

Addendum Report

REPORTS THROUGH THE GENERAL MANAGER

REPORTS FROM THE DIRECTOR ENGINEERING

a47 [E-CM] Purchase of Bulk Water to Supply North Byron Parklands

SUBMITTED BY: Water

Valid



Strengthening the Economy

LINKAGE TO INTEGRATED PLANNING AND REPORTING FRAMEWORK:

- 3 Strengthening the Economy
 - 3.1 Expand employment, tourism and education opportunities
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SUMMARY OF REPORT:

On 6 June 2014 Council received a request from Tweed Valley Water Supplies (attachment 1), a water carting business based in Tweed Shire, to reduce the 'out of shire' bulk water charge rate to supply Splendour in the Grass, an event to be held at the North Byron Parklands from 25 to 27 July 2014.

In December 2013 Council received a similar request from North Byron Parklands and on 12 December resolved to provide bulk water to the North Byron Parklands for the remainder of 2013/2014 at \$6.80 per kilolitre. This rate was adopted because it is midway between the 'local' and 'out of shire' rates listed in Council's Fees and Charges, in recognition of the significant economic benefit to the shire.

At the same time Council resolved that North Byron Parklands be requested to consider a change of name to Tweed Byron Parklands to better reflect its geographic location and in recognition of the support provided by Tweed Shire Council. Following the outcome of this request, Council would further consider a revised fee arrangement for 2014/2015 and beyond.

North Byron Parklands has indicated that they will not be proceeding with a name change, citing a number of reasons. Despite this, the recent request from Tweed Valley Water Supplies requires Council to reconsider the 'out of shire' bulk water charge rate applicable to events held at the North Byron Parklands site.

While there are a number of benefits to the broader economy from the events held at North Byron Parklands, singling out one water carting business and reducing the 'out of shire' bulk water rate for Tweed Valley Water Supplies would not be equitable.

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Any changes to the 2014/2015 rate would need to be advertised for a period of at least 28 days prior to adoption so reducing the 'out of shire' bulk water rate for all water carters is a future option. In 2014/2015 it is proposed that the 'out of shire' rate will be reviewed. This is a key part of Council's efforts to reduce losses from the water supply system and any changes to the rate must be equitable and consistent with Council's water efficiency, drought management and water security objectives.

The 'out of shire' bulk water charge rate applied to events at North Byron Parklands in 2014/2015 should be consistent with Council's resolution in December 2013, that is, two times the 'local rate'. In 2014/2015 the 'local rate' will be \$3.70/kL so the reduced 'out of shire' rate would be \$7.40/kL. This rate is midway between the 'local' and 'out of shire' rates for all bulk water users in 2014/2015.

Allowing for a 5% growth in event attendance, a theoretical loss of income of \$24,864 to \$37,296 could be expected if the bulk rate was reduced to \$7.40/kL for 2014/2015.

RECOMMENDATION:

That Council:

- 1. Reduces the bulk water charge rate for water supplied to North Byron Parklands for the 2014/2015 financial year to two times the rate for bulk water use within the Shire, as listed in the Fees and Charges.**
- 2. Reviews this arrangement following a detailed assessment of the 'out of shire' bulk water charge rate applied for all sales of bulk water outside the Tweed Shire.**

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REPORT:

Background

On 5 December 2013 the General Manager of North Byron Parklands wrote to Council requesting that Council applies the 'local rate' (currently \$3.40 per kilolitre) as opposed to the 'out of shire rate' (currently \$10.20 per kilolitre) for the supply of bulk water to North Byron Parklands. This water is supplied by local water carters who have approval to extract water from the Tweed District Water supply. The higher 'out of shire rate' is applied when water from Tweed Shire is carted and used outside the shire.

Subsequently, at its meeting on 12 December 2013 it was resolved that Council:

- "1. Provides water - bulk sales to the North Byron Parklands for the remainder of 2013/2014 at \$6.80 per kilolitre, being a rate midway between the "local rate" and "out of shire" fee (sale from standpipes for use within the Shire listed in the fees and charges), in recognition of the significant economic benefit to the Shire.*
- 2. Requires North Byron Parklands to make application to Council for the supply of water 21 days prior to each event.*
- 3. Requests the North Byron Parklands to consider changing its name from 2014/2015 to Tweed Byron Parklands to better reflect its geographic location and in recognition of the support provided by Tweed Shire Council.*
- 4. Following the outcome of Recommendation 3, Council will further consider the revised fee arrangement for 2014/2015 and beyond."*

On 6 June 2014 Council received an email (attachment 1) from the owners of Tweed Valley Water Supplies requesting a discount on the 'out of shire' bulk water charge rate to supply Splendour in the Grass, an event to be held at the North Byron Parklands from 25 to 27 July 2014. Key points raised in the email were:

- the business is struggling to hold onto work at North Byron Parklands because of the cost per kilolitre of water that Tweed Shire is charging;
- it looks very likely that most of the water for the upcoming Splendour in the Grass festival will be sourced from the Byron Shire.

Rous Water advises that water carters would not be permitted to access the Byron Shire water supply using a standpipe. They would be required to source water from Rous Water's filling station located at the airfield in Tyagarah. This is a short distance from the North Byron Parklands site and turning around on the highway might be the only complicating factor. Rous Water fees and charges for water carters include an annual fee per water cart of \$716.00 and a charge rate of \$3.84/kL. The annual fee is to be reduced to \$565.00 in 2014/2015 and the charge rate will increase marginally.

On 11 June 2014 North Byron Parklands (attachment 2) advised that after extensive consideration at a recent Board meeting, they will not be proceeding with a name change as requested by Council. The following reasons were provided for this decision:

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- significant physical branding changes would be required to the venue including the front entry treatment (estimated to be \$15,000);
- rebranding costs associated with the website, logos, stationery etc.;
- existing branding recognition consideration (Parklands has been trading under the current name for 7 years).

Notwithstanding the decision by North Byron Parklands to retain the current venue/business name, the recent request from Tweed Valley Water Supplies requires Council to reconsider the 'out of shire' bulk water charge rate applicable to events held at North Byron Parklands in 2014/2015.

Discussion

There are significant benefits to the broader economy from the events held at North Byron Parklands. This includes the generation of 'bed nights' within the Tweed Shire, event patron spending at Tweed attractions and service centres, provision of goods and services by Tweed businesses to the venue and individual event operators and employment opportunities for Tweed residents.

The RPS Economic Impact Assessment undertaken by North Byron Parklands in June 2010 indicated that when fully operational, the venue would generate economic multiplier effects in the order of \$192 million annually. The Tweed Shire is well placed to take advantage of a significant portion of this economic activity.

For these reasons a discount on the 'out of shire' bulk water rate can be argued for North Byron Parklands however a discount applying directly to Tweed Valley Water Supplies would not be equitable. If the 'out of shire' rate were reduced, other water carters operating in the Tweed Shire should be able to take equal advantage of it.

Reducing the 'out of shire' bulk water rate across the board for all water carters would require a detailed assessment of neighbouring water extraction policy. This would ensure that any determined change in the existing rate is equitable and consistent with Council's water efficiency, drought management and water security objectives. Any changes to the rate would then need to be advertised for a period of at least 28 days prior to adoption by Council.

Council is currently focusing on water carters and stand-alone standpipe users, tightening up water extraction agreements and reporting requirements while keeping the relevant fees and charges low. The goal is to reduce losses from the water supply system (i.e. unaccounted for water) and ensure that new health requirements are met while still providing fair and equitable access to water for everyone that needs it.

A preliminary comparison of the fees and charges relevant to water carters in surrounding areas shows that for sales within the Shire boundary, Tweed is considerably lower. For example, in Tweed Shire a water carter or standpipe user currently pays \$292.10 annually. This compares to \$720.00 charged by Rous Water for water carters in Byron Shire. The

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annual fee for hiring a standpipe in Byron Shire is \$4,264.00. Other local water utilities also charge a refundable security deposit, usually about \$1,500.

The higher 'out of shire' bulk water rate was introduced on 1 July 2007 to protect the Tweed water supply during periods of drought by discouraging its use outside of the Shire during non drought periods. When the dam drops below 90% all external sales are banned. The 'out of shire' rate was set at three times the 'local rate' to ensure that it was sufficiently high to act as a deterrent.

In December 2013 it was estimated that the financial impact of discounting the 'out of shire' bulk water rate to \$6.80/kL would result in a theoretical loss of income of between \$21,760 and \$32,640 per year. Allowing for a 5% growth in event attendance, a theoretical loss of income of \$24,864 to \$37,296 could be expected if the bulk rate was reduced to \$7.40/kL for 2014/2015.

OPTIONS:

Council has a number of options available to it, namely:

1. Decline the request from Tweed Valley Water Supplies and maintain the current 'out of shire' bulk water charge rate which is three times the 'local rate'.
2. Reduce the 'out of shire' bulk water charge rate applicable to Tweed Valley Water Supplies for the upcoming Splendour in the Grass event only, at North Byron Parklands in July 2014.
3. Reduce the 'out of shire' bulk water charge rate applicable to events at North Byron Parklands in 2014/2015.
4. Reduce the 'out of shire' bulk water charge rate for all water carters registered with Tweed Shire.

CONCLUSION:

Option 3 is the preferred option pending a more detailed assessment of neighbouring water extraction policy and the fees and charges impacting water carters. Once this assessment is completed and Council has an improved policy for water carters in place, it is proposed that the 'out of shire' bulk water rate be reviewed in line with Council's water efficiency, drought management and water security objectives.

The 'out of shire' bulk water charge rate applicable to events at North Byron Parklands in 2014/2015 should be consistent with Council's resolution in December 2013, that is, two times the 'local rate'. In 2014/2015 the 'local rate' will be \$3.70/kL so the reduced rate would be \$7.40/kL.

COUNCIL IMPLICATIONS:

a. Policy:

Adopted Fees and Charges.

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b. Budget/Long Term Financial Plan:

In December 2013 it was estimated that the financial impact of discounting the 'out of shire' bulk water rate to \$6.80/kL would result in a theoretical loss of income of between \$21,760 and \$32,640 per year. Allowing for a 5% growth in event attendance, a theoretical loss of income of \$24,864 to \$37,296 could be expected if the bulk rate was reduced to \$7.40/kL for 2014/2015.

c. Legal:

Not Applicable.

d. Communication/Engagement:

Inform - We will keep you informed.

UNDER SEPARATE COVER/FURTHER INFORMATION:

Attachment 1. Request from Tweed Valley Water Supplies (ECM 3386472).

Attachment 2. North Byron Parklands Letter (ECM 3386484).
