoca in separate letters dated 16 December 1980 and 31 March 1981 both advised that they favoured a continuation of the existence of separate Trusts with centralized municipal conduct of administration and engineering.

The Avoca Township Waterworks Trust, the Landsborough Waterworks Trust and the Redbank Waterworks Trust are administered from the office of the Shire of Avoca, and the Shire Secretary, Mr. M. R. Collings, is also Secretary of each Trust.

In letters dated 11 November 1981, Mr. Collings as Secretary of each Trust wrote suggesting that it is "of paramount importance that it" (the Trust) "should retain its identity with the local ratepayers so that direct representation may be maintained at its present level and not be usurped by the local municipality, which history has shown act only as a "rubber stamp" authority."

The Committee is concerned by this comment. It notes that there is a Waterworks Trust in the three Ridings of the Shire and in each case the Shire Councillors are Commissioners of the particular Trust. The Committee does not see the need for the separate existence of these Trusts.

The Shire Secretary of the Shire of Avoca by letter dated 12 November 1981 stated that although it has the capabilities to undertake the functions of each Trust it is of the firm belief that the identity of each Trust should be retained to maximise local involvement.

**The Committee recommends that the Avoca Township Waterworks Trust, the Landsborough Waterworks Trust and the Redbank Waterworks Trust should cease to exist, and that the successor body be the Shire of Avoca. (Recommendation 6).**

#### Axedale Waterworks Trust

The Axedale Waterworks Trust was created by Order of the Governor in Council on 23 January 1963. It consists of the three Councillors for the Axedale Riding of the Shire of Strathfieldsaye and three persons appointed by the Minister of Water Supply.

The Trust obtains its water from the Campaspe River, from which it is pumped to a standpipe. With a rate of 6.5 cents in the dollar N.A.V., and a minimum rate of \$25, water is not expensive. It supplies a population of 150 people. The Trust has a part-time Secretary, Mr. I. G. W. Smith, and employs a firm of consulting engineers in Bendigo, 20 km distant.

Most of the population of the Shire of Strathfieldsaye is located within the Bendigo urban area, and two of the three Axedale Riding Councillors live in Bendigo.

**The Committee sees little in common between the interests of Axedale and those of Bendigo, and recommends that the Axedale Waterworks Trust should cease to exist, and that the successor body be the Axedale Water Board. (Recommendation 7).**

#### Shire of Bacchus Marsh

##### Bacchus Marsh Sewerage Authority

The Shire of Bacchus Marsh was constituted a Local Governing Body under the Water Act on 5 February 1952, when it took over responsibility for urban water supply in Bacchus Marsh from the State Rivers and Water Supply Commission. The Shire provides water to two Urban Districts, Bacchus Marsh and Myrning, the populations served being 7,100 and 150 respectively, and to the Rural District of Long Forest. A

rate of 5 cents in the dollar N.A.V. is charged at Bacchus Marsh, and 17.5 cents at Myrning. Water for Bacchus Marsh and Myrning is obtained from Pykes Creek Reservoir, that for Bacchus Marsh passing through a treatment plant before reticulation. The Long Forest supply comes from the Melton treatment plant.

The Bacchus Marsh Sewerage Authority was established on 25 October 1949, and, like the "Local Governing Body" responsible for water supply in Bacchus Marsh, consists of the Shire Council. The sewerage system involves lagoons and irrigation at a treatment site 2 km south of the town.

The Shire of Bacchus Marsh did not appear at the Public Hearing held by the Committee at Ballarat on 19 September 1980. However on 24 March 1981 the Shire of Bacchus Marsh and the Bacchus Marsh Sewerage Authority advised that they favoured a single authority responsible for municipal, water and sewerage administration:-

"One administration centre, one depot, one plant fleet, one employee force, one issue of rate notices, a single Council, are all aspects which it is believed provide important cost saving benefits to ratepayers of this municipality."

The Shire of Bacchus Marsh by letter dated 23 October 1981, while expressing concern at future financial arrangements especially loan allocations, supported the proposal that the Shire assume direct responsibility for water supply and sewerage services.

**The Committee's recommendation is that the Shire of Bacchus Marsh cease to be constituted as a Local Governing Body under the Water Act, that the Bacchus Marsh Sewerage Authority cease to exist, and that in future all urban water and sewerage services in the Shire of Bacchus Marsh be the direct responsibility of the Shire Council. (Recommendation 8).**

Bairnsdale Waterworks Trust

Bairnsdale Sewerage Authority

Lindenow Waterworks Trust

Paynesville Waterworks Trust

Paynesville Sewerage Authority

The Bairnsdale Waterworks Trust was created by Order of the Governor in Council, and first met as an urban water trust in May 1906, having previously been an Irrigation Trust. The Trust was reconstituted as an elective trust in 1967, and now consists of six persons elected by the ratepayers and one person appointed by the Minister of Water Supply.

The Trust obtains water from the Mitchell River and directly supplies water to the Town of Bairnsdale, the Airport, Granite Rock and Wy-Yung which are located in the Shire. Granite Rock and Wy-Yung are rural areas 8 and 3 kilometers respectively from the Town.

The Trust made a written submission to the Committee and was represented at a Public Hearing held in Bairnsdale on 15 August 1980.

Bairnsdale Sewerage Authority was constituted on 24 October 1932 and consists of the Commissioners of the Bairnsdale Waterworks Trust. The Authority treats sewerage at an overloaded treatment plant on the western edge of McLeod's Morass, a State Wildlife Reserve.

The Bairnsdale Waterworks Trust and Sewerage Authority made a joint submission to the Committee in August 1980, advocating the unified administration of water supply and sewerage services within the Shire of Bairnsdale, and citing a report from their consulting engineers, Messrs. Garlick and Stewart (who are also consulting engineers to the Paynesville Waterworks Trust) to the effect that:-

"the formation of one Trust to construct, operate, maintain and administer water supply schemes within the Shire of Bairnsdale would be desirable."

The Trust and the Authority restated this view in a joint response to the Committee's Second Report, "Future Structures for Water Management", suggesting that a developmental approach to integration could be appropriate in the Shire of Bairnsdale.

The Trust and Authority are administered separately from the Town.

In a submission dated 4 November 1981 the Paynesville Waterworks Trust advised that:-

"The Secretary has spoken to Garlick & Stewart about the origin of this statement and it appears that this has been taken out of context by the Bairnsdale Trust. This statement forms portion of a report compiled by the Consulting Engineers (Garlick & Stewart) dated 31/8/78, in response to a submission made by the Shire Engineer to establish a large common reservoir south of Bairnsdale to service Bairnsdale, Paynesville and Lindenow. The Bairnsdale Trust did not favourably receive the suggestion and no further attempt to consider the matter was made."

Lindenow Waterworks Trust was created on 13 February 1952 and consists of the Councillors for the West Riding of the Shire of Bairnsdale and three persons appointed by the Minister of Water Supply. The Trust pumps water from the Mitchell River, supplying Lindenow, Lindenow South and Wilpa, some 400 people at a rate of 5 cents in the dollar N.A.V. The Trust is administered by the Shire. The Lindenow Waterworks Trust made an initial submission to the Committee on 15 August 1980, outlining current technical problems and financial difficulties facing the Trust. The Committee heard evidence from the Chairman and Secretary of the Trust at the Public Hearing held in Bairnsdale on 15 August 1980, and received a further submission from the Trust on 4 August 1981 in response to the Committee's Second Report. This further submission called for the continuance of the separate Trust.

Mr. R. A. Jolly, M.P., had a further meeting with representatives of the Trust at Bruthen on 17 July 1981.

In a letter dated 4 November 1981 the Lindenow Waterworks Trust advised, inter alia, that as the Trust works with the closest co-operation of the Shire and as a Shire employee located at Lindenow is their turncock and handles all emergencies, service to residents would be diminished if the system was managed from Bairnsdale. The

letter further suggested that as the Shire depot will still be located at Lindenow for other purposes having a Bairnsdale Water Board responsible for the Lindenow service would lead to duplication.

Paynesville Waterworks Trust was created on 19 July 1960 and consists of five Commissioners elected by the ratepayers and one person appointed by the Minister of Water Supply. The Trust purchases bulk water from the Bairnsdale Waterworks Trust, from where it is pipelined 13 km to Paynesville. At Paynesville 1,900 people are served at a rate of 32 cents in the dollar N.A.V. The Trust is administered by the Shire.

Paynesville Waterworks Trust was represented at the Public Hearing held by the Committee at Bairnsdale on 15 August 1980 by its Secretary, Commissioner and consulting engineer. The Trust responded to the Committee's Second Report with a submission dated 1 July 1981 advocating Option L3. Mr. R. A. Jolly, M.P. met representatives of the Trust at Bruthen for further discussions on 17 July 1981.

In a submission dated 4 November 1981 the Paynesville Waterworks Trust argued strongly against their incorporation in the proposed Bairnsdale Water Board. Their arguments reinforced the views put forward by Lindenow bodies and they assert that the current Trust and Authority in Bairnsdale are not operating very efficiently. The Paynesville Trust cites as examples the rundown state of the Bairnsdale works and the manual production of almost 10,000 notices and receipts to their consumers.

The Trust, in support of its amalgamation with the Shire of Bairnsdale, states:-

"In 1976 the Shire of Bairnsdale accepted the responsibility to administer the Paynesville Waterworks Trust. This operation has been very successful and has coped with the rapid expansion in both development and works that have been experienced. The Trust is currently operating more efficiently now than at any other time in its history. This is due to the integration of works and the amalgamation of records with the Shire of Bairnsdale.

It was the Shire of Bairnsdale in response to local needs that took the initiative some years ago to commence planning and preparation of a

sewerage authority for Paynesville, Raymond Island and Eagle Point. All work to date has been undertaken by the Shire. When the Paynesville Sewerage Authority was constituted in 1979 the members of the Council were appointed as members of the authority as this provided the most efficient and integrated servicing arrangement possible.

Similarly, the Shire of Bairnsdale in response to a local problem initiated plans to establish sewerage works at Lindenow, this is being incorporated with the Paynesville Sewerage Authority."

The entire submission from the Paynesville Waterworks Trust is reproduced in the Appendix to this Report.

Paynesville Sewerage Authority was constituted on 10 July 1979 and consists of the Councillors of the Shire of Bairnsdale. The Authority has not yet commenced works, but has plans for a \$2 million sewerage scheme to serve Paynesville, Raymond Island and Eagle Point on Lake King. The Authority is administered by the Shire.

The Shire of Bairnsdale in its submission to the Committee dated 30 March 1981 advised that it favoured a single integrated operation, with the Shire directly responsible for all water, sewerage and river improvement functions. In its letter of 3 November 1981 the Shire reiterated this view and supported the arguments put forward by the Lindenow and Paynesville bodies.

The Town of Bairnsdale by letter dated 24 November 1981 advised that their preferred option would be for the Council to be responsible for water and sewerage services in the Town, as this would enable economy of administration, a one stop shop ratepayer payment facility, land use planning with close relationships to servicing requests and rationalisation of staff, plant and depot facilities.

The Mitchell River Improvement Trust was formed in 1957. It consists of nine Commissioners, seven of whom are elected by the ratepayers, one appointed by the Minister of Water Supply and one by the Shire of Bairnsdale. The Trust is administered through the officers of the Bairnsdale Waterworks Trust and Sewerage Authority.



The Committee recommends that the Bairnsdale Waterworks Trust and the Bairnsdale Sewerage Authority cease to exist and that the successor body be the Town of Bairnsdale. The Committee also recommends that the Town of Bairnsdale continue to supply the aerodrome and the rural areas of Granite Rock and Wy-Yung which are located in the Shire of Bairnsdale. The Committee further recommends that the Paynesville Waterworks Trust, the Paynesville Sewerage Authority and the Lindenow Waterworks Trust should cease to exist and that the successor body be the Shire of Bairnsdale. (Recommendation 9).

Ballan Waterworks Trust

Ballan Sewerage Authority

Ballan Waterworks Trust was created by Order of the Governor in Council on 12 February 1885. It consists of three Councillors for the Central Riding of the Shire of Ballan, and the three Councillors for the West Riding of the Shire of Ballan, plus three persons appointed by the Minister of Water Supply.

The Trust obtains its water from a 164 ML storage reservoir 9 km north of Ballan, and a population of 1,600 people is supplied at a rate of 3.5 cents in the dollar N.A.V.

Ballan Sewerage Authority was constituted on 19 December 1978 and consists of the Councillors for the Central Riding of the Shire of Ballan plus three Government Nominees. Its works have yet to be commenced.

The Trust advised the Committee on 11 March 1981 that it favoured the recommendations of the Bains inquiry concerning the future of water and sewerage, but on 19 June 1981 in a further letter the Trust advised that it favoured the retention of its existing corporate and administrative structure. This view is reaffirmed by letter dated 11 November 1981.

Further discussions took place with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Ballarat on 2 July 1981.

The Trust and the Ballan Sewerage Authority are the only water or sewerage bodies in the Shire, and the Trust has introduced plans for the provision of reticulated water to the two other significant towns in the Shire, namely Gordon and Mount Egerton.

**The Committee's recommendation is that the Ballan Waterworks Trust and the Ballan Sewerage Authority cease to exist, and that the successor body be the Shire of Ballan, with water and sewerage responsibilities extending to the whole of the Shire. (Recommendation 10).**

#### Ballarat Water Commissioners

#### Ballarat Sewerage Authority

The Ballarat Water Commissioners, constituted in 1880, are the oldest continuous water administration in Victoria, having been constituted under Act 44 Vic. No. 656 (July 1880). The Water Commissioners now operate under a special section (s. 185) of the Water Act 1958. This section provides for the Commission to comprise ten Commissioners, of whom two are Government Nominees, three are from the Ballarat City Council, and one each from the Borough of Sebastopol and the Shires of Ballarat, Bungaree, Buninyong and Grenville.

The Ballarat Sewerage Authority was among the first to be constituted under the Sewerage Districts Act, and was created by Order of the Governor in Council.

The Ballarat Water Commissioners and Sewerage Authority have made extensive inputs to the Committee's work, including participation in a Discussion on 11 July 1980, a Public Hearing on 19 September 1980, and the preparation of Background Papers and Submissions. The Commissioners were also represented at Discussions held with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Ballarat on 2 July 1981.

In their September 1980 Submission, the Ballarat bodies argued for the establishment of catchment or regional based authorities, and indicated that it would be possible to take over other Trusts and Authorities, and in particular the Buninyong Waterworks Trust, which has made overtures to the Commissioners in this regard.

In that submission the bodies also advised that the Ballarat Water Commissioners provide bulk water to the Bungaree and Wallace Waterworks Trust, the Buninyong Waterworks Trust, the Rokewood Waterworks Trust, the Smythesdale-Scarsdale Waterworks Trust and the Linton Waterworks Trust, the latter four being supplied as extensions to the existing Ballarat reticulation system. The Bungaree and Wallace and Buninyong Waterworks Trusts operate in close proximity to the Ballarat Water Commissioners supply mains, reservoirs and catchments. The submission further advised that the Commissioners provide the five Waterworks Trusts with advisory services and engineering and maintenance assistance when required and, in addition, provide similar services to the Learmonth Waterworks Trust and full engineering services to the West Moorabool Water Board.

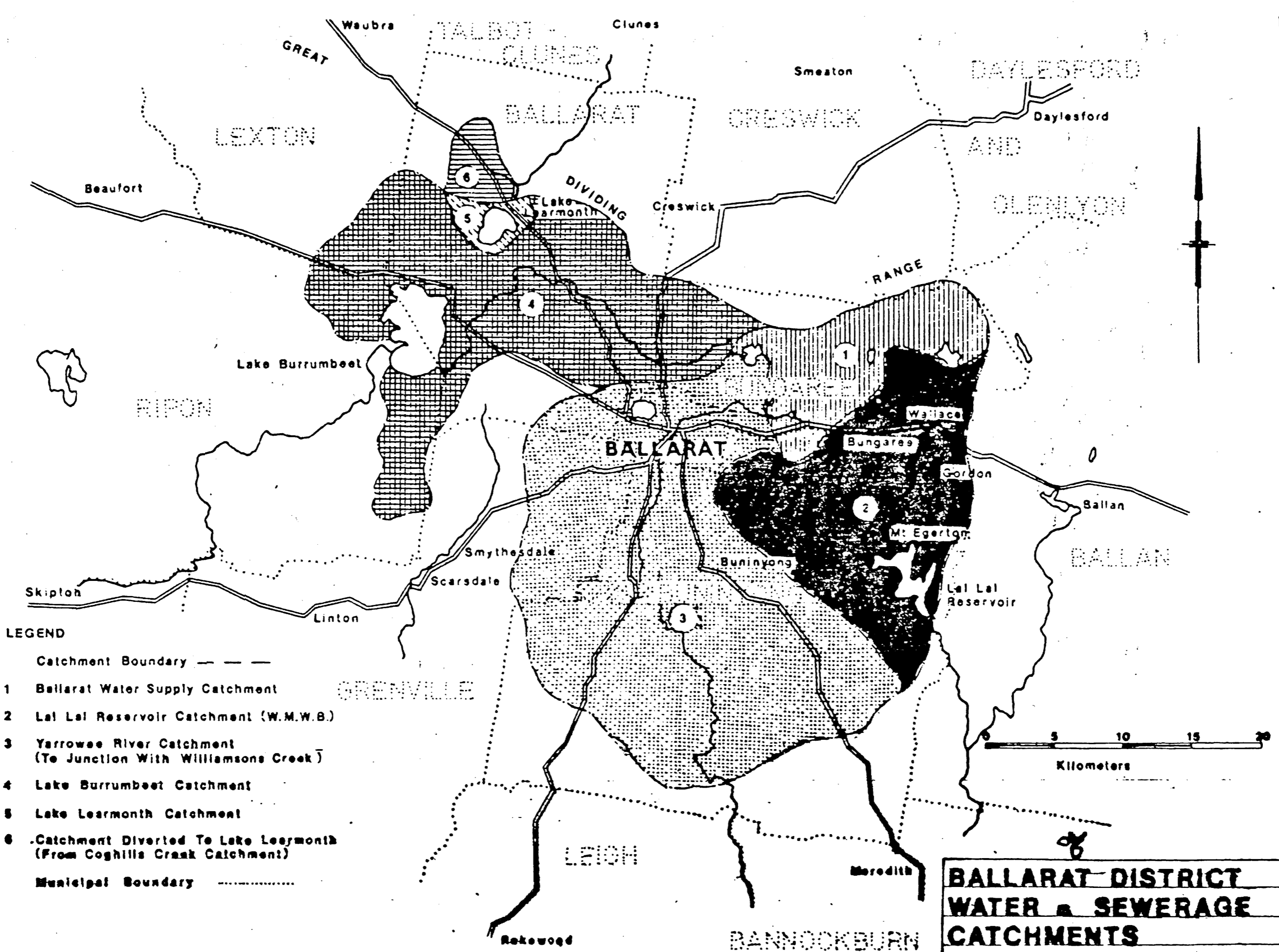
The Ballarat Sewerage Authority in addition to collection, treatment and disposal of domestic sewerage within its district also, by agreement, collects wastes from industries within the district, and provides a clearing and acceptance establishment for Councils to dispose of night soil. The Authority also carries out pumping inspections for the Daylesford and Ballan Sewerage Authorities and is deeply involved in the study of Lake Burrumbeet. Further, through its laboratory, the Authority provides testing services for some fifteen Authorities, Councils and Government Departments.

In a later submission to the Committee the Ballarat bodies stated "the Commissioners and the Authority will accept any additional R4 type functions that may be recommended by the Committee, but point out that these recommendations must consider the following matters:-

- a) representation,
- b) financial adjustments and provisions,
- c) recognition that distances will diminish physical efficiency and that 40 to 50 kilometers would be the practical limitation of range for R4 functions".\*

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\* Page 49 of the Committee's Second Report to Parliament defines R4 as "A regional authority responsible for all water, sewerage, drainage and flood protection works in its region."



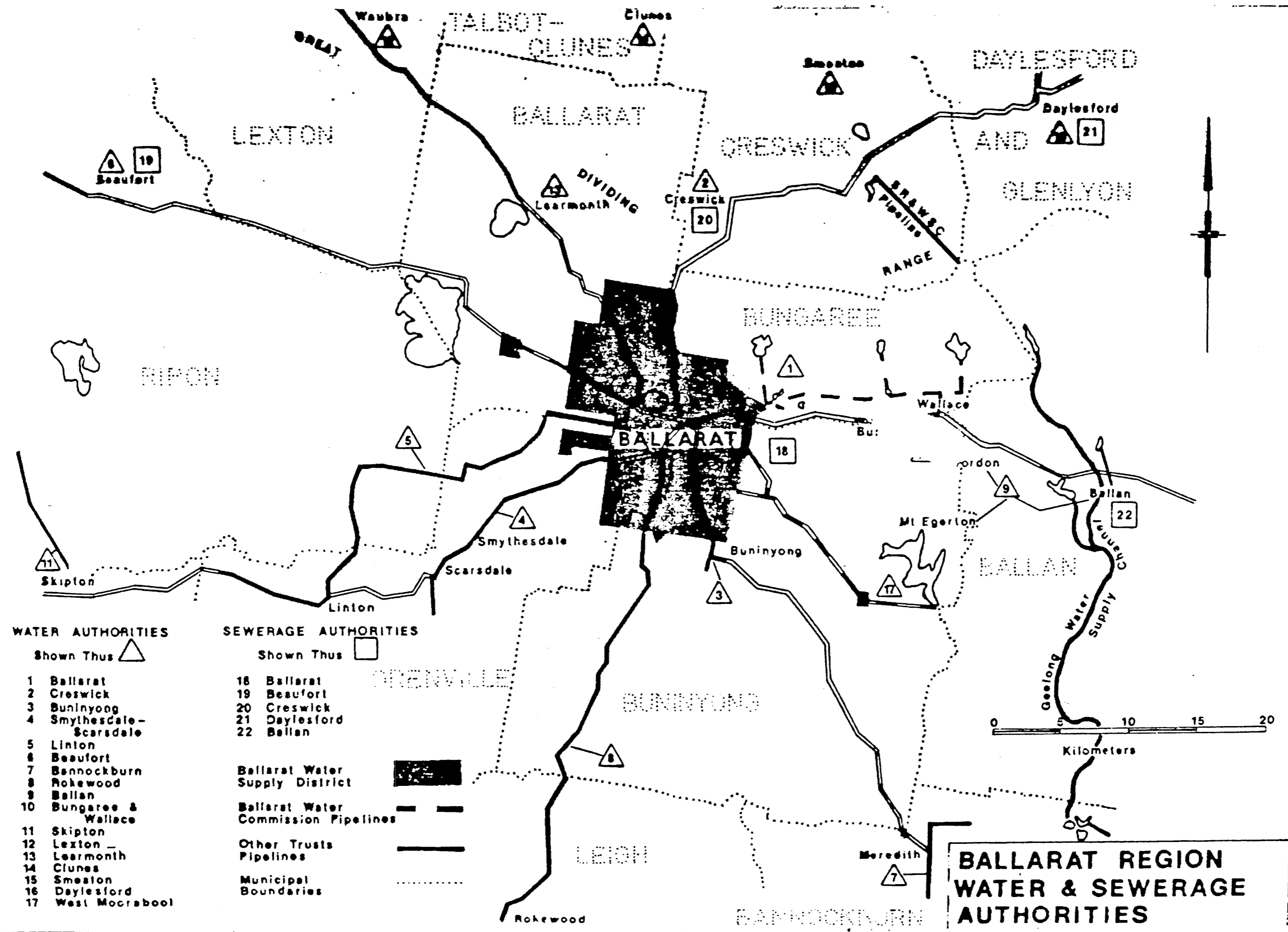
- LEGEND**
- Catchment Boundary - - - - -
  - 1 Ballarat Water Supply Catchment
  - 2 Lal Lal Reservoir Catchment (W.M.W.B.)
  - 3 Yarrowee River Catchment (To Junction With Williamsons Creek)
  - 4 Lake Burrumbeet Catchment
  - 5 Lake Learmonth Catchment
  - 6 Catchment Diverted To Lake Learmonth (From Coghills Creek Catchment)
  - Municipal Boundary - - - - -

**BALLARAT DISTRICT  
WATER & SEWERAGE  
CATCHMENTS**

**BALLARAT WATER SUPPLY SYSTEM SHOWING  
OTHER NEARBY WATER TRUSTS.**

**MAP 2.**

**BALLARAT WATER SUPPLY CATCHMENTS AND ADJACENT CATCHMENTS RECEIVING EFFLUENT FROM SEWERAGE TREATMENT PLANTS.**  
**MAP 3.**



- WATER AUTHORITIES**  
 Shown Thus
- 1 Ballarat
  - 2 Creswick
  - 3 Buninyong
  - 4 Smythesdale-Scarsdale
  - 5 Linton
  - 6 Beaufort
  - 7 Bannockburn
  - 8 Rokewood
  - 9 Ballan
  - 10 Bungaree & Wallace
  - 11 Skipton
  - 12 Lexton
  - 13 Learmonth
  - 14 Clunes
  - 15 Smeaton
  - 16 Daylesford
  - 17 West Maccrabbol

- SEWERAGE AUTHORITIES**  
 Shown Thus
- 18 Ballarat
  - 19 Beaufort
  - 20 Creswick
  - 21 Daylesford
  - 22 Ballan
- Ballarat Water Supply District  
 Ballarat Water Commission Pipelines  
 Other Trusts Pipelines  
 Municipal Boundaries

**BALLARAT REGION WATER & SEWERAGE AUTHORITIES**

The various municipalities have responded to the Committee's Fourth Report. The Borough of Sebastopol, while supporting the notion of a Water Board, objects to the Ballarat Water Commission's suggestion that the Town Planning Act be amended. The Shire of Bungaree does not support the amalgamation of the Bungaree and Wallace Waterworks Trust into the Ballarat Water Board. The Shire of Ballarat opposes responsibility for drainage and flood protection being with the proposed Board and suggests that the current Town and Country Planning Act requirements are adequate. The City of Ballarat has expressed the "opinion that there should be no change to the present structure of the Ballarat Water Commission and Ballarat Sewerage Authority".

The State Rivers and Water Supply Commission considers that the amalgamation does not go far enough and that Linton, Smythesdale, Scarsdale, Rokewood and Creswick should be included. Full details of the Commission's view are contained in the Appendix to this Report.

**The Committee's recommendation is that the Ballarat Water Commissioners and the Ballarat Sewerage Authority cease to exist, and that the successor body be the Ballarat Water Board responsible for all necessary urban water and sewerage services in the City of Ballarat, Borough of Sebastopol, Shire of Grenville, Shire of Ballarat, including sewerage services at Cardigan, the Shire of Bungaree, that part of the Shire of Buninyong serviced by the Buninyong Waterworks Trust and Snake Valley in the Shire of Ripon. (Recommendation 11).**

#### Bannockburn District Waterworks Trust

The Bannockburn District Waterworks Trust was created by Order of the Governor in Council on 22 July 1969. It consists of three Councillors from the Shire of Bannockburn, one Councillor from the Shire of Leigh and one person appointed by the Minister of Water Supply.

The Trust obtains water from the Moorabool River from where it is supplied to Meredith, Lethbridge, Bannockburn, Inverleigh, Teesdale and Shelford, which are separate urban districts but share a common rate of 6.5 cents in the dollar N.A.V.

The Trust wrote to the Committee on 10 July 1980 providing the Committee with some general information concerning its activities, and followed this up with a more detailed submission on 18 September 1980. That submission opposed amalgamation with the Shire of Leigh or the Shire of Bannockburn, or with the Ballarat or Geelong water and sewerage authorities, and advanced a number of arguments in support of this view, including technical difficulties and arguments concerning political responsiveness and local knowledge. The Trust was represented at a Public Hearing held by the Committee at Geelong on 26 September 1980 by its Chairman, Mr. J. E. Harvey, who resides in the Trust's area and by its Resident Engineer and Secretary, Mr. K. T. Middleton, who is also the Shire Engineer and Town Planning Officer for the Shire of Bannockburn, but who resides in Geelong. In evidence Mr. Middleton stated that, prior to the establishment of the Trust, "approaches were made to the Geelong Waterworks and Sewerage Trust re: the possibility of their area being extended and us included. The problems at that stage were that the Geelong Trust could not get the advantages of the Government formula for assistance to small trusts." By correspondence dated 10 November 1981 Mr. Middleton further advised that after the Geelong Waterworks and Sewerage Trust refused "a supply system was established which is completely remote from the Geelong system and has headworks and arterial mains that cannot be integrated with the Geelong system without unnecessary major capital expenditure".

Discussions took place with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Geelong on 24 July 1981. Mrs. Chambers subsequently visited the Trust for discussions and inspections.

The pipeline supplying Geelong from the West Moorabool Reservoir actually passes through the area of the Bannockburn District Waterworks Trust, and there is a significant overlap in the existing boundaries of the Geelong Trust and those of the Bannockburn District Waterworks Trust. In response to this comment Mr. Middleton advised by letter on 10 November 1981 that while "the pipeline does pass through the Trust district ... it is only for a distance of 5,000 metres" and being located "at the lowest elevation of the Trust system ... it is not an economical proposition to use the pipeline. The reason for the overlap of districts was caused by an administrative mistake by the State Rivers and Water Supply Commission in not gazetting the documents of excision from the Geelong Waterworks and Sewerage Trust, approval of which had been given by the Geelong Trust".

The Shire of Bannockburn by letter dated 11 November 1981 advised that it supported the continuing existence of a water body separate from either Geelong or Ballarat which it saw as being too remote and causing problems with maintenance, supply and accessibility.

The Shire of Leigh in its letter of 12 November 1981 advised that it did not support the Trust's absorption into the Geelong Water Board "because it would be such a large Authority with very little regard for small rural areas".

The Committee has noted the arguments put forward by the Trust and the two municipalities but has also considered the broader regional aspects as outlined by the Geelong Waterworks and Sewerage Trust and the State Rivers and Water Supply Commission in their submissions, details of which are contained in the Appendix to this Report.

**The Committee's recommendation is that the Bannockburn District Waterworks Trust should cease to exist and the successor body be the Bannockburn Water Board. The Committee further recommends that from 1 July 1984 its responsibilities be assumed by the Geelong Regional Water Board. (Recommendation 12).**

Barnawartha Waterworks Trust

Chiltern Waterworks Trust

Chiltern Sewerage Authority

Barnawartha Waterworks Trust was constituted by Order of the Governor in Council on 22 November 1950. It consists of five Commissioners elected by the ratepayers and one person appointed by the Minister of Water Supply.

The Trust obtains water from bores, from which it is pumped to a service basin and then reticulated to the town. The rate is 7.62 cents in the dollar N.A.V.

The Trust did not provide a submission to the Committee during 1980, did not attend the Public Hearing held by the Committee at Wodonga on 22 August 1980, but held



discussions with Mr. E. J. Hann, M.P. and the Hon. D. R. White, M.L.C. at Wangaratta on 30 July 1981.

In a letter dated 5 November 1981 the Trust advised that they were against amalgamation with the Shire. They pointed out, inter alia, that Barnawartha and Chiltern have a separate source of supply and none of the present Councillors of the Shire of Chiltern are from Barnawartha.

Chiltern Waterworks Trust was created by Order of the Governor in Council on 12 June 1945. It consists of four Commissioners elected by the ratepayers and one person appointed by the Minister of Water Supply.

The Trust obtains water from a bore, a spring and from a catchment above its reservoir. A population of 830 people is served at a rate of 6 cents in the dollar N.A.V.

The Trust advised on 10 November 1981 that they were against amalgamation with the Shire.

Chiltern Sewerage Authority was constituted on 12 March 1980, and consists of the Councillors of the Shire of Chiltern. Construction has not yet commenced.

The Trust and the Authority did not provide submissions to the Committee during 1980, and did not attend the Public Hearing held by the Committee at Wodonga on 22 August 1980.

The Shire of Chiltern advised the Committee by letter of 22 April 1981 that it considers that "small municipalities should take over the the affairs of Water Trusts."

The Committee notes that the Shire of Chiltern does not at present have a Councillor from Barnawartha.

**The Committee's recommendation is that the Barnawartha Waterworks Trust, the Chiltern Waterworks Trust and the Chiltern Sewerage Authority should cease to exist, and that the successor body be the Chiltern Water Board. (Recommendation 13).**

### Barwon Heads Sewerage Authority

Barwon Heads Sewerage Authority was constituted by Order of the Governor in Council on 7 March 1967. It consists of the Councillors of the Connewarre Riding, City of South Barwon, and three Government Nominees. The Authority pumps sewerage through a pipeline shared by the Ocean Grove, Queenscliff and Point Lonsdale Sewerage Authorities to the Geelong Waterworks and Sewerage Trust's Black Rock ocean outfall.

The Barwon Heads Sewerage Authority advised the Committee by letters of 31 March 1981 and 23 June 1981 that it did not wish to appear before the Committee or make a written submission, and that it desired its existing structure to be continued. A submission in support of the existing structure was also put to Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Geelong on 24 July 1981.

The Barwon Heads Sewerage Authority purchases secretarial services from the City of South Barwon, which is located in the Geelong suburb of Belmont, but provides its own administrative officer and maintenance services in Barwon Heads.

Water supply and sewerage services in the City of South Barwon are quite fragmented, with water supply responsibilities being divided between the State Rivers and Water Supply Commission and the Geelong Waterworks and Sewerage Trust, and sewerage services being divided among the Geelong Waterworks and Sewerage Trust, and two local sewerage authorities, which share facilities, such as the Black Rock outfall. As the City of South Barwon's entry in the 1980 Municipal Directory states:-

"The whole of the City of South Barwon is on the outskirts of the City of Geelong. From the furthest point of the municipality Geelong can be reached in half an hour, thus making all Geelong facilities available to residents of the City."

The City of South Barwon advised on 13 November 1981 "that Council objects to the part of "the Committee's recommendation ... referring to the creation of a body known as the Geelong Water Board to progressively take up responsibility for ... drainage ... and flood protection in the whole of the municipalities as listed, in particular, the City of South Barwon".

The Barwon Heads Sewerage Authority in its letter dated 13 November 1981 reaffirmed its earlier view that it remain separate but "as a last resort" would "reluctantly" agree that it be amalgamated with the proposed Geelong Water Board.

The Committee, believing that water and sewerage services should ultimately be integrated in each community, recommends that the Barwon Heads Sewerage Authority cease to exist and that the successor body, in respect of sewerage services, until 1 July 1984, be the Barwon Heads Water Board, and on that date the Geelong Regional Water Board assume its responsibilities. The Committee further recommends that water supply to Barwon Heads be transferred to the Geelong Regional Water Board from the State Rivers and Water Supply Commission as soon as practicable. (Recommendation 14).

#### Bealiba Waterworks Trust

##### Shire of Bet Bet

Bealiba Waterworks Trust was created by Order of the Governor in Council on 1 January 1935, and consists of the Councillors of Bealiba Riding, Shire of Bet Bet, plus three persons appointed by the Minister of Water Supply.

The Trust obtains water from its own reservoir and catchment, located 3 km from Bealiba, augmented by a pumping station on the Avoca River. Its rate is 8 cents in the dollar N.A.V.

The Bealiba Waterworks Trust did not provide the Committee with a written submission during 1980, nor did a representative attend the Public Hearing held by the Committee at Bendigo on 12 September 1980. The Trust did not return the Committee's questionnaire.

The Secretary of the Bealiba Waterworks Trust is also Shire Secretary for the Shire of Bet Bet.

The Shire of Bet Bet is a Local Governing Body under the Water Act. It provides water supply to Dunolly, Tarnagulla and Laanecoorie by pumping from the Loddon

River. Populations of 650 at Dunolly and 200 at Tarnagulla are provided with water at rates of 9 and 17.5 cents in the dollar N.A.V. respectively. The Shire of Bet Bet was represented at the Public Hearing held by the Committee in Bendigo on 12 September 1980, however it did not present a submission to the Committee at that time.

The Shire of Bet Bet advised on 4 November 1981 that it agrees in principle to the Shire being directly responsible for water and sewerage services and sought clarification of the future water supply to Laanecoorie, in the Shire of Marong, which is currently supplied by the Shire of Bet Bet.

**The Committee's recommendation is that the Shire of Bet Bet cease to be constituted as a Local Governing Body under the Water Act, that the Bealiba Waterworks Trust should cease to exist, and that the successor body be the Shire of Bet Bet, responsible for all necessary urban water and sewerage services in the Shire. The Committee further recommends that the Shire of Bet Bet enter into an agreement with the Shire of Marong whereby the Shire of Bet Bet continues to supply water to Laanecoorie. (Recommendation 15).**

Beaufort Waterworks Trust

Beaufort Sewerage Authority

Beaufort Waterworks Trust was created by Order of the Governor in Council on 23 September 1952, and consists of three Councillors for the North Riding of the Shire of Ripon plus three persons appointed by the Minister of Water Supply.

The Trust obtains water from weirs on Fiery Creek, from which it passes to two reservoirs through a supply main. The population of 1,550 is supplied with water at a rate of 4 cents in the dollar N.A.V.

Beaufort Sewerage Authority was constituted by Order of the Governor in Council on 3 July 1968, and consists of the three Councillors for the North Riding of the Shire of Ripon and three Government Nominees. The Authority has a treatment works and lagoon system 1 km north of the town.

The Beaufort Waterworks Trust and the Beaufort Sewerage Authority did not make submissions to the Committee during 1980, nor were they represented at the Public Hearing held by the Committee at Ballarat on 19 September 1980.

The Secretary of the Beaufort Waterworks Trust, Mr. F. W. Glare, is also the Shire Secretary of the Shire of Ripon and Secretary of the Beaufort Sewerage Authority.

The Shire of Ripon, in a submission to the Committee dated 6 May 1981, advocated the amalgamation of the Beaufort Waterworks Trust and the Beaufort Sewerage Authority, administrative integration of the amalgamated body with the Shire of Ripon, but the retention of a separate corporate identity for the water body.

Further Discussions took place with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Ballarat on 2 July 1981.

As Beaufort is the only community in the Shire of Ripon currently provided with water and sewerage services, the Committee recognises that there could be a divergence of interest between the priorities of Beaufort and those of the rest of the Shire.

The Trust and Authority in a joint letter dated 13 November 1981 advised that the proposal to form a Ripon Water Board "is quite acceptable".

The Linton Waterworks Trust also operates marginally within the boundaries of the Shire of Ripon, in that it supplies water to Snake Valley. The Committee does not see this supply as being one which should be conducted by the Ripon Water Board.

**Accordingly the Committee's recommendation is that the Beaufort Waterworks Trust and the Beaufort Sewerage Authority cease to exist and that the successor body be the Ripon Water Board, responsible for water and sewerage services in all parts of the Shire of Ripon with the exception of Snake Valley. The Committee recommends that in all respects possible the maximum integration between the Ripon Water Board and the Shire of Ripon should be pursued. (Recommendation 16).**

United Shire of Beechworth  
Beechworth Sewerage Authority

The United Shire of Beechworth is a Local Governing Body under the Water Act. It obtains water from Lake Kerferd, and supplies some 3,500 people at a rate of 1.5 cents in the dollar N.A.V.

The Beechworth Sewerage Authority was constituted on 24 April 1939 and consists of the Councillors of the Shire. Sewerage is treated north-west of the town and disposed of by land irrigation.

These authorities did not appear at the Public Hearing held by the Committee in Wodonga on 22 August 1980, but advised the Committee by letter that "the system works quite well as it is presently constituted."

Beechworth is the only significant town in the Shire.

The United Shire of Beechworth in a letter dated 11 November 1981 advised that they are not in favour of having the Shire directly responsible for water supply and sewerage services, that "financial objection is the greatest worry" and for historical purposes the water authority should be maintained as a separate body.

**The Committee's recommendation is that the United Shire of Beechworth cease to be constituted as a Local Governing Body under the Water Act, that the Beechworth Sewerage Authority cease to exist, and that in future all urban water and sewerage services in the United Shire of Beechworth should be the direct responsibility of the Shire Council. (Recommendation 17).**

Bellarine Sewerage Authority

The Bellarine Sewerage Authority was created as the product of the most recent amalgamation in the sewerage field in Victoria, which took place on 1 October 1980, when the Ocean Grove and Portarlington Sewerage Authorities were united. The Authority consists of three Bellarine and three Paywit Riding Councillors of the Shire of Bellarine, plus three Government Nominees.

The Ocean Grove and Portarlinton Sewerage Authorities made submissions to the Committee during 1980, and were visited by the Committee for informal discussions held at the Shire Offices, Drysdale, on 13 June 1980. Both authorities were represented at the Public Hearing held by the Committee at Geelong on 26 September 1980.

The Shire of Bellarine advised the Committee by letter dated 18 March 1981 that it favoured the continuation of water and sewerage bodies as separate legal entities, administered by and provided with engineering services through municipalities wherever possible.

The Geelong Waterworks and Sewerage Trust in its Report to the Committee on "Possible Rationalisation of Water Management Responsibilities in the Barwon Region", July 1981, advocated that the Bellarine and other sewerage authorities in the area be merged with the Trust. However the Trust indicated that first priority should be given to integrating water supply management in the Barwon Region.

The Bellarine Sewerage Authority, in its further submission to the Committee, 6 January 1981, argued against a merger with the Geelong Waterworks and Sewerage Trust, pointing out that that Trust had other difficulties and priorities to contend with, while the Bellarine Authority was efficiently managed and responsive to local needs.

Further Discussions took place with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Geelong on 24 July 1981.

In response to the Committee's Fourth Report, the Shire of Bellarine by letter dated 18 November 1981 advised, inter alia, that "the Council totally rejects the proposition that the Bellarine Sewerage Authority be amalgamated with it, and supports the decision of the Bellarine Sewerage Authority to become the Bellarine Water Board, assuming responsibility for water and sewerage administration for the Bellarine Peninsula east of Leopold, and including Barwon Heads and Queenscliffe". The Sewerage Authority advised the Committee of this view by telegram dated 13 November 1981 and by a letter and submission dated 25 November 1981.

The Committee notes the views of the Shire and the Authority but considers the need for a regional approach as put forward by the Geelong Waterworks and Sewerage Trust has considerable merit.

**The Committee's recommendation is that the Bellarine Sewerage Authority should cease to exist and that the successor body for sewerage services be the Bellarine Water Board. The Committee further recommends that on 1 July 1983 its responsibilities be assumed by the Geelong Regional Water Board. The Committee also recommends that responsibility for water supply in the Shire of Bellarine should be transferred from the State Rivers and Water Supply Commission to the Geelong Regional Water Board as soon as is practicable. (Recommendation 18).**

Benalla Waterworks Trust

Benalla Sewerage Authority

Benalla Waterworks Trust was created by Order of the Governor in Council on 3 July 1882, and consists of six Commissioners elected by the ratepayers plus one person appointed by the Minister of Water Supply.

The Trust diverts water from Ryans Creek in the Toomballup Ranges into two reservoirs, from which it is piped 16 km to service basins and storages. The population of 8,700 is provided with water at a rate of 4.5 cents in the dollar N.A.V.

Benalla Sewerage Authority was constituted on 16 January 1934, and consists of the Commissioners of the Benalla Waterworks Trust. The Trust operates a sewerage treatment works including activated sludge treatment and land disposal.

The Benalla Waterworks Trust and the Benalla Sewerage Authority made submissions to the Committee on 20 August 1980 and were represented at a Discussion held by the Committee at Shepparton on 29 August 1980 by their Secretary, Mr. L. A. Hearley. In its written submission the Trust outlined its 99-year history and the significant long service of its voluntary Commissioners.



The administration of the Benalla Waterworks Trust is closely integrated with that of the Benalla Sewerage Authority and the City of Benalla. The Secretary of the Benalla Waterworks Trust is the Town Clerk of the City of Benalla, and Secretary of the Benalla Sewerage Authority, and the City Engineer holds the corresponding three posts on the engineering side.

The Committee believes that, in principle, the City of Benalla would be the appropriate body to undertake water and sewerage functions in Benalla, but notes the strong resistance to such integration in evidence advanced by the Trust at Shepparton and in the submission to the Committee from the City of Benalla dated 11 March 1981.

In correspondence dated 20 October 1981 from the Trust and Authority and 11 November 1981 from the City of Benalla all bodies advised their support for the establishment of a Benalla Water Board.

**The Committee's recommendation is that the Benalla Waterworks Trust and the Benalla Sewerage Authority cease to exist and that the successor body should be the Benalla Water Board, responsible for water and sewerage services in Benalla. However the Committee considers the existing administrative and technical integration with the City of Benalla should be retained and fostered. (Recommendation 19).**

#### Bendigo Sewerage Authority

Bendigo Sewerage Authority was created by Order of the Governor in Council on 20 November 1916. It consists of one Government Nominee, and ten elected members, six members from the City of Bendigo and one each from the municipalities of Eaglehawk, Strathfieldsaye, Marong and Huntly.

The Authority provides sewerage services to 55,000 people at an average payment of \$33 per tenement and a number of industries in the Bendigo area. The reticulation system is mostly gravity, but a number of minor pumping stations serve outlying areas. Effluent is disposed of by irrigation on 150 ha of land in the summer and by discharge to Bendigo Creek in the winter.

The Bendigo Sewerage Authority provided an initial submission to the Committee on 22 August 1980 and attended the Public Hearing held by the Committee at Bendigo on 12 September 1980. In its submission the Authority stated, inter alia, "that the combination of water and sewerage would ... place all provincial cities on the same basis, and earned revenue from water would be spent in this area as well as creating a larger management group."

In evidence to the Public Hearing on 12 September 1980 the Authority in answers to questions concerning an expanded role for the Authority suggested that while it may not be appropriate for a sewerage authority as such taking other functions it may be appropriate to create a new body combining the present sewerage authority functions with other things. As an initial step it saw a combination of functions dealing with water in the ground but confined to the five municipalities presently covered by the Sewerage Authority District.

The Bendigo Sewerage Authority advised the Committee by letter on 4 August 1981 that it was opposed to the control of water supply and sewerage being with one body. However, in a letter dated 29 October 1981 the Authority stated "that this Authority favour the introduction of a Bendigo Water Board, as outlined in the Draft Proposals of the Public Bodies Review Committee, subject to the firm assurance of financial assistance in recognition of the age of the existing Water Supply System".

The Committee is aware of concern in Bendigo at the age of the water supply system, and the possible need for financial assistance if it passes to local control.

Water supply to Bendigo forms part of the State Rivers and Water Supply Commission's Coliban System. The Commission in 1980 advanced proposals to divide the Coliban system into separate Urban and Rural Districts. The Urban District under this proposal would include not only Bendigo, Marong, Strathfieldsaye, Eaglehawk and Huntly, but a number of communities in the Castlemaine area.

The State Rivers and Water Supply Commission's submission in response to the Committee's Second Report suggested that the Bendigo area was a particular case where there could be a logical development from the R2 Option (no regional authority as such but a co-ordinating committee for each defined region, similar to that proposed in "A Sewerage Strategy for the Yarra Valley" though not necessarily chaired

from the Ministry of Water Resources) to R4 where a single regional authority would be responsible for all water, sewerage, drainage and flood protection works in its region.

By letter dated 17 September 1980 the City of Bendigo suggests that "the establishment of a regional type authority to look after drainage, water, sewerage, town planning, etc. would further weaken municipal government and effectively create a fourth tier of Government" ... and ... "would be most counter-productive".

However, the City of Bendigo advised the Committee on 11 August 1981 that it had considered the Public Bodies Review Committee's Second Report at its meeting on 3 August 1981, and that it had advised the Minister of Water Supply that it favoured, for the Bendigo area, a sub-regional body with the following characteristics:-

- (a) an independent authority responsible for the provision of both water supply and sewerage,
- (b) the boundary of the authority to coincide with the area currently supplied with reticulated water,
- (c) differential rating to be applied, depending whether a particular property has access to either or both water and sewer,
- (d) authority to purchase bulk water from a regional body, responsible for headworks, and
- (e) authority to be controlled by representatives from each municipality falling within the authority's area. (Similar to Bendigo Sewerage Authority, but without Government nominee.)

The Bendigo City Council also indicated its preferences in respect of regional and state levels of administration in the water industry.

The Bendigo Creek Improvement Trust was created by Order of the Governor in Council dated 8 January 1952. It also has representatives from the municipalities of Bendigo, Eaglehawk, Marong, Strathfieldsaye and Huntly as well as a Government Nominee.

The State Rivers and Water Supply Commission, in response to the draft recommendations contained in the Committee's Fourth Report, suggests that the Commission's Coliban System should be maintained in its present form. An extract from the Commission's response is reproduced as an Appendix to this Report.

The Shire of Strathfieldsaye by letter dated 6 November 1981 and the Borough of Eaglehawk in a letter dated 12 November 1981 advised that they were against the proposed Bendigo Water Board. The Shire of Strathfieldsaye suggests that both the Bendigo Sewerage Authority and the State Rivers and Water Supply Commission were "operating efficiently and effectively in their respective services" and that amalgamation would be "less cost efficient and result in greatly increased rate accounts for users". The Borough of Eaglehawk made similar observations and suggests that "diseconomies invariably result from large scale amalgamations".

The Committee questions the assertions that when two efficient organisations are amalgamated diseconomies result. At present both bodies maintain separate organisations covering the same area.

**The Committee's recommendation is that the Bendigo Sewerage Authority cease to exist, and that the successor body be a Bendigo Water Board, responsible for urban water and sewerage activities in the areas of the municipalities of Bendigo, Eaglehawk, Marong, Strathfieldsaye and Huntly, currently served by the Bendigo Sewerage Authority and the State Rivers and Water Supply Commission's Coliban System. The Committee further recommends that the possibility of special financial assistance to the Bendigo Water Board in recognition of the age of the water supply system there be explored. (Recommendation 20).**

Shire of Bet Bet

See: Bealiba Waterworks Trust

## Birchip Sewerage Authority

Birchip Sewerage Authority was constituted in May 1968, and its members are the Councillors of the Shire of Birchip. The Authority's works were completed in 1970 and consist of mains, pumping stations and lagoons.

Birchip Sewerage Authority is closely integrated with the Shire of Birchip, sharing a Secretary, administrative functions and maintenance functions. Birchip is the only major town of the Shire.

Urban water supply in Birchip is currently the responsibility of the State Rivers and Water Supply Commission.

The Authority made a submission to the Committee on 23 July 1980 indicating support for the amalgamation of sewerage authorities with municipalities.

The Shire, in their letter dated 12 November 1981, expressed concern at taking over the responsibility for urban water supply because of their lack of technical capability, loss of State Rivers and Water Supply Commission personnel from the district and being unsure of what financial arrangements may be encountered with such a takeover.

The Committee notes this concern but considers it to be unwarranted.

The Authority was represented at a Public Hearing held by the Committee at Horsham on 1 August 1980, and at Discussions held with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Horsham on 28 July 1981.

**The Committee's recommendation is that the Birchip Sewerage Authority should cease to exist, and that the successor body should be the Shire of Birchip, which should assume responsibility for all necessary urban water and sewerage provision in the Shire, including urban water supply services currently provided by the State Rivers and Water Supply Commission. (Recommendation 21).**

### Boort Waterworks Trust

The Boort Waterworks Trust was created by Order of the Governor in Council on 20 June 1890. Since 1909, it has consisted of six Commissioners elected by the ratepayers.

The Trust obtains its water from the State Rivers and Water Supply Commission's North Boort Irrigation Channel from where it is piped, pumped, automatically treated, delivered to a service basin and reticulated. The population of 850 is served with water at a rate of 10.5 cents in the dollar N.A.V.

The Trust made a written submission to the Committee on 11 August 1980, which called for the continuance unchanged of its existing structure. The submission pointed out that the Shire of Gordon, in which Boort is located, has an area of 800 square miles and that some Councillors live up to 40 miles distant from Boort. At the Public Hearing held in Bendigo on 12 September 1980, the Trust was represented by its Chairman, a Commissioner, its Secretary and its consulting engineer. At the Public Hearing, the Trust was questioned as to the possibility of its administration being combined with that of any other town. The Secretary of the Trust pointed out that the other town in the Shire, Pyramid Hill, was supplied as part of the State Rivers and Water Supply Commission system.

Secretarial support for the Boort Waterworks Trust is provided from the Shire of Gordon, whose headquarters are in Boort. The Secretary of the Boort Waterworks Trust, Mr. T. H. Forbes, is also Secretary of the Shire of Gordon and of the Bullock Creek Improvement Trust. Rate collections are undertaken by the Council's Rate Collector.

The Shire of Gordon advised the Committee on 27 February 1981 that it favoured the continuance of the Boort Waterworks Trust as a separate entity, as it had also stated in a submission to the Board of Review into the Role Structure and Administration of Local Government in Victoria in 1978 in the following terms:-

"it is Council's view that an organisation such as a Town Waterworks Trust should be controlled by residents living in that town".

The Trust re-affirmed its view that a water body independent of Council should continue in Boort in its response dated 13 August 1981 to the Committee's Second Report.

**The Committee recommends that the Boort Waterworks Trust should cease to exist, and that a Gordon Water Board be created as its successor, with powers to provide all necessary water and sewerage services in the Shire of Gordon including responsibility for urban water supply in the Shire currently provided by the State Rivers and Water Supply Commission. (Recommendation 22).**

#### Briagolong Waterworks Trust

See: Maffra Waterworks Trust

#### Bridgewater Waterworks Trust

Bridgewater Waterworks Trust was created by Order of the Governor in Council on 3 November 1927. It consists of three Commissioners elected by the Shire of Marong, three Commissioners elected by the Shire of Korong, and one person appointed by the Minister of Water Supply.

The Trust obtains water from the nearby Inglewood Water Supply System operated by the Shire of Korong, and supplies a population of 370 people at an average rate of 9 cents in the dollar N.A.V.

The Bridgewater Waterworks Trust made a submission to the Committee on 2 September 1980, and was represented at the Public Hearing held by the Committee in Bendigo on 12 September 1980 by two of its Commissioners.

The Trust is administered by a part-time Secretary and meter reader, and Commissioner Cumming stated at the Hearing that: "The main problems we have are in the administrative area and with breakdowns ... we have a private plumber in the town, who does practically all our work and we can generally round him up, but the Commissioners still have to get up and hold lights and get out in the trench to help the

plumber ... " (Transcript, p. 904). Commissioner Cumming also pointed out that 100% of the people in Bridgewater use tank water rather than the water supplied by the Trust as drinking water.

In a submission dated 27 October 1981 the Trust's Secretary, Mr. R. J. Castley, argued that engineering and administrative services should be retained at the local level. The Shire of Korong, noting the Trust's arguments in this regard stated in a letter dated 12 November 1981 that while it would not object to the Bridgewater Waterworks Trust undertaking its own administration it did suggest that the Trust may have overlooked advantages in administration by the Council.

The Shire of Korong, in a submission to the Committee dated 28 April 1981, earlier suggested that the Committee give consideration to the Bridgewater Waterworks Trust being administered by that Shire, while continuing the Trust as a separate corporate body elected by the townspeople of Bridgewater.

Bridgewater is in an unusual position in that it is located on the boundary of two municipalities, and that while the majority of the houses are in the Shire of Marong, the waterworks are at present technically related to those of the Shire of Korong.

**The Committee's recommendation is that the Bridgewater Waterworks Trust cease to exist, and that the successor body be the Bridgewater Water Board. (Recommendation 23).**

#### Bright Waterworks Trust

#### Bright Sewerage Authority

Bright Waterworks Trust was created by Order of the Governor in Council on 20 May 1890 and consists of the three Ovens Riding Councillors of the Shire of Bright and three other persons appointed by the Minister of Water Supply.

The Trust provides water to over 2,000 people in the towns of Bright and Porepunkah, at average rates of 6.5 cents and 9 cents in the dollar N.A.V. respectively. Bright obtains its water from storages on Bakers Gully Creek and a pump system on the Ovens River; Porepunkah obtains its water from the Buckland River.



Bright Sewerage Authority was constituted on 5 September 1978 and consists of the Commissioners of the Bright Waterworks Trust. Construction has not yet commenced.

The Bright Waterworks Trust and the Bright Sewerage Authority made a joint submission to the Committee on 6 February 1981, and were represented by their Secretary and Councillor A. J. Cullough, Shire President, Shire of Bright, at a Public Hearing held by the Committee in Melbourne on 15 April 1981.

In evidence, the Trust and Authority submitted that between 1947 and 1977 the Bright Waterworks Trust was administered by the Shire of Bright but an independent Trust Secretary was appointed in 1977 due to dissatisfaction with the handling of this role. At the Hearing the witnesses also stressed the physical division in the Shire of Bright caused by the Tawonga Gap, and the consequent need, as they saw it, for separate water bodies in Mt. Beauty and Bright.

In a letter to the Committee dated 7 May 1981, the Shire of Bright corroborated these views, but added that it could see merit in amalgamation of water and sewerage bodies serving the same area. This view was re-iterated in a further letter to the Committee from the Shire of Bright dated 28 July 1981, and in a further letter from the Bright Waterworks Trust dated 23 July 1981.

In a letter dated 9 November 1981 the Trust and Authority advised their support for an amalgamated body responsible for water and sewerage services in the Ovens Valley and suggested the name should be the Bright District Water Board.

**The Committee notes the very strong views held in Bright on the need for separate water bodies, and notes the distinctive physical characteristics of the Shire. Its recommendation is that the Bright Waterworks Trust and the Bright Sewerage Authority cease to exist, and that the successor body be a Bright Water Board, with responsibilities for the provision of all necessary water and sewerage services in those parts of the Ovens Valley within the Shire of Bright, including Bright, Porepunkah, Harrierville, Freeburgh, Wandiligong and Mount Hotham. (Recommendation 24).**

Broadford Waterworks TrustBroadford Sewerage Authority

Broadford Waterworks Trust was created on 16 July 1907 by Order of the Governor in Council. It consists of the three Councillors for the Central Riding of the Shire of Broadford plus three Commissioners appointed by the Minister of Water Supply.

The Trust obtains water from Sunday Creek via a 20 km gravity pipeline. A population of 1,900 people is supplied at a rate of 6.5 cents in the dollar N.A.V.

Broadford Sewerage Authority was constituted on 6 December 1977 and consists of the six Commissioners for the time being of the Broadford Waterworks Trust. Construction has not yet commenced.

The Trust and the Authority made a joint submission to the Committee on 19 August 1980, and were represented at a Discussion held by the Committee in Shepparton on 29 August 1980 by their Chairman and Secretary. The Trust, together with the Broadford Sewerage Authority and the Shire of Broadford, made a further joint submission to the Committee on 9 July 1981.

In that submission the three bodies jointly advised that they "support the option of a combined body with a common corporate identity within the local government area".

The Shire of Broadford advised the Committee on 26 March 1981 that "Council is of the opinion that it would be practicable to combine the Water Trust, Sewerage Authority and Council into one legal entity". This view was reinforced in a joint response to the Committee's Second Report from the Broadford Waterworks Trust, Broadford Sewerage Authority and Shire of Broadford dated 9 July 1981.

**The Committee recommends that the Broadford Waterworks Trust and the Broadford Sewerage Authority should cease to exist, and that the successor body should be the Shire of Broadford. (Recommendation 25).**

Bruthen Waterworks Trust

See: Lakes Entrance Waterworks Trust

## Buchan Waterworks Trust

See: Lakes Entrance Waterworks Trust

## Bungaree and Wallace Waterworks Trust

Bungaree and Wallace Waterworks Trust was created by Order of the Governor in Council on 2 June 1964. It consists of three Councillors from the Shire of Bungaree, three Councillors from the Shire of Buninyong, and one person appointed by the Minister of Water Supply.

The Trust obtains its water from the Ballarat Water Commissioners' headworks, and the population of 320 is supplied at a rate of 13 cents in the dollar N.A.V., compared with 3.9 cents in the dollar in Ballarat.

The Chairman and Secretary of the Trust appeared at the Public Hearing held by the Committee in Ballarat on 19 September 1980, and met with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Ballarat on 2 July 1981.

In a submission dated 5 November 1981 the Trust argued for its continuing separate existence. It acknowledged that 42 per cent of its income is paid to the Ballarat Water Commissioners and that Trust ratepayers have been paying higher rates over the years to put the scheme on a sound financial footing. The Trust states that while the expenses of the Bungaree and Wallace Scheme are static the Ballarat Scheme expenses are rapidly increasing - the suggestion being that amalgamation with Ballarat would lead to Bungaree and Wallace ratepayers subsidising the Ballarat Scheme.

Given that Bungaree and Wallace purchases its water from the Ballarat Water Commissioners the Committee is of the opinion that by remaining separate Bungaree Wallace will not necessarily avoid any increases applied by Ballarat.

**The Committee recommends that the Bungaree and Wallace Waterworks Trust should cease to exist, and that the successor body should be the Ballarat Water Board. (Recommendation 26).**

Buninyong Waterworks Trust

Buninyong Waterworks Trust was created by Order of the Governor in Council on 13 August 1957. It consists of the Councillors of the Buninyong Riding of the Shire of Buninyong plus three persons appointed by the Minister of Water Supply.

The Trust obtains its water from the Ballarat Water Commissioners, and serves a population of 1,000 people at a rate of 7 cents in the dollar N.A.V., compared with 3.9 cents in the dollar in Ballarat.

The Trust advised the Committee on 11 September 1980 that it did not wish to make any written or verbal submission to the Committee. However the Trust was represented at discussions in Ballarat with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. on 2 July 1981.

In response to the Committee's Fourth Report the Trust advised its support for the proposed incorporation into the Ballarat Water Board.

**The Committee's recommendation is that the Buninyong Waterworks Trust cease to exist, and that the successor body be the Ballarat Water Board. (Recommendation 27).**

Town of CamperdownCamperdown Sewerage Authority

The Town of Camperdown is a Local Governing Body under the Water Act which took over responsibility for water supply to Camperdown from the State Rivers and Water Supply Commission on 1 July 1969. The Town obtains water by agreement from the State Rivers and Water Supply Commission's Donald's Hill Reservoir, and supplies a population of 3,750 people at a rate of 6.5 cents in the dollar N.A.V.

Camperdown Sewerage Authority was constituted by Order of the Governor in Council on 7 March 1950, and also consists of the Town Councillors. Sewerage is treated at a site 4 km north of the town, and treated effluent is discharged into Lake Colongulac.

The Town of Camperdown and the Camperdown Sewerage Authority did not appear at the Public Hearing held by the Committee at Portland on 8 August 1980, but on 2 March 1981 and 2 November 1981 the Town of Camperdown Council advised the Committee that it favoured the amalgamation of Water Trusts and Sewerage Authorities with Councils:-

"It is the unanimous opinion of this Council that the more amalgamations of Authorities and Trusts the better, and that the interests of the Ratepayers should take precedence over parochial and self-interest attitudes."

The Trust was represented at discussions with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Warrnambool on 16 July 1981.

**The Committee's recommendation is that the Town of Camperdown cease to be constituted as a Local Governing Body under the Water Act, the Camperdown Sewerage Authority should cease to exist, and that the successor body should be the Town of Camperdown. (Recommendation 28).**

#### Cann River Waterworks Trust

Cann River Waterworks Trust was created by Order of the Governor in Council on 6 October 1970. It consists of the three Councillors for the East Riding of the Shire of Orbost and three persons appointed by the Minister for Water Supply.

The Trust obtains water from the Cann River, and provides service to a population of 143 people at a rate of 17.5 cents in the dollar N.A.V.

The Trust made a submission to the Committee on 5 August 1980, and a further submission dated 8 July 1981 in response to the Committee's Second Report, and was represented at discussions which took place with Mr. R. A. Jolly, M.P. at Bruthen on 17 July 1981.

The Secretary of the Cann River Waterworks Trust is also Secretary of the Orbost Waterworks Trust and the Orbost Sewerage Authority, which are administered separately from the Shire of Orbost.

The Shire of Orbost has made no submission to the Committee on the future of water and sewerage provision in that Shire.

**The Committee's recommendation is that the Cann River Waterworks Trust cease to exist, and that the successor body be a new body known as the Cann Valley Water Board, combining the responsibilities of water and sewerage provision in the Cann Valley. (Recommendation 29).**

#### Casterton Sewerage Authority

See: Coleraine Waterworks Trust

#### Castlemaine Sewerage Authority

Castlemaine Sewerage Authority was constituted on 28 December 1934 and consists of the Councillors of the City of Castlemaine. The system includes a treatment works on the south-western edge of Castlemaine from where treated effluent is discharged into Campbell's Creek.

Castlemaine Sewerage Authority was not represented at the Public Hearing held by the Committee at Bendigo on 12 September 1980. In a submission to the Committee dated 25 March 1981 the Authority indicated that it favoured the continuation of present arrangements, including water supply by the State Rivers and Water Supply Commission.

The Committee has recommended that the northern urban parts of the Coliban system of waterworks be combined with the Bendigo Sewerage Authority to form an integrated water and sewerage operation covering several municipalities in the Bendigo area. The existence of the Bendigo Sewerage Authority as a specialist water industry body already covering several municipalities makes such a proposal feasible. In Castlemaine, however, the Sewerage Authority serves only one municipality, and is fully integrated with the Council. The Committee believes that in principle it would be desirable to create a Mount Alexander Water Board, with responsibilities for water supply and sewerage provision in all those urban communities currently served in the

southern part of the Coliban system, viz., Castlemaine, Harcourt, Maldon, Fryerstown, Newstead, Elphinstone and Taradale, or the municipalities of Castlemaine, Maldon, Metcalfe and Newstead.

On 18 November 1981 the Castlemaine Sewerage Authority advised "that this Authority is not in agreeance with the proposed Mt. Alexander Water Board and would rather the system in operation at the present time". The Shire of Maldon on 16 November 1981 suggested that as the "proposed new body will exercise control over water supply only and will not have control of present or additional storages ... difficulties are envisaged when future demands outstrip the current supply level". The Shire of Newstead have advised their in principle support for the proposed Water Board.

The State Rivers and Water Supply Commission supports the retention of their existing Coliban Supply System. An extract from their response to the Committee's Fourth Report is reproduced as an Appendix to this Report.

**The Committee recommends that the Castlemaine Sewerage Authority cease to exist, and that the successor body be the Mount Alexander Water Board, with responsibility for all necessary urban water and sewerage services in the municipalities of Castlemaine, Maldon, Metcalfe and Newstead, assuming the current urban water retailing responsibilities of the southern portion of the State Rivers and Water Supply Commission's Coliban water supply system. The Committee also recommends that the possibility of special financial assistance to it in recognition of the age of the water supply system there be explored. (Recommendation 30).**

Charlton Waterworks Trust

Charlton Sewerage Authority

Charlton Waterworks Trust was created by Order of the Governor in Council on 21 December 1897. It consists of six Commissioners elected by the ratepayers plus one person appointed by the Minister of Water Supply.

The Trust obtains water from the State Rivers and Water Supply Commission's Charlton Channel, and a population of 1,200 is supplied at a rate of 7 cents in the dollar N.A.V.

Charlton Sewerage Authority was established on 20 March 1946 and consists of the Commissioners of the Charlton Waterworks Trust. The Charlton sewerage scheme was installed in 1965-6, and involves treatment in lagoons, with runoff passing to the Avoca River.

The Trust and Authority have not provided submissions to the Committee, nor did they appear at the Public Hearing held at Bendigo on 12 September 1980.

The Secretary of the Trust is also Shire Secretary of the Shire of Charlton and Secretary of the Charlton Sewerage Authority. The Resident Engineer of the Trust is the Shire Engineer and other staff is shared between the Trust and the Shire.

Charlton is the only substantial township in the Shire of Charlton, and the majority of Councillors are residents of it. A divergence of interest between the needs of the urban and rural communities in the Shire does not therefore appear as sufficient reason to maintain separate elected bodies above what is already an integrated administration.

**The Committee's recommendation is that the Charlton Waterworks Trust and the Charlton Sewerage Authority should cease to exist. The successor body should be the Shire of Charlton. (Recommendation 31).**

Churchill Sewerage Authority

See: Morwell Waterworks Trust



Cobram Waterworks Trust

Cobram Sewerage Authority

Katamatite Waterworks Trust

Cobram Waterworks Trust was created by Order of the Governor in Council on 7 June 1905. It consists of the three Councillors for the Cobram Riding of the Shire of Cobram plus three persons appointed by the Minister of Water Supply.

The Trust obtains water from the Murray River, from where it is pumped to an elevated steel tank.

Cobram Sewerage Authority was constituted on 24 June 1964 and consists of the Commissioners of the Cobram Waterworks Trust. The Authority's system involves lagoon treatment and disposal of effluent by irrigation.

The Trust and the Authority were not represented at the Discussion held by the Committee at Shepparton on 29 August 1980.

The Shire of Cobram advised the Committee by letter of 10 March 1981 that the Shire of Cobram, the Cobram Waterworks Trust and the Cobram Sewerage Authority have been administratively and technically integrated for some years, and that the Council fully supported a proposal initiated by the Cobram Waterworks Trust in 1976 that the three bodies should be amalgamated. The Shire, Trust and Authority reaffirmed this view by letters dated 4 November 1981 and 29 October 1981.

Katamatite Waterworks Trust was established by Order of the Governor in Council on 11 December 1956 and consists of the three Councillors for the Katamatite Riding of the Shire of Cobram plus three persons appointed by the Minister of Water Supply.

The Trust obtains water from a State Rivers and Water Supply Commission irrigation channel, from where it is pumped to a standpipe. A population of 300 is served at a rate of 15.5 cents in the dollar N.A.V.

The Katamatite Waterworks Trust was not represented at the Discussion held by the Committee in Shepparton on 29 August 1980, but advised the Committee on 24 June 1981 that "the Trust wishes to offer its support to the universal amalgamation of all water authorities with municipalities". The Trust reaffirmed this view by letter dated 6 November 1981.

Hon. David White, M.L.C. and Mr. Eddie Hann, M.P., had discussions with the Trust on 30 July 1981, and on 20 August 1981 the Trust advised that it would consider amalgamation with the Shire of Cobram, the Cobram Waterworks Trust and the Cobram Sewerage Authority. The Trust advised that it would wish to see some form of ratepayer representation from the Katamatite area if such an amalgamation were to proceed. The Committee suggests that the Shire of Cobram note this desire and explore the possibility of using the Water Advisory Council proposal discussed elsewhere in this Report.

**The Committee's recommendation is that the Cobram Waterworks Trust, the Katamatite Waterworks Trust and the Cobram Sewerage Authority should cease to exist and that the successor body should be the Shire of Cobram. (Recommendation 32).**

#### Cohuna Waterworks Trust

#### Cohuna Sewerage Authority

Cohuna Waterworks Trust was constituted on 27 June 1961 by Order of the Governor in Council, and consists of the three Councillors of the Central Riding, Shire of Cobram, plus three persons appointed by the Minister of Water Supply.

The Trust pumps water from Gunbower Creek to a treatment plant from where it passes to an elevated storage before reticulation. A population of 2,200 people is supplied at a rate of 6.5 cents in the dollar N.A.V.

Until recently, two towns in the area, Leitchville and Gunbower, received their water supply as urban districts of the State Rivers and Water Supply Commission. Responsibility for Leitchville was however transferred to Cohuna as from 1 July 1981. Gunbower poses a more complex problem as it is located on the boundary between the Shire of Cohuna and the Shire of Rochester.

Cohuna Sewerage Authority was constituted on 3 June 1964 and consists of the three Councillors for the East Riding, Shire of Cohuna, and three Government Nominees. Treatment is by a lagoon system.

The Trust and the Authority did not provide the Committee with submissions during 1980, nor did they appear at the Public Hearing held by the Committee in Bendigo on 12 September 1980. However, the Shire of Cohuna, the Cohuna Waterworks Trust and the Cohuna Sewerage Authority in a submission to the Committee in April 1981 advocated that "municipalities, waterworks trusts and sewerage authorities should be given the legislative opportunity to formally combine their constitutional structure and administration". The Trust, Authority and Shire in a joint letter dated 11 November 1981 advised that they had "no major objection to the recommendations of the Committee at this stage".

**The Committee's recommendation is that the Cohuna Waterworks Trust and the Cohuna Sewerage Authority should cease to exist, and the successor body should be the Shire of Cohuna. The Committee further recommends that the Shire of Cohuna should assume responsibility for domestic water retailing in the urban district of Gunbower, currently served by the State Rivers and Water Supply Commission. (Recommendation 33).**

#### Colac Waterworks Trust

#### Colac Sewerage Authority

Colac Waterworks Trust was created by Order of the Governor in Council on 10 November 1909, and consists of seven Commissioners elected by the ratepayers.

The Trust obtains water from the Olangolah and Gellibrand Rivers, and supplies an extensive network of communities in the City and Shire of Colac, including Colac, Alvie, Beeac, Coragulac, Cressy and Warrion. The Trust supplies a population of 12,500 people at an urban rate of 8 cents in the dollar N.A.V.

Colac Sewerage Authority was one of the earliest country sewerage bodies to be established in Victoria, having been established on 13 November 1923 by Order of the Governor in Council. The Authority has the same Commissioners as the Colac Waterworks Trust.

The Trust and the Authority are served by a common administration, which is separate from municipal government. Services provided by the Colac Waterworks Trust extend

over two municipalities at present, while locally initiated amalgamation proposals would extend this to three.

The Trust and the Authority made an initial submission to the Committee on 18 September 1980, which indicated that "the Bains Committee recommendations are totally unacceptable to this Trust and Authority". The Trust and Authority were represented at a Public Hearing held by the Committee in Geelong on 26 September 1980, by their Secretary, and a representative of their consulting engineers, Messrs. Garlick and Stewart.

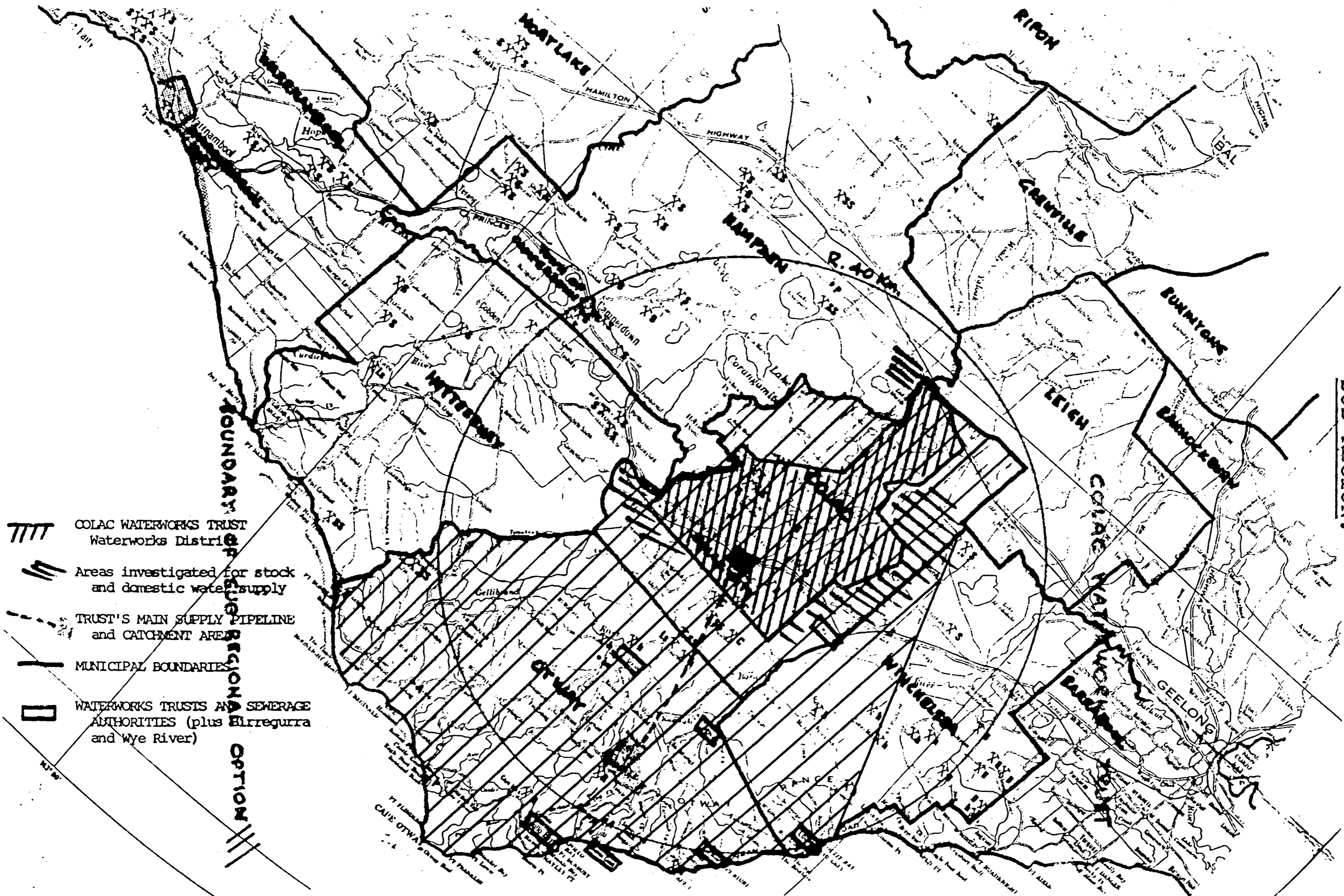
The Committee obtained the views of both the Shire of Colac and the City of Colac on these bodies. The Shire of Colac, by letter dated 19 March 1981, advised that it favoured the continuation of the Colac Waterworks Trust and Sewerage Authority as entities separate from municipal government. The City of Colac held a special Committee meeting on 31 March 1981 and the resulting submission to the Public Bodies Review Committee favours the amalgamation of water trusts with municipalities, but does not refer specifically to the Colac situation.

Following the Committee's Second Report, the Colac Waterworks Trust and Colac Sewerage Authority made a further submission to the Committee. In this document, which is supported by significant analysis of regional communication links, the Colac Waterworks Trust and Sewerage Authority proposed a new body formed on the basis of a merger of the Colac Waterworks Trust, the Colac Sewerage Authority, the Forrest Waterworks Trust and the Gellibrand Waterworks Trust. The Colac bodies have further suggested that such a body could serve as a sub-regional body (in line with the Committee's R3 concept) providing support and co-ordination to small water bodies in the West Barwon sub-region.

Further Discussions took place with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Geelong on 24 July 1981 and Mrs. Chambers subsequently visited the Trust and Authority for Discussions and inspections.

In a letter dated 4 November 1981 the Colac Waterworks Trust and Colac Sewerage Authority advised their agreement with the local structure proposed for their region in the Committee's Fourth Report. The bodies also pointed out that Birregurra is partly in the Shire of Colac although predominantly in the Shire of Winchelsea and is in close proximity to the Colac supply.

MAP 4.  
**COLIAC WATERWORKS TRUST PROPOSAL FOR A WEST BARRON  
 SUB-REGION.**



The Committee's recommendation is that the Colac Waterworks Trust and the Colac Sewerage Authority should cease to exist, and that the successor body should be the Colac Water Board, with direct water and sewerage responsibilities covering the whole of the City and Shire of Colac, and northern parts of the Shire of Otway. The Committee further recommends that the Geelong Regional Water Board be responsible for the future water supply to the township of Birregurra. (Recommendation 34).

Coleraine and Casterton Waterworks Trust

Casterton Sewerage Authority

Coleraine Sewerage Authority

Balmoral Waterworks Trust

Shire of Glenelg Waterworks Trust

Coleraine and Casterton Waterworks Trust was created by Order of the Governor in Council on 20 February 1924. It consists of the three Councillors for the Coleraine Riding of the Shire of Wannon, the three Councillors for the Central Riding of the Shire of Glenelg, and two persons appointed by the Minister of Water Supply.

The Trust obtains water by pipeline from the Konongwotong Reservoir, supply to Casterton being supplemented by the Tullich bores. The Trust supplies a population of 1,330 in Casterton and 2,650 in Coleraine at rates of 14 and 16 cents in the dollar N.A.V. respectively.

The Trust made a submission to the Committee on 28 July 1980 advocating that its responsibilities be divided, with the responsibility for Coleraine's water supply being transferred to the Shire of Wannon and that for Casterton's water supply to the Shire of Glenelg. Further verbal evidence to this effect was given by the Trust's representatives at a Public Hearing held by the Committee in Portland on 8 August 1980. This view was reinforced by the Trust in its letter to the Committee dated 2 November 1981, which also suggested that implementation be postponed until the joint claims concerning Konongwotong Reservoir have been resolved. The Shire of Glenelg strongly supported such a move in its submission, heard at the same Public Hearing.

The Secretary of the Shire of Wannon, in his letter to the Committee dated 27 April 1981, quoted his Council's submission to the Board of Review of the Role, Structure and Administration of Local Government in Victoria, to the effect that:-

"there would be significant cost benefits and improved standards of administration if these services were provided by the existing municipal administration."

Casterton Sewerage Authority was established on 29 August 1951 and consists of the Councillors for the Central Riding of the Shire of Glenelg and three Government Nominees. The Authority operates a treatment plant 5 km south of the town, from which treated effluent is discharged into the Glenelg River.

The Authority did not appear at the Public Hearing held by the Committee at Portland on 8 August 1980, and has not provided the Committee with a submission. However in a letter dated 4 November 1981 the Authority advised that it agreed with the Committee's recommendations in relation to the Authority.

Coleraine Sewerage Authority was created by Order of the Governor in Council on 20 March 1963. It consists of the three Councillors for the Coleraine Riding of the Shire of Wannon and three persons appointed by the Minister of Water Supply.

The Authority was not represented at the Public Hearing held by the Committee at Portland on 8 August 1980. However, the Shire of Wannon, in a submission to the Committee dated 27 April 1981, gave evidence that:-

"the Authority suffered a complete administrative breakdown during the period 1974 to mid 1977. The effects of this breakdown in monetary terms, deterioration in the standard of consumer services and proper management of the Authority's installations are indeterminable."

Since 1977, the Authority has used the secretarial though not the engineering services of the Shire of Wannon.

In response to the Committee's Second Report, the Authority advised the Committee on 13 August 1981 that:-

"Ultimately the Authority would be agreeable to its own demise and complete integration with the Shire of Wannon and most importantly, without the necessity of retaining a separate corporate body. ... The

Authority is keen to see changes implemented in the water industry and is anxious that these be carried out at the earliest possible opportunity."

Balmoral Waterworks Trust was created by Order of the Governor in Council on 5 February 1958. It consists of the three Councillors of the Balmoral Riding of the Shire of Wannon, none of whom are ratepayers of the Trust, plus three persons appointed by the Governor in Council.

The Trust obtains water by pumping from the State Rivers and Water Supply Commission Rocklands Reservoir, and the population of 300 people is served with water for a rate of 8 cents in the dollar N.A.V.

The Trust provided a written submission to the Committee and appeared at the Public Hearing held in Portland on 8 August 1980.

Since 1980, the Trust's administration has been carried out by the Shire of Wannon. According to the Shire Secretary, "the decision to transfer administration to the Council resulted largely from continuing difficulties being experienced with the part-time administration and revealed in succeeding State Audit Office reports".

The Trust, in a letter dated 12 November 1981, suggested that because of its remoteness, and lack of representation on the Wannon Shire of Balmoral residents, it should remain a separate body.

Shire of Glenelg Waterworks Trust was created by Order of the Governor in Council on 9 May 1972. It consists of the twelve Councillors of the Shire of Glenelg and two persons appointed by the Minister of Water Supply.

The Trust supplies the towns of Merino and Sandford in Glenelg Shire. Water for Merino is obtained from bores, and supplied to the population of 300 at a rate of 17.5 cents in the dollar N.A.V. Water for 200 people at Sandford is purchased in bulk from the Coleraine and Casterton Waterworks Trust, and supplied at a rate of 17.5 cents in the dollar N.A.V.

The Trust, in a joint submission with the Shire of Glenelg presented at the Public Hearing held by the Committee in Portland on 8 August 1980, indicated their support for water supply responsibilities being placed with the municipality.



Glenelg River Improvement Trust was constituted on 29 June 1960, following an inquiry by the Parliamentary Public Works Committee. The Trust consists of seven Commissioners, of whom five are elected by the ratepayers, one is nominated by the Glenelg Shire Council and one is a Government Nominee.

The Trust was represented at the Public Hearing held by the Committee at Portland on 8 August 1980.

Strathdownie Drainage Trust was constituted on 28 April 1960 pursuant to a recommendation of the Parliamentary Public Works Committee. The Trust consists of eight Commissioners, one nominated by the Shire of Glenelg, three elected by the ratepayers, and four Government Nominees.

The Trust is responsible for reclamation works in 374 square kilometres of swampy land in the south-west corner of the Shire of Glenelg.

The Trust made a submission to the Committee on 25 July 1980 which proposed that the Trust be left as is until major works are completed, after which administrative services should be provided by the Shire of Glenelg. The Shire of Glenelg in its submission heard at the Public Hearing at Portland on 8 August 1980 proposed that the Glenelg Shire should be empowered to assume responsibility for the Strathdownie Trust at any time, but the Trust should be permitted to complete its works.

The Committee's recommendations concerning the Glenelg River Improvement Trust and the Strathdownie Drainage Trust will appear in a subsequent Report.

Further discussions took place at Horsham on 28 July 1981 between representatives of the Shire of Glenelg Waterworks Trust, the Coleraine and Casterton Waterworks Trust, the Shire of Glenelg and the Shire of Wannon and Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P.

**The Committee's recommendation is that the Coleraine and Casterton Waterworks Trust, the Balmoral Waterworks Trust, the Casterton Sewerage Authority, the Coleraine Sewerage Authority and the Shire of Glenelg**

Waterworks Trust should cease to exist, and that the successor bodies should be the Shire of Wannon and the Shire of Glenelg, each of which should assume all urban water and sewerage responsibilities in their respective municipalities. The Committee suggests that the Shire of Wannon establish a water advisory council to represent the interests of Balmoral residents. The Committee further recommends that an independent arbitrator appointed by the Minister of Water Supply, determine the future ownership of assets and the operation and management of the Konongwotong Reservoir and the Tullich bores. (Recommendation 35).

Colbinabbin Waterworks Trust

Rushworth Waterworks Trust

Shire of Waranga Sewerage Authority

Colbinabbin Waterworks Trust was constituted by Order of the Governor in Council on 3 September 1918, and consists of the three Councillors for the Central Riding of the Shire of Waranga plus three persons appointed by the Minister of Water Supply. The Trust provides water supply to a population of 54 people at a rate of 4 cents in the dollar N.A.V. by obtaining water from the State Rivers and Water Supply Commission's Waranga Western Channel.

The Colbinabbin Waterworks Trust did not make a submission to the Committee during 1980 and did not appear at the Discussion held by the Committee at Shepparton on 29 August 1980. The Committee contacted the Trust Secretary and were advised that the Trust were not interested in the review. The Trust is administered separately from the Shire of Waranga.

The Trust advised the Committee on 11 November 1981 "that this Trust wishes to retain its own identity and does not wish to be incorporated with the Shire of Waranga".

Rushworth Waterworks Trust was created by Order of the Governor in Council on 10 October 1898. It consists of the three Councillors for the Eastern Riding of the Shire of Waranga plus two persons appointed by the Minister of Water Supply. Rushworth, like Colbinabbin, obtains its water by pumping from the State Rivers and Water Supply Commission's Waranga Western Channel. A population of 1,200 people is supplied at a

rate of 13 cents in the dollar N.A.V. Rushworth is the administrative centre of the Shire of Waranga, and the Secretary of the Rushworth Waterworks Trust is the Shire Secretary.

The Trust provided a detailed submission to the Committee on 11 September 1980 and in a letter to the Committee dated 28 August 1981 it reaffirmed its support for the Trust retaining its existing separate corporate identity. In that letter the Trust also advised that "two of the three Councillors have been disqualified from the Trust in the past twelve months on the grounds of not attending four consecutive meetings".

The Trust provided a further detailed submission to the Committee on 11 November 1981 expressing reservations as to the appropriateness of the Shire of Waranga assuming responsibility for their function pointing, inter alia, to their efficiency and possible representation difficulties.

Corop and Stanhope, in the Shire of Waranga, are provided with water as Urban Districts of the State Rivers and Water Supply Commission. Corop is supplied, at a rate of 17.5 cents in the dollar, at a substantial loss, and the supply of water is continued at Government direction. At Stanhope, a population of 900 is supplied on a financially viable basis at a rate of 5.6 cents in the dollar.

A Shire of Waranga Sewerage Authority was constituted on 20 June 1979 to provide sewerage to Rushworth, Stanhope, Murchison and Colbinabbin. The Trust consists of the Councillors for the Shire of Waranga. Works have yet to commence.

The Shire of Waranga in a letter to the Committee dated 13 March 1981, advocated that the Shire assume responsibility for the water trusts in the municipality, but pointed out the need for a mechanism to enable local representation. The Shire stated that it intended to overcome this problem by establishing Advisory Committees in respect of each of the communities to be served by the Shire of Waranga Sewerage Authority. The Committee notes and commends this initiative, which it considers could be extended to cover water as well as sewerage matters.

The Shire, in a letter dated 12 November 1981, has reversed this view and suggests that all bodies remain independent and that water supply to Corop, 35 people, be managed by a co-operative and for Stanhope by an independent Trust. Also the Shire does not support the creation of a single Water Board.

The Committee does not consider such a proliferation of bodies is warranted.

The Committee's recommendation is that the Colbinabbin and Rushworth Waterworks Trusts and the Shire of Waranga Sewerage Authority cease to exist, and that the successor body, in respect of all areas of the Shire other than Murchison, should be the Waranga Water Board. The Committee further recommends that the Corop and Stanhope Urban Districts of the State Rivers and Water Supply Commission be transferred to the Waranga Water Board. The Committee recommends elsewhere in this Report that sewerage in Murchison should in future be the responsibility of the Murchison Water Board. (Recommendation 36).

Corryong Waterworks Trust

Corryong Sewerage Authority

Cudgewa Waterworks Trust

Walwa Waterworks Trust

Corryong Waterworks Trust was created on 13 June 1923 by Order of the Governor in Council. It consists of the three Councillors for the Corryong Riding of the Shire of Upper Murray, and three persons appointed by the Minister of Water Supply.

The Trust pumps water from Nariel Creek into service basins, from which it gravitates to the town. A population of 1,520 people is supplied at a rate of 5 cents in the dollar N.A.V.

The Corryong Waterworks Trust, the Corryong Sewerage Authority, the Cudgewa Waterworks Trust and the Walwa Waterworks Trust, (Walwa being in the Shire of Tallangatta) share the same Secretary, Mr. R. H. Barker, an accountant in public practice in Corryong. The Resident Engineer of the Corryong Waterworks Trust and the Corryong Sewerage Authority is the Shire Engineer of the Shire of Upper Murray, while the Cudgewa and Walwa Waterworks Trusts do not have Resident Engineers.

Corryong Sewerage Authority was constituted on 16 December 1958, and consists of six Commissioners, three appointed by the Shire of Upper Murray, and three Government Nominees. The treatment works involve aerobic lagoons and disposal of the final effluent to land by irrigation.

Cudgewa Waterworks Trust was created by Order of the Governor in Council on 26 June 1962. It consists of the Councillors for the Cudgewa Riding of the Shire of Upper Murray plus three persons appointed by the Minister of Water Supply. The Trust pumps and chlorinates water from Cudgewa Creek, supplying a population of 120 at a rate of 8.5 cents in the dollar N.A.V.

Walwa Waterworks Trust was created by Order of the Governor in Council on 28 March 1950. It consists of the Councillors for the Murray Riding of the Shire of Tallangatta plus three persons appointed by the Minister of Water Supply. The Trust pumps water from the Murray River, and supplies a population of 165 at a rate of 2.5 cents in the dollar N.A.V.

The Corryong Waterworks Trust, the Corryong Sewerage Authority, the Cudgewa Waterworks Trust and the Walwa Waterworks Trust made substantially similar submissions to the Committee on 13 August 1980, and these submissions were the subject of evidence taken by the Committee at a Public Hearing held at Wodonga on 22 August 1980.

These bodies made a unique and thoughtful submission concerning restructuring, which argued that:-

"the Authority favours a restructuring whereby present water and sewerage facilities throughout Victoria become part of a more widely based State Rivers and Water Supply Commission ... all commissioners and officers could become "employees" of the State Rivers and Water Supply Commission in a structure which would resemble a composite department drawn from organisation charts of the S.E.C. and C.F.A."

The Committee does not accept this proposal, as it believes such arrangements would not be in keeping with the valuable tradition of self-management which has been characteristic of Victorian administration. Nor is the Committee confident that an integrated body such as that proposed by Corryong could avoid ossification. However, the Committee commends the Corryong authorities for this example of lateral thinking, illustrative of the vigor of many inputs made by smaller authorities.

Following the publication of the Committee's Second Report, the Secretary of these Trusts made a further detailed submission, proposing an Upper Murray Water and

Sewerage Board, comprising an overall Board with representative groups in each of the three communities involved, with capacity to extend to other towns (for example, Towong or Tintaldra), or other functions (for example, river improvement), if necessary.

The Shire of Upper Murray River Improvement Trust made a submission to the Committee dated 15 August 1980. This submission stated that "there seems no reason why the Shire Council could not carry out the work in this district, without a Trust being formally established". It reaffirmed this view in its letter dated 12 November 1981.

The Committee notes the lack of representation of Corryong and Cudgewa residents on the Council of the Shire of Upper Murray and that a similar situation exists as far as Walwa in the Shire of Tallangatta is concerned. The Committee sees the creation of a Board covering these three areas as the most appropriate solution.

**The Committee's recommendation is that the Corryong Waterworks Trust, the Corryong Sewerage Authority, the Cudgewa Waterworks Trust and the Walwa Waterworks Trust should cease to exist, and that the successor body should be the Upper Murray Water Board. (Recommendation 37).**

Cowes Sewerage Authority

See: Westernport Waterworks Trust

Shire of Cranbourne Sewerage Authority

Koo-wee-rup Waterworks Trust

Lang Lang Waterworks Trust

Lang Lang Sewerage Authority

Dromana-Rosebud Sewerage Authority

Frankston Sewerage Authority

Hastings Sewerage Authority

Mornington Sewerage Authority

Mount Eliza Sewerage Authority

Pakenham Sewerage Authority

The Shire of Cranbourne Sewerage Authority was constituted on 3 May 1972 by Order of the Governor in Council. The Trust has twelve Commissioners who are also the Councillors for the Shire of Cranbourne. There are no Government Nominees. The Secretary is Mr. Terrence Vickerman who is also Shire Secretary.

The Authority controls five separate and distinct sewerage districts at Cranbourne, Blind Bight, Langwarrin, Carrum Downs and Koo-wee-rup with connections to 3,000 properties serving a population of 12,000. The townships of Lang Lang and Hampton Park together with the southern Dandenong area, whilst within the municipal boundaries, are not administered by the Shire. Hampton Park is served by the Melbourne and Metropolitan Board of Works, the Dandenong area is the responsibility of the Dandenong Sewerage Authority and Lang Lang has its own sewerage authority.

In the Authority's submission to the Committee at Dandenong on 3 October 1980 and in subsequent Discussions with the Hon. Dr. K. J. Foley, M.L.C., the Trust expressed strong opposition to any proposal to amalgamate with the Melbourne and Metropolitan Board of Works.

The rate varies from 3.5 cents in the dollar N.A.V. in Cranbourne to 8 cents in the dollar N.A.V. in Koo-wee-rup, with average minimum rates of \$60 to \$120 respectively.

In a letter dated 2 November 1981 the Authority advised that it "rejects the concept of establishing a new water board structure covering the Shire of Cranbourne and adjoining municipalities" and "considers the provision of water and sewerage services would be more appropriately handled ... at municipal level".

Koo-wee-rup Waterworks Trust was constituted on 6 February 1929 by Order of the Governor in Council. There were six Commissioners, three from the East Riding of the Shire of Cranbourne and three persons appointed by the Minister of Water Supply. The three Commissioners from the East Riding were also Councillors of the Shire of Cranbourne and Members of the Cranbourne Sewerage Authority. The Trust was administered by a part-time Secretary.

The Trust served the town of Koo-wee-rup, providing water to a population of 1,350. Water is drawn from the Bunyip River.

This Trust did not give evidence at any Hearings, nor did it respond to the Committee's questionnaire or any of the Reports.

The Committee was informed on 16 March 1981 by the State Rivers and Water Supply Commission's District Office Manager at Koo-wee-rup that "as from the 1st January 1981 the Koo-wee-rup Waterworks Trust ceased to exist and the State Rivers and Water Supply Commission became the responsible body for the supply and control of water to the Koo-wee-rup township".

The Lang Lang Waterworks Trust was constituted in 1955 by Order of the Governor in Council, and the water scheme became operational in 1956. The Trust has five elected Commissioners and one person appointed by the Minister of Water Supply.

The Trust operates a gravity fed borehole supply system. The present bore is No. 4 in a series commenced in 1956. The bore delivers 33 litres/sec to the Trust's open in ground service basin of one megalitre 3 km north of the town. The Trust uses approximately 180 megalitres per annum.

The original supply system in 1956 served an urban population of 600. It has expanded to the current urban/rural/farm system serving some 1,100 persons. The minimum house rate is \$100 at 12.5 cents in the dollar N.A.V.

The Trust presented a written submission to the Committee and gave evidence at the Lilydale Hearing on 31 October 1980. The Trust indicated a high level of community involvement in the operation of the system, so much so that when the reservoir required concreting the Trust found it was not able to finance the work fully and the



local members assisted the contractor in the work and were able to effect a substantial saving.

The Trust does experience considerable problems if the bore breaks down as it does not have any reserve pump and so relies on local trades people to change the pump.

The Lang Lang Sewerage Authority was constituted in 1965. The Authority consists of five elected representatives and one person appointed by the Minister of Water Supply. The Secretary of the Authority is Mr. P. Sibly who is employed part-time. He is also Secretary to the Lang Lang Waterworks Trust. Engineers to the Authority are Gutteridge, Haskins and Davey Pty. Ltd.

The Authority provides sewerage service to a population of 700. The rate for 1981 is 11.5 cents in the dollar N.A.V.

In evidence to the Lilydale Hearing on 31 October 1980 and their written submission the Authority indicated a high level of community involvement in the operations of the system. There are no full-time employees, most of the work being carried out by local contractors and volunteers.

Mr. Weideman said after visiting the Authority: "I was impressed with your volunteer spirit and the closeness of the two operations".

The Authority area is within the Shire of Cranbourne, whose main office is some 40 km away. However, the Council does have a depot in the town.

The Shire of Cranbourne, in response to the Committee's Second and Fourth Reports, indicated a preference for Options L5 and R3.

Hon. Dr. Kevin J. Foley, M.L.C. visited the Authority for talks on 28 July 1981.

The Dromana-Rosebud Sewerage Authority was constituted in 1967. The Authority has nine Commissioners, of whom six are Councillors of the Shire of Flinders for the Ridings of Murray and Matthew, and three are Government Nominees. The Authority is a completely separate entity from the municipality.

The Sewerage Authority district extends over 20 square kilometers catering for a permanent population of 17,000 rising to 40,000 plus 10,000 campers in the summer months. The Sewerage district is contained within two Ridings and the six Councillors are the local Commissioners on the Authority.

The Sewerage district was promulgated after a referendum of ratepayers who voted strongly in favour of the scheme. The ratepayers outside the proposed district were equally strongly opposed to sewerage.

The Authority has for the past three years been able to achieve what they believe to be an equitable rating base through a high minimum rate. Ninety percent of ratepayers have paid the same amount. The Trust is experiencing some difficulty in rating the caravan parks as they have minimal capital improvement and their N.A.V. is low, particularly when compared to the load they place on the sewerage system. The rate is 6 cents in the dollar N.A.V.

The Authority presented evidence to the Committee at Lilydale on 31 October 1980 and followed up with a detailed written submission, covering a number of points raised by the Committee at the Hearing. The Authority stressed the importance of professionalism within the industry and the view that, if the function were absorbed into local government, officers could be side-tracked into other areas of concern not related to water and sewerage.

As well, in a submission dated 6 July 1981, the Authority proposed that a new body be established covering the whole of the Shire of Flinders municipal district and that part of Mount Martha Ridge which has a natural catchment to the south-west. (The Dromana-Rosebud Sewerage Authority treats the sewerage from this area by agreement with the Mornington Sewerage Authority.) The Authority proposed that this new body should have responsibilities for water retailing to consumers, sewerage reticulation and treatment, all plumbing regulations including septic tank approvals and sanitary plumbing, and management of all rivers, creeks, streams and natural water courses.

Water retailing in the Shire of Flinders is currently undertaken by the State Rivers and Water Supply Commission. Hon. Dr. Kevin J. Foley, M.L.C., visited the Authority and inspected its area and facilities on 6 July 1981, and Mrs. P. A. Sibree, M.P. did likewise on 6 November 1981.

The Dromana-Rosebud Sewerage Authority, in response to the Committee's Fourth Report, advised by letter dated 13 November 1981 that "the Authority is in agreement with all other Authorities on the Peninsula, that a single Nepean Water Board to serve the whole area is not desirable". The Authority suggests that "requirements ... on the Peninsula fall into two significant areas with widely diverging interest and social and economic requirements. ... we are of the opinion that the Southern Peninsula area with its small coastal villages ... its large retirement population and possible Industrial type of expansion in Westernport would present an area workable under one Water Board: and an area where maximum economies of operation" and "community representation" can be achieved without "the extreme pressures of large urban development areas" which the Authority sees as working to the detriment of the rural southern areas.

The Authority held informal discussions with the Committee in Melbourne on 10 November 1981.

Frankston Sewerage Authority was constituted on 23 January 1963 by Order of the Governor in Council. The Commissioners are the Councillors of the City of Frankston there being no Government Nominees.

The Authority commenced sewer construction in 1966 and the system now comprises 377 km of reticulated sewer, 24 km of outfall pipeline, 31 pumping stations and 2 package treatment plants. 16,964 properties have been connected to the sewer and 8,100 remain to be sewered. The rate is 5.3 cents in the dollar N.A.V. with a minimum rate of \$50.

The Sewerage District is the same area as the City of Frankston. Administration is integrated with the Council, the Town Clerk being Secretary to the Authority and the Council charging the Authority for rating, valuation, accounting, and accommodation. The engineers to the Authority are Gutteridge Haskins and Davey Pty. Ltd. All other personnel are employees of the Authority.

The Frankston Sewerage Authority district boundaries now adjoin Cranbourne, Hastings and Mount Eliza Sewerage Authorities. A high degree of voluntary co-operation exists between these Authorities as can be instanced with the connection of the Shire of Cranbourne's developments at Carrum Downs and Langwarrin to the Frankston system, and Cranbourne's provision for future connections from

Frankston. A similar inter-linking system exists between Mount Eliza and Frankston. There is a diversion sewer between the Frankston Plant and the Melbourne and Metropolitan Board of Works' plant which is jointly funded by Frankston and Cranbourne.

In regard to sewerage, the City of Frankston sees no advantage in varying present arrangements, for the provision of sewerage services in Frankston.

The Authority advised by letter dated 13 November 1981 that it strongly opposed the concept of a Nepean Water Board for "total water management on the Mornington Peninsula but is prepared to pursue the concept of a Water Board based on the Municipality of Frankston".

Hon. Dr. Kevin J. Foley, M.L.C. and Mr. G. Weideman, M.L.A. visited the Authority for talks on 23 July 1981. The Authority and the City of Frankston held informal discussions with the Committee in Melbourne on 10 November 1981.

Hastings Sewerage Authority was constituted on 22 July 1980 by Order of the Governor in Council. The Authority consists of nine Members, six being Councillors of the Shire of Hastings for the number two and three Ridings and three being Government Nominees.

The Secretary of the Authority is Mr. W. R. Featherston who is also Secretary for the Shire of Hastings. The Authority office is located in the Shire of Hastings office. Engineers to the Authority are Camp, Scott Furphy Pty. Ltd.

The Authority serves a population of 1,750 and in 1979 was servicing 387 allotments, another 188 were to be connected by the end of 1981. The Authority has a program to have the remaining 1,300 allotments in the sewerage district connected by 1990. The Authority has a general rate of 9.5 cents in the dollar N.A.V. and the total rate revenue in 1979 was \$198,845.

The Authority wrote to the Committee on 5 August 1980 and stated "The authority does not propose to make a written submission but extends an invitation to attend a forthcoming meeting". The Authority did respond to the Committee's questionnaire.

The Committee received a detailed submission from the Westernport and Peninsula Protection Council who challenged a number of decisions of the Authority. The Westernport and Peninsula Protection Council stated "The Hastings Sewerage Authority's sewerage treatment scheme is based on false premises, was ill conceived and will not achieve its objective in the allotted time scale and should not have been permitted".

The Hastings Sewerage Authority advised on 13 November 1981 that it did not support the proposed Nepean Water Board. It suggested that "the overall reduction in cost is, in our opinion, likely to be not greater than \$5 per tenement per annum" and that, as the Shire has a small population, "representation on a large Nepean Water Board may be small".

The Shire of Hastings on 4 November 1981 advised its strong opposition to the concept of a Nepean Water Board for total water and sewerage functions on the Mornington Peninsula and its support for four local water boards based on municipal districts. The Shire held informal discussions with the Committee on 10 November 1981.

Mornington Sewerage Authority was constituted on 22 March 1939 by Order of the Governor in Council and the Mount Eliza Sewerage Authority was constituted on 13 March 1963 by Order of the Governor in Council. Each Authority consists of 12 Members, all Councillors of the Shire of Mornington. The two bodies are administered from the Mornington Shire offices and the Authorities' Secretary, Mr. D. Collings, is also Shire Secretary. The Shire Engineer, Mr. E. Madsen, also acts as engineer to the Authorities. Consultant engineers are Gutteridge, Haskins and Davey Pty. Ltd.

The Mount Eliza Authority and Mornington Authority provide sewerage to 2,029 and 6,095 properties with populations of 6,400 and 16,000 respectively. Both Authorities have a minimum rate of \$73 per annum and an N.A.V. of 8.3 cents. For the past three years the Authority has levied sewerage rates in line with those of the Melbourne and Metropolitan Board of Works.

The Mount Eliza Authority serves the area of Mount Eliza whilst the Mornington Authority serves Mount Martha and Mornington.

In their submission presented at the Lilydale Hearing on 31 October 1980 the Authorities submitted:-

"The Trusts maintain a close working relationship with the municipality and all are under the "same roof" and administrative and accounting systems are integrated with Council".

The Mornington Authority operates Wastewater Purification Plants for its own district and also accepts wastewater from the Mount Eliza Authority. The Mount Eliza Authority has an agreement with the Frankston Sewerage Authority to dispose of effluent from the Kackeraboite Creek Area to the Frankston Sewerage Authority and in turn accepts effluent from the Frankston Sewerage Authority.

Evidence was also received at Lilydale from the Mount Martha Sewerage Action Group who expressed strong opposition to the Mornington Sewerage Authority's 120 A scheme and were critical of the manner in which their representations to the Mornington Sewerage Authority had been dealt with. They were also critical of the municipal and sewerage functions being controlled by a common group of elected representatives.

The Authorities suggested that they were each quite different with varying needs stating: "No changes in the structure or composition of either the Mornington or Mount Eliza Sewerage Authorities should be considered prior to a Government decision relating to the suggested amalgamation of the municipalities on the Mornington Peninsula".

In response to the Committee's Fourth Report the Shire of Mornington, the Mornington Sewerage Authority and the Mount Eliza Sewerage Authority advised that they were against the proposed Nepean Water Board but would support the concept of Local Water Boards.

Water supply to Mornington and Mount Eliza is currently the responsibility of the State Rivers and Water Supply Commission.

Pakenham Sewerage Authority was constituted on 14 July 1970. The Authority consists of six Members, three being Councillors of the Toomuc Riding of the Shire of Pakenham and three persons being Government Nominees.

The Secretary of the Authority is Mr. B. J. Wallis who is also Secretary of the Shire of Pakenham. The Secretary is employed part-time and receives clerical assistance from the Shire staff as required. Engineers to the Authority are Gutteridge, Haskins and Davey Pty. Ltd.

Construction of the scheme commenced in June 1974 and it became operative in October 1976. The purification plant is located south of the town beyond the boundary for future development.

Population in the sewerage area is 3,500.

The Shire of Pakenham and the Pakenham Sewerage Authority both reject the Cranbourne-Pakenham Water Board as proposed by the Committee in its Fourth Report. Both bodies consider water and sewerage to be a municipal function.

The Committee has been constrained in its recommendations concerning water and sewerage provisions in the municipalities of Berwick and Pakenham by the fact that the Melbourne and Metropolitan Board of Works is outside the reference currently before it.

The State Rivers and Water Supply Commission in its response in November 1981 to the Committee's Fourth Report put forward alternative proposals for the area, based on the existing sewerage authorities in the area served by the Commission's Mornington Peninsula Water Supply System being absorbed into that system. The Commission also provided the Committee with detailed figures on cost savings which could be expected from the adoption of this rather than the Committee's original proposal or the maintenance of the status quo. The Committee accepts the Commission's view, and considers that the State Rivers and Water Supply Commission or its successor should oversight the amalgamation of these authorities on a timetable leading to unification by 1986. At that point the Committee considers that all residual responsibility for the system should be transferred to the Mornington Peninsula Regional Water Board. The Committee suggests that the State Rivers and Water Supply Commission should ensure that in the development of water and sewerage services to this region during this period no costs are incurred or investments undertaken which are inconsistent with these longer term proposals.

**The Committee recommends that:-**

- (1) responsibility for the entire Mornington Peninsula Water Supply System of the State Rivers and Water Supply Commission, with the exception of Longwarry in the Shire of Buln Buln, be assumed by the Mornington Peninsula Regional Water Board.**

- (2) the Shire of Cranbourne Sewerage Authority, the Koo-wee-rup Waterworks Trust, the Lang Lang Waterworks Trust and the Lang Lang Sewerage Authority should cease to exist, and that the successor body should be the Mornington Peninsula Regional Water Board responsible for all urban water retailing in the Shire and all sewerage services except for those areas administered by the Dandenong Springvale Water Board.
- (3) the Dromana-Rosebud Sewerage Authority should cease to exist and that the successor body be the Dromana-Rosebud Water Board, responsible for the provision of sewerage services in the Shire of Flinders. The Committee further recommends that the Mornington Peninsula Regional Water Board assume this responsibility no later than July 1986.
- (4) the Frankston Sewerage Authority should cease to exist and that the successor body be the Frankston Water Board, responsible for sewerage services in Frankston. The Committee further recommends that the Mornington Peninsula Regional Water Board assume this responsibility no later than July 1986.
- (5) the Hastings Sewerage Authority should cease to exist and that the successor body be the Hastings Water Board, responsible for sewerage services in the Shire of Hastings. The Committee further recommends that the Mornington Peninsula Regional Water Board assume this responsibility no later than July 1986.
- (6) the Mornington Sewerage Authority and Mount Eliza Sewerage Authority cease to exist and that the successor body be the Mornington Water Board, responsible for all necessary sewerage services in the Shire of Mornington. The Committee further recommends that the Mornington Peninsula Regional Water Board assume this responsibility no later than July 1986.



- (7) the Pakenham Sewerage Authority cease to exist, and that the successor body be the Pakenham Water Board, responsible for all necessary sewerage services in all those parts of the Shire of Pakenham not currently within the boundaries of the Gembrook - Cockatoo - Emerald Waterworks Trust. The Committee further recommends that the Mornington Peninsula Regional Water Board assume this responsibility no later than July 1986. The Committee also recommends that responsibility for water supply and sewerage except those areas currently serviced by the Melbourne and Metropolitan Board of Works and the Dandenong Sewerage Authority in the City of Berwick should also be assumed by the Mornington Peninsula Regional Water Board. (Recommendation 38).

Shire of Creswick

Creswick Sewerage Authority

The Shire of Creswick is a Local Governing Body under the Water Act, supplying populations of 2,000, 125 and 550 in Creswick, Smeaton and Spring Hill at rates of 8.5 cents, 17.5 cents and 13.5 cents in the dollar respectively. Creswick is supplied from Cosgrave, Dean and Russell's Reservoirs; and Spring Hill, Allendale, Broomfield, Kingston, Newlyn, Newlyn North, Springmount and Smeaton are supplied from the State Rivers and Water Supply Commission's Newlyn Reservoir.

Creswick Sewerage Authority was constituted on 17 September 1974, and consists of the Councillors of the Shire of Creswick. Sewerage works were commenced in 1978 and are expected to be completed by 1982.

The Shire and the Authority were not represented at the Public Hearing held by the Committee at Ballarat on 19 September 1980, although one Shire Councillor gave evidence in a private capacity. However on 23 April 1981 the Shire advised that it favoured the operation of water and sewerage schemes the size of those at Creswick by municipal authorities, but considered the role of municipal engineering departments in water and sewerage should be confined to operations and maintenance.

In addition a letter dated 12 November 1981 from the Shire of Creswick advised that it favoured retention of the status-quo whereby the water and sewerage authorities are administered as independent bodies.

**The Committee's recommendation is that the Shire of Creswick should cease to be constituted as a Local Governing Body under the Water Act, that the Creswick Sewerage Authority cease to exist, and that the successor body be the Shire of Creswick, responsible for all urban water and sewerage services required in the Shire. (Recommendation 39).**

### Dandenong Sewerage Authority

The Dandenong Sewerage Authority was constituted on 29 May 1935 following a poll of ratepayers held earlier that year. There are ten Members of the Authority, six being elected by the City of Dandenong, two by the City of Berwick, one by the Shire of Cranbourne and one Government Nominee.

The Authority serves a population of 82,000. The average rate per house is \$35 at a rate of 2.55 cents in the dollar N.A.V. The ratable income is \$1.275M. If the Melbourne and Metropolitan Board of Works rate of 8.3 cents in the dollar N.A.V. were applied the revenue would be \$4.15M.

The Dandenong sewerage district extends to parts of the City of Berwick and Shire of Cranbourne.

Engineers to the Authority are Garlick and Stewart who also act for the Springvale and Noble Park Sewerage Authority.

Interest subsidy was phased out for both the Springvale and Noble Park, and the Dandenong Sewerage Authority between 1974 and 1976. It was felt due to favourable operating costs that no undue burden would be placed on the Authorities by the withdrawal of the interest subsidy. All loans now raised by the Authorities are at full interest.

The Authority has its own premises in Dandenong where the 32 employees are located.

The treatment works are located on a 202 ha site in Greens Road where there is an average daily dry weather flow through the works of 8.5M gallons of domestic and trade waste. Wastes from the Springvale and Noble Park Sewerage Authority are also treated at this plant under an agreement between the Authorities. Treated waste is then discharged under E.P.A. licence to the Dandenong Creek.

The Authority has given evidence to the Dandenong Public Hearing held on 30 October 1980 and on a number of subsequent occasions.

The Dandenong Sewerage Authority noted in its submission "any decision to amalgamate with the Melbourne and Metropolitan Board of Works would result in a hostile public reaction and its ratepayers would be disadvantaged".

Hon. Dr. Kevin J. Foley, M.L.C. visited the Authority for talks on 29 July 1981. Further informal discussions have been held with the Authority since the tabling of the Committee's Fourth Report.

The Committee has been constrained in its consideration of the future of the Dandenong Sewerage Authority and the Springvale and Noble Park Sewerage Authority by the fact that the Melbourne and Metropolitan Board of Works is outside the reference currently before it. The Committee therefore makes the following qualified recommendation, which may need re-consideration should the Melbourne and Metropolitan Board of Works subsequently be referred to the Committee for review.

**The Committee recommends that the Dandenong Sewerage Authority cease to exist, and that the successor body for the time being be the Dandenong Springvale Water Board. (Recommendation 40).**

#### Daylesford Waterworks Trust

#### Daylesford Sewerage Authority

Daylesford Waterworks Trust was created by Order of the Governor in Council on 17 December 1888. It comprises six Commissioners directly elected by the ratepayers, and one person appointed by the Minister of Water Supply.

The Trust was initially administered by Borough staff until 1966 when the Borough of Daylesford amalgamated with the Shire of Glenlyon. As a result of Shire Council action in 1970 it was agreed that administration of the waterworks should be separated and this became fully effective in January 1972.

The Daylesford Sewerage Authority, which was formed on 27 July 1977, consists of the Waterworks Trust Commissioners.

Daylesford obtains its water from Bullarto and Wombat Reservoirs, from where it is piped to separate service reservoirs serving the high and low level portions of Daylesford and Hepburn. 4,200 people are served by the Trust, at a rate of 3.5 cents in the dollar N.A.V.

Construction of the sewerage works commenced on 31 March 1981, after the then Minister of Water Supply, Hon. F. J. Granter, M.L.C., turned the first sod. The Committee was represented on this occasion by Mrs. J. H. Chambers, M.P.

Daylesford Waterworks Trust and Daylesford Sewerage Authority have been administered separately from municipal government since 1 January 1972. The Trust and Authority share a common Secretary and share Commissioners, staff facilities and consulting engineers.

The Trust and the Authority, in an initial submission dated 21 August 1980, strongly argued for the maintenance of a water and sewerage body separate from municipal government. Further evidence on this was taken by the Committee at a Public Hearing held in Ballarat on 19 September 1980, where the Daylesford bodies were represented by their Chairman and Secretary.

Following the publication of the Committee's Second Report, a further detailed submission was received from the Daylesford Waterworks Trust. This submission argued, inter alia, that:-

"the Water industry is more than big enough to stand on its own and should not play the last fiddle in some other band."

The Shire of Daylesford and Glenlyon, in a brief note dated 17 March 1981, stated that it considered "water authorities should be conducted within the Municipal Offices". The Council submitted no evidence in support of this view.

Discussions took place with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Ballarat on 2 July 1981.

On 2 November 1981 the Trust advised their support for the Committee's draft proposal that a Daylesford Water Board be established and argued further against the function being transferred to the municipality.

The Shire of Daylesford and Glenlyon put the view in its submission of 10 November 1981 that municipalisation of the function would be in the best interests of the people.

**The Committee's recommendation is that the Daylesford Waterworks Trust and the Daylesford Sewerage Authority should cease to exist, and that the successor body should be the Daylesford Water Board, with responsibilities for the provision of water and sewerage services throughout the Shire of Daylesford. (Recommendation 41).**

#### Shire of Deakin Waterworks Trust

#### Tongala Sewerage Authority

Shire of Deakin Waterworks Trust was constituted on 30 March 1914 by Order of the Governor in Council, and consists of the Councillors of the Shire of Deakin, plus one person appointed by the Minister of Water Supply.

The Tongala Sewerage Authority, which consists of the Councillors for the time being of the Shire of Deakin, came into being by Order of the Governor in Council on 30 November 1971.

None of the Councillors of the Shire of Deakin is a ratepayer of the Trust or Authority.

The Shire of Deakin Waterworks Trust has two urban districts, Tongala and Girgarre. Both are supplied with water which is obtained from irrigation channels and treated.

The population served is 1,100 and 350 people, respectively, and rates of 5.25 cents and 17.5 cents in the dollar are levied.

The Trust and the Authority have always been operated as an integral part of the Shire of Deakin.

The Shire of Deakin Waterworks Trust made a written submission to the Committee on 25 September 1980, and evidence was taken by the Committee at a Public Hearing held in Melbourne on 4 March 1981, when the Trust and Authority were represented by their Chairman, Secretary and Resident Engineer.

**The Committee recommends that the Shire of Deakin Waterworks Trust and the Tongala Sewerage Authority cease to exist, and that the successor body be the Deakin Water Board, responsible for the provision of water and sewerage services throughout the Shire of Deakin and integrated as closely as possible with the Shire in respect of administrative and engineering services. (Recommendation 42).**

Devenish Waterworks Trust

Glenrowan Waterworks Trust

Goorambat Waterworks Trust

Devenish Waterworks Trust was created by Order of the Governor in Council on 17 June 1924. It consists of the three Councillors for the Devenish Riding of the Shire of Benalla plus three persons appointed by the Minister of Water Supply.

The Trust obtains water from a branch of the Broken Creek, from where it is pumped to a water tower. The Trust supplies a population of 130 people at a rate of 4 cents in the dollar N.A.V. The Committee employs the Secretary and Engineer of the Shire of Benalla on a part-time basis. Devenish Waterworks Trust provided a submission to the Committee on 7 August 1980, advocating the continuance of its present structure and administrative arrangements. The Trust's representatives appeared before the Committee at the Discussion held at Shepparton on 29 August 1980.

Glenrowan Waterworks Trust was created by Order of the Governor in Council on 18 October 1911. The Trust consists of the three Councillors for the Mokoan Riding of the Shire of Benalla plus three persons appointed by the Minister of Water Supply.

The Trust obtains water from a local catchment and from Fifteen Mile Creek.

The Trust serves a population of 280, at a rate of 9 cents in the dollar N.A.V. The Trust employs the Shire Secretary and Shire Engineer of the Shire of Benalla on a part-time basis as its Secretary and resident engineer.

The Trust made a submission to the Committee in August 1980, and was represented at the Discussion held by the Committee at Shepparton on 29 August 1980. In response to the Committee's Second Report, the Trust strongly supported the continuation of existing arrangements, stressing the importance of the role of voluntary Commissioners. This was reaffirmed in correspondence dated 26 October 1981.

Goorambat Waterworks Trust was created by Order of the Governor in Council on 31 July 1962, and consists of the three Councillors of the Devenish Riding of the Shire of Benalla plus three persons appointed by the Minister of Water Supply. The Trust obtains water by pumping from Broken Creek, and supplies a population of 90 at a rate of 9.5 cents in the dollar N.A.V.

The Trust employs a part-time Secretary who resides in Goorambat, and like the Glenrowan Waterworks Trust, employs the Shire Engineer of the Shire of Benalla as a part-time Resident Engineer.

The Trust made a submission to the Committee on 12 August 1980, and was represented at the Discussion held by the Committee in Shepparton on 29 August 1980. It also responded to the Committee's Second Report, indicating a strong preference for the continuation of existing arrangements.

The Shire of Benalla, in letters to the Committee dated 18 March 1981 and 26 October 1981, advised that it also favoured the status quo.

**The Committee's recommendation is that the Devenish, Glenrowan and Goorambat Waterworks Trusts cease to exist, and that the successor bodies**

be the Devenish, Glenrowan and Goorambat Water Boards.  
(Recommendation 43).

Dimboola Sewerage Authority

Jeparit Sewerage Authority

Rainbow Sewerage Authority

Dimboola Sewerage Authority was constituted in December 1938 and consists of the three Councillors for the South Riding of the Shire of Dimboola and three Government Nominees.

Jeparit Sewerage Authority was constituted on 19 July 1949, and consists of the three Councillors for the Centre Riding of the Shire of Dimboola plus three Government Nominees. It commenced construction of sewers in 1969. The Shire Secretary of the Shire of Dimboola, which is based at Jeparit, is the Secretary and Treasurer of the Authority. The Authority serves some 500 persons.

Rainbow Sewerage Authority was constituted on 22 July 1969 and consists of six members, the three Councillors for the North Riding of the Shire of Dimboola plus three Government Nominees. The Authority serves some 674 persons.

All three Authorities in the Shire of Dimboola share the same consulting engineers, but Rainbow and Dimboola Sewerage Authorities are administered separately from the Shire.

The Shire of Dimboola is one of a small number of Shires which have water supply undertakings under Sections 689/692 of the Local Government Act. The Committee obtained information from the Shire of Dimboola, and ascertained that the Council supplies nine consumers at Tarranyurk, at a charge of \$30 per year, in this way, and is establishing a further such supply for twelve consumers at Kiata. The Committee commends these efforts.

The Shire of Dimboola advised the Committee on 8 May 1981 that it favoured the continuation of existing administrative arrangements.



None of these Authorities appeared at the Public Hearing held by the Committee in Horsham on 1 August 1980. However the Dimboola, Rainbow and Jeparit Sewerage Authorities met Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Horsham on 28 July 1981 to discuss their future.

The Jeparit Sewerage Authority advised the Committee on 10 March 1981 that it wished to continue as a separate entity, but for the Council to carry out its administrative arrangements. The Authority, by letter dated 13 November 1981, has reversed this earlier advice and states that it "is completely satisfied with its existing administrative management". The Dimboola Sewerage Authority, in its letter of 13 August 1981, stressed the divergence of interest between Dimboola and Jeparit, 40 km distant, where the Shire's operations are based.

All three Authorities and the Shire responded quite forcefully to the Committee's Fourth Report. The Rainbow Sewerage Authority advised on 12 November 1981 that subject to special financial consideration being given to the state of the State Rivers and Water Supply Commission's assets they would not object to taking over the water supply function. The Shire of Dimboola in its letter of 13 November 1981 on behalf of all Authorities advised, inter alia, that the three Authorities should be left in their present form and further suggested that the Shire of Dimboola, because of the distances involved and the poor state of the assets does not wish to place additional strain on the Council by taking over the water supply function from the State Rivers and Water Supply Commission.

**The Committee's recommendation is that the Jeparit Sewerage Authority, the Dimboola Sewerage Authority and the Rainbow Sewerage Authority cease to exist, and that the successor bodies be the Jeparit Water Board, the Dimboola Water Board and the Rainbow Water Board responsible for urban water supply and sewerage services in their respective communities. (Recommendation 44).**

Donald Waterworks Trust

Donald Sewerage Authority

Donald Waterworks Trust was brought into existence on 5 March 1895, and consists of six Commissioners directly elected by the ratepayers. The Trust obtains water from

State Rivers and Water Supply Commission channels from Lake Batyo Catyo. A population of 1,750 people is served at a rate of 6 cents in the dollar N.A.V.

Donald Sewerage Authority was constituted on 16 November 1949 and consists of the Commissioners of the Donald Waterworks Trust.

The Shire and the Trust in their letters of 12 November 1981 favour the amalgamation of the Trust and Sewerage Authority to form an independent Water Board.

Although none of the Commissioners is currently a Shire Councillor, these bodies receive substantial administrative support from the Shire of Donald, including assistance with the preparation of electoral rolls, common rate notices, and the use of the Shire Offices. The Secretary and Resident Engineer of the Donald Waterworks Trust and Donald Sewerage Authority are the Shire Secretary and Shire Engineer of the Shire of Donald.

Discussions took place with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Horsham on 28 July 1981.

The other town in the Shire of Donald, Watchem, is provided with water by the State Rivers and Water Supply Commission, but has a "septic tank self-help scheme" initiated by the Shire of Donald. Water supply to the Watchem Urban District is continued at the direction of the Governor in Council. The Committee notes and commends the initiative of the Shire of Donald in instigating the septic tank scheme at Watchem.

**The Committee recommends that the Donald Waterworks Trust and Donald Sewerage Authority should cease to exist, the successor body being the Shire of Donald. The Committee further recommends that the Shire of Donald assume responsibility from the State Rivers and Water Supply Commission for the provision of water to Watchem. (Recommendation 45).**

#### Dookie Waterworks Trust

Dookie Waterworks Trust was constituted on 17 September 1974 and consists of the three Councillors for the Dookie Riding of the Shire of Shepparton plus two persons

appointed by the Minister of Water Supply. The Trust obtains water from the State Rivers and Water Supply Commission's East Goulburn Channel, and supplies a population of 220 people at a rate of 17.5 cents in the dollar N.A.V.

The Trust operates under the administration of the Shire of Shepparton, and the Trust Secretary is the Shire Secretary. The Trust was represented at the Discussion held by the Committee in Shepparton on 29 August 1980.

The Trust Secretary, Mr. J. W. Reed, advised the Committee by letter dated 6 November 1981 that provided there is adequate representation, the Trust would favour amalgamation with the Shepparton Water Board rather than the Shire of Shepparton.

The Shire of Shepparton also operates, under its Local Government Act powers, a small stock and domestic water supply system formerly operated by the Shire of Shepparton Waterworks Trust, which was abolished on 1 January 1978. In addition, there is a financially viable State Rivers and Water Supply Commission Urban District at Tallygaroopna, within the Shire. The Shire of Shepparton, in a submission to the Committee dated 14 April 1981, has advised that, with regard to Dookie, "it does not greatly matter whether a Trust administers the scheme under the umbrella of a municipal authority, or whether the Council ... operates the service as a local government item".

The Shire advised on 28 October 1981 that it would favour the proposed Shepparton Water Board being responsible for water supply to Dookie and Tallygaroopna rather than the responsibility being assumed by the Shire. In a submission dated 10 November 1981 the Shepparton Urban Waterworks Trust supported this proposal.

**The Committee's recommendation is that Dookie Waterworks Trust cease to exist, and that the successor body be the Shepparton Water Board responsible for urban water supply in Dookie and Tallygaroopna. (Recommendation 46).**

#### Dromana-Rosebud Sewerage Authority

See: Shire of Cranbourne Sewerage Authority

Drouin Waterworks TrustDrouin Sewerage AuthorityNeerim South Waterworks TrustNoojee Waterworks TrustWarragul Waterworks TrustWarragul Sewerage Authority

Drouin Waterworks Trust was created by Order of the Governor in Council on 23 September 1935 and consists of six Commissioners elected by the ratepayers. The Trust obtains water from the Labertouche Creek, augmented by supplementary supplies from Warragul and from the Tarago Race of the State Rivers and Water Supply Commission. The Trust supplies a population of 3,300 people at a rate of 1 cent in the dollar N.A.V.

Drouin Sewerage Authority was constituted in 1965 and consists of the Commissioners of the Drouin Waterworks Trust. Treatment is effected by aerobic ponds.

The Drouin Waterworks Trust and Sewerage Authority are administered as an integrated water industry body separate from the municipal administration of the Shire of Buln Buln, whose headquarters are also in Drouin.

The Drouin Waterworks Trust and Drouin Sewerage Authority made an initial submission and supplementary statement to the Committee on 20 August 1980, and were represented at the Public Hearing held by the Committee at Traralgon on 5 September 1980.

Neerim South Waterworks Trust was created by Order in Council on 26 March 1957. It consists of the three Councillors for the North Riding of the Shire of Buln Buln and three persons appointed by the Minister of Water Supply. The Trust pumps water from the State Rivers and Water Supply Commission's Tarago Reservoir, and supplies a population of 540 people at a rate of 3 cents in the dollar N.A.V.

Noojee Waterworks Trust was created by Order of the Governor in Council on 5 August 1947. It also consists of the three Councillors of the North Riding of the Shire of Buln Buln, but in this case they are assisted by a different group of three persons appointed by the Minister of Water Supply.

The Neerim South and Noojee Waterworks Trusts are administered from the Shire of Buln Buln, and their Secretary is the Shire Secretary. Both Trusts were represented at the Public Hearing held by the Committee at Traralgon on 5 September 1980, and both made responses in June 1981 to the Committee's Second Report advocating no change in structure. Both were represented at talks with Mr. R. A. Jolly, M.P. in Drouin on 31 July 1981.

The Neerim South Waterworks Trust and the Noojee Waterworks Trust in separate letters dated 26 October 1981 advised they were against amalgamation into a Tarago Water Board covering the Shires of Buln Buln and Warragul and felt that if change was necessary the only acceptable alternative would be amalgamation with the Shire of Buln Buln.

Longwarry, the other main township in the Shire of Buln Buln, is an urban water supply district of the State Rivers and Water Supply Commission.

The Shire of Buln Buln applied in 1978 for the constitution of a Shire of Buln Buln Sewerage Authority to serve the towns of Longwarry, Neerim South and Noojee. The Shire of Buln Buln, in a submission to the Committee dated 8 May 1981 advised that:-

"The Council is firmly of the view that all water and sewerage administration in the Shire (including that of the State Rivers and Water Supply Commission for the Longwarry Township) should be amalgamated with that of the Shire."

Warragul Waterworks Trust was created by Order of the Governor in Council on 4 August 1908. The Trust consists of six Commissioners elected by the ratepayers and one appointed by the Minister of Water Supply. The Trust serves a population of 8,000 in Warragul, Darnum, Nilma and Rokeby, which are its urban districts, at rates of 2.5, 5.5, 5.0 and 11.0 cents in the dollar N.A.V. respectively. The town of Buln Buln has also been proclaimed as an urban district of the Trust. Water is obtained from the Tarago River via a 24 km pipeline. The Trust also provides supplementary water to the Drouin Waterworks Trust.

Warragul Sewerage Authority was constituted on 1 July 1935 and consists of the Commissioners of the Warragul Waterworks Trust. The Authority's treatment plant includes sedimentation tanks, trickling filters and lagoons; treated effluent being discharged to the Hazel Creek.

Both bodies are jointly administered separately from municipal administration. Both made an initial submission to the Committee on 5 September 1980, and were represented at the Public Hearing held at Traralgon on 5 September 1980. Their submission argued that water supply should not be centrally organised, like gas and electricity supply, because it is not "distributed over a large network from its independent source". At the Public Hearing, discussion took place concerning the relative economics of local versus regional sewerage schemes, a matter on which the Committee subsequently sought and obtained a special submission from the La Trobe Valley Water and Sewerage Board. Both the Trust and Authority advised the Committee on 6 July 1981 that they did not wish to make any further response in the light of the Committee's Second Report.

In a letter dated 9 November 1981 the Trust and Authority advised they were opposed to amalgamation with Drouin, Noojee and Neerim South and felt that the best interests of consumers in the Warragul district would be served by an amalgamation of the Trust and Authority into one body separate from the Shire.

The Drouin Waterworks Trust and Drouin Sewerage Authority in a joint submission to the Committee in July 1981, suggested the amalgamation of the Drouin and Warragul Trusts and Authorities, possibly extending to Neerim South, Noojee, Longwarry, Bunyip, Garfield, Tynong, Nar Nar Goon and Pakenham. The Drouin bodies argued that such a combined administration would have a total revenue in 1981 of \$750,000, capable of supporting a viable organisation. There is already a physical connection between the two water systems; Warragul obtains its water from within the Drouin-based Shire of Buln Buln, and the towns of Warragul and Drouin are close geographically. The Committee commends the Drouin bodies for this constructive suggestion but notes the strong opposition to it from all other bodies involved.

In a joint submission dated 12 November 1981 the Shires of Buln Buln and Warragul put forward strong arguments in support of water and sewerage coming under the direct administration of the Shires. This useful submission is reproduced in an Appendix to this Report.

**The Committee recommends that the Drouin Waterworks Trust, the Drouin Sewerage Authority, the Neerim South Waterworks Trust and the Noojee Waterworks Trust cease to exist, and that the successor body be the Shire of Buln Buln. The Committee also recommends that the Warragul Waterworks**

Trust and the Warragul Sewerage Authority should cease to exist, and that the successor body be the Shire of Warragul. The Committee further recommends that the Shire of Buln Buln assume responsibility, from the State Rivers and Water Supply Commission, for the supply of water to Longwarry and that the Shire of Buln Buln and the Shire of Warragul operate within a regional framework laid down by the La Trobe Regional Water Board. (Recommendation 47).

#### Dumbalk Waterworks Trust

See: Leongatha Waterworks Trust

#### Shire of Dundas Waterworks Trust

The Shire of Dundas Waterworks Trust was created on 20 August 1968 by Order of the Governor in Council. It consists of the Councillors of the Shire of Dundas, and one person appointed by the Minister of Water Supply. The Trust purchases all its water from Hamilton Waterworks Trust, and supplies a population of 450 in the towns of Cavendish and Tarrington and nearby rural areas at a rate of 10 cents in the dollar N.A.V.

The Trust made a submission to the Committee on 28 July 1980, and was represented at the Public Hearing held by the Committee in Portland on 8 August 1980.

The Trust provided the Committee on 23 July 1981 with a second submission in response to the Committee's Second Report. In that document, which the Committee commends as a particularly thoughtful response, the Trust argued that "the future well being of the consumers ... best identifies within the framework of a rural Council which is capable of ... appreciating township aspirations and priorities". In its third submission dated 10 November 1981 the Trust advised that, subject to clarification of implementation aspects, it supports the proposal that the Shire be directly responsible for water supply.

Discussions took place with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Horsham on 26 July 1981.

Yatchaw Drainage Trust, whose origins date back to 1888, is responsible for the drainage of Buckley's Swamp, an area of about 39 square kilometres, south-east of Hamilton, in the Shire of Dundas. The Trust consists of four elected Commissioners and one Government Nominee.

The Yatchaw Drainage Trust made a submission to the Committee on 22 July 1980, and its Chairman, Secretary and consulting engineer appeared at the Public Hearing held by the Committee in Portland on 8 August 1980. Subsequently the Trust forwarded to the Committee testimonials from the Director of the Hamilton Pastoral Research Institute, the Shire of Dundas and the Shire of Mount Rouse. The Committee will be making recommendations on the future of the Yatchaw Drainage Trust in a subsequent Report.

**The Committee's recommendation is that the Shire of Dundas Waterworks Trust cease to exist, and that the successor body be the Shire of Dundas. (Recommendation 48).**

#### Echuca Waterworks Trust

#### Echuca Sewerage Authority

Echuca Waterworks Trust was created by Order of the Governor in Council on 10 July 1882, and consists of nine Councillors of the City of Echuca plus one person appointed by the Minister of Water Supply. The Trust pumps water from the Murray; it is then treated prior to underground storage. A population of 8,000 is served at a rate of 4.7 cents in the dollar N.A.V.

Echuca Sewerage Authority was constituted on 18 October 1927 and consists of eight Councillors of the City of Echuca plus one Government Nominee. Sewerage is treated in lagoons west of the Campaspe River, and effluent is discharged to pastures and the River.

The Trust and the Authority provided the Committee with submissions on 19 and 21 August 1980, and both bodies elected not to appear at the Committee's Public Hearing. Both bodies advised that their:-



"activities ... could be satisfactorily performed by the City of Echuca, given the necessary legislative authorisation."

The City of Echuca advised the Committee on 5 June 1981 that it was in accord with the views of the Trust and Authority. On 11 November 1981 it reinforced these views.

**The Committee recommends that the Echuca Waterworks Trust and the Echuca Sewerage Authority cease to exist, and that at least until alternative funding arrangements are made, the successor body be the Echuca Water Board, closely integrated with the City of Echuca. The Committee encourages the Echuca City Council to work towards a goal of full unification of water management with the municipality. (Recommendation 49).**

#### Shire of Kowree Waterworks Trust

#### Edenhope Sewerage Authority

Shire of Kowree Waterworks Trust was constituted in 1947, and is responsible for water supply to Edenhope, Goroke, Apsley and Harrow. The Trust consists of the Councillors of the Shire of Kowree plus one person appointed by the Minister of Water Supply. Populations of 950, 350, 200 and 180 are served at rates of 3, 7, 7 and 11 cents in the dollar N.A.V. respectively.

The Committee in its Fourth Report proposed that the Trust and the Edenhope Sewerage Authority should be replaced by a Kowree Water Board.

In a letter dated 13 November 1981 the Trust stated "the reason why this Trust objects most strongly is that the present representatives on this Trust have had experience on the Trust over a period of many years. Under the proposed recommendation there would be an election of members which would preclude these experienced members from holding positions on the Trust".

The Committee views these comments with concern. A prime reason for recommending Water Boards is to ensure democratic representation.

Edenhope Sewerage Authority was constituted in 1972 and consists of the Councillors of the Central Riding of the Shire of Kowree, plus three Government Nominees.

The Trust, but not the Authority, was represented at the Public Hearing held by the Committee at Horsham on 1 August 1980. Both bodies wrote to the Committee separately on 5 December 1980 advising that they did not wish to be amalgamated with each other, on the grounds that three quarters of the Councillors would have no interest in sewerage since they do not come from Edenhope, the only sewered town in the Shire.

The Authority in its letter of 11 November 1981 objected to the proposed Kowree Water Board as "it will bring about an imbalance of representation".

The Shire of Kowree, in a submission to the Committee dated 10 April 1981, argued strongly in favour of the absorption of the water and sewerage functions into the Shire. The Shire advised that considerable savings could be achieved in the Shire of Kowree if the three bodies were merged, and such an arrangement would "simplify things for the Public".

In its letter of 13 November 1981 the Shire reversed their earlier view and supported the proposals put forward by the Trust and Authority.

The Committee considers it inappropriate for Commissioners of Trusts not to be residents of the area served no matter how noble the motives of the Commissioners concerned are. In recognising that there may be some loss of expertise in the short term, not all expertise will be lost and this is preferable to allowing a non-democratic situation to continue.

The Trust and Authority were represented at Discussions with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Horsham on 28 July 1981.

**The Committee's recommendation is that the Shire of Kowree Waterworks Trust and the Edenhope Sewerage Authority cease to exist, and that the successor body be the Kowree Water Board responsible for all necessary water and sewerage services in the Shire. (Recommendation 50).**

Elmore Waterworks Trust

Goornong Waterworks Trust

Elmore Waterworks Trust was constituted by Order of the Governor in Council on 2 March 1891, and consists of seven Commissioners directly elected by the ratepayers. Water is obtained from bores, and a population of 301 is served at a rate of 10 cents in the dollar N.A.V. The Trust was not represented at the Public Hearing held by the Committee in Bendigo on 12 September 1980.

Goornong Waterworks Trust was constituted on 2 August 1961 by Order of the Governor in Council, and consists of the Councillors for the South Riding of the Shire of Huntly and three persons appointed by the Minister of Water Supply. The Trust obtains water from the Campaspe River and serves a population of 200 people at a rate of 7 cents in the dollar N.A.V. The Trust made a submission to the Committee on 31 August 1980, and was represented at the Bendigo Public Hearing on 12 September 1980, by its Chairman and two Commissioners.

Both these small Trusts are run independently from the Shire of Huntly.

The Shire of Huntly, which is based in Huntly, on the edge of Bendigo, advised the Committee on 1 April 1981 that it considered there would be no advantage in amalgamating those Trusts with the Shire at the present time.

The Committee notes the divergence of interest between the concerns of Elmore and Goornong and those of the Bendigo area, and notes also the attitudes of the three bodies concerned.

**The Committee therefore recommends that the Elmore Waterworks Trust and the Goornong Waterworks Trust cease to exist, and that the successor bodies be the Elmore Water Board and the Goornong Water Board. (Recommendation 51).**

Euroa Waterworks TrustEuroa Sewerage Authority

Euroa Waterworks Trust was created by Order of the Governor in Council on 3 December 1888. It consists of six Commissioners directly elected by the ratepayers and one person appointed by the Minister of Water Supply. The Trust obtains water from Seven Creeks and Mountain Hut Creek, and supplies a population of 3,000 people at a rate of 6 cents in the dollar N.A.V.

Euroa Sewerage Authority was constituted on 8 February 1939 and consists of the Commissioners of the Waterworks Trust. The treatment works are located south-west of the town, and effluent is disposed of by irrigation.

The Trust and Authority are administered jointly, and independently from the Shire in a "modern air conditioned office", by a full-time Secretary, and several other full and part-time staff. The submission argued for the maintenance of this separate administration. The two bodies were represented at the Discussion held by the Committee at Shepparton on 29 August 1980.

The Shire of Euroa, in a submission to the Committee dated 27 July 1981, indicated a number of advantages of absorbing the water and sewerage functions into the Shire's administration, but did not recommend it, and acknowledged that, "the Euroa Waterworks Trust and Euroa Sewerage Authority have efficiently provided water and sewerage within the township of Euroa since their inception ... "

**The Committee's recommendation is that the Euroa Waterworks Trust and Euroa Sewerage Authority cease to exist, and that the successor body be the Euroa Water Board, responsible for all necessary urban water and sewerage services within the Shire of Euroa. (Recommendation 52).**

Foster Waterworks Trust

Foster Sewerage Authority

Toora Waterworks Trust

Toora Sewerage Authority

Fish Creek Waterworks Trust

Foster Waterworks Trust was created by Order of the Governor in Council on 18 April 1939. It consists of three representatives of the Centre Riding of the Shire of South Gippsland and three persons appointed by the Minister of Water Supply. The Trust obtains water from a reservoir on Deep Creek, and has plans for the construction of a treatment plant. A population of 1,000 people is served at a rate of 2.6 cents in the dollar N.A.V.

In a letter dated 4 November 1981 the Trust, while expressing concern as to location and administrative structure, advised it agrees to the creation of a South Gippsland Water Board.

Foster Sewerage Authority was constituted on 29 November 1966, and consists of the Commissioners of Foster Waterworks Trust. The sewer system operates by gravity to an aerobic lagoon, and effluent passes through Stockyard Creek to Corner Inlet.

Foster Waterworks Trust and Foster Sewerage Authority are closely integrated with the Shire of South Gippsland, and the Secretary of the Trust and the Authority is the Deputy Shire Secretary.

Foster Waterworks Trust and Sewerage Authority did not appear at the Public Hearing held by the Committee in Traralgon on 5 September 1980, but in a submission dated 24 April 1981 the Trust advised that it favoured the continuation of existing arrangements.

Toora Waterworks Trust was created by Order of the Governor in Council on 22 January 1924, and further districts were constituted at Welshpool in 1957, and at Toora (Rural) in 1979. The Trust now supplies Toora, Welshpool, Port Welshpool, Agnes, Port Franklin and the Esso Marine Terminal as well as a number of rural properties. The Trust consists of the three Councillors for the East Riding of the Shire of South Gippsland, plus three persons appointed by the Minister of Water Supply. The

Trust charges rates of 4.75 cents and 6 cents N.A.V. respectively in Toora (Urban District) and Welshpool, and \$1.90 per hectare in Toora (Rural District). The populations served are 800, 500 and 800 respectively.

Toora Sewerage Authority was constituted on 6 May 1964 and consists of the Commissioners of the Toora Waterworks Trust. Treatment is by Imhoff Tanks and a lagoon; effluent is discharged by a pressure main to the ocean.

Toora Waterworks Trust and Sewerage Authority have been administered separately from the Shire since 1969, when new offices were built. A full-time Secretary is employed.

The Trust and Authority presented a joint submission to the Committee on 27 August 1980, and were represented at the Public Hearing held by the Committee in Traralgon on 5 September 1980. In this submission, the Trust argued that:-

"it would be possible for this Trust to become the focal point of other Trusts in the area - namely Foster, Fish Creek, and perhaps Alberton, if the opportunity were to present itself."

Mr. R. A. Jolly, M.P. had talks with the Trust and Authority in Traralgon on 24 July 1981.

Both bodies advised on 11 November 1981 that they accept the proposal to create a South Gippsland Water Board.

Fish Creek Waterworks Trust was created by Order of the Governor in Council on 14 January 1958 and consists of the Councillors for the West Riding of the Shire of South Gippsland plus three persons appointed by the Minister of Water Supply. The Trust obtains water from a reservoir on Battery Creek, and supplies a population of 840 at a rate of 5 cents in the dollar N.A.V. The Trust is administered separately from the Shire of South Gippsland.

The Shire of South Gippsland advised the Committee on 19 March 1981 that it favoured the continuation of existing arrangements. In its letter of 13 November 1981 the Shire advised that while it agreed with the Committee's proposal it felt the creation of a separate Water Board unnecessary.

The Committee recommends that the Foster Waterworks Trust, the Foster Sewerage Authority, the Fish Creek Waterworks Trust, the Toora Waterworks Trust and the Toora Sewerage Authority cease to exist, and that the successor body be the South Gippsland Water Board, responsible for any necessary water and sewerage provision in the Shire of South Gippsland. (Recommendation 53).

Forrest Waterworks Trust

Gellibrand Waterworks Trust

Forrest Waterworks Trust was created by Order of the Governor in Council on 7 November 1962 and consists of six persons elected by the ratepayers and one person appointed by the Minister of Water Supply. The Trust obtains its water from the Geelong Waterworks and Sewerage Trust's West Barwon Dam, 1.4 km from Forrest, and supplies a population of 380 at a rate of 15 cents in the dollar N.A.V. However the Trust is administered by the Colac Waterworks Trust as Forrest is only 20 km distant from Colac. Forrest Waterworks Trust made a submission to the Committee on 19 September 1980, and was represented at the Public Hearing held by the Committee at Geelong on 26 September 1980.

Gellibrand Waterworks Trust was created by Order of the Governor in Council on 1 July 1969, and consists of six Commissioners elected by the ratepayers and one person appointed by the Minister of Water Supply. The Trust obtains water from Lardner's Creek, and supplies a population of 250 at a rate of 17.5 cents in the dollar N.A.V. Like Forrest Waterworks Trust, Gellibrand Waterworks Trust operates some 20 km from Colac and obtains administrative and maintenance services from Colac Waterworks Trust.

In separate submissions, both Trusts advised the Committee that in the event of new structural arrangements for water supply being adopted, they would prefer to see their Trusts succeeded by the Colac Waterworks Trust. The Colac Waterworks Trust advised of its preparedness to assume added responsibilities.

Both Forrest and Gellibrand are located in the Shire of Otway, of which Beech Forest is the administrative centre. Beech Forest does not possess a reticulated water supply.

The Shire of Otway advised the Committee on 20 March 1981 that it was "divided on these matters and declines to make any comments".

Mrs. J. H. Chambers, M.P. met representatives of both bodies during July 1981.

By correspondence dated 30 October 1981 and 5 November 1981 the Chairman of Commissioners of both the Gellibrand and Forrest Waterworks Trusts supported amalgamation with a Colac Water Board.

**The Committee's recommendation is that the Forrest and Gellibrand Waterworks Trusts cease to exist, and that the successor body be the Colac Water Board. (Recommendation 54).**

#### Frankston Sewerage Authority

See: Shire of Cranbourne Sewerage Authority

#### Geelong Waterworks and Sewerage Trust

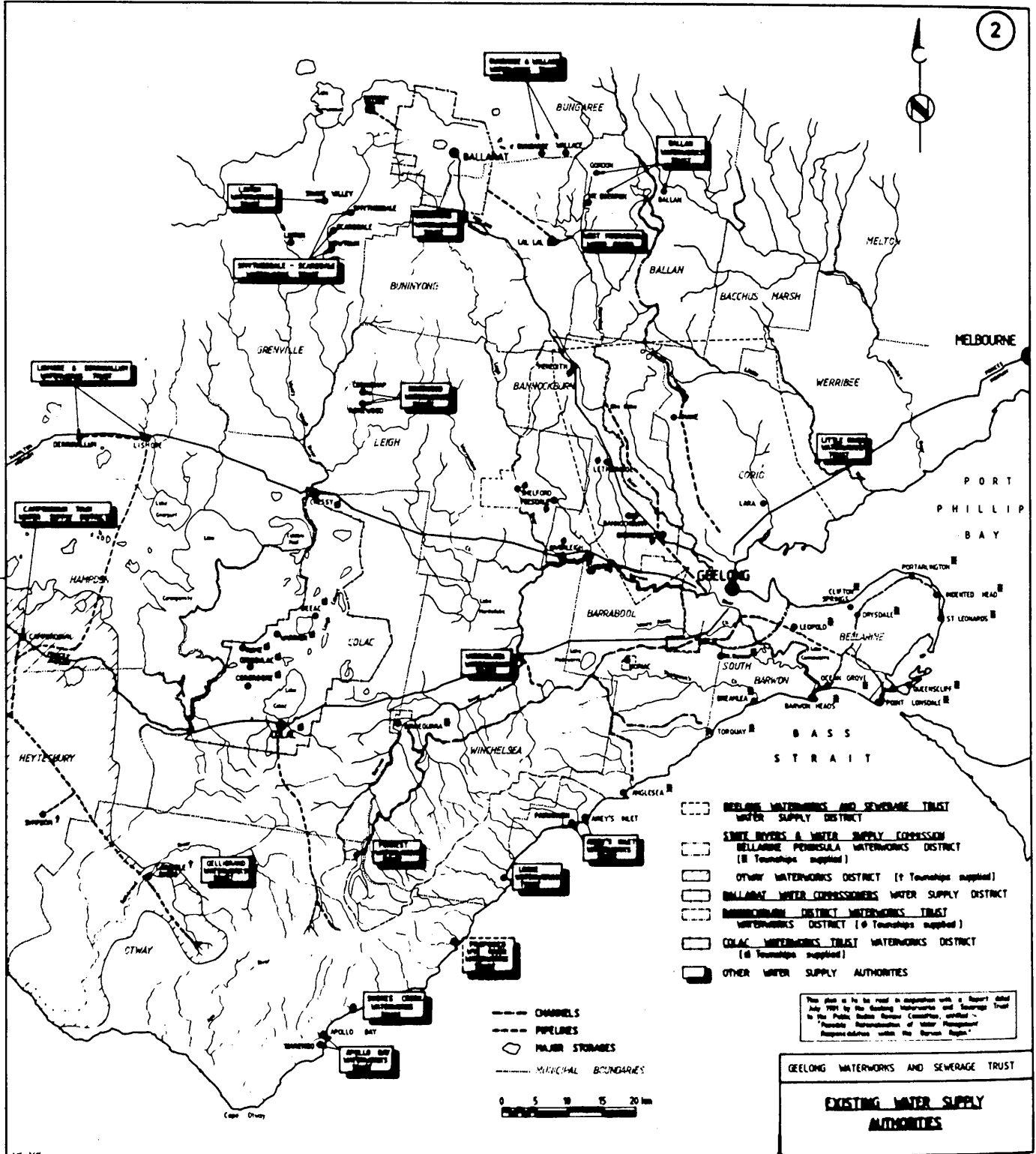
The Geelong Waterworks and Sewerage Trust was constituted by statute in 1910, after 40 years during which an unsatisfactory standard of water supply was provided to Geelong by State Departments. The Geelong Waterworks and Sewerage Trust now serves a population of over 170,000 persons with water and sewerage services, which cover a number of municipalities in the Geelong region. As well, the Trust has river improvement responsibilities covering part of the Barwon River.

The Trust, since 1979, has consisted of seven Commissioners, six of whom represent electoral districts broadly corresponding to the municipalities served. The Trust employs some 299 staff, has its own leased computer facility, its own Registrar of Inscribed Stock, and investments of around twenty million dollars. It is the third largest water industry body in Victoria.

The Trust obtains its water from three main systems: the East Moorabool system (providing one-fifth of the City's requirements), the Barwon System (providing two-thirds of requirements), and the West Moorabool system, where resources are shared



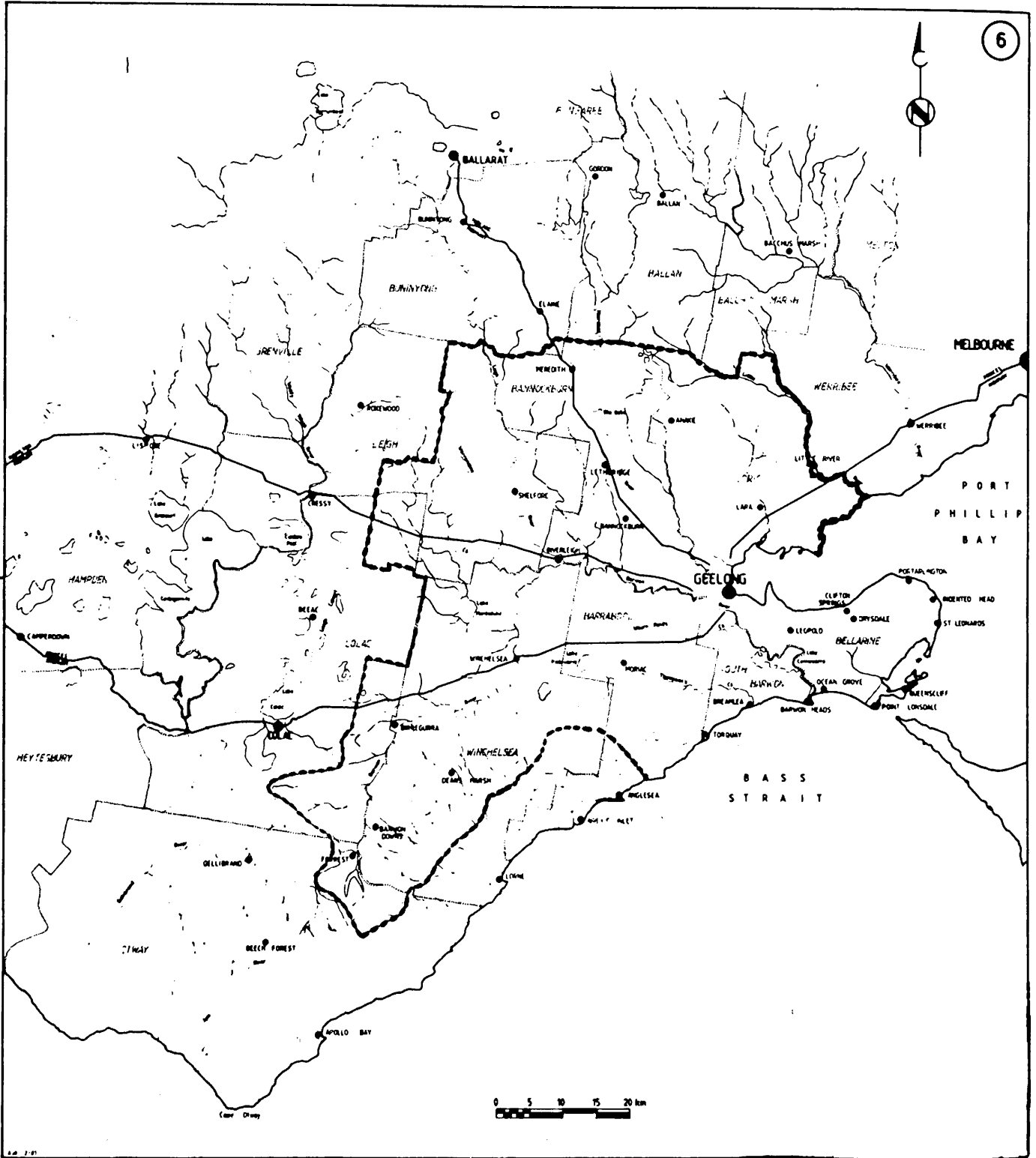
MAP 5.  
GEELOG WATER SUPPLY SYSTEM SHOWING OTHER NEARBY  
WATER AUTHORITIES.





MAP 7.

PROPOSED BOUNDARIES FOR GEELONG REGIONAL WATER BOARD.



with Ballarat. The Trust's sewerage system serves nearly 140,000 people through over 800 kilometres of reticulation sewers. A 21 km main outfall sewer to the ocean at Black Rock is a major feature of the system. This outfall also serves the Queenscliff, Ocean Grove, Barwon Heads and Torquay Sewerage Authorities.

The Trust provided the Committee with an extensive initial submission in September 1980, and was represented at the Public Hearing held by the Committee in Geelong on 26 September 1980. Subsequently, at the Committee's request, the Trust prepared a study for the Committee on "Possible Rationalisation of Water Management Responsibilities in the Barwon Region" (July 1981). The key points of that submission are:-

- \* present water management in the Barwon Region is fragmented and lacks effective co-ordination. Water supply, sewerage, river management and main drainage responsibilities are divided amongst more than 30 local authorities, (while ...) a number of Government departments also carry out certain statutory water management functions;
- \* major new resources will need to be developed, sewerage services extended and far more attention paid to matters of catchment protection and river management, where serious conflicts already exist;
- \* the level of capital funding and financial assistance available to the respective bodies varies considerably, resulting in some inequity in the average annual payments made by ratepayers of adjacent authorities for the receipt of similar services;
- \* the rationalisation and integration of water management functions is essential ... in order to effectively deal with the mounting complexities of such matters in the future and to achieve increased efficiency and economy in the provision of these essential public services;
- \* basically the Trust sees this enhancement of management occurring in the Barwon Region through the establishment of a strong multi-functional Regional Water Management Authority.

The Barwon Region exemplifies the circumstances described by the Committee in its Second Report, where there is substantial urban and industrial growth, conflicts over water and sewerage management issues, and a need for a more coherent management structure to replace the dozens of separate bodies currently involved. The Committee considers that the Geelong Waterworks and Sewerage Trust has provided an evolutionary plan of considerable merit.

Discussions took place with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Geelong on 24 July 1981.

In response to the Committee's Fourth Report the Geelong Waterworks and Sewerage Trust provided further comments and these are reproduced as part of the Appendix to this Report.

The City of Geelong, the Shire of Leigh and the Shire of Winchelsea all advised the Committee on 12 November 1981 that they did not support the proposal for drainage and flood protection being the responsibility of the proposed Geelong Water Board. The Shire of Corio, by telephone on 17 November 1981, made a similar comment.

**The Committee's recommendation is that the Geelong Waterworks and Sewerage Trust cease to exist, and that the successor body be a new body known as the Geelong Regional Water Board, to progressively take up responsibility for water and sewerage services in the whole of the municipalities of Bannockburn, Bellarine, Geelong, Geelong West, Newtown, South Barwon, Queenscliffe, and in that part of the Shires of Leigh, Otway, Colac, Winchelsea, Corio, Buninyong and Barrabool as per Map 7 except for the towns of Forrest and Winchelsea and including the State Rivers and Water Supply Commission's Bellarine Peninsula Urban District, Bellarine Peninsula Waterworks District and Mount Duneed Rural District. (Recommendation 55).**

#### Gembrook, Cockatoo and Emerald Waterworks Trust

The Gembrook, Cockatoo and Emerald Waterworks Trust was constituted on 13 October 1962 by Order of the Governor in Council. The Secretary is Mr. Les Whitehead who was previously the accountant for the Shire of Sherbrooke. The engineers for the Trust are Gutteridge, Haskins and Davey Pty. Ltd.

The Trust consists of eight Commissioners, three appointed by the Shire of Pakenham, three by the Shire of Sherbrooke and two persons appointed by the Minister of Water Supply.

The Trust supplies water to 2,600 properties within the Shires of Pakenham, Sherbrooke, Upper Yarra and Lillydale and the forward plan of the Trust is to supply 4,500 allotments. Water is provided to the towns of Gembrook, Cockatoo, Avonsleigh, Emerald, Menzies Creek and Clematis.

The main catchment area for the Trust is in the Shire of Upper Yarra with a 530 hectare catchment on the McCrae Creek where a portion of the flow is diverted to the Gembrook Reservoir. The Trust's first major storage, the John's Hill Reservoir, has been completed with a capacity of 360 megalitres which has increased the Trust's storage from 17 days to 260 days.

The Trust presented a detailed submission as well as verbal evidence to the Lillydale Hearing on 31 October 1980 and has followed up with further comment this year. The Trust has been most professional with all its submissions.

The Gembrook, Cockatoo and Emerald Waterworks Trust has stated in their submission: "There are however disadvantages in the present system and these relate basically to financial assistance and autonomy, future planning of works timetables and financial restraints common to the state as a whole".

The philosophy of the Trust is:-

1. to provide the best quality/quantity of water at the most economic cost;
2. to provide the highest possible service to the local community;
3. to accept the responsibility of the user pays, and
4. to be responsible to the local community through "Open Government".

The Trust has taken a number of innovative initiatives, one being a questionnaire sent to all ratepayers seeking the level of satisfaction or otherwise with the Trust and its services. One question asked "Do you prefer local Trust or would you prefer to be absorbed into the Melbourne and Metropolitan Board of Works?" The overwhelming response was to keep the local Trust. The main reasons given were that the Melbourne

and Metropolitan Board of Works is inefficient, impersonal, too much bureaucracy and rate increases.

The Secretary has stressed the commitment by the staff and Commissioners to the Trust and their innovative efficient method of operation as well as their close relationship with the communities they serve.

Hon. Dr. Kevin J. Foley, M.L.C. visited the Trust for talks on 28 July 1981.

In a submission dated 12 November 1981 the Trust rejected the Committee's proposal for its amalgamation into the Yarra Valley and Dandenong Ranges Water Board. It considered that as the Trust obtained its water from its own source and as it had close community involvement it should remain separate but work within an R3 situation.

The Committee commends the Trust for its activities in the past but is firmly of the view that the Yarra Valley and Dandenong Ranges area lends itself to amalgamation. It rejects the proposal put forward by the State Rivers and Water Supply Commission that the area be transferred to the Melbourne and Metropolitan Board of Works.

**The Committee recommends the Gembrook, Cockatoo and Emerald Waterworks Trust cease to exist, and that the successor body be the Yarra Valley and Dandenong Ranges Water Board. (Recommendation 56).**

Gisborne Waterworks Trust

Shire of Gisborne Sewerage Authority

See: Macedon Waterworks Trust

Shire of Glenelg Waterworks Trust

See: Coleraine and Casterton Waterworks Trust

Glenrowan Waterworks Trust

Goorambat Waterworks Trust

See: Devenish Waterworks Trust

Goornong Waterworks Trust

See: Elmore Waterworks Trust

Hall's Gap Sewerage Authority

See: Shire of Stawell Waterworks Trust

Hamilton Waterworks TrustHamilton Sewerage Authority

Hamilton Waterworks Trust was created by Order of the Governor in Council on 19 December 1898. It consists of the Councillors of the City of Hamilton plus two persons appointed by the Minister of Water Supply. The Trust obtains water from streams in the Grampians, from which it is delivered through some 45 km of pipeline to reservoirs and service basins. The Trust supplies a population of 9,800 people at a rate of 4.8 cents in the dollar N.A.V.

Hamilton Sewerage Authority was created on 28 February 1935 and consists of the Commissioners of the Hamilton Waterworks Trust plus two Government Nominees. The Authority operates a treatment works 5 km south-west of Hamilton; treated effluent is disposed of by irrigation.

Both the Trust and the Authority are closely integrated with the City of Hamilton. All three bodies made a joint submission to the Committee in July 1981, containing a number of position statements, including the following concerning structure:-

"That the Public Bodies Review Committee not determine that the Hamilton Waterworks Trust and Hamilton Sewerage Authority shall cease to exist unless Loan Council borrowing limits can be amended and then not until an appropriate timetable of enabling legislative amendment providing for the new municipal functions of water supply and sewerage servicing is developed."

These bodies were represented at the Public Hearing held by the Committee in Portland on 8 August 1980, where they also tabled an Additional Information Memo



containing some comparative performance indicators for all three bodies. The submission and other data provided by these bodies reflects great credit on their administration.

The Trust and the Authority in separate responses dated 9 June 1981 reiterated their support for a combination of the Trust, the Authority and the Council, providing the problem of Loan Council borrowing authority could be overcome. If that impediment could not be overcome "the combining of the Hamilton Waterworks Trust and the Hamilton Sewerage Authority into one Hamilton Water Management Authority remains a possibility".

The Trust also advised that discussions were taking place with the Shire of Dundas Waterworks Trust regarding future co-operative directions. The Committee notes that the Trust currently provides some water supply services to areas of the Shire surrounding the City, and commends the bodies concerned for this practical arrangement.

The City of Hamilton advised on 31 March 1981 that "Council believes it is the appropriate statutory body for supervising and administering the omnibus activities of local government presently the responsibility of three distinct statutory authorities".

Discussions took place with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Horsham on 24 July 1981, and Mr. Chamberlain has continuing dialogue with the authorities.

The Committee will be making further comments and recommendations concerning Loan Council borrowing limits, but clearly it cannot alone bring about change in them. It is aware that there are some communities in the State, where local authorities are borrowing at around the present limit, in which the Loan Council restrictions do present a barrier to more rational administrative structures.

**The Committee's recommendation is that the Hamilton Waterworks Trust and the Hamilton Sewerage Authority should cease to exist and that, at least until alternative funding arrangements are made, the successor body be a Hamilton Water Board closely integrated with the Council. The Committee encourages the Hamilton City Council to work towards a goal of full unification of water management with the municipality. (Recommendation 57).**

Hastings Sewerage Authority

See: Shire of Cranbourne Sewerage Authority

Healesville Waterworks TrustShire of Healesville Sewerage Authority

Healesville Waterworks Trust was constituted under the Water Conservation Act 1887 and gazetted on 10 January 1890. The district was increased on 22 January 1975 by proclamation of the Yarra Glen Urban District. The Trust consists of the Councillors of the Shire of Healesville and one person appointed by the Minister of Water Supply.

Shire of Healesville Sewerage Authority was constituted on 20 February 1979 by Order of the Governor in Council. The membership is the same as for the Trust.

The Trust draws water from the Melbourne and Metropolitan Board of Works for the 460 properties in the Yarra Glen Urban District. The town of Healesville obtains water from the Graceburn and Badger Creeks for the 2,654 properties serviced.

The Trust presented evidence at the Public Hearing at Lilydale and responded to the Committee's questionnaire. The Trust also participated in a visit to the area by representatives of the Committee.

The office for both bodies is in the Shire of Healesville building and the Secretary, Engineer and Rate Collector are common to both bodies. Mr. Hardisty, the Secretary, is also Secretary of the Yarra River Improvement Trust.

The Trust put forward the view at the Lilydale Hearing "Regionalisation of water and sewerage administration, including any extension in this locality of the Melbourne and Metropolitan Board of Works Water Supply area is not warranted and is opposed by the Trust".

The proposed works for the Shire of Healesville Sewerage Authority comprise reticulation sewers, three pumping stations and rising mains to collect and transfer sewage to the main pump station on the western edge of the town. The sewage will then be pumped 1.2 km to the treatment works site. The proposals provide for

treatment in an Imhoff tank followed by lagoons and a minimum 30 day storage (or chlorination of the effluent) prior to discharge (via grass filtration bays) to the Yarra River.

In response to the Committee's Fourth Report the Shire, Trust and Authority reaffirmed their earlier advice that they favour Option L4 where their activities would be incorporated into the municipality and Regional Option R1 with no regional authority but a consultative forum within a defined region.

The Committee sees only two options for the Yarra Valley Dandenong Ranges area. One where a single Board is established which allows local representation - the other option being amalgamation with the Melbourne and Metropolitan Board of Works. The Committee notes that the bodies do not favour either option.

**The Committee recommends that the Healesville Waterworks Trust and the Shire of Healesville Sewerage Authority should cease to exist, and that the successor body be the Yarra Valley and Dandenong Ranges Water Board. (Recommendation 58).**

#### Heathcote Waterworks Trust

#### Heathcote Sewerage Authority

Heathcote Waterworks Trust was created by Order of the Governor in Council on 27 March 1893, and consists of the three Councillors for the Central Riding of the Shire of McIvor. The Trust obtains water from a weir on McIvor Creek, and supplies a population of 1,600 people in Heathcote and McIvor at a rate of 10.5 cents in the dollar N.A.V.

Heathcote Sewerage Authority was constituted on 4 May 1976 and consists of the Councillors of the Shire of McIvor. The sewerage works are currently under construction, and are expected to be completed in 1982.

Neither of these bodies, nor the Shire of McIvor, with which they are associated, has made submissions to the Committee nor did they appear at the Public Hearing held by the Committee in Bendigo on 12 September 1980. The Shire Secretary is also Secretary to both the Trust and Authority.

The Shire of McIvor in a letter dated 16 November 1981 recorded its "strong opposition" to accepting responsibility for water and sewerage services but advised that "Council would be pleased to continue to make its staff and office accommodation available for the administration of water and sewerage as it has done in the past".

The Heathcote Waterworks Trust and Heathcote Sewerage Authority in letters dated 23 October 1981 and 16 November 1981 respectively advised that they have "now established a policy to press for the formation of a body comprised of people resident in the Sewerage and Water districts".

**The Committee's recommendation is that the Heathcote Waterworks Trust and the Heathcote Sewerage Authority cease to exist, and that the successor body be the Shire of McIvor. (Recommendation 59).**

Herne's Oak Waterworks Trust

See: Morwell Waterworks Trust

Heyfield Waterworks Trust

Heyfield Sewerage Authority

See: Maffra Waterworks Trust

Shire of Heytesbury Waterworks Trust

Heytesbury Sewerage Authority

Shire of Heytesbury Waterworks Trust came into existence on 28 May 1968 through the amalgamation of the former Timboon and Port Campbell Waterworks Trusts, and consists of the Councillors of the Shire of Heytesbury and three persons appointed by the Minister of Water Supply. The Trust has separate bores at Port Campbell and Timboon, serving a population of 1,200 people at a rate of 10 cents in the dollar N.A.V.

Heytesbury Sewerage Authority was constituted on 1 January 1979 by the amalgamation of the former Cobden and Simpson Sewerage Authorities, and consists of the Councillors of the Shire of Heytesbury.

Both bodies are integrated with the Shire, having the full Council on the governing body in each case, and employing municipal staff.

The Heytesbury Sewerage Authority made a submission to the Committee on 24 June 1980, which stated that:-

"The only change which could be made to the existing structure is to bring all local authorities under the constitutional umbrella of the municipal Council."

The Trust and the Shire have not made submissions to the Committee, and none of these bodies was represented at the Public Hearing held by the Committee at Portland on 8 August 1980.

The Shire of Heytesbury wrote to the Committee on 13 April 1981 strongly supporting the municipalisation of all water and sewerage trusts in the Shire, and a Shire takeover of water retailing from the State Rivers and Water Supply Commission.

Discussions took place between representatives of the Trust and Authority and Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Geelong on 24 July 1981.

Water supply to Cobden and Simpson is currently provided by the State Rivers and Water Supply Commission at Camperdown.

**The Committee's recommendation is that the Shire of Heytesbury Waterworks Trust and the Heytesbury Sewerage Authority cease to exist and that the successor body be the Shire of Heytesbury responsible for all necessary water and sewerage services to Cobden, Simpson, Port Campbell, Timboon and other centres within the Shire. The Committee recommends that the responsibility for water retailing in Cobden, Simpson and surrounding rural districts be transferred from the State Rivers and Water Supply Commission to the Shire. (Recommendation 60).**

Heywood Waterworks TrustHeywood Sewerage Authority

Heywood Waterworks Trust was created by Order of the Governor in Council on 12 November 1962, and consists of the Councillors for the Central Riding of the Shire of Portland plus three persons appointed by the Minister of Water Supply. The Trust obtains water from bores, and supplies a population of 1,275 people at a rate of 10 cents in the dollar N.A.V.

Heywood Sewerage Authority was constituted on 18 August 1970 and consists of the Commissioners of the Heywood Waterworks Trust. The treatment works consist of stabilization ponds; treated effluent is disposed of by irrigation.

Both bodies are closely integrated with the Shire of Portland, the offices of which are located in Heywood. The Shire Secretary is the Secretary of both authorities.

The Trust and the Authority were not represented at the Public Hearing held by the Committee at Portland on 8 August 1980, but both bodies advised the Committee in separate letters dated 11 March 1981 that they favoured amalgamation with each other, "thus effecting some cut in administration costs".

The Shire of Portland concurred with this view in a letter to the Committee dated 16 March 1981, which argued against the further step of amalgamation with the municipality on the grounds that a divergence of interest existed, since only one of the twelve Portland Shire Councillors lives in Heywood.

Discussions took place at Horsham between representatives of the Trust and Authority and Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. on 28 July 1981.

**The Committee recommends that the Heywood Waterworks Trust and the Heywood Sewerage Authority cease to exist, and that the successor body be the Heywood Water Board, integrated as closely as possible in respect of administrative and engineering services with the Shire of Portland. (Recommendation 61).**

Horsham Waterworks Trust

Horsham Sewerage Authority

Horsham Waterworks Trust was created by Order of the Governor in Council on 23 November 1883. It consists of the Councillors of the City of Horsham and one person appointed by the Minister of Water Supply. The Trust obtains water from the State Rivers and Water Supply Commission's Mount Zero Channel, a 30 km open channel running northwards from Wartook Reservoir in the Grampians. The Trust supplies a population of 12,500 people at a rate of 8.3 cents in the dollar N.A.V.

Horsham Sewerage Authority was constituted on 22 June 1926 and consists of the Horsham City Councillors plus one Government Nominee. The Authority opened new treatment works in 1980.

The operations of both bodies are closely integrated into the City of Horsham. Both bodies made a joint submission to the Committee on 1 August 1980, which stated that:-

"the Trust and the Authority believe that consolidation of the Council, the Trust and the Authority into one legal entity would eliminate the following administrative and other disadvantages:-

1. The keeping of three sets of accounting records, involving the frequent and regular transfer of funds between the separate accounting systems.
2. The keeping of accounts on different accounting principles.
3. The need to prepare three sets of estimates and obtain ministerial approval for Waterworks Trust estimates.
4. The need to strike three separate rates under three different procedures.
5. Surplus funds in one authority cannot be used to offset overdraft accounts in the other authorities to minimise bank interest payments.

6. The need to involve more than one auditor to audit accounts.
7. Payments to creditors of the Trust and the Authority cannot be channelled through the Council's "advance account". This is an account which is credited with one cheque from each major Council account (e.g. General Account, Private Streets Account, Country Roads Board Account etc.) and creditors are paid from this account with one cheque for all goods supplied to the Council, during a given period.

Traders often find it difficult to appreciate the fact that they are supplying goods to separate legal entities and goods are not always charged to the appropriate authorities on separate invoices. The payment of creditors' accounts for all authorities by one cheque from the advance account would improve administrative procedures."

The Committee believes these points to be significant, and the integration of the three bodies, as desired by Horsham, to be justified.

Discussions took place with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Horsham on 28 July 1981.

**The Committee recommends that the Horsham Waterworks Trust and the Horsham Sewerage Authority cease to exist, and that, at least until alternative funding arrangements are made, the successor body be a Horsham Water Board closely integrated with the Council. The Committee encourages the Horsham City Council to work towards a goal of full unification of water management with the municipality. (Recommendation 62).**

Hurstbridge Waterworks Trust

Hurstbridge Sewerage Authority

Hurstbridge Waterworks Trust was constituted on 26 June 1963 and the Hurstbridge Sewerage Authority on 31 July 1974. The Commissioners are members of both bodies. They consist of six Commissioners, three being from the Shire of Eltham, one each from the Shires of Diamond Valley and Whittlesea and one person appointed by the Minister of Water Supply.



The Secretary to both bodies is Mr. F. W. Nankervis. The two bodies share offices in Hurstbridge. Consultant engineers are Garlick and Stewart.

The Trust serves a population of 5,300 and provides service to 1,700 properties. A rate equivalent to 6 cents in the dollar N.A.V. is charged. Services are provided to the towns of Hurstbridge, Wattle Glen, Panton Hill and Kangaroo Ground.

The bodies presented evidence at the Public Hearing held by the Committee in Lilydale on 31 October 1980 where Mr. Nankervis drew the Committee's attention to the fact that the future of the Trust was in doubt. The Trust had been for some time investigating alternative methods of supplementing existing water supplies. One option was amalgamation with the Melbourne and Metropolitan Board of Works.

In a letter dated 9 September 1981 the Hurstbridge Waterworks Trust stated:-

"I would now advise that in view of a letter recently received from the Minister it seems certain that the Trust will hand over the management of water supply to the Hurstbridge district to the Melbourne and Metropolitan Board of Works on 1st October 1981.

The letter further indicates that the Hurstbridge Sewerage Authority is expected to continue with the construction of a sewerage service to Hurstbridge, now in progress, and the connection of all properties to the service, which should be finalised in 1984, after which the Authority should negotiate with the Board for the take-over of this service as well."

**The Committee supports the amalgamation of the Hurstbridge Waterworks Trust and the Hurstbridge Sewerage Authority with the Melbourne and Metropolitan Board of Works. (Recommendation 63).**

Inverloch Waterworks Trust

Inverloch Sewerage Authority

See: Westernport Waterworks Trust

Jeparit Sewerage Authority

See: Dimboola Sewerage Authority

Shire of Kaniva Waterworks TrustKaniva Sewerage AuthorityServiceton Sewerage Authority

The Shire of Kaniva Waterworks Trust was created by Order of the Governor in Council on 3 July 1896. It consists of the Kaniva Shire Councillors plus one Commissioner appointed by the Minister of Water Supply. The Trust obtains its water from bores, and serves a population of 950 at a rate of 12 cents in the dollar N.A.V.

Kaniva Sewerage Authority was constituted on 9 April 1957, and also consists of the Kaniva Shire Councillors plus a Government Nominee. The sewerage scheme was completed in 1963.

Serviceton Sewerage Authority was constituted on 21 September 1971. It consists of the West Riding Councillors of the Shire of Kaniva. The sewerage system is based on a lagoon.

Kaniva and Serviceton are the two principal towns in the Shire of Kaniva. Water supply to Serviceton has been provided in the past by the Victorian Railways Board, who have been seeking to transfer responsibility for it to the Shire on condition that they be provided with free water in perpetuity.

The two Authorities, the Trust and the Shire of Kaniva provided the Committee with separate written submissions, and were represented at the Public Hearing held by the Committee at Horsham on 1 August 1980. Although all these bodies are already integrated to a high degree, these submissions favoured complete integration, as "there are significant advantages in combining the functions of water and sewerage with normal Council functions ... and ... significant cost savings in administration, overheads, plant and equipment".

The Shire of Kaniva reiterated this view in letters to the Committee dated 31 March 1981 and 9 November 1981. The Shire in its letter of 9 November 1981 expressed its

concern with the current condition of the water reticulation system at Serviceton and the fact that the population of Serviceton is declining.

Discussions took place between the three bodies and the Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Horsham on 28 July 1981.

The Shire of Kaniva Waterworks Trust and Kaniva Sewerage Authority on 9 November 1981 and the Serviceton Sewerage Authority on 4 November 1981 advised that they support the proposal that the functions of these bodies be assumed by the Shire of Kaniva.

**The Committee's recommendation is that the Shire of Kaniva Waterworks Trust, the Kaniva Sewerage Authority and the Serviceton Sewerage Authority cease to exist, and that the successor body be the Shire of Kaniva, responsible for all necessary urban water and sewerage services in the Shire. The Committee also recommends that legislation be introduced to transfer responsibility for the Serviceton water supply to the Shire instead of the Victorian Railways Board, also empowering the Shire to recover the full cost of services provided to the Victorian Railways Board from that Board. (Recommendation 64).**

#### Kerang Waterworks Trust

#### Kerang Sewerage Authority

Kerang Waterworks Trust was created by Order of the Governor in Council on 22 October 1890. It consists of the Councillors for the Borough plus one person appointed by the Minister of Water Supply. The Trust pumps and treats water from the Loddon River, supplying a population of 4,000 at a rate of 4.3 cents in the dollar N.A.V.

Kerang Sewerage Authority was constituted on 21 December 1932 and has the same membership as the Kerang Waterworks Trust. The Authority treats sewerage in lagoons; treated effluent is disposed of to Foster's Swamp.

Neither the Trust, nor the Authority nor the Borough of Kerang, were represented at the Public Hearing held by the Committee in Mildura on 18 July 1980.

The Borough of Kerang however, advised that it could see no advantage in amalgamating the bodies into one.

The Committee can see no advantage in maintaining three separate bodies with the same members, the same staff and similar geographic boundaries.

**The Committee recommends that the Kerang Waterworks Trust and the Kerang Sewerage Authority cease to exist, and that the successor body be the Borough of Kerang. (Recommendation 65).**

#### Shire of Kerang Waterworks Trust

The Shire of Kerang Waterworks Trust was created by Order of the Governor in Council on 5 December 1900, and is perhaps the most curious body in the present reference, since it has not met for 30 years, its existence has been forgotten by the Shire with which it is associated, and its existence appears to result from the red tape needed to abolish it.

The Trust consists of the Councillors of the Shire of Kerang, and its water supply works were taken over by the State Rivers and Water Supply Commission many years ago.

When the Shire of Kerang wrote to the State Rivers and Water Supply Commission in 1965 seeking the Trust's abolition, they were advised of a number of bureaucratic procedures, including a plebiscite, which would need to be complied with before "consideration could be given to the matter" of abolition. A State Rivers and Water Supply Commission briefing document supplied to the Public Bodies Review Committee somewhat laconically states "there has been no response from the Trust on this matter", and the Trust continues to appear on official lists of Waterworks Trusts published by the Commission.

The Shire of Kerang advised the Committee on 12 November 1981 that they would support the abolition of the Shire of Kerang Waterworks Trust.

**The Committee's recommendation is that the Shire of Kerang Waterworks Trust cease to exist. (Recommendation 66).**

Kiewa Waterworks Trust

Yackandandah Waterworks Trust

Shire of Yackandandah Sewerage Authority

Kiewa Waterworks Trust was created by Order of the Governor in Council on 12 March 1946. It consists of the three Councillors of the Kiewa Riding of the Shire of Yackandandah and three persons appointed by the Minister of Water Supply. The Trust pumps water from the Kiewa directly into the reticulation systems of the towns of Kiewa and Tangambalanga. A population of 510 is supplied at a rate of 3 cents in the dollar N.A.V. The Trust did not make any submissions to the Committee in 1980 nor did it appear at the Public Hearing held at Wodonga on 22 August 1980.

In a submission dated 6 November 1981 the Trust suggested that it be left "in the hands of competent people who take pride in their local "Authority" and volunteer their expert services at low cost". The Trust felt that any amalgamation with another body would lead to residents of Kiewa and Tangambalanga being financially and personally disadvantaged.

Yackandandah Waterworks Trust was created by Order of the Governor in Council on 29 June 1914, and consists of the three Councillors for the Yackandandah Riding of the Shire of Yackandandah, and three persons appointed by the Minister of Water Supply. The Trust obtains water from an offtake weir on Nine Mile Creek, and supplies a population of 750 at a rate of 1.5 cents in the dollar N.A.V., one of the lowest in the State.

The Yackandandah Trust made a submission to the Committee on 5 August 1980, and was represented at the Public Hearing held in Wodonga on 22 August 1980.

The Shire of Yackandandah Sewerage Authority was constituted on 12 March 1980, one of the most recent such bodies to be constituted. It consists of the Councillors of Yackandandah Shire. Construction has not yet commenced, but lagoon treatment is planned, with disposal of final effluent by irrigation.

Yackandandah and Kiewa Waterworks Trusts are administered separately from the Shire of Yackandandah, while the Shire of Yackandandah Sewerage Authority has the Shire Secretary as its Secretary. He is also Secretary of the Kiewa River Improvement Trust.

The Committee commends the Kiewa and Yackandandah Waterworks Trust for providing a service in their districts at a rate most favourable in comparison with many areas in the State. The Committee feels that this level of service would not be impaired by an amalgamation of the bodies concerned.

The Shire of Yackandandah advised the Committee on 1 April 1981 that it did not favour amalgamation of water and sewerage functions with the Shire of Yackandandah at this stage.

**The Committee's recommendation is that the Kiewa Waterworks Trust, the Yackandandah Waterworks Trust and the Shire of Yackandandah Sewerage Authority cease to exist, and that the successor body be the Yackandandah Water Board. (Recommendation 67).**

Kilmore and District Waterworks Trust

Kilmore Sewerage Authority

The Kilmore and District Waterworks Trust was constituted on 26 October 1891 and amalgamated with the Wallan Waterworks Trust on 1 August 1979. The Trust presently consists of five Commissioners elected by the ratepayers plus two Government nominees appointed by the Minister of Water Supply.

The Kilmore Sewerage Authority was constituted on 3 March 1970, the Members being all the Councillors of the Shire of Kilmore.

The Kilmore Sewerage Authority currently serves 500 buildings. Treatment is by oxidation in stabilization lagoons with effluent being discharged to the Kilmore Creek.

The Secretary to both bodies is Mr. Graham Scott. Consulting engineers are Gutteridge, Haskins and Davey Pty. Ltd.

The Trust supplies water to Kilmore, Kilmore East, Wandong, Wallan and Heathcote Junction. The rate is 6.5 cents in the dollar N.A.V.

The Kilmore Waterworks Trust and the Broadford Waterworks Trust share the Mt. Disappointment catchment area and each is seeking funds to enlarge the storage.

The Shire of Kilmore, the Kilmore and District Waterworks Trust and Kilmore Sewerage Authority all advised their opposition to total integration of water, sewerage and municipal functions. The Trust pointed out in its submission that "riding boundaries predetermine that only 3 of 12 Councillors will necessarily be elected to represent water and sewerage ratepayers and 6 of 12 will not".

The Committee notes that there already exists a close association between the Shire and the two bodies.

**The Committee recommends the Kilmore and District Waterworks Trust and the Kilmore Sewerage Authority cease to exist and the successor body be the Shire of Kilmore. (Recommendation 68).**

#### Koo-wee-rup Waterworks Trust

See: Shire of Cranbourne Sewerage Authority

#### Koroit Waterworks Trust

Koroit Waterworks Trust was created by Order of the Governor in Council on 28 May 1889, and consists of the Councillors of the Borough of Koroit plus one person appointed by the Minister of Water Supply. The Trust obtains water from wells and bores in the Tower Hill area, and serves a population of 1,100 at a rate of 5.5 cents in the dollar N.A.V.

The Trust is integrated with the Borough of Koroit. Koroit Waterworks Trust made a submission to the Committee on 25 July 1980, and was represented at the Public Hearing held by the Committee in Portland on 8 August 1980. The Secretary, questioned as to the possibility of the Borough assuming direct responsibility for water supply in the Borough, stated that he could not see any reason why it could not be done. In a letter dated 5 November 1981 Mr. Skilbeck, Secretary of the Trust, advised that the Trust had no objections to amalgamation with the Borough.

**The Committee recommends that the Koroit Waterworks Trust cease to exist, and that the successor body be the Borough of Koroit. (Recommendation 69).**

Shire of Korong

The Shire of Korong is a Local Governing Body under the Water Act, responsible for water supply to the two districts of Wedderburn-Korong Vale and Inglewood. The Shire supplies 1,100 and 800 people respectively, at rates of 5.75 and 6 cents in the dollar.

The Shire is also involved as a wholesaler to Bridgewater Waterworks Trust, and it is Bridgewater, on the Loddon, that is the source of Inglewood's water supply. The Committee's comments on Bridgewater Waterworks Trust appear elsewhere in this Report. Water for Wedderburn and Korong Vale is purchased from the State Rivers and Water Supply Commission.

While the Shire of Korong did not appear at the Public Hearing held by the Committee at Bendigo on 12 September 1980, the Shire made a lengthy and useful submission on 28 April 1981. It also provided a response to the Committee's Second Report, suggesting the introduction of consultative committees to represent consumers in the Shire's various water districts. The Committee commends this proposal, which accords with its suggestions concerning a number of other areas in the State.

By letter dated 12 November 1981 the Shire advised its acceptance of the proposal that it assume direct responsibility for water and sewerage services in the Shire.

**The Committee recommends that the Shire of Korong cease to be constituted as a Local Governing Body under the Water Act, and that the Shire assume direct responsibility for all water and sewerage works required in the Shire of Korong. (Recommendation 70).**

Korumburra Waterworks TrustKorumburra Sewerage AuthorityPoowong, Loch and Nyora Waterworks Trust

Korumburra Waterworks Trust was created by Order of the Governor in Council on 29 November 1894, and consists of six Commissioners elected by the ratepayers and one person appointed by the Minister of Water Supply. The Trust obtains water from reservoirs on Coalition and Bellview Creeks, serving a population of 3,000 people at a



rate of 1.7 cents in the dollar U.C.V. of current valuation up to \$12,000 and then 0.5 cents in the dollar U.C.V.

Korumburra Sewerage Authority was constituted on 7 February 1956 and consists of the Commissioners of the Korumburra Waterworks Trust. Effluent is discharged to Foster Creek after treatment.

These authorities are administered jointly in an operation separate from municipal government. Both bodies made a joint submission to the Committee on 21 August 1980, and were represented at the Public Hearing held by the Committee at Traralgon on 5 September 1980.

In a further letter, dated 9 September 1980, the Trust and Authority suggested that it should assume responsibility for the two other water bodies in the Shire, the Shire of Korumburra River Improvement Trust and the Poowong, Loch and Nyora Waterworks Trust.

Both bodies made a response to the Committee's Second Report on 2 July 1981, in which they advocated the amalgamation of the two bodies into a single entity separate from municipal government. Hon. Dr. K. J. Foley, M.L.C., visited the bodies for further discussions on 27 July 1981. By letters dated 9 November 1981 and 26 October 1981 the Trust and Authority advised their support for the proposed Korumburra Water Board - a corporate entity separate from Municipal Government.

Poowong, Loch and Nyora Waterworks Trust was created by Order of the Governor in Council on 19 May 1970. It consists of six Councillors for the Jeetho and Poowong Ridings of the Shire of Korumburra plus one person appointed by the Minister of Water Supply. The Trust obtains water from a storage on the Little Bass River, and supplies a population of 630 at a rate of 17.5 cents in the dollar N.A.V.

The Trust made a submission to the Committee on 29 August 1980, which stated that:-

"the operation could be most effectively carried out by the Shire of Korumburra ... it appears not to be a proper use of resources to require the maintenance of a separate set of accounting records for the purposes of the Trust as distinct from those of the Council."

In a letter dated 4 November 1981 the Trust, while supporting its proposed amalgamation into a Korumburra Water Board, commented on its close administrative and engineering associations with the Shire.

The Trust Secretary is also Secretary of the Shire of Korumburra.

The Shire of Korumburra advised the Committee on 26 February 1981 that it favoured the amalgamation of the Trust and the Shire. By letter dated 4 November 1981 it reinforced this view and suggested that if a separate Board was created its administration should be effected from the municipal office.

**The Committee recommends that the Korumburra Waterworks Trust, the Korumburra Sewerage Authority and the Poowong, Loch and Nyora Waterworks Trust cease to exist, and that the successor body be a new body known as the Korumburra Water Board, with responsibilities for all necessary urban water and sewerage provision in the Shire of Korumburra including Poowong, Loch and Nyora. (Recommendation 71).**

Shire of Kowree Waterworks Trust

see: Edenhope Sewerage Authority

Kyabram Water Authority

Kyabram Sewerage Authority

Kyabram Water Authority is a Local Governing Body under the Water Act, which was created on 14 October 1889. The Authority consists of the Kyabram Town Council. Water is obtained from a State Rivers and Water Supply Commission irrigation channel, chlorinated, and supplied to a population of 5,300 people at a rate of 5 cents in the dollar N.A.V.

Kyabram Sewerage Authority was created on 19 October 1938, and also consists of the Kyabram Town Councillors. Sewerage is treated, and final effluent disposed of by irrigation.

Both authorities are closely integrated with the Town of Kyabram. A joint submission was prepared by both bodies on 20 August 1980, and they were represented at the Discussion held by the Committee at Shepparton on 29 August 1980. The submission outlines the Council's view of the successful integration of the administration, water and sewerage services into the affairs of the Council in 1962:-

"Since 1962, for all intents and purposes, Water Supply and Sewerage Services, have, particularly in the mind of the public, been undertaken as a normal Council function, although legislation still requires separate meetings of the Authorities and completely separate accounting records to be maintained.

Fully qualified Council staff, including qualified Water Supply Engineers, have been available to administer all requirements of both Authorities, whereas before amalgamation a separate staff was maintained and consulting Engineers were engaged when new works were being designed and undertaken.

The amalgamation also permitted joint use of improved office accommodation, mechanised office equipment, up to date valuations and construction plant and equipment. This in turn has been economically beneficial to all three bodies.

A further, and if not one of the most important advantages has been the elimination of the problem of being unable to ensure an orderly and cost saving pattern of road construction coupled with water main installation and sewerage works. In the past when separate Authorities existed this was seldom, if ever possible, due to different financial years, financial constraints, and occasional differences of opinion between Councillors, Commissioners and Members.

Today Council is able to plan its road construction to coincide with new water and sewerage works, or modifications of existing services. This is most important in the case of new subdivisions, where the initial examination of plans can be undertaken by a single officer for the three Authorities, and the subsequent construction work can be properly programmed. No longer do we see a newly constructed road being

excavated to permit installation of water and sewerage services or vice-versa."

The Submission goes on to state that "the need for a separate legal entity, with accounting and finance separated from the municipality, should be abolished".

**The Committee recommends that the Kyabram Water Authority and the Kyabram Sewerage Authority cease to exist, and that the successor body be the Town of Kyabram. (Recommendation 72).**

Shire of Kyneton Waterworks Trust

Kyneton Sewerage Authority

Malmsbury Waterworks Trust

Trentham Waterworks Trust

The Shire of Kyneton Waterworks Trust was constituted on 14 August 1882, the Malmsbury Waterworks Trust on 22 November 1937, the Trentham Waterworks Trust on 27 April 1911 and the Kyneton Sewerage Authority on 21 December 1933. Six of the Commissioners for the Kyneton Waterworks Trust and Kyneton Sewerage Authority are elected by the ratepayers and there is one Government Nominee. For the Malmsbury Waterworks Trust three Commissioners are the Councillors of the Malmsbury Riding of the Shire of Kyneton and two persons are appointees of the Minister of Water Supply. The Trentham Waterworks Trust consists of the three Riding Councillors and one person appointed by the Minister of Water Supply.

The Secretary to all bodies is Mr. S. G. Porter who is also Shire Secretary. Garlick and Stewart are the consultant engineers. Each of the Trusts is administered from the Shire Offices. Rates for the three Water Trusts range from 1.9 cents to 3.9 cents in the dollar N.A.V. Each of the Water Trusts obtains water from different sources.

By letters dated 10 and 12 November 1981 Mr. Porter advised that the Kyneton Waterworks Trust, the Kyneton Sewerage Authority and the Malmsbury Waterworks Trust agree with the proposed amalgamation and that the Trentham Waterworks Trust, while it does not disagree with the proposal, would prefer going to the Shire.

The Committee recommends the Shire of Kyneton Waterworks Trust, the Kyneton Sewerage Authority, the Malmsbury Waterworks Trust and the Trentham Waterworks Trust cease to exist, and the successor body should be the Kyneton Water Board with Commissioners elected by the ratepayers from each of the towns served. (Recommendation 73).

Lakes Entrance Waterworks Trust

Lakes Entrance Sewerage Authority

Metung Waterworks Trust

Bruthen Waterworks Trust

Buchan Waterworks Trust

Lakes Entrance Waterworks Trust was created by Order of the Governor in Council on 4 October 1955. It consists of six Commissioners elected by the ratepayers and three appointed by the Minister of Water Supply. The Trust obtains water from the Nicholson River near Sarsfield through some 32 km of water main. This supply also serves Sarsfield, Johnsonville, Swan Reach and Metung. The Lakes Entrance Waterworks Trust is also undertaking a separate supply to serve Nowa Nowa. A substantial augmentation scheme is planned. The Trust currently supplies a stable population of 4,600, which may peak at holiday times to 20,000. The rate is 6.5 cents in the dollar N.A.V.

Lakes Entrance Sewerage Authority, constituted on 23 March 1971, consists of the Commissioners of the Lakes Entrance Waterworks Trust. The Authority serves both Lakes Entrance and Kalimna, and operates a treatment plant which disposes of treated effluent to the Golf Course, and, in the event of winter excess, to the ocean.

Metung Waterworks Trust was created by Order of the Governor in Council on 25 September 1962. The Trust consists of six Commissioners elected by the ratepayers and one person appointed by the Minister of Water Supply. The Trust obtains water from the Lakes Entrance Waterworks Trust's pipeline, and supplies a population of 500 people at a rate of 6 cents in the dollar N.A.V.

Bruthen Waterworks Trust was created by Order of the Governor in Council on 28 February 1929. It consists of six Commissioners elected by the ratepayers and one person appointed by the Minister of Water Supply.

The Trust obtains water from the Tambo River, and serves a population of 800 people at a rate of 10 cents in the dollar N.A.V.

Buchan Waterworks Trust was created by Order of the Governor in Council on 10 August 1971, and consists of six Commissioners elected by the ratepayers plus one Government Nominee. It provides a population of 280 with water at a rate of 10.75 cents in the dollar N.A.V. Water is obtained from a natural pool in the Buchan River, and is chlorinated before reticulation. The Trust made an initial submission to the Committee on 11 August 1980 and in a submission dated 14 July 1981, in response to the Committee's Second Report, argued for the continuance of the existing arrangements.

Buchan Waterworks Trust is one of the seven bodies, serving 7,000 people, administered from the offices of the Shire of Tambo in Bruthen. It is the only one of which the Shire Secretary is not Secretary - as its Secretary is the Shire of Tambo's Rate Collector. All administrative services are already integral with the Shire of Tambo.

Most of the bodies administered by the Shire of Tambo, that is, the Bruthen Waterworks Trust, the Lakes Entrance Waterworks Trust, the Lakes Entrance Sewerage Authority and the Metung Waterworks Trust, made an initial submission to the Committee on 18 June 1980. This submission advised that:-

"Having Councils responsible for all bodies within their areas has not been well received ... This is mainly due to the considerable distances involved and because each township area likes to have control over its own water supply and sewerage scheme."

The Lakes Entrance, Bruthen and Metung bodies were represented at a Public Hearing held by the Committee in Bairnsdale on 15 August 1980, and Mr. R. A. Jolly, M.P. met representatives of the Lakes Entrance Trust and Authority and the Bruthen, Buchan and Metung Trusts at Bruthen on 17 July 1981.

Further submissions were received from these Trusts on 21 July 1981, again favouring the continuation of the existing system. This view was reiterated in a joint submission and individual letters on 5 and 13 November 1981. The bodies were concerned, inter

alia, with unbalanced representation and, in turn, an unbalanced works program. The joint submission also commented on the distances between the various Trusts as they exist at the moment - Metung, Buchan and Lakes Entrance are 28, 60 and 40 kilometers respectively distant from Bruthen.

The Shire of Tambo advised the Committee on 24 March 1981 that it favoured the continuation of existing arrangements.

**The Committee recommends that the Lakes Entrance, Metung, Buchan and Bruthen Waterworks Trusts and the Lakes Entrance Sewerage Authority should cease to exist, and that the successor body should be the Tambo Water Board, so constituted as to provide representation to each of the communities served. (Recommendation 74).**

Lancefield Waterworks Trust

See: Romsey Waterworks Trust

Lang Lang Waterworks Trust

Lang Lang Sewerage Authority

See: Shire of Cranbourne Sewerage Authority

La Trobe Valley Water and Sewerage Board

The La Trobe Valley Water and Sewerage Board is one of the very small number of Victorian water bodies constituted by an Act of the Parliament rather than by an Order of the Executive. The Board was brought into being on 1 July 1954 by the La Trobe Valley Act, now in force as the La Trobe Valley Act 1958 No. 6290.

The Board has a representative structure unique in the Victorian water industry. Four of its eight members are appointed by the Governor in Council - the Chairman, the Manager, a representative of the State Electricity Commission and a representative of

private industry in the La Trobe Valley. The other four represent and are elected by waterworks trusts, sewerage authorities, river improvement trusts and municipalities within the Board's district.

The Board's major functions concern bulk water supply to towns and industry in the La Trobe Valley, the treatment and disposal of domestic and industrial wastes from the La Trobe Valley, river gauging and pollution control in the La Trobe River and its tributaries, and serving as a delegated agency of the Environment Protection Authority. The Board employs a staff of 141 persons, of whom 21 are employed in discharging the Board's agency role for the Environment Protection Authority, and whose costs are met by that Authority.

The La Trobe Valley Water and Sewerage Board employs corporate management principles, including objective setting, the preparation and evaluation of alternatives, the use of long-term multi-objective planning, and the use of an inter-disciplinary approach to management. The Public Bodies Review Committee has taken evidence from the Board on these matters and commends the Board for its approach, which is worthy of emulation by other water industry bodies.

The La Trobe Catchment is an extensive area containing significant natural resources and major privately and publicly owned industries. Several of these industries are major water users and wastewater producers; planned resource developments in the area will increase the need for water and wastewater infrastructure to be carefully planned. The La Trobe Valley Water and Sewerage Board has tabled in evidence a substantial document on "Strategies for LaTrobe Valley Wastewaters" which is a significant contribution in itself to this process.

The Moondarra Reservoir is operated by the Board, which supplies bulk water to Churchill, Morwell, Traralgon, Tyers, Glengarry, Toongabbie, Cowwarr and Rosedale, as well as to the A.P.M., Maryvale Paper Mill and to S.E.C.V. installations at Morwell and Hazelwood. The Board will also be supplying the water requirements of the Loy Yang power stations.

The Board also provides bulk industrial and domestic wastewater disposal through the La Trobe Valley Outfall Sewer, an 88 km long channel and pipeline link from Yallourn, Maryvale and Churchill in the West to Dutson Downs disposal area, near Lake



Wellington, in the East. This sewer conveys wastes from Churchill, Morwell, Yallourn North, Traralgon and Sale, as well as A.P.M., Maryvale and the S.E.C.V. operations at Morwell and Hazelwood. A further 54 km pipeline, costing \$19M, is being constructed from Loy Yang to the ocean near Seaspray.

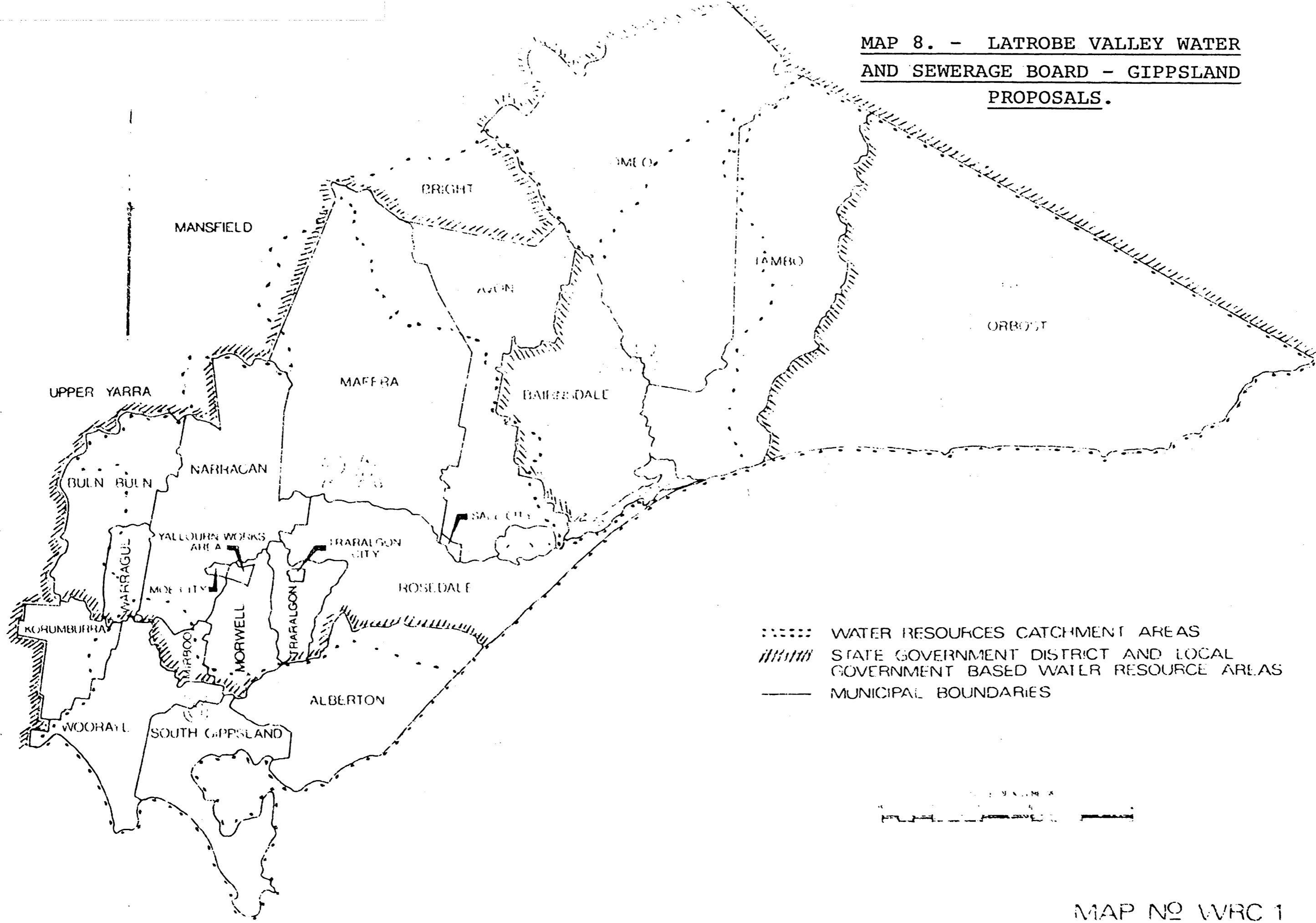
The Committee has received and considered a number of written submissions from the Board, including a Background Paper, a submission, further submission concerning the justification of the continued existence of the Board; a response concerning the costs and benefits of joint regional wastewater schemes compared with individual Authority sewerage schemes in the La Trobe Valley and a response to the Committee's Second Report, "Future Structures for Water Management - Part 1".

In addition, the Board has given verbal evidence before the Committee at Public Hearings held in Traralgon on 5 September 1980 and in Melbourne on 1 October 1980.

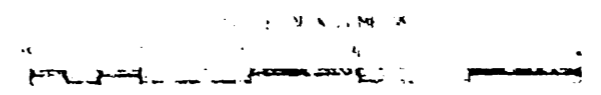
In its response to the Committee's Second Report the Board made a number of significant recommendations concerning water management in the Gippsland District. These include:-

- (1) that the boundaries for water resources management in Gippsland should be those shown on the map enclosed with their response (Map 8 in this Report);
- (2) the retention of separate corporate entities for the water industry, rather than fusion with municipal government, regional planning authorities or development commissions;
- (3) the adoption of an "R2-type" regional co-ordinating committee in Area 1 (that is, the Shire of Orbost), "relatively early";
- (4) the "early" adoption of an "R2-type" regional co-ordinating committee covering Area 3 (that is, the Shires of Alberton, South Gippsland, Woorayl and Korumburra);
- (5) the establishment of a regional authority in Area 2A (that is, covering the Shires of Buln Buln, Warragul, Mirboo, Morwell,

MAP 8. - LATROBE VALLEY WATER AND SEWERAGE BOARD - GIPPSLAND PROPOSALS.



- ..... WATER RESOURCES CATCHMENT AREAS
- ////// STATE GOVERNMENT DISTRICT AND LOCAL GOVERNMENT BASED WATER RESOURCE AREAS
- MUNICIPAL BOUNDARIES



MAP NO WRC 1

Traralgon, Narracan, Maffra, Rosedale and Avon, the cities of Moe, Traralgon and Sale, and the Yallourn works area), with tasks as outlined on pages 47 and 48 of the Public Bodies Review Committee's Second Report;

- (6) the retention of separate water bodies for town reticulation of water and sewerage, under the supervision of the regional authority;
- (7) assignation of operational and retailing functions associated with irrigation schemes and private diverters to the regional authority;
- (8) provision of new supply or waste disposal schemes, particularly those servicing centres in more than one municipality, to be provided by the regional authority;
- (9) the establishment of an "R2-type" authority in Area 2B (that is, covering the Shires of Bairnsdale, Omeo and Tambo);
- (10) the reunification of water quantity and quality management;
- (11) a structure for the governing body in Area 2A based on:-

Chairman	(Governor in Council Appointment)
Member representing S.E.C.V.	(Governor in Council Appointment)
Member representing Private Industry	(Governor in Council Appointment)
Member representing Trade Unions	(Governor in Council Appointment)
Member representing Irrigators	(Governor in Council Appointment)
Three elected Members representing community, urban water users and conservation interests	(Elected)
Member/Chief Executive Officer	(Governor in Council Appointment)

- (12) the appointment of a District representative to the Water Resources Council.

Mr. R. A. Jolly, M.P. had talks with the Board in Traralgon on 24 July 1981, and representatives of the Board visited Melbourne for talks with Hon. Dr. Kevin J. Foley, M.L.C. and Mr. Jolly on 12 August 1981.

In response to the Committee's Fourth Report a number of bodies have sought clarification as to the regional framework proposed for the La Trobe Regional Water Board. The La Trobe Valley Water and Sewerage Board has provided the Committee with a suggested framework and while the Committee has not as yet formed any firm view on this matter, it suggests that the Board's proposal is a useful starting point. It is reproduced in an Appendix to this Report.

**The Committee recommends that the La Trobe Valley Water and Sewerage Board should cease to exist, and that it should be replaced by a La Trobe Regional Water Board, with the following responsibilities:-**

- \* Co-ordination or control of the regional water cycle, in accordance with regional strategies and local interests; includes the development and implementation of regional water management, preservation and development strategies.**
  - \* Co-ordination of water industry plans and activities with regional land use planning and development strategies.**
  - \* Co-ordination and liaison with other agencies operating at a regional level.**
  - \* Co-ordination and monitoring of local authorities; performance and activities.**
  - \* Design and construction of regionally-based technical schemes.**
  - \* Collection of regional charges and rates.**
  - \* Representation of regional interests to State Government.**
- (Recommendation 75).**

## Learmonth Waterworks Trust

Learmonth Waterworks Trust was established by Order of the Governor in Council on 15 June 1960. It consists of the three Councillors for the West Riding of the Shire of Ballarat plus three persons appointed by the Minister of Water Supply. The Trust obtains water from bores, aerators being used to remove dissolved iron prior to reticulation. A population of 240 is served at a rate of 7.25 cents in the dollar N.A.V.

The Learmonth Waterworks Trust was represented at the Public Hearing held by the Committee at Ballarat on 19 September 1980, and representatives met the Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. on 2 July 1981.

The Shire of Ballarat, in providing its views to the Committee on 27 April 1981 made no reference to the Learmonth Waterworks Trust, while supporting generally the municipalisation of water functions.

Learmonth is the only community in the Shire of Ballarat which has a reticulated water supply not provided by the Ballarat Water Commissioners. Most Shire of Ballarat ratepayers are served by the Ballarat Water Commissioners, and the Shire has a representative on that body. The Learmonth area is regarded by the Ballarat Water Commissioners as "critical to their operations", and the Ballarat Water Commissioners state that they assist in water supply maintenance at Learmonth on a "fairly frequent basis". The Learmonth Waterworks Trust in its submission of November 1981 refutes this claim. The Trust advised that since 1976 the Ballarat body assisted them on 7 occasions mainly repairs to meters and fire plugs at a cost of approximately \$450.00.

The Trust does not support amalgamation into the Ballarat Water Board.

In view of the predominance of the Ballarat Water Commissioners in the provision of water services in the Shire of Ballarat, the Committee does not see municipalisation as a viable option in that Shire. On the other hand, there is a need for pressing problems of total water management, including the restoration of Lakes Learmonth and Burrumbeet, to occur. The Committee believes the provision of water supply to Learmonth can economically be embraced into the extended activities of a Ballarat Water Board in this area.

**The Committee's recommendation is that the Learmonth Waterworks Trust cease to exist, and that the Ballarat Water Board assume responsibility for**

all necessary water and sewerage services in the Shire of Ballarat.  
(Recommendation 76).

Leongatha Waterworks Trust

Leongatha Sewerage Authority

Meeniyah Waterworks Trust

Dumbalk Waterworks Trust

Leongatha Waterworks Trust was created by Order of the Governor in Council on 6 March 1905. It consists of six Commissioners elected by the ratepayers plus one person appointed by the Minister of Water Supply. The Trust obtains its water from Hyland Reservoir and from storages on Ruby Creek, supplying a population of 3,640 at a rate of 3.2 cents in the dollar N.A.V.

Leongatha Sewerage Authority was constituted on 27 March 1939 and consists of the Commissioners of the Leongatha Waterworks Trust. The treatment works include an Imhoff Tank and trickling filter; treated effluent is discharged to the Tarwin River.

Leongatha Waterworks Trust and Leongatha Sewerage Authority are jointly administered as an entity completely separate from the Shire of Woorayl, of which Leongatha is the administrative centre.

The Trust and Authority made a detailed initial joint submission to the Committee on 22 August 1980, and were represented at the Public Hearing held by the Committee in Traralgon on 5 September 1980 by their Chairman and Secretary, together with a representative of their consulting engineers. Both bodies made a second submission to the Committee on 16 October 1980, advocating the amalgamation of waterworks trusts and sewerage authorities, and a number of other reforms.

On 6 July 1981, the Trust and Authority submitted their response to the Committee's Second and Third Reports. In their response to the Committee's Second Report, "Future Structures for Water Management", the Leongatha bodies propose the Committee's L6 option for the Shire of Woorayl - a single corporate entity separate from municipal government. By letter dated 5 November 1981 the Trust and Authority reaffirmed this view.

Meeniyah Waterworks Trust was created on 29 August 1950 by Order of the Governor in Council. The Trust consists of five Commissioners elected by the ratepayers plus one person appointed by the Minister of Water Supply. The Trust pumps water from the Tarwin River, and serves a population of 450 people at a rate of 11 cents in the dollar N.A.V.

Dumbalk Waterworks Trust was created by Order of the Governor in Council on 5 May 1959 and also consists of five Commissioners elected by the ratepayers and one appointed by the Minister of Water Supply. This Trust also pumps water from the Tarwin River, supplying a population of 230 people at a rate of 9 cents in the dollar N.A.V.

Both Dumbalk and Meeniyah Waterworks Trusts are administered by the same part-time Secretary. Both Trusts made submissions to the Committee in August 1980, and appeared at the Public Hearing held by the Committee in Traralgon on 5 September 1980.

Both Trusts exemplify the self-help principle:-

"The maintenance officer (the Secretary's husband) is a dairy farmer, and is also a qualified electrician. The Secretary works from a room set aside for this purpose, in her own home ... Our Commissioners are always willing to do anything that is required, even to the extent of a working bee. Several years ago, a number of Commissioners gave their time freely to install an underground relay line ... As this line is approximately one mile long, it was no mean feat."

The Committee notes that 50% of the Commissioners of the Dumbalk Waterworks Trust are women, the highest participation rate for women of any water body in Victoria.

By letters dated 30 October 1981 the Meeniyah Waterworks Trust and the Dumbalk Waterworks Trust advised that they had not been involved in informal talks concerning a merger of bodies in the Shire of Woorayl (see submission of Leongatha Waterworks Trust and Leongatha Sewerage Authority) and do not support this notion. Both bodies argue for a separate identity which they feel would ensure that local interests were

well served. They also suggest that higher maintenance costs would result from the proposed merger into a Woorayl Water Board and such a Board would not be as responsive as local bodies to urgent repairs and maintenance.

Tarwin River Improvement Trust was constituted in 1950, and covers the Tarwin between the junction of its East and West branches and Anderson's Inlet. It consists of five elected Commissioners and one Government Nominee. The Trust rents office accommodation from the Leongatha Waterworks Trust, which also performs certain administrative functions for the Trust.

The Tarwin River Improvement Trust did not appear at the Public Hearing held by the Committee in Traralgon on 5 September 1980, but did write to the Committee on 3 December 1980 making a number of suggestions.

The Shire of Woorayl advised the Committee on 22 April 1981 that its General Purposes Committee had considered water and sewerage administration and had offered to accept responsibility for these functions if required.

Hon. Dr. Kevin J. Foley, M.L.C. visited the Trust for talks on 27 July 1981, and Mr. R. A. Jolly, M.P. had further discussions with the Leongatha Waterworks Trust's and Sewerage Authority's Secretary at a meeting held in Drouin on 31 July 1981.

**The Committee recommends that the Dumbalk Waterworks Trust and the Meenian Waterworks Trust cease to exist and that the successor body be the Dumbalk Meenian Water Board. The Committee further recommends that the Leongatha Waterworks Trust and the Leongatha Sewerage Authority cease to exist and that the successor body be the Leongatha Water Board, responsible for all necessary urban water and sewerage functions extending to the whole of the Shire of Woorayl, other than Dumbalk, Meenian and Inverloch and their immediate surroundings. (Recommendation 77).**

#### Lexton Waterworks Trust

Lexton Waterworks Trust was created by Order of the Governor in Council on 10 August 1965, and consists of one Councillor from each of the North and South Ridings



of the Shire of Lexton, plus three persons appointed by the Minister of Water Supply. The Trust has two separate urban districts, Lexton, population 200, and Waubra, population 150. Lexton is supplied with water from a reservoir on Doctor's Creek, while Waubra is supplied from a bore.

The Trust did not appear at the Public Hearing held by the Committee in Ballarat on 19 September 1980, but advised the Committee on 30 June 1980 of certain aspects of the administration of the State Rivers and Water Supply Commission of which it was critical. Representatives attended discussions with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Ballarat on 2 July 1981.

In a letter dated 26 October 1981 the Trust Secretary advised the Trust's support for the creation of a Lexton Water Board.

The Shire of Lexton advised the Committee on 10 March 1981 that it favoured the continuation of existing administrative arrangements, pointing out that none of the Shire Councillors were Trust ratepayers.

**The Committee recommends that the Lexton Waterworks Trust cease to exist, and that the successor body be the Lexton Water Board, with responsibility for all necessary urban water and sewerage services within the Shire of Lexton. (Recommendation 78).**

#### Lilydale Sewerage Authority

Lilydale Sewerage Authority was constituted on 22 July 1952 by Order of the Governor in Council. The Authority consists of seven Members, one appointed by the Minister of Water Supply.

The sewerage district includes the Shire of Lillydale, except the areas of Wonga Park, Croydon North, Mooroolbark and Kilsyth which are within the Melbourne and Metropolitan Board of Works area and part of the Shire of Sherbrooke in the vicinity of the town of Monbulk.

The Authority has its own premises in Lilydale.

The Melbourne and Metropolitan Board of Works is the responsible authority for the provision of water to the area served by the Lilydale Sewerage Authority.

The Authority's rapid growth can be seen in a comparison of its 1973/74 figures with those of 1979/80:-

	<u>1973/74</u>	<u>1979/80</u>
Population served	3,820	12,000
Assessments	2,575	5,598
Rate revenue	\$134,211	\$838,803

The Authority has now assumed responsibility for the Mt. Evelyn Sewerage District which will eventually comprise 2,500 assessments with an estimated population of 6,000.

The Lilydale Sewerage Authority was originally part of the Shire of Lillydale but in 1975 the Council ceased to be responsible for the Sewerage Authority's operations. One of the major issues at the time was the reluctance of the West Riding Councillors whose area is predominantly Melbourne and Metropolitan Board of Works to subsidise a sewerage authority which did not service their area.

In a report to the Authority on 9 July 1975 the consultant engineers, Camp Scott and Furphy Pty. Ltd., wrote: "We agree with the view of the Authority's engineer that consideration be given to implementing a plan for the Authority in which a technical branch can be staffed such that it can develop into a Regional Sewerage Authority which can later form an integral part of a Regional Planning/Land Management Authority".

The Committee compliments the Lilydale Sewerage Authority on the range of detailed and comprehensive reports and comment the Authority has made to the Committee. The Committee also in addition to oral evidence at Public Hearings has had the benefit of a number of informal discussions with the Authority both at Lilydale and in the Committee's rooms.

The Authority has shown an evenhanded approach to "future options", but in its submission of 23 September 1980, at the Public Hearing at Lilydale on 31 October 1980, and in later submissions in 1981, argued that:-

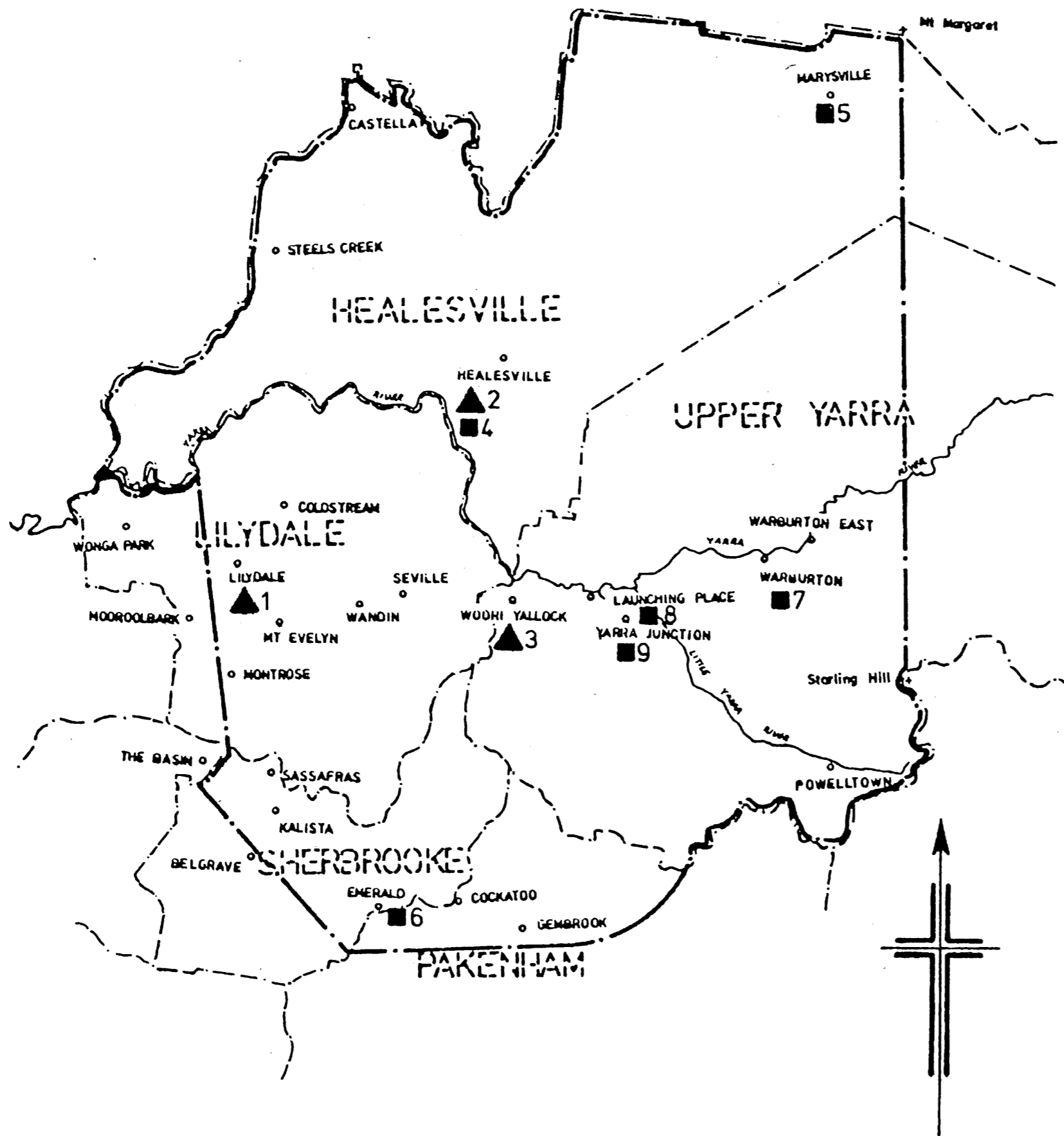
"... the best alternative for the preservation of the region and controlling its development in a logical manner is through the creation of a Regional Water and Sewerage body incorporating the Lilydale, Healesville and Shire of Upper Yarra Sewerage Authorities and the Healesville, Yarra Junction, Woori Yallock-Launching Place and Warburton Waterworks Trusts. It is also possible that portions of the Shire of Sherbrooke within the Sassafras catchment be included and thus not necessitate the establishment of a Shire of Sherbrooke Sewerage Authority which has been proposed. This may then involve the incorporation of the Gembrook, Cockatoo and Emerald Waterworks Trust as a logical extension."

The Authority in its submission dated 22 July 1981 reinforced its support for a regional authority as outlined above with responsibility for water storage, water reticulation, sewerage reticulation, sewerage disposal, sewerage re-use, main drainage, river improvement, septic tank controls, pan services and other such services that are related to these facets. Further, in that submission, the Authority stressed the "need to retain and develop local knowledge and representation yet at the same time to be able to plan and take an overview on a regional and statewide basis" and suggested a total membership of nine elected by the ratepayers of the five Shires involved.

The Shire of Lillydale, however, presented a submission supporting the amalgamation of sewerage functions into the municipalities. The Shire argued that there were advantages in size, and the resulting economies of scale which would produce a more viable range and level of services. Central to this principle is the concept that a considerable proportion of resources of a municipality is devoted to the fixed costs of providing works and services and then fixed costs would be spread over a greater revenue base.

The Council argued that savings could be gained in administrative costs and a probable saving in the service side of the operation.

The Shire suggests Shire staff can absorb the duties of the nine Sewerage Authority staff members without any reduction in the level of service or efficiency. The Shire has not suggested the problems experienced previously when the two were amalgamated have been overcome or indeed that there are factors today which would negate any problem of a conflict of interest.



**LEGEND**

SHIRE BOUNDARY

**SEWERAGE AUTHORITIES**

- LILYDALE ..... 1
- SHIRE OF HEALESVILLE ..... 2
- SHIRE OF UPPER YARRA ..... 3

**WATER TRUSTS**

- HEALESVILLE ..... 4
- MARYSVILLE ..... 5
- GEMBROOK COCKATOO EMERALD ..... 6
- WARBURTON ..... 7
- WOORI YALLOCK-LAUNCHING PLACE ..... 8
- YARRA JUNCTION ..... 9

MAP 9 - PROPOSED BOUNDARIES FOR YARRA VALLEY AND DANDENONG RANGES WATER BOARD.

The Shire in a letter dated 13 November 1981 reaffirmed their earlier view and stated inter alia "that Council objects strongly to the recommendations as presented by the Committee in their draft submission ... that it wishes to administer all sewerage areas outside the present Melbourne and Metropolitan Board of Works catchment area" ... and "that the Shire of Upper Yarra, Healesville, and Sherbrooke also take over their respective Water Trusts".

The Committee does not support the amalgamation of the Shire of Lillydale and the Lillydale Sewerage Authority. The Sewerage Authority's area does not correspond with that of the Shire (approximately 50% of the Shire's population is in the Melbourne and Metropolitan Board of Works' area, part of the Authority's area is in the Shire of Sherbrooke). Moreover the majority of Councillors would not represent sewerage ratepayers. On the other hand there are real problems of interdependency and conflicting interests in both the water and wastewater field requiring resolution at a regional level.

The State Rivers and Water Supply Commission in response to the Committee's Fourth Report suggested that the best way to handle the problems of interdependency and conflicting interest in the Yarra Valley Dandenong Ranges area was for the Melbourne and Metropolitan Board of Works to assume responsibility. Full details of the Commission's proposal is contained in the Appendix to this Report. The Committee notes that some areas within the boundaries it proposes for the Yarra Valley and Dandenong Ranges Water Board are currently served for water supply purposes by the Melbourne and Metropolitan Board of Works. The Committee considers that, where practicable without excessive costs, these services should be transferred to the responsibility of the Yarra Valley and Dandenong Ranges Water Board.

**The Committee's recommendation is that the Lillydale Sewerage Authority cease to exist and that the successor body be the Yarra Valley and Dandenong Ranges Water Board, with boundaries as indicated on Map 9, responsible for all urban water and sewerage services in the designated area. (Recommendation 79).**

#### Linton Waterworks Trust

#### Smythesdale-Scarsdale Waterworks Trust

Linton Waterworks Trust was created by Order of the Governor in Council on 19 February 1957, and consists of three Councillors from the Shire of Grenville and the

Shire of Ripon and three persons appointed by the Minister of Water Supply. The Trust purchases water in bulk from the Ballarat Water Commissioners, and supplies 1,000 people at Linton and Snake Valley.

Smythesdale-Scarsdale Waterworks Trust was created by Order of the Governor in Council on 2 August 1966, and consists of three Councillors appointed by the Shire of Grenville plus three persons appointed by the Minister of Water Supply. The Trust purchases water from the Ballarat Water Commissioners, and supplies a population of 900 at a rate of 7 cents in the dollar N.A.V.

Both Trusts are administered through the Shire of Grenville which also provides maintenance and much construction work, and provided initial submissions to the Committee on 8 and 10 September 1980. Both Trusts submitted that "no benefit would accrue to any person or organization if the Trust's activities were altered or curtailed in any way". Both Trusts were represented at the Public Hearing held by the Committee at Ballarat on 19 September 1980.

The Shire of Grenville also made a submission to the Committee on 12 September 1980, stating that:-

"Council does not favour the suggested absorption of the specialist services of water supply and sewage treatment into the municipal function as a general rule and in particular does not favour any alteration to the constitution and duties of the Ballarat Water Commissioners and Sewerage Authority."

The Shire re-iterated these views in a further letter to the Committee dated 11 March 1981. Discussions took place with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Ballarat on 2 July 1981.

In response to the Committee's Fourth Report the Shire of Grenville advised "that Council is generally in favour of the contents of the report" as it affects the municipality, namely the establishment of separate Water Boards covering Linton and Smythesdale-Scarsdale.

The Committee notes that both these Trusts are essentially retailers for the Ballarat Water Commissioners and the evidence put forward by the State Rivers and Water Supply Commission that considerable saving would result if these Trusts were amalgamated into the proposed Ballarat Water Board.

The Committee recommends that the Linton Waterworks Trust and the Smythesdale-Scarsdale Waterworks Trust cease to exist, and that the successor body be the Ballarat Water Board. (Recommendation 80).

Lismore and Derrinallum Waterworks Trust

Skipton Waterworks Trust

Terang Sewerage Authority

Lismore and Derrinallum Waterworks Trust was created by Order of the Governor in Council on 9 May 1939. It consists of eight Commissioners elected by the ratepayers and one person appointed by the Minister of Water Supply. The Trust purchases water from the State Rivers and Water Supply Commission, supplying water to a population of 600 at a rate of 17.5 cents in the dollar N.A.V.

Lismore and Derrinallum Waterworks Trust did not appear at the Public Hearing held by the Committee in Portland on 8 August 1980. Its Secretary advised the Committee on 6 March 1981 that "the Commissioners do not wish to make any submission or give evidence at any inquiries". In its letter of 11 November 1981 the Trust advised that it did not favour amalgamation with the proposed Hampden Water Board.

Skipton Waterworks Trust was created on 24 July 1951 by Order of the Governor in Council. It consists of five Commissioners elected by the ratepayers and one person appointed by the Minister of Water Supply. The Trust obtains its water from St. Enoch's Spring, 12 km north-east of the town, and supplies a population of 625 at a rate of 14 cents in the dollar N.A.V.

The Trust did not make a submission to the Committee during 1980, nor did it appear at the Public Hearing held by the Committee in Portland on 8 August 1980.

In its submission of November 1981 the Trust advised that it did not support amalgamation into the proposed Hampden Water Board. It pointed out that it is some 70 kilometers from Camperdown and 95 kilometers from Terang - the two likely administrative centres of the Board and as there is no public transport to those areas and as to telephone is a trunk call, this would disadvantage the elderly citizens of the area.

Terang Sewerage Authority was constituted on 7 March 1950, and consists of the Councillors of the Shire of Hampden. The treatment works are located 3 km south-east of the town, and treated effluent is discharged to Mt. Emu Creek.

The Authority made a submission to the Committee on 29 July 1980, and was represented at the Public Hearing held by the Committee at Portland on 8 August 1980. The submission argued that the structure of the Authority "can efficiently continue to administer and maintain sewerage works in the area covered by the Municipal district of the Shire of Hampden".

Discussions took place between a representative of the Terang Authority and Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Geelong on 24 July 1981.

The Shire of Hampden, in a letter dated 5 November 1981, advised their support for the proposed Hampden Water Board as it would best meet community needs. The letter points out, inter alia, that "proposals for sewerage works at Lismore and Skipton have been developed" and these "works were to be eventually administered by the Terang Sewerage Authority". It also points to various advantages to be gained from close integration of the administration with the Shire including integrated accounting system and use of municipal depots at Terang, Lismore and Skipton.

**The Committee's recommendation is that the Lismore and Derrinallum Waterworks Trust and the Terang Sewerage Authority cease to exist, and that the successor body be the Hampden Water Board responsible for all necessary urban water and sewerage services in the Shire of Hampden, except for the Skipton area, including responsibility for all urban and rural water retailing in the Shire currently undertaken by the State Rivers and Water Supply Commission. The Committee also recommends that the possibility of special financial assistance to the Hampden Water Board in recognition of the state of the water supply system there be explored. The Committee further recommends that the Skipton Waterworks Trust cease to exist and that the successor body be the Skipton Water Board. (Recommendation 81).**



## Little River Waterworks Trust

Little River Waterworks Trust was constituted on 22 March 1966 by Order of the Governor in Council. The Trust consists of six Commissioners, three being Councillors for the West Riding of the Shire of Werribee and three persons appointed by the Minister of Water Supply.

Mr. Youngson, the Secretary, is also the Assistant Shire Secretary of Werribee. Consultant engineers to the Trust are Kinhill Rofe Pty. Ltd.

The Trust is responsible for delivery of water in the town of Little River. The Trust area is on the border of the Shires of Werribee and Corio. The Trust draws water from the Melbourne and Metropolitan Board of Works main supplying the Board's sewerage farm at Werribee.

The Trust serves a population of 450 with 153 allotments connected to the mains. The rate in 1980 was 9 cents in the dollar N.A.V. and total revenue \$25,100.

The Trust responded to the Committee's questionnaire but has not appeared at any of the Public Hearings.

In a letter to the Committee the Shire of Werribee stated: "This Council is of the opinion that the Little River Waterworks Trust should be taken over by the Melbourne and Metropolitan Board of Works which is the planning authority for the entire Shire of Werribee which includes the Little River district".

The Melbourne and Metropolitan Board of Works supplies the water and it is the logical body to control the water supply to the district.

**The Committee recommends that the Little River Waterworks Trust should cease to exist, and that the Melbourne and Metropolitan Board of Works should be the body responsible for water supply in the former Trust's district. (Recommendation 82).**

Longwood Waterworks Trust

Murchison Waterworks Trust

Nagambie Waterworks Trust

Nagambie Sewerage Authority

Longwood Waterworks Trust was created by Order of the Governor in Council on 7 December 1891. It consists of six Commissioners elected by the ratepayers. The Trust obtains water from its own reservoir 10 km south-east of Longwood, and supplies a population of 350 at a rate of 6 cents in the dollar N.A.V.

The Trust did not appear at the Discussion held by the Committee at Shepparton on 29 August 1980 but in a letter dated 11 November 1981 suggests that as Longwood is over 20 miles from the Shire Offices and that as at present only one Councillor of the Shire of Goulburn is a resident of Longwood they should remain as an independent body.

Murchison Waterworks Trust was created by Order of the Governor in Council on 14 January 1890, and consists of five Commissioners elected by the ratepayers. The Trust pumps water from the Goulburn River, and supplies a population of 870 people at a rate of 13.8 cents in the dollar N.A.V.

Murchison Waterworks Trust provided the Committee with a submission on 12 August 1980, and letters on 9 December 1980 and 27 October 1981, advocating the continuation of the Trust. Among reasons advanced by the Trust for this were that its "boundaries straddle two municipalities, and (it) treats an intake water supply of greatly varying quality which makes it imperative that expertise acquired be retained and developed". Two of the Commissioners of the Trust met Hon. D. R. White, M.L.C. and Mr. E. J. Hann, M.P., representing the Committee at a special meeting held in Shepparton on 30 July 1981.

The Trust also provided the Committee with a letter it had written to the State Rivers and Water Supply Commission on 11 April 1979, noting the intention to declare Murchison a sewerage district and advocating that sewerage and water supply responsibility in Murchison be combined.

Nagambie Waterworks Trust was created by Order of the Governor in Council on 4 May 1886, and consists of the three Councillors for the Central Riding of the Shire of Goulburn plus three persons appointed by the Minister of Water Supply. The Trust

pumps water from Lake Nagambie, supplying a population of 1,200 at a rate of 3 cents in the dollar N.A.V.

Nagambie Sewerage Authority was constituted on 2 September 1975, and also consists of the three Councillors for the Central Riding of the Shire of Goulburn plus three Government Nominees. The sewerage system was completed in 1979, and is a lagoon system, treated effluent being disposed of by irrigation.

Mr. R. E. Vernon is Secretary to both the Trust and Authority. Both bodies are administered from the Shire Offices using Shire staff and equipment.

The Shire of Goulburn advised on 20 March 1981 that there were advantages, both in the area of administration and of engineering support, for Council assistance to local water and sewerage authorities, but that "Council is hesitant to agree with a full amalgamation of water, sewerage and municipal authorities", since many municipalities "are comprised of Councillors who do not directly represent an area served by a water or sewerage authority". The Committee notes that the Shire of Goulburn has some Councillors drawn from both the Nagambie and Longwood areas and that Murchison covers some areas outside the Shire boundary.

**The Committee recommends that the Murchison Waterworks Trust cease to exist, and that the successor body be the Murchison Water Board, with responsibilities for water and sewerage in the Murchison area. The Committee further recommends that the Longwood Waterworks Trust, the Nagambie Waterworks Trust and the Nagambie Sewerage Authority should cease to exist, and that the successor body should be the Goulburn Water Board responsible for the provision of all necessary urban water and sewerage services in the Shire not covered by the Murchison Water Board. (Recommendation 83).**

Lorne Waterworks Trust

Lorne Sewerage Authority

Lorne Waterworks Trust was created by Order of the Governor in Council on 26 September 1887, and renamed Lorne Waterworks Trust on 20 January 1920. The Trust consists of the Councillors of the Coast Riding of the Shire of Winchelsea plus three

persons appointed by the Minister of Water Supply. It obtains water from weirs on the Erskine River and St. George River, supplying a permanent population of 900 at a rate of 2.75 cents in the dollar N.A.V.

Lorne Sewerage Authority was constituted on 17 October 1938, and is similarly constituted to the Lorne Waterworks Trust. Sewage is pumped to the ocean north of the township.

Neither of these bodies appeared at the Public Hearing held by the Committee in Geelong on 26 September 1980, but both advised the Committee in writing on 9 June 1980 and again on 10 June 1981 that they favoured amalgamation with each other. The Shire of Winchelsea advised the Committee on 15 April 1981 that it also held this view.

Lorne is distant from Winchelsea, the administrative centre of the Shire of Winchelsea, and has more in common with coastal towns such as Apollo Bay in respect of water and sewerage questions than it does with Winchelsea, and the Committee considers future discussions between Lorne and the proposed Otway Coast Water Board concerning amalgamation should occur.

The Trust's letter of 26 October 1981 indicated its support for the Committee's recommendation.

**The Committee's recommendation is that the Lorne Waterworks Trust and the Lorne Sewerage Authority cease to exist, and that the successor body be the Lorne Water Board, responsible for all necessary water and sewerage in those parts of the Otway Coast drainage basin falling within the Shire of Winchelsea and that part of the Shire of Barrabool which is within the existing Trust's and Authority's water and sewerage districts. (Recommendation 84).**

Macedon Waterworks Trust

Mount Macedon Waterworks Trust

Gisborne Waterworks Trust

Shire of Gisborne Sewerage Authority

Macedon Waterworks Trust was constituted on 5 December 1892, and consists of the three Riding Councillors of the Macedon Riding of the Shire of Gisborne plus three persons appointed by the Minister of Water Supply. Secretary to the Trust is Mr. M. C. Donovan and consultant engineers are Camp Scott and Furphy Pty. Ltd. The Trust serves a population of 2,000 in the towns of Macedon and part of Mount Macedon. The rate is 5.5 cents in the dollar N.A.V. Total revenue per annum is \$50,400.

The Macedon Waterworks Trust obtains supply from the Willingongon Creek and Bawden high level storage.

Mount Macedon Waterworks Trust was constituted on 25 November 1885, and consists of six persons elected by the ratepayers. The Secretary to the Trust is Mr. A. J. Ewing and consultant engineers Camp Scott and Furphy Pty. Ltd. The Trust serves a population of 800 in part of the town of Mount Macedon. The total revenue is \$32,442 and the rate is 5 cents in the dollar N.A.V. The Trust obtains water from storages and diversion weirs on the Turritable, Chapmans and Willingongon Creeks.

The Macedon Waterworks Trust and the Mount Macedon Waterworks Trust in separate letters in response to the Committee's Fourth Report advised their opposition to the proposed amalgamation into a Gisborne Water Board as "the Macedon/Mount Macedon area would become the "poor relation" in such an organisation". The Macedon Waterworks Trust's submission, which is reproduced as an Appendix to this Report, suggests an amalgamation of the two bodies.

Gisborne Waterworks Trust was constituted on 24 March 1890. It consists of seven Commissioners, six elected by the ratepayers and one person appointed by the Minister of Water Supply. Secretary to the Trust is Mr. W. Robinson and the engineers are John Scroggie Consulting Engineers Pty. Ltd.

The Gisborne Waterworks Trust serves a population of 2,800. The rate is 4 cents in the dollar N.A.V. Total revenue is \$55,600. The towns of Gisborne and New Gisborne are

supplied from the Barringo Reservoir. A supplementary supply is obtained by pumping from the Rossllynne pipeline which supplies Sunbury.

The Shire of Gisborne Sewerage Authority was constituted on 8 November 1978, and consists of the twelve Councillors of the Shire of Gisborne. The Secretary of the Trust is Mr. T. Larkin who is also Secretary of the Shire of Gisborne. Consultant engineers are Gutteridge, Haskins and Davey Pty. Ltd. The Authority has only recently been formed and in its first estimates adopted a development rate of 1.5 cents in the dollar N.A.V.

The Gisborne Sewerage Authority submitted to the Committee that "the current administrative structure which is operated in conjunction with the Council of the Shire of Gisborne is judged to be the most effective".

The Gisborne Waterworks Trust in a letter dated 9 November 1981 advised its support for the proposed Gisborne Water Board and suggested that the situation could develop whereby Riddell's Creek (Shire of Romsey) and Sunbury (Shire of Bulla) could, with Gisborne, form one body.

The Shire of Gisborne in its letter dated 22 October 1981 pointed to its close administrative links with the Macedon bodies and the Gisborne Waterworks Trust and the fact that it has the engineering capacity to cover all water and sewerage services in the Shire. It also suggested that planning would be more effective if the Shire, rather than the proposed Water Board, was the responsible body.

The Committee notes the Shire's concern with the current lack of integration between the Council and the various Waterworks Trusts in the Shire but it also notes the evidence put forward by Trusts in the region and the State Rivers and Water Supply Commission which suggests that administration of water and sewerage in the Macedon Ranges region should move towards one body covering several municipal boundaries.

The Committee considers that the Minister of Water Supply should take into consideration the need for co-ordination between the proposed Gisborne Water Board and Macedon Water Board and the Shire of Gisborne when nominating persons to these two Boards.

**The Committee recommends that the Macedon Waterworks Trust and the Mount Macedon Waterworks Trust cease to exist, and that the successor**

body be the Macedon Water Board. The Committee also recommends that the Shire of Gisborne Sewerage Authority and the Gisborne Waterworks Trust cease to exist, and the successor body be a Gisborne Water Board with responsibility for the provision of all water and sewerage services within the Shire of Gisborne except for that area covered by the Macedon Water Board. (Recommendation 85).

Maffra Waterworks Trust

Maffra Sewerage Authority

Heyfield Waterworks Trust

Heyfield Sewerage Authority

Briagolong Waterworks Trust

Maffra Waterworks Trust was constituted by Order of the Governor in Council on 11 June 1913 and consists of six Commissioners elected by the ratepayers and one person appointed by the Minister of Water Supply. The Trust pumps and treats water from the Macalister River, supplying a population of 4,850 at a rate of 6.5 cents in the dollar N.A.V.

Maffra Sewerage Authority was created on 6 September 1938, and consists of the Commissioners of the Maffra Waterworks Trust. After treatment, effluent is discharged to land irrigation.

Both the Trust and the Authority appeared at the Public Hearing held by the Committee in Traralgon on 5 September 1980. In a joint submission dated 9 November 1981 the bodies support the notion of a combined body separate from the municipality. They point out most of the Commissioners/Members of the bodies in the Shire are elected and that as far as the Maffra Trust and Authority is concerned since 1938 "no Councillor has ever held joint office as either Trust Commissioner or Member of the Authority". The submission also points out that the five bodies use the same consulting engineer.

Heyfield Waterworks Trust was created by Order of the Governor in Council on 14 August 1973 to take over responsibility for water supply to Heyfield from the State Rivers and Water Supply Commission. The Trust consists of six Commissioners elected by the ratepayers and one person appointed by the Minister of Water Supply. The

Trust obtains water in summer from a State Rivers and Water Supply Commission channel, and in winter from the Thomson River. The Trust supplies a population of 2,000 at a rate of 7.75 cents in the dollar N.A.V. A further urban district of the Trust has been proclaimed at Glenmaggie.

Heyfield Sewerage Authority was constituted on 30 January 1974 and consists of the Commissioners of the Heyfield Waterworks Trust. Treatment is by the lagoon system, and the final effluent is disposed of by irrigation.

The Heyfield Waterworks Trust and the Heyfield Sewerage Authority made a joint submission to the Committee in August 1980 and were represented at a Public Hearing held by the Committee at Traralgon on 5 September 1980. The submission outlined the circumstances by which the Heyfield bodies had come to be administered by a firm of accountants in Heyfield rather than by the Shire of Maffra or the Maffra Waterworks Trust, the suggestion being that the Shire, while assisting with the constitution of the Trust, rejected an approach to carry out the administrative functions.

In a further joint submission dated 10 November 1981 the Heyfield bodies advised their opposition to amalgamation with the Council. They advised that the new schemes at Glenmaggie, Glenmaggie Point, Coongulla and Maralinga Estate are "fairly well removed from the centre of Maffra", and only one Shire Councillor resides in the Heyfield/Glenmaggie district.

Briagolong Waterworks Trust was created by Order of the Governor in Council on 6 May 1969 and consists of three Councillors for the Eastern Riding of the Shire of Maffra plus three ministerial appointees. The three current ministerial appointees have served the Trust since its inception. The Trust provides water to a population of about 540 people in the townships of Briagolong and Boisdale in the Shire of Maffra at rates of 10 and 16 cents in the dollar N.A.V. respectively.

The Trust advised the Committee on 15 July 1980 that it was opposed to any change in its structure, but it did not appear at the Public Hearing held by the Committee at Bairnsdale on 12 September 1980.

The Shire of Maffra, in responding to the Committee's request for its views on water management, advised the Committee on 24 April 1981 that it had resolved:-



"That the Council is of the opinion that the efficiency and effectiveness of existing arrangements for the provision of water and sewerage in country Victoria could be improved by using the administrative and engineering services and equipment of municipalities, which is available in most localities."

The Council pointed out that there are currently eight separate water bodies functioning in the Shire of Maffra, three Waterworks Trusts, two Sewerage Authorities and three River Improvement Trusts. The Shire of Maffra has indicated its willingness to provide a sub-committee system to ensure local representation if these bodies are brought together.

The La Trobe Valley Water and Sewerage Board has proposed a somewhat different alternative for this region in a submission to the Committee. The Board has suggested that the water and sewerage services in the Shire could be brought together under a single but separate corporate entity for the Shire, but that the river improvement trusts and drainage bodies in the Shire should be disbanded and their functions handled by the regional authority. The Maffra Waterworks Trust and Maffra Sewerage Authority in a submission dated 9 November 1981 supported this view.

**The Committee's recommendation is that the Maffra, Heyfield and Briagolong Waterworks Trusts and the Maffra and Heyfield Sewerage Authorities should cease to exist, and that the successor body should be a Maffra Water Board with responsibility for all water and sewerage services in the Shire of Maffra. (Recommendation 86).**

#### Mallacoota Waterworks Trust

#### Mallacoota Sewerage Authority

Mallacoota Waterworks Trust was created by Order of the Governor in Council on 28 November 1967, and consists of six Commissioners elected by the ratepayers and one person appointed by the Minister of Water Supply. The Trust pumps water from the Betka River, and supplies a permanent population of 600 at a rate of 0.31 cents in the dollar site valuation.

Mallacoota Sewerage Authority is constituted similarly to the Mallacoota Waterworks Trust. Construction has not yet commenced.

Both bodies appeared at the Public Hearing held by the Committee at Bairnsdale on 15 August 1980, which outlined Mallacoota's reasons for desiring separate administration of water and sewerage services. The submission pointed out that Mallacoota is 150 km from the Orbost Shire's administration base, and that even the other two towns in its East Riding were respectively 166 km and 70 km distant, "so that Mallacoota is quite distant from the other two Councillors for the East Riding, who understand little of its problems and like Lyre Birds are rarely seen (except at election time when displaying)". The submission explained that dissatisfaction with the previous structure of the Trust, which had comprised three Riding Councillors and three persons appointed by the Minister, had been such as to result in a petition for the removal of the then Commissioners, a proposal signed by 85% of ratepayers.

**The Committee's recommendation is that the Mallacoota Waterworks Trust and the Mallacoota Sewerage Authority cease to exist, and that the successor authority be the Mallacoota Water Board, responsible for water and sewerage in Mallacoota and district and directly elected by Mallacoota water and sewerage ratepayers. (Recommendation 87).**

#### Malmsbury Waterworks Trust

See: Shire of Kyneton Waterworks Trust

#### Shire of Mansfield Waterworks Trust

#### Shire of Mansfield Sewerage Authority

#### Woods Point Waterworks Trust

Mansfield Waterworks Trust was constituted on 14 July 1890 and the Bonnie Doon Waterworks Trust on 31 October 1974. On 25 September 1979 they were united to form the Shire of Mansfield Waterworks Trust. The Trust consists of the fifteen Councillors of the Shire of Mansfield plus three persons appointed by the Minister of Water Supply.

The Trust engineers in Mansfield are Van Hoof and Byrne and in Bonnie Doon John Scroggie Pty. Ltd. The Secretary, Mr. G. D. Payne, is Secretary to all three bodies.

The Trust serves 898 tenements in Mansfield and 180 in Bonnie Doon. The rates are 4 cents in the dollar N.A.V. and 6 cents in the dollar N.A.V. respectively.

The Mansfield Water supply is obtained from a weir on Delatite River and Bonnie Doon's from Lake Eildon.

The Woods Point Waterworks Trust was constituted on 7 May 1968 by Order of the Governor in Council. The Trust consists of three Councillors of the Howqua Riding of the Shire of Mansfield and three persons appointed by the Minister of Water Supply. The Councillor members of the Trust are also members of the Shire of Mansfield Waterworks Trust and the Shire of Mansfield Sewerage Authority.

The Woods Point Waterworks Trust serves 60 tenements and a permanent population of 50. The Trust draws water from the Goulburn River and Brewery Creek.

The Shire of Mansfield Sewerage Authority was constituted in its present form on 25 September 1979. The Authority serves a population of 2,500 in Mansfield and Bonnie Doon. No works have as yet been built in Bonnie Doon.

Mr. G. D. Payne, Secretary to the two Trusts and the Authority, advised on 12 November 1981 the bodies' agreement to the proposed creation of a Mansfield Water Board.

The Shire of Mansfield wrote to the Committee indicating that the Councillors were members of the Trusts and that the Trust had made submissions to the Committee.

In a joint submission the Shire of Mansfield Waterworks Trust and Sewerage Authority submitted:-

"Past experience has proven that work carried out by the Trusts and Authorities in Mansfield is equal to, if not better than a Trust and Authority operated by a municipality. The Shire Council has handed over control of water and sewerage to separately administered Trusts rather than trying to retain control themselves.

The present Trust's aim is to amalgamate all the existing Waterworks Trusts within the Shire of Mansfield to give a fair and equitable

"representation on the Trust to each Water Supply district and to form an efficient central local government unit."

The two Trusts and the Authority on 12 November 1981 advised their support for the proposed Mansfield Water Board.

**The Committee recommends that the Shire of Mansfield Waterworks Trust, the Shire of Mansfield Sewerage Authority and the Woods Point Waterworks Trust should cease to exist, and the successor body should be the Mansfield Water Board, with urban water and sewerage responsibilities extending to the whole of the Shire of Mansfield, including the Buller tourist area. (Recommendation 88).**

Maryborough Waterworks Trust

Maryborough Sewerage Authority

Maryborough Waterworks Trust was created by Order of the Governor in Council on 30 May 1882, and consists of the nine Councillors of the City of Maryborough plus one person appointed by the Minister of Water Supply. The Trust obtains water from Evansford Reservoir, and supplies a population of 8,000 at a rate of 5.5 cents in the dollar N.A.V.

Maryborough Sewerage Authority was constituted on 24 July 1945 and consists of the nine Councillors of the City of Maryborough. There are two treatment sites, and final effluent is disposed of by irrigation.

Both bodies provided separate submissions to the Committee on 17 July 1980, advocating the continuation of existing administrative arrangements, but suggesting that advantages would accrue from the amalgamation of the Maryborough Waterworks Trust, the Shire of Tullaroop Waterworks Trust and the Shire of Talbot and Clunes water supply, as a long term objective. This view was reiterated by the City of Maryborough in its letter dated 16 November 1981.

Both the Waterworks Trust and the Sewerage Authority are substantially integrated with the City of Maryborough, and the Committee does not see the necessity for the retention of three separate corporate identities.

**The Committee recommends that the Maryborough Waterworks Trust and the Maryborough Sewerage Authority cease to exist, and that the successor body be the City of Maryborough. (Recommendation 89).**

### Marysville Waterworks Trust

Marysville Waterworks Trust was constituted under the Water Act of 1903 and gazetted on 13 April 1917. It consists of three persons appointed by the Minister of Water Supply. The three members are local residents. There are no elected representatives on the Trust.

The Trust services the town of Marysville embracing an area of some 740 hectares. The permanent population is 800 but this figure more than triples in the peak of the tourist season. Water is provided to 300 properties including the Shire of Healesville Caravan Park and a number of large guest houses. Some of these guest houses are able to accommodate over 300 persons each.

The Trust draws water from the Stevenson River for the town supply which is a gravitational feed system. A chlorinator was installed in 1979 because of increasing E Coli from tourist pressure and changing standards.

The Trust is also currently undertaking preliminary enquiries into the feasibility of a sewerage system for the township of Marysville.

The Trust is self sufficient with Mr. Cockerell the part-time Secretary, the Commissioners and maintenance staff all residents in the town. The Trust also receives considerable support from the residents in the form of loan of equipment and time if and when the need arises. The engineer for the Trust is Mr. N. H. Bailey who had been both Shire Engineer and Trust Engineer before leaving the Shire.

The Trust presented a submission and gave evidence to the Dandenong Hearing strongly advocating the retention of the Trust in its present form. Hon. Dr. Kevin J. Foley, M.L.C. visited the area on 24 July 1981 and inspected the works with the Commissioners.

The Committee recommends that the Trust cease to exist, and that the successor body be the Marysville Water Board. The Committee feels there would be benefits to the Trust if they had access to engineering and technical expertise for planning matters and project control. This could be provided by the Yarra Valley and Dandenong Ranges Water Board. (Recommendation 90).

Meeniyah Waterworks Trust

See: Leongatha Waterworks Trust

Melton Waterworks Trust

Melton Sewerage Authority

Melton Waterworks Trust was constituted on 4 October 1961 and the Melton Sewerage Authority on 15 October 1969. The Commissioners of both bodies are the twelve Councillors of the Shire of Melton plus one person appointed by the Minister of Water Supply. Engineers to the bodies are Kinhill Rofe Pty. Ltd.

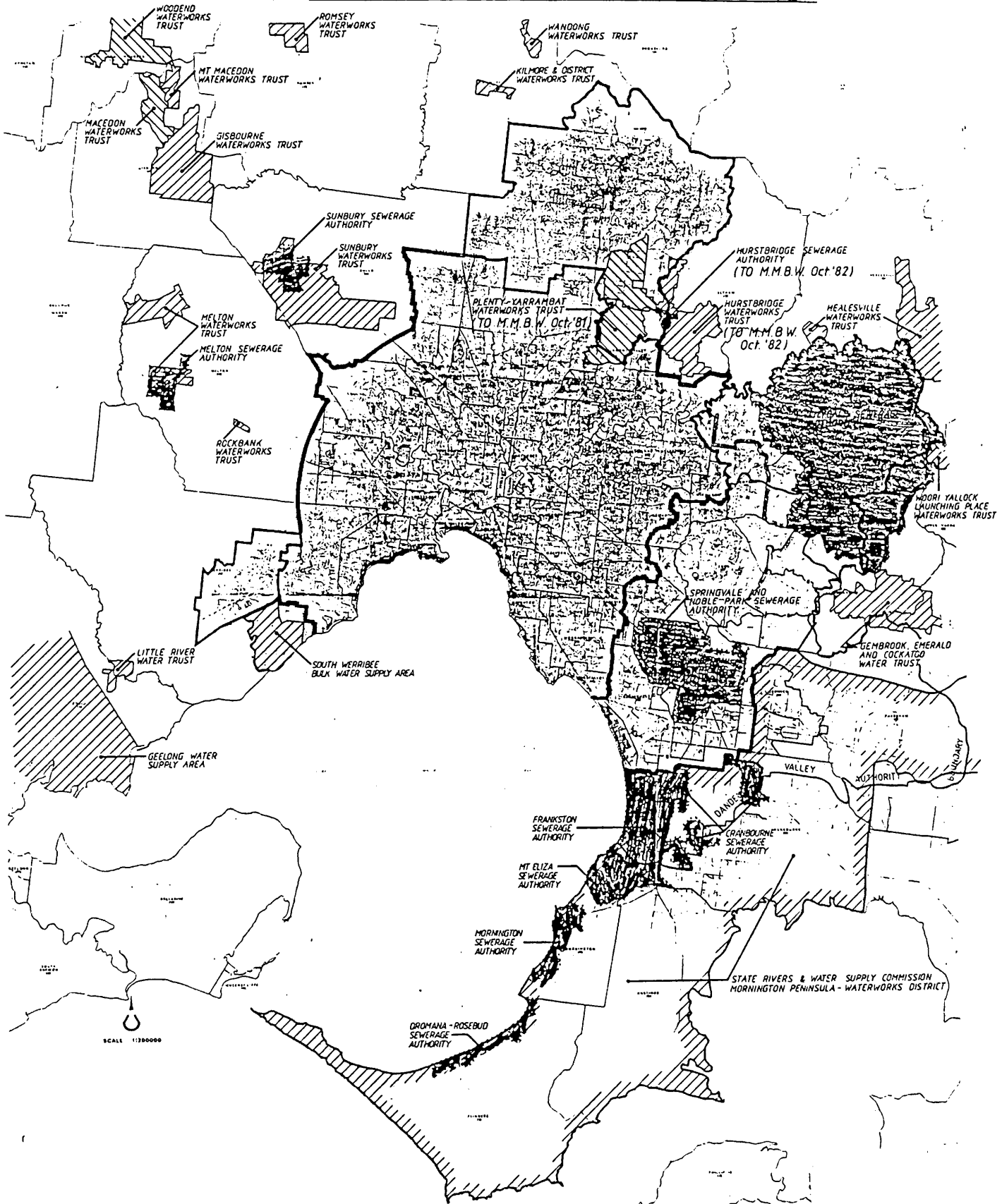
The Secretary of the Shire of Melton is the Secretary of both bodies. Administration of the Shire of Melton, the Melton Waterworks Trust and the Melton Sewerage Authority is closely integrated, the bodies functioning virtually as one unit.

In their submission to the Committee it was stated "the two bodies have given consideration to the joint employment of an engineer and also to the feasibility of combining maintenance operations. It may also be possible to extend this co-operation to the maintenance activities of the Shire of Melton".

The Melton Waterworks Trust does not consider rating levels are excessive with most residential properties being charged the minimum rate of \$83. Residential sewerage rates vary from \$100 to \$150.

The Trust serves a population of 18,500 in the Shire of Melton and in Long Forest Road in the Shire of Bacchus Marsh. The water supply comes from the Djerrivarrh Reservoir and is augmented from the State Rivers and Water Supply Commission's

**MAP 10. EXISTING WATERWORKS TRUSTS AND SEWERAGE AUTHORITIES ON THE FRINGES OF MELBOURNE.**



Merrimu Reservoir. These are calculated to be able to supply 30,000 tenements or a population of 100,000.

The Trust and Authority expressed strong opposition to the suggestion of amalgamation with the Melbourne and Metropolitan Board of Works. In their submission they stated:-

"Amalgamation of the Trust and the Melton Sewerage Authority, and possibly the Shire of Melton, may be the best way of achieving maximum administrative and operational efficiency. The Trust intends to explore the practicability of such a move, which would be in line with recommendations of the Local Government Review Board for extra-metropolitan municipalities.

#### Future Control

From time to time suggestions have been made to the effect that the Melton water supply system should become a responsibility of the Melbourne & Metropolitan Board of Works. More recently, the Board of Review of the Role, Structure and Administration of Local Government has proposed the creation of a Metropolitan Council which would, among other things, take over the functions of all of the independent water and sewerage authorities on the fringe of the metropolitan area.

The Trust is totally and emphatically opposed to any such takeover. Reasons for its opposition include:

- a) Loss of local autonomy.
- b) Loss of control over objective-setting and priority fixing in water supply matters.
- c) Remoteness of the metropolitan authority from the area served.
- d) Inability to effectively influence the decisions of a large, centralised body against competing claims of other areas under its control.



- e) Difficulty in ensuring prompt action to deal with Melton requirements in emergencies."

The Melton Waterworks Trust and Melton Sewerage Authority in separate letters dated 4 November 1981 and the Shire of Melton by letter dated 19 November 1981 advised their support for the proposal for the Shire to be responsible for water and sewerage services.

**The Committee recommends that the Melton Waterworks Trust and the Melton Sewerage Authority cease to exist, and that the successor body be the Shire of Melton responsible for the provision of all necessary water and sewerage services in the Shire except for the Diggers Rest area. (Recommendation 91).**

Merrigum Waterworks Trust

See: Tatura Waterworks Trust

Mildura Urban Water Trust

Mildura Sewerage Authority

Shire of Mildura Sewerage Authority

Mildura Urban Water Trust was created by separate legislation in 1921, the successor to an urban section of the First Mildura Irrigation Trust. The First Mildura Irrigation Trust had provided urban as well as irrigation water to Mildura since 1896. The Trust operates the largest water treatment plant in Victoria, and supplies 25,000 consumers in two municipalities, including the townships of Mildura, Merbein, Irymple, Cabarita, Merbein South, Nicholls Point, Cardross, Birdwoodton and certain rural areas. The Trust took over responsibility for the Merbein urban district from the State Rivers and Water Supply Commission in 1979. The townships of Buronga and Gol Gol in New South Wales have also sought supply from the Trust. The Mildura Urban rate is 5.8 cents in the dollar N.A.V.

The Trust provided the Committee with an initial background document on 28 May 1980, a submission on 10 July 1980 and a second submission on 6 July 1981. It was also represented at Public Hearings held by the Committee in Mildura on 18 July 1980 and

22 July 1981. The Trust Secretary visited Melbourne for talks with Hon. Dr. Kevin J. Foley, M.L.C. on 5 June 1981. The Trust's second submission advocates the establishment of an overall combined water and sewerage body in the Sunraysia area, including a reduction from four to one in the number of urban water and sewerage bodies operating in the Mildura area; savings in administration costs, and the possibility of greater specialised expertise being provided through a single water industry body.

The Trust advised by letter dated 11 November 1981 that it supported the creation of the proposed Sunraysia Urban Water Board.

The Mildura Sewerage Authority was constituted on 12 June 1928 and consists of the Councillors of the City of Mildura. The Authority serves a population of 15,000 people mainly though not entirely within the boundaries of the City of Mildura. Activated sludge treatment is employed, and final effluent is disposed of by irrigation.

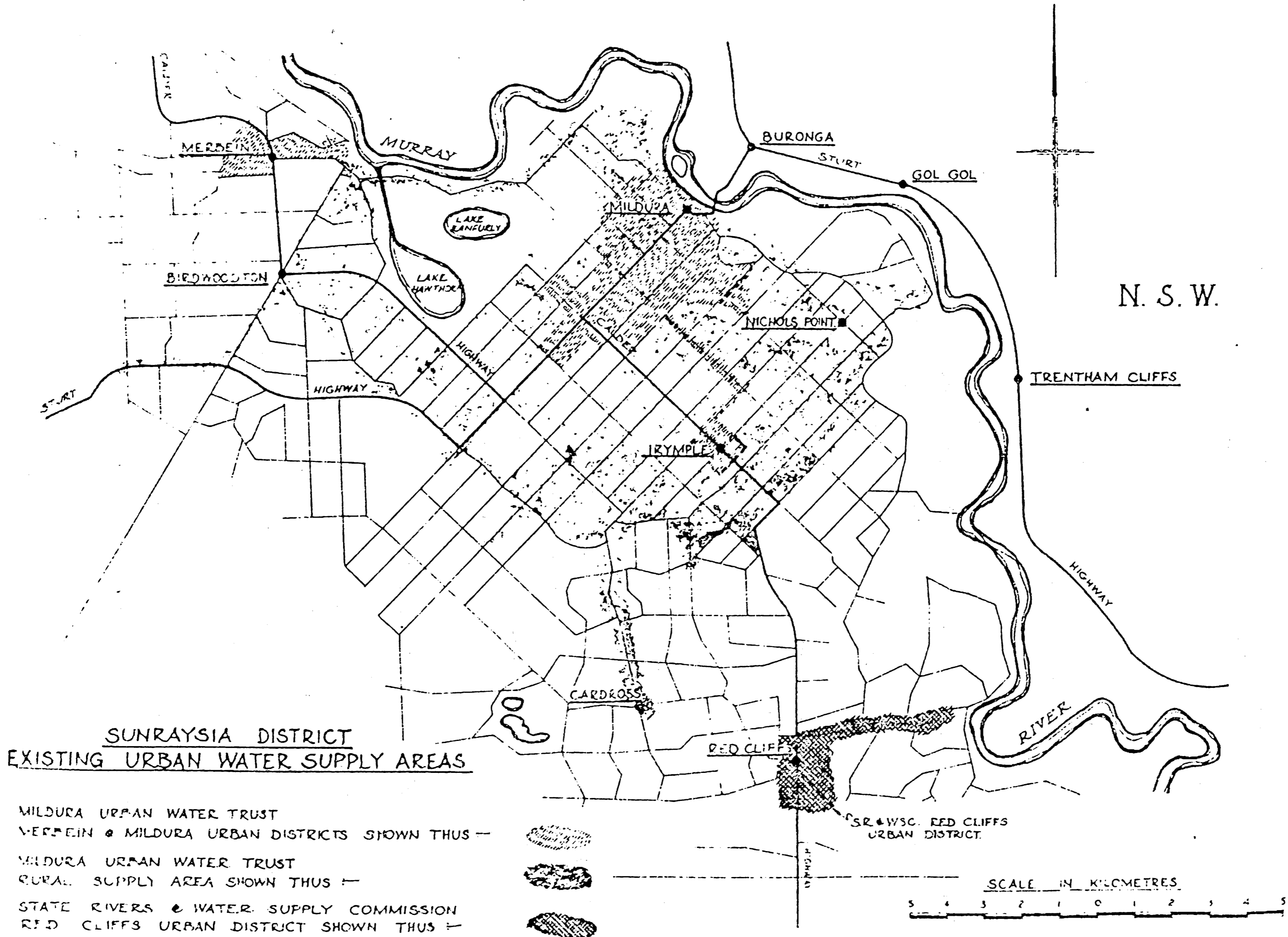
The Mildura City Council and the Mildura Sewerage Authority were represented at the Public Hearing held by the Committee at Mildura on 18 July 1980.

The Mildura City Council advised the Committee on 16 September 1981 that it considered that if an amalgamation of water and sewerage functions were to take place in Mildura, the Council and Authority would be better placed than the Urban Water Trust to handle the added responsibility. In a submission dated 13 November 1981 the City reiterated this view and suggested that the proposed Water Board "will weaken the City of Mildura as a Municipality, and prejudice its opportunity to promote the region".

The Shire of Mildura Sewerage Authority came into being on 27 September 1978, when the Red Cliffs and Merbein Sewerage Authorities were amalgamated. The Authority serves a population of 2,500 in two separated areas of the Shire: Red Cliffs (south of Mildura) and Merbein (west of Mildura). A further separate sewerage scheme is planned for Irymple, to be administered by the Shire of Mildura Sewerage Authority, but to discharge its sewerage into the Mildura Sewerage Authority's system.

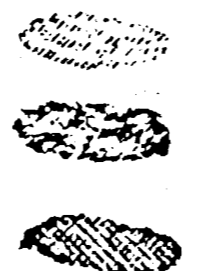
The Authority is substantially integrated for administrative purposes with the Shire of Mildura, but Merbein and Red Cliffs have separate sewerage treatment works.

MAP 11.  
 EXISTING URBAN WATER SUPPLY  
 AUTHORITIES IN THE SUNRAYSSIA REGION



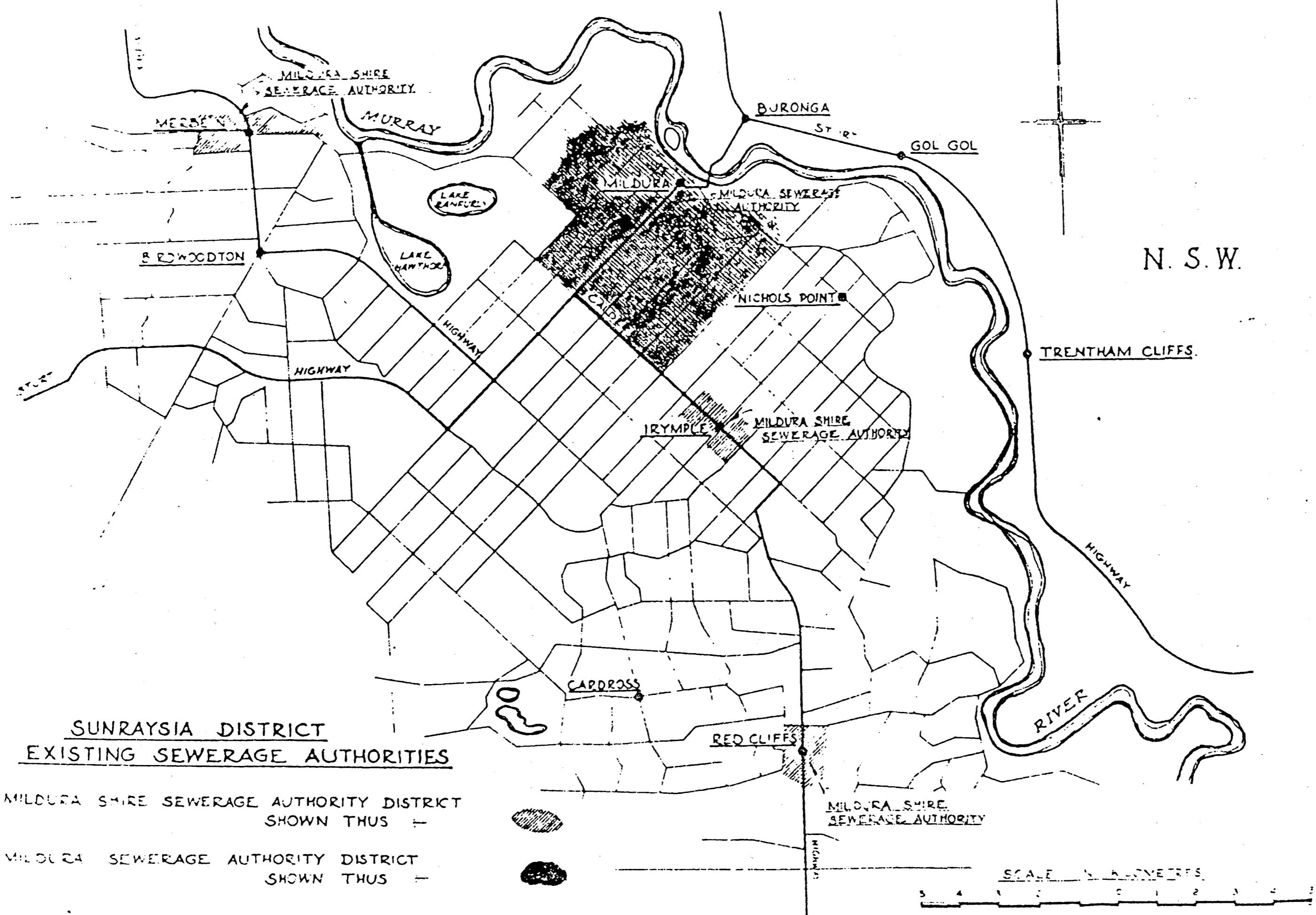
SUNRAYSSIA DISTRICT  
EXISTING URBAN WATER SUPPLY AREAS

- MILDURA URBAN WATER TRUST
- VERBEIN & MILDURA URBAN DISTRICTS SHOWN THUS —
- MILDURA URBAN WATER TRUST
- RURAL SUPPLY AREA SHOWN THUS —
- STATE RIVERS & WATER SUPPLY COMMISSION
- RED CLIFFS URBAN DISTRICT SHOWN THUS —



SCALE IN KILOMETRES  
 5 4 3 2 1 0 1 2 3 4 5

MAP 12 - EXISTING SEWERAGE AUTHORITIES IN THE SUNRAYSIA REGION.



The Mildura Shire Council and the Shire of Mildura Sewerage Authority made a submission to the Committee in July 1980, which argued that there would be a number of advantages if water and sewerage services, including irrigation supplies, were administered by local government. The Authority re-iterated its views in a further letter to the Committee dated 8 January 1981, in which it dissociated itself from the views on water industry restructuring submitted to the Public Bodies Review Committee by the Provincial Sewerage Authorities Association of Victoria.

The Shire of Mildura forwarded a further detailed submission in November 1981 presenting a case for amalgamation of all bodies in the Sunraysia area into one body responsible for municipal sewerage and water services and suggesting that there be an immediate inquiry into this matter "by the Committee and the Local Government Advisory Board". The submission clearly illustrates problems being experienced in many areas of the State where rationalisation of municipal boundaries is long overdue. The Committee commends the Shire for its submission which is reproduced as an Appendix to this Report.

Urban water and sewerage provision in the Mildura area is further fragmented by the existence of a State Rivers and Water Supply Commission Urban Water Supply District at Red Cliffs, where some 2,800 people are supplied at a rate of 7.9 cents in the dollar. The State Rivers and Water Supply Commission also supplies Carwarp, Meringur and Werrimull in the Shire of Mildura.

It is clear that efficient water supply in the Mildura area requires both water and sewerage systems which cross municipal, and perhaps even State, boundaries. The Committee believes that Sunraysia is one of a number of communities in the State where a single specialised urban water and sewerage body would be preferable to a number of fragmented groups. Four separate authorities do not seem necessary to provide urban water and sewerage to the Sunraysia area.

**The Committee's recommendation is that the Mildura<sup>9</sup> Urban Water Trust, the Mildura Sewerage Authority and the Shire of Mildura Sewerage Authority cease to exist, and that the successor body be a new body known as the Sunraysia Urban Water Board, responsible for urban water and sewerage services to all Victorian communities in the Sunraysia area, and, if requested, to New South Wales communities in that area. The Committee also recommends that the Sunraysia Urban Water Board assume responsibility for Red Cliffs, Carwarp, Meringur and Werrimull urban water**

supplies from the State Rivers and Water Supply Commission, and the Board hold discussions with the Carwarp, Meringur and Werrimull communities with a view to setting up consumer co - operatives to manage their local supply. (Recommendation 92).

Minyip Sewerage Authority

See: Murtoa Waterworks Trust

Mirboo North Waterworks Trust

Mirboo North Sewerage Authority

Mirboo North Waterworks Trust was created by Order of the Governor in Council on 9 October 1945. It consists of six persons elected by the ratepayers and one person appointed by the Minister of Water Supply. The Trust obtains water by pumping from the Little Morwell River, and supplies a population of 1,000 at a rate of 8 cents in the dollar N.A.V.

Mirboo North Sewerage Authority was created on 17 June 1981, and is the most recent sewerage authority to have been created. It is similarly constituted to the Mirboo North Waterworks Trust. Notices to treat have been served as a preliminary to the commencement of construction.

The Mirboo North Waterworks Trust has an unusual administrative structure. Its Chief Executive has the designation of Secretary - Pump Attendant/Turncock. This officer assumed these duties in 1977 when the Shire of Mirboo ceased to administer the Trust. The Trust provided the Committee with an initial submission in September 1980, and was represented at the Public Hearing held by the Committee in Dandenong on 3 October 1980. The Trust provided a response to the Committee's Second Report, in July 1981, and was the subject of a visit by the Committee's Chairman, Hon. Dr. Kevin Foley, M.L.C. on 27 July 1981.

The Trust advocated either the continuation of existing arrangements, or the amalgamation of the Waterworks Trust and Sewerage Authority.

The Shire of Mirboo advised the Committee on 7 April 1981 that, in view of the impact of the proposed Driffield power station on the town of Mirboo North, it favoured amalgamation of the Waterworks Trust and proposed Sewerage Authority with the municipality, but that if such a development (as Driffield) was not anticipated, the Council would not support any alteration to the present arrangements for water and sewerage.

The Committee notes the potential impact of the Driffield scheme on Mirboo North, and considers it is necessary therefore to work within a regional water resources planning framework to properly allow for implications of this project.

The Mirboo North Waterworks Trust and Sewerage Authority in a letter dated 12 November 1981 advised that they support the creation of a Mirboo Water Board.

**The Committee's recommendation is that the Mirboo North Waterworks Trust and the Mirboo North Sewerage Authority cease to exist, and that the successor body be the Mirboo Water Board, with responsibilities for all necessary urban water and sewerage provision in the Shire of Mirboo, operating within a regional water resources planning framework developed by the La Trobe Regional Water Board. (Recommendation 93).**

#### Moe Waterworks Trust

#### Moe Sewerage Authority

Moe Waterworks Trust was created by Order of the Governor in Council on 20 June 1933. It consists of six Commissioners elected by the ratepayers plus one person appointed by the Minister of Water Supply. The Trust obtains water from a weir 21 km south of Moe on Narracan Creek. A population of 17,500 people is supplied at a rate of 2.5 cents in the dollar N.A.V.

Moe Sewerage Authority was constituted on 16 September 1947 and consists of the Commissioners of the Moe Waterworks Trust. The treatment plant is located on the north edge of Moe; treated effluent is discharged to the Moe River.

Both authorities share a joint administration, separate from municipal government.

The Moe Waterworks Trust and the Moe Sewerage Authority made a joint initial submission to the Committee on 12 September 1980, and were represented at the Public Hearing held by the Committee in Dandenong on 3 October 1980. In a response to the Committee's Second Report, the Trust and Authority advised the Committee on 13 July 1981 that they favoured amalgamation with each other.

The City of Moe, in a letter to the Committee dated 27 March 1981, stated that:

"Council is extremely happy with the operation and conduct of the water and sewerage function in this municipality by the Moe Waterworks Trust and Sewerage Authority and would be most disappointed to see any action taken which would interfere with that function."

The Committee takes note of those views, but in view of the strategic position of the City of Moe in the La Trobe Valley considers that the Moe water and sewerage body should operate within a regional framework established by the La Trobe Regional Water Board.

**The Committee's recommendation is that the Moe Waterworks Trust and the Moe Sewerage Authority should cease to exist, and that the successor body should be a Moe Water Board, responsible for water and sewerage services in the districts previously served by the Trust and Authority. The Committee further recommends that the Moe Water Board operate within a regional water resources planning framework developed by the La Trobe Regional Water Board. (Recommendation 94).**

Mooroopna Waterworks Trust

Mooroopna Sewerage Authority

See: Tatura Waterworks Trust

Mornington Sewerage Authority

Mount Eliza Sewerage Authority

See: Shire of Cranbourne Sewerage Authority



### Mortlake Waterworks Trust

Mortlake Waterworks Trust was created on 26 May 1915, and consists of the three Councillors of the Mortlake Riding of the Mortlake Shire Council and three persons appointed by the Minister of Water Supply. The Trust obtains water from a spring at the edge of the town, and supplies a population of 1,200 people at a rate of 6 cents in the dollar N.A.V.

The Trust is the only water body in the Shire of Mortlake, and its administration is carried out by Shire staff.

Mortlake Waterworks Trust made an initial submission to the Committee on 28 July 1980, and on 6 July 1981 responded to the Committee's Second Report. The response sought a continuation of existing arrangements. This view was reaffirmed by letter dated 11 November 1981.

The Shire of Mortlake advised the Committee on 20 March 1981 that it held similar views.

**The Committee recommends that the Mortlake Waterworks Trust should cease to exist, and that the successor body should be the Mortlake Water Board. (Recommendation 95).**

### Morwell Waterworks Trust

### Morwell Sewerage Authority

### Boolarra Waterworks Trust

### Churchill Sewerage Authority

### Herne's Oak Waterworks Trust

Morwell Waterworks Trust was created by Order of the Governor in Council on 26 August 1912. It consists of six Commissioners elected by the ratepayers plus two persons appointed by the Minister of Water Supply. The Trust's storage reservoirs are fed from the La Trobe Valley Water and Sewerage Board's Moondarra pipeline. The Trust supplies four urban districts - Morwell, (population 20,000, rate 3.25 cents), Churchill, (population 4,900, rate 3.0 cents), Hazelwood, (population 275, rate 3.25 cents), and Yinnar, (population 800, rate 5.0 cents).

Morwell Sewerage Authority was constituted on 8 February 1939 and consists of the Commissioners of the Morwell Waterworks Trust. The Trust administers two Sewerage Districts, Morwell and Yinnar. Morwell's sewage treatment is divided into two main areas, an eastern section discharging into the La Trobe Valley Water and Sewerage Board's outfall, and a western section with its own treatment plant involving lagoons, with final effluent being discharged to irrigation in summer and the Morwell River in winter.

Boolarra Waterworks Trust was constituted by Order of the Governor in Council on 8 March 1955. It consists of six Commissioners elected by the ratepayers.

The Trust obtains water from weirs on O'Grady's Creek, from which it is pipelined to a service basin for distribution. The population of 580 is provided with water at a rate of 6 cents in the dollar N.A.V.

Boolarra Waterworks Trust made a submission to the Committee on 28 August 1980, and was represented at a Public Hearing held by the Committee at Traralgon on 5 September 1980 by its Secretary/Manager, Mr. R. A. Fletcher.

Since 1969, the Boolarra Waterworks Trust has been administered by the Morwell Waterworks Trust, which also carries out maintenance on a cost plus basis. Until 1969, the Trust had been administered by the Shire of Morwell.

The Trust, in a letter dated 13 November 1981, advised its support for the proposed Morwell Water Board and pointed to the need to ensure that Boolarra is adequately represented on the new body.

Churchill Sewerage Authority was created on 1 July 1970 and has the same membership as the Morwell Waterworks Trust and the Morwell Sewerage Authority. Sewage is discharged to the La Trobe Valley Water and Sewerage Board's main outfall.

Herne's Oak Waterworks Trust was established on 9 August 1950. The township of Herne's Oak has been effectively eliminated by the extension of the Yallourn open cut, and arrangements have been made for the Herne's Oak area to be included in the Morwell Waterworks District.

The above five bodies all operate within the Shire of Morwell, and are all administered by a specialist water body separate from municipal government.

The Morwell Trust and Authority, the Churchill Authority and the Boolarra Trust made initial submissions to the Committee in August 1980, and were represented at the Public Hearing held by the Committee in Traralgon on 5 September 1980. The Morwell and Churchill bodies made a response on 14 July 1981 to the Committee's Second Report, and advised that the Commissioners of the Morwell and Boolarra Waterworks Trusts had agreed that the appropriate option for the Morwell area was Option L6, a single corporate entity, separate from municipal government. The Trust considered that such a body "would be an extremely viable unit within the overall framework of the water industry in Victoria", could attract qualified administrative and technical staff without excessive supervision costs, and retain both water industry expertise and local representation. The Trusts also recognised the need for regional planning and control within the La Trobe catchment and indicated a number of tasks seen as appropriate for an R3 type regional body.

In a joint letter dated 18 November 1981 the Morwell Waterworks Trust, the Morwell Sewerage Authority and the Churchill Sewerage Authority advised their support for the proposed new Water Board and asked that the Committee note that their present waterworks district extends beyond the boundaries of the Shire into the Shire of Traralgon where a considerable number of properties are supplied with water by agreement.

The Shire of Morwell, in a submission to the Committee dated 6 March 1981, advised that:-

"Council is of the opinion that only one water and sewerage authority is required within this municipality. Within the Shire of Morwell there are five separate water and sewerage authorities providing these services."

The Committee believes those bodies could usefully be drawn together to provide a single but separate corporate entity for water and sewerage matters within the boundaries of the Shire of Morwell.

Mr. R. A. Jolly, M.P. met representatives of the Morwell Trust and Authority and the Churchill Authority at Traralgon on 24 July 1981.

The Committee recommends that the Morwell Waterworks Trust, the Morwell Sewerage Authority, the Boolarra Waterworks Trust, the Churchill Sewerage Authority and the Herne's Oak Waterworks Trust should cease to exist, and that their responsibilities should be assumed by a new body known as the Morwell Water Board, operating within a regional water resources planning framework developed by the La Trobe Regional Water Board. (Recommendation 96).

Mount Beauty Waterworks Trust

Mount Beauty Sewerage Authority

Mount Beauty Waterworks Trust was created by Order of the Governor in Council on 17 March 1959 and consists of the Councillors for the Mount Beauty Riding of the Shire of Bright. The Trust obtains water from a diversion weir on Simmonds Creek for Mount Beauty, and from the State Electricity Commission's West Kiewa Diversion Tunnel for Tawonga, and supplies a population of 1,850 at Bright and 800 at Tawonga at rates of 2.75 and 4 cents in the dollar N.A.V. respectively.

Mount Beauty Sewerage Authority was created on 1 June 1960, and is constituted similarly to the Mount Beauty Waterworks Trust. The Trust's treatment plant is north of the town, and treated effluent is discharged into the Kiewa River.

Mount Beauty was originally a State Electricity Commission project township, and the Trust and Authority were constituted shortly after the State Electricity Commission handed over the township to the Shire of Bright in 1958. Both authorities are administered by a full-time manager, located in Mount Beauty, which is divided from Bright by some 20 miles and by the Tawonga Gap.

Both bodies provided the Committee with an initial submission in August 1980, and were represented at the Public Hearing held by the Committee in Wodonga on 22 August 1980. The Trust and the Authority provided a response on 23 July 1981 to the Committee's Second Report, advocating Option L2, that is, the amalgamation of the Trust and the Authority. This submission also noted a number of advantages of a "semi-regional body" to be responsible for water, wastewater, drainage and river improvement works in the Kiewa Valley within the Shire of Bright, but noted problems

with such a concept as a result of the role of the State Electricity Commission in controlling Kiewa River flows and as landlord at Fall's Creek.

The Shire of Bright, in a letter to the Committee dated 28 July 1981, indicated that it favoured "L2" solutions both for Bright and Mount Beauty.

The Mount Beauty Waterworks Trust advised by letter dated 4 November 1981 that the Trust and Authority are pleased with the formation of a Water Board although they have some reservations with respect to Fall's Creek Alpine Resort.

**The Committee recommends that the Mount Beauty Waterworks Trust and the Mount Beauty Sewerage Authority cease to exist, and that the successor body be a Mount Beauty Water Board, with responsibilities for the provision of all necessary urban water and sewerage services in those parts of the Kiewa Valley within the Shire of Bright, including Fall's Creek Alpine Resort and Bogong. (Recommendation 97).**

#### Mount Eliza Sewerage Authority

See: Shire of Cranbourne Sewerage Authority

#### Mount Macedon Waterworks Trust

See: Macedon Waterworks Trust

#### Shire of Mount Rouse Waterworks Trust

Shire of Mount Rouse Waterworks Trust was created by Order of the Governor in Council on 29 October 1946, and consists of the Councillors of the Dunkeld, Glenthompson and Peshurst Ridings of the Shire of Mount Rouse plus one person appointed by the Minister of Water Supply. The Trust provides water to the three main towns in the Shire, Peshurst, (population 575), Dunkeld, (population 470), and Glenthompson, (population 300), at rates of 5.5, 3 and 8 cents in the dollar N.A.V. respectively.

The Trust is administered by the Shire of Mount Rouse and the Shire Secretary is the Trust Secretary. The Trust did not appear at the Public Hearing held by the Committee in Portland on 8 August 1980, but in a letter to the Committee dated 16 December 1980 advised that it favoured the continuation of existing arrangements.

Representatives of the Trust met the Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Warrnambool on 16 July 1981.

In a letter dated 15 October 1981, the Trust advised that it accepts the recommendation made in the Committee's Fourth Report that the Shire of Mount Rouse be directly responsible for water supply in the Shire.

The Shire of Mount Rouse wrote to the Committee on 16 March 1981 stressing the cost savings resulting from the integration of Trust and Shire administration.

As the present Trust includes most of the Shire Councillors, including Councillors from each of the communities served by the Trust and in view of the administrative integration between the two bodies the Committee cannot see the justification for the maintenance of a separate corporate identity for the water function.

**The Committee recommends that the Shire of Mount Rouse Waterworks Trust cease to exist, and that the successor body be the Shire of Mount Rouse. (Recommendation 98).**

#### Moyhu Waterworks Trust

#### Whitfield Waterworks Trust

Moyhu Waterworks Trust was created by Order of the Governor in Council on 3 October 1961. It consists of the Councillors for the West Riding of the Shire of Oxley and three persons appointed by the Minister of Water Supply. The Trust pumps water from the King River, supplying a population of 220 people at a rate of 9 cents in the dollar N.A.V.

The Trust is administered separately from the Shire of Oxley by a part-time Secretary, who is also Secretary of the Fifteen Mile Creek Improvement Trust, and of the Whitfield Waterworks Trust.

The Trust was not represented at the Public Hearing held by the Committee in Wodonga on 22 August 1980, nor has it made a submission to the Committee. The Committee did however have informal discussions with the Trust Secretary during its visit to Wangaratta on 3 July 1980.

By letter dated 11 November 1981, the Trust advised its opposition to the Shire of Oxley assuming its functions. In support of the retention of a separate identity the Trust advised that "under the present system" it "is able to provide reasonably cheap water ... meet operating costs ... have funds in reserve ... because overhead costs are reduced to a minimum, no office to maintain and through the working relationship of the Trust and Ratepayers".

Whitfield Waterworks Trust was created by Order of the Governor in Council on 22 November 1966, and consists of three Commissioners elected by the ratepayers plus three appointed by the Minister of Water Supply. The Trust obtains water from a weir on Musk Gully Creek, and serves a population of 150 people at a rate of 6 cents in the dollar N.A.V. The Trust was not represented at the Public Hearing held by the Committee in Wodonga on 22 August 1980, nor has it made a submission to the Committee.

In a letter which was received by the Committee on 12 November 1981 the Secretary, Mr. Roberts, presented similar arguments, to those put forward by the Moyhu Waterworks Trust, for maintaining a separate entity. The Trust also suggested ratepayers' interests are best met by locally elected persons. The Oxley Shire has no Councillors from Whitfield.

The Shire of Oxley advised the Committee on 4 March 1981 that it not only favoured the continuation of the existing Trusts, but was sponsoring an application for the creation of a further waterworks trust at Oxley. The Shire opposed any amalgamation of Trusts with the Shire Council on the grounds that the Trust system was cheap and locally representative, and that the extra burden would create a strain on municipal staff. The Shire's letter of 4 November 1981 reaffirmed this view.

The Committee believes these arguments apply equally to any other Council activity, and doubts that a Shire with a population of only 5,000 really needs five water bodies (two river improvement trusts, the two existing waterworks trusts and the proposed waterworks trust).

The Committee recommends that the Moyhu Waterworks Trust and the Whitfield Waterworks Trust cease to exist, and that the successor body should be an Oxley Water Board, constituted to provide representatives from all areas in receipt of a service, directly responsible for all necessary urban water and sewerage provision in the Shire of Oxley. (Recommendation 99).

Murrayville Waterworks Trust

Underbool Waterworks Trust

Shire of Walpeup

Murrayville Waterworks Trust was constituted by Order of the Governor in Council on 18 December 1946. There are six Commissioners, three Councillors of the Walpeup Shire and three Government Nominees.

The Trust supplies a population of 400 from a 150 mm bore.

The Underbool Waterworks Trust was constituted by Order of the Governor in Council on 29 January 1941. Its six Commissioners are three Councillors of the Underbool Riding of the Shire of Walpeup and three persons appointed by the Minister of Water Supply.

The Trust supplies a population of 300, and obtains water by channel from the State Rivers and Water Supply Commission.

The Shire of Walpeup was constituted a Local Governing Body under the Water Act on 3 December 1946. Its Commissioners are Councillors of the Shire of Walpeup. It serves Cowangie, population 50, and obtains its supply from a bore.

The State Rivers and Water Supply Commission supplies the urban districts of Ouyen and Walpeup. Walpeup is supplied, at a loss, by direction of the Governor in Council.

The Shire Secretary, who is also Secretary to the three water bodies, made a submission to the Committee and gave evidence at the Public Hearing held by the Committee in Mildura on 18 July 1980.



The Committee's recommendation is that the Shire of Walpeup cease to be constituted as a Local Governing Body, that the Murrayville Waterworks Trust and the Underbool Waterworks Trust cease to exist, and that the successor body be the Shire of Walpeup. In respect of the township of Cowangie the Committee recommends that the Shire establish a consumer co-operative to manage the water supply. The Committee further recommends that water supply to the urban districts of Ouyen and Walpeup be transferred to the Shire of Walpeup from the State Rivers and Water Supply Commission. (Recommendation 100).

Murtoa Waterworks Trust

Murtoa Sewerage Authority

Minyip Sewerage Authority

Rupanyup Sewerage Authority

The Murtoa Waterworks Trust was constituted under the Water Act 1905 on 12 May 1909. Its six Commissioners consist of three Councillors of the West Riding of Dunmunkle Shire Council and three members appointed by the Minister of Water Supply. It supplies a population of 1,000 at a rate of 8 cents in the dollar N.A.V.

The Trust services its supply by gravity from channels from the State Rivers and Water Supply Commission reservoirs.

The Murtoa Sewerage Authority was constituted under the Sewerage Districts Act 1928 on 28 September 1938. Its Members are Commissioners of the Murtoa Waterworks Trust. It serves a population of 1,000 at a rate of 7.5 cents in the dollar N.A.V.

The Minyip Sewerage Authority was constituted under the Sewerage Districts Act on 14 October 1975. Its six Members consist of three Councillors of the North Riding of the Dunmunkle Shire and three Government Nominees. It is proposed that it will serve a population of 600.

The proposed works consists of gravity reticulation sewers and three pumping stations with treatment by stabilization lagoons and disposal by land irrigation.

The Rupanyup Sewerage Authority was constituted on 7 October 1975. Its six members consist of three Councillors from the East Riding of the Shire of Dunmunkle and three Government Nominees. It has the same Secretary as the Minyip Sewerage Authority. It is expected to serve a population of 600.

The proposed works consist of gravity reticulation sewers and pumps with treatment by stabilization lagoons and disposal by land irrigation.

The State Rivers and Water Supply Commission supplies the urban districts of Minyip, (population 600), and Rupanyup (population 450) and the Wimmera Waterworks District. The current water rate for Minyip and Rupanyup is 17.3 and 17.5 cents in the dollar N.A.V. respectively.

The Murtoa Waterworks Trust, the Murtoa Sewerage Authority, the Minyip Sewerage Authority and the Rupanyup Sewerage Authority all gave evidence at the Public Hearing held by the Committee at Horsham on 1 August 1980. Representatives of the Murtoa bodies met Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Horsham on 28 July 1981.

The Shire of Dunmunkle in their letter of 12 November 1981 recommended that the Murtoa Waterworks Trust and the Murtoa Sewerage Authority cease to exist and be replaced by a "Murtoa Water Board" with responsibility for urban water supply and sewerage disposal in Murtoa. The recommendation is based on retaining local representation and administration at Murtoa where an office and plant equipment exist. The administrative centre of the Shire is based at Rupanyup.

The Shire also advised their support for the Committee's recommendation that the Minyip Sewerage Authority and the Rupanyup Sewerage Authority cease and be taken over by the Shire of Dunmunkle, and that the Minyip and Rupanyup urban districts of the State Rivers and Water Supply Commission be transferred to the Shire of Dunmunkle.

These findings are also supported by the Murtoa Waterworks Trust, the Murtoa Sewerage Authority as well as the Minyip and Rupanyup Sewerage Authorities.

The Committee supports the Shire's idea of forming advisory committees to Council to help administer the responsibilities of water supply and sewerage disposal.

The Committee recommends that the Murtoa Waterworks Trust and the Murtoa Sewerage Authority cease to exist, and that the successor body be the Murtoa Water Board with responsibility for urban water and sewerage services in Murtoa. The Committee further recommends that the Minyip and Rupanyup urban districts of the State Rivers and Water Supply Commission be transferred to the Shire of Dunmunkle and that the Minyip Sewerage Authority and the Rupanyup Sewerage Authority cease to exist, and that the successor body should also be the Shire of Dunmunkle responsible for all necessary urban water and sewerage in the Shire except for that area covered by the Murtoa Water Board. (Recommendation 101).

Myrtleford Waterworks Trust

Myrtleford Sewerage Authority

Myrtleford Waterworks Trust was established by Order of the Governor in Council on 4 December 1933 and consists of the Councillors of the Shire of Myrtleford plus two persons appointed by the Minister of Water Supply. The Trust diverts water from Buffalo Creek, and supplies a population of 3,500 people at a rate of 3.25 cents in the dollar N.A.V.

Myrtleford Sewerage Authority was created on 15 April 1969, and is similarly constituted to the Myrtleford Waterworks Trust. Treatment is by aerobic ponds with treated effluent being discharged to land adjacent to the Ovens River.

The Chairman and the Secretary attended the Public Hearing held by the Committee in Wodonga on 22 August 1980, but did not give evidence. In separate but similar letters to the Committee dated 17 March 1981, the Trust and the Authority advised that they considered that the system operating in Myrtleford, whereby the Waterworks Trust and Sewerage Authority are administered by the Shire Council, to be the most economic and efficient for a town the size of Myrtleford.

The Shire of Myrtleford, whose Secretary is also Secretary of the Trust and Authority, wrote to the Committee on 6 April 1981 stating that the Council would not like to see the Myrtleford Waterworks Trust removed from the Council's control.

The Committee recommends that the Myrtleford Waterworks Trust and the Myrtleford Sewerage Authority cease to exist, and that the successor body be the Shire of Myrtleford, which should be directly responsible for any urban water and sewerage facilities required in the Shire. (Recommendation 102).

Shire of Narracan Sewerage Authority

See: Trafalgar Waterworks Trust

Shire of Nathalia Waterworks Trust

Nathalia Sewerage Authority

Shire of Nathalia Waterworks Trust was created by Order of the Governor in Council on 9 July 1957, and consists of the Councillors of the Shire of Nathalia plus one person appointed by the Minister of Water Supply. The Trust has urban districts in each of the main towns in the Shire, Nathalia (population 1,400), Barmah (population 220) and Picola (population 50). The rates are respectively 7.5, 6 and 8 cents in the dollar N.A.V. Water is pumped from the Broken Creek at Nathalia, from the river at Barmah and from an irrigation channel at Picola.

Nathalia Sewerage Authority was constituted on 25 May 1966 and consists of the Councillors of the Shire of Nathalia. Waste is treated in stabilization basins, and effluent is disposed of to land.

Neither the Trust nor the Authority appeared at the Discussion held by the Committee at Shepparton on 29 August 1980. However the Trust Secretary (who is also the Shire Secretary and the Authority Secretary) wrote to the Committee on 1 July 1980 advising that "many of the books, records and notices are combined with the Shire, and the officers are also the officers of the Shire". The Trust advised that it considered this to be a satisfactory and economical way of administering the system.

The Committee notes this high degree of integration, and the identity of the elected members and staff of all three bodies.

The Nathalia Sewerage Authority and the Shire of Nathalia in letters dated 23 November 1981 expressed concern with the proposed municipalisation of the sewerage function.

**The Committee recommends that the Shire of Nathalia Waterworks Trust and the Nathalia Sewerage Authority cease to exist, and that the successor body be the Shire of Nathalia, with direct responsibility for all urban water and sewerage provision necessary in the Shire. (Recommendation 103).**

Nhill Waterworks Trust

Nhill Sewerage Authority

The Nhill Waterworks Trust was constituted under the Water Act 1890 on 3 August 1891. Its six Commissioners are elected by ratepayers.

The Trust serves a population of 2,200 at a rate of 10.5 cents in the dollar N.A.V. and draws its supply from four bores within the town.

The Nhill Sewerage Authority was constituted under the Sewerage Districts Act 1928 on 19 October 1938. Its members are the Commissioners of the Nhill Waterworks Trust and the two bodies share the services of the Secretary.

The Authority serves a population of 2,200 at a rate of 4.5 cents in the dollar N.A.V. Treatment of sewerage is by Trickling Filter with disposal on pasture.

The two bodies put a joint submission to the Committee in July 1980 and attended the Public Hearing held by the Committee at Horsham on 1 August 1980. The bodies did not envisage any difficulties with their amalgamation. At the Hearing, the Secretary and Chairman of the bodies both stated that they could see no objection to the amalgamation of the bodies (Transcript, p. 311). Further Discussions took place with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Horsham on 28 July 1981.

In a further submission dated 3 November 1981 both bodies agreed with their amalgamation to form a Water Board but refused to be taken over by the Shire Council on the grounds that the Council does not have any technical expertise in water matters

and that only three Councillors are elected by urban ratepayers who would therefore not be fairly represented.

The Shire of Lowan in a letter to the Committee dated 27 March 1981 saw advantage in combining the water and sewerage function with local government.

The Shire, in its submission dated 16 November 1981, endorses the recommendation that the Shire take over water and sewerage services and advises that it would appoint full-time professional staff to undertake water administration and that it currently has three Nhill Riding Councillors to represent the urban ratepayers.

The Council indicated that they would support the idea of an Advisory Committee (consisting of the three other Commissioners) to provide technical skills and consequent continuity for planning and the like.

**The Committee's recommendation is that the Nhill Waterworks Trust and the Nhill Sewerage Authority cease to exist, and that the successor body be the Shire of Lowan. (Recommendation 104).**

Shire of Numurkah Waterworks Trust

Numurkah Sewerage Authority

Strathmerton Sewerage Authority

Shire of Numurkah Waterworks Trust was created by Order of the Governor in Council on 6 October 1882, and consists of the Councillors of the Shire of Numurkah plus one person appointed by the Minister of Water Supply. The Trust supplies four urban districts, which are the four principal towns of the Shire, Numurkah (population 3,000), Strathmerton (population 300), Katunga (population 120) and Wunghnu (population 90) at rates of 8.5, 9, 7.5 and 17.5 cents in the dollar N.A.V. respectively. Numurkah and Wunghnu are supplied with water from the Broken and Nine Mile Creeks, the former supply being treated; while Katunga and Strathmerton receive bore water.

Numurkah Sewerage Authority was constituted on 21 January 1969 and consists of the Councillors of the Shire of Numurkah. Treatment is by the lagoon system, with final effluent being disposed of by irrigation.

Strathmerton Sewerage Authority has the same membership and Secretary as the Numurkah Sewerage Authority. It was constituted on 3 July 1977, but the works have not been constructed. None of these bodies appeared at the Discussion held by the Committee at Shepparton on 29 August 1980. However in separate letters dated 29 June 1981, each body advised the Committee that it favoured Option L7 as defined by the Committee's Second Report, that is, amalgamation with the municipality without the retention of a separate corporate identity.

The Shire of Numurkah Waterworks Trust and the Numurkah Sewerage Authority in their letters of 6 November 1981 agreed with the Committee's recommendations.

**The Committee recommends that the Shire of Numurkah Waterworks Trust, the Numurkah Sewerage Authority and the Strathmerton Sewerage Authority cease to exist, and that the Shire of Numurkah assume direct responsibility for all necessary urban water and sewerage provision within the Shire. (Recommendation 105).**

#### Ocean Grove Sewerage Authority

See: Bellarine Sewerage Authority

#### Omeo Waterworks Trust

#### Swift's Creek Waterworks Trust

Omeo Waterworks Trust was created by Order of the Governor in Council on 4 August 1890, and consists of the three Councillors of the Omeo Riding of the Shire of Omeo plus three persons appointed by the Minister of Water Supply. The Trust obtains water from a weir on Livingstone Creek, and supplies a population of 360 people at a rate of 16 cents in the dollar N.A.V. for the first 400 dollars of valuation, and thereafter 5 cents in the dollar.

The Trust did not appear at the Public Hearing held by the Committee in Bairnsdale on 15 August 1980, but provided the Committee on 19 March 1981 with an initial submission which reads in part as follows:-

"THE OMEO WATER WORKS TRUST has been supplying water to the people of Omeo since 1892. Our founding fathers dug twelve (12) miles of water race along the Livingstone Creek to a reservoir just sufficiently high enough to serve the first Trust Secretary's house, but not high enough to adequately cover the whole of this hilly town.

One man was employed full time, keeping the water flowing in the race, by removing weeds, plugging yabbi holes and repairing breaks which appeared in strategic spots to irrigate pastures. The standard wage for this work was 7/6 (seven shillings and sixpence) per day, except for Orientals who received 8/4 (eight and fourpence per day). Race cleaning became a chinese tradition and Omeo's last full blooded chinese retired when a diesel pump replaced all but the last mile of the race in 1952. However, his son-in-law kept the old diesel engine going until it was replaced by electric pumps in 1972. Following complaints in 1947 of dead dogs and sheep constantly being found in the race, it was decided to replace it by pipes.

... The town has suffered from this bit by bit style of gradual improvement, and we look with envy at properly designed newer systems in other towns. However, our problems have established a tradition of dedicated men who keep the system going. Pump attendants have spent far more time than they have been paid for, in carrying out repairs, etc. Even the Trust Secretary has had to repair broken mains at weekends and to plunge into the icy river to un-clog the pump's foot valve. The water supply is more of a community service than a paying career for its employees.

... We consider that we are fulfilling the task in Government to which we have been assigned."

The Trust provided a further submission on 5 August 1981 in response to the Committee's Second Report, arguing that in a change to Shire administration, "any slight advantages of amalgamation would be outweighed by the loss of identity, the loss of dedicated Commissioners and the loss of that indefinable spirit of civic service that has characterised the Trust for the past ninety years".



In a letter dated 13 November 1981 the Trust advised "we deeply regret your recommendation that this Trust should cease to exist. However, the Commissioners decided not to oppose your recommendation, provided agreement can be reached with the Shire of Omeo" regarding adequate representation.

Swift's Creek Waterworks Trust was created by Order of the Governor in Council on 28 September 1971. It consists of the Councillors for the Tongio Riding of the Shire of Omeo plus three persons appointed by the Minister of Water Supply. The Trust obtains water from the Tambo River, and supplies a population of 260 at a rate of 16 cents in the dollar N.A.V.

Swift's Creek Waterworks Trust has not made a submission to the Committee, and did not appear at the Public Hearing held by the Committee at Bairnsdale on 15 August 1980.

The Shire of Omeo advised the Committee on 11 March 1981 that it favoured the amalgamation of water, sewerage and river improvement trusts with municipalities wherever possible.

The Committee commends the dedication of the Commissioners of the Trusts in Omeo and notes their strong feelings concerning the continuation of the Omeo Waterworks Trust, but considers that if agreement can be reached in the Omeo community on the subject, there would be merit in the Trusts being converted to Water Advisory Committees of Council, and the Council assuming an overall responsibility for any necessary water and sewerage provision in the Shire.

In a letter dated 16 November 1981 the Shire advised that it endorses the Committee's proposal that the Shire assume the functions of the existing Waterworks Trusts and "acknowledges the formation of a Water Advisory Committee may be an advantage in the future".

**The Committee recommends that the Omeo Waterworks Trust and the Swift's Creek Waterworks Trust cease to exist, and that the successor body be the Shire of Omeo, with responsibility for all necessary urban water and sewerage services in the Shire. (Recommendation 106).**

Orbost Waterworks TrustOrbost Sewerage Authority

Orbost Waterworks Trust was created by Order of the Governor in Council on 5 January 1917. It consists of three persons appointed by the Shire of Orbost plus three persons appointed by the Minister of Water Supply. The Trust obtains water from the Rocky River, supplemented at times from the Brodribb River, and supplies a population of 3,500 located in four Urban Districts (Bemm River, Orbost, Marlo and Newmerella) and two Rural Districts (Newmerella and Orbost-Brodribb-Marlo).

Orbost Sewerage Authority was constituted on 29 March 1951 and consists of the Waterworks Trust Commissioners. The treatment lagoons are 5 km south of the town; final effluent is disposed of by land irrigation.

These bodies attended the Public Hearing held by the Committee in Bairnsdale on 15 August 1980, and made a submission to the Committee prior to that hearing. Both Trusts met Mr. R. A. Jolly, M.P., representing the Committee, at a special meeting held in Bruthen on 17 July 1981.

The Trust and Authority on 2 November 1981 advised their support for the proposed Water Board.

The Shire of Orbost has not made its views known to the Committee.

**The Committee's recommendation is that the Orbost Waterworks Trust and the Orbost Sewerage Authority cease to exist, and that the successor body be the Orbost Water Board, with responsibilities for all necessary urban water and sewerage provision in Bemm River, Orbost, Newmerella and Marlo. (Recommendation 107).**

Pakenham Sewerage Authority

See: Shire of Cranbourne Sewerage Authority

Paynesville Waterworks Trust  
Paynesville Sewerage Authority

See: Bairnsdale Waterworks Trust

Peterborough Waterworks Trust  
Shire of Warrnambool

Peterborough Waterworks Trust was created by Order of the Governor in Council on 28 April 1964 and consists of the Councillors of the Shire of Warrnambool plus one person appointed by the Minister of Water Supply. The Trust obtains water from an artesian bore, and supplies a population of 200 permanent residents, and up to 3,000 during summer, at a rate of 8 cents in the dollar N.A.V.

The Shire of Warrnambool was constituted as a Local Governing Body under the Water Act on 23 November 1976, and has one Urban District, Caramut. The Shire obtains water from a spring near Mount Rouse, some 20 km from the town. A population of 190 is served at a rate of 17.5 cents in the dollar N.A.V.

Neither the Peterborough Waterworks Trust nor the Shire of Warrnambool appeared at the Public Hearing held by the Committee at Portland on 8 August 1980. However, the Peterborough Waterworks Trust wrote to the Committee on 13 July 1980, as follows:-

"The Trust can see no valid reason why the operations of this Trust could not be integrated with the books of account of the Shire of Warrnambool."

The Committee recommends that the Shire of Warrnambool cease to be constituted as a Local Governing Body under the Water Act, that the Peterborough Waterworks Trust cease to exist, and that the successor body be the Shire of Warrnambool, with direct responsibility for all necessary urban water and sewerage provision to the Shire. (Recommendation 108).

Plenty-Yarrambat Waterworks Trust

Plenty-Yarrambat Waterworks Trust was constituted on 23 August 1961 by Order of the Governor in Council. The Trust consisted of six Commissioners, three from the Shire of Diamond Valley, one from the Shire of Whittlesea and two persons appointed by the Minister of Water Supply.

The Trust obtains water from the Melbourne and Metropolitan Board of Works Maroondah Aquaduct at Plenty and from the Yan Yean pipeline at Mernda.

Agreement has been reached for the responsibility for water supply in the Plenty-Yarrambat Waterworks Trust area to transfer to the Melbourne and Metropolitan Board of Works on 1 October 1982.

**The Committee supports the transfer of the responsibilities of the Plenty - Yarrambat Waterworks Trust to the Melbourne and Metropolitan Board of Works. (Recommendation 109).**

Portarlington Sewerage Authority

See: Bellarine Sewerage Authority

Port Fairy Waterworks TrustPort Fairy Sewerage Authority

Port Fairy Waterworks Trust was created by Order of the Governor in Council on 2 August 1937 and consists of the Councillors of the Borough of Port Fairy plus one person appointed by the Minister of Water Supply. The Trust obtains water from bores, and supplies a population of 2,400 at a rate of 5 cents in the dollar N.A.V.

Port Fairy Sewerage Authority was constituted on 24 May 1950, and consists of the Councillors of the Borough of Port Fairy. Sewage is pumped direct into Bass Strait near Griffiths Island.

Neither of these bodies appeared at the Public Hearing held by the Committee at Portland on 8 August 1980. However discussions took place with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Warrnambool on 16 July 1981.

The Borough of Port Fairy has not made its views known to the Committee. Both the Trust and the Authority basically comprise the Borough Council, and the Committee does not perceive the value in retaining three separate corporate identities.

**The Committee recommends that the Port Fairy Waterworks Trust and the Port Fairy Sewerage Authority cease to exist, and that the successor body be the Borough of Port Fairy. (Recommendation 110).**

Poowong, Loch and Nyora Waterworks Trust

See: Korumburra Waterworks Trust

Portland Waterworks Trust

Portland Sewerage Authority

Portland Waterworks Trust was created on 30 May 1928 by Order of the Governor in Council, and consists of the Councillors of the Town of Portland plus one person appointed by the Minister of Water Supply. The Trust obtains water from bores south of Portland, where it is cooled in cooling towers prior to reticulation. A population of 9,000 is supplied at a rate of 7.75 cents in the dollar N.A.V.

Portland Sewerage Authority was constituted on 21 June 1938 and consists of the Councillors of the Town of Portland. Raw sewage is currently discharged into the ocean at Nelson Bay, but treatment works are planned.

The Trust, the Authority and the Town of Portland made an initial joint submission to the Committee on 31 July 1980 as follows:-

"The activities carried out by both (the Trust and the Authority) ... are so closely inter-related to the activities of the Portland Town Council in respect to the provision of physical infrastructure for urban living, that the objectives of the Portland Waterworks Trust and the Portland Sewerage Authority would be more effectively pursued by the Portland Town Council ... administrative and decision making processes carried out by both Authorities are often duplicated by the Portland Town Council. Such

administrative practices and decision making processes are often found to be duplicative, laborious and clumsy ... "

All three bodies were represented at the Public Hearing held by the Committee in Portland on 8 August 1980.

Both bodies responded to the Committee's Second Report, "Future Structures for Water Management" by re-affirming their objective of amalgamation, but stressing the problems this would cause as a result of the current \$1.2 million Loan Council borrowing limit, given that their total loan program for 1981-82, for example, is \$2.5 million.

The Town of Portland again emphasised its support for amalgamation in a letter to the Committee dated 31 March 1981, and in discussions with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Warrnambool on 16 July 1981.

As indicated in its Second Report, the Committee is conscious of the negative effect current Loan Council borrowing categories have on administrative structure, and is aware of the special problems Portland has in the provision of infrastructure for industrial development.

The Portland Waterworks Trust and Portland Sewerage Authority in a letter dated 16 November 1981 advised that they generally concur with the proposal to create a Portland Water Board.

**The Committee's recommendation is that the Portland Waterworks Trust and the Portland Sewerage Authority should cease to exist and that, at least until alternative funding arrangements are developed, the successor body should be a Portland Water Board closely integrated with Council. The Committee encourages the Portland Town Council to work towards a goal of full unification of water management with the municipality. (Recommendation 111).**

## Pyalong Waterworks Trust

Pyalong Waterworks Trust was constituted on 22 March 1966 by Order of the Governor in Council. Up until 1977 membership of the Trust consisted of the Councillors of the Shire of Pyalong plus one Government Nominee. It now consists of three persons elected by the Shire of Pyalong and three members appointed by the Minister of Water Supply.

The part-time Secretary for the Trust is also part-time Secretary of the Shire of Pyalong.

Water supply is from a weir on Hollison's Creek.

The Pyalong Waterworks Trust submitted to the Committee that the present arrangements are satisfactory and by letter dated 3 November 1981 advised that at present none of the nine Councillors of the Shire reside in the Trust's district.

The Committee notes that the Trust serves a population of 150 and the total population of the Shire of Pyalong is just under 500.

**The Committee recommends that the Pyalong Waterworks Trust should cease to exist, and that the successor body be the Shire of Pyalong. (Recommendation 112).**

## Queenscliffe Sewerage Authority

Queenscliffe Sewerage Authority was constituted on 9 September 1975, and consists of the Councillors of the Borough of Queenscliffe plus two Government Nominees. Sewage is pumped to the Ocean Grove Sewerage Authority's system and thence to the Geelong Waterworks and Sewerage Trust's ocean outfall at Black Rock.

Although the Queenscliffe Sewerage Authority did not appear at the Public Hearing held by the Committee at Geelong on 26 September 1980, the Authority was visited by the Committee for extensive discussions on 12 and 13 June 1980. A submission on behalf of the Authority was put to Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Geelong on 24 July 1981. In a letter dated 10 November 1981, the

Queenscliffe Sewerage Authority advised that while it would agree that the Borough of Queenscliffe accept responsibility for sewerage it did not agree to the further transfer on 1 June 1986 to the Geelong Water Board.

The Borough of Queenscliffe has not made its views known to the Committee. Water supply at Queenscliffe is presently the responsibility of the State Rivers and Water Supply Commission.

The Committee, having regard to evidence presented by the Geelong Waterworks and Sewerage Trust and the State Rivers and Water Supply Commission, has elsewhere recommended that responsibility for water retailing in the Bellarine Peninsula should be considered in a regional manner and has recommended the Geelong Regional Water Board as the successor body. As Queenscliffe is located within this area the same rationale has been applied.

A relevant extract from the State Rivers and Water Supply Commission's submission is reproduced as an Appendix to this Report.

**The Committee recommends that the Queenscliffe Sewerage Authority should cease to exist and that the successor body be the Queenscliffe Water Board responsible for all sewerage services in the Borough of Queenscliffe. The Committee further recommends that the Geelong Regional Water Board assume this responsibility on 1 July 1984. The Committee also recommends that responsibility for water supply in the Borough of Queenscliffe should be transferred from the State Rivers and Water Supply Commission to the Geelong Regional Water Board as soon as possible. (Recommendation 113).**

Rainbow Sewerage Authority

See: Dimboola Sewerage Authority

Redbank Waterworks Trust

See: Avoca Township Waterworks Trust



Riddells Creek Waterworks Trust  
Riddells Creek Sewerage Authority

See: Romsey Waterworks Trust

Robinvale Sewerage Authority

See: Swan Hill Waterworks Trust

Rochester Waterworks Trust  
Rochester Sewerage Authority

Rochester Waterworks Trust was constituted by Order of the Governor in Council on 2 October 1893. Its Commissioners are elected by the ratepayers with one person appointed by the Minister of Water Supply.

The Trust serves a population of 3,000 at a rate of 5 cents in the dollar N.A.V. The supply is drawn from the State Rivers and Water Supply Commission's Waranga Channel.

A detailed submission was forwarded to the Committee on 14 November 1980.

The Trust advised on 3 November 1981 that it supports the creation of a Rochester Water Board.

Rochester Sewerage Authority was constituted on 7 May 1963, its members being three Councillors for the Central Riding of the Shire of Rochester plus three Government Nominees.

The sewerage system currently serves 812 buildings. Treatment is by sedimentation followed by biological oxidation and disposal is by irrigation of pasture.

The Authority provided a detailed submission to the Committee in March 1981 in which it suggested that the present staff at the Shire of Rochester and the Rochester Sewerage Authority could readily administer the Rochester Waterworks Trust

providing a greater expertise and better access from a central location than is currently provided in two separate offices. It also suggested that the funding for all three bodies, even if merged, should be kept and accounted for separately.

The Rochester Sewerage Authority supports the proposal to create a Rochester Water Board and considers that "the new Board should be administered and staffed through the Rochester Shire Office".

The Shire of Rochester, in a letter to the Committee dated 23 July 1981, stated its belief that responsibilities for administration of water supply and sewerage districts should be combined with those of local government.

The Shire in its letter dated 12 November 1981 suggests that the Shire Council is reasonably representative of the consumers in the water and sewerage districts and should therefore assume direct responsibility and at least the proposed new Board should be administered and staffed through the Shire Office.

The township of Lockington in the Shire of Rochester currently receives its urban water supply from the State Rivers and Water Supply Commission.

**The Committee's recommendation is that the Rochester Waterworks Trust and the Rochester Sewerage Authority cease to exist, and that the successor body be the Rochester Water Board. The Committee further recommends that the Rochester Water Board accept responsibility for the urban water supply in Lockington. (Recommendation 114).**

#### Rokewood Waterworks Trust

Rokewood Waterworks Trust was created by Order of the Governor in Council on 23 January 1973. It consists of the three Councillors from the West Riding of the Shire of Leigh, and the three Councillors from the West Riding of the Shire of Buninyong, plus two persons appointed by the Minister of Water Supply. The Trust supplies 700 people in an Urban and Rural District, at rates of 11 and 10 cents in the dollar respectively. The Trust obtains its water directly from the Ballarat Water Commissioners through a 16 km pipeline.

The Trust made an initial submission to the Committee on 14 July 1980, and was represented at the Public Hearing held by the Committee at Ballarat on 19 September 1980. Representatives of the Trust met Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Ballarat on 2 July 1981.

The Trust is administered by a part-time Secretary resident in Rokewood, and a part-time turncock is employed.

The submission of 14 July 1980 outlined various alternative administrative possibilities, suggesting that municipal control was inappropriate as the Trust supplies water in two municipalities. Of control by the Ballarat Water Commissioners, the submission states "this appears to be the best alternative but distance becomes a problem, and there would be no representation for half of the Trust area".

In a further submission, in July 1981, the Trust continued to argue for the maintenance of present arrangements, but stated that if a "greater Ballarat authority" were brought into being, directly elected Commissioners representing Rokewood and the appointment of a local turncock should be considered. The Committee notes these comments.

**The Committee recommends that the Rokewood Waterworks Trust cease to exist, and that the successor body be the Rokewood Water Board. (Recommendation 115).**

Romsey Waterworks Trust

Romsey Sewerage Authority

Lancefield Waterworks Trust

Riddell's Creek Waterworks Trust

Riddell's Creek Sewerage Authority

Romsey Waterworks Trust was constituted on 27 April 1883 by Order of the Governor in Council. The Trust consists of four Commissioners, three being the Councillors of the Romsey Riding of the Romsey Shire Council and two persons appointed by the Minister of Water Supply. The four Commissioners are also Members of the Romsey Sewerage Authority which was constituted on 18 May 1976. The Secretary for the

three bodies is Mr. B. F. Carne who is also Secretary of the Romsey Shire. Engineers are Van Hoof and Byrne Pty. Ltd.

The Trust supplies a population of 1,000 in the Romsey township and immediate surrounding area. The Trust's source of water is Kerrie Reservoir with a capacity of 110 ML in the Bolinda Creek catchment.

The Romsey Sewerage Authority operates a sewerage treatment site some 2 km south-east of the town. Treatment is by biological oxidation in stabilization lagoons with effluent disposal by irrigation.

The Lancefield Waterworks Trust was constituted on 24 February 1888. The Trust has six Commissioners elected by the ratepayers within the Lancefield Trust district. The Lancefield Waterworks Trust has a 451 ML storage on Garden Hut Creek. The Trust serves a population of 600.

In response to the Committee's Second Report the Romsey and Lancefield bodies stated a preference for Option L6, unification within each local government area of all water and sewerage bodies.

In letters dated 13 November 1981 the Shire of Romsey and the Romsey and Lancefield bodies reaffirmed their support for separate Boards in Romsey and Lancefield but with the Shire continuing to carry out the administration and field maintenance on a fee for service basis.

Riddell's Creek Waterworks Trust was constituted on 15 March 1892. The Riddell's Creek Sewerage Authority was constituted on 30 October 1973. The six Commissioners to the two bodies are the same persons and all are elected. Secretary to both bodies is Mrs. Wright who was first appointed to the Waterworks Trust in 1945. Consultants to both bodies are John Scroggie Consulting Engineers Pty. Ltd.

The Trust serves a population of 1,400 and 345 tenements. The rate is 3.6 cents in the dollar N.A.V. with a minimum rate of \$40. Rates have not been levied for the Sewerage Authority. Water is diverted from Main Creek to two service basins with a total capacity of 73 ML. The town's annual water consumption is 275 ML.

The Riddell's Creek Waterworks Trust is also within the Shire of Romsey but is currently operated independently of the Shire. The Shire of Romsey has offered the Trust an administration service on a fee for service basis but this has not been accepted by the Trust.

In evidence to the Committee Hearing at Dandenong on 3 October 1980 the Trust indicated water restrictions had been imposed last year partially because of a reticulation problem and partly due to the storage problem. Mr. Hope, a Commissioner, said it would be possible to secure supply from the main supply line that runs from Rosslynne Dam to Sunbury with temporary piping. In a letter dated 20 October 1981 the Chairman of the Trust, Mr. R. S. Franklin, advised that the State Rivers and Water Supply Commission had approved a scheme to obtain water from this source.

In a further letter dated 6 November 1981 the Trust and Authority pointed to their lack of identification with the rest of the Romsey Shire and to the lack of representation that would follow if the Shire assumed responsibility for services in the Riddell's Creek area.

In the Committee's Fourth Report it was stated that "evidence also revealed the Secretary's salary equals about 50% of the rate revenue of the Trust". What should have been stated was that the Secretary's salary plus the surplus equals about 50% of the rate revenue of the Trust. In fact the Secretary's salary in 1979 was about \$3,000 with a total income of almost \$29,000. The Committee regrets any embarrassment its earlier incorrect statement may have caused and is pleased to be able to correct this mistake and include an explanation in this Report by way of a public apology to the Secretary.

**The Committee recommends that the Romsey Waterworks Trust, the Romsey Sewerage Authority and the Lancefield Waterworks Trust cease to exist and that the successor body be a Romsey Water Board responsible for the provision of all water supply and sewerage services in Romsey and Lancefield. The Committee also recommends that the Riddell's Creek Waterworks Trust and the Riddell's Creek Sewerage Authority should cease to exist, and that the successor body be the Riddell's Creek Water Board. (Recommendation 116).**

Rosedale Waterworks TrustRosedale Sewerage AuthoritySeaspray Waterworks TrustTyers and Glengarry Waterworks Trust

Rosedale Waterworks Trust was created by Order of the Governor in Council on 23 October 1916, and consists of the three Councillors of the Rosedale Riding of the Shire of Rosedale plus three persons appointed by the Minister of Water Supply. The Trust obtains its water from the La Trobe Valley Water and Sewerage Board via the Tyers and Glengarry Waterworks Trust system. A population of 1,000 is served at a rate of 7.5 cents in the dollar N.A.V.

The Trust provided the Committee with a submission in August 1980, and was represented at the Public Hearing held by the Committee at Traralgon on 5 September 1980. The submission outlined the degree of administrative integration between the Trust and the Shire of Rosedale which had been achieved since 1978, and indicated that both the Trust and the Council were "completely satisfied" with the existing structure and relationships between the two bodies. The submission also acknowledged the need for advisory, planning, engineering support and regional co-ordination to be provided by the La Trobe Valley Water and Sewerage Board, and advised that discussions were in progress between the Rosedale Waterworks Trust and the Tyers and Glengarry Waterworks Trust concerning the structure of both authorities.

Rosedale Sewerage Authority was constituted by Order of the Governor in Council on 1 May 1979, and consists of the Commissioners of the Rosedale Waterworks Trust. After some delays, due to the shortage of funds, construction has now commenced. The La Trobe Valley Water and Sewerage Board is constructing the pumping station and outfall main from its own financial sources, and wastewater will pass into the La Trobe Valley Water and Sewerage Board's outfall.

Tyers and Glengarry Waterworks Trust was created by Order of the Governor in Council on 18 August 1959, and consists of three persons elected by the Shire of Rosedale, two persons elected by the Shire of Traralgon and two persons appointed by the Minister of Water Supply. The Trust obtains water from the La Trobe Valley Water and Sewerage Board's Moondarra pipeline, and serves a population of 1,500 people in Tyers and Glengarry, Toongabbie and Cowwar at an urban rate of 13 cents in the dollar N.A.V. Surrounding rural areas are supplied by agreement. The Trust made a submission to the Committee on 25 August 1980.

The submission stated that:-

"The Trust is of the opinion that with the expansion being encountered and that postulated for the next fifty years associated with Brown Coal usage it may be the proper time to commence negotiations for the amalgamation of the Tyers/Glengarry Trust and the Rosedale Trust."

It also indicated that the Trust was exploring the possibility of obtaining the services of the La Trobe Valley Water and Sewerage Board, on a fee basis, as the operating and maintenance organisation.

Mr. R. A. Jolly, M.P. had talks with representatives of the Trust in Traralgon on 24 July 1981.

Seaspray Waterworks Trust was created by Order of the Governor in Council on 6 November 1963 and consists of five Commissioners elected by the ratepayers plus one person appointed by the Minister of Water Supply. The Trust pumps water from Merriman's Creek and supplies a population of 490 at a rate of 9 cents in the dollar N.A.V.

Seaspray Waterworks Trust made a submission to the Committee on 2 September 1980, and was represented at the Public Hearing held by the Committee at Traralgon on 5 September 1980. As with Rosedale Waterworks Trust, Seaspray Waterworks Trust entered into an administrative agreement on a fee for service basis with the Shire of Rosedale late in 1978.

The Shire of Rosedale advised the Committee on 6 May 1981 that it considered there should be regional co-ordination of water and sewerage services in the La Trobe Valley by the La Trobe Valley Water and Sewerage Board, and that local authorities should be responsible for reticulation.

The Rosedale Sewerage Authority, the Rosedale Waterworks Trust, the Seaspray Waterworks Trust and the Tyers and Glengarry Waterworks Trust put in a joint submission dated 5 November 1981 seeking an amalgamation into one Board. Among evidence presented were the facts that Rosedale and Tyers and Glengarry have a common source of supply from the Latrobe Valley Water and Sewerage Board's Moondarra System and at present only one Councillor of the Rosedale Shire is resident

within the three districts. The Shire of Rosedale in a letter dated 5 November 1981 supports the joint submission of the bodies and suggests that administration could be carried out by the Shire on a fee for service basis.

The Committee's recommendation is that the Rosedale Waterworks Trust, the Rosedale Sewerage Authority, the Seaspray Waterworks Trust and the Tyers and Glengarry Waterworks Trust should cease to exist, and that the successor body should be a Rosedale Water Board integrated as closely as possible in respect of administrative services with the Shire of Rosedale, and responsible for all necessary urban water and sewerage services in the Shire of Rosedale. The Committee further recommends that the Rosedale Water Board operate within a regional water resources planning framework developed by the La Trobe Regional Water Board. (Recommendation 117).

Rupanyup Sewerage Authority

See: Murtoa Waterworks Trust

Rushworth Waterworks Trust

See: Colbinabbin Waterworks Trust

Shire of Rutherglen Waterworks Trust

Shire of Rutherglen Sewerage Authority

The Rutherglen Waterworks Trust was constituted on 10 April 1899 and the Wahgunyah Waterworks Trust on 6 April 1941. They were amalgamated on 18 September 1979 to form the Shire of Rutherglen Waterworks Trust. The Commissioners of the Trust are the Councillors of the Wahgunyah and Central Ridings of the Shire of Rutherglen plus two persons appointed by the Minister of Water Supply - one each from the townships of Rutherglen and Wahgunyah.

The Shire of Rutherglen Sewerage Authority was constituted on 7 December 1976. The composition of the Authority is the same as for the Waterworks Trust. The



Authority has not yet commenced construction in either towns of Rutherglen or Wahgunyah.

The Secretary for both bodies is Mr. W. A. McQuillen who is also Shire Secretary. Consulting engineers are John Scroggie Consulting Engineers Pty. Ltd.

In submissions to the Committee the Shire stressed the commitment of the Commissioners, suggesting if the bodies were to be amalgamated with the Shire this could be lost.

In a letter dated 28 October 1981 the Secretary to both the Trust and Authority, argues in support of a separate Board for water supply and sewerage services in the Shire of Rutherglen. He points out, inter alia, that when the Rutherglen and Wahgunyah Trusts were amalgamated in 1979 to form the current Trust the Shire made it quite "clear that as a Council, it wanted no part of the Waterworks Trust or Sewerage Authority" and this attitude has not changed. He also advises that 10 of the 15 Councillors of the Shire do not reside in the current Trust and Authority district "of whom nine express strong opposition" to Council administration of water and sewerage matters.

**The Committee recommends the Shire of Rutherglen Waterworks Trust and the Shire of Rutherglen Sewerage Authority cease to exist, and the successor body be the Rutherglen Water Board. (Recommendation 118).**

St. Arnaud Waterworks Trust

St. Arnaud Sewerage Authority

St. Arnaud Waterworks Trust was constituted by Order of the Governor in Council on 28 September 1898. Its Commissioners are Councillors of the Town of St. Arnaud plus one person appointed by the Minister of Water Supply.

The Trust serves a population of 2,900 at a rate of 6.5 cents in the dollar N.A.V. The present supply system consists of a 720 ML storage (Volcano Lake) which is filled annually from the Commission's domestic and stock channel system. A 10 year program of works aimed at improving supply is currently underway at a cost of approximately \$2 million.

St. Arnaud Sewerage Authority was constituted by Order of the Governor in Council on 27 April 1948 - the Members being the Commissioners of the St. Arnaud Waterworks Trust.

The all gravity system serves 1,070 buildings and the effluent is disposed of by irrigation.

The Town Clerk of St. Arnaud is also Secretary of the Waterworks Trust and the Sewerage Authority.

Neither the Town, Trust nor Authority made written submissions to the Committee nor did they attend any Public Hearings.

**The Committee's recommendation is that the St. Arnaud Waterworks Trust and the St. Arnaud Sewerage Authority cease to exist, and that the successor body be the Town of St. Arnaud. (Recommendation 119).**

#### City of Sale

#### Sale Sewerage Authority

Sale City Council was constituted as a Local Governing Body under the Water Act on 28 September 1965. It had until that time been the last major urban centre in Victoria with a municipal water supply, provided under the powers contained in Sections 689/92 of the Local Government Act. In view of this, the Committee requested the City of Sale to explain the reasons why the municipality chose to be constituted in 1965 as a Local Governing Body under the Water Act rather than continue to provide water supply under its Local Government Act powers. The Town Clerk's reply on 7 August 1981 to this request makes it clear that "the major consideration which led to the City of Sale changing the basis of its water supply operations seems to have been the attraction of government interest subsidy". The City of Sale also provided the Committee with their internal report dated 2 June 1964 on this subject. The 1964 City of Sale report is a significant document, indicating the extent to which the financial incentive of interest subsidies induced the municipality to accept Local Governing Body status despite the extra costs and centralised supervision they anticipated as a result.

The Committee has stated its views on this matter on page 27 of its Second Report, which argues that "Government financial assistance should be allocated according to a comparative assessment of need, not on the basis of the legislative form of the recipient body ... Funding should be independent of structure, and available to a voluntary co-operative, municipality or private enterprise initiative if needs-based criteria are met".

The City of Sale obtains its water supply from bores, and supplies a population of 14,000 people at a rate of 3.7 cents in the dollar N.A.V.

Sale Sewerage Authority consists of the Councillors of the City of Sale. Sewage is discharged into the La Trobe Valley Water and Sewerage Board's La Trobe Valley Outfall Sewer.

The City of Sale made an initial submission to the Committee on 9 July 1980 stating that:-

"The Council at its last meeting resolved to convey its general comment that Council supports the system currently existing in Sale whereby all three authorities (Council, Water and Sewerage) are administered by the one elected body and officers. Should any alteration be envisaged to this system the Council would favour a complete absorption of the water and sewerage aspects within the municipality and the relevant legislations being administered in the same manner as local government legislation, e.g. Town Planning, Dog Act, Health Act, etc."

Both the City and the Authority were represented at the Public Hearing held by the Committee at Bairnsdale on 15 August 1980.

The City advised on 13 November 1981 its support for the recommendation.

**The Committee's recommendation is that the City of Sale cease to be constituted as a Local Governing Body under the Water Act, that the Sale Sewerage Authority cease to exist, and that the successor body be the City of Sale directly responsible for all necessary urban water and sewerage provision within the City and operating within a regional water resources planning framework developed by the La Trobe Regional Water Board. (Recommendation 120).**

Sea Lake Sewerage AuthorityWycheproof Sewerage Authority

Sea Lake Sewerage Authority was constituted by Order of the Governor in Council on 3 July 1968. Its members are Councillors of the Tyrrell Riding of the Shire of Wycheproof and three persons appointed by the Minister of Water Supply. It provides a service to a population of almost 1,000.

In letters to the Committee dated 22 June 1981 and 5 November 1981 the Authority expressed support for the retention of the existing arrangements.

Wycheproof Sewerage Authority was constituted by Order of the Governor in Council on 3 July 1968. Its Members are Councillors of the South Riding of the Shire of Wycheproof and three persons appointed by the Minister of Water Supply. The Authority provides a service to a population of almost 1,000.

The Secretary, in letters to the Committee dated 22 June 1981 and 6 November 1981, expressed the Authority's view that the existing arrangements should be retained.

The Shire Secretary is also the Secretary of the two Authorities. Both Authorities are administered from the Shire Office at Wycheproof.

The State Rivers and Water Supply Commission services the following Urban Districts in the Shire of Wycheproof - Berriwillock, Culgoa, Nandaly, Nullawie, Sea Lake and Wycheproof. Culgoa, Nandaly and Nullawie are all supplied, at a loss, by direction of the Governor in Council.

The Shire of Wycheproof, in a letter dated 24 March 1981, supports the Authority's view. In its letter of 11 November 1981 the Shire reiterated its earlier support of the existing arrangements. They stated, inter alia, that they could not absorb the loss on the supply of water to certain urban districts and that while "Council could handle the total administration of these services ... it could mean mechanization of Council's records or employment of additional staff". The letter also stated that Council's main opposition to any change is because of its "scepticism about future Government funding".

The Committee's recommendation is that the Sea Lake Sewerage Authority and the Wycheproof Sewerage Authority cease to exist, and that the successor body be the Shire of Wycheproof. The Committee further recommends that responsibility for the urban districts of Berriwillock, Culgoa, Nandaly, Nullawie, Sea Lake and Wycheproof be transferred from the State Rivers and Water Supply Commission to the Shire of Wycheproof. (Recommendation 121).

Seaspray Waterworks Trust

See: Rosedale Waterworks Trust

Serviceton Sewerage Authority

See: Shire of Kaniva Waterworks Trust

Seymour Waterworks Trust

Seymour Sewerage Authority

Avenel Waterworks Trust

Seymour Waterworks Trust was created on 4 November 1889, and consists of the Councillors for the North and South Ridings of the Shire of Seymour plus three persons appointed by the Minister of Water Supply. The Trust obtains water from the Trawool Reservoir and from the Goulburn River, and has extended its water supply by pipeline to serve Tallarook with treated water. A population of 7,000 at Seymour and 250 at Tallarook is provided with water at rates of 4 cents and 13.5 cents in the dollar respectively.

Seymour Sewerage Authority was constituted on 20 March 1962 and consists of the Commissioners of the Seymour Waterworks Trust. Sewage is conveyed to a treatment works east of the town; final effluent is disposed of by irrigation.

These bodies are administered jointly, and separately from municipal government. Both were represented at the Discussion held by the Committee in Shepparton on 29

August 1980. The Trust and Authority on this occasion provided the Committee with a valuable and comprehensive submission. Both bodies provided a response to the Committee's Second Report on 30 July 1981, which stressed that legislative and bureaucratic restraints were more significant problems in the water industry than were structural questions, but advocating in respect of structure:-

- \* a regional co-ordinating committee, perhaps based on water users along the Goulburn River;
- \* the amalgamation of the Trust and Authority to form a Seymour Water and Wastewater Board;
- \* the extension of the new body's ambit to cover the whole of the Shire, including the Avenel water supply and the Puckapunyal water and sewerage schemes. In respect of this latter proposal, the submission quotes a letter dated August 1977 from the Commonwealth Department of Construction which states that "as a result of recent studies the Commonwealth Government believes that the operation and maintenance of the water supply and sewerage systems could more effectively be carried out by local governing bodies".

The Committee commends the Seymour Waterworks Trust and Sewerage Authority for their well documented and thoughtful submissions.

On 21 October 1981 Mr. J. T. Wilkinson, Secretary of both the Trust and Authority, advised that those bodies support the proposed Seymour Water Board.

Avenel Waterworks Trust was constituted on 17 August 1885 by Order of the Governor in Council, and consists of six Commissioners elected by its ratepayers.

The Trust provides water to a population of 600 people, at a rate of 5 cents in the dollar N.A.V., from a 4.5 ML capacity reservoir.

While the Trust did not appear at the Discussion held by the Committee at Shepparton on 29 August 1980, the Secretary advised the Committee by letter on 18 March 1981 that "in the near future we hope to be taken over by the Seymour Waterworks Trust".

" ... the present Trust believe that it is in the interests of the ratepayers for professional people with the necessary expertise in water administration and maintenance to look after the growing needs of Avenel. The following advantages can be readily observed.

1. The administration of the Seymour Waterworks Trust is being streamlined with the introduction of a computerised accounting system.
2. The maintenance section is on call seven days a week to remedy any faults which may occur.
3. Consulting Engineers with considerable experience in Waterworks Trusts are employed by the Trust. These and many other benefits enjoyed with economies of scale are available to the ratepayers of Avenel if the takeover is accepted.

The present Trust believe that with the complexities of the requirements of the Water Act and Uniform Plumbing Regulations etc., especially in relation to new subdivisions, the interest of the ratepayers is best served by a centralized and experienced staff which the Seymour Waterworks Trust can offer."

The Chairman, E. J. Saunders, advised on 30 October 1981 that "this Trust wholeheartedly supports abolition of itself and subsequent takeover by the proposed Seymour Water Board".

The Shire of Seymour advised the Committee on 17 March 1981 that it considered it preferable for water, sewerage and river improvement activities to be administered separately from the Shire.

**The Committee's recommendation is that the Seymour Waterworks Trust, the Seymour Sewerage Authority and the Avenel Waterworks Trust cease to exist, and that the successor body be the Seymour Water Board, with responsibilities for the provision of all necessary urban water and sewerage services within the Shire of Seymour. The Committee further recommends that the Victorian Government offer to assist the Seymour Water Board to negotiate with the Commonwealth Government to effect a transfer of responsibility for the Puckapunyal water supply and sewerage system to the Board on appropriate terms and conditions. (Recommendation 122).**

Shepparton Urban Waterworks TrustShepparton Sewerage Authority

Shepparton Urban Waterworks Trust was created on 29 December 1887 by Order of the Governor in Council. The Trust consists of six Commissioners elected by the ratepayers. It obtains water by pumping from the Goulburn River, and supplies a population of 24,000 people at a rate of 4 cents in the dollar N.A.V. The Trust was one of the first to introduce filtered water in Victoria, in 1935.

The Trust made an initial submission to the Committee on 21 August 1980, and was represented at the Discussion held by the Committee in Shepparton on 29 August 1980. Following the publication of the Committee's Second Report, the Trust made a response on 30 July 1981, which argued that the water and sewerage authorities serving the Shepparton area should be amalgamated into a single corporate entity separate from municipal government, to be known as the Shepparton Water and Waste Water Board, or a separate body to administer water and waste water in the "Greater Shepparton area", that is, covering Shepparton and Mooroopna. The Trust drew the Committee's attention to problems with municipal boundaries in the Shepparton area, and provided the Committee with some comparative cost data concerning its operations.

The Trust submitted a further detailed submission on 10 November 1981 supporting the proposals contained in the Committee's Fourth Report and suggesting that water services in Dookie and Tallygaroopna should also be provided by the proposed Shepparton Water Board.

Shepparton Sewerage Authority was constituted on 4 July 1934 and consists of the Councillors of the Shire of Shepparton. The Authority's administration is integrated with that of the City of Shepparton.

The Authority was not represented at the Discussion held by the Committee at Shepparton on 29 August 1980, but gave evidence at a Public Hearing held in Melbourne on 4 March 1981. The Authority's submission, presented at this Hearing, principally concerned the funding of capital works programs. In verbal evidence at the Hearing, the Authority Chairman, Councillor Gerrard, stated:-



"It seems obvious that better services would be provided for the Shepparton area if the sewerage and water trust were under the one heading. I do not care whether it is council, so long as it is under one heading ..."

Following discussions with Hon. David White, M.L.C., and Mr. E. J. Hann, M.P., representing the Committee at Shepparton on 30 July 1981, the Authority wrote to the Committee on 18 August 1981 stating that:-

"The Authority, after considerable deliberation ... determined to restate its previously adopted policy that it favours the unification within each local government area of all water and sewerage bodies without a corporate identity separate from that of municipal government", subject, however, to the adjustment of Loan Council borrowing arrangements and the adjustment of the boundaries of the City of Shepparton "to incorporate all of the present Shepparton Sewerage District and the Shepparton Urban Water District".

The Shire of Shepparton, in its submission to the Committee dated 14 April 1981, proposed that a new body should be formed in the "Greater Shepparton area" by the amalgamation of:-

- \* the Shepparton Waterworks Trust
- \* the Shepparton Sewerage Authority
- \* the Mooroopna Waterworks Trust and
- \* the Mooroopna Sewerage Authority.

The Shire's submission stresses 'the continued conflict on certain planning issues' between the Shire of Shepparton and the City of Shepparton, and argues that 'the ratepayers of the Shire of Shepparton have been disadvantaged by the fact that sewerage administration has been in the hands of the Council of the City of Shepparton and parochial attitudes have been taken on the issue of extension of the service to urban areas of the Shire adjoining the City boundary'.

The City of Shepparton, in a letter dated 20 May 1981, acknowledged the fragmentation of services in the Shepparton area, and argued that the City of Shepparton should have the opportunity to expand its municipal boundaries. The letter points out that a poll of ratepayers was held at the time when sewerage for the city was proposed, which resulted in a majority in favour of Council rather than water trust

control of the new function. The Committee presumes this poll must have been conducted prior to 1934, and doubts its relevance to present circumstances.

The Committee observes with some concern the presence of seven authorities in the urban services field in the 'Greater Shepparton' area - three municipalities and four water bodies - and notes the problems of municipal boundaries. The Committee sees similarities between the situation facing Shepparton and that facing Mildura, although relations among the bodies involved appear more harmonious in the latter. The Committee believes some rationalisation in the provision of urban services in the 'Greater Shepparton' area to be an urgent priority.

**The Committee recommends that the Shepparton Urban Waterworks Trust and the Shepparton Sewerage Authority cease to exist, and that the successor body be the Shepparton Water Board, a corporate entity separate from municipal government, with responsibilities for the provision of all necessary urban water and sewerage services in those parts of "Greater Shepparton" falling within the City and Shire of Shepparton, and to Dookie and Tallygaroopna. The Committee encourages the Shepparton Water Board and the Mooroopna Water Board to meet regularly to develop as much integration as is practicable in respect of forward planning and the sharing of staff, facilities and equipment. (Recommendation 123).**

Skene's Creek Waterworks Trust

See: Apollo Bay Waterworks Trust

Skipton Waterworks Trust

See: Lismore and Derrinallum Waterworks Trust

Smythesdale-Scarsdale Waterworks Trust

See: Linton Waterworks Trust

### Springhurst Waterworks Trust

Springhurst Waterworks Trust was constituted on 19 August 1947 by Order of the Governor in Council. The Trust consists of six elected Commissioners and one person appointed by the Minister of Water Supply.

The Trust serves a population of 200 and there are 65 properties connected to the mains. The rate is 10 cents in the dollar N.A.V. with a total rate revenue of \$3,978.

The Springhurst Waterworks Trust is the only water trust in the Shire of Wangaratta and is situated on the Hume Highway in the northern extremity of the Shire.

The Trust, in a letter to the Committee, indicated there are no representatives from the Town of Springhurst on the Council and this could present problems to the Council if they were to administer the Trust.

The Shire in a letter dated 19 November 1981 suggested that the Trust come under the administration of the Shire.

**The Committee recommends that the Springhurst Waterworks Trust should cease to exist, and the successor body should be the Springhurst Water Board. The Committee also considers the Shire of Wangaratta should be the responsible body for any future waterworks in the Shire in districts other than Springhurst. (Recommendation 124).**

### Springvale and Noble Park Sewerage Authority

Springvale and Noble Park Sewerage Authority was constituted on 8 December 1948 by Order of the Governor in Council. The Authority has twelve Members who are also the Councillors of the City of Springvale.

The Authority provides sewerage service to 20,550 properties and serves a population of 77,000. The rate is 3 cents in the dollar N.A.V. with an average residential rate of \$45 per annum. The Springvale and Noble Park Sewerage Authority has made similar comments to those made by the Dandenong Sewerage Authority regarding the comparison with the Melbourne and Metropolitan Board of Works rate levels.

The Authority's staff is situated in the City of Springvale office complex and staff are shared with the municipality. Consultant engineers are Garlick and Stewart who also act for the Dandenong Sewerage Authority.

The Authority stated in its submission in relation to interest subsidy:-

"Both the Dandenong Authority and ours were, of course, greatly assisted in their development by the interest subsidies provided by the Victorian Government on all interest paid in excess of 3% per annum on Loan Account borrowings. As the Authorities developed it became apparent that the subsidies were no longer essential to their well being and largely on the joint initiatives of the two Authorities the necessary legislative changes were made and subsidies were phased out during the period 1/7/74 to 30/6/76."

The City of Springvale, in a letter to the Committee dated 7 April 1981, stated "Council fully supports the sewerage authority's campaign to retain its autonomy and considers it to be a viable and efficient operation. In cases where sewerage authorities prove to be non-viable and inefficient, Council fully supports their amalgamation with municipalities".

All wastes are discharged through two outfall sewers to the Dandenong Treatment Works by agreement with the Dandenong Sewerage Authority.

The Springvale and Noble Park Sewerage Authority presented evidence to the Public Hearing on 3 October 1980 at Dandenong, and suggested the Authority would not look favourably on amalgamation with the Melbourne and Metropolitan Board of Works.

Mr. Peter Collins, M.P., when asked the Melbourne and Metropolitan Board of Works' attitude on absorption of the Authority, replied: "I am sure if the Committee wrote to the Melbourne and Metropolitan Board of Works and asked for its feelings on the matter it would receive a very positive answer and it would be down tomorrow like Flash Gordon".

The Springvale and Noble Park Sewerage Authority and the City of Springvale in letters dated 20 October 1981 and 12 November 1981 respectively advised they have no objection to the creation of a Dandenong Springvale Sewerage Board provided

residents of Noble Park and Springvale have adequate representation, that the services to consumers are not lessened and the office in Springvale is maintained.

The Committee has been constrained in its consideration of the future of the Dandenong Sewerage Authority and the Springvale and Noble Park Sewerage Authority by the fact that the Melbourne and Metropolitan Board of Works is outside the reference currently before it. The Committee therefore makes the following qualified recommendation, which may need reconsideration should the Melbourne and Metropolitan Board of Works subsequently be referred to the Committee for review.

**The Committee recommends that the Springvale and Noble Park Sewerage Authority should cease to exist, and that the successor body for the time being should be a new body known as the Dandenong Springvale Water Board. (Recommendation 125).**

Shire of Stawell Waterworks Trust

Hall's Gap Sewerage Authority

Town of Stawell Water Supply

Stawell Sewerage Authority

Shire of Stawell Waterworks Trust was constituted by Order of the Governor in Council on 11 August 1882. Its Commissioners are members of the Stawell Shire Council. Its Secretary, Mr. V. G. Nielson, is also Shire Secretary.

The Trust serves the townships of Great Western (population 150), Hall's Gap (population 150) and Glenorchy (population 100) with rates of 5.5, 3.3, and 17.5 cents in the dollar N.A.V. respectively.

In Great Western the main supply is gravity fed from the 50 ML Pannock Creek Reservoir with a supplementary supply from the City of Ararat. Hall's Gap is gravity fed from a 59 ML storage on Davis Creek - recent works enable water to also be pumped from Lake Bellfield. Glenorchy is supplied by pumps from the Wimmera River.

In a letter dated 11 August 1981 the Trust reversed its earlier support for amalgamation of the Trust and the Hall's Gap Sewerage Authority with the Shire of

Stawell and opted instead for retention of each authority. The Trust was concerned at the possibility of changes to the current arrangements in respect of low interest loans and revenue assistance particularly to smaller authorities.

The Hall's Gap Sewerage Authority was constituted by Order of the Governor in Council on 16 March 1977. It comprises portion of the West Riding of the Shire of Stawell its Members being three Councillors of the West Riding of the Shire of Stawell plus three Government Nominees. The Secretary, Mr. V. C. Nielson, is Secretary to the Shire of Stawell Waterworks Trust and is also Shire Secretary.

The Authority serves a population (Hall's Gap and Bellfield) of 250 (peak holiday population 7,000) at a rate of 4 cents in the dollar N.A.V.

The Authority has faced considerable difficulties in establishing a suitable location for the proposed sewerage works. In February 1978 the Town Planning Appeals Tribunal upheld the Ararat Shire Council's decision not to issue a permit for the construction of sewerage purification works on C. A. 76 Parish of Boroka. Plans and specifications covering a new site have been submitted to the Commission for approval.

In a letter dated 11 August 1981 the Authority reversed its earlier view as expressed at the Hearings in Horsham on 28 July 1980 and supports the maintenance of existing authorities. Like the Waterworks Trust it expressed concern at possible changes to financial arrangements. It also attached considerable importance to the desirability of having local representation on the Sewerage Authority which it saw as being largely lost if absorbed into Local Government. On 9 November 1981 it advised by letter that subject to adequate local representation it would accept the Shire of Stawell assuming its responsibilities.

The Town of Stawell Water Supply District was defined by Order of the Governor in Council on 27 October 1874. Its Commissioners are Councillors of the Stawell Town Council. Its Secretary, Mr. D. H. Hutton, is the Town Clerk. A population of 6,500 is supplied at a rate of 2.3 cents in the dollar N.A.V.

The Town is supplied by gravity from Fyans Creek and can be supplemented by pumping from Lake Fyans into the gravity main. The pump station on Lake Fyans is shared with the City of Ararat.

The Stawell Sewerage Authority was constituted by Order of the Governor in Council on 2 April 1948. Its Members are Councillors of the Town of Stawell.

A population of 6,500 (2,317 buildings) are served at a rate of 0.5 cents in the dollar of site value.

The treatment works comprise a sedimentation tank, trickling filters, sludge digester and lagoons. The effluent from the lagoons is disposed of by irrigation on pasture.

In a joint submission dated 8 July 1981 the Town of Stawell, Town of Stawell Water Supply District and Stawell Sewerage Authority favoured Option L3 listed in the Second Report to Parliament - "Future Structures for Water Management". The submission inter alia points to the separate funding arrangements that apply to the three bodies and suggests that water and sewerage services would be severely disadvantaged if forced to compete with the varied demands placed on local government. This view was repeated in Discussions at Horsham on 28 July 1981 with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P., with Committee Members on 10 November 1981 and in correspondence from the Town of Stawell Water Supply District, the Town of Stawell and the Stawell Sewerage Authority dated 30 October 1981. Further, a separate letter dated 27 March 1981 from the Town of Stawell suggests that any regionalisation scheme which would place the Water and Sewerage Authorities into a regional network would be disastrous.

Marnoo (population 300) in the Shire of Stawell is provided with water, by direction of the Governor in Council, as an Urban District of the State Rivers and Water Supply Commission. It is supplied, at a loss, at a rate of 17.5 cents in the dollar.

The Shire of Stawell, in a letter dated 5 March 1981, supports a merger of the Shire of Stawell Waterworks Trust and the Hall's Gap Sewerage Authority with the Stawell Shire Council with one administration covering them all. In a letter dated 5 November 1981 the Shire advised that it would accept responsibility for water supply to Marnoo with reluctance as the supply is running at a loss.

**The Committee's recommendation is that the Shire of Stawell Waterworks Trust and the Hall's Gap Sewerage Authority cease to exist, and that the successor body be the Shire of Stawell. The Committee also recommends that the Marnoo Urban District of the State Rivers and Water Supply**

Commission be transferred to the Shire of Stawell. The Committee further recommends that the Town of Stawell cease to be constituted as a Local Governing Body under the Water Act, that the Stawell Sewerage Authority cease to exist, and that the successor body be the Town of Stawell. (Recommendation 126).

### Stratford Waterworks Trust

Stratford Waterworks Trust was created by Order of the Governor in Council on 21 March 1928. The Trust consists of the three Councillors for the Central Riding of the Shire of Avon plus three persons appointed by the Minister of Water Supply. It obtains and treats water from a State Rivers and Water Supply Commission channel, supplying a population of 1,100 people at a rate of 3 cents in the dollar N.A.V. The Trust's Secretary is the Shire Secretary, its part-time turncock also works on the Council staff, and the Trust's Office is in the Shire Offices.

Stratford is the only town in the Shire of Avon with an urban water or sewerage facility, the next largest town being Dargo, population 150.

The Trust wrote to the Committee initially on 20 June 1980, counselling that it would be "vital, that in any review undertaken, each trust or authority be assessed on its individual merits, rather than the adoption of a 'broad brush' approach by the Committee". The Trust subsequently made a submission to the Committee on 8 August 1980, which stressed the values of closeness to the community, the dangers of large, insensitive bureaucracies, and possible diseconomies of scale. The submission argued for a continuation of its present structure, concluding that "never was there a time when smaller authorities were more popular, serving as a counter balance against insensitive and unresponsive bureaucracies".

The Trust was represented at the Public Hearing held by the Committee at Bairnsdale on 15 August 1980, where the Committee heard further views concerning the proposition that "small is beautiful".

The Trust wrote again to the Committee on 22 June 1981, following publication of its Second Report, and argued that merging water bodies with municipalities could lead to a reduction in the level of sensitive and responsive representation, particularly where



the majority of Councillors do not have a direct interest in the water supply problems of a particular urban area.

The Committee notes that only three of the Councillors of the Shire of Avon live in Stratford.

The Shire of Avon, in its submission to the Committee dated 30 April 1981, advanced very similar arguments to those presented by the Stratford Waterworks Trust.

The Shire and Authority in a joint letter dated 18 November 1981 advised that while they support the proposal for a Water Board they consider a more appropriate name would be Avon Water Board. The bodies further expressed some concern at the proposed regional framework. They suggested an East Gippsland Region rather than the umbrella of a La Trobe Valley Region.

**The Committee's recommendation is that the Stratford Waterworks Trust cease to exist, and that the successor body be the Avon Water Board, with responsibilities for all necessary urban water and sewerage provision in the Shire of Avon. The Committee further recommends that the Avon Water Board operate within a regional water resources planning framework developed by the La Trobe Regional Water Board. (Recommendation 127).**

#### Sunbury Waterworks Trust

#### Sunbury Sewerage Authority

Sunbury Waterworks Trust was constituted on 25 February 1905 and the Sunbury Sewerage Authority on 17 August 1971. Commissioners for both bodies are elected by the ratepayers and the same members serve on each body. The Secretary to the Trust and Authority is Mr. J. Kelly, who is also Shire Secretary. In addition a number of the staff employed by the Shire of Bulla are common to both bodies. John Scroggie Consulting Engineers Pty. Ltd. are the engineers.

The Sunbury Waterworks Trust serves a population of 13,500 and 3,349 tenements in Sunbury, Bulla and Diggers Rest. The rate is 4 cents in the dollar N.A.V. with the average rate in Sunbury being \$60 and in the Bulla Oakland Rural District \$80.

The Sewerage Authority rate is 8.3 cents in the dollar N.A.V. with an average sewerage rate of \$124.50.

Water is drawn from four creek weirs and the State Rivers and Water Supply Commission's Rosslynne Dam.

The bodies gave evidence to the Lilydale Hearing on 31 October 1980 together with detailed written submissions in which they suggested that water and sewerage should be combined into one body but separate from the Council.

In a joint submission in response to the Committee's Fourth Report the bodies presented a strong case for remaining separate from the Shire of Bulla. The submission points to the evolution towards a Jackson's Creek Water Board covering Gisborne, Riddell's Creek (Shire of Romsey) and a number of areas in the Shire of Bulla.

The Committee notes that the Shire of Bulla provides staffing support to the bodies and that the Shire Secretary is Secretary to the Trust and Authority. However, the Committee also notes that the Trust and Authority operate outside Shire boundaries and there will be an increasing tendency in this direction.

**The Committee recommends that the Sunbury Waterworks Trust and the Sunbury Sewerage Authority should cease to exist, and the successor body be the Sunbury Water Board responsible for those areas in the Shire of Bulla currently supplied by the Trust and Authority plus the Diggers Rest area of the Shire of Melton. (Recommendation 128).**

Swan Hill Waterworks Trust

Swan Hill Sewerage Authority

Robinvale Sewerage Authority

Swan Hill Waterworks Trust was constituted by Order of the Governor in Council on 16 October 1900. The Lake Boga Urban District was proclaimed as from 1 July 1977.

The Trust serves two areas - the City of Swan Hill and the township of Lake Boga which is located in the Swan Hill Shire.

Its Commissioners are members of the Swan Hill City Council plus one Government Nominee.

The Trust, by letter dated 12 June 1981, favoured amalgamation of water and sewerage authorities with municipal bodies without the retention of separate corporate entities. The Trust also pointed to the fact that Lake Boga is in the Swan Hill Shire.

The Swan Hill Sewerage Authority was constituted by Order of the Governor in Council on 8 November 1926. Its Members are Councillors of the City of Swan Hill plus one Government Nominee.

A population of 8,000 is served at a rate of 8.3 cents in the dollar N.A.V. The reticulation system drains to a recently upgraded main pump station, discharging effluent through a rising main to the new treatment plant about 6 km west of Swan Hill.

The Robinvale Sewerage Authority was constituted by Order of the Governor in Council on 5 August 1969, its Members being twelve Councillors of the Shire of Swan Hill.

The Authority serves a population of 3,500 at a rate of 8 cents in the dollar N.A.V. Treatment is by wastewater stabilization lagoons with effluent disposal by irrigation.

The Swan Hill District Centre of the State Rivers and Water Supply Commission services eight towns in the Shire of Swan Hill namely - Chillingollah, Manangatang, Nyah, Nyah West, Piangil, Ultima, Waitchie and Woorinen. Robinvale's supply is administered from Sunraysia.

The City of Swan Hill, the Swan Hill Sewerage Authority and the Swan Hill Waterworks Trust in a joint letter dated 22 October 1981 suggested that the creation of a Water Board to cover the City and Shire was not warranted, that it would create duplication and that "the two municipalities should handle the urban water and sewerage services within their own municipality as part of their municipal function".

**The Committee recommends that the Swan Hill Waterworks Trust and the Swan Hill Sewerage Authority cease to exist, and that the successor body be**

the City of Swan Hill. The Committee further recommends that the Robinvale Sewerage Authority cease to exist, and that the successor body be the Shire of Swan Hill. The Committee also recommends that the State Rivers and Water Supply Commission cease to supply those towns in the Swan Hill Shire that it currently supplies and that responsibilities for urban water retailing in all parts of the Shire be transferred to the Shire of Swan Hill by 1 January 1984. (Recommendation 129).

#### Swift's Creek Waterworks Trust

See: Omeo Waterworks Trust

#### Shire of Talbot and Clunes

The Shire of Talbot and Clunes is a Local Governing Body under the Water Act. The Shire serves Talbot (population 384) and Clunes (population 950) at rates of 7 and 5 cents in the dollar N.A.V. respectively. The Shire obtains water for Clunes from Newlyn Reservoir via a weir on Bullarook Creek, and for Talbot from Talbot Reservoir.

The Shire was not represented at the Public Hearing held by the Committee at Ballarat on 19 September 1980. However on 4 March 1981 the Shire advised that it is "happy with the way that the two Water Supply Authorities in the Shire are controlled by Councillors as a separate legal entity".

Representatives of the Shire met Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Ballarat on 2 July 1981.

**The Committee recommends that the Shire of Talbot and Clunes cease to be constituted as a Local Governing Body under the Water Act and that in future all necessary urban water and sewerage retailing in the Shire of Talbot and Clunes be the direct responsibility of the Shire. (Recommendation 130).**

Shire of Tallangatta Waterworks Trust

Shire of Tallangatta Sewerage Authority

The Shire of Tallangatta Waterworks Trust was constituted on 9 August 1906. The Trust comprises the nine Councillors for the Shire of Tallangatta plus one Government Nominee.

Water is drawn from Lake Hume for 383 tenements in Tallangatta and 70 tenements in Bellbridge. The annual revenue from the respective towns is \$36,954 and \$9,433 at a rate of 1.0 cents and 0.7 cents in the dollar N.A.V.

The Tallangatta Sewerage Authority was constituted on 5 December 1953 and on 14 February 1978 became the Shire of Tallangatta Sewerage Authority. The membership of the Authority is the same as for the Trust with the Secretary of the Shire of Tallangatta acting in that capacity also for both bodies.

The Shire of Tallangatta Sewerage Authority provides sewerage service to the town of Tallangatta. The town of Bellbridge sewerage system is being financed by Lake Hume Estates Land Developers.

The Shire of Tallangatta expressed the opinion to the Committee that smaller trusts and authorities should be brought under the control of municipal councils.

The Walwa Waterworks Trust is also situated within the Shire of Tallangatta but Council put the view that the Trust had operated successfully and economically for many years and was some 50 miles from Tallangatta.

**The Committee considers the Shire of Tallangatta Waterworks Trust and the Shire of Tallangatta Sewerage Authority should cease to exist, and the successor body should be the Shire of Tallangatta. (Recommendation 131).**

Tatura Waterworks Trust

Tatura Sewerage Authority

Merrigum Waterworks Trust

Mooroopna Waterworks Trust

Mooroopna Sewerage Authority

Tatura Waterworks Trust was constituted by Order of the Governor in Council on 24 June 1889. Its Commissioners comprise three Councillors of the Tatura Riding of the Shire of Rodney and three persons appointed by the Minister of Water Supply.

The Trust serves a population of 3,320 at a rate of 3.8 cents in the dollar N.A.V. Its supply is obtained from the Central Goulburn No. 3/5 Channel of the State Rivers and Water Supply Commission.

Tatura Sewerage Authority was constituted by Order of the Governor in Council on 11 March 1947. Its members are the Commissioners of the Tatura Waterworks Trust.

The Authority serves a population of 3,300 at a rate of 7.3 cents in the dollar N.A.V. The reticulation system comprises approximately 20 km of sewers of varying sizes with six manhole pumping stations which lift sewerage into main sewers at a higher level. Treatment is by way of oxidation lagoons and disposal by land irrigation. Tenders were let early in 1980 for the Authority to commence construction of evaporation ponds - cost \$168,095.

The Trust and the Authority have the one Secretary, Mr. J. P. Mahoney, and by letter dated 19 March 1981 he advised that a study into the possible amalgamation of the Trust and Authority with the Shire of Rodney was currently being undertaken. The Shire of Rodney confirmed this study by letter dated 7 April 1981.

In a detailed joint submission dated 12 November 1981 the Trust and Authority presented evidence in support of a separate Board re-located within the Shire of Rodney complex to "ensure rational use of joint facilities and personnel". The submission suggested that a separate Board would ensure that representation of consumers is maintained and pointed to the fact that the major users of this service in Tatura are the local industries.

Merrigum Waterworks Trust was constituted by Order of the Governor in Council on 2 June 1925. Six of its Commissioners are elected by the ratepayers and one appointed by the Minister of Water Supply. A population of 720 is served at a rate of 4 cents in the dollar N.A.V. The supply is gravity fed from a State Rivers and Water Supply Commission Irrigation Channel. Construction of a further water storage and metering of consumers' services are proposed by the Trust.

The Trust has not corresponded with the Committee nor presented evidence at any Public Hearing.

Mooroopna Waterworks Trust was constituted by Order of the Governor in Council on 12 May 1885. Its six Commissioners are elected by the ratepayers within the Trust's district.

The Trust serves a population of 5,300 at a rate of 2.95 cents in the dollar N.A.V. The supply is pumped from the Goulburn River.

Mooroopna Sewerage Authority was constituted by Order of the Governor in Council on 3 March 1947. Its members are the six Commissioners of the Mooroopna Waterworks Trust.

The Authority serves a population of 5,300 at a rate of 3.4 cents in the dollar N.A.V. The reticulation system consists of approximately 20 km of sewers, 12 small manhole pumping stations and 2 main pumping stations. Treatment is effected by a series of lagoons and disposal is by irrigation.

The Trust and the Authority forwarded their original submission on 7 August 1980, attended the Public Hearing held by the Committee at Shepparton on 29 August 1980 and held discussions with Mr. E. J. Hann, M.P. and the Hon. D. R. White, M.L.C. at the Shepparton Urban Waterworks Trust on 20 July 1981. The Mooroopna Trust and Authority share the one Secretary.

The Shire of Rodney on 21 September 1981 provided the Committee with a submission examining the merits of the alternatives of:-

- (a) Relocation of the administration of the Tatura Waterworks Trust and Tatura Sewerage Authority to the offices of the Shire of Rodney with

joint use of office facilities, equipment and personnel, but to exist as independent bodies, and

- (b) The retention by the Tatura Waterworks Trust and Tatura Sewerage Authority of their independent status, but to be administered by the Shire of Rodney.

The submission, on the basis of cost data and other analysis, recommends Option (b).

The State Rivers and Water Supply Commission, in response to the draft proposals put forward by the Committee in its Fourth Report, suggest that the five bodies should be amalgamated into one Board.

**The Committee recommends that the Tatura Waterworks Trust, the Tatura Sewerage Authority and the Merrigum Waterworks Trust cease to exist, and that the successor body be the Rodney Water Board, responsible for all water and sewerage services in the Shire except for those areas covered by the Mooroopna Water Board. The Committee also recommends that the Mooroopna Waterworks Trust and the Mooroopna Sewerage Authority cease to exist, and that the successor body be a Mooroopna Water Board. (Recommendation 132).**

Terang Sewerage Authority

See: Lismore and Derrinallum Waterworks Trust

Thornton Waterworks Trust

See: Alexandra Waterworks Trust

Thorpdale Waterworks Trust

See: Trafalgar Waterworks Trust



Tongala Sewerage Authority

See: Shire of Deakin Waterworks Trust

Toora Waterworks Trust

Toora Sewerage Authority

See: Foster Waterworks Trust

Torquay Sewerage Authority

See: Airey's Inlet Waterworks Trust

Trafalgar Waterworks Trust

Shire of Narracan Sewerage Authority

Erica Waterworks Trust

Thorpdale Waterworks Trust

Yarragon Waterworks Trust

Yallourn North Waterworks Trust

Yallourn North Sewerage Authority

The 9,000 people of the Shire of Narracan are more richly blessed with water bodies than those of any other Shire in Victoria. As well as the seven bodies mentioned above, the Shire has had a proposal before the State Rivers and Water Supply Commission since 1978 for the constitution of a Shire of Narracan River Improvement Trust; the Shire of Narracan and an Advisory Committee constitute the Trafalgar Meadows Drainage Area, and the La Trobe Valley Water and Sewerage Board also operates within the Shire. If the River Improvement Trust were to be created, there would be ten water bodies operating with separate corporate identities from the Shire, although of course the Shire Secretary is the Secretary of many of these bodies.

Trafalgar Waterworks Trust was created on 13 October 1924 by Order of the Governor in Council. It consists of six Commissioners elected by the ratepayers plus one person appointed by the Minister of Water Supply. The Trust obtains water from a weir on

Sunny Creek, and supplies a population of 2,300 people at a rate of 3.5 cents in the dollar N.A.V. The Trust Secretary is the Shire Secretary of the Shire of Narracan.

The Shire of Narracan Sewerage Authority was constituted on 11 October 1977, and consists of the Council of the Shire of Narracan. The Trust proposes to sewer the towns of Yarragon and Trafalgar, but is not yet in operation. The Authority Secretary is the Shire Secretary of the Shire of Narracan.

The Authority advised the Committee on 12 November 1981 that they supported the proposal for water and sewerage services to be the direct responsibility of the Shire.

Erica Waterworks Trust was created by Order of the Governor in Council on 22 March 1966, and consists of the three Councillors for the Walhalla Riding of the Shire of Narracan plus three persons appointed by the Minister of Water Supply. The Trust obtains water from a weir on a tributary of the Tyers River, and supplies a population of 420 at a rate of 7 cents in the dollar N.A.V. The Trust Secretary is the Shire Secretary of the Shire of Narracan.

The Trust, in a letter dated 6 November 1981, advised that they were against the proposal for the Shire of Narracan to assume responsibility for all water and sewerage services in the Shire.

Thorpdale Waterworks Trust was created by Order of the Governor in Council on 14 November 1962, and consists of six Commissioners elected by the ratepayers plus one person appointed by the Minister of Water Supply. The Trust obtains water from Easterbrook Creek, and supplies a population of 260 at a rate of 9 cents in the dollar N.A.V. The Trust Secretary is the Shire Secretary of the Shire of Narracan.

Yarragon Waterworks Trust was created by Order of the Governor in Council on 9 August 1950, and consists of five persons elected by the ratepayers plus one appointed by the Minister of Water Supply. The Trust obtains water from its own small reservoir and from a bore. A population of 850 people is supplied at a rate of 6 cents in the dollar N.A.V. The Trust Secretary is the Shire Secretary of the Shire of Narracan.

The Trust, on 13 November 1981, advised their support for the proposal that the Shire assume responsibility for water and sewerage services in the Shire.

Yallourn North Waterworks Trust was created by Order of the Governor in Council on 5 March 1957 and consists of six persons elected by the ratepayers plus one appointed by the Minister of Water Supply. The Trust purchases water from the State Electricity Commission of Victoria, and supplies a population of 1,900 people at a rate of 6 cents in the dollar N.A.V.

Yallourn North Sewerage Authority was created by Order of the Governor in Council on 12 August 1965, and consists of the Commissioners of the Yallourn North Waterworks Trust. Sewage is discharged into the La Trobe Valley Water and Sewerage Board's main outfall sewer. The Authority's Secretary is the Secretary of the Yallourn North Waterworks Trust.

None of the above bodies appeared at the Public Hearing held by the Committee in Traralgon on 5 September 1980. The Shire of Narracan Sewerage Authority in a brief note dated 30 June 1980 stated that it "has resolved that it favours the concept of joint services being provided by one administrative body". Apart from this, none of these bodies has provided the Committee with a submission or letter indicating its views.

The Shire of Narracan, on 17 February 1981, in response to a request from the Committee for its views advised "that the Council supports the amalgamation of Water and Sewerage Bodies as a municipal function where appropriate". The Shire, by letter dated 12 November 1981, advised their support for the recommendation contained in the Committee's Fourth Report for water and sewerage services in the Shire of Narracan.

**The Committee recommends that the Trafalgar, Erica, Thorpdale, Yarragon and Yallourn North Waterworks Trusts, the Shire of Narracan Sewerage Authority and the Yallourn North Sewerage Authority should cease to exist, and that the successor body should be the Shire of Narracan, operating within a regional water resources planning framework developed by the La Trobe Regional Water Board. (Recommendation 133).**

Traralgon Waterworks TrustTraralgon Sewerage Authority

Traralgon Waterworks Trust was established by Order of the Governor in Council on 7 May 1907. It consists of three Councillors from the City of Traralgon, one Councillor from the Shire of Traralgon and one person appointed by the Minister of Water Supply. The Trust obtains water by agreement from the La Trobe Valley Water and Sewerage Board, and supplies a population of 19,000 people at a rate of 0.32 cents in the dollar N.A.V. This appears to be the lowest rate offered by any water authority in Victoria. The Trust's Chairman and current Acting Secretary, Mr. Donald Dunbar, M.B.E., is also the Secretary of the adjoining Tyers and Glengarry Waterworks Trust and of the La Trobe River Improvement Trust. It is unusual for an officer of one water body to be Commissioner of another.

Traralgon Sewerage Authority was constituted on 21 February 1939 and comprises the Commissioners of the Traralgon Waterworks Trust. Sewage is discharged to the La Trobe Valley Water and Sewerage Board's La Trobe Valley outfall sewer.

The Town Clerk of the City of Traralgon is the Secretary of the Trust; the Deputy Town Clerk is Secretary of the Authority.

Both bodies made a joint submission to the Committee and were represented at the Public Hearing held by the Committee at Traralgon on 5 September 1980. This submission argued for the Bains recommendation on the future of non-metropolitan water and sewerage administration, pointing out that:-

"except for remaining as separate legal entities and for complying with other separatist directions of their creative statutes, the Trust, Authority and Council of the City of Traralgon have functioned since 1962 as one interwoven Local Government Authority under one unified administration structure. Every activity of the three bodies has been controlled and directed by the same officers ... very substantial savings have been effected by this course ... "

The Committee notes that the Trust and Authority also operate by agreement in the Shire of Traralgon, and the Committee commends all four bodies for this practical arrangement.

In a letter dated 10 November 1981 the Traralgon Waterworks Trust advised, inter alia, that "the recommended structure completely disfranchises some 400 water users resident in the Shire of Traralgon" and that the Trust and Authority "believe that supply of services by the City on a fee basis is the best method of operation ... this belief is based on nearly twenty years of use of this method".

The Shire of Traralgon supported many of the views put forward by the Trust and suggested that it would be undemocratic if the City assumed the responsibility for water and sewerage services in those areas currently served by the Trust and Authority.

Mr. R. A. Jolly, M.P. held talks with representatives of the Trust and Authority in Traralgon on 24 July 1981.

**The Committee's recommendation is that the Traralgon Waterworks Trust and the Traralgon Sewerage Authority cease to exist, and that the successor body be the Traralgon Water Board operating within a regional water resources planning framework developed by the La Trobe Regional Water Board. (Recommendation 134).**

#### Trentham Waterworks Trust

See: Shire of Kyneton Waterworks Trust

#### Shire of Tullaroop Waterworks Trust

Shire of Tullaroop Waterworks Trust was created on 19 July 1977 by the amalgamation of the former Carisbrook Waterworks Trust and Bowenvale-Timor Waterworks Trust. The Trust consists of the Councillors of the Shire of Tullaroop plus one person appointed by the Minister of Water Supply. Both systems obtain water by pipeline from Maryborough, and serve a population of 900 at a rate of 4.1 cents in the dollar N.A.V. The Trust is "as closely integrated with the Shire of Tullaroop as is possible" within the provisions of existing legislation.

The Trust did not appear at the Public Hearing held by the Committee in Bendigo on 12 September 1980, but provided initial comments to the Committee on 16 September 1980, favouring the Bains recommendation. The Trust provided a much more detailed response on 24 June 1981 following the publication of the Committee's Second Report, indicating its "strong preference" for Option L4:- "The Shire of Tullaroop Waterworks Trust believes that as far as it is concerned the Public Bodies Review Committee should adopt Option L4 as proposed in its recent report".

In a letter dated 26 October 1981 the Trust reaffirmed its support for full amalgamation with the Shire.

The Shire of Tullaroop advised on 17 March 1981 that it shared these views and anticipated "considerable savings" in the administration, policy making and engineering areas. The Shire further advised on 16 November 1981 that it supported the Committee's proposal.

The Committee regards the Shire of Tullaroop Waterworks Trust as one of the commendable but regrettably scarce examples of consolidation in the water industry in recent years, and agrees that it is appropriate to now move to full amalgamation with the Shire.

**The Committee recommends that the Shire of Tullaroop Waterworks Trust cease to exist, and that the successor body be the Shire of Tullaroop, with responsibility for all necessary urban water and sewerage provision within the Shire. (Recommendation 135).**

#### Shire of Tungamah Waterworks Trust

The Shire of Tungamah Waterworks Trust was constituted on 19 June 1885. The Commissioners are the Councillors of the Shire of Tungamah and one person appointed by the Minister of Water Supply.

The Secretary of the Trust is also the Shire Secretary.

The Trust serves the Tungamah Rural District, Tungamah Urban District, St. James Urban District and the Katandra West Urban District. The rates are 4.75, 4.5, 4 and 6

cents in the dollar N.A.V. respectively. Approximately 500 properties are supplied with water.

The Tungamah Rural and St. James Urban Districts are supplied from Casey's Weir on the Broken River, the Tungamah Urban District from Bodsey Creek and the Katandra West Urban District from an excavated storage filled from the State Rivers and Water Supply Commission's channel system.

The operation of the Trust is integrated with the activities of the municipality with Council employees being used from time to time on the Trust and a charge being debited to the Trust.

**The Committee recommends that the Shire of Tungamah Waterworks Trust should cease to exist, and that the successor body be the Shire of Tungamah. (Recommendation 136).**

Tyers and Glengarry Waterworks Trust

See: Rosedale Waterworks Trust

Underbool Waterworks Trust

See: Murrayville Waterworks Trust

Upper Yarra Sewerage Authority

See: Warburton Waterworks Trust

Violet Town Waterworks Trust

Violet Town Waterworks Trust was constituted on 13 June 1892 by Order of the Governor in Council. The Trust consists of the three Councillors for the Central Riding of the Shire of Violet Town plus three persons appointed by the Minister of Water Supply.

The Secretary of the Trust is also Secretary of the Shire of Violet Town. Engineers to the Trust are Camp Scott and Furphy Pty. Ltd. The officers of the Trust and the Shire are combined. The Trust serves a population of 600 in the town of Violet Town at a rate of nine cents in the dollar N.A.V.

Water for the town of Violet Town is drawn from a 122 ML earthen dam on Honeysuckle Creek some 6 km south of the town.

The Shire of Violet Town, in a submission to the Committee dated 17 March 1981, indicated the three Government Nominees are water consumers and the Councillors are not, and on these grounds felt the Trust should continue in its present form. The Trust, in a submission dated 3 July 1981, also expressed similar concerns to those of the Council as to ratepayer representation on the Trust.

In letters dated 29 October 1981 and 11 November 1981 the Trust and Shire argued for a continuation of the existing arrangements, the suggestion being that two thirds of the Councillors have no direct interest in the water supply function and the services of the three Government Nominees would be lost.

The Committee, however, notes the Trust's suggestion that "provision be made under the Local Government Act to enable the Council to appoint a Committee of Management to be responsible for the water supply". In its Fourth Report the Committee recognised the need to continue "this expertise and public-spirited endeavour" and suggested that it may be appropriate for Water Advisory Councils or broader based Community Councils to be established.

**The Committee recommends that the Violet Town Waterworks Trust should cease to exist, and that the successor body should be the Shire of Violet Town responsible for all water and sewerage within the Shire of Violet Town. (Recommendation 137).**

#### Wahgunyah Waterworks Trust

See: Shire of Rutherglen Waterworks Trust



Shire of Walpeup

See: Murrayville Waterworks Trust

Walwa Waterworks Trust

See: Corryong Waterworks Trust

Wangaratta Waterworks Trust

Wangaratta Sewerage Authority

Wangaratta Waterworks Trust was constituted on 11 October 1904 and the Wangaratta Sewerage Authority on 20 April 1933. The nine Councillors of the City of Wangaratta constitute the Commissioners and in the case of the Water Trust there is one person appointed by the Minister of Water Supply.

Water for the City of Wangaratta is pumped from the Ovens River where the flow is maintained by releases from Lake Buffalo and Lake William Hovell.

The City of Wangaratta has a population of about 17,000 and the two bodies serve about 6,500 tenements. The water rate is 5 cents in the dollar of site valuation and the sewerage rate is 3.31 cents in the dollar N.A.V.

In response to a question at the Wodonga Public Hearing held by the Committee on 22 August 1980 on staffing arrangements, the Committee was told that the officers (of the City) are also Secretary and Authority Engineer and Waterworks Trust Engineer.

The two bodies pay an administration fee to the City and have submitted that the fees purchase a higher level of expertise than may be possible if the two bodies were completely separate.

In a letter dated 11 November 1981 the three bodies were in complete agreement with the Committee's recommendation in its Fourth Report.

The Committee recommends that the Wangaratta Waterworks Trust and the Wangaratta Sewerage Authority should cease to exist and the successor body be the City of Wangaratta. (Recommendation 138).

Shire of Waranga Sewerage Authority

See: Colbinabbin Waterworks Trust

Warburton Waterworks Trust

Upper Yarra Sewerage Authority

Warburton Waterworks Trust was constituted on 13 August 1913 to supply reticulated water to the township of Warburton. The Trust consists of six Commissioners being three members of the East Riding of the Shire of Upper Yarra and three Government Nominees.

The Trust supplies water to 1,805 consumers in the urban areas of Warburton, Millgrove and East Warburton, Millgrove and East Warburton.

The Trust draws water from a weir on Four Mile Creek and a weir on Ythan Creek. The Trust supplies the town of Millgrove from Walkers Creek.

From 1913 to 1971 the Trust was administered by a part-time Secretary but in 1971 it was found necessary to employ a full-time Secretary. The Trust now has two full-time and one part-time staff. Consultant engineers, John Scroggie Pty. Ltd., are engaged for engineering and design projects.

The Trust did not give evidence to any of the Hearings but has submitted comments on the Committee's Second Report and has participated in a visit to the region by members of the Committee.

The Upper Yarra Sewerage Authority was constituted on 24 July 1979 by Order of the Governor in Council. The Members of the Authority are the nine Councillors of the Shire of Upper Yarra. Secretary to the Authority is Mr. A. Hubbard, who is also

Secretary/Manager for the Shire of Upper Yarra. The Engineer is Mr. W. Fox, who also holds a similar post with the Shire. Consultant engineers are John Scroggie Consulting Engineers Pty. Ltd.

The Authority has works servicing the Yarra Views Estate at Woori Yallock. Sewage is treated by a package treatment plant. The final effluent is disinfected and discharged via a stormwater outfall to the Yarra River. These works were provided by the developer by agreement with the Council prior to the constitution of the Authority. It has been necessary for the Council to carry out extensive repairs to the sewers which were constructed by the developer. This scheme provides service to 840 properties.

The average rate is \$92.73 at 6.7 cents in the dollar N.A.V. A minimum rate of \$70 is charged.

The Upper Yarra Sewerage Authority presented evidence to the Committee in Melbourne on 4 March 1981.

In response to the Committee's question as to the extent to which the body is prepared to improve its structure, composition and procedures the Authority responded:-

"The Authority is prepared to consider and act upon any recommendations to improve its operations. ... It is not apparent to the Authority at this stage, in the light of published comments by other Bodies and individuals, that any improvement in efficiency or reduction in costs to ratepayers would result from amalgamation or takeover by a larger body."

Hon. Dr. Kevin J. Foley, M.L.C. visited the Trust and held Discussions on 18 June 1981.

In a joint submission in response to the Committee's Fourth Report the Shire of Upper Yarra and the Upper Yarra Sewerage Authority reject the proposal for a Yarra Valley and Dandenong Ranges Water Board. They favour the Shire assuming responsibility or alternatively the functions being transferred to the Melbourne and Metropolitan Board of Works. Takeover by the Melbourne and Metropolitan Board of Works is supported by the State Rivers and Water Supply Commission in its response to the Committee's Fourth Report.

The Committee feels that there is a need to ensure that the Yarra Valley and Dandenong Ranges area is administered as one unit. Takeover by the Melbourne and Metropolitan Board of Works would mean a loss of local control which many bodies in the area see as being important.

**The Committee recommends that the Warburton Waterworks Trust and the Upper Yarra Sewerage Authority cease to exist, and the successor body be the Yarra Valley and Dandenong Ranges Water Board. (Recommendation 139).**

Warracknabeal Waterworks Trust

Warracknabeal Sewerage Authority

Warracknabeal Waterworks Trust was constituted by Order of the Governor in Council on 7 July 1893. The Commissioners are three Councillors of the Central Riding of the Shire of Warracknabeal plus three Government Nominees. The Trust supplies a population of 2,900 at a rate of 8.9 cents in the dollar N.A.V.

The supply is drawn from the Water Commission's Lake Whetton storage to a concrete elevated tank of 2.7 ML capacity. A water treatment plant has recently been completed at a cost of \$609,000.

Warracknabeal Sewerage Authority was constituted by Order of the Governor in Council on 1 June 1938. Its members consist of three Councillors of the Central Riding of the Shire of Warracknabeal and three Government Nominees. It serves a population of 2,900 at a rate of 4.4 cents in the dollar N.A.V. Treatment is carried out by trickling filters with the effluent being disposed of by irrigation.

Both the Authority and the Trust have the same Secretary, same Engineers and the same three Councillors of the Shire of Warracknabeal are Commissioners of the Trust and Members of the Authority.

In a joint submission to the Committee the Trust and Authority oppose amalgamation with a local government body. They feel the needs of the community can best be served by ratepayers having separate bodies made up of their own representatives.

The Shire of Warracknabeal in a letter dated 26 February 1981 supported the view put forward by the Waterworks Trust and the Sewerage Authority.

The Shire, Trust and Authority in letters dated 5 November 1981 reaffirm their opposition to amalgamation. They point to the close co-operation between the bodies - "the Shire Council provides free of cost the office accommodation, the Shire Staff, the amalgamation of rate notices and the Trust in its turn provides a depot for the Shire's Parks and Gardens Staff and a central point for ratepayers of all Authorities".

The Committee considers that this interwoven operation supports amalgamation rather than provide argument in support of the retention of three separate bodies. The Committee notes also that Warracknabeal is reasonably well represented on the Council.

The State Rivers and Water Supply Commission supplies the Urban District of Brim at a rate of 6.6 cents in the dollar at a loss. The supply is continued at Government direction.

**The Committee's recommendation is that the Warracknabeal Waterworks Trust and the Warracknabeal Sewerage Authority cease to exist, and that the Shire of Warracknabeal be the successor body. The Committee further recommends that the Brim Urban District of the State Rivers and Water Supply Commission be transferred to the Shire of Warracknabeal. (Recommendation 140).**

Warragul Waterworks Trust

Warragul Sewerage Authority

See: Drouin Waterworks Trust

City of Warrnambool

Warrnambool Sewerage Authority

The City of Warrnambool was constituted as a Local Governing Body under the Water Act on 26 September 1917. The City water supply services the City and adjacent

urban parts of the Shire of Warrnambool. Water is purchased from the State Rivers and Water Supply Commission's Otway system, and a substantial new water treatment plant is planned for completion in 1984, following public acceptance in a plebiscite involving compulsory voting.

Warrnambool Sewerage Authority was constituted on 26 November 1929, and also consists of the Warrnambool City Councillors. Sewage is pumped via a main outfall to the Southern Ocean.

Both the City of Warrnambool and the Warrnambool Sewerage Authority made submissions to the Committee in 1980, on 26 August and 17 July respectively. Both were represented at the Public Hearing held by the Committee in Ballarat on 19 September 1980. In these submissions both bodies indicated their acceptance of the Bains recommendations and argued for the full integration of water supply and sewerage activities with municipal operations.

The City of Warrnambool re-iterated and reinforced these views in a further letter to the Committee dated 10 March 1981, which stated in part:-

"There are numerous advantages by integrating operations as has been proved from the experience over many years at Warrnambool ... No known disadvantages occur in practice, and elected representatives take just as keen an interest in the water supply department activities as with such other departmental operations as saleyards, abattoirs, child care centres, parks and gardens, art galleries, etc."

These views were repeated in discussions with Hon. B. A. Chamberlain, M.L.C. and Mrs. J. H. Chambers, M.P. at Warrnambool on 16 July 1981.

In separate letters dated 4 November 1981 Mr. V. G. Robson, Town Clerk, City of Warrnambool and Secretary, Warrnambool Sewerage Authority, reaffirms the view of the two bodies that complete integration with the City of Warrnambool is the appropriate course of action.

**The Committee's recommendation is that the City of Warrnambool cease to be constituted as a Local Governing Body under the Water Act, that the**

Warrnambool Sewerage Authority should cease to exist, and that the successor body be the City of Warrnambool. (Recommendation 141).

Shire of Warrnambool

See: Peterborough Waterworks Trust

Westernport Waterworks Trust

Cowes Sewerage Authority

Inverloch Waterworks Trust

Inverloch Sewerage Authority

Wonthaggi Sewerage Authority

Westernport Waterworks Trust was constituted on 14 May 1947 by Order of the Governor in Council. The Trust consists of three Commissioners elected by the Shire of Phillip Island, two elected by the Shire of Bass and three persons appointed by the Minister of Water Supply. These same members constitute the Cowes Sewerage Authority. The Secretary of the Trust is Mr. C. F. Beasley who is also Secretary of the Cowes Sewerage Authority. Engineers to the Trust are John Scroggie Consulting Engineers Pty. Ltd.

The Trust serves a population of 8,000 which rises to 15,000 in the holiday period. Services are connected to 7,148 tenements at Cowes, Ventnor, Rhyll, Newhaven, San Remo, Coronet Bay, Corinella, Bass, Kilcunda, Dalyston and Archies Creek. The annual rate revenue is \$248,478 with a charge of 3 cents in the dollar N.A.V.

There is a high degree of integration between the Westernport Waterworks Trust and the Cowes Sewerage Authority.

The Trust presented evidence to the Lilydale Hearing on 31 October 1980 expressing the views that the present situation as a whole works quite satisfactorily, and that it would be inappropriate for the Westernport Waterworks Trust to go to a Council as the water district covers both Shires.

Cowes Sewerage Authority was constituted on 14 September 1971 by Order of the Governor in Council. The Authority consists of three members appointed by the Shire of Phillip Island, two members appointed by the Shire of Bass and three Government Nominees. The Secretary and engineer also hold the same posts with the Westernport Waterworks Trust. Consulting engineers are John Scroggie Consulting Engineers Pty. Ltd. The works for Cowes consist of reticulation sewers, three relift pumping stations, main pumping station and rising main, treatment works and outfall pipeline to discharge treated effluent to Bass Strait.

In 1980 there were approximately 1,700 rate assessments generating a rate revenue of \$90,000.

The Shire of Bass wrote to the Committee in May 1981 stating that "the inclusion of water and sewerage responsibilities to the role of local government could be administered within the framework of a municipality".

The Shire's submission of 9 November 1981 reaffirms this view.

Inverloch Waterworks Trust and Inverloch Sewerage Authority were constituted on 16 July 1947 and 16 May 1973 respectively, and comprise the three West Riding Councillors of the Shire of Woorayl and three Government Nominees. At the moment two Riding Councillors do not sit as Trust Commissioners and they have been replaced with two Government Nominees. The Trust has approached the Water Commission with the view to changing the constitution to allow for elected Commissioners.

Both bodies share the same Secretary and consulting engineers, who are also the consulting engineers for the Wonthaggi Sewerage Authority.

Water for the town of Inverloch is purchased from the State Rivers and Water Supply Commission's storage at Lance Creek and piped 16 km to the storage adjacent to the town.

The operation of the Trust and Authority is integrated with all staff being jointly employed.



The Trust has connections to 1,600 buildings and the Authority some 860 connections. Population is 1,650 but in the holiday period rises to 13,000. The average water rate is \$44 with sewerage being \$72.

In evidence to the Public Hearing held by the Committee at Dandenong on 3 October 1980 the Authority indicated there had been informal discussion with the Wonthaggi Sewerage Authority whereby the Inverloch Sewerage Authority would treat effluent from the Cape Patterson scheme which is under investigation by the Wonthaggi Authority.

In a joint letter dated 6 November 1981 the Trust and Authority suggested that the "Inverloch Waterworks Trust and Sewerage Authority and the Wonthaggi Sewerage Authority would form a functional and acceptable Water Board".

Wonthaggi Sewerage Authority was constituted on 11 March 1970 by Order of the Governor in Council. The nine Councillors of the Borough of Wonthaggi are the Commissioners. The Sewerage Authority operation is closely integrated with that of the Borough of Wonthaggi.

The Authority and Council have jointly purchased office equipment and have combined their data processing requirements. Rate records are integrated and joint rate notices are issued. In addition the Authority shares workshop facilities with the municipality. The Secretary, Engineer and Rate Collector of the Authority also hold similar positions with the Borough of Wonthaggi. Consultant engineers to the Authority are Garlick and Stewart. The average rate for 1979/80 per property was \$50.99.

Water to the area is provided by the State Rivers and Water Supply Commission who have staff based in Wonthaggi.

The Authority has under investigation a proposal to sewer the town of Cape Patterson which has some 450 residences and another 800 building allotments. Septic tank operation is considered to be unsatisfactory in this area.

The Authority presented evidence to the Dandenong Public Hearing on 3 October 1980 and has made a further submission on the Committee's Second Report.

In a submission to the Committee it was noted the State Government gave the Sewerage Authority \$300,000 to start off. This came about in 1968 as part of a package associated with the closure of the State Coal Mine and was intended to provide alternative work in the town.

In a submission dated 2 November 1981 the Wonthaggi Sewerage Authority and the Borough of Wonthaggi advised that their first preference would be for their two bodies to amalgamate and "as a second alternative, the union of the Wonthaggi Sewerage Authority (with the addition of water administration) with the Inverloch" bodies would be preferred to the proposals contained in the Committee's Fourth Report.

A joint statement by representatives of the Inverloch Waterworks Trust and Sewerage Authority, the Westernport Waterworks Trust, the Cowes Sewerage Authority, the Shire of Woorayl, the Shire of Bass, the Wonthaggi Sewerage Authority and the Borough of Wonthaggi dated 2 November 1981 suggests, inter alia, that the Westernport Water Board as proposed in the Committee's Fourth Report would cause hardship, inconvenience to ratepayers and suffer from the disadvantages of distance.

**The Committee recommends that the Westernport Waterworks Trust and the Cowes Sewerage Authority cease to exist, and that the successor body be a Westernport Water Board responsible for all necessary water and sewerage provision in the Shires of Bass and Phillip Island. The Committee further recommends that the Inverloch Waterworks Trust, the Inverloch Sewerage Authority and the Wonthaggi Sewerage Authority should cease to exist, and that the successor body be the Wonthaggi Water Board, responsible for all necessary urban water and sewerage provision in the Borough of Wonthaggi, Cape Patterson and the Inverloch district of the Shire of Woorayl. (Recommendation 142).**

#### Whitfield Waterworks Trust

See: Moyhu Waterworks Trust

Winchelsea Waterworks Trust  
Winchelsea Sewerage Authority

Winchelsea Waterworks Trust was created by Order of the Governor in Council on 29 June 1914. It consists of the Councillors for the East and West Ridings of the Shire of Winchelsea plus one person appointed by the Minister of Water Supply.

The Trust purchases water from the Geelong Waterworks and Sewerage Trust's Wurdee Boluc Reservoir, and supplies a population of 1,100 people at a rate of 9 cents in the dollar N.A.V.

Winchelsea Sewerage Authority was created on 27 May 1975 and is constituted similarly to the Trust. Sewage is treated north of the town by the lagoon system; treated effluent is disposed of by irrigation in the summer months.

Neither body was represented at the Public Hearing held by the Committee in Geelong on 26 September 1980, but on 22 December 1980 both bodies advised the Committee by separate letters that they wished to amalgamate. The Secretary of the Trust and Authority is the Shire Secretary of the Shire of Winchelsea. The East and West Ridings of the Shire are centred on Winchelsea; the Coast Riding on Lorne and the Middle Riding on Birregurra. Birregurra (population 500) is currently provided with water by the Geelong Waterworks and Sewerage Trust under an agreement with the State Rivers and Water Supply Commission. A Trust Reservoir Keeper is stationed in the town. At Lorne there are separate water and sewerage bodies.

The Shire of Winchelsea advised the Committee on 15 April 1981 that it favoured the amalgamation of the water and sewerage bodies in the township of Winchelsea, and the amalgamation of the water and sewerage bodies in the township of Lorne, but strongly opposed water and sewerage services being provided by the municipal council.

**The Committee recommends that the Winchelsea Waterworks Trust and the Winchelsea Sewerage Authority cease to exist, and that the successor body be the Winchelsea Water Board, responsible for water and sewerage services in the town of Winchelsea. (Recommendation 143).**

Wodonga Waterworks TrustWodonga Sewerage Authority

Wodonga Waterworks Trust was constituted on 4 October 1897 and the Wodonga Sewerage Authority on 10 January 1939. Councillors of the Rural City of Wodonga are members of both bodies. The Town Clerk and City Engineer also hold the corresponding posts in the two bodies.

All maintenance and administrative staff, plant and equipment etc. is employed and owned by the Rural City of Wodonga. The Sewerage Authority and Waterworks Trust pay lump sums to the City for maintenance, administration, staff and plant. The cost of materials, loan services, etc. is paid for directly by the bodies.

The Wodonga Sewerage Authority and Wodonga Waterworks Trust identified several advantages which result from this system of joint administration:-

- "a) economies of a combined operation,
- b) employment of expert staff,
- c) optimisation of plant usage,
- d) simplifies forward planning,
- e) more efficient construction."

The Wodonga Waterworks Trust and Wodonga Sewerage Authority serve over 5,000 tenements, the average water rate being \$53 and sewerage rate \$67.

In its written submission the Wodonga Sewerage Authority concluded by stating that the present arrangements whereby the three Authorities acting as one, has in Wodonga's case proved successful, as demonstrated by the economies of combined operations. Similar views have also been expressed by the municipality and the Waterworks Trust.

In letters dated 13 November 1981 each of the bodies advised their support of the recommendations contained in the Committee's Fourth Report, subject, however, to clarification of legislative aspects and funding arrangements.

**The Committee recommends that the Wodonga Waterworks Trust and the Wodonga Sewerage Authority should cease to exist and the successor body be the Rural City of Wodonga. (Recommendation 144).**

Wonthaggi Sewerage Authority

See: Westernport Waterworks Trust

Woodend Waterworks Trust

Woodend Sewerage Authority

Woodend Waterworks Trust was constituted on 14 February 1888 and its Commissioners are the three Councillors for the Woodend Riding of the Shire of Newham and Woodend plus three persons appointed by the Minister of Water Supply.

The Woodend Sewerage Authority consists of the nine Councillors of the Shire of Newham and Woodend.

The Secretary for both bodies is also Secretary of the Shire of Newham and Woodend. Consultant engineers to the Woodend Waterworks Trust are Camp Scott and Furphy Pty. Ltd. and for the Sewerage Authority Caldwell Connell Engineers Pty. Ltd.

The Trust serves 850 tenements and obtains water from the Mt. Macedon and Campaspe catchments. The Trust is undertaking investigations as to the possibility of constructing a new dam on the Campaspe River.

The Woodend Sewerage Authority has at this stage purchased a treatment site but has not been allocated funds to commence detailed designs and surveys for the work.

The Waterworks Trust in a letter dated 12 November 1981 advises that the Trust has agreed by three votes to two to accept the Committee's proposal that responsibility for water supply and sewerage in Woodend be taken over by the Shire.

**The Committee recommends that the Woodend Waterworks Trust and the Woodend Sewerage Authority should cease to exist, and that the successor body be the Shire of Newham and Woodend. (Recommendation 145).**

Wood's Point Waterworks Trust

See: Shire of Mansfield Waterworks Trust

Woori Yallock-Launching Place Waterworks Trust

Woori Yallock-Launching Place Waterworks Trust was constituted on 13 August 1968 under the Water Act 1958 at the instigation of the Shire Council. The Trust consists of seven Commissioners, three being from the West Riding and one from the Central Riding of the Shire of Upper Yarra with three persons appointed by the Minister of Water Supply. The Trust Secretary is Mr. Peter Hardy who has held the position since 1975.

The Woori Yallock-Launching Place Waterworks Trust is one of three water trusts within the Shire of Upper Yarra, the others being the Yarra Junction Waterworks Trust and Warburton Waterworks Trust. Other water bodies in the Shire are the Yarra River Improvement Trust and the Upper Yarra Sewerage Authority.

The Trust presented evidence in both the Dandenong and Lilydale Hearings as well as responding to the Committee's questionnaire. The Trust has subsequently presented a discussion paper on the Committee's Second Report and participated in a visit to the area by representatives of the Committee.

The evidence presented to the Committee by the Trust has been in favour of retention of the present Trust's operation but with some form of regional authority exercising a regional control on overall planning and being able to offer specialist services to the Trust.

The Trust services the towns of Woori Yallock and Launching Place.

The Trust provided reticulated water to 1,472 allotments at a rate of 8.4 cents in the dollar in 1979 drawing water from two open weirs in the Don Valley. The Trust is currently looking to a number of options to improve water supply and alleviate the need for restrictions in summer months. The Trust is also proceeding with the construction of a 20 square office complex.

The Trust is seeking better co-ordination and water management in the region and is suggesting that a division within the State Rivers and Water Supply Commission should be the Dandenong Ranges and Upper Yarra Valley Region co-ordinators.

Hon. Dr. Kevin J. Foley, M.L.C. visited the Trust on 18 June 1981.

The Trust, by letter dated 13 November 1981, advised its support for the proposal by the Shire of Upper Yarra that water and sewerage services in the Shire be a municipal responsibility.

**The Committee's recommendation is that the Woori Yallock-Launching Place Waterworks Trust cease to exist, and that the successor body be the Yarra Valley and Dandenong Ranges Water Board. (Recommendation 146).**

Yackandandah Waterworks Trust

Yackandandah Sewerage Authority

See: Kiewa Waterworks Trust

Yallourn North Waterworks Trust

Yallourn North Sewerage Authority

Yarragon Waterworks Trust

See: Trafalgar Waterworks Trust

Yarra Junction Waterworks Trust

Yarra Junction Waterworks Trust was constituted on 3 September 1924 by Order of the Governor in Council. The Trust consists of six Commissioners, three being Central Riding Councillors of the Shire of Upper Yarra and three being persons appointed by the Minister of Water Supply. The Trust Secretary is Mr. Donald McLean who was appointed in 1978.

The Trust presented evidence to the Public Hearing held by the Committee at Lilydale on 31 October 1980 and has followed up with a submission on the Committee's Second Report. In all submissions the Trust has consistently advocated that there should be no amalgamation of Trusts in the Yarra Valley nor should they become the "poor relation" of Local Government. The Trust has also stressed the efficiency, lack of duplication and personal nature of the small Trusts, together with the high degree of informal co-operation with other Trusts, municipal councils, C.R.B., Telecom and the S.E.C.

The Trust operates from a shop front in Yarra Junction. The consulting engineers are Oliver and Adamson who replaced Camp Scott and Furphy in 1980.

The Trust serves a population of 2,500 with 720 properties connected to the mains. The current water rate is 11.5 cents in the dollar N.A.V. Water is supplied to the towns of Yarra Junction and Wesburn.

Hon. Dr. Kevin J. Foley, M.L.C. visited Yarra Junction on 18 June 1981 for talks with the Trust.

In response to the Committee's Fourth Report the Trust advises that "the Commissioners are opposed to the Water Trust and Sewerage Authority being controlled by the proposed Dandenong Ranges and Yarra Valley Water Board". They "favour the formation of an Upper Yarra Water Board distinct from the Shire", and "if for any reason the Board is not acceptable the Commissioners favour ... some other specialist water body".

**The Committee's recommendation is that the Yarra Junction Waterworks Trust cease to exist, and that the successor body be the Yarra Valley and Dandenong Ranges Water Board. (Recommendation 147).**

Yarram Waterworks Trust

Yarram Sewerage Authority

See: Alberton-Port Albert Waterworks Trust



Yarrawonga Urban Waterworks Trust

Yarrawonga Sewerage Authority

Yarrawonga Urban Waterworks Trust was constituted on 3 January 1891 and comprises the three Councillors of the East Town and West Town Ridings of the Shire of Yarrawonga plus three persons appointed by the Minister of Water Supply.

Yarrawonga Sewerage Authority was constituted on 28 November 1938. The twelve Councillors are the Commissioners of the Authority.

The Secretary of the Yarrawonga Sewerage Authority is also the Shire Secretary whilst the Yarrawonga Urban Waterworks Trust employs its own Secretary.

The Waterworks Trust draws water from the Murray River for the 1,400 tenements served. The population is 4,000 but this rises to 15,000 in the holiday season.

Rates for the Waterworks Trust are 6 cents in the dollar N.A.V.

The Yarrawonga Sewerage District was extended in 1978 to include proposed new subdivisions east of the main town. Construction of reticulation sewers, pump stations and rising main to Yarrawonga township are presently nearing completion for the first stage of this new development.

The Committee has noted the comments of the Yarrawonga Urban Waterworks Trust:-

"A situation such as we have in Yarrawonga would surely suggest that the Water Trust, and Sewerage Authority, should be under the control of a Committee representative of the Ratepayers serviced, and not by the Shire Council. Most certainly the Town Riding Councillors should be members of these two Authorities, thereby providing a strong link with the Municipality."

In its letter dated 11 November 1981 the Trust reiterates this view and suggested that as the area is undergoing development, "water and sewerage demands special and specific attention".

The Shire and Authority in letters dated 13 November 1981 advise their support for the Committee's recommendation.

The Committee recommends that the Yarrawonga Urban Waterworks Trust and the Yarrawonga Sewerage Authority should cease to exist, and that the successor body be the Shire of Yarrawonga. (Recommendation 148).

Yea Waterworks Trust

Yea Sewerage Authority

Yea Waterworks Trust was constituted on 9 August 1890 and the Yea Sewerage Authority on 2 September 1947. Both bodies consist of the same Commissioners, six being elected by the ratepayers and one person being appointed by the Minister of Water Supply. Secretary to both bodies is Mr. F. Berkery who is also Secretary of the Shire of Yea. The consultant engineers are Gutteridge, Haskins and Davey Pty. Ltd.

The Yea Waterworks Trust draws water from a weir on the Yea River for the 500 tenements connected to the system. The Yea Sewerage Authority serves 453 tenements.

In response to the Committee's Second Report both bodies expressed a preference for Option L3. Whilst the two bodies have expressed a preference for amalgamation with the retention of separate corporate identities it is noted the bodies operate from the Yea Civic Centre and the Shire Secretary is Secretary to both bodies.

In a joint letter dated 4 November 1981 the Trust and Authority advise that as the Shire is "essentially rural in its membership, outlook and policy ... members feel that rural control is not in the best interests of urban services". The letter went on to say "the Trust and Authority ask you to bring about change in a manner which will ensure that management of the industry remains democratically in the hands of users of the service. This could be achieved by enabling legislation to permit the appointment of an independent Committee of Management or, alternatively by the establishment of a Water Board".

The Shire of Yea in a letter dated 6 November 1981 advise "that Council ... express the opinion the workload of administering a Trust and Authority will unduly burden ... rural Councillors".

The Committee considers that as the number of tenements connected to the two services is not large, the Trust and Authority already have close links with the Shire, there are some Councillors from Yea on the Council and the Council could if it considered it necessary appoint a Water Advisory Council, the existence of two separate bodies, namely the Shire and a Water Board as proposed by the bodies, is not warranted.

**The Committee recommends that the Yea Waterworks Trust and the Yea Sewerage Authority should cease to exist, and that the successor body should be the Shire of Yea. (Recommendation 149).**

2.2 The involvement of the State Rivers and Water Supply Commission in the retailing of urban water and sewerage services.

One of the major bodies involved in providing water supply and sewerage services in the non-metropolitan area is the State Rivers and Water Supply Commission. In Chapter 2 of this Report the Committee makes recommendations in respect of a number of areas served by the State Rivers and Water Supply Commission.

In this Chapter the Committee wishes to principally focus on the water retailing activities of the State Rivers and Water Supply Commission in urban districts supplied from the Wimmera/Mallee and Murray River systems.

The State Rivers and Water Supply Commission of Victoria is a statutory body created by the Water Act 1905. It has three Commissioners appointed by the Governor in Council who are responsible for the discharge of the Commission's powers and duties as laid down by the Parliament. The Commission reports to Parliament through the Minister of Water Supply.

The Water Commission directly administers 130 town water supplies and provides general oversight of the engineering and financial activities of 203 local water authorities, 131 sewerage authorities and 32 local drainage and river improvement authorities outside the Melbourne Metropolitan area. The 130 towns directly supplied by the Commission are as follows:-

66 towns are supplied from 4 main urban supply systems for regional supply, namely, Mornington Peninsula, Bellarine Peninsula, Otway System and Coliban System, while 64 small towns located in the Commission's irrigation and waterworks districts also receive urban supplies.

The geographically largest water supply system the Commission operates is the Wimmera/Mallee Domestic and Stock Channel System. The land is one of the most productive plains in the State and supports a population of more than 50,000, including 59 towns and villages.

In most of the larger towns water is reticulated to householders by a local Waterworks Trust which in turn is supplied in bulk by the Commission. The smaller of these towns, of which there are 38, are supplied as Commission Urban Districts. The supplies are regarded as suitable only for general household purposes and garden watering and almost all consumers have rain water to provide drinking water, and, in some cases, for laundry and hot water services.

A further twelve towns, in this general area, covering three Shires are supplied from the River Murray System.

Management of the supply to the smaller towns revolves around the Local District Centres of Horsham, Birchip, Murtoa and Ouyen and the Regional Centre at Swan Hill and Sunraysia (Red Cliffs).

Set out below is a listing of these six Centres showing the Centre the Urban Districts within each Centre and the Shire in which the Districts are located.

District Centre - Ouyen

<u>Urban District</u>	<u>Shire</u>
Beulah	Karkarooc
Chinkapook	Swan Hill
Hopetoun	Karkarooc
Lascelles	Karkarooc
Nandaly	Wycheproof
Ouyen	Walpeup
Patchewollock	Karkarooc
Speed	Karkarooc
Tempy	Karkarooc
Walpeup	Walpeup
Yaapeet	Karkarooc

District Centre - Birchip

<u>Urban District</u>	<u>Shire</u>
Berriwillock	Wycheproof
Birchip	Birchip
Culgoa	Wycheproof
Nullawil	Wycheproof
Sea Lake	Wycheproof
Watchem	Donald
Woomelang	Karkaroc
Wycheproof	Wycheproof

District Centre - Murtoa (also responsible for irrigation)

<u>Urban District</u>	<u>Shire</u>
Marnoo	Stawell
Minyip	Dunmunkle
Rupanyup	Dunmunkle
Brim	Warracknabeal
Jung	Wimmera

District Centre - Horsham (also responsible for irrigation)

<u>Urban District</u>	<u>Shire</u>
Antwerp	Dimboola
Dimboola	Dimboola
Dooen	Wimmera
Jeparit	Dimboola
Natimuk	Arapiles
Pimpinio	Wimmera
Rainbow	Dimboola

Regional Centre - Swan Hill\*

Urban District

Chillingollah

Lalbert

Manangatang

Quambatook

Ultima

Waitchie

Woorinen

Nyah\*

Nyah West\*

Piangil\*

Shire

Swan Hill

Kerang

Swan Hill

Kerang

Swan Hill

Swan Hill

Swan Hill

Swan Hill

Swan Hill

Swan Hill

\*River Murray System

Regional Centre - Sunraysia\*

Urban District

Carwarp

Meringur

Redcliffs

Robinvale

Werrimul

Koondrook

Shire

Mildura

Mildura

Mildura

Swan Hill

Mildura

Kerang

\*River Murray System

The Centres tend to provide a service across Local Government boundaries. Set out below is a Table which indicates those towns within Shires that are supplied from the Wimmera/Mallee System and from which Centre they are supplied.

<u>Shire</u>	<u>Total Towns</u>	<u>Towns supplied from:</u>					
	<u>Supplied</u>	<u>Ouyen</u>	<u>Birchip</u>	<u>Murtoa</u>	<u>Horsham</u>	<u>Swan Hill</u>	<u>Sunraysia</u>
Karkarooc	8	7	1				
Wycheproof	6	1	5				
Swan Hill	10	1				8	1
Walpeup	2	2					
Donald	1		1				
Stawell	1			1			
Dunmunkle	2			2			
Warracknabeal	1			1			
Wimmera	3			1	2		
Dimboola	4				4		
Arapiles	1				1		
Kerang*	3					2	1
Birchip	1		1			2	1
Mildura	4						4
<u>TOTALS:</u>	<u>47</u>	<u>11</u>	<u>8</u>	<u>5</u>	<u>7</u>	<u>10</u>	<u>6</u>

\*Two further towns (Macorna and Murrabit) in the Shire are supplied from separate systems.



In its Second Report to the Parliament the Committee questioned the appropriateness of the principal agency involved in Statewide planning and priority setting also acting as water retailer in a major way. The Committee considered that the possibility of the Commission divesting its interest in retailing of urban water supplies to regional or local authorities should be actively pursued.

The Commission in a submission in response to the Committee's Second Report disagreed with that view. The Commission felt that "if it is to continue to exercise an adequate technical and financial overview over other authorities, on behalf of the Government, it is essential for it to have access to current specific experience of all aspects of town water supply."

The Commission at a Public Hearing in Melbourne on 5 August 1981 re-iterated its view that the best way for a central water agency to demonstrate its capacity and expertise in its overview role is by being a practitioner in the business and that for this purpose the Commission would like to assume a greater practical and detailed rôle in sewerage.

One argument advanced in support of its need to remain on the retailing or "nuts and bolts" side of water supply was that it enabled the Commission to properly supervise consultants in developing countries and assess the best project to be undertaken.

While the Committee commends the Commission for its development activities it cannot accept that as a reason for being in water retailing nor does it accept the premise that "nuts and bolts" activities are required to ensure an effective overview role for the Commission.

In response to the Committee's Fourth Report the Commission provided further arguments in support of maintaining their role in retailing urban domestic supplies. The following extracts illustrate the Commissions view.

"The Commission's role in water management within the Wimmera-Mallee Region involves a comprehensive management of water supply ranging from construction, operation and maintenance of water storages and headworks

through a very large and comprehensive reticulation system down to individual rural properties and to a large number of urban consumers."

"It borders on the absurd that whilst the Commission is still required to operate and maintain a very large and comprehensive system involving supply to rural properties, elements of that system are proposed to be carved off and put under the management of other local bodies, many of them without expertise or background in the area; for example the Shires of Dunmunkle, Karkaroc and Arapiles."

"In transferring the Commission operated urban supplies, the Committee appears to have given little consideration to the nature and extent of the Wimmera-Mallee system."

"The distinction between retailing of rural water supplied (domestic and stock) and urban supplies is less significant in the Wimmera-Mallee than elsewhere, thus the introduction of new bodies in retailing seems unnecessary."

"The preference is for retention of the Commission's role in overall management of this complex system. Separate authorities for urban areas are not likely to be efficient particularly where the new authority is taking over small systems of less than 100 services. For example, the Shire of Warracknabeal to take over Brim, to which the Shire has recently indicated its opposition."

"There is generally no technical expertise in urban water services within Councils and this situation will reflect in operating costs to consumers as municipalities obtain such competence and develop experience."

The Committee appreciates the Commission's view and realises that in the short term some Shires, particularly Karkaroc, will have some difficulties mainly due to the lack of technical expertise in handling water matters. There is however the technical expertise of the State Rivers and Water Supply Commission officers in the area, specialist consulting engineers and the general engineering services within the Shire which could be utilized.

The Commission particularly refers to the Shires of Dunmunkle, Karkaroc and Arapiles as areas without expertise. The Committee has already noted that in

the short term Karkaroc may experience some difficulties but cannot accept that Arapiles or Dunmunkle would have the same problems. Dunmunkle has the local expertise of the Murtoa Waterworks Trust and the three Sewerage Authorities at Murtoa, Minyip and Rupanyup. The Shire of Dunmunkle in its submission to the Committee states "they (North and East Riding Councillors) also support the recommendation that administration of the two towns be transferred from the State Rivers and Water Supply Commission to the Shire". The Committee, while noting that the Shire of Arapiles is happy with the existing arrangements, also considers that as only one town, namely Natimuk, is involved any difficulty arising from the transfer of responsibility from the Commission to the Shire will not be as great as the Shire anticipates.

The Committee considers the Commission's arguments relating to the relative efficiency of their maintaining supplies to small towns, for example, Brim, to be rather hollow. The Committee considers that it would be more efficient and cost effective for small communities to be managed at the local level rather than remain a part of a large bureaucratic system. The Committee considers it counter productive for a body such as the Commission which has overall responsibility for water management in the State to be involved in retailing to such small communities.

The Shire of Wimmera in its letter dated 20 November 1981 advised that "Council favours an expanding role for local government and would be prepared to consider taking over" the supply of water to the three towns in the Shire currently supplied via Murtoa and Horsham.

**The Committee does not accept the Commission's arguments for their continuing role in retailing of water for domestic use and recommends that:-**

- (1) The State Rivers and Water Supply Commission's District Centres at Ouyen, Birchip, Murtoa and Horsham and its Regional Centres at Swan Hill and Sunraysia cease retailing water for domestic use.**
- (2) The Shires of Donald, Dunmunkle, Warracknabeal, Wimmera, Arapiles, Kerang and Birchip assume responsibility for the supply**

of water to all towns in their Shires currently supplied by the State Rivers and Water Supply Commission.

- (3) The Shire of Walpeup assume responsibility for the supply of water to towns in its Shire currently being supplied by the State Rivers and Water Supply Commission except for Cowangie, where responsibility will be assumed by a Consumer Co - operative.
- (4) The Shire of Stawell accept responsibility for the supply of domestic water to Marnoo.
- (5) The Shires of Karkarooc, Wycheproof and Swan Hill assume responsibility for the supply of water to those communities in their Shires currently receiving supplies from the State Rivers and Water Supply Commission and that these Shires give those communities of 100 consumers or less the option of setting up their own Consumer Co - operatives.
- (6) The Shire of Dimboola assume responsibility for the supply of water to all towns in the Shire currently supplied by the State Rivers and Water Supply Commission except for supplies to Dimboola, Jeparit and Rainbow which will be the responsibility of the Water Boards concerned.

(Recommendation 150).

Recommendations concerning urban water retailing in other areas now served by the State Rivers and Water Supply Commission appear in Part 2.1 of this Chapter.

2.3 Provision by municipalities of urban water and sewerage services under Sections 689/692 of the Local Government Act 1958.

Part XXV of the Local Government Act 1958 provides, inter alia, a statutory mechanism whereby Local Government Authorities may provide water and sewerage services to communities in their area. At least eight Shire Councils, Ararat, Dimboola, East Loddon, Euroa, Kara Kara, Korong, Shepparton and Yea use this provision for water. The total number of communities provided with water is very small and the number of consumers within each community is also small.

The Committee is aware of one Shire - Ballarat - which provides sewerage services under the Local Government Act. In 1980 the Shire began operating a service to the new subdivision of Cardigan (45 houses) which is situated approximately 15 km from Ballarat.

In July 1981 the Committee asked those Councils known to be currently providing a water supply under the Local Government Act to provide particulars of supplies made pursuant to that Act. Most Councils responded and details are set out below.

Shire of Ararat administers, on an informal basis, a number of small schemes developed with the local people. At Buangor (population 50) there is a minor scheme operated by the Shire which they hope to develop to a full urban system. At Pomonal (population 150) public meetings have put to the Shire the need to establish a Trust to enable funding of additional capital works.

Shire of Dimboola currently supplies the community of Tarranyurk, 9 consumers, and is presently establishing a supply to Kiata, 12 consumers.

Shire of East Loddon currently supplies the communities of Serpentine, 54 consumers, and Jarklin, 11 consumers, from the Serpentine Creek by arrangement with the State Rivers and Water Supply Commission. The Council has had to contribute from General Account from time to time to meet the accruing deficit.

Shire of Euora currently supplies 30 consumers at Strathbogie by pumping water from Seven Creeks.

Shire of Kara Kara supplies 31 tenements at Stuart Mill. The scheme is financially viable.

Shire of Korong pipes water to three communities, Wychitella - 9 houses, 2 vacant lots and 1 hotel and Borung/Mysia - 31 houses, 9 vacant lots and 3 tennis courts. The communities are in close proximity to one another and the water supply is a viable proposition.

Shire of Shepparton supplies 87 properties from the Gavangardie Weir on the Broken River at a rate of 2 cents in the dollar N.A.V. (minimum charge \$4). The Shire took over responsibility for the supply following abolition of the Shire of Shepparton Waterworks Trust in 1978. The supply is fed through 4.8 km of main channel and 82 km of small distributary channels to farm properties. Little maintenance has been carried out since the Trust was constituted in 1892 and waterways are in a very poor condition.

Shire of Yea provides 16 consumers, domestic, garden, commercial and stockwater, in the township of Molesworth from the Goulburn River.

The general view of the Shires is that the provisions of the Act enable small communities to receive a service that they may otherwise find burdensome to maintain. The Act is more flexible than the Water Act - there are less restraints on setting rates, there is not the requirement as is under the Water Act to employ a Secretary and Engineer separately and pay them in accordance with the Water and Sewerage Award, nor is there the requirement for the Engineer to be qualified as a Water Engineer pursuant to the Water Act.

Most Shires did, however, point to the major financial advantage (capital grants and loan funds at concessional interest rates) of being constituted under the Water Act, and suggested that similar provisions be incorporated into the Local Government Act. Communities of less than 20 consumers cannot be constituted under the Water Act.

The Sale City Council was constituted as a Local Governing Body under the Water Act on 28 September 1965. Until that time the municipal water supply was provided under the powers contained in the Local Government Act. In view of this, the Committee requested the City of Sale to explain the reason for the change.

The Town Clerk's reply of 7 August 1981 states that "the major consideration, which led to the City of Sale changing the basis of its water supply operations seems to have been the attraction of government interest subsidy".

The 1964 City of Sale Report indicates the extent to which the financial incentive of interest subsidies induced the municipality to accept Local Governing Body status despite the extra costs and centralised supervision they anticipated as a result.

The Report indicated that before a Local Governing Body could be created the consent of the lenders of the six loans and a comprehensive report by a qualified Water Engineer would be required. The Report also indicated that the creation of a Local Governing Body would also involve the implementation of provisions of an additional Act (Water Act) opening of separate bank accounts, preparation of submissions to the Minister, keeping of separate minute books and books of account, preparation of separate vouchers for the waterworks, Commission approval for borrowing, overdraft accommodation, by-laws and to strike or levy a rate and engagement of a qualified Water Engineer.

The Committee at page 27 of its Second Report stated its view on this issue, namely, that "Government financial assistance should be allocated according to a comparative assessment of need, not on the basis of the legislative form of the recipient body ... funding should be independent of structure, and available to a voluntary co-operative, municipality or private enterprise initiative if needs based criteria are met".

Elsewhere in this Report the Committee has specifically recommended that various Boards and municipalities enter into discussion with communities of 100 or less with a view to those communities setting up Consumer Co-operatives to manage their own water supply.

The State Rivers and Water Supply Commission in response to this suggestion in the Committee's Fourth Report suggested that "co-operatives are an undesirable form of water management body". Full details of the Commission's view are contained in the Appendix to this Report.

The Committee, however, reaffirms its view that small consumer groups, particularly in isolated communities like Cowangie in the Shire of Walpeup, should, under the general guidance of the relative Shire or Board in their region, be able to establish a co-operative to manage their system.

The Committee suggests that Shires, who are currently providing water to very small communities, may wish to explore with the consumers concerned the possibility of local management of the system by local consumer co-operatives.



## CHAPTER THREE

### THE NEXT STEPS

#### 3.1 Implementation

Because what is published here is that part of the Committee's Report which concerns structure, there are many related aspects, particularly those dealing with legislation, finance and implementation, that must be dealt with elsewhere. It should be appreciated that the Committee will be recommending the financial and legislative changes necessary to give effect to the structural changes presaged here. It should be further understood that the Committee will be taking seriously its obligations concerning implementation, as defined in Section 48C(8) of its legislation, which provides that:-

- (8) Where the Committee recommends in its report that a public body should cease to exist, the Committee shall include in its report recommendations as to the arrangements that should be made in consequence of the cessation of existence of the body and the going out of office of its members including, without limiting the generality of the foregoing, the arrangements that should be made in relation to -
  - (a) the powers, functions and duties exercised or performed by the body;
  - (b) the property (if any) owned by the body or in which the body has an interest;
  - (c) where the body is established by or appointed pursuant to an Act, the repeal or amendment of that Act;
  - (d) the repeal or amendment of any other enactment referring to the body;
  - (e) where the body was established by or appointed pursuant to a rule, regulation, by-law, proclamation, order, Order in Council or other instrument of a legislative character, the revocation, amendment or variation thereof;
  - (f) the revocation, amendment or variation of any other rule, regulation, by-law, proclamation, order, Order in Council or other instrument of a legislative character referring to the body;
  - (g) the officers and employees of the body;

- (h) any contract, agreement or arrangement to which the body is a party;
- (i) any legal or other proceeding or claim to which the body is a party or in which the body has an interest; and
- (j) the financial and other liabilities and obligations of the body.

The Committee's recommendations on implementation, both in respect of the above points and otherwise, will be made with the benefit of many submissions and suggestions from bodies and individuals both within and outside the water industry.

The Committee's intention is to issue a further volume of its Final Recommendations dealing directly with Implementation in discharge of these statutory obligations. However, the general approach currently envisaged by the Committee in respect to a number of the matters covered by Section 48C(8) is as follows:-

### 3.2 Powers, Functions and Duties of Bodies

The Committee envisages the need for legislation during the next twelve months containing transitional provisions enabling the creation of the new water boards, and permitting them to discharge the existing powers, functions and duties of waterworks trusts, sewerage authorities, local governing bodies under the Water Act and the bodies created by Special Act.

The Committee envisages in the longer term that this transitional legislation, together with the existing legislation covering the water industry, would be comprehensively reviewed and rewritten in a systematic framework. The Committee has already paid some attention to this question, and intends to report separately on it.

### 3.3 Property

The Committee envisages that the assets owned by bodies which cease to exist should generally be transferred to the successor bodies identified by this Report. The transitional provisions legislation referred to above will cover this point.

### 3.4 Officers and Employees

The question of staffing requirements may take some time to finalise and it is anticipated that close consultation between the Committee, State water agencies, the new Boards and industry and employee associations will be essential.

The Committee does expect that, initially, staff requirements will be much the same but over a period of time and taking into account economies of scale inherent in larger organizations, some staff savings could be expected. Any such savings should preferably be met through natural attrition.

The Committee has had a number of discussions with the various Institutes and Associations and will be specifically seeking their views on this matter. This certainly does not preclude individuals in the Industry putting their views directly to the Committee; in fact the Committee would welcome such views.

However, if there is a demonstrated need to develop redundancy provisions, matters such as length of service of the person concerned, age, qualifications, the ease by which the person could be expected to find similar employment in the area and the general mobility of the person concerned would all need to be taken into consideration.

### 3.5 Composition of Proposed Water Boards

The current arrangements whereby water supply and sewerage services are provided by a variety of Trusts, Authorities, Local Government Bodies and bodies set up under Special Acts of Parliament and the State Rivers and Water Supply Commission has meant that people responsible for providing the services have gained this responsibility in a variety of ways:

Some bodies:-

- . are appointed by the municipality;
- . are fully elected but elections have not been held for some time;

- are partly elected, partly appointed by the Government;
- consist of a combination of Councillors and Government appointees.

In all there are 24 different variations. The most common form, however, comprises half Councillors, half Nominees (over 30 cases) or full Council with or without Government Nominees (over 40 cases).

The Committee accepts that there are good reasons for variations to meet individual requirements but considers there may be merit in extending the use of elected rather than appointed authority members in the interests of enhanced local accountability.

The Committee suggests therefore the principle that:-

- at least a majority of the membership of the proposed Water Boards should be directly elected by the consumers;
- where there are a number of communities receiving a service from the Board, each community should have representation relevant to the number of consumers receiving the service. There are a number of examples at present where larger urban areas are dominating smaller communities within the same Trust, Authority or Municipal district. Equally unsatisfactory is the other situation where rural communities are determining the level of service to apply to the larger urban areas in the district - a case of the tail wagging the dog.

It may be necessary in some instances where Boards have been proposed to overcome the problems outlined in the second point above, for those proposed Boards to have electoral ridings which differ from those of municipalities.

The Committee's current views are:-

- as an interim arrangement members of the current Trusts and Authorities should automatically become members of the new Board until it is appropriate for elections to be held;

- where a "regional" body is proposed it may be that an interim Board containing all members of the ceased body may be too unwieldy. In this case it may be necessary for the ceased bodies to nominate a number of persons for an interim committee. Early elections in this case would be necessary;
- the new Board should consist of no less than 6 and no more than 10 members, the majority of which should be elected;
- the interim management of the new Board should determine the electoral ridings, and where appropriate the division between elected and appointed members using firm guidelines developed by the Public Bodies Review Committee. It may be desirable to have the electoral districts or ridings approved by the Minister;
- elections of Board members should be held at the same time as municipal elections. Members should be elected by the consumers.

### 3.6 Convening of New Bodies

Some bodies have sought clarification as to which Trust or Authority will convene and/or form the nucleus of the new Water Boards, especially where regional bodies have been recommended.

The Committee considers that in many cases local arrangements can be left to the former Commissioners and Members to arrange but in the case of more complex bodies, it recognizes the desirability of nominating a convenor or "nucleus body".

The designation of such bodies as convenor bodies indicates the Committee's intention that they should take a leading local role in implementing these recommendations.

It does not mean, however, that their officers will automatically accede to the senior positions in the new authority. Such vacancies should be decided by a fair and neutral process of selection.

Nor should it mean that the convenor body should acquire new office buildings, establish new computer facilities or purchase new plant and equipment where arrangements can be made for these to be shared with other bodies, such as municipalities.

The Committee considers that the following bodies should act as convenors:-

<u>Water Board</u>	<u>Convenor</u>
Ballarat Water Board	Ballarat Water Commission
Bendigo Water Board	Bendigo Sewerage Authority
Dandenong-Springvale Water Board	Dandenong Sewerage Authority
Geelong Regional Water Board	Geelong Waterworks and Sewerage Trust
La Trobe Regional Water Board	La Trobe Valley Water and Sewerage Board
Mount Alexander Water Board	Castlemaine Sewerage Authority
Shepparton Water Board	Shepparton Sewerage Authority and the Shepparton Urban Waterworks Trust
Sunraysia Urban Water Board	Mildura Sewerage Authority and the Mildura Urban Water Trust
Tambo Water Board	Lakes Entrance Waterworks Trust
Yarra Valley and Dandenong Ranges Water Board	Lillydale Sewerage Authority
Mornington Peninsula Regional Water Board	State Rivers and Water Supply Commission

### 3.7 Differential Rating

In examining the water industry the Committee discovered rating variations across the State and within regions levied for similar services. In some cases the variations were due to the additional capital works required in certain areas to provide the service, the age of those capital works and hence the cost of repaying loans, the level and extent of subsidies provided to the bodies and in some cases the general efficiency of the body providing the service.

Some bodies, particularly those where it is proposed that they merge with bodies with a significantly different rate level, have expressed concern at the current

state of the legislation. They see it as inhibiting the application of rate differentials even though the legislation does give discretionary powers to the Minister of Water Supply in this regard.

The Committee agrees that this is a matter for urgent consideration and recognizes that the possibility of giving greater freedom to Water Boards to enable differential rating is quite real. It also recognizes, however, that this is not a matter that can be looked at in isolation. There are a number of economic and social considerations that need to be balanced.

The future of subsidies, the question of grants to Water Boards, the financial arrangements within which the Boards must operate, the application of the principle of "user pays" must all be balanced against the equity considerations of having consumers within geographical regions paying similar rates, the ability of certain disadvantaged groups in the community being able to pay the economic cost of the service, and inter-generational equity.

### 3.8 Contracts

Contracts, agreements, legal arrangements, financial and other liabilities.

The transitional legislation referred to above will also allow the successor bodies to assume the existing legal arrangements, contracts, liabilities and agreements, etc. currently relating to the ceased bodies.

There may be some difficulties with transferring of loans, etc. where the successor body is a combination of a number of bodies who all used different financial institutions. The Committee has this matter under investigation.

### 3.9 Implementation Committees

The Committee sees the successful conclusion of its extensive investigation and evaluation of the industry as being the successful resolution of all implementation difficulties.

To assist in identifying all problem areas the Committee intends to form a number of Sub-Committees.

A very brief outline of the proposed activities of each of these Sub-Committees is set out below.

\* Existing Legal, Financial and Staffing Obligations

- Status of Current Loans, Legal Agreements, Contracts, etc., taken out by Trusts and Authorities and portability of same.
- Transfer of assets and liabilities to successor bodies.
- Rights and obligations of staff affected by restructuring.

\* New Structures

- Composition, including methods of community representation for the new Boards, and methods of election or selection to them.
- Powers, functions and duties to be exercised by the new and revised bodies and their relationship with other bodies in the water industry.
- Mechanisms to ensure that meetings and timetables foreshadowed in the Report will eventuate.
- Internal structural arrangements for the new bodies.

\* Financial/Accountability Arrangements

- Implications for financial assistance.
- Implications for pricing policies.



- Internal accounting arrangements.
  - Audit guidelines.
  - Criteria against which Annual Reports should be prepared.
- \* Legislation
    - The new legislative framework including the extent to which use can be made of delegated legislation.
  - \* Local and Regional Committees
    - Committees may need to be formed in a number of the local and regional areas where the Committee has recommended the formation of a new body.

The preceding outline is in no way meant to reflect the full extent of the implementation exercise. The industry itself can best identify those areas in which difficulties or potential difficulties may exist. Once again the Committee expresses the importance of, and its reliance upon, the inputs of the industry in this most important phase of its operation.

### 3.10 Concluding Remarks

Construction of this Report, as those involved in Victoria's water industry will readily appreciate, has presented the Public Bodies Review Committee with a task of considerable magnitude. To compile this Report the Committee has had to address itself to more than 3,000 pages of transcript, and some 20,000 pages of submissions, and assess the results of discussions by individual Members and Sub-committees of the Committee with almost 400 water and sewerage bodies.

Identifying the wide variety of social, economic and geographic differences that characterise the Victorian water industry would have been impossible without the co-operation and support of the industry itself. The State Rivers and Water

Supply Commission has provided the Committee with technical data and constructive comment during the course of the development of these recommendations on structure; the larger water bodies have also contributed their time, knowledge and expertise but it has been the continuing efforts of a larger number of the smaller bodies who have, through their various submissions given the Committee a real "feel" for the industry.

The Committee, since the early days of its Inquiry, has held to the view that each organisation should be examined separately and with a full understanding of its social, financial, geographic, political and administrative characteristics. In drafting the proposals put forward in the Committee's Fourth Report the Committee was constrained in a number of areas through lack of information. A number of bodies, albeit a very small percentage of the total, had, to that point, ignored the very existence of the Committee. Other bodies, not really appreciating the tenacity and thoroughness of the Committee, had not presented the Committee with sufficient detail to put their particular body into its proper perspective. By issuing the Fourth Report and obtaining comment on its draft proposals the Committee now feels confident that it has gained that full understanding of the industry, and, as a consequence, its recommendations will prove to be effective and workable.

This Report illustrates an individualised and sensitive approach. In recommending new structures the Committee has followed conservative principles of organisational change - it has sought to build on existing institutional arrangements and has balanced the economic, administrative and cultural considerations to form a structural package that will lead to increased economies, be more effective and maintain the tradition of public spirited local self-management, while at the same time improving accountability upwards to the Parliament.

The Committee is confident that as this historic review moves into its implementation phase and further recommendations are made on the other strands of the Inquiry, that it will continue to receive that quite extraordinary level of co-operation from the industry and the community that has marked the process thus far.

COMMITTEE ROOM  
3 DECEMBER 1981

APPENDIX 1.

SELECTED RESPONSES

OF LOCAL AUTHORITIES

TO THE COMMITTEE'S FOURTH REPORT

ADDRESS  
COMMUNICATIONS TO  
THE SECRETARY  
P.O. BOX 469,  
BAIRNSDALE, 3875

APPENDIX I

*Paynesville Waterworks Trust*

TELEPHONE  
SECRETARY 52 4011  
(AREA CODE 051)

TRUST OFFICES

MCCULLOCH STREET, BAIRNSDALE, 3875

REF. DH:LJB(116-7)

2nd November, 1981.

The Chairman,  
Public Bodies Review Committee,  
2nd Floor, Treasury Gate,  
1 - 15 Little Collins Street,  
MELBOURNE, 3000.

Dear Sir,

The Commissioners of the Paynesville Waterworks Trust are bitterly disappointed with the draft proposals and feel that matters previously submitted to the Committee have been ignored or misunderstood. The Trust considers that if a change, to the degree as indicated in the report is proposed, the municipality of the Shire of Bairnsdale should administer and operate all of the water and sewerage authorities within the Shire area -

Paynesville Waterworks Trust  
Paynesville Sewerage Authority  
Lindenow Waterworks Trust  
Lindenow Sewerage Authority

The Trust feels sure that the Committee does not appreciate the existing structure of local government and authorities in this area. No where in this report does the Town of Bairnsdale rate a mention and amalgamation only refers to the Shire of Bairnsdale and the various water and sewerage authorities. The offices where the Committee met were the Shire Offices situated in the municipal district of the Town of Bairnsdale.

Currently the Bairnsdale Waterworks Trust and Sewerage Authority administers water and sewerage services within the Town of Bairnsdale which has a population of 10,000 people. The areas in which the Town of Bairnsdale and the Bairnsdale Waterworks Trust and Bairnsdale Sewerage Authority operate is virtually identical which means that all facets of these authorities administrative operations are already duplicated. Has consideration been given by the Committee to the consolidation of the administration of these authorities?

The authorities existing within the Shire of Bairnsdale are in no way connected and have nothing in common to either the Town of Bairnsdale or the Bairnsdale Waterworks Trust and Sewerage Authority. They are administered in part or in full by the Shire of Bairnsdale. All records of the bodies within the Shire are common and a similar situation exists with works depots and work force. All authorities have ready access to plant and equipment through the Shire's local resources, or from the central depot.

Any amalgamation of these "Shire authorities" under a Bairnsdale Water Board would create a duplication of both administration and servicing functions. A Bairnsdale Water Board would not eliminate any major body as the Shire would still exist. The Committee's proposals would in many ways directly contradict many of the principles and aims that are set out in the "draft proposals" document. I will endeavour to pass some comments on these matters in the following pages.

With the above information current in the Committee's mind, may I respectfully request that the members again read the Trust submission of 31st July 1981, concerning points for and against amalgamation with the Bairnsdale Waterworks Trust and Sewerage Authority, as many points made will help clarify the situation.

## APPENDIX I

The Trust wishes to comment on some of the statements made in the draft as follows -

Page 6 "it is felt that the Community Council's mandate could perhaps extend beyond advice on water and sewerage to cover any and all aspects of municipal life as the Municipality considers appropriate".

This is happening within the Paynesville Waterworks Trust now and any change to administer these services through a Bairnsdale Water Board would completely remove this municipal input.

Page 7 "It has not just involved looking backward, it has, more importantly, involved looking forward" ..... "the Committee believes it has a responsibility to design and recommend structures and procedures that will allow the efficient economic, and effective allocation and utilization of water resources over the next several decades. Such an objective suggests the need to recognize the inherent uncertainty of the future by avoiding structures and procedures that are inflexible".

This may be so, but should not occur to the detriment of the smaller communities. Any Water Board would give Bairnsdale township a greater or stronger representation. Paynesville and Lindenow being rural districts separated from Bairnsdale by distance would not attract the interest of the Commissioners from Bairnsdale area. This is experienced right throughout politics, from semi government through to Federal Government. If the member happens to live in your area, your community has a sympathetic or listening ear and a genuine interest in the area.

By forming a Bairnsdale Water Board as proposed, would remove this aspect which is seen as a benefit by the Committee. This ideal can be better realised by continuing with the existing administration under a municipality in this particular case.

Page 7 "Accordingly, the general thrust of the recommendation is to pursue the objective of combining responsibility for water and sewerage in one body, and where possible, both reducing the number of bodies responsible in each municipality for water and sewerage to one, and extending the jurisdiction of that body to the total area of the municipality, or to several adjoining municipalities".

If the Committee cares to look closely at the structure of the Authorities/Trusts and Municipalities in this area it would see that this type of thinking was partly implemented within the Shire on the initiative of the bodies concerned.

In 1976 the Shire of Bairnsdale accepted the responsibility to administer the Paynesville Waterworks Trust. This operation has been very successful and has coped with the rapid expansion in both development and works that have been experienced. The Trust is currently operating more efficiently now than at any other time in it's history. This is due to the integration of works and the amalgamation of records with the Shire of Bairnsdale.

It was the Shire of Bairnsdale in response to local needs that took the initiative some years ago to commence planning and preparation of a sewerage authority for Paynesville, Raymond Island and Eagle Point. All work to date has been undertaken by the Shire. When the Paynesville Sewerage Authority was constituted in 1979 the members of the Council were appointed as members of the authority as this provided the most efficient and integrated servicing arrangement possible.

Similarly, the Shire of Bairnsdale in response to a local problem initiated plans to establish sewerage works at Lindenow, this is being incorporated with the Paynesville Sewerage Authority.

APPENDIX I

It is interesting to note that plans to amalgamate or initiate schemes were instigated at a local level in response to local needs by the local authority or the Shire Council and not outside authorities such as Bairnsdale Water/Sewerage. This is an indication of a serious disadvantage built into the Committee's proposals for Bairnsdale Shire authorities in the future. If the areas of interest are brought together, planning development and progress will naturally occur whereas this will not occur where the common interest does not exist.

The Shire of Bairnsdale, in the short time it has administered these authorities has proved the value to the consumers of an integrated servicing authority covering roads, drains, water supply, parks (and eventually sewerage) and this Trust can see that with minor legislative changes that the system could be further improved.

Page 8 "Until recently it has generally been the practice to establish a new, separate public body for each new water supply scheme, each new sewerage scheme".

The Authorities and Shire have deliberately worked to avoid this trend. It appears that the municipality, although it has already been successful in drawing these bodies together within the area, is now being penalised, not because of it's actions but because of limitations on it's actions imposed by the various Acts. If these restrictions relating to administrative and political structure had not existed, I am sure that complete amalgamation of all Trusts/Authorities within this Shire area would have taken place.

Page 8 "Where responsibilities can be placed with local communities for managing their own affairs, the Committee believes this should be done".

The Trust agrees with the view of the Committee however, the draft recommendation is in complete contradiction! The Trust considers that management extends beyond mere political representation and encompasses the whole administration and servicing operation. While the Shire of Bairnsdale is the administrator/operator body this can be achieved; immediately this is transferred to a Board centred in Bairnsdale all this is lost. As detailed in an earlier submission the Trust sets out the benefits of Shire operation over alternative operations centred at Bairnsdale.

Page 8 "It has sought to build on existing bodies wherever possible, and in no case does it envisage the creation of a new statutory body which has no association with or relevance to an existing organisation".

The proposed Bairnsdale Water Board would mean that a new body would be created which duplicates most of the administrative and operating functions of the Shire of Bairnsdale, and this body would have little natural association with these new areas.

The Shire is the logical administrator/operator of those authorities within it's boundaries on the basis of those objectives stated by the Committee. If the Committee is considering building on existing bodies, it may be appropriate to amalgamate the Bairnsdale Waterworks Trust, the Bairnsdale Sewerage Authority and the Town of Bairnsdale to establish one authority. This would then leave only two authorities, the Shire of Bairnsdale, and associated Trusts/Authorities and the Town of Bairnsdale and associated Trusts/Authorities. If the Committee's current proposals are adopted there will be three authorities - Shire of Bairnsdale, Town of Bairnsdale and the Bairnsdale Water Board, this is again a complete contradiction of the aims and intentions of the Committee.

Pages 8 - 9 "In making judgements .....

- \* whether there is an existing full-time professional water administration in the district;
- \* whether the municipality has existing involvement in water and sewerage services;"

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The Paynesville Waterworks Trust provides it's ratepayers with a full-time administrative centre and an 'around the clock' local maintenance and service facility. This is achieved through the Trust Secretary being a full-time employee of the Shire and by the use of the Shire's full range of modern accounting machinery and property records. In addition the 'around the clock' service is available for all practical needs relating to water supply, locally at Paynesville through the integration of Turncock, Shire employees and Shire plant.

There is no disadvantage in this arrangement which is full-time and in the Trust's opinion far superior to anything that could be offered by a Bairnsdale Water Board run by the Bairnsdale Waterworks Trust and Bairnsdale Sewerage Authority office (which is smaller and has far fewer employees and inferior accounting equipment and plant).

The Trust contends that professional water administration is merely sound and modern accounting and administrative know-how which is common in essence to any public servicing authority.

"\*the recent history of responsibility for water administration in the area (e.g. cases where a conscious and recent choice has been made to municipalise or de-municipalise the water function)";

This has happened within this district. In 1975 the Paynesville Waterworks Trust realised that the Trust must improve it's performance so took a positive stand and requested the Shire of Bairnsdale consider the possibility of administering the Trust's affairs. (See copy of letter - 21/8/75). The Shire agreed and since 1976 this operation has worked very successfully. It is noticeable that the Paynesville Trust did not approach the Bairnsdale Waterworks Trust although this possibility existed. The reasons for this were that all of the administrative functions (rating, property records, employees, etc.) and servicing facilities required to carry out an efficient service existed and were available through the Shire. There was nothing in common with the Bairnsdale Waterworks Trust other than the agreement for bulk supply of water.

The Shire of Bairnsdale also considered it desirable to administer the Paynesville Sewerage Authority. As indicated in the histories detailed, the Shire has planned for the integration of the Sewerage Authorities and has accepted that responsibility.

Combining all authorities with a Water Board based in Bairnsdale would create many new areas of duplication at considerable cost to the ratepayer. A far superior arrangement could be achieved by consolidating within the Shire all bodies which have common interests and are familiar with the area, people and problems.

"\*the geography of the municipality, including the distances and physical features separating the town from which the municipality is administered from the towns where urban water services are provided";

The Paynesville Waterworks Trust, Paynesville Sewerage Authority, Lindenow Waterworks Trust and Lindenow Sewerage Authority are totally within the Shire of Bairnsdale. All installation and maintenance work undertaken would involve the Shire of Bairnsdale in some way. None of the authorities areas encroach into another municipality.

Paynesville Waterworks Trust and Lindenow Waterworks Trust have access to Shire back-up in all situations at all times. This is immediate, as employees are resident in the townships. Plant and operators are also available to assist the turncocks.

In Paynesville, experience has shown that after-hours work is not uncommon. Some older fittings are effected by the soil's salt content and tend to break when the pressure is at it's greatest; e.g. at night when demand is low. This requires labour and plant. The turncock lives in Paynesville, Shire plant is stored at Paynesville (this will increase when sewerage works are undertaken) as well as additional labour. If the Water Board administers the Paynesville Waterworks Trust's operation, the advantages of these facilities will be lost. Only one turncock, back-up of labour and equipment must come from Bairnsdale and considerable delays could be expected. The Bairnsdale

APPENDIX I

Water Board could not justify duplicating the Shire's employees and plant capacity at Paynesville.

This Trust is conscious that any break in the system is costly and it does not want to increase that cost; also any break inconveniences the public and the Trust does not wish to unnecessarily increase the length of the inconvenience.

It would be many years, if ever, before the Trust/Water Board could justify having the equipment now available to them in Paynesville.

The Trust's submission of 31/7/81, deals with this at a greater length and more details are contained therein.

"\*the composition of municipalities, including the extent to which they include or do not include urban ratepayers. The absence of urban ratepayers on municipal councils has frequently led the Committee to recommend a water board where otherwise it might have recommended the transfer of water functions to a municipality".

The Shire Council has nine elected Councillors of which four of these are Water Commissioners (serving the areas of Paynesville and Lindenow).

Page 11 "The Committee believes ..... and that they provide a more consolidated and coherent administrative structure with which to cope with the complex demands of coming decades".

The Trust believes that this can be better achieved where the administration of all services (water, municipal, sewerage) within an area are consolidated into a combined servicing authority. This must achieve a better result than a duplicated multi-administered service. This is detailed in the Trust's submission of 31st July 1981.

Page 30 "The Bairnsdale Waterworks Trust".

It is interesting to note that no mention was made in relation to the rate in the dollar in respect to different areas. In 1980, the Bairnsdale Waterworks Trust's rate was 4.0 cents in dollar on N.A.V., whereas Paynesville Waterworks Trust's was 2.0 cents in dollar on N.A.V. It should be noted that the level of values is the same for both areas - i.e. common valuation date, 31/12/77. This would indicate that a similar dwelling in Bairnsdale would have attracted a rate twice than would apply in Paynesville. Rates for 1981 increased within each authority and could in part be attributed to major works construction being undertaken by each body.

1981 Rate	Bairnsdale	- 4.25 cents in dollar
	Paynesville	- 3.0 cents in dollar

Paynesville has budgeted for a 3.0 cent rate for 1982.

Page 30 "The Trust obtains water from the Mitchell River and supplies water to Bairnsdale, Lindenow and Wy Yung".

This is incorrect as it supplies water to Bairnsdale, Paynesville and Wy Yung. Lindenow Waterworks Trust operates it's own pumping station situated on the Mitchell River at Lindenow and supplies the townships of Lindenow, Lindenow South and Walpa.

The Town of Bairnsdale was constituted as a separate municipality from the Shire in 1967. Both the Bairnsdale Sewerage Authority and Bairnsdale Waterworks Trust existed as separate bodies prior to this. All three authorities cover the same town area. I again stress that these Bairnsdale authorities have not at any time - except when they are under threat of amalgamation - shown any interest in fostering or assisting the amalgamation of water or sewerage to areas outside the Town. Provision of services has come about primarily by local Shire Council initiative and not from the Bairnsdale area. This amplifies the fact that Bairnsdale has no real interest either political or physical, beyond it's own immediate area.



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Page 31 "the formation of one Trust to construct, operate, maintain and administer water supply schemes within the Shire of Bairnsdale would be desirable".

The Secretary has spoken to Garlick & Stewart about the origin of this statement and it appears that this has been taken out of context by the Bairnsdale Trust. This statement forms portion of a report compiled by the Consulting Engineers (Garlick & Stewart) dated 31/8/78, in response to a submission made by the Shire Engineer to establish a large common reservoir south of Bairnsdale to service Bairnsdale, Paynesville and Lindenow. The Bairnsdale Trust did not favourably receive the suggestion and no further attempt to consider the matter was made.

Page 32 "Paynesville Sewerage Authority".

Although the Paynesville Sewerage Authority was only constituted in 1979, the Shire initiated steps to sewer the area some 10 years prior to that date. The genuine need for sewerage and the concern of pollution in the Lakes system motivated the Shire to act. It was the Shire who acted in response to a problem in it's area and indirectly to protect the Gippsland Lakes.

Page 32 "The Bairnsdale Waterworks Trust and Sewerage Authority are closely integrated having the same Commissioners and common staff. The rates, at 3.5 cents in the dollar, are relatively low as the works are old, but steep increases are expected when the headworks are replaced".

The Paynesville Waterworks Trust operates a service much cheaper than Bairnsdale Waterworks Trust and yet is only approximately 20 years old. It is indicated that "a steep increase is expected". The Paynesville Waterworks Trust is concerned that under a Water Board, Paynesville residents may be unjustly subsidising the Bairnsdale consumers. The Paynesville system has relatively new headworks while Bairnsdale's are up to four times older. The Paynesville Waterworks Trust has common staff and workforce with the Shire and the Paynesville Sewerage Authority and this is substantially larger, more modern and we believe more appropriate to the servicing needs of our ratepayers than any Bairnsdale Water Board could ever hope to be.

### Some Further Economic Points Against a Bairnsdale Water Board

1. There would be a need to increase staff as it would not be possible to incorporate the authorities within the present system without expecting to expand staffing. Currently staffing within the Shire is adequate - additional staff means additional costs.
2. The Bairnsdale Waterworks Trust and Bairnsdale Sewerage Authority are in rented premises, as their own offices are inadequate. Ultimately new offices will be required, thus another additional expense. Currently the services being provided through the Shire operates from a reasonably new and very adequate office (17 years old). Note that the Shire Offices were used by the Committee at the Bairnsdale hearing.
3. The Water Board would need to purchase accounting equipment. No mechanical equipment exists in the Bairnsdale Waterworks Trust's office. All notices and receipts are produced manually. Current modern equipment is available to the Trust/Authorities working through the Shire for issue and receipting process.
4. The travelling costs appropriate to each area must increase as there will not be "on the spot" labour and facilities in each settlement.
5. Plant hire charges must increase as travelling time will become a significant factor for outlying areas and must be charged. It would be necessary to hire private plant at higher rates than is charged by the Shire.

APPENDIX IConclusion

The Paynesville Waterworks Trust disagrees with the recommendations made for the restructure of the various servicing authorities in the Bairnsdale Shire and believe that substantial grounds exist to justify their view that this proposal runs contrary to virtually all of the Committee's stated aims and principles used in the statewide review of the water/sewerage industry. Furthermore it is the Trust's view that the proposal put forward will be detrimental to their ratepayers through the imposition of a less responsive, less efficient service, and a more costly and duplicated administration.

The Trust would commend to your Committee the scheme suggested for many other areas where the Trusts and Sewerage authorities will have their operations blended into the Municipality in which they operate - a scheme very similar to that which the Paynesville Waterworks Trust already operate and find to be extremely satisfactory and strongly favoured by the public.

In view of the foregoing, the Trust invites the members of the Board to re-visit the area, so they may fully appreciate the present structure and working system.

For and on behalf of the Commissioners of the Paynesville Waterworks Trust.



DAVID HUSTED,  
SECRETARY.

## APPENDIX I

### GEELONG WATERWORKS AND SEWERAGE TRUST

#### FUTURE STRUCTURES FOR WATER MANAGEMENT

##### FOURTH REPORT

#### INTRODUCTION :

Following the invitation extended by the Public Bodies Review Committee, the Geelong Waterworks and Sewerage Trust submits the reaction to the draft proposals for future water management structures for urban water supply and sewerage services to the Geelong region.

It is noted that the Report does not deal with river improvement and drainage bodies or specially constituted bodies such as the Dandenong Valley Authority, the First Mildura Irrigation Trust or the West Moorabool Water Board. Those bodies, together with issues related to the central management of the Water Industry, legislation, finance and implementation of the new structures are to be reported on separately by the Committee in the near future.

#### GENERAL COMMENTS :

In presenting these draft recommendations, the Committee has stated that, amongst other things, particular emphasis needs to be given to providing structural arrangements which will lead to the efficient, effective and economic allocation and utilisation of both water resources and capital.

Accordingly, the principal thrust of the recommendations is towards reducing the overall number of bodies and integrating water supply and sewerage services in each community wherever possible.

These objectives have been followed through in depth with recommendations being made for some 339 existing bodies to be abolished and their functions taken over by 148 bodies initially comprising 75 new Water Boards (water supply and sewerage), 2 new Sewerage Boards (sewerage only) and 71 Municipal Councils. Provision is made for four bodies to be subsequently phased out, leaving a total number of 144.

A major deficiency of the Report is that it gives very little reasoning for its recommendations so that it is almost impossible to assess the extent of any improvements in efficiency, effectiveness or economy likely to be achieved with this new structure.

It will be recalled that besides making an initial submission in September, 1980, the Trust made a further report to the Committee in July, 1981, entitled "Possible Rationalisation of Water Management Responsibilities Within the Barwon Region". That document has been mentioned by the Committee in its Fourth Report as 'providing an evolutionary plan of considerable merit'.

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Notwithstanding that statement, the Committee's recommendations only partially embrace the Trust's suggestions for rationalisation of water management in this Region. It is considered therefore that a number of aspects of the recommendations require a positive response from the Trust and specific comments in that regard are made later.

It is worth noting however that the Committee considers that the body succeeding the Trust should have the status of a 'regional' Authority. A similar status is accorded to Ballarat and a total of 10 such Authorities are listed on page 274 of the Report.

SPECIFIC COMMENTS ON RECOMMENDATIONS :

As pointed out earlier, the Fourth Report deals specifically with the 'retailing' aspects of water supply and sewerage. There is therefore no indication at present of the Committee's attitude towards the future control of 'headworks'. In making the following comments, it has therefore been assumed that the Trust or its successor will maintain the current interests and responsibilities in regard to the Barwon and Moorabool water supply headworks and the wastewater outfall and disposal works at Black Rock.

Geelong Waterworks and Sewerage Trust

The Committee's recommendation on page 102 of the Report is that "the Geelong Waterworks and Sewerage Trust cease to exist and that the successor body be a new body known as the Geelong Water Board, to progressively take up responsibility for water, sewerage, drainage, river management and flood protection in the whole of the municipalities of Bannockburn, Bellarine, Corio, Geelong, Geelong West, Newtown, South Barwon, Queenscliffe and in that part of the Shire of Leigh to the east of Mount Mercer."

Whilst noting the Committee's acceptance of the Trust's progressive evolution strategy, the following matters require comment :-

- (a) The complete omission of the Shire of Barrabool from the ambit of the new Board is possibly an oversight but the similar omission of the Winchelsea Shire is a serious misjudgement. If the Board is to take up responsibilities for river management and flood protection in the Lower Barwon catchment, then it cannot do so effectively without similar jurisdiction over the upper parts of the catchment, which also takes in portions of the Colac and Otway Shires.
- (b) The inclusion of 'part of the Shire of Leigh to the east of Mount Mercer' is not a sufficiently accurate way to describe the area to be covered by the Board in that vicinity and a more detailed description is necessary to adequately delineate the boundary shown by the Trust on Plan No. 6 accompanying its July, 1981 report to the Committee.
- (c) The Report is inconsistent in its naming of the successor body to the GWST, referring to both the Geelong Water Board and the Geelong Regional Water Board. It is considered important to emphasise the regional concept and more importantly to highlight the responsibilities for fostering rural water supplies on an equal footing with urban supplies within the Region.

For that reason, if the name 'Geelong' is to be retained, it should be accompanied by the term 'Regional' and become 'Geelong Regional Water Board'. The Committee should be advised that the name 'Geelong Water Board' as commonly used in the Report is unacceptable.

## APPENDIX I

The title 'Barwon Water Board' could be an appropriate alternative if the Committee was to accede to certain other suggestions made later in this report which would widen the sphere of influence of the proposed Board.

- (d) It is considered that the recommendation should ~~therefore~~ be revised

The acceptance of this revised recommendation is dependent on the Committee's decision concerning the proposed Barrabool and Winchelsea Water Boards. Comments on those bodies are given later.

### Bellarine Water Supply System

No reference is made in the Report to the SR&WSC's Bellarine Peninsula Waterworks District as a whole. Instead, portions of that Water Supply System are treated as an adjunct to recommendations on other bodies throughout the Region.

Whilst the majority of the Bellarine System is dealt with in that way, it appears that the Committee has made no recommendations as to the fate of the Mount Duneed Rural District nor to the Breamlea water supply which forms part of the Bellarine Urban District.

The situation is complicated further by the Committee's recommendations that portions of the Bellarine System be transferred to other Water Boards, namely Birregurra to the Winchelsea Water Board and Anglesea and Torquay to the Barrabool Water Board. Arguments against such actions are outlined later in this report.

All recent dealings between the Trust and the SR&WSC for the transfer of the Bellarine System to the Trust have been on the basis of the entire System being transferred in one entity. Accordingly, it is considered that the Committee should be requested to make a separate recommendation on the Bellarine System and to nominate a firm date for transfer of control in lieu of the phrase 'as soon as practicable'.

A suggested wording for the recommendation is - "The Committee recommends that the water retailing functions of the State Rivers and Water Supply Commission within the Bellarine Peninsula Waterworks District be transferred to the Geelong Regional Water Board on 1st July, 1983."

### Barrabool Water Board

The Committee's recommendation on page 17 of the Report is that "the Aireys Inlet Waterworks Trust, the Anglesea Sewerage Authority and the Torquay Sewerage Authority cease to exist and the successor body should be the Barrabool Water Board, responsible for water and sewerage services to those towns. The Committee recommends therefore that the Board assume the water retailing functions of the State Rivers and Water Supply Commission in Anglesea and Torquay. The Committee further recommends that should the Water Board consider that at some future time in the interests of its ratepayers it should combine with a larger body, then that body should be the Geelong Water Board. The Committee considers that no further Water Boards should be established in the coastal regions of the Shire of Barrabool".

The creation of such a body raises the following issues :-

- (a) The Anglesea and Torquay Water Supply Systems form part of the SR&WSC's Bellarine System and both receive supply in bulk from the Trust.
- (b) As mentioned earlier, the Bellarine System transfer negotiations have been on the basis of it being kept as a single entity. Any fragmentation of the System, such as is proposed by the Committee, would run contrary to the principle of effective rationalisation of water management in this Region.

APPENDIX I

- (c) The Committee's thinking on this matter appears to have been dictated by the fact that the two Sewerage Authorities and the Aireys Inlet Waterworks Trust all have a common administration through the Barrabool Shire, with the Shire Secretary being Secretary of all three bodies. However, the major part of Torquay is in the City of South Barwon which is represented by two Councillors on the Torquay Sewerage Authority.
- (d) Sewerage for Torquay is inextricably linked with the Trust's outfall system at Black Rock.
- (e) In alluding to the Trust's July, 1981 report, the Committee states that the Trust has suggested that Aireys Inlet should lie outside the boundaries of any proposed Barwon Regional Water Authority. What the Trust's report actually stated was that the four existing water Authorities at Apollo Bay, Skenes Creek, Lorne and Aireys Inlet may be deserving of some separate consideration in any regional restructuring as they lie outside the Barwon Water Basin.

In fact, at the Public Hearing held by the Committee in Geelong on 26th September, 1980, the Engineer-in-Chief suggested that there would be no difficulty for the Trust to manage the Aireys Inlet Water Supply.

That is still the case. Both Anglesea and Torquay water supplies are operated from Anglesea by the SR&WSC at present. If the Trust was to assume control of those areas as part of the Bellarine System transfer, there would be no difficulty for the Trust to also operate the Aireys Inlet system.

- (f) An important factor that does not appear to have received the Committee's full consideration is the ability or otherwise of the relatively small number of ratepayers within the proposed Barrabool Water Board's area to meet the costs associated with augmenting the Anglesea and Torquay water supply systems. Based on the SR&WSC's 20 Year Capital Works Programme to the year 2000, in excess of \$10MIL (December 1980 values) will need to be expended on the staged augmentation of those systems to keep pace with projected development. A significant proportion of that amount is related to the replacement with pipelines of the open channel supply systems. Based on the SR&WSC's planning, around \$7MIL would be needed for capital works in the two towns over the next decade.
- (g) The proposed Barrabool Water Board would also be expected to bear an equitable proportion of the annual loan servicing and operating costs for the Trust's water supply headworks augmentation. Projects at present in progress include the Wurdee Boluc Pipeline (\$14MIL) and the Barwon Downs Groundwater Development (\$4MIL). Expenditure in excess of \$20MIL is also likely to be required on the Gellibrand River Development within five years. A proportion of the annual costs of the \$14MIL ocean outfall works at Black Rock would also need to be met by the Board in respect to the present Torquay Sewerage Authority.
- (h) The Trust has substantial water management interests and retailing responsibilities within the Barrabool Shire and the proposed Barrabool Water Board would need to liaise closely with the Geelong Regional Water Board on its forward planning for both water supply and sewerage.
- (i) The Committee's recommendation recognises that in the interests of its ratepayers, the Barrabool Water Board may at some future time need to combine with the Geelong Regional Water Board.

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In essence, the creation of the Barrabool Water Board appears to be quite inappropriate, bearing in mind that some years ago the SR&WSC amalgamated the former Anglesea-Torquay Urban District with the much larger Bellarine Urban District in order to provide a larger and more equitable rating base.

Thus, there are serious doubts as to whether a Barrabool Water Board would be financially viable without heavy Government subsidies or a considerable proportion of capital being borne by the State. Such action would run counter to the Government's apparent necessity and strategy of reducing the need for subsidies to water supply and sewerage bodies.

A suggested revised recommendation would therefore be - "The Committee's recommendation is that the Aireys Inlet Waterworks Trust, the Anglesea Sewerage Authority and the Torquay Sewerage Authority cease to exist on 1st July, 1984, that the successor body be the Geelong Regional Water Board and that no further Water Boards be established in the coastal regions of the Shire of Barrabool".

### Bannockburn District Waterworks Trust

The Committee's recommendation on page 37 of the Report is that "the Bannockburn District Waterworks Trust cease to exist and the successor body be the Bannockburn Water Board. The Committee further recommends that from 1st January, 1984 its responsibilities be assumed by the Geelong Water Board".

Whilst this is generally in accord with this Trust's representations to the Committee, it is considered that the recommendation should read - "The Committee's recommendation is that the Bannockburn District Waterworks Trust cease to exist on 1st July, 1984 and that the successor body be the Geelong Regional Water Board".

### Bellarine Sewerage Authority

The Committee's recommendation on page 44 of the Report is that "the Bellarine Sewerage Authority should cease to exist, and that the successor body should be the Shire of Bellarine. The Committee, believing that water and sewerage services should ultimately be integrated in each community, recommends that responsibility for sewerage services in the Shire of Bellarine should pass to the Geelong Water Board on 1st January, 1986. The Committee recommends that responsibility for water supply in the Shire of Bellarine should be transferred from the State Rivers and Water Supply Commission to the Geelong Water Board as soon as is practicable".

The recommendation that the Authority should ultimately be merged with the Geelong Regional Water Board is satisfactory in principle but it would be far preferable for the interim control by the Shire of Bellarine to be avoided. In view of the planning now under way for extension of sewerage services to the Drysdale/Clifton Springs area, it is important that the Geelong Regional Water Board be involved at an early date to ensure adequate input to future sewerage strategies for the Bellarine Peninsula.

Accordingly, it is considered that the recommendation should read - "The Committee's recommendation is that the Bellarine Sewerage Authority cease to exist on 1st July, 1983 and that the successor body be the Geelong Regional Water Board".

### Barwon Heads Sewerage Authority

The Committee's recommendation on page 39 of the Report is that "the Committee, believing that water and sewerage services should ultimately be integrated in each community, recommends that the Barwon Heads Sewerage Authority cease to exist, and that the successor body, in respect of sewerage services, until 1st January, 1986, be the Barwon Heads Sewerage Board, and on that date the Geelong Water Board assume its responsibilities. The Committee recommends that water supply to Barwon Heads be transferred to the Geelong Water Board from the State Rivers and Water Supply Commission as soon as practicable".

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It would seem more logical to leave the Sewerage Authority as it is until transferred to the Geelong Regional Water Board. As in the case of the Bellarine Sewerage Authority, a somewhat earlier transfer date should be effected.

The recommendation should therefore be varied to read - "The Committee's recommendation is that the Barwon Heads Sewerage Authority cease to exist on 1st July, 1984 and that the successor body be the Geelong Regional Water Board".

Queenscliffe Sewerage Authority

The Committee's recommendation on page 191 of the Report is that "the Queenscliffe Sewerage Authority should cease to exist, and that the successor body should be the Borough of Queenscliffe. The Committee, believing that water and sewerage services should ultimately be integrated in each community, recommends that responsibility for sewerage services in the Borough of Queenscliffe should pass to the Geelong Water Board on 1st January, 1986. The Committee recommends that responsibility for water supply in the Borough of Queenscliffe should be transferred from the State Rivers and Water Supply Commission to the Geelong Regional Water Board as soon as possible".

As in the case of Barwon Heads Sewerage Authority, there seems to be no sound reason for the Queenscliffe Borough Council to be an interim body.

The recommendation should therefore read - "The Committee's recommendation is that the Queenscliffe Sewerage Authority cease to exist on 1st July, 1984 and that the successor body be the Geelong Regional Water Board".

Winchelsea Water Board

The Committee's recommendation on page 242 of the Report is that "the Winchelsea Waterworks Trust and the Winchelsea Sewerage Authority cease to exist, and that the successor body be the Winchelsea Water Board and that responsibility for urban water supply at Birregurra be transferred to the Board from the State Rivers and Water Supply Commission. The Committee recommends that the Winchelsea Water Board assume responsibility for all necessary urban water and sewerage services in all of the Shire of Winchelsea outside the Otway Coast Drainage Basin".

The following issues arise in this case :-

- (a) The proposed Winchelsea Water Board would be faced with similar problems to the proposed Barrabool Water Board as outlined earlier, namely the doubtful ability of a relatively small number of ratepayers to meet future annual costs without substantial Government subsidies.
- (b) The financial impact on the ratepayers of Birregurra in particular does not appear to have been researched. At the present time, Birregurra enjoys rate parity with the remainder of the Bellarine System only because the SR&WSC amalgamated the former Birregurra Urban District with the extensive Bellarine Urban District several years ago.
- (c) The third last line of page 241 of the Report is in error and should refer to "...the Geelong Waterworks and Sewerage Trust's Wurdee Boluc Reservoir...". In that regard, the Trust is the bulk supplier of water to both Birregurra and Winchelsea. In addition, the Birregurra water supply has for many years been operated by this Trust under the terms of an Agreement with the SR&WSC, with a Trust Reservoir Keeper stationed in that town.



## APPENDIX I

- (d) The recommendation that the Winchelsea Water Board assume responsibility for all urban water and sewerage services in the Shire of Winchelsea outside the Otway Coast Drainage Basin is not logical as any new town supplies (e.g. at Barwon Downs or Deans Marsh) and other new rural supplies would probably need to be drawn from this Trust's works. The recommendation also overlooks the fact that portion of Birrequorra township is actually in the Shire of Colac.
- (e) In terms of the overall management of the water cycle, which the Committee appears willing to largely vest in the Geelong Regional Water Board for the Barwon catchment, the existence of the Winchelsea Water Board as proposed by the Committee is totally inappropriate.

The Committee should therefore be urged to amend its recommendation along the following lines - "The Committee recommends that the Winchelsea Waterworks Trust and the Winchelsea Sewerage Authority cease to exist on 1st July, 1985 and that the successor body be the Geelong Regional Water Board with responsibility for all water and sewerage services in the Shire of Winchelsea outside that portion of the Otway Coast Drainage Basin managed by the Lorne Water Board".

### Lorne Water Board

The Committee's recommendation on page 149 of the Report is reasonable, except that if Aireys Inlet water supply was to be managed by the Geelong Regional Water Board, the catchment of Painkalac Creek should be excluded from the Lorne Water Board's area of influence. In that regard, the words "apart from the Painkalac Creek catchment" could be added at the end of the recommendation.

### Otway Coast Water Board

The Committee's recommendation on page 24 of the Report is reasonable, apart from the last sentence which suggests a possible link for the Apollo Bay/Skenes Creek/Wye River area with the Colac Water Board.

It is considered that this wording should be changed to the 'Geelong Regional Water Board'. A number of these coastal catchments are located close to the Upper Barwon catchment and it is possible that at some future time this Trust may need to explore the possibility of harvesting water from those streams prior to developing more distant and costly resources such as the Aire River.

### Forrest Waterworks Trust

The recommendation of the Committee on page 98 of the Report is that the control of the Forrest water supply should pass to the Colac Water Board.

There appears to be little logic in such action as Forrest derives its supply from this Trust's West Barwon Reservoir, the township is in the Barwon River catchment and this Trust, with its current presence in the town, could quite easily manage the water supply.

It is considered that the recommendation for Forrest should be - "The Committee's recommendation is that the Forrest Waterworks Trust cease to exist on 1st July, 1985 and that the successor body be the Geelong Regional Water Board".

### Colac Water Board

The recommendation of the Committee on page 64 of the Report gives the Colac Water Board responsibility for water and sewerage throughout the whole of the Shire of Colac and the northern parts of the Shire of Otway.

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This recommendation should be amended to take account of the fact that portion of the township of Birregurra lies within the Shire of Colac and will be serviced by another body. If the preceding suggestion re Forrest is accepted by the Committee, then account will also need to be taken that the township of Forrest is within the northern part of the Shire of Otway. In addition, this Trust has its West Barwon Reservoir and catchment in that Shire.

Ballan Water Board

The Committee's recommendation on page 33 of the Report that the Ballan Shire Council is to have water and sewerage responsibilities extending to the whole Shire of Ballan needs to be clarified. In particular, the status of this Trust's present water supply assets in that Shire needs to be made clear.

Regional Consultative Forums

As mentioned earlier, the Geelong Regional Water Board is to be accorded the status of a 'Regional' Authority by the Committee. Pages 250-254 of the Report deal with regional structures for urban water and sewerage services.

Specifically, the Committee's recommendation is that some nine Regional Consultative Forums be established throughout the State, to meet at least annually, with the 'Barwon' Regional Water Board listed as being responsible for convening the initial meeting of the Barwon group. This is probably an error and should read 'Geelong' Regional Water Board. The membership of the Barwon group is likely to include at least the Colac, Otway Coast, Lorne, Winchelsea and Barrabool Water Boards under the present recommendation.

Some concern is felt at the lack of clarity and detail in this section of the Report and the Committee could be requested to provide more supporting information on what is intended with these Forums.

CONCLUSIONS :

Whilst going some way towards rationalising water management in the Barwon Region, it is considered that the Committee has not dealt with some aspects of the restructuring in the most appropriate way. This appears to stem from an underlying lack of appreciation of the real issues in some areas.

It is considered that the points outlined in the above report should be brought to the attention of the Committee with a view to having certain recommendations changed in the Final Report to Parliament later this year.

In all cases, where the Committee has suggested that the Geelong Regional Water Board assume the responsibilities of another body, they have adopted 1st January as a changeover date. For the Trust's purposes, 1st July is far more appropriate and allowance has been made accordingly in drafting suggested revised recommendations.

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MACEDON WATERWORKS TRUST

RESPONSE TO PROPOSALS ON RESTRUCTURE CONTAINED

IN PUBLIC BODIES REVIEW COMMITTEE REPORT ---

(FOURTH REPORT) OF SEPTEMBER 1981.

PREAMBLE:

This Trust has read with great interest the proposals set out in the Fourth Report as a whole; and with some concern with respect to the conclusions specifically reached regarding the future administration of water resources in the Macedon-Mount Macedon areas.

The Trust believes the proposal to create a centralized authority located in Gisborne, lumping together the existing Gisborne Water and Sewerage bodies, with the Water Trusts located in the Macedon-Mount Macedon district, runs counter to all the bases on which changes could be justified.

As well, it seems to over-ride the sentiments so clearly expressed in the Committee's statement of "Principles, Purpose and Scope", that "over simplified solutions should be avoided". It is part of the objective of this submission to show that the proposal for one authority in the local governing area of the Shire of Gisborne is indeed a grossly simplistic solution.

The basic principles which, in this Trust's view, could justify a change to a larger or more centralized body are these:

- (a) That benefits of rationalization or integration of existing sources and reserves of water, or better development of additional water sources, or distribution of water, can be obtained;
- (b) that worthwhile savings in operating and administration costs can be achieved;
- (c) and that the factors of community relationship - local participation, accessibility of the administration in the area, and confidence that the local interest is properly up-held - are either maintained or are improved.

We will show that, on all these counts, the proposal for one authority in Gisborne could not be justified as far as the Macedon-Mount Macedon area is concerned.

On the other hand, it can be established, we believe, that a single authority based in the Macedon area, controlling and administering the supply of water for Macedon and Mount Macedon water districts can achieve or retain benefits on all three points.

The arguments advanced in the body of the submission will, therefore, be developed around these three principles.

APPENDIX IMacedon Waterworks Trust1. SCOPE FOR RATIONALIZATION OF INTEGRATION OF WATER SUPPLIES:(a) Water Sources and Reserves - Macedon-Mount Macedon Area:

The existing Water Trusts of Macedon and Mount Macedon derive water from two main sources - Turritable Creek and Willimigongon Creek - which flow down the South-eastern slopes of Mount Macedon.

These streams feed several small storages at high elevation from which gravity reticulation to lower areas of the water districts is possible. Willimigongon Creek is the major source of supply for the Macedon Trust, water being transferred from a small storage (approx. 24 ML) on the Creek above Anzac Road, Mount Macedon, (see Map), to three holding storages - Bawden Road, Kitty English and Little Kitty English - situated directly North of Macedon township, at an elevation adequate to provide gravity pressure to the town.

These lower storages have small catchment areas of their own, which supply some Winter run-off.

The complex of storage dams has been built up over many years, with additions being dictated by the gradual increase in population, and hence, in consumption.

The basis of this system, and of the smaller but similar system supplying ratepayers of Mount Macedon Trust area, is the fact that the main source streams have greater capacity for supply than the storages in existence can hold. This excess runs to waste in the wet months of the year, but the streams cannot meet the Summer demand, and the Trusts must rely on the stored water to meet the shortfall.

It is therefore clear that the expanding needs of the two Trusts can be met by provision of additional storage capacity, up to the point where most of the stream flow over the year is trapped.

The Trusts at the present time are jointly constructing a new 280 ML storage on Willimigongon Creek to raise capacity to the level required over the next one or two decades.

Beyond that, there is the possibility of providing an additional holding storage in the area West of Kitty English storage, to supply Macedon township and environs into further decades.

It is therefore reasonable to accept that the requirements of the Macedon-Mount Macedon area can be met over the next fifty years from their own resources.

It has also been established by engineering survey that the capacity of the streams supplying the area is not sufficient to allow any large scale diversion of water outside the existing Trust districts, without prejudicing an unrestricted local supply.

The conclusion to be drawn then, is that the sources of water on the higher levels of Mount Macedon's Southern and Eastern slopes are such that the Macedon-Mount Macedon area can be self-sufficient, while the distribution system of mains can be made adequate for the area's needs.

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### Macedon Waterworks Trust

#### (b) Water Sources and Reserves - Gisborne Town & Environs:

The basic water supply of the Gisborne Waterworks Trust district is mainly derived from a storage on Barringo Creek (see Map), the elevation of which is adequate for gravitation to Gisborne, but would not be capable of supplying most of the Macedon-Mount Macedon areas.

In recent years the Gisborne supply has been heavily augmented by pumping from the Rossllyn Reservoir, by way of the main supply pipe carrying water to Sunbury, through the Gisborne township.

The water reserve position of the Gisborne system is therefore clearly such that water could not be diverted to the Macedon area.

As to augmentation of the Macedon-Mount Macedon supply by any arrangement for pumping water from Rossllyn, the State Rivers and Water Supply Commission in early 1980, when the question of a new storage on Willimigongon Creek was under consideration, categorically informed the Macedon Trust in writing that water would not be supplied to the Macedon area from Rossllyn.

It is reasonable to conclude then, that the Gisborne Water System cannot, at present or in the foreseeable future, provide water to the Macedon area.

#### (c) Summation:

The sources of water, storage facilities, and reticulation systems of each of the Macedon-Mount Macedon and Gisborne areas are totally unrelated. There is no reasonable scope for integration or rationalization of supply or distribution. The peak demands on each area occur at the same period of the year, ruling out any possibility of complementary exchange of water, even if technical problems allowed it.

The centralization of control of water supply for the whole area of the Shire of Gisborne, therefore, would confer no benefit in this important respect.

## 2. QUESTION OF SAVINGS IN OPERATING AND ADMINISTRATIVE COSTS AND EXPENSES:

A generally accepted argument for development of larger-scale operation as compared to smaller ones, is that fixed costs may be spread more effectively, and staff utilized more fully and efficiently.

It seems reasonable to assume that some such benefits are anticipated by the Committee from the proposal to create one Water Authority for the Gisborne Shire. In order to assess the validity of this argument so far as the proposed abolition of the Macedon-Mount Macedon Trusts is concerned, it is necessary to examine what the existing operation of these bodies entails in terms of expenditure and staff costs.

#### (a) Operation:

The two Trusts retain the same licenced Plumber as a Turncock, to

APPENDIX IMacedon Waterworks Trust

perform routine functions, and to be available for emergency duties such as Main breaks, as needed. Actual plumbing work performed is paid for at agreed rates.

The Turncock provides equipment and vehicles and because he lives in the area, is available for call-out when required.

This arrangement is mutually satisfactory since the Trusts between them occupy less than three-quarters of the Turncock's time, and this man is able to carry on a small contracting business complementary to his Water Trust duties.

In the 1980 Calendar year the total cost of this service to the Macedon Trust, including plumbing work performed, and use of vehicles and equipment was approximately \$12,000.

It is unreasonable to expect that any alternative arrangement could be made by a body sited in Gisborne to provide such service by a qualified Plumber at a lower cost.

As the Trusts, under such an arrangement, require no vehicles or major equipment, there are no other significant costs of operation incurred, and consequently there is no scope for cost reduction under any alternative administration in this respect.

(b) Administration:

The Macedon Trust employs a part-time Secretary who works an average of approximately 24 hours per week, and the Mount Macedon Trust similarly has a part-time Secretary, working fewer hours because of the smaller operation.

In total therefore, the administration of the areas requires the services of one person, possessing suitable administrative experience, for about three-quarters of a working week. In addition, there is a requirement for some casual typing.

Again, in the 1980 year, the total cost of Secretarial, Administrative and typing services, for the Macedon Trust was approximately \$10,000 and for the Mt. Macedon Trust considerably less.

It is our assessment that, under any alternative form of control and administration, the proper functioning of the affairs of the Macedon-Mount Macedon water system could not be maintained without the employment of at least the equivalent of one person for almost full-time. Even if such an employee - or employees - were senior clerical staff - surely the minimum standard required - and not accountants, as are currently employed by the Trusts, the scope for cost savings, given the overhead structure of staff costs likely in a larger organization, is negligible.

Apart from the cost of administrative services, the total of administrative expenses of the Macedon Trust for the 1980 year was approximately \$7,858, made up as follows:-

Macedon Waterworks Trust

Office Expense	...	\$1,715
Stationery, Printing & Advertising	...	1,532
Telephone	...	461
Rates Preparation	...	2,383
Insurance Charges	...	1,435
Rent (Premises sites)	...	134
Miscellaneous	...	198

Even a superficial analysis of these items indicates little scope for reduction.

Office expense might be rationalized in a centralized office, but statutory advertising, which comprises most of the figure of \$1,532, is not avoidable.

Rates preparation comprises the annual costs of property valuation allocated by the Shire of Gisborne, purchase of Rate stationery, and the contract fee charged by the Shire for computer time.

On the other hand, the figure for Rent (\$134) is the major part of the Trust's cost of premises, other than periodic maintenance.

This provides an office, and storeroom, which are adequate for the present activities of the Trust, and with little alteration could meet all of the requirements of a body covering the whole Macedon-Mount Macedon water districts.

The cost of provision of premises for an authority based in Gisborne must necessarily be much greater.

An analysis of expenditures of the Mount Macedon Trust show, albeit on a smaller scale, a similar situation.

(c) Summation:

- \* The scale of the water supply operation in Macedon-Mount Macedon district, serving approximately 2,800 persons, is sufficiently large and diversified to require the services of a Secretary and a qualified Plumber (Turncock).
- \* Suitable persons are generally available to fill these less-than-full-time positions on mutually agreed conditions which provide competent service at less cost than full-time staff; and relieve the Trusts of the overhead burden entailed in owning and operating vehicles and equipment.
- \* One consolidated body in the Macedon-Mount Macedon area would derive the same benefits.
- \* The incidental costs and expenses of operating and administering the water supply function in the area are demonstrably competitive with any alternative arrangement.  
(This assertion takes into account the argument often advanced that the availability of rating data in the Shire of Gisborne offices, from which the accounting and information data used by the Water Trusts is obtained, would lead to more economic and efficient preparation of rate notices.

APPENDIX IMacedon Waterworks Trust

In practice it has been found as far as Macedon Water Trust is concerned, that the provision of data from the Shire computer on a contract basis allows efficient maintenance of Trust rate records, and the cost of several hundred dollars per year involved provides little scope for reduction, if the water supply function were consolidated.

This Trust previously obtained rate preparation service from the Local Authorities Superannuation Board Computer Centre, and this was equally effective.)

- \* There is in existence an adequate office, storage yard and store, from which a Macedon-based authority could operate, without any significant outlay.

Taking these points into consideration, it is difficult to see how a body operating from Gisborne could match the level of cost and expense on which one body based at Macedon could operate.

3. COMMUNITY RELATIONSHIP:

While this aspect of the nature and location of the authority controlling and administering the water supply function may seem somewhat intangible, it is nevertheless a very real consideration in any area such as Macedon-Mount Macedon.

There is general understanding in the community of the self-contained nature of the water supply system covering this district, and an awareness that in respect of water, Gisborne might well be one hundred miles distant.

Residents are accustomed, and indeed expect to be able to take up problems of water supply with the local Trust offices or with local Commissioners.

A large percentage of ratepayers pay their rate accounts personally at the offices.

Any centralization of the water function to Gisborne would inconvenience some people.

However, of more importance is the belief held by many residents - rightly or wrongly - that the interests of the Macedon-Mount Macedon ratepayers cannot be properly safeguarded in a body on which a majority representation is drawn from other areas.

There is no question that the consideration of community relationship would be affected adversely by a transfer of the function to Gisborne.

CONCLUSIONS:

This Trust is firmly of opinion, on the basis of the arguments advanced in this submission, that no tangible benefit can be demonstrated to arise from the creation of one water authority in Gisborne as far as the Macedon-Mount Macedon district is concerned.

On the contrary, other problems would be created, as referred to



Macedon Waterworks Trust

in the foregoing discussion. In addition, serious administrative difficulties would be encountered.

For example, the Macedon and Mount Macedon Trusts have committed their ratepayers to a large borrowing programme to finance the new 280 ML Storage Dam on Willimigongon Creek. The servicing of these loan moneys entails a high rate structure compared with that of Gisborne, where no major borrowing programme has been undertaken.

A centralized authority would have the task of administering a supply function which purported to be a consolidated system, but in which a rate differential of perhaps three to one obtained in the Macedon area.

There must then be, inevitably, criticism and dissatisfaction from some ratepayers' point of view.

Again, in the likely event that one or another of the consolidated areas was subject to restriction on usage of water at some time, the affected ratepayers might well feel justified in asking why other parts of the total "system" were not similarly restricted.

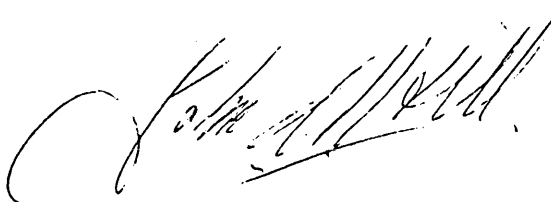
It would indeed be ironic if the centralized authority's explanation in such a situation was, as we have submitted here, that each of the two water supply systems are inevitably separate and not capable of integration!

RECOMMENDATIONS:

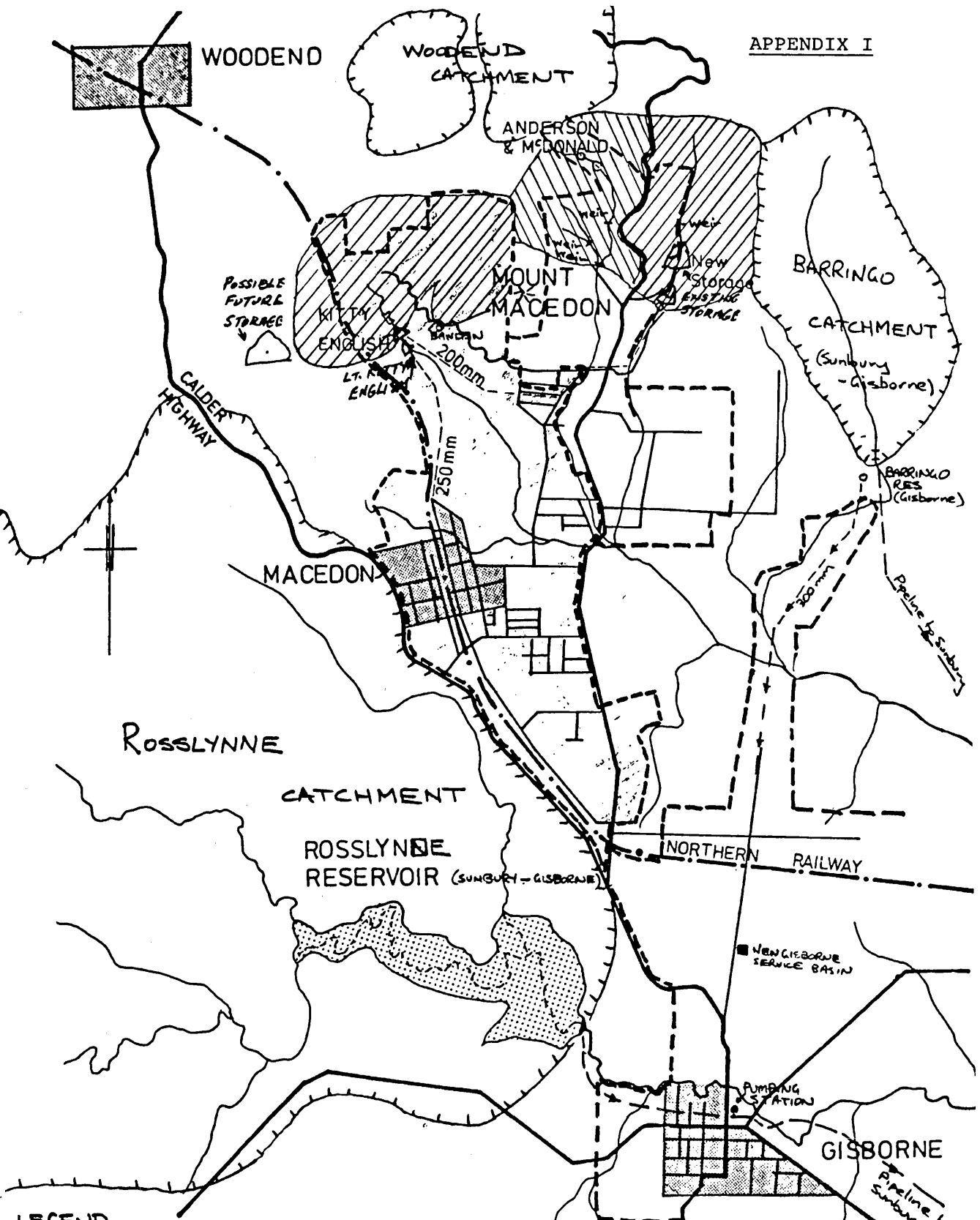
On the basis of this submission, this Trust makes the following recommendations:-

1. That a single water supply authority be created in the Macedon-Mount Macedon area, to assume the functions now performed by the Macedon Waterworks Trust and the Mount Macedon Waterworks Trust.
2. That representatives on such a body be elected by eligible ratepayer franchise, from sub-areas of the joint water districts, on an equitable basis.
3. That the assets and liabilities of the two existing Trusts be transferred to the new authority.
4. That the authority be required to set up an appropriate administrative and operating function within the Macedon-Mount Macedon water districts.

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 Chairman

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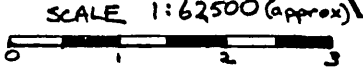


LEGEND

- MACEDON TRUST DISTRICT
- MT. MACEDON TRUST DISTRICT
- GISBORNE TRUST DISTRICT
- MACEDON CATCHMENT
- MT MACEDON CATCHMENT



MACEDON WATERWORKS TRUST



## APPENDIX I

JOINT SUBMISSION TO PUBLIC BODIES REVIEW COMMITTEE BY THE  
COUNCILS OF THE SHIRE OF BULN BULN AND THE SHIRE OF WARRAGUL.

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12th November, 1981

The Chairman and  
Members of the Public Bodies  
Review Committee.

### FOURTH REPORT TO PARLIAMENT

The draft recommendations contained in your Committee's Fourth Report have been considered at a joint meeting of the Councils of the Shire of Buln Buln and the Shire of Warragul.

#### 1. LOCAL ADMINISTRATION

The two Councils are opposed to the recommendation that all water and sewerage administration within the two Shires should be taken over by a new independent Tarago Water Board. Except that the area which would be controlled by this Board would transcend municipal boundaries, and that some of Drouin's water is obtained through the joint Warragul/Drouin gravitational main, the Councils cannot see any difference between the situation here and that in our neighbouring Shire, the Shire of Narracan, where the Committee has recommended that that Council should be responsible for all water and sewerage administration within its boundaries.

The two Councils believe that the additional overhead costs associated with a separate water/sewerage administration could be avoided in the interests of the water/sewerage ratepayers if the administrations were merged with that of the respective Shires, with Buln Buln Shire Council administering Drouin, Longwarry, Neerim South and Noojee, and the Warragul Shire Council administering Warragul and its subsidiaries (Rokeby, Darnum, Nilma and ultimately Buln Buln Township).

So far as the Buln Buln Shire is concerned, the Council's submission dated 8th May, 1981 set out the current administrative arrangements for water and sewerage in that Shire. The water supply services in Neerim South and Noojee are already administered from the Shire Office, and three of the Councillors are also Commissioners. The Council is the applicant body for the constitution of the Shire of Buln Buln Sewerage Authority which it was proposed would cover Longwarry, Neerim South and Noojee.

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On the question of urban representation on the Councils (Page 9), the following table will show that the majority of Councillors on the two Councils are water and (in some cases) sewerage ratepayers:

	<u>Town</u>	<u>No. of Councillors</u>
Shire of Buln Buln:	Drouin	6
	Longwarry	1
	Neerim South	<u>2</u>
		9
	Non-urban ratepayers	<u>3</u>
		<u>12</u>
Shire of Warragul:	Warragul	10
	Non-urban ratepayers	<u>2</u>
		<u>12</u>

Therefore, at least three of the five criteria on which the Committee based its recommendations (Pages 8 & 9) would support these Council's contentions that water and sewerage administration should be merged with the respective municipalities. To re-iterate:

- (a) there is an existing professional water administration (admittedly not full time) at the Shire Office in Drouin;
- (b) in respect to Neerim South and Noojee, there is existing municipal involvement in water administration by Councillors and officers, and potentially in sewerage administration in those towns plus Longwarry;
- (c) the Buln Buln Shire Council was the applicant body for sewerage services in Neerim South, Noojee and Longwarry;
- (d) the towns from which the two municipalities are administered are identical to the town from which all water and sewerage services are administered;
- (e) the composition of the two municipal councils includes 19 of the 24 Councillors who are water/sewerage ratepayers.

With these facts in mind, the Councils see no justification for the draft recommendation for a separate Water Board.

Physically, there is little justification for the Water Board. The following statement shows the differences between the systems in the several distinct township areas:

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- Warragul        -    Water:        Supply obtained from gravitational main from Upper Tarago River.
- Sewerage:     Waste disposed of to treatment ponds east of Warragul, with some investigation taking place into the feasibility of joining into a regional disposal pipeline to the east.
- Drouin         -    Water:        Supply obtained from Labertouche Creek with water also being drawn through the Warragul main. Investigations have taken place into other augmenting sources including Ryson Creek.
- Sewerage:     Waste disposed of to treatment ponds west of Drouin with ultimate run-off into a different catchment from that in the case of Warragul.
- Longwarry     -    Water:        Supply obtained from the Mornington Peninsula scheme which has its source in the Tarago Reservoir/Bunyip River.
- Neerim South -    Water:        Supply obtained from Tarago Reservoir.
- Noojee         -    Water:        Supply obtain from Deep Creek, with augmentation in extremely dry periods only, from the Loch River (tributaries of the Latrobe River).

The Councils applaud the Committee's conclusion (Page 10) that municipal councils are capable of dealing with a multitude of Government agencies, and coping with separate accountability for several different functions.

The Councils believe that only complete co-ordination of works will be obtained if water and sewerage administration is merged with that of the respective Councils. Three recent examples of the lack of co-ordination were quoted in the Buln Buln Shire Council's submission dated 8th May. Similar occurrences can be instanced in the Shire of Warragul, who have provided some supplementary information to be included with this submission.

## 2. REGIONAL ADMINISTRATION

Whilst not opposing the draft recommendation for the creation of the La Trobe Regional Water Board, the Councils believe that there should be provision in its composition for municipal representation. Certain of the envisaged tasks and responsibilities of the proposed Regional Water Board touch on matters of municipal responsibility. There appears to be a strong likelihood that once established

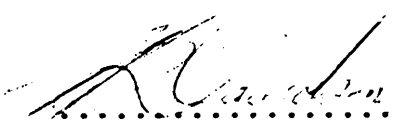
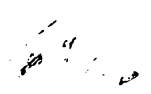
APPENDIX I

the La Trobe Regional Water Board would continue the role of delegated agency of the Environment Protection Authority, presently held by the Latrobe Valley Water and Sewerage Board. This strengthens the Council's contention that there should be municipal representation on the Regional Water Board.

3. CONCLUSION

In conclusion, the Councils wish to refer again to the detailed submission dated 8th May, 1981 presented by the Buln Buln Shire Council, which establishes the main grounds for the Council's objection to the draft recommendations. Reference should also be made to the supplementary information by the Warragul Shire which is attached to this submission.

If the opportunity is available, the Councils would welcome an invitation to put their points of view personally to the Committee.



.....  
K. A. PRETTY  
SHIRE SECRETARY  
SHIRE OF BULN BULN

.....  
V. B. DAVIDSON  
SHIRE SECRETARY  
SHIRE OF WARRAGUL

APPENDIX I

ADMINISTRATION OF WATER AND SEWERAGE SERVICES

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SUPPLEMENTARY INFORMATION

WARRAGUL SHIRE

1. EXISTING SITUATION

(a) Warragul Township

Separate administration of water and sewerage.

On occasions there have been Councillors who have also been a Commissioner/Member of the Trust/Authority.

(b) Darnum Township

Water supply administered by the Warragul Waterworks Trust. Sewerage disposal by septic tanks. Council administered mass installation scheme for the Township in the early 1970's.

(c) Nilma Township

Water supply administered by the Warragul Waterworks Trust. Sewerage disposal by septic tanks. Council administered mass installation scheme for the Township in the early 1970's.

(d) Rokeby Township

Water supply administered by the Warragul Waterworks Trust. Sewerage disposal by septic tanks. Council administered mass installation scheme for the Township in the early 1970's.

(e) Buln Buln Township

The reticulation of water supply to this growing township is about to take place. The scheme was initiated by the Warragul Shire Council in 1976. The scheme is to be administered by the Warragul Waterworks Trust and the supply is to come from the Trust's gravitational main serving Warragul.

Sewerage disposal by septic tanks administered by Warragul Shire Council.

It should be noted that none of the areas outside of the Warragul urban area that are administered by the Waterworks Trust have any direct representation on the Trust, but they do have direct representation on the Council.

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2. COUNCILS VIEW

Council believe that the advantages to be gained by the proper amalgamation of all Water, Sewerage and Drainage administration (both financial and technical) within the framework of one organisation would be a great benefit to all the ratepayers of the municipality leading to:

- cost savings;
- prevention of delays and frustration;
- more efficient planning and development;
- better co-ordination of works.

The Council have had the advantage of studying the Buln Buln Shire's submission dated 8th May, 1981 and are in full agreement with the views expressed therein.

The Council are alarmed at the draft recommendations contained in the Committee's Fourth Report which would lead to the setting up of another separate body to replace the existing Waterworks Trust and Sewerage Authority and strongly object to the proposal.

Council is greatly concerned that Warragul, a growing urban area of over 8,000 people could, under the proposed arrangement, lose local representation in a combined body where part of the membership may have no interest in Warragul - the major urban area in the region. Should Warragul under the new proposal obtain the majority representation on the Board the interests of the minor towns in the area may also suffer, and this situation would no doubt lead to objections from other areas.

This Council believe that all the towns and villages in the area are adequately represented at the present time by their respective elected Councils without inflicting further waste of time, effort and expense, in electing additional representation.

The following comments on benefits to be derived (and problems overcome) by combining the water and sewerage operation with Council, whilst relating to the present situation where these activities are managed by the Trust/Authority are considered to be applicable to any other form of management other than by Council.

3. ADMINISTRATION

Combining the administration of the Trust/Authority with that of the Council should lead to savings in administration costs in such areas as printing and postage of rate notices, meeting notices, agendas etc., duplication of accounting and property records and the like.



## APPENDIX I

The Shire of Warragul has recently purchased an 'in-house' computer at a cost of \$ 70,000. The computer has now been programmed to facilitate both financial management and property management. With the new E.D.P. systems it would be very simple and cost efficient to include water and sewerage data and accounting.

The system would allow the production of a single rate notice encompassing Council, Sewerage and Water rates, and a single collection and receipting point for rates.

The system for financial management is programmed for separate accounting for individual authorities and permits a very detailed dissection and analysis of costs and income.

The administration of the water and sewerage by Council would obviously lead to economies in administration and increased convenience to the ratepayers of the three (3) authorities.

### 4. TOWN PLANNING

Council is the Responsible Authority for Town and Country Planning in the area. A separate authority handling water and sewerage often leads to a conflict of priorities and confusion.

#### - Planning Permits and Subdivisions

Consolidation of the three (3) authorities would save the cost of reference to two (2) other bodies and consequent delays. In Warragul two separate indential letters and two separate sets of plans are required for every item referred in the sewered area - one set for the Sewerage Authority and one set for the Water Trust - yet they are the same people in the same office with the same staff.

Delays are often caused by the need to refer to the Trust/Authority engineers in a remote location. The Council have been informed that the Trust/Authority will be making a charge for comment on planning permits and preliminary subdivisional proposals to cover the cost of referring these items to their Consultant Engineers.

#### - Planning Scheme

Trust/Authority Commissioners and staff do not have adequate knowledge of Council's planning and aspirations and vice versa. This results in conflict and confusion in decision making affecting planning and development. Decisions are made in isolation.

APPENDIX I5. BUILDING- Badac

The State Governments intention is to have a Municipality as a 'one stop shop' for building and development approvals. Combining the water/sewerage with Council - reduces the number of bodies to whom reference must be made. Decisions can be made in one office without costly delays to a developer or builder and cost of reference to the other Authorities.

Presently in Warragul - so that the Trust/Authority are kept informed, a staff member from their office (a typist) visits Councils Building Office and takes a few details of permits issued which she thinks may be of interest to the Trust/Authority.

The applicant for the permit must, of course, still apply separately to the Trust/Authority but on occasions this is not done until the building is well under way (too late).

Very few decisions effecting development can be made on the spot as the Trust/Authority engineering staff is remote from the area (Consultants).

- Building Inspection

There have been cases where buildings have:

- (a) Been commenced with a Council building permit but without reference to Trust/Authority until close to completion date and connection is required.
- (b) Been constructed without a building permit and in conflict with Council's planning or building regulations but have been approved for connection to services by the Trust/Authority without reference to Council.

In both events it often leads to one Authority requiring expensive alterations after the work is done and can lead to litigation.

"Badac" should assist to overcome this type of problem but the delays to Builders and administrative effort and expense in continual cross reference between these bodies would be greatly reduced by having the Water and Sewerage under the control of the Authority responsible for planning and building.

There is often a duplication of effort (transport) when the building inspector and the plumbing inspector visit a building site to check for compliance with regulations on the same day. Having the building inspectors and the plumbing inspector in the same office would permit closer co-operation and consequent cost savings.

The possibility of having building inspectors

## APPENDIX I

obtaining plumbing inspector qualifications should be investigated so that even greater savings could be possible.

### 6. ROADS, STREETS AND BRIDGES

#### - Construction and Maintenance

Councils plan, design, construct and maintain the roads, streets and drains in their areas. A great deal of cost in both engineering and construction time can be saved by jointly planning the works in the one office.

Much valuable time is wasted in having to constantly refer to other Authorities, especially those with remote engineering staff, to obtain details of services within the road reserve. Leads to frustration, delays and consequent cost increases in works, and in some cases also results in a duplication of effort, and even complete re-design of projects or expensive alterations to services due to clash of levels, particularly in relation to drainage and sewerage mains.

#### - Construction and Maintenance Equipment

There is often duplication of machinery and equipment on the one works site.

Both Council and the Authority would have some items of equipment under used and duplicated.

Proper planning of both construction and maintenance work in the one office could lead to a fuller utilization of this machinery and equipment even down to provision of temporary signs etc.

Problems are often experienced in co-ordinating the works required in a single project such as the reconstruction of a street.

### 7. PERSONNEL

#### - Plumbing

Council have on occasion suggested the sharing of 'plumbing' staff with the Authorities without success.

Result - on some construction works, Council engage a private plumbing contractor to carry out certain works despite the fact that the Authorities plumber or contractor is on site or available. On the same job it is possible that a Council machine has idle time whilst the Authorities contractor is using his own machinery.

APPENDIX I8. ADMINISTRATIVE HEADQUARTERS

The Trust/Authority offices in Warragul are included in the Civic Centre complex and are in fact a self contained part of the same building, separated only by a concrete floor. There are separate entrances to the Council offices and the Trust/Authority offices.

By arrangement with the Council the Trust/Authority are entitle to the use of the Council suite for meetings (although this facility is now not often utilized by the Trust/Authority who meet in their Secretary's office).

The offices were built on Council owned land with the Trust/Authority paying their share of building costs.

To ensure that the Trust/Authority had security of tenure the Council provided them with a 1/5th share of the title rights to the land. This title includes land used as a Council park and Council constructed access roads and parking areas.

Transfer of these rights to a separate authority involving other than Warragul Shire ratepayers could prove an unnecessary and expensive exercise for all concerned.

There is adequate space within the recently extended Municipal Offices to cater for the requirements of water and sewerage administration.

9. COMMENT ON COMMITTEES PROPOSAL IN THE DRAFT REPORT

It is fairly obvious that the only justification for the Committees proposal for a Water Board to control water and sewerage in both municipalities are the facts that:

- Warragul obtains its water from the Tarago River diversion wier and associated gravity main from an area in the Buln Buln Shire.
- Drouin obtains part of its water supply from the Warragul Waterworks Trust.

Both Councils cannot foresee any problems from this if each were responsible for water supply and sewerage in their own municipalities.

The ownership of land and facilities outside a municipal boundary and the spending of funds outside a municipal boundary is recognised in the Local Government Act and is not an unusual situation.

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The Buln Buln and Warragul Shires are noted for their ability to work together and are associated in a number of joint projects:

- e.g. Glen Cromie Park in Buln Buln Shire.
- Croys Tip in Warragul Shire.
- Lardner Refuse Depot in Buln Buln Shire
- West Gippsland Social Worker Group, headquarters in Warragul.
- Joint Health Inspections.
- Maintenance and construction of joint roads.

All these functions transcend Municipal boundaries and cause no problems to the individual municipalities.

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MILDURA SHIRE COUNCIL  
SHIRE OF MILDURA SEWERAGE AUTHORITY

REPLY TO RECOMMENDATIONS CONTAINED IN  
THE PUBLIC BODIES REVIEW COMMITTEE  
FOURTH REPORT

THE CASE FOR AMALGAMATION OF ALL BODIES  
IN THE SUNRAYSIA AREA INTO ONE BODY  
RESPONSIBLE FOR MUNICIPAL, SEWERAGE AND  
WATER SERVICES

DJMc/ph

November 1981

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### (i) MILDURA SHIRE COUNCIL

The Mildura Shire Council was created in January 1890, and at that time consisted of an area of 4564 square miles, which was broken into four ridings each represented by three Councillors.

In 1911, part of the Shire was severed to the Shire of Walpeup and the Mildura Riding was severed on 18th May 1920 and thus created the Borough of Mildura. The Borough eventually became the City of Mildura. On 1st October, 1971, part of two ridings were severed and annexed to the City of Mildura.

The present Shire of Mildura now encompasses 1,081,551 hectares (10,815.51 square kilometres) divided into three ridings each represented by three Councillors. Its population is 19,700. It is experiencing a population growth rate in the order of 2% per annum, based on population growth over the past ten (10) years. Its revenue from all sources, in 1979/80 was \$5.5 million.

The Council owns and operates the Mildura Shire Abattoir, Mildura Airport and successfully operates three Caravan Parks. It also purchased and successfully operates a 20 acre fruit and vine property at Merbein, which is run on a commercial basis until the the Council can utilise the land for a small municipal depot and plant nursery. The remainder of the property may be able to be subdivided to provide low cost housing blocks to ease present pressure on the availability of suitable housing land.

Council has been in the forefront of efforts to achieve additional road funding, increased health and welfare services and was responsible for the production of the Mildura Housing Study Report which was prepared by the Victorian Housing Ministry. It also conducts each year, with the assistance of the Federal and State Departments of Health, a Mosquito Vector Control Course which has become so popular that attendances this year, will be controlled due to lack of space.

Subsequent to new extensions being completed at the Shire Offices, a computer has been installed and this facility will be used to carry out the rating functions for the Shire of Walpeup. It is also intended to utilise the facility for the Mildura Regional Library Service Catalogue and book lending system. The computer will allow the Council to properly evaluate all its accounting information.

APPENDIX I

The Administrative and Engineering staff combine well to deliver services to the public. Indications of this are the setting up of a Central Records Office and the establishment of a Management Executive Committee.

(ii) SHIRE OF MILDURA SEWERAGE AUTHORITY

The Authority was proclaimed in 1978, following an amendment to the Sewerage Districts Act, and it was an amalgamation of the Red Cliffs Sewerage Authority, which was formed in the 1950's and the Merbein Sewerage Authority formed in 1969.

It is expected that the Irymple Sewerage District will be proclaimed in the near future and that district be included in the Shire of Mildura Sewerage Authority.

The Authority, as presently constituted, has 7 members. The Councillors the Koorlong Riding of the Shire of Mildura, based on the Red Cliffs township, and three Councillors of the Lake Riding of the Shire of Mildura, representing the Merbein District and a government nominee from Merbein.

The Authority employs three part-time officers - Secretary, Engineer and Accounting Officer and five full time employees. The part time officers are also officers of the Mildura Shire Council and they are paid by the Sewerage Authority in accordance with the Water Trust and Sewerage Authority Awards. Other staff are paid directly by the Authority but wages are prepared by Shire Council staff.

The Authority purchases its own motor vehicle but owns no other plant. Plant required for use on Authority works is hired from the Shire Council at normal plant hire rates.

Administration of the Authority takes place in the Shire Offices, and the Authority pays an annual amount to the Council for administration costs, which includes postage, telephone charges, rate collection, preparation of wages, accounts for payment and office space.

Total income for each district in 1979/80 was:

Red Cliffs District	\$122,714
Merbein District	\$118,989

Total expenditure for each district in 1979/80 was:

Red Cliffs District	\$138,145
Merbein District	\$131,433



## APPENDIX I

Expenditure estimates exceed income estimates because of the Authority's desire to reduce accumulated surplus. The surplus in respect of each District is:

Red Cliffs District	\$33,747
Merbein District	\$35,270

The Authority uses the property valuations of the Shire of Mildura, for which a fee is paid. The amount of the fee is agreed upon the Authority and the Shire Council. Property records are shared with the Shire Council and one rate notice is prepared for the Council and the Authority. Rate Notices and Receipt Forms have always been combined. The maintenance of a single set of property records is of advantage to sewerage authority ratepayers.

Both districts operate and maintain their own treatment works. The Red Cliffs works have been expanded recently. A wet weather storage area has been developed and reclaimed water is piped to an adjacent Council reserve and used to irrigate ovals, lawn tennis courts and croquet greens.

Merbein has a system of treatment ponds and excess water is used for pasture irrigation.

Irymple will not develop its own treatment works, but sewage will be transported to the mains of the Mildura Sewerage Authority for disposal and treatment at the Authority's works. An agreement will be entered into by the two Authorities, for the meeting of costs of disposal and treatment.

### (iii) CITY OF MILDURA

The City of Mildura was created by the severance of the Mildura Riding of the Shire of Mildura in 1920. It was proclaimed a City in 1934. In 1971, the City increased its boundaries by the annexation of part of the Mildura Shire Council.

The present City of Mildura has an area of 2,986 ha (29.86 square kilometres), a population of 15,260 represented by nine councillors. The City has no wards or ridings.

Mildura City owns and operates the Mildura Arts Centre and has been responsible for the renovations carried out at "Rio Vista" the original home of the founders of Mildura. It is also involved with the reconstruction of the Old Mildura Homestead. This project was carried out in conjunction with the Mildura Historical Society. The City also has two large recreational complexes and maintains the centre median gardens in Deakin Avenue. Its revenue from all sources, in 1978/79 was \$3.3 million.

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Mildura City administers the Mildura Regional Library Service and the City and Shire have a number of joint committees which indicate their co-operation and the need for joint action for the benefit of all the residents of Sunraysia. These committees are:

Regional Library Committee  
Garbage Disposal Committee  
Joint State Emergency Service Committee

(iv) MILDURA SEWERAGE AUTHORITY

The Authority was constituted in 1928 and serves the City of Mildura. It does however, intend to extend its service into the Shire of Mildura, at South Mildura, and is to accept effluent from the Irymple Sewerage District.

The Commissioners of the Authority are the Councillors of the City of Mildura and all staff are employed by the City of Mildura. The Authority's affairs are administered by the City of Mildura. The Authority and the City have been on record as supporting the recommendations by the Board of Review that municipalities should be responsible for water and sewerage services with the benefit of the financial advantages that have hitherto applied to water and sewerage authorities.

(v) MILDURA URBAN WATER TRUST

The Trust was constituted in 1909 and in 1921 was proclaimed an Urban Trust. It has no direct connection with either the Mildura Shire or City Council and is comprised of six Commissioners and a small to medium workforce.

The Trust serves an area of 582 ha plus 6,882 ha of rural development. Its area extends over both the City and Shire. although it only serves the area immediately surrounding Mildura. It does not serve the large township of Red Cliffs which is situated with the Mildura Shire. Red Cliffs Water Supply is operated by the State Rivers and Water Supply Commission and the Mildura Shire Council has recently completed successful negotiations to assure a filtered water supply for Red Cliffs township. The recent State Budget announced a \$600,000 grant to commence the works estimated to cost a total of \$1.9 million. These works are to be constructed and controlled by the State Rivers and Water Supply Commission.

Revenue for the Trust in 1978/79 was \$696,000. The Trust levies rates based on the municipal valuations of both the City and Shire of Mildura.

## APPENDIX I

It does not have its own valuation system. The Trust's estimated income for 1981/82 is \$1.3 million and has a staff of 23 persons.

### PUBLIC BODIES REVIEW COMMITTEE - 4TH REPORT

2(i) The report of the Committee (P162) states that "the Committee is generally sympathetic to the views expressed by the Shire of Mildura in its submission".

The report further acknowledges that a specialised water and sewerage body is preferable to a number of fragmented groups. Both the Shire and its Sewerage Authority have no quarrel with this point of view, but contends that the Committee's recommendation does not go far enough.

Rather than see the system slightly less fragmented by the creation of a "super" water board, the Shire of Mildura recommends that one body should be created to provide the complete range of water, sewerage and municipal services.

Mildura Shire and Sewerage Authority believe that in the light of the Bain's Report (Chapter 9) and the recommendations of the Committee, the only realistic approach, for Mildura, is to combine all the bodies into one "super" Council.

Council is mindful that the Committee has recommended that the Wodonga Water and Sewerage bodies are to cease to exist and the successor body, be the Rural City of Wodonga.

We can see no reason why the situation in Mildura should be different to that in Wodonga.

We also note that the Committee has recognised the harmonious relations which exist between bodies in Mildura (P209) and that the Committee has indicated that rationalisation of urban services in the "Greater Shepparton" area is of urgent priority. We believe that the rationalisation of urban services in Mildura can be achieved by the proposal of Mildura Shire Council and Shire of Mildura Sewerage Authority, given that harmonious relations do exist between the bodies in Mildura, we see no impediment to the total amalgamation of all bodies in the Mildura District.

### BAIN'S REPORT

2(ii) The Board of Review of the Role, Structure and Administration of Local Government in Victoria (Bains Report) stated at page 89, that it was in general agreement with the Board's Consultant, who studied the large provincial centres and whilst the Mildura district is not in the same league as Ballarat, Bendigo or Geelong,

APPENDIX I

the same principles apply to a somewhat less degree, but do in fact exist.

The Consultant identified nine principle deficiencies common to the areas under investigation.

- . fragmented administration
- . confusion and conflict arising from fragmentation
- . lack of local accountability
- . fragmentation of the community's resource base.
- . unsatisfactory distribution of urban growth
- . "overspill" effects in the provision of services
- . lack of co-ordination in the provision of services
- . lack of a co-ordinated approach to the "outside" world
- . disparities in staffing and skills

The Board's sole concern was that such reforms would diminish the accessibility of municipal institutions for a significant proportion, although a minority of the population of provincial areas.

Nevertheless the Board stated that the principles of viability, community of interest, and economics of scale all indicated the strong desirability of a single multi-functional municipality to govern the City and its Rural Hinterlands. This is in fact what the Shire of Mildura proposes.

It is the opinion of the Board that the disadvantages of restricted access to a larger municipality are far outweighed by the advantages. The Board states that the advantages would be:

- (a) achievement of "local government" in its fullest sense, with the greater status that would ensue;
- (b) unified promotion of the provincial centre, which could assist in creating or attracting employment and also in achieving co-ordination between State and local problems;
- (c) significant time and cost savings to the the State, the community and to the private sector in dealing with one responsible authority;
- (d) elimination of fragmented administrative responsibilities and a reduction of the role of State statutory authorities, with a consequent simplification of government, elimination of confusion and conflict between separate authorities and promotion of consistent policies for the area;
- (e) greater equity throughout the community in sharing local tax burdens, with the prospect of more uniform tax policies and at the same time better use of techniques such as differential rating to allocate costs in a manner more closely related to the benefits to different tax-paying groups;
- (f) elimination of the effects of inter-municipal competition for new investments while providing a capacity for region-wide financial planning and management;

## APPENDIX I

- (g) full potential to exploit economies of scale across the wide range of administrative, physical and welfare functions and in the use of modern technology;
- (h) cost effective and professional planning for new development throughout the area, with close links between land use planning, and planning for the infrastructure.

Mildura Shire agrees with the Board's contention that the reasons for amalgamation are more persuasive than the possibilities of a two sphere system (City/Country Councils) or preservation of the status quo. Council believes that the status quo cannot be maintained due to the recommendations contained in the Bain's Report and the Committee's Fourth Report.

The Rural Local Government Study, 1978 said -

"Rural authorities have generally resisted organisational changes and have attempted to overcome their financial problems by seeking increasing levels of grants. There are problems in this approach insofar as:

- . The granting mechanisms are unco-ordinated and do not take into account the efficiency of service provision by rural authorities, as well as questions of horizontal equity, larger total grants will be required to achieve any desired level of service provision; and

- . grants which do not take account of efficiency in service provision may actively inhibit local authorities from restructuring their areas as they reduce the financial incentive involved.

The Rural Local Government Study questions the philosophy of independent multi-functional local government in those areas which are not viable:

It is claimed that rural areas require their own local governing bodies in order to be able to have a voice for their community, and because of the employment and other economic effects of having service provision at the local level. This seems to have been an influential argument but it is open to question. In rural authorities where skilled staff cannot be employed and locally raised receipts do not cover the basic cost of providing and administering the local authority, it would seem that the philosophy and purpose of independent multi-functional local government is weakened to a point where consideration of alternative approaches cannot be avoided."

Council contends that a large multi-functional municipality will be more responsive and attuned to the population than the present fragmented system of local authorities.

The Bain's Report has given a lead, shown the practicalities, discussed the advantages and disadvantages and made its recommendations concerning structure.

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My Council supports the Board's contention that the structure of local government in Victoria can be vastly improved, strengthened and made more efficient and effective.

2(iii) FINANCIAL

The administration costs of the bodies under consideration are:

Mildura Urban Water Trust	1981/82	\$342,898
Mildura Sewerage Authority	1979/80	\$186,428
Shire of Mildura Sewerage Authority	1979/80	\$ 37,630
City of Mildura	1979/80	\$576,522
Shire of Mildura	1979/80	\$796,336
		<hr/>
TOTAL		\$1,939,814
		=====

Council feels that this figure itself needs no other explanation. It finds it incredible that the population of the Mildura area is paying approximately \$55 per head in administration costs of local authorities.

It is beyond doubt that the 1981/82 financial year will see administrative costs of all bodies amount to over \$2 million.

The fixed assets of the local government bodies is as follows:

City of Mildura	\$5,055,847
Mildura Sewerage Authority	\$2,971,927
Shire of Mildura	\$5,454,008
Shire of Mildura Sewerage Authority	\$1,578,837
	<hr/>
TOTAL	\$15,060,619
	=====

Mildura Shire, in addition has fixed assets of \$919,330 represented by its Municipal Abattoirs.

The loan liability of each authority is:

City of Mildura	\$2,337,450
Mildura Sewerage Authority	\$1,986,346
Shire of Mildura	\$1,883,450
Shire of Mildura Sewerage Authority	\$1,356,506
	<hr/>
	\$7,563,752
	=====

## APPENDIX I

My Council believes that it would be entirely misleading to dwell too heavily on the financial aspects, as it believes that a profusion of figures only leads to confusion. A given set of figures may be presented in such a way as to tell two different stories.

Instead, my Council believes that the figures given previously speak for themselves. If a newly constituted Greater Mildura Council cannot be administered for less than the total administrative cost to date, then it does not deserve to be created.

We believe that it can be administered for approximately half the estimated cost of \$2 million and would result in a saving of some \$28 per head of population. It is beyond doubt that one body with a loan raising capacity of \$1.2 million would not have an outstanding loan liability of \$7.5 million.

A perusal of the Annual Statement of Accounts of both the City and Shire reveals that based on the Net Annual Value method of rating, rates in Mildura City were 25.69 cents in the \$1, whilst in Mildura Shire, the rate was 19.5 cents in the \$1. The total valuation of property in both Mildura Shire and City is \$14,949,064 N.A.V. A rate based on the Shire's General Rate of 19.5¢ would raise \$2,915,067 in rates. The rates collected by the Authorities are as follows:-

Mildura Urban Water Trust	\$ 592,374
City of Mildura	\$1,756,764
Mildura Sewerage Authority	\$ 602,953
Shire of Mildura	\$1,536,318
Shire of Mildura Sewerage Authority	\$ 127,920

TOTAL	\$4,616,329
	=====

This figure represents \$130 per head of population in the Mildura area, and when taken in conjunction with the figure of \$55 per head for administration, it means that \$75 per head was carried out in works for each person in the Mildura area.

My Council believes this to be entirely unsatisfactory. The Council's proposal should be subject to an expert financial enquiry conducted by the Local Government Advisory Board. We realise that figures given by each body can only show a distorted picture, as can the figures given in this submission, but a proper financial survey carried out by a truly independent body would surely prove the case.

### 2(iv) TOWN PLANNING/PLANNING

My Council believes this aspect to be central to its proposal.

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The integrated planning the whole district deserves, is not presently available. Despite the good intentions of both Councils and Senior Officers, it is sometimes impossible to fully consider all planning as being ideal for the whole area. Both Councils have differing Development Orders which may conflict with the several water trusts planning as well as S.E.C. and Telecom plans.

There appears to be no overall body in control of planning in Mildura with the result that planning is spasmodic and sometimes occurs without regard for other authorities. Delays in planning approvals inevitably occur where proposals must be lodged and considered by a multitude of public bodies. This creates problems in developments where costs are structured to a funds flow situation and could in some cases lead to lost development opportunities.

With a single multi-functional Council the planning of the whole area would be assured.

By planning, my Council does not only mean Town Planning. Ideals such as social planning, health and welfare planning, recreational planning etc., would be far better dealt with by a single authority. In addition a single authority would be far better suited to consult with bodies such as the SEC, Telecom etc., and State and Federal Government Departments.

2(v) ADMINISTRATIVE CONTROL

The administration of both Sewerage Authorities is currently carried out by the individual Councils. The administration of the Water Trust is carried out by its own staff.

The total administrative staff involved is seventy-six people. Sixty-eight with the Councils and eight with the Trust.

Should the Council's proposal be accepted we would anticipate that Corporate Management would solve any administrative difficulties which may arise.

The problems of administrative control are exacerbated by the number of authorities. There are many instances where persons do not know the correct body to contact and this leads to confusion and delays to say - planning applications. In addition, there is the problem of dual officers in Councils and Sewerage Authorities. The Committee is well aware of the fact that Clerks are many times obliged to write letters to themselves.

This situation is clearly ludicrous and must be stopped. A large organisation can be managed with both effectiveness and efficiency and it could not be argued that a single council for Greater Mildura would not be capable of being properly managed.



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Given the oversight of the Corporate Management approach and the checks and balances provided by outside bodies such as the Council Auditor, Local Government Inspectors etc., the system can be made to work effectively and efficiently.

### 2(vi) COMMUNITY OF INTEREST

The much touted phrase "Community of Interest" can be effectively associated with the Mildura area. Sunraysia includes the whole area of the Shire of Mildura and Mildura City Council. Mildura City is centrally located and is the base of the region for services such as - banking, commerce, medical and dental, recreational etc.

Mildura region is served by one television station, STV8 which is rarely seen outside the region. Similarly Radio 3MA is confined to the Mildura area and "Sunraysia Daily" circulates widely in the area.

There can be no doubt that the Sunraysia area does have a "community of interest" and it seems illogical for the community to be served by a plethora of public bodies.

My Council believes that the "community of interest" can be strengthened by a single multi-functional body such as is proposed.

### 2(vii) SOCIAL REASONS

We believe that the present multiplicity of bodies in Sunraysia causes social unrest. We do not mean that riots are breaking out in the streets or that civil disobedience is caused by the number of bodies in the area.

It is a matter of record that, because of the duplicity of bodies in the area, jealousies do occur between residents of differing Council area. Additionally residents cannot understand why the Irrigation trust does not supply filtered water as does the Urban Water Trust. The Shire of Mildura has an ethnic population far in excess of that of the City and its many social welfare efforts are aimed at these people. However, this does cause residents of the City to reflect on the perceived lack of social welfare services provided by the City.

A single Council would be able to gather these many different cultures and weld them into a single unit. Residents would be afforded the same level of service and be entirely satisfied or dissatisfied with the service provided. A single council would be more responsive to changing community values, or be prepared to take their policies to the ballot box.

APPENDIX I3 IMPLEMENTATION(i) LEGAL

We can see no bar to the legalities involved in amalgamating all bodies in the Sunraysia area. The Local Government Act contains adequate provision for the amalgamation of Councils.

My Council would see some extra legislation being required to effect the amalgamation proposed and it would suggest the amalgamation take effect with all the other proposals recommended by the Committee.

(ii) FINANCIAL

My Council sees the financial issues as a parallel to legal issues. The legislation currently in the Act or proposed by special legislation would provide for all the debts, credits, assets, liabilities and contracts of bodies being assumed by the one body.

It should not be a matter of much concern to work out the difficulties which could occur.

3(iii) STAFF

This could be the most contentious issue involved in the amalgamation. However, my Council believes that the machinery which already exists in the New South Wales Local Government Act could be duplicated in the Victorian Act or in any special legislation.

The mechanism does exist within the NSW Local Government Act to deal with staff involved in amalgamations. The NSW local government bodies involved in amalgamation proceedings and their experience could be an input to handling matters relating to staff. Section 20C of the NSW Act is reproduced below as a guide to handling staff related matters.

20C Transfer of Servants

(1) Where under Section sixteen (paragraph (d) excepted) of this Act a new area is constituted or the boundaries of an area are altered, every person who immediately before the day of such constitution or alteration was a servant of the council of any area affected and who was wholly or principally employed on or in connection with any work, trading undertaking, right, power, authority, duty, obligation, or function which becomes transferred to, vested in, exercisable by or conferred or imposed upon the council of the new area or of another area, shall on such day (subject to any agreement which may be entered into between the council of the area affected, the council of such new area or other area and the servant)-

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- (a) be transferred to the service of the council of such new or other area; and
- (b) become a servant of the council of such new or other area; and
- (c) be paid salary or wages not less than at the rate at which he was employed immediately before such day until such salary or wages is or are varied or altered by the council of such new or other area: Provided that such salary or wages shall not be reduced for a period of at least two years from date of such transfer except to the extent necessary to give effect to any fluctuation in the needs basic wage as defined in the Industrial Arbitration Act, 1940, as amended by subsequent Acts; and
- (d) be deemed to have been appointed and employed by the council of such new or other area under the provisions of this Act.

The person so transferred shall on and from such day until otherwise directed by the council of such new or other area continue to perform the duties which attached to his employment immediately before such day.

(2) Where any condition of employment of any person so transferred to the council of such new or other area is made by a competent tribunal, or such condition is regulated by an industrial agreement to which the council of such new or other area is a party.

(3) The period of service with the council of one or more municipalities, shires or county districts under this Act of any person so transferred shall upon such transfer be counted as service with the council of such new or other area for the purposes of this or any other Act of any ordinance, regulation or by-law or of the terms and conditions of any staff agreement or of any award or agreement made under the Industrial Arbitration Act, 1940, as amended by subsequent Acts.

(4) The transfer of any person under this section shall not affect any right to leave (including long service leave) of absence accrued prior to such transfer.

(5)(a) If the employment of any person transferred under this section is terminated by the council of any such new or other area otherwise than for misconduct within a period of two years from the date of his transfer, or if any person so transferred resigns his position with the council of such new or other area within the period commencing one year after and ending two years from the date of his transfer and the council has prior to the date on which his resignation was tendered failed to offer him in writing continuous employment at a salary or wage at least equal to that received by such person immediately prior to the date of his transfer and such failure is not occasioned by the misconduct of such person the council of such new or other area shall grant to such person a gratuity equivalent to the amount of four weeks salary or wages for each year of service, such salary or wages being reckoned on the average of the weekly salary or wages paid to such person during the fifty-two weeks immediately preceding the date of his transfer:

Provided that nothing contained in this subsection shall require the council of such new or other area to offer any person transferred

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under this section employment beyond the date fixed for retirement by this Act:

Provided further that the amount of any gratuity payable under this subsection shall not in any case exceed an amount being the equivalent of the salary or wages, reckoned on the average of the weekly salary or wages paid to such person during the fifty-two weeks immediately preceding the date of his transfer, which such person would have received if he had continued in the employment of the council from which he was transferred until the date fixed for retirement by this Act.

(b) This subsection shall apply only to a person who has been employed continuously by the council of any one or more municipalities, shires or county districts under this Act for a period of not less than one year immediately preceding the day of his transfer to the service of the council of such new or other area.

(6) Where a person who is transferred under this section was engaged by the council of an area affected under a subsisting contract of service which provides for payment of compensation in the event of the termination of his employment, and the employment of such person is, before the expiration of the period of the contract, terminated by the council of such new or other area otherwise than in accordance with the terms of such contract the council of such new or other area shall pay to such person the amount of compensation provided for in the contract, and if the amount of such compensation be less than the amount that would be payable to such person under subsection five of this section, shall also pay to him a gratuity equivalent to the difference.

A person who is entitled to receive any compensation or compensation and gratuity under this section shall not be deemed entitled to receive a gratuity under sub-section five of this section.

(7) The provisions of the Local Government (Superannuation) Act, 1927, as amended by subsequent Acts, shall continue to apply to and in respect of any person transferred under this section in like manner and to the same extent as the said Act would have applied if this section had not been enacted.

(8) A servant of the council who at the time of the constitution of a new area or the alteration of an area is engaged on war service as defined in the Defence Act 1903 of the Parliament of the Commonwealth of Australia, as amended by subsequent Acts, shall for the purposes of this section be deemed to be still in the employ of the council and his war service as well as his service with the council shall be counted as service with the council for the purposes referred to in subsection three of this section, and he shall be deemed to have been employed continuously by the council for the purposes of subsection five of this section.

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With regard to staff after the amalgamation, my Council believes that the Corporate Management approach under the control of a Chief Executive Officer, should be adopted as soon as possible but at the discretion of the newly formed Council.

We believe that staff-related matters can be handled by a combination of the new Council and the legislation provided.

### (iv) LOCAL GOVERNMENT ADVISORY BOARD

The Local Government Advisory Board must be involved with the Committee in the process of amalgamation of the bodies. It is the body responsible for recommending the amalgamation of municipalities and has the expertise and local knowledge required to effect a proper amalgamation.

### (v) REPRESENTATION

This is a matter of some concern to residents of the Shire. However, my Council's proposal would envisage four ridings. One based on the dry farming areas, one on Red Cliffs, Merbein and Mildura and one for horticultural properties. such a spread of representation would allow greater resident participation in local government.

A map is attached showing suggested boundaries.

Council believes that an interim period of one year should be arranged with all currently serving Councillors meeting as one unified Council and that arrangements be made for fresh elections for the new ridings after this initial year.

### 4(i) BENEFITS OF AMALGAMATION

#### Ratepayers

The first benefit is to ratepayers in the proposal, is the savings which can be made in the running of one single Council. We believe that ratepayers will be significantly better off under one unit than under the present five units.

It will be possible to create a range of differential rates, which will relieve the burden on ratepayers who cannot, at the present time, afford to incur heavy local taxation whilst inflation and interest rates continue their steady rise.

The rationalisation of the bodies in Sunraysia will also mean that ratepayers can expect to receive services not presently available.

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The five authorities at present are too small to be able to employ a principal worker specifically for recreation, social welfare, town planning etc. The size of the bodies necessitates employees who must be capable of performing a multitude of tasks. It may be said that if the single authority has too many experts, then the services may be curtailed due to more attention being given to specific areas, however my Council believes that under the corporate management approach, these problems can be overcome and the body would not be so large as to be out of touch with the ordinary person's needs.

Suffice to say that my Council believes that the benefits to the ratepayer are too significant to be ignored and that therefore the proposal would be supported if a poll of the ratepayers was held.

4(ii) ADVANTAGES GENERALLY

There is no doubt that the proposal will bring short term disadvantages. The loss of Council seats will affect the present 25 members who are elected to serve on the five bodies. As well, the staff amalgamation will mean that in the short term, the single body will be greatly overstaffed. There are bound to be problems involving legal, financial and technical matters. My Council believes all these problems can be solved satisfactorily in the long term. It is a proposal which has short term disadvantages but long term gains.

All the authorities are asset rich, and a rationalisation of assets could be advantageous to the ratepayers in the short term with the single body making more effective use of plant presently available. The sale of unrequired assets can be seen as a short term advantage which may offset to some degree, the short term disadvantages.

My Council sincerely believes that its proposal will, in the long term, prove beneficial to ratepayers and residents. Better utilization of staff and plant, together with all integrated forms of planning can only prove to be to the betterment of the area.

5 GENERAL COMMENTSIs Bigger, Better?

The question has been raised that bigger is not necessarily better. We believe however that the Sunraysia area with its total population of 35,000 odd cannot be described as being too large to be administered by a single unit.

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The isolation of the area from the rest of Victoria can work to the authority's benefit. To have five bodies providing services to 35,000 persons is, we believe, wasteful.

### Effectiveness/Efficiency

We have previously discussed the effectiveness and efficiency of the new body. The present system delivers a multiplicity of services which can be streamlined and rationalised by the creation of a single unit. For residents to have one authority providing all its services must be advantageous. All queries can be answered from one source and ratepayers can pay their rates to a single authority rather than becoming confused at the present system which requires payment at differing times of the year.

### Political Power

A single unit must also be seen as more effective as a political force in submissions to government. At present there are differing views between the Authorities on a wide range of matters and one single unit attuned to the wishes of residents will be better able to obtain maximum benefits from Government on their behalf if the region speaks with a single unified voice.

### Grants Commission

Advantages will also be made in dealings with the Grants Commission. There are, at present, many anomalies in the grants to authorities and a single authority will be able to gain a better deal from the Grants Commission. In 1981 the Grants Commission granted a total of \$1,277,000 to the Mildura area. The Shire of Mildura received \$777,000 and the City of Mildura received \$500,000. A single authority would be better placed to argue a case for the whole region.

### Economies of Scale

Can be sometimes seen as the "buzzword" of economists, planners etc. We believe however, that, with a single unit, such economies of scale can be achieved and can be proved over the long term. The rationalisation and better utilisation of staff and assets, direction of effort and political force provided by one unified authority will bring about economies of scale and the theory can actually be tested in this isolated portion of Victoria for use in future local government and public body amalgamations.

### Border Anomalies

Being so close to both the NSW and SA borders, the area is influenced by local government bodies in those two States. The most immediate effect is, of course, NSW. Their local government bodies are responsible for a multiplicity of services including public housing.

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Their system involves the local governing body being responsible for water and sewerage services, and their accounts show a General Fund, Water Fund and Sewerage Fund. It does seem to be illogical that this system can operate so differently from Victorian local government which is five minutes across the river. We believe that the reason is trust in local government. It does appear that the State Government does not trust Victorian Local Government to the extent that the NSW State Government does. We do believe that given trust, Sunraysia can effectively handle all the responsibility handed to it.

6 SUMMARISATION AND FINAL RECOMMENDATION

The whole point of the draft proposals contained in the Committee's Fourth Report and the Bain's Report is that a system be established which is of ultimate benefit to the residents and ratepayers of the area.

We agree with the assertions of the Bain's Report that governmental units must be rationalised. We agree with the draft proposals of the Committee, but contend that they do not go far enough. Our proposal extends the recommendation to allow significant savings, better utilisation of resources and increased services to the residents and ratepayers of the Sunraysia area.

We believe that the legal, financial, representation and staff problems can be overcome given the existing legislation contained in the Local Government Act 1958 and special legislation may be required to ensure a smooth transitional period during the changeover.

Financial statistics can be misleading, therefore my Council has adopted a philosophical approach to its proposal realising that a detailed financial analysis of the proposal will be required. Figures and financial statistics can be offered but can be tailor-made to suit our proposal or, in fact, any proposal whatsoever. We therefore believe that an independent financial analysis should be carried out of the proposal to satisfy the Committee.

The Council suggests, that if the Committee is in agreement with the Council's proposal that the following steps be carried out :

- 1 Immediate inquiry by the Committee and the Local Government Advisory Board into the amalgamation of both Councils, the two Sewerage Authorities and the Urban Water Trust, into one authority.
- 2 Independent financial analysis of the proposal.
- 3 A local committee consisting of two representatives



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from both Councils and one representative from the Trust be established to discuss local matters and to act as the inquiry's and financial inquiry's local input and contact.

We would suggest that the inquiries should be completed as soon as possible to allow the bodies concerned sufficient time to clear up outstanding matters (i.e., contracts etc.) before the amalgamation proper. We believe the process should be completed within three years.

DAVID McMILLAN,  
SHIRE SECRETARY  
SHIRE OF MILDURA

&

SECRETARY  
SHIRE OF MILDURA SEWERAGE AUTHORITY

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EXCERPTS FROM THE RESPONSES OF

THE STATE RIVERS AND WATER SUPPLY COMMISSION

AND

THE VICTORIA GRANTS COMMISSION

TO THE COMMITTEE'S FOURTH REPORT.

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## APPENDIX 2.

### STATE RIVERS AND WATER SUPPLY COMMISSION EXTRACT.

#### CHAPTER 2

#### DETAILED COMMENTS

(a) Limitation to Numbers of Authorities.

In the Committee's Fourth Report it stated (p.8) That:

"Until recently, it had been the practice to establish a new separate public body for each new water supply scheme, each new sewerage scheme, each new river improvement scheme and each new drainage scheme."

It also referred to what it described as "an open-ended formula for proliferation" which has existed in setting up these new schemes and municipalities being "cajoled" into establishing water bodies.

In its August, 1981, submission to the Committee, in response to the Committee's second report to Parliament, the Commission detailed the amalgamations of local authorities which have been achieved in recent years under legislation which simply permitted such amalgamations to occur or enabled more than one district to be managed by a single authority.

The Commission points out that historically, each town when installing its new water supply scheme desired to be identified with that important occasion by having the water supply authority constituted in the name of the town it served.

This was considered to be reasonable, particularly for the larger towns where the administration of the supply required the services of a full-time officer. Furthermore, each new supply tends to be more expensive than older systems and existing authorities were unwilling to take on new customers if this would disadvantage existing ratepayers.

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However, the Commission appreciated the problems which could exist in more recent times where the new water supplies being constructed were for the smaller towns and from the administrative point of view could not justify the services of full-time administrators.

Consequently, since 1971, the Commission has actively pursued the practice of attempting to reduce the number of new authorities being constituted. The success of this is amply demonstrated by the resulting achievements in that of the 40 new town supplies installed since the 1971/72 financial year only 9 water authorities have been constituted. The remaining supplies are being administered as urban districts of previously constituted authorities. Figure 1 shows the growth in the number of new towns supplied by local authorities since 1971 compared with the growth in the number of new authorities.

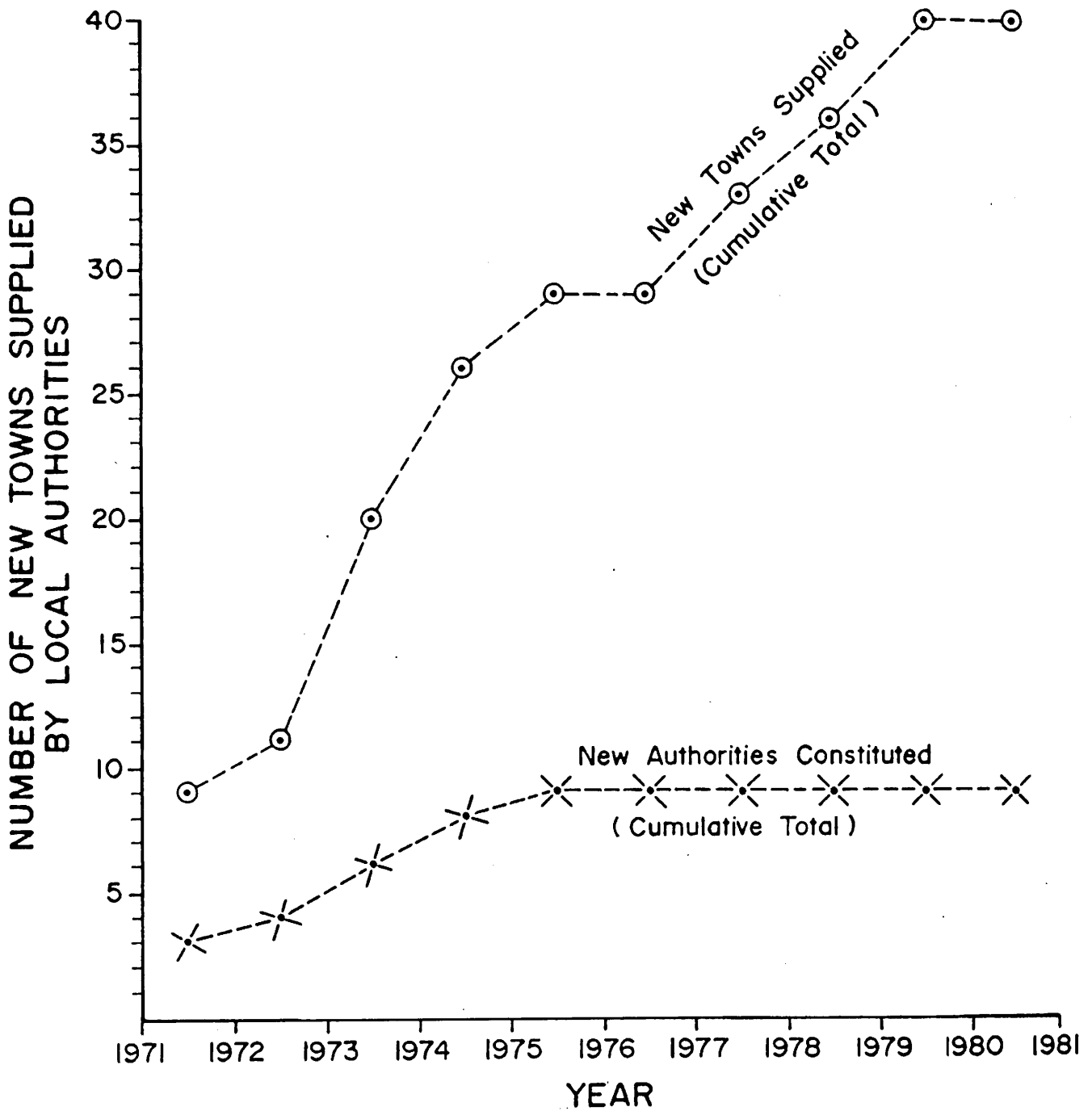
Existing Legislation does not provide the Minister or the Commission with power to require amalgamation or rationalisation of authorities. In effect participative democracy has been counter-productive when it comes to amalgamation, and will continue to be so.

Furthermore, during the period 1965-1981, there have been 8 amalgamations involving sixteen water authorities and 3 amalgamations involving 6 sewerage authorities.

The Commission has also submitted evidence to the Committee, incorporated as Appendix 4 to its Fourth Report, showing the decrease in the number of districts in the Commission's regional water supply systems from 37 to 11 since 1964 by amalgamations since that time.

Rationalisation of the Commission's supply systems in this way has been pursued because of the desirability of managing such systems as units to achieve technical and administrative management efficiency and equity in charges to consumers who are supplied from common or integrated headworks. This applies in the Commission's main urban supply systems

STATE RIVERS AND WATER SUPPLY COMMISSION



YEAR	71/72	72/73	73/74	74/75	75/76	76/77	77/78	78/79	79/80	80/81
NEW TOWN SUPPLY COMMENCED	9	2	9	6	3	-	4	3	4	-
NEW AUTHORITIES CONSTITUTED	3	1	2	2	1	-	-	-	-	-

FIG. 1 - GROWTH IN THE NUMBER OF NEW TOWNS SUPPLIED BY LOCAL AUTHORITIES AND NEW AUTHORITIES CONSTITUTED SINCE 1971.

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on the Mornington Peninsula, Bellarine Peninsula, Coliban and Otway systems as well as in the geographically more dispersed systems in the Wimmera-Mallee.

It will be noted that this evidence clearly shows that there is not an open ended formula for proliferation of local water and sewerage authorities as the Commission's activities have effectively limited to a minimum the formations of new authorities. The Commission also believes that with the force of legislation supporting the Committee's recommendations in their final form, more comprehensive rationalisation of the structure of the water industry will be achieved.

### (h) Water Boards and Municipal Management - Detailed Comments

The proposed re-structuring as set out in Chapter 2 of the Report has been examined and compared against the criteria set out on page 2 of the Committee's report.

It is recognized that some of the proposals might result in lower charges to some local ratepayer and other changes might "even out" costs in a region and by cross subsidy certain communities would pay less and others pay more. This in turn could mean a reduction in the contribution to the industry by the general Taxpayer. The comments made previously on the need for Councils to have appropriate management structures and staff with the necessary experience and qualifications apply equally to the proposed Water Boards.

The Commission in previous submissions to the Committee, has offered to participate in a joint exercise with the Waterworks Trusts and Provincial Sewerage Authorities' Associations and The Institute of Water Administration, to recommend to Government appropriate amalgamation of local authorities in the water sector.

While most of the Public Bodies Review Committee's proposals which involve existing local authorities (i.e. excluding Water Commission town supplies) are considered appropriate and are welcomed, there are some 37 cases where the Commission has arrived at a different answer and would urge that these be reconsidered.

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The Commission accepts that Municipalities in the medium term could adjust to the role of water retailers but does not accept that in all cases they could do so at less cost to the consumer and to the State.

Appendix 1 sets out the Committee's proposals for restructuring with an indication where the Commission agrees with the proposals.

Instances of individual proposed structures for water and sewerage bodies where the Commission has a different point of view to the Committee are set out as follows:

	<u>Existing Local Authorities</u>	<u>S.R. &amp; W.S.C.</u>	<u>Proposed</u>
Page 17	Aireys Inlet (W) Anglesea(S)  Torquay (S)	Anglesea(W)  Torquay (W)	Barrabool  Water Board

The proposal to create a Barrabool Water Board to handle the above present services is not satisfactory. A more appropriate management body would be the proposed Geelong Water Board, perhaps renamed as a "Regional" Board. It should be noted that water supply and sewerage of Torquay and water supply to Anglesea is presently physically linked to Geelong. Airey's Inlet (W), now a separate supply, could be grouped with Lorne (W & S) Apollo Bay (W & S) and Skenes Creek (W) to comprise the Otway Coast Water Board.

Attention is drawn again to P.7 of the Committee's Report where it is stated that the industry (W & S) must be more structurally coherent and that functional fragmentation must be reduced.

	<u>Existing Local Authority</u>	<u>Proposed</u>
Page 29	Axedale (W)	Axedale Water Board.

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The formation of an Axedale Water Board solely to administer the water supply to the small community of Axedale is not consistent with other recommendations in the Report (for example it is noted that Learmouth (W) would be handled by Ballarat Water Board). Because of the proximity of Axedale to Bendigo, the proposed representation of the Shire of Strathfieldsaye on the Bendigo Water Board and the probable future linking of Bendigo water supply system with Axedale it is strongly urged that Axedale WB be regarded as an interim body, to be amalgamated with the Bendigo WB when physically linked with the Bendigo Water supply system.

Existing Local AuthoritiesProposed

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Ballan (W), (S).

Shire of Ballan

The Commission disagrees with the proposal. As Ballan and Geelong draw water supplies from the same general catchment and in view of the proposed augmentation of Ballan's supply from Geelong's Bostock Reservoir, it is considered that a Geelong Regional Water Board would be a more appropriate body to handle Ballan. Transfer of an early date would facilitate planning of future augmentation works. The sewerage function could be carried on either by the Geelong Board or by the Shire of Ballan depending on local preference.

Existing Local AuthoritiesProposed

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Barnawartha (W)  
Chiltern (W & S)

Shire of Chiltern

Page 210

Springhurst (W)

Springhurst Water Board

There are a number of options for the above three towns which are all situated along a 30 km strip of the Hume Highway. The Commission would prefer to see one Water Board managing the water supply and future sewerage services in all three towns. Such a Board could also handle future water supplies, such for the town of Eldorado, in the Wangaratta Shire.



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The Commission does not agree with the Committee's recommendation (P.210) to form a special Water Board for the small town of Springhurst and have the Shire of Wangaratta responsible for other future waterworks in that Shire.

	<u>Existing L.A.</u>	<u>S.R. &amp; W.S.C.</u>	<u>Proposed</u>
Page 44	Bellarine (S)	Bellarine Pen.	Shire of Bellarine Geelong WaterBoard (1986)

It is noted that the transfer of Bellarine (S) to Geelong Regional Water Board is ultimately proposed following an initial transfer to the Shire of Bellarine. The Commission sees no advantage in the first stage and the reason for the delay is not clear.

It is considered that transfer to the Geelong Regional Water Board could take place at a much earlier date.

	<u>Existing L.A.</u>	<u>S.R. &amp; W.S.C.</u>	<u>Proposed</u>
Page 50	Boort (W)	Pyramid Hill	Boort Water Board Shire of Gordon

If it is decided that the Water Commission should no longer operate the Pyramid Hill town water supply, there would be no economic justification for its separation from the management of the Boort supply. It would be far preferable for ease of operation if both Boort and Pyramid Hill were operated by a single "Gordon" Water Board.

It is pointed out that the Shire of Gordon has no expertise in water management and hence the Committee's proposal is contrary to its statement (P.2) regarding the need for a structure which ensures technical and administrative competence.

	<u>Existing L.A.</u>	<u>S.R. &amp; W.S.C.</u>	<u>Proposed</u>
Page 62	Cohuna W,S	Gunbower	Shire of Cohuna

APPENDIX 2.

The Committee's proposal is satisfactory provided appropriate local representation is achieved for Gunbower which is part in Cohuna Shire and part in Shire of Rochester.

Page 68	<u>Existing L.A.</u> Coleraine (W.& S.),Casterton (W.& S.) Balmoral (W), Glenelg Shire (W)	<u>Proposed</u> Part - Shire of Wannon Part - Shire of Glenelg
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The Committee's proposal is considered inappropriate and impracticable.

Coleraine and Casterton share common water supply headworks and the operation and administration is integrated. In such operation of the system (with both surface and groundwater supplies), the managers must make day to day decisions on many factors such as reservoir levels and rainfall, when to pump from bores, sharing of pipeline capacities, power costs and resultant water quality after mixing water from the two sources.

The proposal to split the present Coleraine and Casterton Waterworks Trust and hand the operations over to two Shires which have no expertise in such management is inappropriate. It would be preferable to form a joint "Wannon and Glenelg Water Board" to handle the complex Coleraine and Casterton Water operation as well as the other services in the two municipalities.

Page 69	<u>Existing L.A.</u> Colbinabbin (W) Rushworth (W) Shire of Waranga(S) Murchison (W)	<u>S.R. &amp; W.S.C.</u> Corop (W) Stanhope (W)	<u>Proposed</u> Murchison Water Board Shire of Waranga Water Board
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Due to some expertise in the Murchison, Rushworth and Colbinabbin Waterworks Trusts it may be advantageous to amalgamate all urban water service authorities into a single Water Board for the whole Shire.

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	<u>Existing L.A.</u>	<u>Proposed</u>
Page 76	Creswick (W & S)	Shire of Creswick

The proposal that the Shire of Creswick be the successor to the present W. & S. Authorities is not actively opposed. However, in view of the proximity of Ballarat, the strong possibility that Ballarat would supply future water requirements of Creswick, and some common interests (many of the Creswick residents have employment in Ballarat), it could well be that W. & S. for all towns in the Creswick Shire might more economically be handled by the proposed Ballarat Water Board.

	<u>Existing L.A.</u>	<u>Proposed</u>
Page 82	Devenish, Glenrowan, Goorambat	Three Separate Water Boards

The perpetuation of small separate water authorities for three small communities is contrary to the general thrust of the Review. The placing of these under the Shire of Benalla would provide a better service and would be more consistent with other recommendations in the Report.

	<u>Existing L.A.</u>	<u>S.R. &amp; W.S.C.</u>	<u>Proposed</u>
Page 83	Jeparit (S)  Dimboola (S)	Towns in Dimboola  Shire	Three separate Water Boards,  plus Shire of Dimboola and Rainbow(S)Commission as bulk supplier.

There is an apparent conflict in the Committee's Fourth Report on its proposals in this area concerning the urban water districts now operated by the Water Commission. The recommendation on P.84

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is to the effect that the proposed Water Boards for Jeparit, Dimboola and Rainbow take over the water supplies in their respective communities, whereas on P.263 it is stated that the responsibility for water supplies in all towns in the Dimboola Shire be taken on by that Shire.

The Commission raises no objection to the replacement of the three existing sewerage authorities with Water Boards. However, if it is decided that the water supplies to the remote towns in the Dimboola Shire i.e., outside Jeparit, Dimboola and Rainbow be transferred from the Commission to the Shire, then the Commission can see no good reason why the water supply and sewerage of Jeparit, Dimboola and Rainbow should not also be transferred. Further comments are made later in this submission on the proposed transfer of Commission urban supplies in North West Victoria.

	<u>Existing L.A.</u>	<u>S.R. &amp; W.S.C.</u>	<u>Proposed</u>
Page 85	Dookie (W)	Tallygaroopna	Shire of Shepparton
Page 209	Shepparton (W & S)	Shepparton Water Board	

The proposal to combine the water and sewerage functions at Shepparton under a Water Board is welcomed. However it is considered that such a Board should also take over the water supply at Dookie and possibly the Water Commission's works at Tallygaroopna rather than involve the Shire of Shepparton. The Shire has no known involvement in urban water supply or sewerage whereas the amalgamated Shepparton Waterworks Trust and Sewerage Authority have the necessary experience and staff to satisfactorily manage all systems.

The existing Shepparton Urban Water Trust already supplies water to some settlements in the Shire. The proposal to create another authority would appear to be unnecessary and contrary to the general thrust of the Committee's objectives.

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	<u>Existing L.A.</u>	<u>Proposed</u>
Page 94	Goornong (W)	Goornong Water Board

The proposed creation of a Water Board solely for the water supply to the small town of Goornong is curious. It would be more logical to transfer the supply to the nearby Bendigo Water Board as it is likely that such a Board would have representation from the Shire of Huntly.

	<u>Existing L.A.</u>	<u>Proposed</u>
Page 109	Healesville (W & S)	Yarra Valley and Dandenong Ranges Board.

The proposal is not actively opposed. However, in view of the M.M.B.W. interests in the Yarra Valley, it would seem more appropriate for the Board of Works to have control over all water extractions and wastewater discharges in that region. Although the M.M.B.W. is not a body under review at present, it is noted that the P.B.R.C. make other recommendations concerning the Board of Works, e.g. Little River, Plenty/Yarrambat and Hurstbridge. (Refer P.146).

	<u>Existing L.A.</u>	<u>Proposed</u>
Page 143	Linton (W)	Linton Water Board

The bulk supply of water for Linton is presently obtained from the Ballarat system. In the interests of efficient overall management, it would be preferable that Linton (W) be handled by the proposed Ballarat Water Board. The Committee's proposal is also in conflict with its statement on P.7 of the Report that the "industry must be made more structurally coherent"...."fragmentation must be reduced".

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Two other proposed Water Board's close to Ballarat would be more appropriately amalgamated with the proposed Ballarat Water Board. These are Smythesdale-Scarsdale and Rokewood which are commented on in turn in this Section.

The following table summarises the results of preliminary estimates made by the Commission on the economic benefits to the consumers in each area following amalgamation with the Ballarat Water Board.

	<u>Linton</u>	<u>Smythesdale- Scarsdale</u>	<u>Rokewood</u>
Approximate distance from Ballarat (km)	33	22	43
Possible saving in annual cost if amalgamated with Ballarat	\$5300	\$4000	\$7000
% saving of total annual revenue	7.8%	10.7%	18.6%
Present average charge/building	\$80	\$109	\$139
New average charge/building	\$74	\$98	\$113

Existing L.A.Proposed

Page 143 Smythesdale-Scarsdale (W)

Smythesdale-Scarsdale  
Water  
Board

(Refer Comments on Linton).

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The Water Commission considers that the supply should also be handled by the Ballarat Water Board as the present Trust also obtains its water supply from the Ballarat system.

	<u>Existing L.A.</u>	<u>Proposed</u>
Page 151	Maffra (W & S)	Shire of Maffra

The Maffra Waterworks Trust, the Commissioners of which also constitute the Maffra Sewerage Authority, has the technical expertise and experience to manage water supply and sewerage to Maffra, and Heyfield and water supply to Briagolong, Boisdale, Glenmaggie, Glenmaggie Point and Coongulla. The formation of a Maffra Water Board should be considered.

	<u>Existing L.A.</u>	<u>Proposed</u>
Page 156	Maryborough (W & S)	City of Maryborough

The proposal to amalgamate the water and sewerage functions is appropriate. However, it would be preferable for a Water Board to be formed, the area of which should be extended to include those towns in the adjoining Tullaroop Shire which obtain water in bulk from Maryborough, such as Bowenvale, Timor and Carisbrook.

There are already conflicts between the Maryborough and the Shire of Tullaroop Water Trusts over water charges. A combined Water Board would also be more in keeping with the Committee's aim that the "industry must be made more structurally coherent"...."fragmentation must be reduced".

	<u>Existing L.A.</u>	<u>Proposed</u>
Page 191	Queenscliffe (S)	Borough of Queenscliffe (1.1.86) Geelong Board

As with Bellarine (S) (P.44), it is noted that the proposed transfer of the sewerage undertaking at Queenscliffe will involve an initial

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transfer to the local Council and then in 1986 to the Geelong Regional Water Board. Again, the reason for the delay is unclear and the Commission can see no reason why the transfer could not take place at an earlier date. The existing Queenscliffe Sewerage Authority also provides a service to some properties in the adjoining Shire of Bellarine and hence the Borough of Queenscliffe would not be the appropriate management unit.

Existing L.A.Proposed

Page 194 Rokewood (W)

Rokewood Water Board

Refer comments on Linton and Smythesdale-Scarsdale (P.143). The Water Commission considers that the supply should be handled by the Ballarat Water Board.

Existing L.A.Proposed

Page 196 Romsey (W & S), Lancefield (W)  
Riddells Creek (W & S)

Shire of Romsey

A more efficient arrangement would be to form a Regional Board - say "Macedon Ranges Water Board" and in addition to the above (W & S) include Gisborne (W & S), Sunbury (W & S), Macedon (W) and Mount Macedon (W). The water supply systems to these towns are all derived from the Macedon Range and are largely interdependent as was clearly illustrated during the 1968 drought.

Existing L.A.Proposed

Page 198 Rosedale (W & S)  
Seaspray (W)

Shire of Rosedale

Page 199 Tyers, Glengarry (W)

Tyers and Glengarry  
Water Board.



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The water supply to Rosedale is obtained from the Moondarra Reservoir via the Traralgon pipeline and finally as an extension from the Tyers and Glengarry water supply system.

There would be distinct operational benefits for the whole of the Tyers, Glengarry, Rosedale water supply system to be operated as one unit under a single management.

Furthermore it is considered that there could be advantages in all of the above water supplies and present and future sewerage systems in the Shire of Rosedale being managed by that Shire.

	<u>Existing L.A.</u>	<u>Proposed</u>
Page 212	Dandenong (S), Springvale - Noble Park (S)	Dandenong/Springvale Sewerage Board

It is agreed that Dandenong, Springvale and Noble Park (S) should come under the same administration. The Commission would also draw attention to the fact that these cities are really part of the Melbourne Metroplis and logically should come under the jurisdiction of the M.M.B.W. Inclusion in the Board's area would be facilitated if a separate rating system is employed at least in the initial period. Although the M.M.B.W. is not under review, this fact did not prevent the Committee from making recommendations in the case of Hurstbridge, Plenty/Yarrambat, Little River, the Yarra Valley and Dandenong Ranges Board and City of Berwick which impinged on the M.M.B.W.

The Committee's recommendation concerning transfer of Dandenong etc. to the Board would seem to be made for reasons other than those based on efficiency and effectiveness.

	<u>Existing L.A.</u>	<u>S.R. &amp; W.S.C.</u>	<u>Proposed</u>
Page 219	Swan Hill(W & S) Robinvale (S) -	- Robinvale (W) 8 Towns in Swan Hill Shire	Swan Hill Water Board Robinvale Water Board Shire of Swan Hill

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The proposal to amalgamate water and sewerage administrations in Swan Hill City is considered appropriate and a similar proposal at Robinvale could be accepted with some reservations. However, the reason for the proposal that Shire of Swan Hill take on the other towns in the municipality is not clear. It would be preferable to form a single "Swan Hill Water Board" to handle all water and sewerage matters in the City of Swan Hill and adjoining Shire. Further comments on the Commission operated urban water supply system are made later in this submission.

	<u>Existing L.A.</u>	<u>Proposed</u>
Page 223	Mooroopna (W & S)	Mooroopna Water Board
	Tatura (W & S)	
	Merrigum (W)	Shire of Rodney

The recommendation that water and sewerage functions at Mooroopna be amalgamated under a Water Board is welcomed.

Similarly it is agreed that the water and sewerage authorities at Tatura together with the water authority at Merrigum be combined.

In the Shire of Rodneys submission (P.306) a reason for Mooroopna remaining independent is that it is 16 km from Tatura. Merrigum is also only 16 km from Tatura. Consequently the Commission considers that further consideration should be given to the amalgamation of all five authorities under a single "Rodney" Water Board.

	<u>Existing L.A.</u>	<u>Proposed</u>
Page 235	Warburton (W), Upper Yarra (S)	Yarra Valley and Dandenong Ranges Water Board.

Although the proposal to form a new authority to handle W. & S. functions seems satisfactory, it is pointed out that the M.M.B.W. has

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direct interests in the water resources and has water supply works in the area. The option of the Board taking over the whole of the water and sewerage activity in the Yarra Valley is preferred.

	<u>Existing L.A.</u>	<u>S.R. &amp; W.S.C.</u>	<u>Proposed</u>
Page 242	Winchelsea (W & S)	Birregurra (W)	Winchelsea Water Board

Winchelsea obtains its bulk supply of water from the Geelong Trust (not S.R. & W.S.C. as stated in the Report). Birregurra is part of the Commission's Bellarine Peninsula Urban District, but the bulk supply of water and the field operation and maintenance of those works has been handled by the Geelong Trust by agreement since 1956.

The formation of a separate Winchelsea Water Board as proposed will not overcome the present fragmentation that the Committee has stated it is setting out to avoid (P. 7 of Report).

It would be far more appropriate for the above works to be transferred to the proposed Geelong Regional Water Board.

	<u>Existing L.A.</u>	<u>Proposed</u>
Page 246	Woori Yallock-Launching Place (W & S)	Yarra Valley and Dandenong Ranges Water Board
	Yarra Junction (W & S)	

For the reasons mentioned for Warburton (P.235) it would be preferable that the M.M.B.W. take over this area.

APPENDIX 2.(c) Co-operatives of Consumers.

It is noted that the Committee in its Report on P. 11 proposes the water supply to certain communities (less than 100 people) being left to "informal co-operatives of consumers".

The management of a water supply function by a co-operative of consumers is not considered to be satisfactory in the long term. The only circumstances where this form of management could be acceptable would be for some very small communities isolated from municipal facilities and water supply bodies. They would not be suitable where water is drawn from a regional distribution system.

Community co-operatives may have merit in running day to day non-technical routine maintenance work of, say, a small housing estate. However, in the specialised field of water supply, there are many aspects of works with which an informal co-operative of consumers is not qualified or capable of dealing.

A co-operative of consumers, in almost all circumstances, consists of people who are not qualified to handle or administer the complex issues involved in maintaining water supply of suitable quality and quantity (e.g. disinfection by chlorination).

To satisfactorily operate a water supply system, daily attention needs to be guaranteed. A co-operative of consumers will not be able or willing to provide such a quality of service as maintenance contracts would be too expensive for the frequency of calls required.

While a "co-operative" might manage a small simple system reasonably well in the short term, there would inevitably be problems and confusions when a major costly replacement is carried out. This could well become a political issue and result in the State being involved in an expensive subsidy operation.

In a letter dated 11th March, 1981, the Health Commission of Victoria, which is the responsible body for overseeing the management of small

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sewerage treatment plants and septic tanks for hotels and cluster titles etc., wrote to the Shire of Omeo that "the Commission has experienced difficulties in the past with bodies corporate maintaining a satisfactory standard of services to their own water supply and sewerage installations. The problems which arise are practical ones in that a "responsibl  person" representing the body corporate is rarely on site. Situations have been reported whereby all cluster titles have been sublet and not one member of the body corporate is resident on site".

For these reasons and the probable proliferation of these small "informal" units, the Commission considers that in general, community co-operatives are an undesirable form of water management body.

(d) Effects From Fragmentation of Existing Regional Urban Water Supply Systems.

Implementation of the Committee's recommended fragmentation of the five major regional urban water systems - the Coliban, Mornington, Otway, Geelong/Bellarine and Wimmera-Mallee systems - will result in

the number of water authorities managing the systems increasing from the existing 2 to the proposed 29.

quantified adverse effects to both the taxpayer and direct consumers, and

reduced efficiency, economy and effectiveness of water supply to consumers.

In the case of the Mornington Peninsula and Westernport area, the Committee's draft recommendations to amalgamate the present Sewerage Authorities into groups, seems to be the basis on which the subsequent draft recommendation was made to divide the water supply systems among the sewerage groups. As already indicated it would be far more appropriate to retain the present integrated regional water supply system and use this as a basis for the amalgamation of Sewerage Authorities, over a realistic time scale, and finally amalgamate the Water and Sewerage Authorities under a combined body with appropriate staff and expertise in both functions.

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In respect to the Geelong/Bellarine System, the temporary fragmentation of parts of the system to several Water Boards as an interim arrangement prior to transfer to the Geelong Water Board is an unnecessary interim step of doubtful economy which will not encourage smooth transition to the ultimate structure.

The adverse effects, which have been quantified, associated with fragmenting the regional water supply systems result from

- o otherwise unnecessary capital expenditure on works to create and maintain separate physical entities. Typical works are bulk meters, duplicate mains at interface of Municipal boundaries unrelated to water management, duplication of office/depots etc. This expenditure is not just once off, as future urban development on each side of the Municipal boundary interface will require continuing unnecessary capital works expenditure to maintain the physical separation of the entities.
  
- o otherwise unnecessary engagement of full time staff in the local office and in the field to manage, operate, maintain and develop the separate entities. This staff increase results from the need to maintain viable standby services for field operation and for functions to be undertaken by individual Water Boards now provided from an efficient pool in the Commission's Head Office, (e.g. design, contract documentation, staff salary and leave records and payments, account payments, stores ordering, personnel and recruitment administration). Aspects related to personnel costs are dealt with in detail later in this submission.
  
- o very significant increases in the householders' water bill resulting from the foregoing effects and from the loss of

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economy and cross-subsidy effects for consumers serviced from the integrated regional system who are currently receiving the same standards of service at the same cost.

- o increases in the overall taxpayer subsidy to the systems provided in a number of ways. These effects are summarised in Table 1 on Page 19.

The main issue where consumers would desire to have a greater participation in decision making is in selection of the preferred option for standards of service in regard to system security from drought. The selection of Municipal boundaries for the Water Boards and fragmentation of a regional system will not achieve a better consultative forum for decision-making on system security standards.

Rather the reverse will be the case, with the possibility of consumers within each Water Board demanding different levels of system security for which it would be impossible for the regional bulk supplier to cater. The Commission is seeking to improve its existing provisions for consumer consultation and this is discussed later in this paper.

### (i) Coliban System

The relevant Committee recommendations are:-

page 48

"the Bendigo Sewerage Authority cease to exist, and that the successor body be a Bendigo Water Board responsible for urban water and sewerage activities in the areas of the municipalities of Bendigo, Eaglehawk, Marong, Strathfieldsaye and Huntly, currently served by the Bendigo Sewerage Authority and the S.R. & W.S.C. Coliban System..."

and page 58

"... the Castlemaine Sewerage Authority cease to exist, and that the successor body be the Mount Alexander Water Board, with responsibility for all necessary urban water and sewerage services in the municipalities of Castlemaine, Maldon, Metcalfe and Newstead, assuming the current urban water retailing responsibilities of the southern portion of the S.R. & W.S.C. Coliban water supply system..."

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The Committee's proposals fragment the Coliban Water Supply System into three authorities; two Water Boards with the Commission as bulk supplier to the Water Boards and as the manager of the balance of the Coliban System rural supply to some 2000 irrigation and Domestic and Stock permit holders.

This proposal is an extension of the previously announced Commission proposal to have separate financial entities for the rural and urban sections. However there is a significant difference. The Commission's proposal would not mean a physical or administrative separation of the urban section of the Coliban System. The Committee's proposed action will create duplication of manpower and other resources and financial imbalance for the same standard of service.

The Committee's proposal would mean that the Bendigo Water Board would service 81% of the Coliban urban consumers (21,500 services) while the Mount Alexander Water Board 19% (5000 services). The 1980/81 average Water Bill for Coliban urban consumers was \$96. The creation of a Bendigo Water Board would increase this bill to \$103 (7%) for those consumers and to \$188 (96%) for consumers in the Mount Alexander Water Board.

The capital cost of the necessary works to physically split the system into the two Water Boards is estimated at \$250,000, and the increased annual cost of the fragmented system would have been \$520,000 (20% increase) in 1980/81.

Whilst no physical operational problems would result from the Committee's proposals, it would no longer be possible to retain the existing flexibility of transferring urban field staff and casuals during winter months for essential channel maintenance. This will lead to higher costs during the winter months to urban consumers due to under-utilisation of their staffs during the slack period in the urban sector.



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Because of the significant financial disadvantage to urban consumers, the conclusion is that the Coliban system should be retained as one physical entity with separate financial accounting of the urban and rural sectors to provide proper accountability and financial management of the two distinctly separate types of supply.

### (ii) Mornington Peninsula System

The relevant Committee recommendations are:-

(page 90)

"... Drouin WWT, Drouin SA, Neerim South WWT, Noojee WWT, Warragul WWT and Warragul SA should cease to exist, and that the successor body should be ....the Tarago Water Board, responsible for all urban water and sewerage requirements in the Shire of Buln Buln, and Warragul, including that for Longwarry..."

(pages 75,185)

"Shire of Cranbourne Sewerage Authority, the Koo-wee-rup WWT, Lang Lang WWT, Lang Lang SA., ... Pakenham SA ... cease to exist and that the successor body should be the Cranbourne-Pakenham Water Board, responsible for water and sewerage retailing in all parts of the Shire except the Hampton Park area, which together with future development in the northern sector of the Shire of Cranbourne, should be administered by the Dandenong-Springvale Sewerage Board, .... responsibility for urban water retailing in the Shire of Cranbourne should be transferred to the Board from the State Rivers and Water Supply Commission ... the Cranbourne-Pakenham Water Board (b) responsible for all necessary urban water and sewerage provision in all those parts of the Shire of Pakenham not currently within boundaries of the Gembrook, Cockatoo and Emerald WWT ... the Committee further recommends that responsibility for water supply and sewerage in the City of Berwick should be assumed by the Cranbourne-Pakenham Water Board"...

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(pages 87, 100, 107 and 167)

"Dromana-Rosebud SA,... the Frankston S.A., ... the Mornington and Mount Eliza SA ... and Hastings SA cease to exist and that the successor body be the Nepean Water Board with responsibility for all necessary urban water and sewerage provision in the Shire of Flinders, ... responsibility for urban water retailing in those parts of the City of Frankston currently serviced by the S.R.& W.S.C. (and) in the Shire of Mornington and Shire of Hastings".

These proposals fragment the Mornington Water Supply System along municipal district boundaries into four authorities - three Water Boards with the Commission as bulk supplier to the Boards and retaining supplies by agreement from the Tarago Main Race and Bunyip Main Race (trunk channels). Supplies by agreement direct from the major trunk pipelines would be transferred to the relevant Board.

The proposed fragmentation of the existing 78, 320 consumer services in the regional water supply system is:-

Nepean Water Board	65,000	services	(83%)
Cranbourne-Pakenham Water Board	13,100	services	(16%)
Tarago Water Board (Longwarry only)	220	services	(1%)
Total	<u>78,320</u>		(100%)

The 1980/81 Mornington Peninsula urban water bill was \$99. For the Nepean Board the equivalent bill would be substantially the same, for the Cranbourne-Pakenham Water Board \$136 (37% increase). The present separate Upper Beaconsfield Urban District (500 services) to be transferred to the Cranbourne-Pakenham Water Board had a 1980/81 water bill of \$262. Based on retention of this expensive double-pumped supply system as a separate rating entity the water bill would not alter.

The estimated capital cost of the necessary works to physically split the system into the three Boards is \$2,450,000 and the increased annual cost of the fragmented system would have been \$432,000 (5% increase) in 1980/81.

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In addition:-

- o the City of Berwick water supply is currently partly serviced by the S.R. & W.S.C. system and partly (north-western sector) directly by the M.M.B.W.. The Committee presumably only desired to transfer the area within the Commission's system.
- o the Koo-wee-rup WWT ceased to exist as from 1/1/81 by Order-in-Council and that supply system was amalgamated with the S.R. & W.S.C.'s Mornington Peninsula Urban District.
- o the township of Longwarry which is to be part of the Tarago Water Board actually obtains its supply from the Commission's Bunyip System which would be the responsibility of the Cranbourne-Pakenham Water Board, i.e. bulk supply to the Longwarry Urban District of the Tarago Water Board would be obtained from the Cranbourne-Pakenham Water Board, not from the Commission.
- o some 1000 existing services within the Cranbourne-Pakenham Water Board would obtain supply from the Nepean Water Board via 5 different bulk meters to be installed at the interface of the two Boards.
- o the position above would be further complicated as a new sub-regional water supply system, at a present-day estimated cost of \$9 million, is proposed to be progressively developed over the next 15-20 years to supply an ultimate 23,000 services in the Centreville-Langwarrin -Pearcedale area which transcends the boundaries of the Nepean and Cranbourne-Pakenham Water Boards. Selection of the Municipal boundaries for water management by these two Boards would lead to the progressive development of two separate supply systems by each Board at relatively higher capital and annual costs to both sets of consumers and to the general taxpayer.

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- o the creation of artificial retailing interfaces between Water Board Systems would lead to confusion and doubt in the minds of the respective customers as to which body is responsible (and accountable) for supply. The Commission and M.M.B.W. already face this problem at their interfaces even though the two water supply systems are two entirely separate systems.

The conclusion is that the present regional water supply system supplying the Mornington Peninsula System is more cost effective than the structure proposed by the P.B.R.C..

Amalgamation of sewerage authorities in the Mornington Peninsula would also result in savings to the sewerage customers, brought about mainly by a reduction in overall administration costs. The Commission's preliminary assessment of the savings available by amalgamating the five existing Sewerage Authorities in the proposed Nepean Water Board area shows a potential annual saving of at least \$100,000 or \$3 per service.

In order to initiate total integration, sewerage authorities could be amalgamated progressively, initially on the basis of common outfalls or treatment works. Within a realistic time scale of say five years, the completely amalgamated sewerage operation could be amalgamated with the regional water supply to form a Mornington Peninsula Regional Water and Sewerage System.

(iii) Otway Water Supply System

The relevant Committee recommendations are that:-

(page 237)

"City of Warrnambool cease ... as a Local Governing Body, that the Warrnambool SA should cease to exist, and that at least until new funding arrangements are developed, the successor body should be Warrnambool Water Board closely integrated with the Council..."

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(page 111)

"... Shire of Heytesbury WWT and Heytesbury SA cease to exist and Shire of Heytesbury assume responsibility for all necessary water and sewerage services to Cobden, Simpson, Port Campbell, Timboon and other centres within the Shire."..."responsibility for water retailing in Cobden, Simpson and surrounding rural districts be transferred from S.R. & W.S.C. to the Shire."

(page 145)

"...Lismore and Derrinallum WWT, Skipton WWT and Terang SA should cease to exist and that the successor body should be the Hampden Water Board... Board assume responsibility for water supply to Terang from S.R. & W.S.C...."

(page 56)

"...Town of Camperdown cease to be constituted as a Local Governing Body ... the Camperdown SA should cease to exist and that the successor body should be the Town of Camperdown."

(page 186)

"... Shire of Warrnambool cease to be constituted as a Local Governing Body.... Peterborough Waterworks Trust cease to exist, and that the successor body be the Shire of Warrnambool, with direct responsibility for all necessary urban water and sewerage provision to the Shire."

Under these proposals the Commission would be bulk supplier to Warrnambool Water Board, Town of Camperdown and the Lismore-Derrinallum urban and rural districts of the Hampden Water Board (these three are currently bulk supplied by the Commission) and to Shire of Warrnambool (Allansford U.D.), Hampden Water Board (Terang U.D.) and Shire of Heytesbury (Simpson and Cobden U.D.'s and their rural extensions). The Commission would continue to be the water supply body to the urban townships of Noorat and Glenormiston and to that part of the Otway Rural District situated within the Shire of Hampden and the Town of Camperdown.

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The Commission would continue to control supplies by agreement taken directly from the major trunk pipelines.

Comment on the above recommendations that affect the operation of urban water supply in the Otway System is:-

- o Hampden Water Board - To take over Terang township (985 services) and the Lismore-Derrinallum WWT (420 services) which are supplied from the Otway System via separate works.

The Lismore-Derrinallum WWT has both urban and rural districts and would appear to have little in common with the far larger Terang urban supply system.

Amalgamation of these two systems with the Skipton WWT some 50 km distant from Terang is based on Municipalisation of boundaries as all bodies are within the Shire of Hampden. However there is no community identity between Terang and Skipton and there will be no economies in the operation and management of the small water supply systems so far apart.

Within the Shire, the Commission would still be responsible for supply to 337 services in the Otway Rural District and for the urban retailing to the township of Noorat and Glenormiston (total 179 services) which have a common supply works via a main that passes through Terang.

The urban supply to Terang, Noorat and Glenormiston should be considered as one water supply system, and if it is to be divorced from the bulk supplier, then these retail activities may best be amalgamated with the Town of Camperdown (water and sewerage). This would have little geographical significance as the Shire of Hampden's office is also in Camperdown.

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As can be seen in Table 1, the transfer of Terang consumers and the Lismore/Derrinallum WWT consumers to the Hampden Water Board will increase the average water bill from \$92 to \$142 (54% increase) for Terang and from \$121 to \$142 (17% increase) for Lismore/Derrinallum, all at 1980/81 cost levels.

### o Shire of Warrnambool

The urban supply to the Township of Allansford (212 services) is to be transferred to the Shire of Warrnambool from the Commission. Some 138 rural supplies by agreement direct from the bulk trunk pipelines would be retained by the Commission.

The 1980/81 average water bill for Allansford (\$92) would rise about 6%. Better economies and efficiency would be achieved if Allansford were amalgamated with the nearby Warrnambool Water Board, rather than by arbitrary amalgamation with the Petersborough WWT some 40 km distance to the south-east and Caramut U.D. 48 km to the north-west.

### o Shire of Heytesbury

The transfer of Cobden and Simpson (total 847 services) to the Shire of Heytesbury would increase the 1980/81 average water bill for Simpson-Cobden consumers of \$92 to \$126 or 37%.

The Commission would continue to retain supply by agreement to some 220 rural properties near Carpendeit, east of Cobden and at Garvoc supplied by direct tappings from the bulk supply trunk pipelines.

APPENDIX 2.o Town of Camperdown

The Commission would continue to be responsible for supply to 26 services in the Otway Rural District which lie within the municipal boundary of the Town of Camperdown but outside the boundaries of Town of Camperdown LGB and Camperdown SA.

The capital cost of the necessary works to physically split the system into the several Water Boards proposed is estimated at \$160,000, and the increased annual cost of the fragmented system would have been \$232,000 (17% increase) in 1980/81.

The conclusion is that the urban ratepayers to whom the Commission currently retails supplies within the Otway System would be severely financially disadvantaged by the proposals of the Committee. However there may be improved technical and managerial efficiency if the whole water supply and sewerage system (including Warrnambool Water Board and Town of Camperdown) were one financial and physical entity. Insufficient time is available to the Commission to comment further at this time. However detailed analysis of the financial and other resource effects is imperative prior to making any final decision in the Otway Region.

(iv) Geelong-Bellarine Water Supply System

The relevant Committee recommendations are:-

(page 102)

"... Geelong Waterworks and Sewerage Trust cease to exist and that the successor body be ... the Geelong Water Board... to progressively take up responsibilities for water, sewerage, drainage, river management and flood protection in the whole of the municipalities of Bannockburn, Bellarine, Corio, Geelong, Geelong West, Newtown, South Barwon, Queenscliffe and in that part of the Shire of Leigh to the east of Mount Mercer."



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(page 17)

"... Airey's Inlet Waterworks Trust, Anglesea SA and Torquay SA cease to exist, and that the successor body should be the Barrabool Water Board, responsible for water and sewerage services to those towns.... the Board assume the water retailing functions of S.R. & W.S.C. in Anglesea and Torquay... should the Water Board consider that at some future time in the interests of its ratepayers it should combine with a larger body, then that body should be the Geelong Water Board..."

(page 242)

"... Winchelsea WWT and the Winchelsea SA cease to exist and that the successor body be the Winchelsea Water Board, and that responsibility for urban water supply at Birregurra be transferred to the Board from S.R. & W.S.C. ...(Board) assume responsibility for all necessary urban water and sewerage services in all of the Shire of Winchelsea outside the Otway Coast Drainage Basin.

The Geelong Trust headworks major storages (West Barwon and Wurdee Boluc) transfer supplies via open channels to Pettavel Basin at Geelong where the Commission purchases water in bulk from the Trust to supply parts of the Bellarine Peninsula Urban District and Mount Duneed Rural District located within the Municipalities of Bellarine, South Barwon, Queenscliffe and Barrabool.

A branch channel off this main channel supplies Anglesea and Torquay, the former being located in the Shire of Barrabool while the latter lies partly in Barrabool and partly in the City of South Barwon.

A separate pipeline from Pettavel Basin supplies the Mount Duneed Rural District which is located in the municipalities of Barrabool and South Barwon. The Commission retails supplies to Birregurra township located in the Shire of Winchelsea. Supply to that town is via the Geelong Trust channel system and in fact the field operation and maintenance of the retail supply is undertaken by the resident Trust officer at the cost of the Commission.

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Until 1955, the Commission controlled the headworks and provided a bulk supply to Geelong Trust. Coincident with the transfer in 1955 of headworks control from the Commission to the Trust was an implicit agreement in principle that the Commission's retailing function in the Bellarine System would be transferred to the Trust at an appropriate time in the future, when the standards of works and supply and rating levels were more or less equal; that is, at a time when neither set of consumers could consider themselves being disadvantaged relative to the other and that there was no disadvantage to the State. This situation is rapidly approaching (the Commission standard and security of supply was until recently well below that of the Trust's). Both Authorities agreed early in 1981 to conduct a study into the feasibility of transfer as at 1 July, 1983.

Prosecution of this study has been slower than normal, due to the necessity of both authorities to divert limited staff to the requirements of the Committee's current enquiry. The first stage of the study, comparison of estimated rating levels for the next five years is due to be completed in November 1981.

Comments on the Committee's proposals are:-

- o On page 241 of its report the Committee refers to the "Commission's Wurdee Boluc Reservoir" whereas control of this Reservoir was transferred to the Geelong Trust in 1955. If the Committee is of the understanding that this storage and the channel system (which happens to traverse the Commission's Bellarine Waterworks District and the Shire of Barrabool) is still under the control of the Commission, then the basis of the recommendations may need reconsideration.
- o the interim arrangement whereby a Barrabool Water Board is created partly to retail urban water supply to Anglesea and Torquay is neither efficient nor effective, as these areas have commonality of headworks with the Geelong Trust and share manpower and plant

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with the balance of the Bellarine Peninsula System. Supply to Anglesea and Torquay should be transferred to the Geelong Water Board immediately on its creation.

- o The Committee has recommended that Torquay township water retailing should be transferred to the Barrabool Water Board (p. 17), while separately recommending that the Geelong Water Board take over water retailing functions in the whole of the City of South Barwon (p.102). As Torquay lies partly within Barrabool and South Barwon this would be inconsistent and shows the inadequacy of adoption of Municipal boundaries.

If the Committee wishes to adhere to municipal boundaries then it would be necessary to separate the physical works at the interface between the two Municipalities at an estimated capital cost of \$100,000.

- o While Birregurra is within the Shire of Winchelsea, it is remote from and has little identity with Winchelsea township. The Birregurra Water Supply System is bulk supplied by the Geelong Trust and field operation and maintenance is provided by the resident Trust officer. It would be more economical and efficient for Birregurra water retailing functions to be transferred to the Geelong Water Board; i.e. whilst it is just as remote from Birregurra as Winchelsea township, from a local accountability viewpoint, the technical and economic efficiency favours amalgamation of Birregurra with the Geelong Water Board.
- o The Geelong Trust also supplies about 20 services at the township of Moriac located within the Shire of Barrabool by direct supply off its channel as it traverses that Shire. Moreover, the Committee has not made any recommendations as to future water retailing in the balance of the Shire of Barrabool (which is inconsistent with a recommendation that the adjacent Shire of Winchelsea assume these

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functions in the balance of that Shire when required). As the Mt. Duneed Rural District, Moriac, Anglesea and part Torquay urban retailing are all within the Shire of Barrabool and receive bulk supply from the Geelong Trust system it is considered appropriate for the Geelong Water Board to take over full responsibility for all urban water and sewerage services within Barrabool, except possibly for Airey's Inlet, as well as the adjacent Municipalities recommended by the Committee.

By contrast with the Mornington, Coliban and Otway Regional water supply systems, the Commission's urban retailing activities in the Bellarine Peninsula are immediately adjacent to a large competent water supply authority (the Geelong Trust which is the bulk supplier) and the urban retailing systems share a common headworks and standards of supply. All these factors lead to benefits of a regionally integrated technical and managerial competent grouping with effective engineering and operational expertise and the Commission has always been in favour of amalgamation of the Geelong Trust and Bellarine Peninsula Water Supply System. The main benefits will be a saving of some \$200,000/year in administrative overheads as the Geelong Trust computerised rating system has spare system capacity and the Geelong Trust administrative staff is sufficiently large and flexible to provide economy in overall administrative staff numbers by amalgamation.

(v) Urban Districts Supplied By The Commission From Its Rural Supply Systems.

The Public Bodies Review Committee has made draft recommendations which would transfer to municipalities, or to Water Boards, responsibility for fifty-seven urban water supplies managed by the Commission in conjunction with its irrigation and domestic/stock supply systems in the Wimmera-Mallee and the Goulburn Murray Irrigation District in the north of Victoria.

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In examining the Committee's proposals the general conclusion reached has been that there does not appear to be any distinct advantage to the consumer or to the taxpayer in control of these urban supplies being transferred from the Commission.

In reviewing the present structure of these urban supplies, two points need to be borne in mind. First is the nature, size and location of the supplies involved and second, the fact that they are already operated as part of an integrated system both in the physical and management sense.

Many of the arguments already advanced against the fragmentation of regionally integrated water supply systems apply equally to the majority of Urban Districts supplied by the Commission from its rural supply systems.

Leaving aside the sewerage function, the Committee's proposals would mean that the Commission's control of fifty-seven urban supplies through twelve District Centres would be undertaken by sixteen municipalities and three Water Boards, with a further opportunity for the formation of up to ten Consumer Co-operatives, a total of twenty-nine separate authorities apart from the Commission itself. This proposed proliferation and fragmentation of the urban supply function needs to be questioned in terms of planning, managerial and technical efficiency.

The Commission at present operates its urban supply systems in the Wimmera-Mallee and the Goulburn Murray Irrigation District, in conjunction with its other water related activities. Officers and employees are employed to look after a number of urban supplies on a part time basis, with the remainder of their time committed to other duties.

Under the Committee's proposals the urban supplies would lose their present technical and experienced resources. Municipalities would need to restructure to incorporate the urban water supply management function which would involve consumers meeting the cost of recruiting and developing technical competence and operational experience.

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At the management level, municipalities seldom have staff with the required qualifications or technical competence to operate urban water supplies. This would require that Shires must hire consultants at higher rates of cost. Alternatively they would need to recruit or train their own staff with consequent increased salary determinations.

The Commission is seen to have an advantage in this respect as its responsibilities and expertise concentrate on the water industry.

It remains to be seen whether municipalities themselves have any desire or see any advantage in taking over the water function of the Commission's urban systems in the north-west of the State. The poor financial state of many of these urban systems and the capital improvements required will no doubt be one of the considerations.

The Commission in dealing with its present urban systems in the Wimmera-Mallee recognises that there would be advantages of administration in financially amalgamating certain urban districts. Such a proposition is currently being studied.

Each of the Commission managed Urban Districts in the Wimmera-Mallee and the Goulburn-Murray Irrigation District is identified in Appendix 1.

### Urban Systems In The Wimmera-Mallee

No distinct advantage can be seen to consumers in handing control of these urban supplies to Municipalities or Water Boards.

The possible exception may be Red Cliffs Urban District recommended to be amalgamated into the Sunraysia Urban Water Board and Robinvale Urban District recommended to be amalgamated in the Robinvale Water Board.

For example the Commission's preliminary assessment indicates that amalgamation of the Mildura Urban Waterworks Trust (Merbein, Mildura),

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the Water Commission's urban water supply district at Red Cliffs, Shire of Mildura Sewerage Authority (Merbein, Red Cliffs) and the Mildura Sewerage Authority into the Sunraysia Urban Water Board would result in an overall net saving to consumers of up to \$100,000 per year (4% of present total consumer costs).

It is doubtful, however, whether amalgamation of the Red Cliffs and Robinvale Urban Districts into Water Boards would result in any saving to water consumers in those Districts. Supplies to the two towns are pumped from the River Murray by pumps housed with the Commission's irrigation pumps and which are operated and maintained by Commission electrical and mechanical personnel as part of their overall duties. Both Districts are administered from the Commission's Sunraysia centre at Red Cliffs and benefit from access to specialist support services listed elsewhere, including electrical, mechanical and civil design and supervisory services, laboratory services, stores acquisition, financial management and staffing capacity. These services are provided efficiently and economically by the Commission because of its involvement in the area in its major irrigation water supply function.

The Commission's role in water management within the Wimmera-Mallee Region involves a comprehensive management of water supply ranging from construction, operation and maintenance of water storages and headworks through a very large and comprehensive reticulation system down to individual rural properties and to a large number of urban consumers.

It borders on the absurd that whilst the Commission is still required to operate and maintain a very large and comprehensive system involving supply to rural properties, elements of that system are proposed to be carved off and put under the management of other local bodies, many of them without expertise or background in the area; for example the Shires of Dunmunkle, Karkaroc and Arapiles.

There are forty-six urban systems in the Wimmera-Mallee supplying 19,500 consumers currently managed from six Commission Centres. The Committee proposes that these be rearranged and operated by fourteen Councils or Water Boards.

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This does not appear to be consistent with the aim to make the industry more structurally coherent and to reduce geographical and functional fragmentation.

In transferring the Commission operated urban supplies, the Committee appears to have given little consideration to the nature and extent of the Wimmera-Mallee system.

The distinction between retailing of rural water supplies (domestic and stock) and urban supplies is less significant in the Wimmera-Mallee than elsewhere, thus the introduction of new bodies in retailing seems unnecessary.

In considering the Committee's criteria for the restructuring of the water industry the following observations are made in relation to the Wimmera-Mallee system:

- o democratic control - in most instances the water consumers are not specifically represented on Councils thus there is no advantage in the proposals. There would certainly be no economic or technical advantage.
- o identification of needs and setting priorities - local consumers are not assisted by the new proposals. There are adequate present arrangements. However additional Advisory Councils may well achieve democratic participation.
- o efficient overall management of water - the preference is for retention of the Commission's role in overall management of this complex system. Separate authorities for urban areas are not likely to be efficient particularly where the new authority is taking over small systems of less than 100 services.

For example, the Shire of Warracknabeal to take over Brim, to which the Shire has recently indicated its opposition.



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- o technical and administrative competence - there is generally no technical expertise in urban water services within Councils and this situation will reflect in operating costs to consumers as municipalities obtain such competence and develop experience.

### Irrigation District Urban Systems.

There are eleven urban supply systems in the Goulburn Murray Irrigation District managed by six district centres.

The recommendations of the Committee in regard to the urban districts operated within the Goulburn Murray Irrigation District are questionable in some instances as to their geographic logic, e.g. Shire of Gordon at Boort operating Pyramid Hill Urban, and their incompleteness in failing to deal with the urban districts of Mitiamo and Dungee. However the principle obviously followed by the Committee is again to remove the Commission's urban retailing role even at the expense of assigning that role to another local authority currently without any background or expertise in the matter. On the other hand where local requirements have emerged which seek to take over the control and management of urban districts which operate successfully within the current financial legislation, e.g. Leitchville and Lockington, the Commission has no objection and readily facilitates the arrangements to ensure effective local management. In this context it is worth noting that the Commission has continued to assist local communities taking over water supply functions where they wish to and where there is an appropriate local body. The Commission would continue to operate in this way.

There is however no clear argument presented by the Committee on technical, economic or sociological grounds to justify the immediate adoption of the principle that the Commission should immediately hand over this aspect of its total water management activity.

### Shire of Kerang

The Kerang Shire Council does not operate any urban water or sewerage services. The proposal to take over the Commission's urban water supply

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systems at Murrabit, Quambatook, Koondrook and Macorna appears to have no particular advantage over existing arrangements.

Shire of Gordon

Refer also to Page 41.

The proposal for the Shire to take over the Pyramid Hill Urban District is a strange suggestion as Gordon Shire is centred at Boort and the Shire will not have responsibility for the Boort Water Board.

The proposal appears to have no particular advantage over existing arrangements.

Rochester Water Board

Board to take over Lockington Urban. While this would be the appropriate body provided local representation was achieved, no particular advantage is seen over the existing arrangements.

Shire of Waranga

Refer also to Page 42.

The Shire Council is recommended to take over Colbinabbin and Rushworth Waterworks Trusts, and Shire of Waranga Sewerage Authority, as well as two Commission Urban Districts at Stanhope and Corop. An amalgamation of Waterworks Trusts and the Shire of Waranga Sewerage Authority into a new Water Board may be more advantageous.

Shire of Shepparton

Refer also to Page 44.

The proposed Shepparton Water Board should manage the Dookie water supply and the Commission's Urban District at Tallygaroopna as the Shire of Shepparton has no known involvement in these fields.

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### (vi) General Conclusions

The Committee's proposal for the creation of separate Water Boards and Municipal structures for water retailing and a wholesale bulk supplier for the existing regional water supply systems (Mornington and Bellarine Peninsulas, Coliban, Otway and Wimmera-Mallee Systems) is not in agreement with its desire for reduction of geographical and functional fragmentation (Page 7).

The present regional systems for Mornington Peninsula, Coliban Otway and Wimmera-Mallee provide unified operation and satisfactory levels of technical and administrative competence so that all consumers, irrespective of the size or location of the area in which they reside within a region, receive a similar standard of service at the same scale of payment.

The present Bellarine Peninsula Water Supply System is also efficient and "regional" with similar benefits. However it is recognised that because of the presence of an adjacent water management body (the Geelong Trust) that economies, particularly in administrative overheads, could be made by transfer of the Commission retailing functions in the Bellarine Peninsula System to Geelong Trust, provided neither set of consumers are financially disadvantaged relative to the other by that transfer.

Examination of the likely management and operational structures of the various Water Boards as recommended by the Committee in the Mornington Peninsula, Coliban and Otways systems reveals that the recommendations would result in significant increases to the State and consumers in the cost of supply by individual Boards as compared to the existing unified regional supply systems.

The adoption of Municipal boundaries for fragmentation of large regional water supply systems leads to duplication of cost of works to arrange independent supply, and confusion to consumers living at the interface of the new water boundaries.

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Although there has been insufficient time to quantify the effects, transfer to municipal responsibility of urban water supplies presently managed by the Commission in the Wimmera-Mallee, would result in increased consumer costs, increased taxpayer costs and a probable reduction in the level of service provided. The remoteness of many of the towns, their financial unviability and the lack of experience of most municipalities in the area in urban water services would all contribute to the adverse effects on the services.

### (e) Regional Organisation - Detailed Comments.

In Chapter 1 a brief summary of the Commission's views on regional water management is presented. Each of the Regional Boards proposed by the Committee is discussed in detail in this Section.

It should be recalled that the Latrobe Regional Board and the Geelong Water Board are the only new Boards which relate to regions in terms of the roles envisaged for them by the Committee. The eight other so called Regional Bodies listed by the Committee on Page 254 of its Report, would in fact be enlarged dual purpose (water supply and sewerage) authorities with no regional reference.

Both the Melbourne and Metropolitan Board of Works and the Water Commission are of course true regional authorities in terms of both their geographic areas of responsibilities and the range of functional responsibilities they discharge.

#### Latrobe Region

The Commission opposes the recommendations of the Committee where they actually or potentially establish a Latrobe Regional Water Board as a separate arm of Government with powers and responsibilities infringing on those of local Boards and of central government.

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A Regional Board for the area should have responsibilities for regional issues only (common headworks and wastewater disposal systems and possibly river and flood plain management). Furthermore, the Regional Water Board's line of access to Government should be through the Government's central water management agency to ensure State management of water resources and development strategies are implemented.

The Committee's intention seems to be that the Latrobe Regional Water Board would have complete control over all water matters within its region, except for retailing of water supply and sewerage services which is left to local Water Boards and Municipalities. The Regional Board's proposed responsibilities appear to include urban and industrial water and sewerage (headworks and disposal systems), drainage, river management, diversions and flood plain management.

The Committee Report does not make clear what it intends to be the relationship between the new Regional Board, local Boards and central government. In its response to the Committee's Second Report, the Commission indicated that the Latrobe Valley Water and Sewerage Board could effectively form a regional authority of the R3 type, alongside local authorities, and be responsible for regional water matters such as common headworks, bulk supply and wastewater disposal facilities and possibly flood plain and river management. The Committee's present recommendation would appear to create a Regional Board as another tier of Government with no apparent benefit.

Its recommendation that the new Board should co-ordinate and monitor the activities and performance of local authorities also effectively removes the autonomy of the local bodies in favour of the Regional Board. The further recommendation by the Committee that the regional Board should collect regional charges and rates further reduces the autonomy of local authorities.

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The Latrobe Regional Water Board should adopt a co-ordinating role, as recommended by the Committee, alongside local authorities in relation to the provision of bulk water supplies and wastewater disposal only, and be responsible to the Minister through the Water Commission to ensure a consistent application across the State of Government water development and management policies.

Any departure from this will result in the previously stated conflicts between Latrobe Valley interests and the guiding principle for overall water resource development and management for Victoria being a State (Ministerial) responsibility.

### Geelong Region

On Pages 252 and 253, the Committee recommends that a Barwon Regional Consultative Forum be established, along the lines of the model R1, and recommends that the Barwon Regional Water Board convenes the initial meeting of the Group. However, there is no other mention in the report of a Barwon Regional Water Board to be formed.

There is mention of a Geelong Regional Water Board (in the Index on Pages 384, 388 and 394).

However, the formation of the Geelong Regional Water Board is unclear. The Committee's recommendation on Page 102 is for the Geelong Waterworks and Sewerage Trust to cease to exist, and for the new body to be the Geelong Water Board

This Water Board is to be responsible in the future for water and sewerage in the municipalities of Bellarine, Queenscliffe, South Barwon, Bannockburn, Corio and part of Leigh, and it is assumed that it will then be known as the Geelong Regional Water Board.

The Committee has also recommended that the new Board should progressively take up responsibility for river management and flood protection in these municipalities.

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Because of the scale and competence of the existing Geelong Waterworks and Sewerage Trust and the regional nature of its water supply headworks and wastewater disposal systems, the Commission agrees with the Committee's recommendation provided the new Regional Board's authority is delegated from the Minister so that ultimate power and responsibility remain with the State. The Water Commission also considers, that for reasons expressed earlier, it should convene the Barwon Regional Consultative Forum.

### Bendigo Region

The Committee's intentions concerning a Regional Board for the Coliban (including Bendigo) Region are unclear. Its recommendations concerning the Coliban System fragment it into three systems. Earlier in this paper, a strong case was presented against any such fragmentation.

However in principle the formation of a sub-regional water and sewerage authority for the Coliban Region, as the ultimate structure for water supply and sewerage management in Bendigo is a feasible solution. Such an option could involve a new authority to take over both functions or the Water Commission could act as the authority as it is already well established in Bendigo.

The boundaries of the authority's districts would have regard to the boundaries of the present areas provided with urban water or sewerage services and separate rating would continue to be applied to properties depending on their access to one or both services.

The Water Commission would deliver water in bulk to service storages and the new authority would accept responsibility for distributing the water to consumers and recovering costs by a suitable charging structure. The Commission would retain all channels and the responsibility for rural sector supply, including retention of Spring Gully Reservoir, which is used for rural as well as urban supply purposes. The new authority would take over the present Sewerage Authorities and be responsible for all aspects of sewerage and wastewater disposal.

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### Yarra Valley and Dandenong Ranges

In view of the Melbourne and Metropolitan Board of Works interests in the Yarra Valley for water resource development, water supply and wastewater management, the Commission believes it would be desirable for the Board to have control over water management matters in the whole of the Yarra Valley.

The Committee's draft recommendation that the Yarra Valley and Dandenong Ranges Water Board succeed the Lilydale Sewerage Authority, and be responsible for all urban water and sewerage services in the area designated in Map 9 of its report, including those parts currently served by the M.M.B.W., is in direct conflict with the criteria of not fragmenting management of the water industry.

The efficiencies available to consumers served by the M.M.B.W. are a direct consequence of its scale of operations and the technical and managerial expertise available to the Board. Where the standard of service provided by the Board throughout its system is essentially the same to all consumers, there appears to be little to gain by excising sections for any supposed increase in democratic control. Any such fragmentation within the Yarra Valley would impede a co-ordinated approach to water management planning for the metropolitan area.

### Other Regions

The other so called Regional Water Boards for Ballarat, Cranbourne-Pakenham, Mount Alexander, Sunraysia, Tarago, and Upper Murray all include responsibilities in more than one municipality, and so do some others (such as Bannockburn), but none are created as a tier above separate local authorities in the sense that the others are respondent to the Regional Bodies as the model suggests.

It is considered that the Committee should clarify its recommendations for Regional Water Boards.



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### VICTORIA GRANTS COMMISSION

Comments on Draft Proposals contained in the Fourth  
Report of the Public Bodies Review Committee :

"Future Structures of Water Management : Recommendation  
on Regional and Local Structures for Urban Services"

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#### Introduction

We strongly support the general principle of combining water and sewerage authorities and, where practicable, drainage and river improvement authorities, as one authority responsible for water management.

Because of the particularly fragmented structure of local government in the major provincial centres, we support the recommendations for independent Water Boards responsible for water supply and sewerage services to the respective conurbations. However, we see this as a 'second best' solution, dictated by the fundamental deficiencies in the structure of local government in these areas.

We are somewhat at a loss to understand the 'phasing-in' proposals for the amalgamation of some of the proposed Water Boards with existing municipal organisations; for example, the proposals for the Cities of Hamilton, Horsham and Warrnambool. From discussion with officers of one of the municipalities involved, we understand that this is related to Loan Council borrowing constraints. For the reasons set out on page 6 of our Submission of August 1981, we do not believe that these constraints provide a valid reason for maintaining separate structures.

We are struck by the prevalence of internal inconsistencies throughout the recommendations. This is especially apparent for recommendations concerning the responsibility for water and sewerage services within shire boundaries. The Committee appears to have been influenced by local views, whether expressed by the administrative staff of existing Trusts or Shire Councils, by Councils or by Trusts. As has been highlighted in evidence to the Committee, substantial pecuniary benefits flow to Trust administrators, many of whom are Council officers undertaking these other duties in normal working hours. We believe that many of the submissions for the maintenance of a separate identity between the various trusts and council administrations have been motivated by such benefits.

Even if such motivations were entirely discounted, we believe that a longer term view should be taken of the situation. Council and Trust representation and persons holding municipal and trust office change, more frequently in some areas than others. Their successors might hold quite different views to those that have been put to the Committee. We strongly

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support the recommendations for the amalgamation of water management functions with general municipal functions (the majority of the recommendations) and are therefore equally strongly of the view that this policy should have been applied throughout, unless it could be clearly demonstrated that physical constraints rendered such a policy impracticable.

Our comments are confined to those recommendations about which we have a different view to that of the Committee. All other recommendations are supported in principle.

Aireys Inlet Waterworks Trust  
Anglesea Sewerage Authority  
Torquay Sewerage Authority.

We agree with the amalgamation of these three authorities but are of the view that they should be brought within the ambit of the Geelong Water Board, rather than establish a separate Water Board.

Alberton - Port Albert Waterworks Trust  
Yarram Waterworks Trust  
Yarram Sewerage Authority.

We agree with the recommendation for the amalgamation of these three authorities but believe that their activities should be administered by the Shire of Alberton, which they are now to a significant extent. We do not believe that the current shire representation is a cogent reason for the maintenance of separate administrations. If it were, then the general case for amalgamation of water, sewerage and municipal administrations fails and there are grounds for greater fragmentation of the administration of government, rather than the widely accepted view for consolidation.

Apollo Bay Waterworks Trust  
Apollo Bay Sewerage Authority  
Skene's Creek Waterworks Trust.

We support the amalgamation of these three authorities but believe that they should be administered by the Otway Shire. While it is true that they are remote from the Shire's main administrative centre at Beech Forest, the Shire's engineering department is located at Apollo Bay, together with the necessary back-up administrative facilities. We believe that geographic features and remoteness preclude future combination with the proposed Colac Water Board.

Bairnsdale Waterworks Trust  
Bairnsdale Sewerage Authority  
Lindenow Waterworks Trust  
Paynesville Waterworks Trust  
Paynesville Sewerage Authority.

This is a prime example of the difficulties engendered by an unsatisfactory municipal structure in an area. Logically the two municipalities should be amalgamated, or at least the town boundary extended to take in the Paynesville area, which is essentially urban in character. In the circumstances, we support the recommendation for a water board to provide water and sewerage services throughout the two municipalities.

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Beaufort Waterworks Trust  
Beaufort Sewerage Authority.

This is a typical situation where, for all intents and purposes, the water and sewerage trusts are already administered by the Shire. We can see no logical grounds for separate authorities.

Benalla Waterworks Trust  
Benalla Sewerage Authority.

Again, with such close links with the Benalla City administration, it is difficult to see why a complete merger should not be consummated.

Boort Waterworks Trust.

The logic of this recommendation defies comprehension, especially in view of the previous recommendations for the Birchip Shire and others. Surely, if the argument for a separate authority for the township of Boort has any validity, then it should apply equally to the township of Pyramid Hill. The Trust is effectively administered by the Shire Council now and we cannot see any reasonable grounds for the continuation of a separate Trust. A recent discussion with the Shire Clerk indicated that the Shire's opposition to the amalgamation had little objective basis.

Bridgewater Waterworks Trust.

Another instance where a curious boundary situation has produced an unsatisfactory result. We suggest that the Shire of Korong take over the Trust.

Bright Waterworks Trust  
Bright Sewerage Authority.

As for the previous recommendation, the fundamental problem is that which arises because of the unsatisfactory municipal boundaries situation. However we see no reason why the Shire of Bright could not assume full responsibility for water and sewerage services provided within its area, given the current boundaries situation.

Cann River Waterworks Trust.

This is a very small Trust servicing 143 people and it is difficult to perceive why it should require six Trustees to guide it. Combining with the Orbost Shire is the logical solution, with the three East Riding Councillors looking to its interests.

Colac Waterworks Trust  
Colac Sewerage Authority.

This is a situation complicated by unsatisfactory municipal boundaries and the solution proposed may be the best practical one in the circumstances. However, placing the proposed Colac Water Board under the jurisdiction of the City Council (the majority of users are located in the City) would foster closer ties between the two, largely interdependent municipalities.

Corryong Waterworks Trust  
Corryong Sewerage Authority  
Cudgewa Waterworks Trust  
Walwa Waterworks Trust.

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We see no convincing reason why the Upper Murray Shire Council could not effectively carry out the work associated with these organisations.

Daylesford Waterworks Trust  
Daylesford Sewerage Authority.

In spite of the low key interest by the Shire, we believe that consistent with other recommendations, the Shire Council should assume responsibility for these services.

Shire of Deakin Waterworks Trust  
Tongala Sewerage Authority.

This is a most curious recommendation for a situation where, apart from one government appointed member on the Waterworks Trust, the Shire Councillors are the Trustees for each authority and the Shire Clerk and Shire Engineer are respectively the Secretary and Engineer for each. Surely this is a clear-cut situation where the Shire Council should assume formal responsibility for the services.

Devenish Waterworks Trust  
Glenrowan Waterworks Trust  
Goorambat Waterworks Trust.

Three small Trusts with close administrative and engineering supervision links with the Shire of Benalla. A clear-cut case for the Shire of Benalla's assuming formal responsibility for these services.

Dimboola Sewerage Authority  
Jeparit Sewerage Authority  
Rainbow Sewerage Authority.

Three fairly small Trusts with administrative links with the Dimboola Shire (Shire Secretary is Secretary of one Trust and the former Shire Secretary is Secretary of another). We see no good reasons why the Shire of Dimboola should not be formally responsible for water and sewerage services throughout the Shire. We are somewhat concerned that by perpetuating three separate authorities within the Shire, the Committee's recommendation will add to the somewhat unfortunate inter-town rivalry that could threaten the stability of local government in the area.

Echuca Waterworks Trust  
Echuca Sewerage Authority.

Given the level of agreement between the authorities and the City Council we see no reason why the formal merger should not be consummated as soon as possible.

Shire of Kowree Waterworks Trust  
Edenhope Sewerage Authority.

Again, this appears to be a clear-cut case for the Shire to assume full responsibility for water and sewerage as the Shire is currently responsible for water supply and there are close administrative links between the Shire and the Sewerage Authority.

Elmore Waterworks Trust  
Goornong Waterworks Trust.

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In spite of the Huntly Shire's reluctance, we believe that the functions of the two bodies should come under the Shire Council. Perhaps the fact of having two new senior officers at the time of the Inquiries contributed to the Council's attitude.

Euroa Waterworks Trust  
Euroa Sewerage Authority.

The recommendation for a separate Board combining the two Trusts is inconsistent with recommendations for other areas. We believe the Shire should be given the authority for providing the services.

Foster Waterworks Trust  
Foster Sewerage Authority  
Toora Waterworks Trust  
Toora Sewerage Authority  
Fish Creek Waterworks Trust.

We agree with the recommendation to bring these bodies together under a single administration but believe that this should be the Shire of South Gippsland, to be consistent with recommendations for other areas.

Forest Waterworks Trust  
Gellibrand Waterworks Trust.

The geography of the area indicates a community of interest with the Colac area, rather than the coastal area (the same applies to the municipal boundaries). See comments on Colac Water & Sewerage Trusts.

Hamilton Waterworks Trust  
Hamilton Sewerage Authority.

As indicated in our earlier submission, we believe that the Loan Council constraints should be of no great concern for municipalities of this size

Heywood Waterworks Trust  
Heywood Sewerage Authority.

The residential location of Shire Councillors should be of minor importance in determining whether the Shire or a separately constituted Water Board be responsible for these services. The same arguments would apply to other municipal services provided in the town, or indeed, elsewhere in the Shire but we believe that the fragmentation of an area on the basis of residential representation would receive little support. We believe that the Portland Shire should assume responsibility for water and sewerage services throughout the municipality.

Horsham Waterworks Trust  
Horsham Sewerage Authority.

Similar remarks apply here as to the Hamilton City situation, but they are reinforced by the desire of the bodies to come together under one administration.

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Kiewa Waterworks Trust  
 Yackandandah Waterworks Trust  
 Shire of Yackandandah Sewerage Authority.

There is already a close relationship between some of the Trusts and the Yackandandah Shire Council, both at the administrative and representative level. Consistent with other recommendations we believe the Shire should assume full responsibility for water management throughout.

Korumburra Waterworks Trust  
 Korumburra Sewerage Authority  
 Poowong, Loch and Nyora Waterworks Trust.

Again, we believe the Shire should assume responsibility for these services.

Shire of Kyneton Waterworks Trust  
 Kyneton Sewerage Authority  
 Malmsbury Waterworks Trust  
 Trentham Waterworks Trust.

Given the close relationship between the administration of the Shire and the various Trusts, plus Councillor representation on the Trusts, we see no good reason for continuing with separate administrations. Consistent with other recommendations we believe that the Shire should assume full responsibility for the services.

Lakes Entrance Waterworks Trust  
 Lakes Entrance Sewerage Authority  
 Metung Waterworks Trust  
 Bruthen Waterworks Trust  
 Buchan Waterworks Trust.

These are already effectively administered by the Tambo Shire and we see no good reason why this de facto relationship should not be formalised. However this is an area where the municipal structure leaves something to be desired and a rationalisation of boundaries could provide an even more effective basis for a single body providing water, sewerage and municipal services.

Leongatha Waterworks Trust  
 Leongatha Sewerage Authority  
 Meeniyan Waterworks Trust  
 Dumbalk Waterworks Trust.

While noting the degree of 'self-help' evident in the Meeniyan and Dumbalk Trusts, we doubt whether this can be seen as a reliable basis for the Trusts in the future. Consistent with other recommendations, we believe that the Woorayl Shire Council should assume responsibility for all water and sewerage services throughout the municipality, with the exception of Inverloch.

Lexton Waterworks Trust.

A small Trust operating in a small Shire and administered by the Shire Secretary, with three out of the six Commissioners being Shire Councillors. What possible grounds can there be for separate Shire and Trust administrations?

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Linton Waterworks Trust  
Smythesdale - Scarsdale Waterworks Trust.

The recommendation to maintain these as separate Boards, given other recommendations for areas supplied by the Ballarat Water Board, defies comprehension.

Lismore and Derrinallum Waterworks Trust  
Terang Sewerage Authority.

It is noted that the Terang Sewerage Authority is effectively administered by the Shire of Hampden. Consistent with other recommendations, we believe that this arrangement be formalised along with the provision of water throughout the Shire.

Longwood Waterworks Trust  
Murchison Waterworks Trust  
Nagambie Waterworks Trust  
Nagambie Sewerage Authority.

We do not believe that the splitting of the Murchison Township area between two municipalities is a sufficient reason for the maintenance of a separate water board. Consistent with other recommendations we believe that the Shire of Goulburn should be vested with the responsibility for water and sewerage services in the municipality and for the whole of the Township of Murchison.

Lorne Waterworks Trust  
Lorne Sewerage Authority.

This is a difficult situation upon which to comment because of the geography of the coastal area. In the circumstances we support the recommendation.

Macedon Waterworks Trust  
Mount Macedon Waterworks Trust  
Gisborne Waterworks Trust  
Shire of Gisborne Sewerage Authority.

There is some overlapping between the administration of the Shire of Gisborne and that of one of the authorities. The municipality is fairly small in area and we can see no good reasons for maintaining a separate administration for water and sewerage and one for other municipal services.

Mallacoota Waterworks Trust  
Mallacoota Sewerage Authority.

Another problem area because of its geographical location. It is difficult to see a better solution to that which is proposed.

Shire of Mansfield Waterworks Trust  
Shire of Mansfield Sewerage Authority  
Woods Point Waterworks Trust.

There is considerable overlapping between representation on the Trusts and the Shire Council in spite of the fact that the Shire Council has handed over control of water and sewerage to the separate Trusts. At a later time, the Council may well have a different attitude and therefore it is suggested that the Shire be made responsible for the provision of water and sewerage throughout the municipality.

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Mirboo North Waterworks Trust  
Mirboo North Sewerage Authority.

In the whole of the La Trobe Valley we see an urgent need for rationalisation of municipal boundaries and control of other resources. In this instance, with developments that are taking place, we believe the La Trobe Regional Water Board should assume control of water and sewerage services in this area.

Moe Waterworks Trust  
Moe Sewerage Authority.

As indicated previously we believe there is need to rationalise the provision of services in the La Trobe Valley generally. We can see no good reason for excluding the Moe Water Board from the La Trobe Regional Water Board.

Mortlake Waterworks Trust.

This is a clear-cut case for formalising the de facto relationship that already exists between the Shire Council and the Waterworks Trust.

Morwell Waterworks Trust  
Morwell Sewerage Authority  
Boolarra Waterworks Trust  
Churchill Sewerage Authority  
Herne's Oak Waterworks Trust.

As previously indicated we support the La Trobe Regional Water Board and in this instance see little point in having a Morwell Water Board operating within the larger La Trobe Regional Water Board. We therefore suggest that the La Trobe Regional Water Board assume the responsibilities projected for the Morwell Water Board.

Mount Beauty Waterworks Trust  
Mount Beauty Sewerage Authority.

This situation highlights the boundaries anomaly that exists in the Bright Shire. In our view it would make more sense to have the whole of the Kiewa Valley included in one municipality. It would then follow that the Mount Beauty water and sewerage services should be administered by a Kiewa Valley municipality.

Orbost Waterworks Trust  
Orbost Sewerage Authority.

This is also a clear-cut case for the Shire of Orbost to assume responsibility for water and sewerage in the Orbost, Newmerella and Marlo areas.

Portland Waterworks Trust  
Portland Sewerage Authority.

As with the Cities of Hamilton and Horsham, we can see no valid grounds for delaying the amalgamation of water and sewerage responsibilities with those of municipal responsibilities in the Portland Township area.

Rochester Waterworks Trust  
Rochester Sewerage Authority.

Consistent with other recommendations we suggest that the Shire



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Council assume responsibility for the provision of water and sewerage within the municipality.

Rokewood Waterworks Trust.

As the water is supplied by the Ballarat Water Board we believe that the Board should assume direct responsibility for the service.

Rosedale Waterworks Trust  
Rosedale Sewerage Authority  
Seaspray Waterworks Trust  
Tyers and Glengarry Waterworks Trust.

As with other services in the La Trobe Valley generally we believe that the La Trobe Regional Water Board should assume responsibility for water and sewerage services.

Seymour Waterworks Trust  
Seymour Sewerage Authority  
Avenel Waterworks Trust.

In spite of the views of the current Shire administration we believe it would be in the longer term interests of the area for the Shire to be responsible for water and sewerage services within its boundary.

Shepparton Urban Waterworks Trust  
Shepparton Sewerage Authority.

This is another situation in which boundary anomalies create difficulties in the provision of water and sewerage services and we support the Committee's belief that 'some rationalisation in the provision of urban services in the greater Shepparton area be an urgent priority'. Pending such rationalisation, we believe that the interests of ratepayers generally in the area would be better served by a single water board covering the urban areas in the Shires of Rodney and Shepparton and the City of Shepparton.

Springhurst Waterworks Trust.

This is another very small Trust and we can see no good grounds in having the administration separate from that of the Shire of Wangaratta.

Swan Hill Waterworks Trust  
Swan Hill Sewerage Authority  
Robinvale Sewerage Authority.

Another situation complicated by boundary anomalies. Until these are resolved we support the Board's recommendations.

Tatura Waterworks Trust  
Tatura Sewerage Authority  
Merrigum Waterworks Trust  
Mooroopna Waterworks Trust  
Mooroopna Sewerage Authority.

See comments on the Shepparton Water Board.

Trafalgar Waterworks Trust  
Shire of Narracan Sewerage Authority  
Erica Waterworks Trust  
Thorpdale Waterworks Trust  
Yarragon Waterworks Trust  
Yallourn North Waterworks Trust  
Yallourn North Sewerage Authority.

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Consistent with earlier recommendations we suggest that the La Trobe Regional Water Board assume direct responsibility for these services.

Traralgon Waterworks Trust  
Traralgon Sewerage Authority.

As for the previous group.

City of Warrnambool  
Warrnambool Sewerage Authority.

As previously indicated we do not believe Loan Council arrangements are a barrier to the immediate integration of water and sewerage trusts with municipal administrations.

Westernport Waterworks Trust  
Cowes Sewerage Authority  
Inverloch Waterworks Trust  
Inverloch Sewerage Authority  
Wonthaggi Sewerage Authority.

This is another area with significant municipal boundary anomalies. Until these are resolved we support the Committee's recommendation for the establishment of a Westernport Water Board.

Winchelsea Waterworks Trust  
Winchelsea Sewerage Authority.

Except for the coastal are, we suggest that the Winchelsea Shire take over the responsibilities of water and sewerage services within the municipality.

APPENDIX 3.

SOME GUIDELINES FOR A REGIONAL AUTHORITY

AS PROPOSED BY THE

LATROBE VALLEY WATER AND SEWERAGE BOARD.

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These guidelines prepared by the Latrobe Valley Water and Sewerage Board are intended to be indicative rather than prescriptive.

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### APPENDIX 3.

#### SOME GUIDELINES FOR A REGIONAL AUTHORITY

##### PREFACE

The Board has given consideration to the policies, standards and procedures which could be followed by a catchment or river basin authority centred on the Latrobe River and its tributaries in the evaluation and review of plans for the use and development of water and related land resources. These guidelines have been developed taking into account the total resources of the Latrobe River Catchment and Lake Wellington and the management of a catchment as outlined in this submission.

##### A. PURPOSE AND SCOPE

These guidelines have been formulated so that policies, standards and procedures could be adopted by a catchment authority to apply to the formulation, evaluation and review of a comprehensive river basin plan and individual project plans for use and development of water and related land uses. A brief section is also included on cost allocation and cost sharing.

The formulation, evaluation and review of water and related land resources plans would be governed consistent with the policies of the state Government and such laws and regulations as are applicable. The term water where used throughout these guidelines also includes wastewater where appropriate.

##### B. OBJECTIVES OF PLANNING

The basic objective of planning by the catchment authority would be to provide for the best use, or combination of uses of water, wastewater and related land resources to meet both short and long term needs. This is a basic objective of conservation and therefore full consideration would have to be given to the following objectives and evaluated choices made between them should they conflict in any way.

- (i) Development - Water, wastewater and related land resources development and management are basic to economic development and growth in the region and concurrent provision has to be

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made for the following:-

- adequate supplies of surface and groundwaters of suitable quality for domestic, municipal, agricultural, industrial and environmental uses;
- water pollution control to assure that water supplies are suitable for all purposes consistent with State Environment Protection policies protecting beneficial uses;
- flood control or prevention measures to protect people, property and productive lands from flood losses where such measures are justified and are the best means of avoiding flood damage;
- land stabilisation measures where feasible to protect land and shorelines for beneficial purposes;
- drainage measures, including salinity control where applicable;
- watershed protection and management measures to conserve and enhance resource use opportunities;
- outdoor recreational opportunities where these can be provided or enhanced by development works consistent with appropriate conservation policies;
- proper provision for the collection, treatment, reuse and/or disposal of domestic and industrial effluents; and
- any other means by which the development of water, wastewater and related land resources can contribute to economic growth and development.

(ii) Preservation - proper management in the long term interest of the Latrobe Valley's natural heritage and this would require the catchment authority taking into consideration the following:-

- the protection and rehabilitation of resources to ensure their availability for best use when needed;
- the maintenance of open space, wild areas of rivers, lakes, mountains and related land areas for recreational uses and the preservation of flora and fauna habitat; and
- the preservation and management of areas of unique natural beauty, historical and scientific interest for the inspiration, enjoyment and education of people.

(iii) Community - the catchment authority would follow policy guidelines established and aimed at ensuring that the use of the natural resources, safeguard the interests of the community. In particular care would have to be taken to avoid resource use and development that may benefit a few and disadvantage many - the views of the general public and their well being

would be an over-riding APPENDIX 3. determinant in considering the best use of water, wastewater and related land resources.

C. PLANNING POLICIES AND PROCEDURES

(i) Viewpoints

All viewpoints - national, state, regional and local would be fully considered and taken into account in the planning and development of water, wastewater and related land resources in the catchment area of the Authority. In the formulation of the planning framework the Authority would consider and evaluate development within publicly stated objectives and available projections of future conditions and needs.

The preparation of plans for development of water, wastewater and related land resources would take into consideration the existing economy of the region, changes which are expected in the future, problems in the region or specific area of the projects, and the manner in which the projects are expected to contribute to the sound economic growth and well being of the region and the State.

In so far as it is possible within the resources of the Authority's management the comprehensive planning and project formulations would be based on an analysis of the relationship of costs and benefits to be provided by a resource use or development. Such evaluation should also take into consideration available alternatives for providing for the project development.

(ii) Multiple - Purpose Planning

Planning for the use and development of water, wastewater and related land resources should be on a full and comprehensive basis so as to consider:-

- (a) the needs and possibilities for all significant resource uses and purposes of development, including but not necessarily limited to all matters previously listed under the objectives of planning; and
- (b) all relevant means (including non-structural as well as structural measures) singly, in combination, or in alternative combinations reflecting different basic choice patterns for providing such uses and purposes.

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#### (iii) River Basin Planning

It is recognised that river basins are usually the most appropriate geographical units for planning the use and development of water, wastewater and related land resources in a way that will fully realise the advantage of multiple use planning, reconcile competitive uses through choice of the best combination of uses, co-ordinate mutual responsibilities of different agencies and levels of government and other interests concerned with resource use. Therefore, the Authority would be charged with the responsibility of planning the use of water, wastewater and related land resources of the river basin, and taking cognisance of the relationship of all the resources and proper consideration of the pertinent physical, economic and social factors in the region.

#### (iv) Individual Project Planning

To the extent feasible, programs and projects would be formulated as part of an overall plan for either a specific river basin within the area of the Catchment Authority or the region as a whole, and any development project proposed would indicate its relationship to the comprehensive plan. The formulation of a project which is not part of the comprehensive plan should, to the extent practicable, indicate the probable later developments needed or to be undertaken in the river basin if the project proceeds.

#### (v) Co-ordination

Planning would be carried out on a co-ordinated basis from the earliest step of investigation, survey and planning through to the final planning and review process. Appropriate co-ordination and consideration of problems of mutual concern, when appropriate, would be had with involved Government agencies, local public agencies and local interests. The Catchment Authority would take advantage of existing organisations and committees at all levels to effect co-ordination.

Maximum consultation with appropriate organisations of Government will be required for all plans for resource use and development. Specific proposals will require that each affected agency is accorded an opportunity to participate in the investigation and surveys in an endeavour to develop fully co-ordinated proposals.

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State Government planning in the region affecting water, wastewater and related land resource should also be carried out in close co-operation with the catchment authority and other appropriate agencies in the region so that the objectives may be accomplished to the greatest extent possible.

(vi) Review

The comprehensive plans, programs and projects, and parts thereof, should be reviewed at appropriate levels of Government based on a thorough appraisal using the following criteria:-

- (a) compliance with the statements of purpose and scope, objectives of planning and planning policies and procedures laid down for the catchment authority and developed by the catchment authority;
- (b) compliance with law and State Government policies;
- (c) compliance with recognised technical standards; and
- (d) compliance with standards for the formulation of plans, including environmental effects statements and evaluation of tangible and intangible effects.

(vii) Definition of Benefits

Benefits - increases or gains, net of associated or induced costs, in the value of services which result from conditions of the project, as compared with conditions without the project. Benefits include tangibles and intangibles and may be classed as primary or secondary.

Tangible benefits - those benefits which can be expressed in monetary terms based on or derived from actual or simulated prices for the services, or, in the absence of such measures or benefits, the cost of alternative means that would most likely be utilised to provide equivalent services.

Intangible benefits - those benefits which although recognised as having real value in satisfying human needs or desires, are not fully measurable in monetary terms, or are incapable of such expression in formal analysis. The significance of intangible benefits is based upon informed judgement.

Primary benefits - the value of services resulting directly from the project, less associated costs on the realisation



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of the benefits and any induced costs not included in the project costs.

Secondary benefits - the increase in the value of the services which indirectly result from the project under conditions expected with the project as compared to those without the project. Such increase would be net of any economic non project costs that need be incurred to realise these secondary benefits.

#### Types of Primary Benefits

- (a) Domestic, municipal and industrial water supply benefits - improvements in quantity, dependability, quality and physical convenience of water use. For example, the amount water users should be willing to pay for such improvements in lieu of foregoing them afford an appropriate measure of this value. However, usually the measure of the benefit will be approximated by the cost of achieving the same results by the most likely alternative means that would be utilised in the absence of the project. Where an alternative means is not available benefits may be valued on the basis of the value of water to users or the average cost of raw water from other similar water supply projects elsewhere.
- (b) Irrigation benefits - the increase in net income of agricultural production from an increase in the moisture content of the soil through the application of water or reduction in damages from drought.
- (c) Water quality control benefits - the net contribution to public health, safety, economy and effectiveness in use and enjoyment of water for all purposes which are subject to detriment or betterment by virtue of a change in water quality. The net contribution may be evaluated in terms of avoidance of adverse effects which would accrue in the absence of water quality control including:-
  - preclusion of economic activities;
  - corrosion of fixed and floating plant;
  - loss or downgrading recreational opportunities;
  - increased domestic and industrial water treatment costs;

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- loss of agricultural and industrial production;
- impairment of health and welfare;
- damage to fish and wildlife;
- siltation and salinity intrusion; and
- degradation of the aesthetics of unpolluted surface waters.

or conversely in terms of the advantageous effects of water quality control in respect of such items as listed above. These items may be either tangible or intangible benefits and where no adequate means are available to evaluate the water quality activities then it may be appropriate that the cost of achieving those benefits could be used to approximate the value.

- (d) Flood control and prevention benefits - reduction in all forms of damage from inundation, including sedimentation of property, disruption of business activity, hazards to health and security and loss of life. Benefits would also include increase in net returns from property due to the lowering of flood hazard.
- (e) Land stabilisation benefits - benefits which accrue to landholders and the public from the reduction in the loss of net income, or loss in value of land and improvements, through the prevention of loss or damage by all forms of soil erosion, including sheet erosion, gullying, flood plain scouring, streambank cutting and lakeshore erosion, or, conversely in terms of advantageous effects of land stabilisation.
- (f) Drainage benefits - the increase in net income from agricultural lands or increase in land values from higher yields or lower production costs through reduction of moisture content in the soil, and the increase in the value of urban and industrial lands due to improvement in drainage conditions.
- (g) Recreational benefits - the value as a result of projects of the net increases in quantity and quality of boating, swimming, camping, picnicking, hiking, sightseeing and other outdoor activities. Benefits also include intangible values such as preserving

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areas of unique natural beauty and areas of scenic, historical and scientific interest.

(h) Fish and Wildlife benefits - the values as a result of projects of net increases in recreational, resource preservation and commercial aspects of fish and wildlife. Resource preservation includes the intangible value of improvement of habitat and environment of wildlife and the preservation of rare species.

(i) Domestic and Industrial Wastewater Collection and Treatment benefits - the net contribution to public health and safety, and the development of re-use potentials such as agricultural purposes, river flow augmentation, aquifer recharge and "low" grade water for use by industry. The net contribution may be evaluated in terms of adverse effects which would accrue in the absence of wastewater collection and treatment including:-

- preclusion of economic activities
- corrosion of fixed and floating plant
- loss or downgrading of recreational opportunities
- impairment to health and welfare
- damage to fish and wildlife
- degradation of the aesthetics of unpolluted service waters

(see further comments (c) above)

#### (viii) Definition of Costs

(a) Project costs - the value of all goods and services used in constructing, operating and maintaining a project or program, interest during construction and all other identifiable expenses and induced adverse effects connected therewith, whether in goods and services, whether tangible or intangible and whether or not compensation is involved.

(b) Installation costs - the value of goods and services necessary for the establishment of the project, including initial project construction, land and easements, costs of relocation of facilities or prevention of damages; and all other expenditures for investigations

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and surveys, designing, planning and construction of a project after its authorisation.

- (c) Operation, maintenance and replacement costs - costs associated with maintaining a project in sound operating condition during its economic life.
- (d) Induced costs - are all uncompensated adverse effects caused by the continuation and operation of a project or program and may include the estimated net increases, if any, in the cost of providing the service directly resulting from the project.
- (e) Associated costs - the value of goods and services over and above those included in the project or program costs.

(ix) Standards for Formulation and Evaluation

- (a) The formulation of comprehensive and project plans and the evaluation of their effects should reflect a full consideration of and adherence to the purpose and scope, objectives of planning, planning policies and procedures as set down for the catchment authority.
- (b) The formulation and evaluation of comprehensive and project plans should be based on the expectations of an expanding development in the region and reflect the needs of a growing community, higher levels of living and continued economic growth.
- (c) A comprehensive public view point should be applied in the evaluation of projects and programs. Such a viewpoint would include consideration of all beneficial and adverse effects, and short term and long term effects that may be expected to accrue to all persons and groups within the area of influence of the proposed water, wastewater and related land resources use or development.
- (d) Full consideration should be given to the opportunity and need for outdoor recreational and fish and wildlife enhancement in the comprehensive planning for water, wastewater and related land resources use and development, and project formulation and evaluation. Planning would

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need to take cognisance of all facilities needed for full development of a recreation and fish and wildlife potential, as well as specific indication of basic facilities required initially for access, health, safety, fire prevention and use of an area.

- (e) Full consideration would also have to be given in survey, investigation and planning to the need for acquisition of lands necessary for all purposes of water resource development in advance of construction so as to preserve the areas from encroachment by development. The catchment authority should, therefore, place reliance, where feasible on Local Government for zoning and other measures to control lands identified for project purposes.
- (f) All plans should be formulated with due regard to all the pertinent benefits and costs, both tangible and intangible. Benefit and costs should be expressed in comparable quantitative economic terms to the fullest extent possible.

#### D. COST SHARING

All project purposes should be treated comparably in cost allocation and each is entitled to its share of the advantages resulting from a multi purpose project or program. Project purposes to which costs may be allocated on a par with all other purposes, without restrictions regarding reimbursement or cost sharing policies should include (but not be limited to) the following:-

Domestic, municipal and industrial water supply

Irrigation

Water quality control

Flood control and prevention

Land and lakes foreshore stabilisation

Drainage including salinity control

Outdoor recreation development

Fish and wildlife development

Domestic and industrial wastewater collection and disposal

Procedures would have to be developed subsequently, to provide a basis for consideration of reimbursement and cost sharing

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arrangements for those allocated costs.

In the preparation of plans for the development of water, wastewater and related land resources it would be appropriate to assess and make recommendation covering the reimbursement and cost sharing arrangements together with a detailed explanation of the basis used in arriving at those recommendations.

The charging policy water resources management authority would take into account are one or more of three aims:

- (a) recover costs at the least administrative expense;
- (b) recover costs equitably between consumers;
- (c) used to influence demand (high prices could curb demand and low prices encourage it);

having particular regard to satisfy that:

- (a) the charge for each service has relation to the cost of providing it;
- (b) the charges do not unnecessarily discriminate between users.

APPENDIX 4.

FULL LIST OF HEARINGS AND DISCUSSIONS HELD BY  
THE PUBLIC BODIES REVIEW COMMITTEE

<u>Date</u>	<u>Location</u>	<u>Witnesses - Representative/s</u>
29.5.80	Melbourne	The Hon. F. J. Granter, Minister of Water Supply.
"	"	Mr. W. E. Bromfield, Chairman, State Rivers and Water Supply Commission.
"	"	Mr. J. N. Mann, Director, Water Resources and Water Supply.
11.6.80	Melbourne	Mr. A. H. Croxford, Chairman, Melbourne and Metropolitan Board of Works.
"	"	Mr. I. G. Baker, Director of Finance, Treasury.
"	"	Mr. I. R. Pawsey, Secretary, Waterworks Trusts Association, Provincial Sewerage Authorities Association of Victoria, Municipal Association of Victoria.
12.6.80	Queenscliff	*Queenscliffe Sewerage Authority.
13.6.80	Queenscliff	*Queenscliffe Sewerage Authority.
13.6.80	Drysdale	*Ocean Grove Sewerage Authority.
26.6.80	Dandenong	*Dandenong Valley Authority.
27.6.80	Dandenong	*Dandenong Valley Authority.
2.7.80	Melbourne	Professor J. Power, University of Melbourne.
3.7.80	Wangaratta	*Ovens and King River Trust.
"	"	*Fifteen Mile Creek Improvement Trust.
4.7.80	Wangaratta	*Ovens and King River Trust.
"	"	*Black Dog Creek Improvement Trust.
9.7.80	Melbourne	State Rivers and Water Supply Commission
11.7.80	Ballarat	*Ballarat Water Commissioners and Ballarat Sewerage Authority.
18.7.80	Mildura	Mildura Urban Water Trust.
"	"	Mildura City Council.
"	"	Mildura Sewerage Authority.
"	"	Murrayville Waterworks Trust.
"	"	Underbool Waterworks Trust.
"	"	Shire of Walpeup Waterworks Trust.
"	"	Shire of Mildura Sewerage Authority.
"	"	Shire of Mildura.
31.7.80	Horsham	*Horsham Sewerage Authority.
"	"	*Horsham Waterworks Trust.
1.8.80	Horsham	Serviceton Sewerage Authority.
"	"	Shire of Kaniva Waterworks Trust.
"	"	Kaniva Sewerage Authority.
"	"	Shire of Kaniva.

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<u>Date</u>	<u>Location</u>	<u>Witnesses - Representative/s</u>
1.8.80	Horsham	Nhill Waterworks Trust.
"	"	Nhill Sewerage Authority.
"	"	Mrs. Turner, Wannan Conservation Socy.
"	"	Mr. G. Greenall, Resident, Hall's Gap.
"	"	Birchip Sewerage Authority.
"	"	Murtoa Sewerage Authority.
"	"	Murtoa Waterworks Trust.
"	"	Shire of Kowree Waterworks Trust.
"	"	Mr. V. H. Hausler, Resident.
"	"	Minyip Sewerage Authority.
"	"	Rupanyup Sewerage Authority.
"	"	Horsham Sewerage Authority.
"	"	Horsham Waterworks Trust.
"	"	Donald Sewerage Authority.
"	"	Donald Waterworks Trust.
"	"	Town of Stawell Water Supply District.
"	"	Stawell Sewerage Authority.
8.8.80	Portland	Coleraine and Casterton Waterworks Trust.
"	"	Koroit Waterworks Trust.
"	"	Yatchaw Drainage Trust.
"	"	Terang Sewerage Authority.
"	"	Strathdownie Drainage Trust.
"	"	Glenelg River Improvement Trust.
"	"	Shire of Dundas Waterworks Trust.
"	"	Hamilton City Council.
"	"	Hamilton Waterworks Trust.
"	"	Hamilton Sewerage Authority.
"	"	Balmoral Waterworks Trust.
"	"	Coleraine Sewerage Authority.
"	"	Portland Town Council.
"	"	Portland Waterworks Trust.
"	"	Portland Sewerage Authority.
"	"	Mr. R. C. Page, Resident
"	"	Shire of Glenelg.
"	"	Shire of Glenelg Waterworks Trust.
"	"	Mr. J. C. Fairbairn, REsident.
15.8.80	Bairnsdale	Avon River Improvement Trust.
"	"	Bairnsdale Waterworks Trust.
"	"	Bairnsdale Sewerage Authority.
"	"	Mitchell River Improvement Trust.
"	"	Tambo River Improvement Trust.
"	"	Bruthen Waterworks Trust.
"	"	Metung Waterworks Trust.
"	"	Lakes Entrance Waterworks Trust.
"	"	Lakes Entrance Sewerage Authority.
"	"	Sale City Council.
"	"	Sale Sewerage Authority.
"	"	Snowy River Improvement Trust.



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<u>Date</u>	<u>Location</u>	<u>Witnesses - Representative/s</u>
15.8.80	Bairnsdale	Mallacoota Waterworks Trust.
"	"	Mallacoota Sewerage Authority.
"	"	Lindenow Waterworks Trust.
"	"	Paynesville Waterworks Trust.
"	"	Stratford Waterworks Trust.
"	"	Macalister River Improvement Trust.
"	"	Cann River Improvement Trust,
"	"	Mr. J. J. Hopkins, Resident.
"	"	Mr. G. W. Reddick, Resident.
21.8.80	Melbourne	*Sir Ronald East, Former Chairman, State Rivers and Water Supply Commission.
22.8.80	Wodonga	Wangaratta Waterworks Trust.
"	"	Wangaratta Sewerage Authority.
"	"	Kiewa River Improvement Trust.
"	"	Mount Beauty Waterworks Trust.
"	"	Black Dog Creek Improvement Trust.
"	"	Ovens and King River Trust.
"	"	Mitta Mitta River Improvement Trust.
"	"	Wodonga Waterworks Trust.
"	"	Wodonga Sewerage Authority.
"	"	Corryong Waterworks Trust.
"	"	Corryong Sewerage Authority.
"	"	Walwa Waterworks Trust.
"	"	Cudgewa Waterworks Trust.
"	"	Yackandandah Waterworks Trust.
29.8.80	Shepparton	*Shepparton Urban Waterworks Trust.
"	"	*Benalla Waterworks Trust.
"	"	*Benalla Sewerage Authority.
"	"	*Commissioner E. J. Guppy.
"	"	*Seymour Waterworks Trust.
"	"	*Seymour Sewerage Authority.
"	"	*Association of Victorian River Improve- ment Trusts.
"	"	*Seymour Shire River Improvement Trust.
"	"	*Devenish Waterworks Trust.
"	"	*Glenrowan Waterworks Trust.
"	"	*Broken River Improvement Trust.
"	"	*Goorambat Waterworks Trust.
"	"	*Alexandra Waterworks Trust.
"	"	*Alexandra Sewerage Authority.
"	"	*Shire of Alexandra River Improvement Trust.
"	"	*Thornton Waterworks Trust.
"	"	*Kilmore & District Waterworks Trust.
"	"	*Kilmore Sewerage Authority.

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<u>Date</u>	<u>Location</u>	<u>Witnesses - Representative/s</u>
29.8.80	Shepparton	*Kyabram Town Council.
"	"	*Kyabram Water and Sewerage Authority.
"	"	*Broadford Waterworks Trust.
"	"	*Broadford Sewerage Authority.
"	"	*Euroa Waterworks Trust.
"	"	*Dookie Waterworks Trust.
"	"	*Mooroopna Waterworks Trust.
"	"	*Mooroopna Sewerage Authority.
"	"	*Mr. F. Dawson, Resident.
"	"	*Lower Broken Creek Pumpers Assocn.
"	"	*Anti-Canal Committee.
"	"	*Shire of Tungamah Waterworks Trust.
5.9.80	Traralgon	Morwell Waterworks Trust.
"	"	Morwell Sewerage Authority.
"	"	Churchill Sewerage Authority.
"	"	Boolarra Waterworks Trust.
"	"	Leongatha Waterworks Trust.
"	"	Leongatha Sewerage Authority.
"	"	Latrobe Valley Water and Sewerage Board.
"	"	Traralgon Sewerage and Waterworks Trust.
"	"	Drouin Waterworks Trust.
"	"	Drouin Sewerage Authority.
"	"	Korumburra Sewerage Authority.
"	"	Korumburra Waterworks Trust.
"	"	Yarram Sewerage Authority.
"	"	Yarram Waterworks Trust.
"	"	Maffra Waterworks Trust.
"	"	Maffra Sewerage Authority.
"	"	Warragul Waterworks Trust.
"	"	Warragul Sewerage Authority.
"	"	Toora Waterworks Trust.
"	"	Toora Sewerage Authority.
"	"	Thomson River Improvement Trust.
"	"	Neerim South Waterworks Trust.
"	"	Noojee Waterworks Trust.
"	"	Latrobe River Improvement Trust.
"	"	Tyers and Glengarey Waterworks Trust.
"	"	Meeniyah Waterworks Trust.
"	"	Dumbalk Waterworks Trust.
"	"	Heyfield Sewerage Authority.
"	"	Heyfield Waterworks Trust.
"	"	Rosedale Waterworks Trust.
"	"	Rosedale Sewerage Authority.
"	"	Seaspray Waterworks Trust.
"	"	Mr. Tom Barnes, Cowwarr.

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<u>Date</u>	<u>Location</u>	<u>Witnesses - Representative/s</u>
5.9.80	Traralgon	Poowong Loch and Nyora Waterworks Trust.
"	"	Shire of Korumburra River Improvement Trust.
12.9.80	Bendigo	Bendigo Creek Improvement Trust.
"	"	Bendigo Sewerage Authority.
"	"	Boort Waterworks Trust.
"	"	Bullock Creek Improvement Trust.
"	"	Maryborough Sewerage Authority.
"	"	Maryborough Waterworks Trust.
"	"	State Rivers and Water Supply Commission.
"	"	Goornong Waterworks Trust.
"	"	Bridgewater Waterworks Trust.
"	"	Avoca River Improvement Trust.
"	"	Loddon-Campaspe Regional Planning Authority.
"	"	City of Bendigo.
"	"	Kyneton Shire Waterworks Trust.
"	"	Kyneton Sewerage Authority.
"	"	Mr. B. G. Callaway, Resident.
"	"	Victorian Field and Game Association.
"	"	Mr. Andrew Adam, Resident.
"	"	Gisborne Waterworks Trust.
17.9.80	Melbourne	State Rivers and Water Supply Commission.
19.9.80	Ballarat	City of Warrnambool.
"	"	Warrnambool Sewerage Authority.
"	"	City of Warrnambool Water Supply District.
"	"	Linton Waterworks Trust.
"	"	Smythesdale-Scarsdale Waterworks Trust.
"	"	Learmonth Waterworks Trust.
"	"	Hall's Gap Sewerage Authority.
"	"	Shire of Ararat Waterworks Trust.
"	"	Willaura Sewerage Authority.
"	"	City of Ararat Water Supply.
"	"	Ararat Sewerage Authority.
"	"	Rokewood Waterworks Trust.
"	"	Daylesford Waterworks Trust.
"	"	Daylesford Sewerage Authority.
"	"	Save our Bushland Action Group, Daylesford.
"	"	Dr. A. J. Carless.
"	"	Shire of Ballarat.
"	"	Mr. A. O. Lawrence, Resident.
"	"	Mt. Clear-Mt. Helen Progress Assocn.

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<u>Date</u>	<u>Location</u>	<u>Witnesses - Representative/s</u>
19.9.80	Ballarat	Mrs. B. McNulty, Resident.
"	"	Mr. J. Elsworth, Smeaton, Resident.
"	"	Shire of Bungaree.
"	"	Mr. John Mildren, Resident.
"	"	Ballarat Water Commissioners.
"	"	Ballarat Sewerage Authority.
26.9.80	Geelong	Lough Calvert Drainage Trust.
"	"	Bannockburn District Waterworks Trust.
"	"	The Combined Ratepayers' Association of Bellarine.
"	"	Portarlington Sewerage Authority.
"	"	Ocean Grove Sewerage Authority.
"	"	Aireys Inlet Waterworks Trust.
"	"	Anglesea Sewerage Authority.
"	"	Torquay Sewerage Authority.
"	"	Colac Waterworks Trust.
"	"	Colac Sewerage Authority.
"	"	Forrest Waterworks Trust.
"	"	Geelong Waterworks and Sewerage Trust.
1.10.80	Melbourne	Latrobe Valley Water and Sewerage Board.
3.10.80	Dandenong	Wonthaggi Sewerage Authority.
"	"	Inverlock Waterworks Trust.
"	"	Inverlock Sewerage Authority.
"	"	Riddell's Creek Waterworks Trust.
"	"	Shire of Cranbourne Sewerage Authority.
"	"	Moe Waterworks Trust.
"	"	Moe Sewerage Authority.
"	"	Mirboo North Waterworks Trust.
"	"	Longwarry Drainage Trust.
"	"	Springvale and Noble Park Sewerage Authority.
"	"	Mr. P. C. Collins, Member of Parliament.
"	"	Dandenong Sewerage Authority.
"	"	Mr. G. Paull, Resident.
"	"	Woori Yallock-Launching Place Waterworks Trust.
"	"	Dandenong Valley Authority.
8.10.80	Melbourne	Mr. Tom Barnes, Cowwarr.
8.10.80	Melbourne	State Rivers and Water Supply Commsn.
22.10.80	Melbourne	Mrs. J. Erbs, Willow Grove.
22.10.80	Melbourne	State Rivers and Water Supply Commsn.
29.10.80	Melbourne	State Rivers and Water Supply Commsn.
31.10.80	Lilydale	Mount Martha Sewerage Action Group.
"	"	Mornington Sewerage Authority.
"	"	Mount Eliza Sewerage Authority.

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31.10.80	Lilydale	Dromana-Rosebud Sewerage Authority.
"	"	Melton Waterworks Trust
"	"	Melton Sewerage Authority
"	"	Woori Yallock-Launching Place Waterworks Trust.
"	"	Mr. G. Coleman, Resident.
"	"	Yarra Junction Waterworks Trust
"	"	Yarra River Improvement Trust
"	"	Shire of Healesville Sewerage Authority.
"	"	Healesville Waterworks Trust
"	"	Hurstbridge Waterworks Trust
"	"	Hurstbridge Sewerage Authority
"	"	Frankston Sewerage Authority
"	"	Gembrook-Cockatoo-Emerald Waterworks Trust.
"	"	Marysville Waterworks Trust
"	"	Sunbury Waterworks Trust
"	"	Sunbury Sewerage Authority
"	"	Westernport Waterworks Trust
"	"	Cowes Sewerage Authority
"	"	Lang Lang Waterworks Trust
"	"	Lang Lang Sewerage Authority
"	"	Chirnside Park Sewerage Action Group
"	"	Lilydale Sewerage Authority.
19.11.80	Melbourne	State Electricity Commission of Victoria.
3.12.80	Melbourne	Association of Consulting Engineers, Australia (Victorian Chapter).
25. 2.81	Melbourne	Upper Yarra Valley and Dandenong Ranges Authority.
"	"	Soil Conservation Authority
"	"	Environment Protection Authority
"	"	Health Commission - Victoria.
4. 3.81	Melbourne	Shire of Deakin Waterworks Trust
"	"	Tongala Sewerage Authority.
"	"	Mr. I. G. Baker, Director of Finance, Treasury of Victoria.
"	"	Waterworks Trust Association of Victoria.
"	"	Provincial Sewerage Authorities Association of Victoria.
"	"	Upper Yarra Sewerage Authority.
"	"	Shire of Pakenham.
"	"	Shepparton Sewerage Authority.
11. 3.81	Melbourne	State Rivers and Water Supply Commission
25. 3.81	Melbourne	Pental Island River Improvement Trust.

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<u>Date</u>	<u>Location</u>	<u>Witnesses - Representative/s</u>
1. 4.81	Melbourne	Mr. B. J. Waldron, Auditor-General of Victoria.
15. 4.81	Melbourne	Bright Waterworks Trust
"	"	Bright Sewerage Authority.
13. 7.81	Echuca	Goulburn Murray Irrigation District Advisory Council.
"	"	Shire of Deakin
"	"	Torrumbarry System Irrigators' Association
"	"	Victorian Irrigators' Central Council.
"	"	Boort Irrigation Advisory Board.
"	"	Lower Broken Creek Pumpers' Association
"	"	Pyramid Hill Advisory Board.
"	"	Tongala Centre Advisory Board
"	"	Shepparton Irrigation Area Advisory Board.
"	"	Rodney Irrigation Area Advisory Board.
"	"	Rochester Irrigation Area Advisory Board.
"	"	Campaspe Irrigation District Advisory Board.
"	"	Cr. P. S. Robins, Shire of Kerang.
22. 7.81	Mildura	First Mildura Irrigation Trust
"	"	Inland Salinity Action Committee
"	"	Lake Charm Restoration Committee
"	"	Nyah Irrigation Advisory Board.
"	"	Mildura Urban Water Trust.
"	"	Merbein Irrigation District Advisory Board.
"	"	Red Cliffs Advisory Board.
"	"	Robinvale Advisory Board.
29. 7.81	Melbourne	Murray Valley Irrigation Area Advisory Board.
"	"	Fisher Cleeland Turner & Dwyer (Vic.) Pty. Ltd.
"	"	Combined Irrigators Advisory Boards of Bacchus Marsh and Werribee.
"	"	Mildura District Dried Fruits Association.
"	"	Central Gippsland Irrigation Area and Maffra-Sale Irrigation Area Advisory Boards.
"	"	Macalister District Water Users League.
"	"	Victorian Irrigation Research and Promotion Organisation and Watershed Association of Victoria.
5. 8.81	Melbourne	State Rivers and Water Supply Commission.
"	"	Mr. I. G. Baker, Director of Finance, Treasury of Victoria.

APPENDIX 4

12.8.81	Melbourne	Mr. B. J. Waldron, Auditor-General of Victoria
19.8.81	Melbourne	State Electricity Commission of Victoria
"	"	Grain Elevators Board
"	"	Public Service Board of Victoria
"	"	Mr. K. Pattison
"	"	Members of the Institute of Chartered Accountants

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Discussions denoted by \*

\* \* \* \* \*

APPENDIX 5.LOCAL AND REGIONAL OPTIONS PROPOSED BY THE  
COMMITTEE IN ITS SECOND REPORTLocal Options

The Committee identified the following Options for future water management in areas not covered by regional authorities of type R4, and not directly supplied by the State Rivers and Water Supply Commission.

These Options, for the provision of water and sewerage to individual country centres, were:-

Option L1: Retention of each existing separately constituted water and sewerage authority.

Option L2: Amalgamation of those water and sewerage authorities presently served by a joint administration, but retention of a separate corporate identity for the merged body.

Option L3: Amalgamation of those water and sewerage authorities whose administration is integral with that of a municipality with that municipality, with retention of a separate corporate identity for the merged water body.

Option L4: Amalgamation of those water and sewerage authorities whose administration is integral with a municipality with that municipality, without the retention of a separate corporate identity for the merged water body.



APPENDIX 5 (contd.)

Option L5: Universal amalgamation of all water authorities with municipalities.

Option L6: The unification within each local Government area of all water and sewerage bodies under a single but separate corporate entity.

Option L7: The unification within each local Government area of all water and sewerage bodies without a corporate identity separate from that of municipal Government.

\* \* \*

APPENDIX 5 (contd.)Regional Options

The Committee identified the following regional water management options:-

Option R1: No regional authority as such, but a periodic consultative forum within each defined region among water and sewerage trusts and authorities, and between such authorities and other government agencies, particularly regional planning authorities.

Option R2: No regional authority as such, but a co-ordinating committee for each defined region, similar to that proposed in "A Sewerage Strategy for the Yarra Valley," though not necessarily chaired from the Ministry of Water Resources.

Option R3: A regional authority created as a second tier above separate local authorities, with responsibility for region wide issues, including the provision of common headworks and disposal facilities where appropriate.

Option R4: A regional authority responsible for all water, sewerage, drainage and flood protection works in its region.

The Committee's current thinking favours the adoption of one of these Options in each region in Victoria, with Option R4 in those areas where development and interdependency is most obvious, and lesser Options in other areas.

EXTRACTS FROM THE PROCEEDINGS

The Minutes of the Proceedings of the Committee show Divisions which took place during the consideration of the Draft Report. A summary of those proceedings follows:

MONDAY, 30 NOVEMBER 1981

The Committee divided on the question of inserting the following words at the end of Recommendation 126 -

'Water Board.'

The result of the Division was:

Ayes, 2.

Noes, 4.

The Hon. B. A. Chamberlain  
Mr. E. J. Hann

Mr. S. M. Crabb  
Mr. R. A. Jolly  
Mrs. P. A. Sibree  
The Hon. D. R. White

And so it was resolved in the negative.

\* \* \* \*

THURSDAY, 3 DECEMBER 1981

The Committee divided on the question, That Chapter 1, as amended, stand part of the Report.

The result of the Division was:

Ayes, 6.

Noes, 1.

The Hon. B. A. Chamberlain  
Mr. S. M. Crabb  
The Hon. Dr. K. J. Foley  
Mr. E. J. Hann  
Mr. R. A. Jolly  
The Hon. D. R. White.

Mrs. J. Chambers

And so it was resolved in the affirmative.

\* \* \* \*

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LEGISLATIVE COUNCIL  
STANDING ORDERS COMMITTEE

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REPORT

upon

A PROPOSED RESOLUTION TO SUSPEND  
STANDING ORDER 325

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*Ordered to be printed*

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EXTRACTED FROM THE MINUTES OF THE PROCEEDINGS  
OF THE LEGISLATIVE COUNCIL

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TUESDAY, 8 SEPTEMBER 1981

- 14 STANDING ORDERS COMMITTEE - The Honourable A. J. Hunt moved, by leave, That the Honourables the President, W. R. Baxter, P. D. Block, W. M. Campbell, B. A. Chamberlain, B. P. Dunn, J. V. C. Guest, W. A. Landeryou and Evan Walker be members of the Select Committee on the Standing Orders of the House; three to be the quorum.

Question - put and resolved in the affirmative.

---

- 17 PRIVATE BILL FEES - SUSPENSION OF STANDING ORDER NO. 325 - The Honourable A. J. Hunt moved, by leave, That until the end of the Session -

- (a) so much of Standing Order 325 as requires private Bill fees to be paid before any such Bill is read a first time be suspended; and
- (b) a private Bill, other than a private Bill ordered to be dealt with as a public Bill, shall not be read a second time until a receipt for the payment of fees is produced by the Member having charge of the Bill.

The Honourable W. A. Landeryou moved, That the debate be adjourned until later this day.

Question - put and resolved in the affirmative.

The Honourable W. A. Landeryou moved, That the proposal be referred to the Standing Orders Committee for examination and report.

Question - put and resolved in the affirmative.

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REPORT

The Select Committee of the Legislative Council on Standing Orders, appointed pursuant to resolution of the Council on 8 September 1981, has the honour to report as follows:

1 On 8 September 1981, the Honourable A. J. Hunt proposed to the Council a motion to suspend, until the end of the Session, so much of Standing Order 325 as requires private Bill fees to be paid before first reading, and to provide for such fees to be paid prior to second reading. The debate on this question was adjourned, and the proposal was referred to the Standing Orders Committee for examination and report.

2 The Committee has considered the matter and commends the resolution to Honourable Members for adoption. In the Committee's view, the proposal will meet, for the time being, criticism previously levelled at the operation of Standing Order 325, in that it will no longer call upon the House to make decisions before it is in possession of the information necessary to make those decisions intelligently.

3 The relevance to present-day needs of all the Standing Orders relating to private Bills will be the subject of an investigation by the Committee in the near future, and the matter outlined above will be further considered as part of that wider Inquiry.

---

President's Suite,  
10 September 1981



LEGISLATIVE COUNCIL  
STANDING ORDERS COMMITTEE

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REPORT

upon

UNRELATED MINOR AMENDMENTS

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*Ordered to be printed*

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EXTRACTED FROM THE MINUTES OF THE PROCEEDINGS  
OF THE LEGISLATIVE COUNCIL

---

TUESDAY, 8 SEPTEMBER 1981

- 14 STANDING ORDERS COMMITTEE - The Honourable A. J. Hunt moved, by leave, That the Honourables the President, W. R. Baxter, P. D. Block, W. M. Campbell, B. A. Chamberlain, B. P. Dunn, J. V. C. Guest, W. A. Landeryou and Evan Walker be members of the Select Committee on the Standing Orders of the House; three to be the quorum.

Question - put and resolved in the affirmative.

---

REPORT

The Select Committee of the Legislative Council on Standing Orders, appointed pursuant to resolution of the Council on 8 September 1981, has the honour to report as follows:

1 The Committee has considered several suggestions for amendments of a minor nature to the Standing Orders. They consist, principally, of the correction of references to Act titles and obsolete statutory provisions and of the title of Usher of the Black Rod. Others arise because, over the years, the practice of the House in relation to certain matters has departed from the strict requirements of the relevant Standing Orders and, where that practice has become well settled, it is desirable that the Orders be amended to conform to current practice.

2 Standing Orders 2, 3, 11, 12, 23, 36, 37, 44, 50, 61, 143, 144 and 205 each contain references to "the Usher". Following the presentation of a Black Rod to the Parliament in 1951, the Governor in Council approved the style and title of the office of Usher of the Legislative Council being changed to "Usher of the Black Rod".

It is recommended that, wherever occurring in the Standing Orders previously mentioned, the words "the Usher" be omitted with the view of inserting "the Usher of the Black Rod".

3 Standing Orders 7 and 25 both relate to the taking of the oath of allegiance by new Members before sitting and voting in the House. With the passage of the Constitution Act 1975, Members were permitted (by section 23) the alternative of declaring their allegiance either by oath or affirmation.

To take account of that change, the Committee recommends:

- (a) that Standing Order 7 be amended to read "New Members may then be introduced and be sworn or make affirmation."; and

- (b) that Standing Order 25 be amended to read "Members returned pursuant to such Writs will then be sworn or make affirmation as prescribed by the Constitution Act 1975".

4 The reference in Standing Order 24 to "The Constitution Act Amendment Acts" is obsolete, the operative provisions regarding Writs now being incorporated in The Constitution Act Amendment Act 1958. The Committee recommends that the title be amended accordingly.

5 Standing Order 20A, inter alia, defines what shall be regarded as formal business for the purpose of fixing the precedence afforded debate on the Address in Reply. Within the concept of formal business, the appointment of Standing Committees is mentioned. It has long been the practice to appoint at that stage Committees which would not fall within the definition of Standing Committees, and it is therefore recommended that the words "Standing Committees" be omitted with the view of inserting "Standing and Select Committees".

6 Standing Order 21 presumes that the Address in Reply will be moved, debated and finalized before any other Orders of the Day are dealt with. This has not been the case for many years, and frequently the debate on that motion is spread over several sitting days.

The provision would reflect the current practice by the insertion of the words "At the conclusion of debate on the motion for an Address in reply to the Speech of His Excellency the Governor" before the words "A motion will then be made", and this amendment is recommended.

7 The reference to "President elect" in Standing Order 33 has its origin in the provisions of the forerunner to the Constitution Act 1975. Included in section VI. (relating to the election of the President) of the former Act was a proviso enabling the Governor to disallow the Council's choice of President. No such provision was included in the re-enactment of 1975, and therefore the word "elect" in Standing Order 33 has no relevance. The Committee recommends its deletion.

8 The word "Council" in Standing Order 148 would appear to be at odds with the provisions of the other Standing Orders in the section dealing with the attendance of Members in the House for divisions. It would be more appropriate if the word "Chamber" was used in lieu of "Council", as in those other provisions, and this change is commended.

9 The means by which a clause becomes open for discussion in Committee of the whole Council is set out in Standing Order 276. The practice of the Committee for many years has been that a clause may be debated after the Clerk-Assistant has called the clause number. To accord with that accepted practice, the words "When the Chairman has called out the number of a clause, and the marginal note or the clause has been read" should be amended to read "When the number of a clause has been called". Such an amendment is recommended.

President's Suite,  
28 October 1981.



LEGISLATIVE COUNCIL  
STANDING ORDERS COMMITTEE

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REPORT

upon

PRIVATE BILL PROCEDURE

---

Ordered to be printed

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EXTRACTED FROM THE MINUTES OF THE PROCEEDINGS  
OF THE LEGISLATIVE COUNCIL

---

TUESDAY, 8 SEPTEMBER 1981

- 14 STANDING ORDERS COMMITTEE - The Honourable A. J. Hunt moved, by leave, That the Honourables the President, W. R. Baxter, P. D. Block, W. M. Campbell, B. A. Chamberlain, B. P. Dunn, J. V. C. Guest, W. A. Landeryou and Evan Walker be members of the Select Committee on the Standing Orders of the House; three to be the quorum.

Question - put and resolved in the affirmative.

REPORT

The Select Committee of the Legislative Council on Standing Orders, appointed pursuant to the resolution of the Council on 8 September 1981, has the honour to report as follows:

1 In its Report of 10 September 1981 upon a proposed resolution to suspend Standing Order 325 (Victorian Parliamentary Papers, D. No. 2, 1981), the Committee indicated that it would proceed with an Inquiry into the relevance to present-day needs of all the Standing Orders relating to private Bills. That investigation has now been completed.

2 Mays Parliamentary Practice, 19th Ed., pp. 857-8, explains the nature of private Bills as:

... bills for the particular interest or benefit of any person or persons. Whether they be for the interest of an individual, of a public company or corporation, or of a county, district or other locality, they are equally distinguished from measures of public policy; and this distinction is marked in the very manner of their introduction.

The essential difference in procedure between a public bill and a private bill is that, whereas a public bill is either presented direct to the House or introduced on motion by a Member of Parliament, a private bill is solicited by the parties who are interested in promoting it and is founded upon a petition which must be duly deposited in accordance with standing orders. Furthermore, the payment of fees by the promoters is an indispensable condition of its progress.

3 The Standing Orders relating to private Bills presently in force in the Legislative Council suffer several deficiencies. Among those are the following:



- (a) they were drawn last century on the assumption that, unless the Council adopted special Standing Orders as to the initiation procedures to be followed, all private Bills would first have been considered by the Assembly. Under the relevant Assembly Standing Orders of that time, such Bills were required to be founded upon petition, and would have been subjected to checks and challenges prior to being transmitted to the Council for concurrence;
- (b) the relationship between the Council and Assembly Standing Orders regarding private Bills was lost when, in March 1981, the Assembly dispensed with its private Bill Standing Orders which had stood virtually intact since 1857 in favour of a simplified procedure;
- (c) in any event, prior to the Assembly discarding their former Orders, that House had not invoked them (with the exception of the provisions as to fees) since 1926, so that the implied dependence of the Council on the Assembly's investigation of private Bills has had no practical relevance for over 50 years.
- (d) Since the general bar to the Council initiating private Bills was removed in 1977, and because no special Standing Orders were ever adopted as to the method of initiating such Bills into the Council, those initiation procedures would, by virtue of Standing Order 308, follow the system of the House of Commons if the Council chose not to treat a private Bill as a public Bill. In those circumstances, it would be necessary for the Bill to originate upon petition of the promoters presented in accordance with the Standing Orders, and to proceed through an elaborate system of examination, &c., somewhat akin to that provided in the former Standing Orders of the Assembly; and
- (e) if the circumstances described in (d) eventuated the difficulty would arise that, by the time the Bill was ruled a private Bill and the House was called upon to decide whether it be treated as a public Bill, the House would at that stage be in possession of a Bill and, in effect, have then circumvented the initiation procedure prescribed for the House of Commons.

4 The reasons for the changes made by the Assembly to its private Bill procedures were documented in the Report of its Standing Orders Committee dated 12 November 1980 (Victorian Parliamentary Papers, D. No. 6, 1980-81). In essence, that Committee recognized that, on the grounds that they were unduly cumbersome and because they had not been used since 1926, they were no longer appropriate and should be up-dated.

5 The Legislative Assembly endorsed the view of that Committee and repealed the private Bill Standing Orders which had endured since 1857. In their place, the Assembly adopted a simplified procedure now set out in its Standing Order 168 which would:

- (a) retain the concept of dealing with private Bills in a special way;
- (b) unless a Bill was ordered to be dealt with as a public Bill, require publication in newspapers of a notice explaining the purport of such Bill and so enable persons or bodies affected directly and adversely to register their objections;
- (c) provide for an initial screening process by a panel of not less than 3 temporary Chairmen of Committees, such panel to determine and report to the Speaker whether any objections disclosed sufficient cause for further investigation by a select committee;
- (d) require the Speaker to report to the House the recommendation of any panel appointed under (c) above;
- (e) preserve the right of the House to appoint a select committee to examine each Bill, notwithstanding a contrary recommendation by the panel of temporary Chairmen;
- (f) replace the unwieldy provisions for assessing fees with a realistic flat rate to be paid before proceeding beyond second reading, plus any advertising expenses incurred as per (b) above, the costs of printing and circulating the Bill and those expenses associated with any select committee which may be appointed to examine it;
- (g) retain the discretion formerly vested in that House to waive the payment of fees, where considered appropriate; and

- (h) subject to the above requirements, apply the ordinary Public Bill Standing Orders to the passage of private Bills.

6 Thus the basis of the revised procedure was not a dramatic departure from the underlying concept of the private Bill Standing Orders it replaced, in that it retained the essential element of providing machinery for opponents to become aware of the implications of the private Bill proposals, for them to be heard in opposition, and for the conflicting claims of proponents and opponents to be evaluated on behalf of the House.

7 This Committee is of opinion that those provisions, with minor adaptations not bearing on the thrust of the scheme, ought to be adopted by the Legislative Council. Such a procedure would preserve the autonomy of the House to advertise, investigate and charge fees in connection with private Bill dealings, whilst retaining the option of dispensing with all or any of those components when considered appropriate. In the case of private Bills having first passed the Assembly, the Committee would expect that the Council take due note of the outcome of any investigations carried out by that House.

8 Two main advantages would accrue from having basically similar private Bill Standing Orders apply in each House. First, the parties interested in a Bill would not be either advantaged or disadvantaged by different requirements, depending upon which House was applying its tests. Second, it is likely that the practice will develop of the initiating House, in effect, undertaking the advertisements, &c., provided for on behalf of the Parliament as a whole.

9 The Committee therefore recommends that the existing Standing Orders relating to private Bills (i.e., Nos. 311 to 331) be repealed, and that the following be adopted in their stead:

311 When the Council is in possession of a Bill and its contents have been explained, if the President is of opinion that the Bill is a private Bill, he shall forthwith declare such an opinion to the Council: Provided that if he forms such a view at any later time prior to the second reading question being decided, he shall not be precluded from then declaring such opinion.

312 Where a private Bill has not been ordered to be dealt with as a public Bill, the President shall, where applicable, cause to be published in one or more newspapers, including one circulating generally in Victoria, a statement of the general nature and objects of the Bill; and, where any such advertisement has been published, no further debate on the Bill shall be permitted until a report is made by the President pursuant to Standing Order 314 or, where no objections are notified pursuant to Standing Order 313, until the expiration of the time provided therein.

313 Written details of objections by any person or body directly and adversely affected by any provisions of a Bill to which Standing Order 312 applies shall be received by the Clerk up to the twenty-first day after the publication of a statement pursuant to that Standing Order, and any objections so received shall be notified to the Council by the Clerk during formal business at the next sitting, and thereupon lie on the Table.

314 Objections received by the Clerk within the specified time shall be considered by a panel appointed by the President of not less than three temporary Chairmen of Committees and a report made to the President as to whether, in the opinion of such panel, any such objection appears to raise matters which would justify the appointment of a select committee to examine the proposals in the Bill; and the recommendation of that panel shall thereupon be reported by the President to the Council.

315 Unless the Council expresses the view that fees should be dispensed with, before any private Bill (other than a private Bill which has been ordered to be dealt with as a public Bill) is read a second time, a sum of \$1,000 shall be paid into the Treasury for the public uses of the State to meet the expenses involved in the passage of the Bill, and a receipt for that payment shall be produced by the Member having charge of the Bill.

316 The promoters of any private Bill for which fees under Standing Order 315 have been paid shall also be liable for the expenses of -

- (a) its printing and circulation;
- (b) the publication of any statement pursuant to Standing Order 312; and

(c) any select committee appointed to examine  
its proposals -

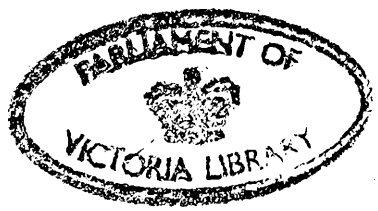
and the sum of such amounts shall be paid into the Treasury  
for the public uses of the State.

317 Subject only to the provisions of Standing Orders 311  
to 316, the proceedings on a private Bill shall be  
governed by the Standing Orders relating to public Bills.

10 Should the House concur in the recommendation contained in  
paragraph 9 of this Report, a consequential amendment should be  
made to Standing Order 258 appearing in that section of the  
Standing Orders dealing with ordinary petitions, to omit the  
expression ", not being a petition for a private Bill, or  
relating to a private Bill before the Council,". Under the  
recommended private Bill procedure, such Bills will no longer  
initiate upon petition. Further, the machinery for objections  
to be submitted by way of response to advertisements will  
supersede the lodging of objections by petition, to which  
reference is made in that Standing Order. The expression will  
therefore have no relevance.

President's Suite,  
1 December 1981.

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VICTORIA

MINUTES  
OF THE  
PROCEEDINGS  
OF THE  
LEG.  
COUNCIL

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