



Level 9, 299 Elizabeth Street  
Sydney NSW 2000  
Australia  
DX 643 Sydney  
Tel: +61 2 8898 6500  
Fax: +61 2 8898 6555  
E-mail: [piac@piac.asn.au](mailto:piac@piac.asn.au)  
ABN 77 002 773 524

Our Ref:

Dr Michael Keating  
Chair  
Independent Pricing and Regulatory Tribunal  
PO Box Q290  
QVB Post Office NSW 1230

30 September, 2005

Dear Dr Keating

### **Review of Backlog Sewerage Services**

The Public Interest Advocacy Centre (PIAC) wishes to indicate to the Tribunal its support for Option 2 as outlined in the *Pricing of backlog sewerage services for Gosford City Council : Issues Paper*. Briefly, our reasons for this position are outlined below.

Our primary concern is with the affordability of sewerage services and connection to these services. This is a particular issue in the case of Gosford City Council given what is known about the relative disadvantage of many of the people living in its area. Option 2 has the effect of allocating the cost of backlog sewerage across a wider population. This means that many residents in the Gosford area will bear some greater cost in respect of sewerage services. However, it is our understanding that a more universal increase in sewerage charges for residents will be much lower, and therefore more easily borne, than the approach of Option 1 which involves far fewer residents bearing much higher costs.

PIAC is mindful of the claims of 'equity' which are said to underpin Option 1. That is, those residents who have been paying sewerage charges for a number of years which pay for their own particular services might now be asked to contribute to reducing the costs to be paid by other residents. In our view this is an argument about 'economic equity'.

The Tribunal's *Issues Paper* makes reference to 'undesirable cross-subsidies'. No effort has been made to explain why cross-subsidies in this case would not be preferred. On the other hand, the Tribunal has been charged with weighing factors other than strict economic efficiency. The Minister has raised the issue of social equity. The Environmental Protection Authority (EPA) has made clear that environmental and public health issues need to be taken into account.

PIAC does not believe that the Gosford community as a whole can benefit from significant costs for backlog sewerage services being imposed on some members of the community without any regard to the capacity to pay of individual residents. Support for Option 1 appears to us to carry the inference that residents in the Gosford area gain no particular benefit from their proximity to and relationship with the residents of the Hawkesbury villages. The very fact, as the Gosford City Council has pointed out, that the EPA has assigned the highest priority to backlog sewerage in these areas suggests, rather, that Gosford residents generally stand to gain from this program being rolled out.

We believe there continues to be strong public support for social equity in the pricing of essential services such as water and sewerage and for other services seen as having benefits to the community as a whole. Horizontal equity is an important consideration in this respect and one clearly addressed by Option 2.

It is noted that Gosford City Council has expressed concern that the implementation of Option 2 may have the result of compromising eligibility of the Council for future funding under the Government's CTWSS Program. While sympathetic we do not consider that the Council has shown this issue is so significant as to outweigh the other factors which point to Option 2 as the preferable choice. In particular, it is our understanding that the CTWSS Program is now at the stage of winding down and the Council can have an expectation of only limited funding from this source in any event. We would hope that the Department of Energy, Utilities and Sustainability (DEUS) can clarify these concerns.

As always we would be happy to discuss our views in greater detail with the Tribunal or its staff.

Yours sincerely  
Public Interest Advocacy Centre Ltd

A handwritten signature in black ink, appearing to read 'JW', with a long horizontal flourish extending to the right.

Jim Wellsmore  
Acting Principal Policy Officer