

## Submission to IPART on prices for Hunter Water Corporation from 1 July 2025-30 June 2030

### Introduction

This respectful, though brief, submission is intended to show that the case for proposed increases in Hunter Water Corporation (Hunter Water) pricing for 2025-2030 should be disallowed by the Independent Pricing and Regulatory Tribunal (IPART). This may be achieved through the foregoing by the State of annual Hunter Water dividends and relieving Hunter Water of the associated interest burden of borrowing from NSW Treasury; the deferral or cancellation of the proposed Belmont Desalination Plant; and the investment of capital and profits so retained in ameliorating and replacing existing infrastructure. This submission is in no way intended deleteriously to reflect on Hunter Water or IPART. Nor is it intended to criticise the executive and staff of those entities, to whom, on the contrary, appreciation is expressed.

### The regressive role of State dividends and forced Hunter Water borrowings from NSW Treasury

From the formation in 1892 of the Hunter District Water Supply and Sewerage Board (later known as the Hunter District Water Board) and the formation in 1992 of the Hunter Water Corporation, the Board's annual profits were invested in water supply and sewerage infrastructure provision and improvements within the Board's area of operations. This allowed the Board to gradually improve its operations while keeping prices (water rates) comparatively low. The Board, the motto of which was *Pro salute civium* (for the public health) had as its objective the health and bodily welfare of Hunter District citizens.

In 1982, the Board introduced water usage charges, which in turn reduced demand on Hunter Region water resources; this permitted the deferral of important aspects of the augmentation of district water supply, placing further downward pressure on pricing.

With the formation of the corporatised Hunter Water in 1992, it became the practice to pay an annual dividend to the NSW government, these funds being incorporated in consolidated revenue. This is part of a wider scenario by which only \$3 in every \$10 generated in the Hunter Region are retained or invested there. Much of the outgoings are used to support Sydney infrastructure projects, in which 'user-pays' does not significantly figure. These hundreds of millions of dollars in annual dividends have, over many years, encouraged higher and higher Hunter Water pricing in pursuit of operating profits. Net profits after tax for the 2023-2024 financial year appear to have been some \$49.8 million, \$1.3 million above budget.

Moreover, payment of the dividend forces Hunter Water to borrow from State Treasury, apparently at commercial interest rates, for capital works. This is neither fair nor equitable, and, with the dividend, amounts to a hidden and regressive State tax on Hunter Region households. This is only indirectly adverted to by Hunter Water or IPART in the subject documents. While, under the *State Owned Corporations Act 1989* (NSW), it is open to government to collect this dividend, there is no requirement that it does so.

Since 1992, the hundreds of millions of dollars extracted in dividends and interest and directed to consolidated revenue have resulted in an obvious decline in Hunter Water infrastructure and service.

### Deteriorating water supply and sewerage infrastructure

An example of the above is the poor condition of some water supply mains is illustrated by Hunter Water's forced reduction of water pressure in many areas. Despite this, incidents of failure, some of them both spectacular and damaging to public and private assets, and some presenting potential danger to life, but all of them wasteful of potable water, appear to be both common and increasing in frequency. An internet search in terms of 'Burst water main Newcastle Herald' provides more than sufficient evidence of the increasing number and severity of such incidents.

Given these exigencies, in addition to the ongoing need for Hunter Water to manage water supply and sewerage needs of a fast-growing population in the Hunter Region, it would be of far greater utility for the dividend to be foregone by the State, relieving or lifting both that impost and the burden of interest. This would substantially decrease, if not obviate, the need for the postulated pricing increase.

### Proposed Belmont Desalination Plant

IPART accepts some aspects of the alleged need for the proposed Belmont Desalination Plan, and therefore of the need for pricing increases. This is despite the Houston Kemp report holding that there is a vanishing small chance that will be needed to maintain district water supply, even in time of severe drought. The Houston Kemp report, together with aspects of IPART's response to it, including the admission that per capita water usage is in decline, appears to indicate that the proposed electricity-intensive desalination plant will not realistically be required for a substantial time to come. The mere fact of the plant's inclusion in generic State planning is not probative of demonstrated need for it. This being so, it is submitted that construction of the plant should be deferred, further reducing or obviating the need for the proposed price increases.

Like not a few infrastructure projects, the proposed desalination plant appears to have taken on a life of its own. The IPART discussion holds that aspects of its construction may be justified by the need to maintain water quality in the face of unforeseen events. Such appear, however, to be so remote that only a single class of events, bushfires, can be adverted to. Yet, should these occur in the Chichester, Grahamstown or Tomago Sandbeds catchments, their effect must be merely transitory, it being open to consumers to adopt simple means, such as straining, for the few days during which such admittedly very unlikely contamination might occur. Moreover, the plant would be very demanding of electrical energy, which is a real concern in environmental and grid supply terms.

### Three more suitable fields of expenditure for water security and quality

Firstly, it is submitted that there is greater urgency in the need for Hunter Water to address the known presence of PFAS and PFOS chemicals of Tomago Sandbeds and Grahamstown Dam. In view of what is known about the effects to human health of these substances, this contamination is of great concern, and in fact very frightening, to all stakeholders reliant on Hunter Water's reticulated water supply for their daily needs. It is possible that the personal effects of these chemicals on the health of customers (consumers) may provide grounds for substantial actions in damages. This possibility should be strongly noted, and taken very seriously by both Hunter Water and IPART.

Secondly, security of supply may be far better served not by constructing the proposed desalination plant, but by refurbishing or renewing Hunter Water's water supply mains and increasingly overloaded sewerage infrastructure.

Thirdly, if there is indeed merit in the postulated need to further guarantee water security and quality, it is open to Hunter Water to employ the capital earmarked for the desalination plant to instead be used to re-purchase land previously resumed or otherwise secured in and around Tillegra, north-west of Dungog, with a view to reinstating the Tillegra Dam scheme. Planning for this, on which over \$100,000,000 (2010 values) had been spent before cancellation in 2010 for political reasons, rather than operational ones, might prospectively be resumed, and documentation updated.

#### Conclusion

It is, then, submitted that IPART would best serve the interest of Hunter Water, its customers (consumers), and NSW in general by disallowing the proposed pricing increases in water supply and sewerage. The postulated reasons for these increases must fail in the face of the several alternatives set out and discussed in this submission. The author expresses gratitude to those charged with reading, and responding to, this respectful submission.

6 May 2025