



Greg Piper MP

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The Commissioner
PO Box K35
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Dear Commissioner

I wish to express my concern with, and strong opposition to the IPART's draft determination on Hunter Water's 2016-2020 pricing proposals.

Similarly I have concerns with the IPART's recommendation to reduce the utility's planned capital works program.

In its draft determination, IPART has recommended rises to residential water usage charges that are well in excess of what Hunter Water itself was seeking. In its own submission, Hunter Water was seeking price increases that would add about \$110 a year to the average residential water bill in the Hunter Region by the end of the four-year pricing period. Under IPART's draft ruling, that figure will rise to \$223 over the same period.

While it should be noted that this increase is well above the current and anticipated rates of inflation, it will also add a significant financial burden on pensioners who will need to find an extra \$154 a year (on average) to pay their water bills – more than double the rate of inflation and more than double the increase proposed by Hunter Water.

Hunter Water recorded an operating profit for continuing operations before tax in 2014-15 of \$52.2m. This resulted in an annual dividend of \$21.3m being paid to the State government.

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In its own figures and submissions, Hunter Water's proposed pricing structure would achieve more for its customers with less funds over its four-year pricing plan and still provide a solid return to the State government.

The IPART draft determination would also see \$33m cut from a planned investment in our region's water and sewerage infrastructure. Quite frankly, our region needs a properly-maintained water and sewer system; a system which will meet the demand created by new urban areas and the development of new industrial and employment zones.

There is no avoiding that the result of implementing the IPART determination will mean Hunter residents will pay more for less with higher bills, fewer services, less system maintenance and less investment in new infrastructure.

In its draft determination, IPART talks of a desire to create a fairer pricing structure for all customers, yet it has with unconvincing reasoning rejected Hunter Water's moves to create exactly that. Hunter Water had proposed to create a system which better balances water charges among its residential customers – in short, bringing the pricing structure for apartment owners more in line with those of individual house owners. But IPART has rejected that, leaving the wide pricing chasm between apartment and house owners in place.

IPART says its determination is "*intended to ensure that customers who receive similar services in Hunter Water's network pay similar charges*", but demonstrably fails that test on this point alone.

It should be noted that the proposed four-year pricing structure overlaps the existing agreement by one year. In the existing agreement, pricing was set in line with the rate of inflation, giving customers a guarantee that prices would remain relatively stable in the coming year. Under the proposed determination, the first year of the new four-year structure will put prices well above the rate of inflation. So a 2016-17 water bill which had already been approved to rise by about 1% next financial year, will now rise by 3.1%.

I agree with Hunter Water's interim CEO Jeremy Bath when he said such a rise would be "*an unwelcome result for Hunter residents*". In fact, it would be much worse than that. This extra financial sting will have a significant impact on the Hunter Region's pensioners and will come at a time when families are also meeting the rising costs of other utilities such as power and gas. It also comes at a time when this region is being severely impacted by the downturn in the mining sector and unemployment rates are on the rise.

The average annual water bill for a pensioner in this region is \$670 yet under IPART's draft determination, this average bill will rise to \$824 a year in just four years, a rise of \$154 annually or about 20 per cent. By comparison, under the pricing structure proposed by Hunter Water, that rise would be just \$69 a year, or less than half what IPART has proposed.

Hunter Water has proved itself to be a very good corporate citizen in the region in which it operates. Residents are generally pleased with the high levels of governance and services provided and are proud of the initiatives it has undertaken over many decades – in fact, as IPART would no doubt be aware it was the first water authority in Australia to introduce a user-pays system which produced the fair and equitable pricing structure that exists throughout the State.

I therefore strongly urge IPART to review its draft determination and adopt the more modest pricing structure proposed in Hunter Water's submission.

Hunter Water has put forward a well-considered pricing plan that delivers only modest increases to residents, provides for much needed capital expenditure and maintenance of ageing assets and at the same time returns a solid dividend to the government, yet the IPART would overturn this!

I would hope that it is not the case but this draft determination by the IPART would appear to compromise the most important word in the title, that word being "independent", in that Hunter Water customers will be worse off in the short and the longer terms, while the Government will be the beneficiary of increased dividends. I do not believe this is acceptable and I do not believe that customers of Hunter Water Corporation would accept this as reasonable.

I would be pleased to provide additional comments if necessary and I look forward to your final determination, hopefully in line with the well-considered pricing plan as applied for by Hunter Water.

Yours sincerely



Greg Piper, MP
Member for Lake Macquarie