

Dr Tom Parry
Chairman
IPART
Level 2, 44 Market Street
SYDNEY NSW 2000

Dear Dr Parry,

I understand that today is the final day for public submissions to IPART in respect of the price of water.

I have written to Hon Frank Sartor on two occasions (20 January 2004 and 19 July 2004) about the price (and availability) of water. Copies of both letters are attached.

On 27 April 2004, Mr Sartor, in a response to my letter of 20 January 2004, stated that:

“20% of Sydney Water’s residential customers use about 40% of our water.”

In view of the above statement by Mr Sartor, I am most concerned that IPART’s pricing decision should not result in 80% of Sydney Water’s residential customers (who use about 60% of our water) subsidising those 20% of Sydney Water’s residential customers who use about 40% of our water.

Pricing equity must therefore be maintained on a total usage basis; bearing in mind that in a *Sydney Morning Herald* article on 19 December 2003, the big consumers of water were identified (presumably by Mr Sartor) as consumers in the “Woollahra, Hunters Hill and Kuring-gai local government areas.”

Voter dissatisfaction about the future price of water will undoubtedly intensify if a report in the *Sydney Morning Herald* on 13 November 2004 is correct insofar as it reported a Sydney Water submission to IPART to increase the price of water, over the next four years, from \$1 to \$1.40 per kilolitre of water used (up to 100 kilolitres per quarter) and, additionally, to increase the excess water usage over 100 kilolitres per quarter to \$1.80 per kilolitre.

In percentage terms, these proposed increases amount to the usurious rate of 40% for annual usage up to 400 kilolitres and 80% for excess water usage (over 400 kilolitres annually).

I also believe that depending on the capacity of our dams IPART should suggest a two-tier pricing structure; with a standard price applicable when dam capacity exceeds, say, 65% and a higher price when dam capacity falls below 65%.

May I also suggest IPART review a report that Sydney Water intends to apply excess water charges on an annual basis and not on a quarterly basis - so that higher than normal usage in summer can be offset by lower usage in the winter months.

Finally, could I refer to a reported comment in a *Sydney Morning Herald* article on 13 November 2004 (“Sting for big families in water charges plan”) by Sydney Water Managing Director, David Evans, to the effect that :

“In Melbourne and everywhere people have recognised the need to wind up the payments for usages... “It gives people greater incentive to control their water use.”

In my opinion, Mr Evans’ reported views are simply a figment of his imagination as they do not reflect the reality that 20 % of Sydney Water’s residential customers use about 40% of our water.

Yours sincerely,

PAUL KENNEDY

Paul McLeay MP
Member for Heathcote
P.O. Box 444
ENGADINE NSW 2233

My dear Member,

Thank you for your letter of 9 January 2004 concerning the Community Submission relating to the recent proposals to increase Bus and Train fares.

In my written response to your Community Bus Forum, I was somewhat critical of the role of the Independent Pricing and Regulatory Tribunal (IPART) which I regard as simply being another bureaucratic monster created by the Government as a means of 'justifying' price increases in respect of essential services that are provided by the Government to the people of New South Wales.

As well as the proposal to increase Bus and Train fares, IPART has recently submitted proposals to the Government to increase the price of both water and electricity.

Each of these three recommended price increases relate to **essential** services that have historically been supplied to New South Wales residents at minimum cost.

In respect of IPART's recommendations concerning the future cost of water (see attached copy of a report that appeared in the *Daily Telegraph* of 19 December 2003), I note that IPART has conceded that its proposal may "create adverse social impacts" insofar as the proposed price increases ("step pricing") may impact unfairly and inequitably on people who have a large family and/or people who live on large blocks of land.

Could I suggest that the proposed recommendations by IPART in respect of the price of water could also impact unfairly and inequitably on residents living on the bush interface – a factor that does not seem to have been taken into account by IPART.

Let me draw to your attention two examples of factors that, in my opinion, have not been considered by IPART.

The first example is highlighted in a report titled: "Well-watered gardens cut bushfire risk: CSIRO" that appeared in the *Sydney Morning Herald* of 16 December 2003 (copy attached).

This self-explanatory report relates to a CSIRO study, into the January 2003 bushfires in Canberra, which found that people who do not water their gardens significantly increase the risk of losing their homes during a bushfire.

The second example relates to people living on the bush interface who have a swimming pool that is registered with the Rural Fire Service as a Static Water Supply (SWS) source.

In my own case, I have a swimming pool (SWS registered) that is sparingly used (because I no longer have any teenage children to use it) and is maintained partly for its benefit in the event of a bushfire - and as you would be aware the evaporation from a swimming pool is quite considerable during the summer months.

I am also extremely cynical about the timing of this IPART Report, while has occurred during a period when Sydney's available water supply is becoming critically low due to the extended drought.

If it was the Government's intention to increase the price of water when Sydney's dam capacity dropped, say, below 70% (the benchmark at which I believe the current mandatory water restrictions should have been imposed; and, also, the benchmark which, when exceeded, will result in the current mandatory water restrictions being lifted) I would not be so concerned – but I suspect that the proposed price increases are intended to apply irrespective of whether Sydney's dam capacity stands at 50% full, 75% full or 99.9% full!

Along the same lines as your Community Bus Forum, given the factors outlined above, could I suggest that you undertake a sample survey of those residents in your electorate who live on the bush interface, so as to gauge their reaction to the unfair and inequitable impact of the "step pricing" increases in the price of water that have been proposed by IPART.

Yours sincerely,

(PAUL KENNEDY)

Hon Frank Sartor MP
Minister for Energy and Utilities
Parliament House
Macquarie Street
SYDNEY NSW 2000

My dear Minister,

Thank you for your reply of 27 April 2004 in response to my letter to Paul McLeay MP, Member for Heathcote, about an IPART proposal to the Government to increase the price of water and to my concern that people living on the bush interface would be adversely affected by the proposed increase in the price of water.

From the outset, let me say that I do not envy your current responsibility to sort out the mess we are in with the supply of water – a mess that has been allowed to happen, because successive Governments over the last 25+ years have adopted an ostrich-like (head in the sand) attitude to the issue of the availability of sufficient water to simultaneously allow for the large population increases that have occurred and, also, to cope with the ever-present likelihood of a severe drought.

I remember talking to a friend recently about traffic problems. He was scathingly critical of the road building system in Sydney and stated that the only sign of any foresight in the construction of roads in Sydney occurred in the 1930's when the Harbour Bridge was built with 6 lanes for vehicular traffic.

The situation with the Warragamba Dam is not quite the same, but my recall when it was opened in 1960 is that it was heralded as being 4 times larger than Sydney Harbour and would ensure that Sydney had more than sufficient water to cope with any foreseeable drought situation.

This euphoria lasted some 8 years, until 1968 when concerns arose that Warragamba Dam may prove inadequate to meet Sydney's water supply needs by the mid-1970's.

The Shoalhaven Scheme was subsequently commenced in 1971 and completed in 1977.

Thereafter the ostrich-like attitude (by Governments of both persuasions) to ensuring an adequate water for Sydney appears to have reigned supreme.

No responsible Minister, nor any Government, has taken any action to boost the supply of water available to Sydney residents, despite a massive population growth.

Then in 2003 panic set in; and you, only recently elected to both the Parliament and the Ministry, have found yourself in the hot seat.

A report in the *Sydney Morning Herald* on 1 July 2004 gave an insight into the problems arising from the drought and also mentioned a proposal to build a pipeline from the Tallowa

Dam to the Warragamba Dam feeder rivers to greatly supplement existing methods of transferring water from the Wingecarribee Reservoir into the Sydney water supply system.

Could I suggest that the proposed pipeline from the Shoalhaven Scheme to the Warragamba Dam be commenced **immediately** and the route for the pipeline should be the shortest and most practicable. The situation with water in Sydney is reaching crisis point and, in my view, it is not a time to be pandering to environmentalists.

In the short term, in addition, could I suggest that you simply restrict the watering of lawns to one day per week, on the basis that grass never dies. It may seem dead, after a prolonged dry spell, but it always recovers after rain.

On the other hand, if you do not water most garden plants, at least irregularly, they are prone to die – and, as such, watering of garden plants should continue as at present.

I note your comment in your letter of 27 April that in order to ensure that families are protected from the adverse impacts of any new pricing structure you have asked IPART to examine the potential affordability and equity impacts of the proposed new pricing structure on all consumer groups.

Perhaps you should also request IPART to investigate whether separate excess water usage quotas should be set for units, villa homes and town houses, given the impact of the unfettered Council approved high-rise or medium density development that has occurred in recent years across the length and breadth of Sydney - and whether some of the massive additional rates flowing to Councils, as a consequence, should be clawed back as a means of funding schemes to reduce water consumption.

In your letter of 27 April to me you stated that “20% of Sydney Water residential customers use about 40% of our water.” In recent newspaper reports I recall inferences that most of these Sydney Water residential customers were residents of some of the more expensive areas in Sydney, including the Eastern Suburbs and the North Shore, who maintained manicured lawns and stately gardens.

Given the above assumption, what I cannot reconcile is the fact that an extra \$200 for excess water usage of 500 kilolitres per year would represent a drop in the ocean (pardon the pun) to a typical Eastern suburbs or North Shore resident, whereas it could constitute a large amount of money to a retired person who lived in the Western Suburbs and who maintained a large garden as an interest and as a hobby.

I look forward to the Solomon-like response from IPART.

The *Herald* article also indicated that a new Government strategy will be unveiled in October. However, can we afford to postpone a decision on the proposed pipeline from the Shoalhaven System to the Warragamba Dam feeder rivers until then?

Successive Governments have procrastinated for 25+ years. The time has arrived when procrastination has to stop.

Yours sincerely,

(PAUL KENNEDY)

