

Tamworth City Council

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17 May 2001

Independent Pricing & Regulatory Tribunal
PO Box Q290
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Dear Sir

DEPARTMENT OF LAND AND WATER CONSERVATION SUBMISSION ON BULK WATER PRICING FROM JULY 2001

With reference to the above submission it is advised that Council considered a report on **this** matter at its meeting of 24 April 2001 and resolved to forward a submission to **IPART** strongly opposing the proposed increase in charges in the Peel Valley.

The following comments are made in support of this resolution.

- Whilst Council supports charging based on COAG and User Pays principles consideration must be given to the capacity of the Users to pay.

The ATTACHED chart shows the percentage increase in DLWC Bulk Water Charges to Council compared to the percentage increase in Annual National Consumer Price Index and the percentage increase in general rates by Council. It should be noted that the NSW Government dictates the maximum annual rate increase by Councils but allows its own government departments to increase charges payable by those Councils at a rate up to 10 times greater than that allowable rate increase. Private industry is not **fetered** by government restrictions on increases to its income stream, nor does private industry have the same level of community service obligation.

The ATTACHED table shows the increase in water charges for water **sourced** from Chaffey Dam. It illustrates the large increase in the cost to Council of accessing water from Chaffey Dam. Council draws **IPARTS** attention to the fact that differing bulk water charges by DLWC in different regional areas is also beginning to show cost advantages to other regions

- Council is of the view that the Peel Valley is similar to a number of valleys east of the Great Dividing Range: where **IPART** have recommended that the NSW Government through DLWC pay a permanent subsidy in relation to the supply of bulk water.

The following points are provided in support of this view.

The quantity of water available in the valley is relatively small and of that water Council is by **far** the largest user. However the amount of water that Council, uses on average (**4015 Megalitres** per year) is a relatively small amount of the total amount of water available in any one year. Obviously, there are a large amount of “sleeper” licenses in the Peel Valley,

Is it equitable to **endeavour** to try and apply **full** cost recovery principles on a valley which has a relatively small quantity of water available, only a small amount of the water available is accessed and of the water accessed there is only one major consumer⁷ Additionally Caffey Dam is a relatively new Dam constructed in the 1970's . The DLWC at the commencement of construction knew what the agreed water allocation to **Tamworth** City Council was, there was a legal agreement **&** Council had agreed to pay an amount of money for a guaranteed water allocation **from** the Dam. It is not Councils fault that the DLWC issued **licences** and allocated water in excess of the safe yield of the first stage of the Dam , Council had no control over the **DLWC's** actions. Council believes that the situation it faces is unique and requires investigation.

Chaffey Dam as constructed was the first stage of a two stage project. The DLWC has never proceeded with the second stage of the Dam. due to changes in government policy **It** is Councils contention that there are cost penalties inherit in this situation **&** there are specific problems associated with the delivery and costing of the supply of water to the Valley that demand specific investigation . Council would be more than happy to discuss with **IPART** how such an investigation should be undertaken , its finding and a timeframe in which the study should deliver its findings.

- **IPART** should address the issue of the large number of sleeper licenses, **and** the associated problem of DLWC only raking revenue through entitlement and not usage One mechanism available to DLWC would be to increase the entitlement charges so that it is no longer economic for **irrigators** to hold licenses without accessing the water. Council, would support this initiative if Council where permitted to **freely** trade its entitlement,
- The submission does not appear to **recognise** or address charges applicable where a Council has made significant Capital Contributions to the cost of construction of a DLWC asset. In Council's case this relates to the construction of Chaffey Dam the cost of which Council provided a significant contribution towards yet Council is still expected to pay the same amount as every other user in the valley.

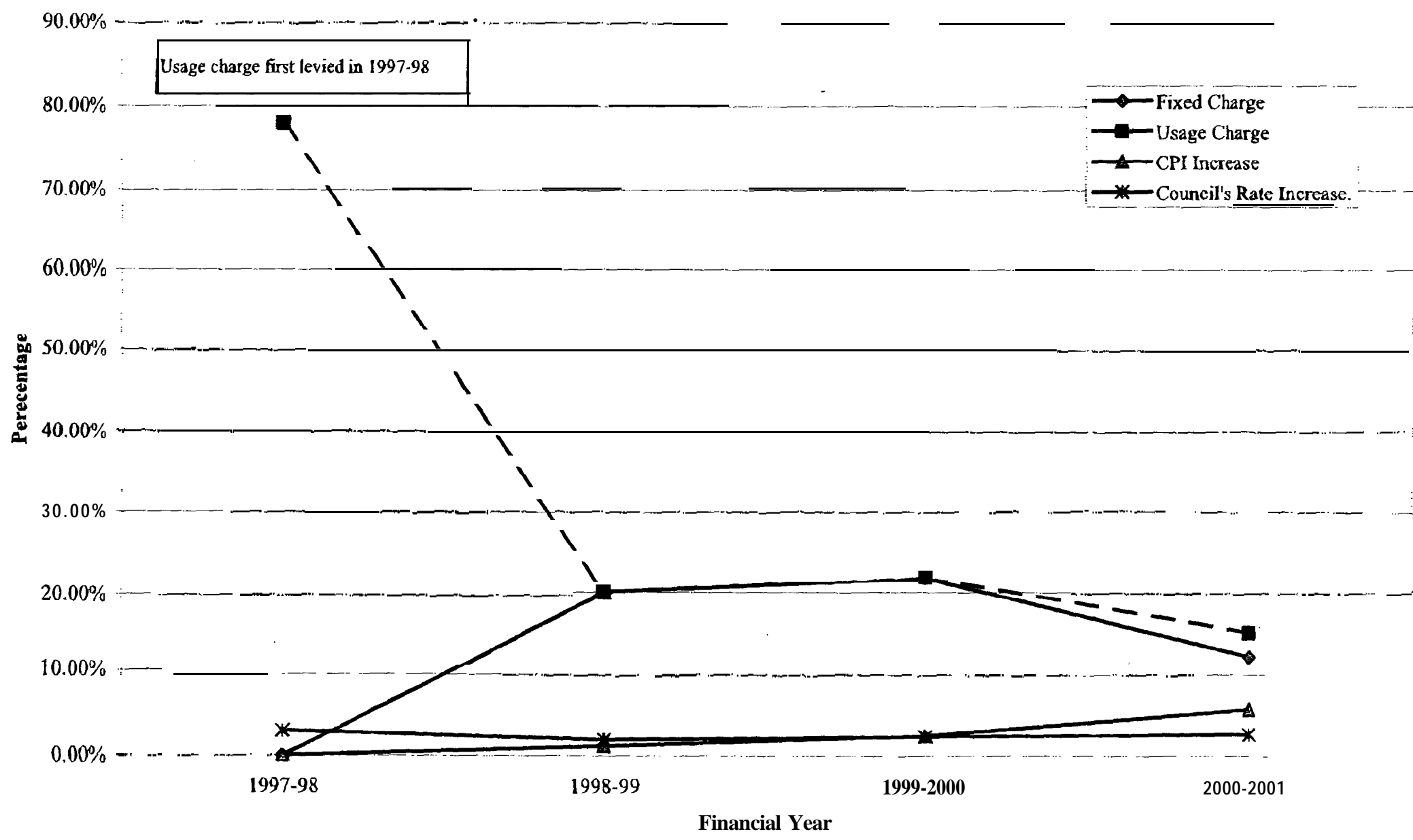
Please direct any further inquiries to the Technical Services Director, Mr **Wilton** Boyd, or the undersigned.

Yours faithfully



Bruce Logan
Acting Roads and Drainage Manager

Comparative % age Increase in DLWC Charges, CPI and General Rates



Chaffey Dam - DL WC Charges

Year	High Security /ML	Usage /ML	Amount Used ML's	Cost to TCC
1997/98	4.5	3.5	6628.6	\$ 97,000.10
1998/99	5.4	4.2	2736.8	\$ 100,054.56
1999/00	6.48	5.04	2131	\$ 117,012.24
2000/2001*	7.53	6.01	4015	\$ 147,622.15
2001/2002*	9.04	7.21	4025	\$ 177,204.15
2002/2003*	10.84	8.65	4015	\$ 212,505.75
2003/2004*	13.01	10.39	4015	\$ 255,079.85

* Based on consumption from Chaffey Dam of 40 15 ML's
which is the average consumption over the last **8 years**.