



# Lachlan Shire Council

Postal Address: PO Box 216 Condobolin NSW 2877  
58-64 Molong Street Condobolin NSW 2877  
Telephone: (02) 6895 4444 Fax: (02) 6895 3478  
E-mail: council@lachlan.nsw.gov.au Website: www.lachlan.nsw.gov.au

*The Heart of NSW*

19 November 2010

Trim Document No.: 47129  
Contact Person: Kevin Smith

Water Administration Ministerial Corporation Price Review 2010  
Independent Pricing and Regulatory Tribunal  
PO Box Q290  
QVB Post Office NSW 1230

Dear Sir or Madam,

**Re: Review of the Water Administration Ministerial Corporations Water Management Charges.**

Council thanks you for your correspondence received 22<sup>nd</sup> October 2010 regarding the above mentioned subject. Lachlan Shire Council wishes to lodge an objection to the Draft Determination on the proposed water pricing for the period 1<sup>st</sup> July 2011 to 30<sup>th</sup> June 2014.

The Lachlan Valley catchment has been in drought for the last 9 years. License holders, Council's and Local Water Utilities (LWU) in the Lachlan Valley have been severely restricted in accessing water during that time. General security license holders have received very low or no water allocation entitlements and high security license holders have received significantly reduced water allocation entitlements for the water years 2003/2004 to 2009/2010. In 2009/2010 the water allocations in the Lachlan Valley were;

General security license holders –	0% water allocation
High security license holders –	10% water allocation
High security stock and domestic license holders –	15% water allocation
High security LWU license holders -	50% water allocation

During this period Council was forced to purchase high security LWU allocation from adjoining local water utilities to meet basic requirements.

The significantly reduced water allocation has resulted in Council's ability to generate revenue being cut by an average of 19% per year. This reduced income generation coupled with the significant cost of drought emergency works has resulted in considerable depletion of Council's water fund reserves intended for much needed capital asset replacement works.

Lachlan Shire has a low socioeconomic status and recent increases in water prices charged to consumers in order to bring Council back into a solvent trading position has placed considerable strain on the ability of the community to afford what is an essential service. Further increases in prices forced by increases such as the proposed determination will make water an unaffordable commodity for the communities most disadvantaged members.

The 2010/2011 water year is the first year in eight where NSW Office of Water has announced full high security allocation and made available a small general security allocation. Wyangala Dam, the main storage for the regulated Lachlan River, is presently holding only 41.5% despite above average rainfall, we are in no position to assume that the long and devastating drought has ended.

The Draft Determination sights the following as reasons for the proposed increases:

- Increased costs associated with the operation and maintenance of NOW's expanded hydrometric network,
- Increased costs associated with the operation and maintenance of NOW's upgraded surface water databases,
- Increased costs associated with the requirement to complete and implement 38 additional water sharing plans over the determination period,
- Increased costs associated with the requirement to remake and implement 31 existing water sharing plans over the period,
- Increased costs associated with the need for increased compliance activities due to increased competition for water resources and a higher number of rules to be enforced (due to additional water sharing plans), and
- Increased costs associated with the need to finalise and implement key operational plans to address floodplain harvesting, control of stock and domestic rights holders, aquifer interference, water return flows, stormwater harvesting, trading groundwater in embargoed areas and rules for the allocation of unassigned water to licensed users.

Under the Draft Determination, proposed price changes will result in the following:

- For regulated rivers the fixed component of the two part tariff water charges will increase between -2% in the Murray Valley to 104% in the Namoi Valley. The Lachlan Valley will see a price increase of 73% over the four year period. The usage component of the two part tariff water charges will increase between -2% in the Border Valley to 167% in the Murrumbidgee Valley. The Lachlan Valley will see a price increase of 73% over the four year period.
- For groundwater the user bill per ML of entitlement will increase between -22% in the North Coast, Hunter and South Coast Valley's to 73% in the Murrumbidgee Valley. The Lachlan Valley will see a price increase of 35% over the four year period.

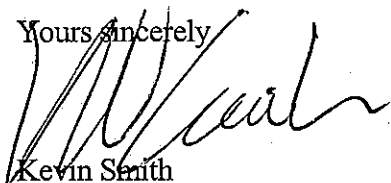
Price increases of this magnitude are in Council's opinion unjustifiable and unreasonable. The Consumer Price Index and similarly rate pegging for Local Government is likely to be far less than that proposed for the price increases for NSW Office of Water. Projected increase of the CPI over this period is unlikely to exceed a total increase of 18% from 2010 to 2014.

Lachlan Shire submits that the impact of the proposed increases on consumers should be the primary consideration in the determination and therefore the determination would take into account the impact of increases particularly in fixed charges on license holders who have received little or no allocation and their capacity to raise revenue to pay these charges. In effect when a license holder receives no allocation of water but still has to meet fixed charges they are forced to borrow money to pay for something they don't receive. For local water utilities and Council's the additional costs are passed onto their communities. During times of reduced water availability it is difficult to significantly increase prices to consumers who rely on the already impacted rural sector for employment and deriving an income. Average wages in the Lachlan Shire are only \$26,729 per annum (ABS 2010).

If price increases of this magnitude are approved Council implores IPART to continue lobbying relevant Ministers to ensure appropriate reporting and audit mechanisms are put into place prior to the introduction of the price increases to ensure that the additional revenue is spent appropriately, efficiently and deliver the outcomes that NSW Office of Water have used in their submission to IPART.

We respectfully request that the determination be reviewed and that the impact of an additional financial burden on consumers within the Lachlan Valley is taken into account. The drought has had a significant impact on not only the rural sector but also on residents within the townships of Lachlan Shire who rely largely on seasonal agricultural employment. Water supply is an essential service which is quickly becoming unaffordable.

Yours sincerely



Kevin Smith

**Director Technical Services**