

Dear Sir/Madam

I strongly object to the proposed increases to water, sewerage and storm water drainage charges by Gosford City Council over four years. The proposed increases totalling 53% above the estimated costs, (according to the published *Typical residential bill* by Council) is excessive on a service where the infrastructure and sufficient revenue already exists.

I wish to bring to your attention the following items that are included in the Council's submission and urge IPART to critically review the costs, processes and reasoning for any considered increase.

Incorrect use of IPART's modelling

Council has incorrectly used IPART's building block model for the calculation of their claims as opposed to an actual cost-based model. IPART specifically mentions on their website "...note that this model is for illustrative purposes only. It does not present the basis of pricing for any particular determination."¹

Actual Costings

Below I have outlined the expenses as stated in the *Pricing Submission To IPART 2012 - Gosford City Council's submission to IPART's Review of prices for water sewerage and stormwater services for Gosford City Council and Wyong Shire Council, 14 September 2012*

The total forecast capital expenditure stated by Council is \$147.3 million over four years.

The total forecast operating expenditure stated by Council is \$246.2 million over four years.

This is a **GRAND TOTAL** of expenses over the four year period of **\$393.5 million**.

REVENUE

From the same submission, Council states that there are 68,000 properties to which water services are provided. Using this figure as the conservative basis of the following revenue calculation together with the Councils own *Typical residential bill* of \$1140.62 (2012/13) as the cost base.

Gosford City Council states an average population growth of 0.42% per annum² which is included in the calculations below (though this is not needed to illustrate the point):

Revenue for Council based on a 2012 population of 68,000 rate paying properties.

2013/14	2014/15	2015/16	2016/17
\$110,138,267.20	\$156,396,339.42	\$222,082,801.98	\$315,357,578.81

Total for the four year period: \$803,974,987.42

Difference between revenue and costs: **\$410.4 million CREDIT**

As demonstrated in the calculations above, Council already has a revenue stream that more than covers the costs of the forecast capital expenditure and operating expenditure over the next four years. In actual fact, the revenue is more than twice the expected expenditure (204%) which then begs the question:

What is the price increase for?

Maintenance and operations

Infrastructure already exists and is already maintained and prices should be compared to other similar regional councils. Maintenance is 'business as usual' and a small increase to keep up with CPI may be warranted, but not in this case where revenue far exceeds expenditure.

¹ Retrieved 9 Oct 2012 from

http://www.ipart.nsw.gov.au/Home/Industries/Research/Reviews/Financial_Models/IPART_cost_building_block_and_pricing_model

² Retrieved 9 Oct 2012 from Gosford City Council website, <http://forecast2.id.com.au/Default.aspx?id=259&pg=5000>

Development

Developments and population growth already contribute to the addition of services which are cost-recovered and subsequently additional revenue is raised via rates. If we introduce CPI increases, these figure increases substantially. Considering these large amounts of revenue, the methodology for this rate rise over four years is not reasonable nor plausible considering the revenue position of Council.

Harvesting

Harvesting water is not a valid reason to increase rates and makes no sense as this already has infrastructure in place, unless more catchment areas have been identified and this has not been made clear by the proposal.

Prudent investment would be harvesting water from rooftops of new developments (private investors are already doing this independently). Rooftop harvesting could be a wise investment at reduced cost to current infrastructure and decrease any demands on the current infrastructure.

Transport and treatment

Transporting and treating sewage to current levels is also not a valid reason to increase costs to the excessive amounts outlined in the proposal. Again, there already is infrastructure in place and a modest increase to keep up with CPI would be acceptable if Council were not in such a favourable revenue position. As stated already above, new developments are cost-recovered and pay for additional new infrastructure.

Stormwater

Collecting, transporting and disposing of stormwater in an environmentally safe manner is not a valid reason to increase costs by 85% over four years. All current residential, commercial and public housing have stormwater drainage infrastructure in place, which is very rarely, if ever, requires Council intervention. Stormwater drainage is already part of any new development planning, which are cost-recovered and has been in place in the Gosford Local Government Area for many years. Stormwater, unless impacting on other properties have virtually no maintenance.

Disadvantage

An increase in rates as proposed by Council would have adverse affects on the community, which is already struggling with the costs of living. Residents of the area are already disadvantaged by the following statistics, readily available from the Australian Bureau of Statistics and the Australian Institute Of Criminology, which all impact negatively on the well-being of the community:

Higher rates of unemployment than the national average.

Lower rates of full-time employment and higher rates of transient and part-time employment.

High rates of crime.

Higher insurance premiums in many areas, due to the high rates of crime.

Higher commuting time for workers.

Higher Council rates than comparable areas of the greater Sydney Metropolitan Area.

The highest rate of youth unemployment in NSW(at above 18%).

Lower rates of matriculation than the nationa average (at 7%).

Around 30% average lower paid jobs than comparable Sydney jobs.

Conclusion

I urge IPART given the information provided in this submission and Council's own submission to carefully review the figures given and the socio-economics of the affected area before granting any increase in pricing.

Sincerely

Rendall Wagner