



COFFS HARBOUR CITY COUNCIL

Your Ref:
Our Ref: 2408 (322063)

17 May, 2001

Mr Thomas Parry
Chair
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office
SYDNEY NSW 1230

Dear Mr Parry

Submission to the Independent Regulatory Tribunal on Proposed Department of Land and Water Conservation Bulk Water Prices.

The Department of Land and Water Conservation (DLWC) has a submission before the Independent Pricing and Regulatory Tribunal (IPART) requesting significant increases in bulk water charges for the period 2001 to 2004. Council at its meeting of 10th May 2001, determined: *"That Council advise the Independent Pricing and Regulatory Tribunal that it does not support the application by the Department of Land and Water Conservation currently before them for significant price increases in bulk water charges for 2001/2002 to 2003/2004."*

Council draws water for its main supply from the Orara River, under licence to the DLWC, which is then pumped into an offriver storage (Karangi Dam). DLWC's submission covers the entire state. They have established pricing regimes in regulated rivers, in unregulated rivers and for ground water, The Orara River is an unregulated river, which forms part of the Clarence River system, which in turn is considered part of the North Coast, "River Valley".

DLWC's submission argues that a portion of the following key costs should also be recovered in order to progress to recovering all categories of costs incurred in bulk water provision:-

- A return on new capital investment;
- (Incorporating into full cost recovery a positive real return on new investments is a National Competition third tranche requirement. In this submission, an industry average rate of return of seven per cent real is applied to the written down value of replacement and refurbishment capital expenditure to 2004).

Please address all communications to: The General Manager, Locked Bag 155/2, Coffs Harbour 2450

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- An annuity for environmental and safety compliance costs:
 - Water use compliance costs;
- A share of water management planning and annual implementation programs and reporting;
- Metering and monitoring costs for unregulated rivers; and
- Capital costs associated with unregulated and groundwater services.

OLWC also argues in its submission that benefits accrue to both the general community and consumers and accordingly have proposed cost sharing ratios between government on behalf of the general community and consumers,

Cost sharing is proposed for the following costs:-

- Safety and environmental compliance cost.
A 50% user cost share is proposed.
- Water management planning and implementation program costs.
A 50 to 70% user share of these costs is proposed.
- Unregulated river metering and monitoring costs.
A 90% user share is proposed.

The table below, which is abstracted from page 31 of DLWC's report, outlines the proposed charges in the unregulated river systems:-

Unregulated Two-part tariff in valleys with metering and monitoring (\$2001/02).

River Valley	River		Two		Part		Tariff
	Entitlement Charge (\$/ML) 2001/02	Usage Charge (\$/ML) 2001/02	Entitlement Charge (\$/ML) 2002/03	Usage Charge (\$/ML) 2002/03	Entitlement Charge (\$/ML) 2003/04	Usage Charge (\$/ML) 2003/04	
Border	1.23	1.00	1.47	1.20	1.77	1.43	
Gwydir	1.17	1.00	1.41	1.20	1.56	1.43	
Namoi/Peel	1.23	1.00	1.47	1.20	1.77	1.43	
Lachlan	0.70	1.09	.84	1.31	1.01	1.57	
Macquarie	1.51	1.09	1.82	1.31	2.18	1.57	
Far West	0.22	1.09	.27	1.31	.32	1.57	
Murray	1.23	.56	1.48	.68	1.78	.81	
Murrumbidgee	2.05	1.09	2.46	1.31	2.96	1.57	
North Coast	1.50	1.09	1.80	1.31	2.16	1.57	
Hunter	0.75	.95	.90	1.14	1.08	1.37	
South Coast	.87	1.09	1.04	1.31	1.25	1.57	

(a) Prices based on maintaining the current \$50 minimum bill.

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The Coffs Harbour City Council Water Supply's annual extraction is currently around 5,200MLs. Current charges are \$100 per licence and 91¢ per ML, having increased from 60¢ per ML in 1999/2000. For 2001/2002, DLWC have proposed a two part tariff consisting of an entitlement charge of \$1.50 per ML and a usage charge of \$1.09 per ML.

They have sought approval for subsequent increases of 20% per annum resulting in charges for the North Coast in 2003/2004, consisting of an entitlement charge of \$2.16 per ML and a usage charge of \$1.57 per ML.

Council's current annual bulk water charges for 2000/2001 will be approximately \$4,900. This will increase to \$13,440 for the year 2001/2002 and then to \$19,359 for 2003/2004, based on the current consumption, if the increases sought by DLWC are approved. This represents a 300% increase in four years.

While other valleys on the North Coast may well have substantial DLWC assets no such infrastructure exists in the Orara Valley. DLWC operate three gauging stations along the Orara, two of these are paid for by Coffs Harbour City Council. Council also funds substantial rehabilitation works to the Karangi gauging station to ensure that accurate measurements are maintained. The DLWC assets involved in the provision of bulk water supply to Coffs Harbour City Council are minimal and much less than may be attributable to other portions in the North Coast catchments but the proposed tariff charges include all infrastructure in the valley.

Similarly, Council undertakes all metering and monitoring associated with the operation of its water supply network. Bulk water meters at Cochranes Pool, Karangi Dam, Coramba and Nana Glen are owned, maintained and operated by Council. In addition to such metering Council has expended over the last two financial years approximately \$271,000 on river rehabilitation and riparian works. It is proposed that in the 2001/2002 budget a further \$152,500 be spent on bush regeneration along the Orara River.

A review of the costs provided by DLWC indicate a total expenditure on unregulated rivers of \$3,285,965 (see attachment).

The River Quality/Flow Reforms (\$1,335,533), it is agreed, will benefit the broader community and not only the users of council's reticulated supply. Council has no knowledge of any surface water quality database, although Council has approached DLWC with a suggestion that one be initiated. Much of the work on River Health data collection has been undertaken by Council and therefore should potentially provide a credit to consumers rather than a cost.

River quality and flows (health) are a community benefit and not a particular customer benefit only. The other water users including the riparian users and recreational users also benefit.

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Much of the work on river health data collection (\$647,024) has been (Karangi Dam Raising/~~Nana Glen Water Supply~~/**Regional Water Supply**) and is proposed to be **undertaken** (Regional Water Supply) by Council in the Orara Valley and therefore should potentially provide a credit to consumers rather than a cost.

Surface Water Allocation Strategies may not be of direct benefit to the CHCCWS consumers, but relate to the health of a waterway and again appear to be more of a community benefit.

Community benefits, it is felt, are appropriately funded from the broader tax base rather than the much smaller Council water supply consumer base.

If DLWC is serious in regard to the adoption of its pricing principles, then the community benefit provided by Councils' investment in monitoring and testing should be funded by DLWC, or at the least credited against Councils' bulk water account.

In making its decision **IPART** should **recognise** that;

- Local Government' and Local Government water supply authorities play a significant role in catchment and river resource management by providing resources to Water Management Committees (including development of water quality and flow objectives), Catchment Management Boards, Noxious Weed/Vegetation and Land Management Committees and undertake water, soil, and waste disposal testing and monitoring and regulation.
- A significant financial contribution is made by Local Government in providing resources to help manage the river catchments. These costs are borne by Local Government; and Local Government has not to date looked at retrieving these costs from State Government; and does not believe that the State Government should be allowed to recover its costs from Local Government.
- Water Catchment Boards will be ~~eking~~ **Local** Government to take a lead role in providing resources to implement the outcomes of their investigations from within current Local Government resources,
- Local Government water authorities are NOT commercial undertakings and are already providing significant financial resources to river management as a community service obligation.
- Based on the substantial contributions being made by Local Government, DLWC should be incorporating these costs into their calculations or credited them to Council's bulk water account.
- The period celled for public submissions was not adequate enough to allow Councils and local communities to be consulted and should have been longer.
- The proposed increases are significantly above the Consumer **Price** Indices and this is inappropriate for Councils to be asked to sustain such increase in light of the current general rate capping policies that the State Government imposes on Local Government.'

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- No account is taken of the enormous value of the infrastructure in place and the relatively small population that these costs can be apportioned across, and the huge benefit others receive.

While Council supports the Water Reforms it feels that its contributions to the health of the river should be taken into account when the bulk water prices are set.

The Council appreciates this opportunity of making a submission to the Independent Pricing Tribunal on the proposed DLWAC bulk water prices.

For further information please contact Mr Simon Thorn on (02) **6648-4470**.

Yours faithfully



Mark Ferguson
General Manager

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NORTH COAST
BULK WATER SERVICES FINANCIAL REPORT

For year ended 30 June 2000

<u>OPERATING</u>	Regulated	Unregulated	Groundwater	Other Services	Total
OPERATING EXPENDITURE					
PA1 Surface Water Database	\$33,591	\$647,024	5-	\$12,928	\$693,543
PA2 Groundwater Database		-	78,628	6,049	84,677
PA3 River Health Database & Water GIS system	27,280	418,238	-	6	445,512
PA4 Water Information Products	9,968	193,263	29,769	23,186	256,186
PB1 Surface Water Allocation Strategies	29,792	315,902		64,027	409,721
PB2 Surface Water Licences		171,552		772,562	944,114
PB3 Groundwater Allocation Strategies		-	3,340		3,340
PB4 Groundwater Licences		-	7,655	132,192	139,847
PC1 Rural Water Supply Strategies	16,165	10,152			26,316
PC2 Rural Water Operations	28,044	59,735	18,516		106,295
PC3 Flood Operations	31	-			31
PC4 Rural Water Infrastructure	314,595	6,927		401,578	723,100
Pw1 River Quality/Flow reforms	10,022	1,335,533		84,539	1,430,095
P m Blue-Green Algae Strategies	632	28,738		2,378	31,748
PD3 River Salinity Strategies		-			-
PD4 Bacterial, chemical & other strategies	16	99		1,275	1,389
PDS Groundwater Management Strategies		-	339,025	2,213	341,237
PD6 Wetland Strategies	6,629	68,901		4,199	79,728
PD7 Water Industry Strategies	3,464	20,291	2,475	5	26,235
PE1 Provision for doubtful debts	1,635	9,602	1,168	402	12,807
Other Asset levy repayments		-			-
TOTAL	481,865	3,285,956	480,575	1,507,525	5,755,920
INCOME					
Business Income	2,298	-	-	100,442	102,740
Cost Recoveries	5,000	15,712	-	(11,872)	8,840
Hydropower Income	6,240	-	-	-	6,240
Licensing				113,827	113,827
Other Income	102	791	273	10,603	11,769
Water Charges	29,084	230,977	78,075	-	338,136
TOTAL INCOME	42,724	247,480	78,348	213,000	\$81,552
NET COST OF SERVICES	439,141	3,038,476	402,227	1,294,525	5,174,368
Government Operating Contribution	125,283	2,539,838	160,393	1,294,525	4,120,039
OPERATING SURPLUS/(DEFICIT)	(313,858)	(498,638)	(241,834)	-	(1,054,330)
CAPITAL					
Total Capital Expenditure	32,774				32,774
Government Contribution	5,383				5,383
CAPITAL SURPLUS / (DEFICIT)	(27,391)				(27,391)
TOTAL					
Operating Surplus / (Deficit)	(313,858)	(498,638)	(241,834)	-	(1,054,330)
Capital Surplus / (Deficit)	(27,391)				(27,391)
TOTAL SURPLUS / (DEFICIT)	(341,248)	(498,638)	(241,834)	-	(1,081,720)