



# Bega Valley Shire Council

The Chairman  
Independent Pricing and Regulatory Tribunal (IPART)  
Bulk Water Review  
PO Box Q 290  
QVB POST OFFICE NSW 1230

17 November 2005

Dear Sir

**Re: Bulk Water Users Price Increase**

I write to bring to your attention serious concerns that Bega Valley Shire Council (BVSC) has over increases in bulk water prices that the State Water Corporation (SWC) proposes in its Bulk Water Pricing Submission. We are also alarmed at the large cost increases that the Department of Natural Resources (DNR) propose for Bulk Water Resource Management which will result in another cost impost being passed onto businesses and ratepayers.

Council also takes the opportunity to strongly support Bega Cheese in their submission to IPART over this matter.

It is evident on reading the SWC submission that little thought has been given to the real impacts of their pricing proposal. I note that the State Water Corporation Act 2004 lists one of SWC objectives as being "to exhibit a sense of social responsibility towards regional development and decentralization in the way it operates" (*P18 of SWC submission*). In fact the Executive Summary on page 9 of their submission appears to more accurately reflect its true objectives and none of those listed objectives relates to regional development, welfare of regional communities or social responsibility.

It is acknowledged that State Water has been placed in an invidious position common to many State Government instrumentalities. These corporations are mandated to be financially viable and consequently their social outcomes are contrary to stated government objectives relating to support of regional communities. On Page 10, SWC claims to have recognized consumer protection, yet in every real, measurable sense it has failed to consider consumers or the long-term financial viability of the Bega Valley Shire generally.

Bega Valley Shire Council draws bulk water from the Brogo River under a high security supply licence. The water is treated and supplied to communities in Bermagui, Quaama, Wallaga Lake and Cobargo. Based on the proposed SWC price paths the cost of bulk water will rise from \$10.60 to \$60.20 per ML over the next year or an increase of approximately 600%. In real terms this will result in a cost increase to town water consumers of approximately \$40,000 per annum. Council will be forced to pass on these additional costs to its customers.

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It is apparent that the costs outlined above add to the burden of other cost shifting activities instigated by the NSW State Government in recent years. IPART should consider the cumulative impacts of cost shifting to local government and associated communities in its deliberations over the SWC bulk water pricing submission. The Federal Governments "Rates and Taxes: A Fair Share for Responsible Local Government" report to the House of Representatives Standing Committee on Economics, Finance and Public Administration (the Hawker report) acknowledges the cumulative impact of such practices on local government and notes there should be measures to prevent future cost shifting by all levels of government. Bega Valley Shire Council and the Bega Valley community have experienced cost shifts in all key areas of activity and cannot carry the burden any more.

If one submission to IPART was not bad enough we have a second proposal by the Department of Natural Resources (DNR). The DNR submission lacked detail and it was difficult to ascertain what services they provide or to calculate actual costs per valley system. It is clear that there is a common interface between DNR and SWC activities and that duplication of these activities may be taking place. The DNR submission appears to be proposing a rise in unregulated river running costs of approximately 60%. The justification for the rise in river costs, monitoring costs and administration costs is unclear. Furthermore details of potential future cost increases were not adequately assessed.

Bega Valley Shire Council strongly opposes adoption of the price paths proposed in the SWC and DNR submissions. At a most basic level, these additional costs will compromise the viability of small rural business in the Shire and force Council to pass on unreasonable costs to town water users. In a regional area that has high unemployment and few employers, the two submissions effectively target people who do not have the capacity to pay. Furthermore the drivers for both submissions can be traced directly to NSW State Government mandates on matters relating purely to financial viability and ignoring social cost.

Yours sincerely



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General Manager