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**REPORT OF GENERAL MANAGER**  
**STRATEGY AND ASSETS COMMITTEE**  
**TUESDAY, 19 JULY 2016**

**SHOALHAVEN WATER**

***ITEMS TO BE DEALT WITH UNDER DELEGATED AUTHORITY***

**1. Future of Human Waste Removal Services**

**File 1084E**

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**SECTION MANAGER: Tony Holmes.**

**PURPOSE:**

To provide Council with details concerning the current contract for the removal of human waste from

**RECOMMENDED, in accordance with the Committee's delegated authority from Council, that the report for the Future of Human Waste Removal Services be considered for information.**

**DETAILS:**

Human waste removal services are conducted under a Council contract which expires on 28 February 2018. The contract involves the collection and transport of effluent and septic solids waste for disposal at Shoalhaven sewerage treatment facilities. The services are made available to all properties within the city which are not connected to the sewerage scheme and include;

- Effluent removal (cyclic and scheduled Pumpouts to urban located premises),
- Septic tank and aerated cleanouts (some urban but mostly rural properties with seep away septic systems), and
- Sewerage supporting services (provision of adhoc pumpout services to support sewerage operations at short notice when required eg power outages)

Following a suite of changes to NSW legislation in 1998, an owner(s) or operator(s) of on-site sewage systems, including septic pumpout systems, are required to apply to Council for approval to operate their system. Council's Planning & Development Services Group (Environmental Services) has the responsibility to manage and issue these approvals. Having each property under a contracted arrangement has assisted with this responsibility.

The large number of scheduled effluent pumpout services had historically allowed a contracted option through a competitive tendering arrangement. This enabled a bulk purchasing power to be achieved for what was a citywide benefit to customers requiring such a service.

The number of effluent removal customers has significantly reduced with the commissioning of backlog sewerage schemes and therefore makes the demand for the

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service less financially viable. Table 1 below shows the reduction of services over the contract years since 2001;

**Table 1**

<b>Contract Year</b>	<b>Effluent Schedule Properties</b>	<b>Septic Cleanouts annually</b>
2001	1579	853
2006	1735	698
2012	769	921
2015	686	558

The current contract was commenced in 2013 with a 3 + 2 contract period. This was a strategic decision mindful of the reducing demand for the services and to negate the frequency of cost increases from new contracts with the anticipated reduced customer numbers. The increase in contract costs from 2013 were absorbed by the re-organisation of staff duties within Shoalhaven Water. Should Council determine to call tenders for a new contract it would be expected that this would result in significant increases to contract costs. These costs would need to be passed onto customers to avoid cross subsidy in the sewer fund.

It should be noted that the Council contract provides a service that be used by customers but Council cannot legally require customers to utilise this service. Shoalhaven Water has effectively been providing an optional service as historically there did not appear to be a competitive market.

During the last 18 months, two commercial operators have been approved to discharge waste to the Shoalhaven Water sewage treatment plants and this brings the number of commercial operators approved in the city area to three. In addition, there are a number of commercial waste removal businesses operating in areas adjacent to the Shoalhaven and there appears now to be a competitive market to facilitate the needs of property owners.

Before any future contracts are considered, it is proposed that discussions be held with private operators to ascertain whether a commercial market alternative exists and to gauge that level of interest and capacity. If a commercial market exists, it would be intended to undertake a survey of all effluent customers to gauge their level of interest in a market choice arrangement and seek feedback on the current contract.

A further report to Council will be provided once this information is available.

#### **FINANCIAL IMPLICATIONS:**

The cross subsidy to the sewer fund from the provision of effluent services has decreased since 2001 as a consequence of the “full cost recovery” resolution of Council. Full cost recovery is largely being achieved with parity yet to be reached for one aspect of the charging tariff due to the limit of increase under the resolution. Any future contract increases would need to be passed onto customers of the service to meet this pricing requirement. In 2012 the current contract saw increases ranging from 23.4% to 70.8% and it is expected that similar increases will occur from 2018.

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**COMMUNITY ENGAGEMENT:**

There are currently 686 properties receiving scheduled and regular effluent removal services including a number of Council owned facilities. The range of services vary from weekly to once every 8 weeks. The schedule of services is largely dictated by the degree of occupancy and therefore the type of customer and interest in the conduct of services can vary significantly.

**OTHER:**

Council's Environmental Section has highlighted that the current contract has been an effective tool for managing some historical effluent issues. The overall management of on-site human waste issues lies in this area and would be considered in any future recommendations to Council.