



PARKES SHIRE COUNCIL

Progress, opportunities and a quality lifestyle for our residents

KB:KB

Contact Person: Kent Boyd

16 April 2010

Review of bulk water charges for State Water Corporation
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

Dear Sir

DRAFT REVIEW OF BULK WATER CHARGES FOR STATE WATER CORPORATION

Please find below general comments in relation to the draft Review of bulk water charges for State Water Corporation.

1. The substantial nature of the draft determination and complexity will limit meaningful consideration by many individuals and tightly resourced organisations.
2. The 65-81% increases in the Lachlan Valley seem exorbitant and can only be reflective of previous poor pricing determinations or poor organisational financial management strategies. This also appears evident in recent determination on electricity and gas, particularly when compared to the recent Local Government rate pegging maximum permitted increase of 2.6% per annum.
3. In excess of 50% of the increase is indicated to be as a consequence of reduced water sales and forecasts water sales. Clearly reduced commodity sales will result in reduced income, however equally the reduced sales directly reflects the extreme drought conditions in the Lachlan Valley and the lack of water available for consumptive purposes. This has a dire effect on water reliant businesses. The IPART Act 1992 s15(1)(k) (The Act) requires consideration of the social impact of these decision, which logic would predict should be on a pari passu basis with the cost of providing the service s15(1)(a). This does not seem to be the case if the extreme events on the Lachlan are not taken into account.
4. To require a return on assets of 7.4% during the world economic crisis and across an extreme drought seems at face value as an act of usury. The Act s15(1)(k) requires consideration of the social impact of these decision, which logic would predict should be on a pari passu basis with return on asset s15(1)(c). This does not seem to be the case if the full WACC rate is applied.
5. Revenue volatility is inherent in every business and does not appear in s15 of the Act as an area for consideration. All local government water utilities are faced with exactly the same issues of uncertainty, exacerbated by the NSW Government requirement to collect only 25% of income from access charges, compared with the 40% applied by State Water. Transferring the cost of income risk volatility to Lachlan Valley consumers seems to conflict with s15(1)(b) of the Act, which would appear to protect consumers from unreasonable risk transfer of this nature.

Yours faithfully

Alan McCormack
GENERAL MANAGER

per: 
Kent Boyd
DIRECTOR OF INFRASTRUCTURE