

INDEPENDENT PRICING AND REGULATORY TRIBUNAL

REVIEW OF PRICES FOR WATER, SEWERAGE, STORMWATER AND  
RECYCLED WATER SERVICES FOR SYDNEY WATER CORPORATION  
FROM 1 JULY 2012

Tribunal Members

Mr James Cox, CEO and Acting Chairman  
Ms Sibylle Krieger, Part-Time Member

Members of the Secretariat

Ms Amanda Chadwick, Ms Lucy Garnier and Mr Scott Chapman

At the IPART Offices  
Level 8, 1 Market Street,  
Sydney

On Tuesday, 22 November 2011 at 10am

.22/11/11

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1 WELCOME

2

3 THE ACTING CHAIRMAN: Good morning, ladies and  
4 gentlemen, I would like to welcome you to this public hearing,  
5 which is being conducted by the Independent Pricing and  
6 Regulatory Tribunal into water, sewerage, stormwater and  
7 recycled water prices for Sydney Water Corporation for the  
8 period commencing 1 July 2012.

9

10 I would like, first of all, to introduce ourselves. I  
11 am Jim Cox, the Acting Chairman of IPART, and also Chief  
12 Executive Officer. I am joined on this review by my fellow  
13 Tribunal member, Sibylle Kreiger.

14

15 IPART last conducted a hearing of the Sydney Water  
16 Corporation's prices during 2008. The pricing  
17 determination made at that time covered the period from 1  
18 July 2008 to 30 June 2012. This present investigation  
19 which is being conducted by IPART will cover the period  
20 commencing 1 July 2012. We have not yet decided on the  
21 length of the determination period, and we are open to  
22 suggestions regarding that.

23

24 I note that Sydney Water has suggested a determination  
25 period of four years, and several other stakeholders have  
26 also supported a four year determination in their  
27 submissions. That would mean a new determination  
28 expiring on 30 June 2016.

29

30 As part of this investigation IPART released an Issues  
31 Paper in June 2011, which set out key aspects of the review  
32 process. The Issues Paper outlined some of the matters the  
33 Tribunal considers important to this review, its general  
34 approach to price setting, the matters that the Act says  
35 that we must take into account in conducting an  
36 investigation and also draft a timetable for review.

37

38 In the issues paper we called for submissions from the  
39 Sydney Water Corporation, its customers, and other  
40 stakeholders. The tribunal is most grateful for those  
41 taking the time and trouble for making submissions. Some  
42 of the organisations that have made submissions to the  
43 review will be presenting a case to this hearing today.

44 All the submissions received will be carefully considered  
45 by the Tribunal in developing our findings and  
46 recommendations.

47

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1 In Sydney Water's 2008 determination, the Government  
2 directed IPART to include in the prices to be set for  
3 Sydney Water the efficient operating costs of the  
4 desalination plant. Earlier this year the Government asked  
5 us to prepare a separate price determination for the Sydney  
6 desalination plant. This determination will be released  
7 shortly and will set out how and what price the  
8 desalination plant will charge Sydney Water for its  
9 services.

10

11 The Sydney Water review raises several issues of  
12 significance for the community and for us at IPART. Since  
13 the 2008 price determination, water use has been 10% lower  
14 than Sydney Water forecast at the time of the  
15 determination. For the coming determination, Sydney Water  
16 has forecast much lower water use than in 2008. It argues  
17 in its submissions that Sydney householders were using the  
18 same amount of water as they did during the most severe  
19 water restrictions in '08/'09. This forecast has had an  
20 impact on prices.

21

22 Sydney Water has proposed a substantial investment  
23 program for the next four years to maintain service  
24 standards, to meet the needs of projected population  
25 growth, and to meet regulatory requirements. Inevitably,  
26 if expenditure is approved it will flow through the prices  
27 customers pay. It is part of our role to scrutinise this  
28 and other expenditures and to assess whether the costs are  
29 justified and efficient, and whether they should be passed  
30 through to the customers. Now this hearing will consider  
31 these issues amongst others.

32

33 The hearing is an important part of the broader price  
34 review. It provides us with the opportunity to hear from  
35 Sydney Water, its customers and other key stakeholders and  
36 to question the propositions put forward. We have engaged  
37 independent experts to provide assistance on specific  
38 matters related to the review, such as the prudence and  
39 efficiency of Sydney Water's forecast expenditure. The  
40 finding of these experts as well as the views of all  
41 stakeholders will be a key input into our decision-making  
42 process.

43

44 The submission made by Sydney Water, together with  
45 other submissions and consultant reports, are available to  
46 the public through the Tribunal's website, and the  
47 transcript of proceedings today will also be published on

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1 the website during the next few days.  
2  
3 Before we commence proceedings today, I would like to  
4 say a few words about the process for this hearing. You  
5 have available to you an agenda, which indicates the order  
6 in which organisations will be presented before us.  
7

8 For each organisation appearing, a presentation time has  
9 been allowed, and this is to be followed by a period for  
10 questions. The IPART Secretariat will ask a series of  
11 questions to each stakeholder, and members of the Tribunal  
12 may do so as well. A short period will be allocated for  
13 questions from the floor. I do request presenters to stick  
14 to the allocated time.  
15

16 Assisting us today are Tribunal Secretariat Members,  
17 Amanda Chadwick, who is Director of Water, Lucy Garnier  
18 is Project Manager, and Scott Chapman is the Senior Analyst,  
19 and they are on my right.  
20

21 At the conclusion of all the scheduled presentations I  
22 will make time available for members of the public to  
23 express their views and opinions on the proposals that have  
24 been put before us by Sydney Water, its customers and other  
25 stakeholders. Sydney Water request that they end, Sydney  
26 Water, respond to arguments made during the day, and we  
27 appreciate that very much.  
28

29 We'll commence the proceedings with a short  
30 presentation from IPART Secretariat, and Lucy will start,  
31 and this will be followed by a presentation from Sydney  
32 Water. Thank you Lucy.  
33

#### 34 OVERVIEW

35

36 MS GARNIER: Good morning. I would just like to say a  
37 few words to set the context of today's public hearing. So I'd  
38 start to - by looking at Sydney Water's actual and proposed  
39 bill since 1993. We've made all those bills in real  
40 dollars, so that is actual price increases. And you can  
41 see from around 2005, bills started to increase, with a  
42 sharp increase at 2008, and further proposed increases over  
43 this forthcoming determination period.  
44

45 From this context we have posed a few questions that  
46 we would like to explore throughout today's hearing. The  
47 issues really are Sydney Water's customer's capacity to pay

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1 for further increases - and there I've translated the graph  
2 into figures, where the 2008 determination prices - real  
3 price increases were 32.6%. And over the 2004/'05 to  
4 2011/'12 period those increases were actually 41%; and  
5 proposed price increases over the forthcoming determination  
6 are 15%.  
7

8 Looking at what is driving those bill increases, we  
9 are asking how efficient are the increases in costs; we are  
10 seeing a low growth in customer connections, so what is  
11 driving expenditures on growth infrastructure, and Sydney  
12 Water have a strong performance against its operating  
13 licence standards and other standards imposed on it, so  
14 again we are looking closely at what is driving the capital  
15 expenditure increases.  
16

17 We are also asking what we think might happen after  
18 2016 - are the costs and prices forecast to continue to  
19 increase at current rates, or maybe are they forecast to  
20 flatten out from that point? So that is really what I  
21 wanted to say to add context to today's public hearing.  
22 And I'll just set the computer up so Kevin can carry on  
23 with Sydney Water's presentation.  
24

25 SYDNEY WATER

26  
27 MR YOUNG: It's a dead mouse. Is there a doctor in the  
28 house?  
29

30 Chairman, while we're setting this up, I'll introduce  
31 myself - Kevin Young, Managing Director of Sydney Water  
32 Corporation, and I have with me today Stuart Wilson and  
33 Angela Tsoukatos from Sydney Water as well, supporting  
34 me. In preliminary, while we are setting this up, I would like  
35 to thank you, Mr Chairman, for the opportunity to be here  
36 today. Sydney Water is a strong supporter of the IPART  
37 process that involves a public submission and submissions  
38 from the stakeholders and public hearings. And this is a  
39 good opportunity, I think, for Sydney Water to outline key  
40 points of our pricing submission, but we are also very  
41 appreciative of all the stakeholders who will present here  
42 today.  
43

44 Houston, we have lift off.  
45

46 Thanks, Mr Chairman. In the next 20 minutes I'll  
47 briefly go through the key points of Sydney Water pricing

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1 submission. It's quite a substantial document that is on  
2 the IPART website. I want to just cover a bit of the  
3 current price path that Lucy had mentioned as well in that  
4 period. And it was substantially a period of looking at  
5 the Water For Life campaign, and what Sydney Water was  
6 achieving over that period.

7  
8 The desal was built - as we say on time and under  
9 budget. It's 250 megalitres a day, which is about 15% of  
10 Sydney Water's water supply, with 100% renewable energy  
11 to power it, and it was built under budget, budget was about  
12 \$1.9 billion.

13  
14 I think the current period is also to be remembered  
15 for a substantial increase in recycling that occurred over  
16 this current price path, and the most significant of that  
17 would be St Mary's recycled water plant. That recycles a  
18 massive 50 million litres of water a day to the Hawkesbury  
19 -Nepean system, replacing water that was previously  
20 supplied from Warragamba Dam; and also major investment  
21 in other recycled water schemes, including Rouse Hill -  
22 supplying water to 20,000 homes with recycled water. And  
23 we'll continue to look for recycled water schemes which can  
24 provide value for money.

25  
26 And last but not least, I think is the tremendous  
27 response we got from the community in water efficiency. It  
28 was one of the most comprehensive water efficiency  
29 programs in the world, it was recognised, that Sydney Water  
30 put in place. And the amount of water that Sydney Water  
31 residents are using in the present time is the same as the  
32 early '70s, despite more than a million more residents in our  
33 area, which I think is a very commendable result, and  
34 Sydney should be congratulated for that.

35  
36 As I said, over the last determination improved water  
37 security, a full compliance with our operating licence - an  
38 operating licence that has targets set for customer  
39 standards - things that are important to customers, as we  
40 all know in water quality and sewer overflows and water  
41 pressure and water discontinuity. There was a major  
42 investment in recycling and desalination, and cost  
43 increases that was approved by IPART, and that was a 34.8%  
44 increase over the 4-year period.

45  
46 Interestingly, this graph shows that as a major  
47 increase in costs in the average bill or a typical bill

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1 over that price period. I've also put on the slide the  
2 customer survey results, where we survey customers in terms  
3 of what they see as value for money rating on the Sydney  
4 Water bill. And I think, you know, it is noteworthy that  
5 during that time period customers' rating of value for  
6 money, with such a substantial price increase, went up over  
7 that period, which I thought was a very pleasing result.  
8 So there was strong backing from the community for what we  
9 were doing in that area, and the investment that we were  
10 making.

11  
12 IPART, as part of the efficiency review with the  
13 external consultants that the Chair has mentioned, set us  
14 targets for what they saw as efficient and prudent  
15 operating costs and capital costs, and we came within 1% of  
16 the forecast, which I think was a significant achievement  
17 in driving productivity in the organisation.

18  
19 This slide covers two measures, and one is just a true  
20 measure of the number of full-time equivalent staff at  
21 Sydney Water - that you can see has dropped down  
22 continuously over time. I think going back some time  
23 Sydney Water hit a peak of 20,000 staff, or around that new  
24 range the other day, from the '80s, from earlier periods of  
25 20,000 and now to 2,900, and there has been later  
26 substitution in that with more partnering of the private  
27 sector.

28  
29 The other one, of course, is the number of property  
30 connections per employee, and that has dramatically risen  
31 over that time period. So those measures are going in the  
32 right direction, with no doubt more to be done.

33  
34 I put in this slide which is looking at the underlying  
35 operating cost per connection for the current period and  
36 the period moving forward, and you can see that during this  
37 current determination period the cost per connection has  
38 dropped, and we are proposing that the cost per connection  
39 continues to drop for customers in the future.

40  
41 One of the main things that is covered in our  
42 submission - I think it's the most detailed and  
43 comprehensive submission that Sydney Water has ever put  
44 together, I think - about 500 pages - which we appreciate  
45 the Tribunal's time to analyse and put that together. And  
46 I also appreciate Sydney Water people's time in putting  
47 such a major submission together. It is appreciated.

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1  
2 But one of the issues we do cover is that IPART and  
3 Sydney Water made its best estimates of what we saw the  
4 demand projections being for water over a particular  
5 period, and I think that's one of the risk elements of  
6 looking at a four year period, but it's one of the elements  
7 that we understand is that not all things are controllable,  
8 including climate, and the drought persisted longer than  
9 anyone could have forecast.

10  
11 Looking back, I know it's one of the questions the  
12 Tribunal is asking about how do you forecast in the future,  
13 looking forward. I think Sam Goldwyn of MGM was asked  
14 that question once and he famously said, "I never make  
15 predictions, especially about the future". And it is a  
16 difficult area.

17  
18 For us, what that meant was that IPART's expectation  
19 of what would be reasonable sales of water over that period  
20 didn't eventuate, with longer than expected restrictions in  
21 place, and the community did fantastically well. And what  
22 that essentially resulted over that period was around  
23 \$920 million which was lower in revenue than was expected  
24 by the Tribunal and Sydney Water, based on reasonable  
25 estimates of the future.

26  
27 What we have said is that we are not looking to claw  
28 any of that back, looking forward. That's just the reality  
29 of the situation for the four-year period, and we'd like to  
30 just reset again on what we think is the reasonable  
31 expectation for the future based on demand.

32  
33 I'd like to go - move from the current determination  
34 to the - our proposal for the next price determination,  
35 Chair. As you said, our preference would be to do a  
36 four-year determination, given that I think that we've had  
37 substantial investment in the water security, which is now  
38 in place. And looking forward, we are saying that, with  
39 respect, there's three elements, I think - operational  
40 costs, capital costs and rates of return.

41  
42 Sydney Water has proposed making the same rate of  
43 return as was granted by IPART in the last determination,  
44 so no changes at all in our submission on that area, but I  
45 appreciate that is a question for IPART to review based on  
46 current conditions.

47

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1 With respect to operational costs for Sydney Water, we  
2 have proposed significant operational efficiencies for the  
3 organisation over the four-year period. It's some  
4 \$140 million cumulative by 2015/'16, and I think that will  
5 be quite an ask for the organisation, but it's something  
6 that we are committed to achieve.

7

8 And what that has meant is that overall operating  
9 costs are stable even with that saving, and that's because  
10 we are seeing major increases coming in in things like  
11 energy and chemicals, and a number of our major contracts  
12 we are seeing major increases.

13

14 Broadly, capital expenditure is returning close to  
15 trend, which is about \$3 billion over four years, or about  
16 \$750 million a year in capital that we have put forward for  
17 IPART's consideration.

18

19 Some details - as I said, some costs are increasing  
20 for the organisation. Contractors - \$136 million, mainly  
21 in facility maintenance, trunk main repairs, and that's an  
22 accountant change. IT application support. Energy - we  
23 are seeing major increases in energy which, as the Tribunal  
24 would be aware of, Sydney Water is a major user of energy,  
25 and that is one of the things when you have a very heavy  
26 product of water that you are transporting around  
27 significant geographic distances - a cubic metre of water  
28 weighs a tonne and is quite heavy and uses a lot of energy.  
29 So that translates into a \$98 million increase in energy  
30 above what we would expect. Carbon tax has been factored  
31 into our submission, and chemicals are going up.

32

33 As I said, we factored in about 140 or \$138.8 million.  
34 The labour savings on that is \$80 million. As the Tribunal  
35 would be aware, even though Sydney Water views that as  
36 controllable, there are significant dislocation costs in  
37 labour, and any savings you get out of that take a little  
38 while to come through. So we've factored in \$80 million in  
39 labour savings, and a total of \$138.8 million.

40

41 Things that we are proposing for the four years.  
42 We're moving ahead with this major improvement in our  
43 asset creation. That will mean more efficient planning and  
44 building of assets. That's being more streamlined within  
45 the organisation about we move from strategy to the actual  
46 creation of the assets and operation of the assets.

47

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1 We have moved ahead with a program that's been  
2 implemented at the present time on modern mobile  
3 workforce. A single-person response, multiskilled, to a  
4 customer who has a complaint, rather than a multiperson  
5 response. We put GPS in all of our vehicles, and we are  
6 moving ahead to use that for improved scheduling and  
7 reduced travel times so we can get more productivity and  
8 better prioritisation from our workforce in doing that, and we  
9 are doing more area-based maintenance delivery. So  
10 broadening it out over a larger area to make sure that we can  
11 get the best use of our resources.

12  
13 We have tackled the issue of improved planning and  
14 work practices in mechanical and electrical maintenance,  
15 and we have reached agreement to move ahead with that  
16 and we expect significant savings to come from that.

17  
18 We are tackling areas of more efficiency in road  
19 restoration, vehicle plant and equipment - how we can best  
20 use our inventory, gearing up our maintenance to do it just  
21 in time. We are factoring in induced watermain breaks  
22 because we rolled out a pressure management program. We  
23 know that as we roll that out, that will give us  
24 operational efficiencies and less breaks, gearing up energy  
25 efficiency. That's really the operating cost story of  
26 substantial improvements of trying to offset the  
27 non-controllable increases in our business.

28  
29 In capital expenditure we forecast \$3 billion over  
30 four years, and this is the main driver of increases. We  
31 can talk more about this later, but with Sydney Water  
32 holding operational costs steady, we are not seeking a  
33 greater rate of return. It's the capital program that is  
34 driving the increase in the bills.

35  
36 And of that we've differentiated the capital cost into  
37 different categories - about \$1.65 billion in maintaining  
38 and renewing assets, and that is really - all of those  
39 decisions that we make are based on fairly sophisticated  
40 asset management models being peer reviewed, where we  
41 are making the best call about continuing to wear the  
42 operational costs versus the right time to invest in a new  
43 asset. I think that's a reflection of the age of our  
44 assets, and the need to invest.

45  
46 It would be fair to say, Chair, that a lot of the  
47 assets we use today were put in place and financed and

1 built by previous generations, and we are getting great use  
2 out of that, but I would say that it's our time to invest  
3 in assets for the future as well, for the next generation,  
4 and the generation after.

5  
6 There's \$774 million in growth that supports new  
7 development, that is part of the Government's agenda of new  
8 growth in our area that we are supporting, and as you would  
9 be aware, that is paid for through water and waste water  
10 charges, because development charges don't exist any more.  
11 So that's a reflection coming in.

12  
13 There's \$450 million in overflow abatement, mandatory  
14 standards, environment standards, and priority sewage  
15 program. And there's substantial amounts of new villages  
16 that will receive a sewage service for the first time. And  
17 business efficiency - \$126 million we are investing in  
18 capital items that we think will give us a return. They  
19 are the major drivers.

20  
21 This is shown on the graph. You can see the blue area  
22 is the renewals and reliability, which is the major driver;  
23 then the current growth - north-west, south-west growth  
24 sectors; information technology which we are using to drive  
25 the operational efficiencies, environment program and  
26 priority sewage sits on the top.

27  
28 So there are three main price pressures that Sydney  
29 Water has seen. The number one is maintaining and  
30 renewing the assets, and that intergenerational equity  
31 question of investing in assets at the present time.

32  
33 The second is the major investment in the growth  
34 throughout our area, which doesn't - it now comes back on  
35 customers through water and waste water charges, with the  
36 abolition of developer charges. And the third element is  
37 an adjustment because in the last price path I think the  
38 demand estimates were too high of what water sales will  
39 occur.

40  
41 We appreciate that at the end of the day this is an  
42 IPART call. We put forward that we're proposing that the  
43 water usage charge increase up to \$2.35 for 1,000 litres  
44 for the typical home, for water that they used, and that's  
45 set on the long-run marginal cost of the next augmentation,  
46 which would be the expansion of the desal plant at some  
47 time in the future, but we think Sydney Water has a

1 preference to have a higher usage charge in that space.  
2 We've asked for a smaller increase in the fixed charge of  
3 water, and the waste water charge going up from \$539 to  
4 \$638.

5  
6 Interesting that of the bill increase Sydney Water has  
7 asked for, I think two-thirds of the increase is on the  
8 waste water side of the business, and only a third on the  
9 water, although a lot of the debate tends to be on the  
10 water, it's the waste water side of the business that we  
11 see we need to invest in.

12  
13 What that translates to for the typical home using 200  
14 kilolitres per year would be - and this is in real terms,  
15 without inflation, would be an increase from \$1,105 to  
16 \$1,271. That's \$166 increase over that period.

17  
18 Using IPART's terminology, we've put that in terms of  
19 an increase in the first year - I think you call it P-zero  
20 - as an approach, with smaller increases. So a 9.3%  
21 increase in the first year, and then dropping to 1.9, 1.7%,  
22 1.5% in the subsequent years, leading to a 15% increase  
23 above inflation during that period, end of June.

24  
25 Simply I've put this slide in just to explain for the  
26 typical bill how that gets broken up - and 9% on dam water,  
27 10% on desalination, 7% on treatment. You'll see most of  
28 the costs, interestingly, are on the water and waste water  
29 transport side of the business. Essentially that's what  
30 Sydney Water is - it's a transport business with something  
31 like 49,000km of water in sewer mains across our area that  
32 we need to maintain.

33  
34 Retail is really quite small, at only 4%, and waste  
35 water treatment 33%.

36  
37 This is the \$166 above inflation that we were talking  
38 about. Looking at it, cutting it a different way -  
39 maintaining and renewing assets \$55, servicing urban  
40 growth, \$45, demand adjustments 41; environment, overflow  
41 abatement, priority sewage program 15, and \$10 for others,  
42 including the carbon tax is the major driver of those  
43 changes in that space.

44  
45 IPART's raised some very interesting issues with  
46 respect to structure, and I know some of the speakers today  
47 will go to this as well. There was a view to having a look

1 at a common water service charge to all residential  
2 properties, and Sydney Water supports the change. We know  
3 there are a number of major anomalies at the present time.  
4 So you could visit the same unit - you have exactly the  
5 same unit in one block with the same water service, and by  
6 an anomaly of how that block of units is configured, and  
7 the size of the meter at the front, that unit could pay as  
8 low as \$3.20 a year in service charges for water. And you  
9 could visit another unit that looked exactly the same, and  
10 with different configuration - they would pay \$140 a year  
11 in fixed charge. In fact, they could pay no more than a  
12 house.

13  
14 So we have a system in place now which has huge  
15 anomalies, and customers would rightly ask how is it that  
16 there's such discrepancies with the current system. And so  
17 we are supporting that that be unified with a common  
18 charge. And we propose to IPART a transitional period  
19 because we appreciate that whenever you make these  
20 structural adjustments, there can be some major increases  
21 for some customers. So we have put in place a proposal for  
22 IPART's consideration of how we transition those customers  
23 to what we see as a more equitable bill arrangement for the  
24 future.

25  
26 Lastly, and I think most importantly, we do appreciate  
27 that a number of our customers are doing it very hard,  
28 particularly with energy prices going up and other bills  
29 going up. And so Sydney Water, as part of its proposals,  
30 will put improved payment assistance strategy in place, a  
31 new payment systems policy and program, payment systems  
32 manager and support specialists, a hardship program with  
33 bill assist. We have reviewed and enhanced the PAS  
34 voucher, more assistance options including bill smoothing,  
35 telephone Centrepay registration; we've increased our NILS  
36 funding. We have got a Plumbassist, which is a hardship  
37 program - a targeted plumbing program for those customers  
38 that need to have work done in their house; a hardship  
39 donations program, and more on education and outreach.  
40 We are doing more in that area and we've appreciated the  
41 submissions that have come in that area, and would like to  
42 work with the groups to continue to improve our program in  
43 that space.

44  
45 And, Chair, that's the end of my presentation.

46  
47 THE ACTING CHAIRMAN: Thank you very much. I

1 thought that was a clear and concise presentation. We'll move  
2 over to a section of questions. I'm going to hand over to  
3 Amanda after just one question purely to kick off with.

4  
5 And one of the things you emphasised in your  
6 presentation, which perhaps I appreciated more through  
7 listening to you than I had before, was so much of your  
8 price proposal was about maintaining and renewing assets,  
9 and you raised issues of intergenerational equity.

10  
11 I wonder if you could just explain to us how you think  
12 about those issues, and what is required to be undertaken  
13 in this price period? What's the scope to accruing some of  
14 that investment, and what the consequences of a deferral  
15 might have been?

16  
17 MR YOUNG: That's a really good question. And could I say  
18 it goes to the heart of the question of IPART does set  
19 targets for a lot of those areas as well - in sewer  
20 overflows, water pressure and water continuity. But I  
21 think underpinning that is - to achieve those targets,  
22 Sydney Water invests in capital, we invest, not just for  
23 the typical main in the street, but the critical watermains  
24 as well, and the sewer overflow program.

25  
26 Now, at the heart of that is not just an investment to  
27 hit an operation's licence standard. At the heart of  
28 Sydney Water's model is the asset management program that  
29 is collecting data on, for example, watermains - how many  
30 watermain breaks are occurring, and how much it is costing  
31 to do watermain breaks. And there's sophisticated  
32 techniques within Sydney Water to examine all the  
33 watermain breaks across our entire area, and then to do an  
34 examination for every pipe length, what it is going to cost  
35 to continue to repair on an ongoing basis the watermain  
36 repairs and what would be the cost of allocating some  
37 capital to put a new main in the street.

38  
39 And, essentially, I think this is one of the things  
40 that can be reviewed, is that we want to invest just the  
41 right time that minimises the long-term cost to customers  
42 of the tradeoff of ongoing operational costs versus  
43 investing in capital. Now, if you get that right you are  
44 making decisions based upon a net present value, economic  
45 assessment of lowest cost to customers, and that is where  
46 Sydney Water feels that its investment programs - we are  
47 hitting a sweet spot of investing at the right time, but

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1 also hitting our operational licence targets.

2  
3 But the heart of your question is if we delay on the  
4 capital - we could do that - we would see more sewer  
5 overflows and more outages from watermains that customers  
6 would experience. We would see a reduction in the capital,  
7 but IPART would need to consider for any delay in the  
8 capital what they would allocate as an increase in  
9 operating costs for that four-year period.

10  
11 And in our view that would not lead to lower bill  
12 increases in the longer term. You have to get this right,  
13 and you do it step by step, asset by asset, and for the  
14 right economic formula.

15  
16 MS KRIEGER: Can I also ask a question? In the capital  
17 program that you're talking about, there are two aspects to  
18 that, aren't there? Some of the assets that are being  
19 replaced are assets which were effectively written off in  
20 terms of value when IPART first came to regulate Sydney  
21 Water, so that you have assets that are under that line in  
22 the sand, if you like, now being replaced by assets which  
23 not only generate CAPEX, but generate the full commercial  
24 return on the value of that CAPEX. So that the amounts  
25 flowing through to consumers have both of those aspects in  
26 them.

27  
28 MR YOUNG: I think that's a really good point. To be fair  
29 to Sydney Water, there is no consideration in our decision  
30 whether to invest in capital, about whether there is a more  
31 correct commercial rate of return from a new asset. That  
32 isn't any part of any of our decision-making models. But  
33 it is true that I think when IPART did set a line in the  
34 sand, that the water industry at that time was on lower  
35 rates of return - something like 3.5% from memory - and  
36 that IPART did say from that time forward, that any assets  
37 that were invested, would be invested in more a commercial  
38 rate of return.

39  
40 And that goes to the heart of - as we are investing in  
41 more assets, of why there's a fundamental driver for  
42 increased prices as well. That's just a natural  
43 consequence as you move on the glide path - I think IPART  
44 calls it - of a more commercial rate of return for the  
45 industry in the longer term.

46  
47 MR WILSON: Stuart Wilson, Sydney Water. Just to close

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1 the loop on that question, in the current determination or  
2 in current prices there's about \$200 million allowed for  
3 depreciation, and that's - allows - so if we were to spend  
4 \$200 million on maintaining and renewing assets, prices  
5 wouldn't need to rise. But as Sibylle said, that  
6 \$200 million is calculated off that line in the sand value  
7 of our assets.

8  
9 When you look at the price, you're actually in the  
10 ground and the renewals, under a proper asset management  
11 framework, we need to really spend, as we've said, closer  
12 to \$400 million a year, and that really just puts that  
13 upward pressure on prices to maintain the service levels  
14 that customers expect.

15  
16 THE ACTING CHAIRMAN: Going over to Amanda.

17  
18 MS GARNIER: The first question relates to your proposed  
19 price rises. They are well above the rate of inflation and  
20 we would just ask Sydney Water to give the public an idea  
21 of why you believe they're justified, and just to continue  
22 from your presentation, when you're answering that - you  
23 mentioned the customer value for money index. Have you  
24 explored the proposed price rises with your customers, and  
25 does your index continue to increase or how does it affect  
26 that?

27  
28 MR YOUNG: Two good questions. The first one about  
29 pricing rising above inflation - essentially the building  
30 block approach IPART would use would be, you know, rate of  
31 return, operation costs, capital. So if I deal with those  
32 in turn. You know rate of return that we have asked for is  
33 no different to what last time's was, so I don't think  
34 that's a driver in the outcome.

35  
36 In operating costs - we are holding operating costs  
37 flat, and that's even though Sydney Water set itself a  
38 target of \$140 million worth of savings, of the things that  
39 we can control, but the things that we can't control, like  
40 energy and chemicals and contract costs that we are getting  
41 from the market are offsetting all of those gains that we  
42 have set ourselves as a high hurdle.

43  
44 So even the fact that we hold operating costs flat,  
45 means that I think it's not a major driver. Now, our  
46 ability to, you know, really drop operating costs in the  
47 future would be a prediction of whether we're going to see

1 energy and chemicals and other major inputs drop for the  
2 future. Look, my prediction is that all of the people  
3 would say that energy is going to continue to go up, and so  
4 we will be doing well just to hold our operating costs flat  
5 to offset the increases that a typical custom meets in the  
6 bills they have to face.

7  
8 So it really comes down to the capital question. And  
9 why is it that capital is driving prices above inflation.  
10 I think there's a few reasons for that. And one, I  
11 suspect, is that, you know, we have got new programs where  
12 customers that have never had a sewerage system are getting  
13 a sewerage system. So there's an investment being made  
14 there in priority sewage program. So there is an increase  
15 that customers are paying for, so that a number of villages  
16 that have never ever experienced sewer can actually have a  
17 modern sewage system.

18  
19 The second component to that is the growth element  
20 where previously growth was paid for by developer charges.  
21 The regime now is that substantial growth is paid for on  
22 the customer base, and we see that coming through, and  
23 that's in accordance with the IPART process.

24  
25 And the third element I think goes to this discussion  
26 we had about investing in the assets that come in on a  
27 commercial rate of return, the real point that you are  
28 making, and we are replacing assets that had a much lower  
29 rate of return. So they are the major drivers coming in.

30  
31 Angela, on the survey we have done well on value for  
32 money section. Have we done any work looking forward or  
33 that will be retrospective as the prices roll out.

34  
35 MS TSOUKATOS: We do an annual relationship study where  
36 we look at the drivers of favourability, and value for money  
37 is one of those drivers. And we've looked at that for the  
38 last four years, and we will continue to do that. Also the  
39 other thing we look at is quality of service, and value for  
40 money is part of quality for service. And as we said, the  
41 slide that Kevin showed, that even though the prices have  
42 gone up, customers have continued to rate us as both  
43 providing good quality services and providing value for  
44 money. And the quality of service is incorporated into  
45 this notion of value for money. So it's not just price  
46 it's about the quality of service.

47

1 MS GARNIER: So just in relation to that, you mention  
2 energy prices are going up. What do you foresee will  
3 happen at the end of the determination period? Continued  
4 price increases, or --

5

6 MR YOUNG: Look, I'm almost going back to my Sam  
7 Goldwyn quote.

8

9 MS GARNIER: I thought I'd ask.

10

11 MR YOUNG: My crystal ball for the future would be that  
12 things like energy, chemicals and other input prices -  
13 we'll see continue to go up, and that will put a strain on  
14 households, as it does on the input costs that Sydney Water  
15 faces. We will need to strive to be as efficient as we  
16 possibly can to offset that. I think the longer term goal  
17 would be to try and hold operating costs flat whilst  
18 driving efficiencies within the business.

19

20 The capital and rate of return comes out in the wash,  
21 I think, in that area. The issue of the capital will be if  
22 there are new programs of investment - would be villages  
23 that have not had a sewage system - that will tend to drive  
24 above inflation. The areas of growth for our area - and I  
25 do think, you know, customers get a benefit from a growing  
26 Sydney. It's good for a prosperous area and investing.  
27 There is no developer charges. So that will see a major  
28 growth in Sydney. There's no doubt Sydney will grow in the  
29 future, and there will be major capital that will be  
30 required in that space, but I suspect it will be a large  
31 ask for the future to hold prices down at inflation.

32

33 THE ACTING CHAIRMAN: Sorry, if I can just add  
34 something. Should we think that capital expenditure has  
35 now reached a plateau that's likely to continue into the  
36 future, because you're still going to need to renew your assets  
37 to cater for growth. So it's probably wrong to signal now that  
38 taking capital expenditure, as really we are almost in a  
39 steady state of CAPEX expenditure going forward. Is that a  
40 fair assessment?

41

42 MR YOUNG: I think that's pretty right. I think that we  
43 are not at a peak and we're actually - all the water  
44 industry, most of our assets were constructed after the  
45 First World War and Second World War - they are most of  
46 the assets we use at the present time, and as each year goes  
47 on, we will see them reaching a point where, through water

1 failures or sewer overflows there will be a need to invest,  
2 and I think that investment is not going to be - ever it's  
3 going up, but it will be a slight increase over the  
4 upcoming years if we need to increase our efforts and  
5 investment in capital to continue to achieve the things  
6 that I think are important to customers, and the water  
7 quality, water outages, pressure, sewer overflows and the  
8 environment we live in. The fact that, you know, that  
9 people say that the beaches are safer to swim in than the  
10 waterways. They are things that we want to hold on and  
11 maintain.

12

13 MS KRIEGER: Can I ask a question about the shape of the  
14 price increases that you are advocating. You are  
15 advocating a sharp increase in the first year of 9.5%, and  
16 then a taper to increases below the rate of inflation in  
17 subsequent years. The same total price rise can, of  
18 course, be achieved on an NPV neutral basis with a  
19 different shape. So, have you considered a smoother,  
20 smaller series of increases, and why have you chosen the  
21 one that you have?

22

23 MR YOUNG: That's a fair question. We chose the current  
24 technique because I think it was similar to what IPART put  
25 in place at the last price path, which was a P-zero with a  
26 smaller number of increases. We don't have any opposition  
27 to a more equal increase over the four-year period,  
28 provided it was an NPV revenue neutral basis, although  
29 there is no - you know, overall saving to customers.

30

31 It's smoother and it's easier for a transition, but  
32 it's equivalent of, you know, going to the bank on your  
33 mortgage and saying, "Look, I don't want to make a certain  
34 number of payments in the first year", but it does catch up  
35 over the period. You can get the situation that, depending  
36 on what the future is, that the first year of the next  
37 price path could actually be a lower amount than the last  
38 year of the current one. That can provide some perverse  
39 outcomes.

40

41 But in principle, I think Sydney Water would be  
42 subject to IPART's view of that. You know, we would accept  
43 a more smoothed approach to customers as the transition  
44 approach. We leave that to your good judgment.

45

46 MR WILSON: That the 9% increase basically matched our  
47 costs in the year because of the lower demand forecasts, so

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1 deferring some of that increase, as Kevin said, it's like  
2 not making a payment on your mortgage; it pushes, under our  
3 proposal, it would push the total price increase to a  
4 higher amount overall. We did play around with various  
5 scenarios.

6  
7 MS KRIEGER: I don't want to pre-empt what the consumer  
8 representatives will say, but I'd be surprised if they  
9 didn't point out that low income consumers will not be  
10 looking forward to a 9.5% income increase.

11  
12 MR YOUNG: I think that's a fair comment.

13  
14 MR CHAPMAN: You touched on your customer assistant  
15 programs. Do you believe they can be better targeted and  
16 if so, how would you go about achieving that?

17  
18 MS TSOUKATOS: The simple answer is yes, they can be  
19 better targeted. We've actually done a lot of work to  
20 update - revamp our customer assistance program. We  
21 actually did some socio-demographic analysis to see and  
22 understand where customers are experiencing hardship. We  
23 had a look at take-up of our existing programs. And the  
24 sorts of changes that we are making are around making the  
25 program much more proactive and to prevent people from  
26 actually being in hardship.

27  
28 So that actually means having dedicated people that  
29 understand these issues, working in our organisation. So  
30 as Kevin mentioned, we have a person, you know, managing  
31 the program now who has a lot of experience in this area -  
32 particularly he worked with energy companies. Someone  
33 assisting her. And we also have dedicated case  
34 coordinators in our contact centre. And their role is to  
35 be, you know, quite proactive and, for example, if they  
36 see, you know, people's bills suddenly going up, contacting  
37 those customers, seeing whether there might be something  
38 strange going on in terms of leaks; offering them support  
39 with water efficiency, and various payment options. That's  
40 just some examples.

41  
42 And it's also having a better outreach program.  
43 There's no point having a program if people don't know  
44 about it. So that's about improving all the material that  
45 we have, improving the information we have on our website.  
46 It's also about outreach, and working with the community  
47 sector and really partnering with the community sector. So

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1 there's a lot of work we can do in that area.

2

3 MR CHAPMAN: You mentioned improving the information  
4 that you have on your website. A couple of stakeholders have  
5 suggested that Sydney Water's expenditure on and use of,  
6 and customer's use of assistance programs can be made more  
7 transparent. Do you have a view on how that might  
8 progress?

9

10 MS TSOUKATOS: We do report on our payment assistance  
11 program to our Customer Council, and we also put  
12 information in our annual report, but we are open to  
13 suggestions. I have no problem with being quite  
14 transparent. We know ourselves exactly what sort of take  
15 up we have, and how much money we're spending, and we  
16 are quite happy to make that transparent.

17

18 MR CHAPMAN: Good. Thanks, Angela.

19

20 MS CHADWICK: I'd like to return to the topic of customer  
21 service standards and the expenditures associated with  
22 those. I note especially that not only has Sydney Water  
23 continued to have full compliance with all of its operating  
24 licence standards, it's also achieving 97% compliance with  
25 its environment licence and has been issued with no penalty  
26 notices in recent years.

27

28 So given that very high level of performance, I guess  
29 we have some questions about the efficiency and prudence of  
30 the forecast expenditure. And while I take the view that  
31 your customers perceive the services as value for money, as  
32 Luke Foley pointed out in his submission, the same survey  
33 also indicates that in some 40% of your customers see the  
34 prices as either very high or high.

35

36 So given that, weighing those two factors together,  
37 has Sydney Water - how has Sydney Water reached the view  
38 that doing things such as continuing to improve its  
39 performance against water pressure to levels such as 14  
40 properties experiencing water pressure, where, in fact, the  
41 operating target is 15,000 properties experiencing water  
42 pressure - how customers might regard that balance of  
43 expenditure and the amount being invested in improving  
44 standards when those standards are being exceeded by that  
45 amount?

46

47 MR YOUNG: That's a really good question. I must admit -

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1 that's a really good question. I must admit, coming in as  
2 a new Managing Director of Sydney Water, and then looking  
3 at all of the press coverage over the last four months, it  
4 doesn't feel like, you know, we are achieving so well  
5 against all of the different environmental standards. In  
6 fact, what we see is a lot of community involvement and  
7 push back on the need for better standards in the area on  
8 things like sewer overflows, environmental protection and  
9 environmental investments.

10  
11 So with respect to how do you best set customer  
12 standards in place - Sydney Water is in the fortunate  
13 position that that task is allocated to IPART, and we are  
14 aware that that is a difficult task. But in 2010, I think  
15 it was, that IPART reviewed this critical issue of what was  
16 the right balance of setting targets for water outages and  
17 sewer overflows, and pressure, and water quality. And I  
18 think the decision made at that time was for a set level of  
19 investment that we would maintain a reasonable standard for  
20 customers, and that is the approach that Sydney Water has  
21 adopted.

22  
23 Now, there is some buffer between what we are  
24 achieving and the target set by IPART in that space.

25  
26 MS CHADWICK: Considerable buffer.

27  
28 MR YOUNG: Considerable, and pressure is one that you've  
29 definitely raised, which is a good one. But I think the  
30 perspective that I would like to put on that is that the  
31 targets set by IPART are risk-based target depending on  
32 certain conditions. So, you know, they're a target that  
33 maybe we will come close to not achieving once in 10 years  
34 or 15 years.

35  
36 And what that will require for our results to look  
37 very poor will be an incredibly hot summer, you know, with  
38 three or four days of westerly winds, and a bushfire season  
39 - which I don't believe we've had for a substantial amount  
40 of time, and we have had good rain over that summer period.  
41 But I will step into the prediction space there, that when  
42 we do get those conditions, and they will return to Sydney,  
43 that the water supply system will be under intense pressure  
44 and we will have a lot more customers experiencing poorer  
45 pressure during that time period, and the system, you know,  
46 will be under considerable strain, and then it will be a  
47 different discussion of what is an appropriate level of

1 investment at that time.

2  
3 So they're risk-based standards, and I think it's  
4 different from a year-by-year review.

5  
6 The other thing I make on water continuity and sewer  
7 overflows is I think it is true you can cut back capital in  
8 those spaces, and you've got to have an honest - the  
9 Tribunal has got to be in a space too to have an honest and  
10 robust discussion with the community that says, "Look, what  
11 we'd like to do is there is a saving in capital, but we are  
12 allowing Sydney Water to have more operating costs, more  
13 costs of fixing sewer overflows, sewer overflows to the  
14 environment, watermain breaks".

15  
16 So the Tribunal, I think to be fair - if it was  
17 deferring capital - it needs to represent and understand an  
18 offset, and then also say to the community that, "We're  
19 making a judgment here that we feel it's appropriate for  
20 the community to have more outages and sewer overflows  
21 and impacts."

22  
23 The only comment I would make on that is that that  
24 would go against all the work which was done reviewing  
25 Sydney Water asset management process, which I think has  
26 been recognised to be one of the best in the world. So we  
27 should be making decisions based on the best economics and  
28 that should be the driver.

29  
30 MR WILSON: As Kevin said, we don't hear from our  
31 customers that we are overservicing, but I also note at the  
32 last operating licence review, a couple of our standards  
33 were tightened by IPART. We did substantial headroom - I  
34 think it was in the water continuity standard, but that was  
35 reduced significantly, so there's less headroom in that  
36 now.

37  
38 So taking a risk-based approach - we think we would  
39 have to maintain investment to meet that new standard. So  
40 it's not really a discussion we were having at the last  
41 operating licence review that we were overservicing and  
42 perhaps we should take a more risk-based approach, or we  
43 should relax standards. The operating licence review was  
44 really encouraging us to do better. This is sort of a new  
45 debate that's really emerging about the tradeoff between  
46 standards and prices.

47

1 THE ACTING CHAIRMAN: Yes, I guess the issue we are  
2 particularly focussing on here is the buffer, if you like,  
3 between - you know, not so much in questioning your  
4 standards, but whether there is a margin and a safety that  
5 you designed in meeting the standards, and how we should  
6 think about that, and how we should persuade ourselves that  
7 a margin of safety is right. I think that's the central  
8 importance here.

9  
10 Any further comment?

11  
12 MS KRIEGER: I think the other thing that is relevant here  
13 is what we spoke of before - the difficulty of getting a  
14 clear assessment of the balance between willingness to pay  
15 and a number of standards, being water and waste water  
16 systems and we, IPART are facing those difficulties as  
17 well.

18  
19 But it does become a more and more acute debate given  
20 the prediction that water prices are more likely than not  
21 to rise faster than the rate of inflation indefinitely,  
22 along with other utility prices.

23  
24 MR YOUNG: Yes, it's a fair comment.

25  
26 MS CHADWICK: I'd like now to turn to some of the  
27 assumptions inside the asset management system that  
28 potentially drives increased costs. So in 2008 Sydney  
29 Water had identified that there were 3,000km of watermains  
30 that were critical, and that represented at that time 15%  
31 of the network. It's since decided that - increased - that  
32 is now increased to 4,800km of the network, or 22% of the  
33 watermains network has now been classified as critical.

34  
35 Now critical infrastructure by its very nature then  
36 brings additional O&M expenditure and also a different rate  
37 of replacement, but that decision is an underpinning driver  
38 of some of those capital works. So what underpins that  
39 decision? Are there other such decisions that were made  
40 over a similar period that we should be looking to examine?

41  
42 MR YOUNG: Again, I don't have the exact details of all of  
43 that, but I do know that the progress within our asset  
44 management area of Sydney Water is one of continuous  
45 improvement. And that is a risk-based approach, which is  
46 looking at each of the assets and making an understanding  
47 of what the consequences of failure would be for those

1 assets across our system.

2  
3 We have had major improvements in recent years with  
4 geographical information systems, so we can target  
5 particularly major customers that are off assets such as  
6 hospitals, ambulances, major schools. So what we are doing  
7 with our formula - and this can all be investigated and  
8 looked at - is that we are assessing of our asset base, I  
9 think it's something like 23,000km of watermains, is what  
10 is the percentage of those mains where the consequences of  
11 failure is so large that, you know, we would like to be  
12 proactive in that space.

13  
14 Are we overinvesting in that area of critical  
15 watermains, even though that we are seeing that the  
16 percentage is getting higher. I would say no, no, we are  
17 not. And the evidence of that, since the period that I  
18 think I've been Managing Director, I would simply point out  
19 a number of the trunk main failures that have occurred in  
20 our area, and that's based with significant consequences.

21  
22 So our judgment is the balance is about right. I  
23 think that for an area like Sydney that has a lot more  
24 major trunk mains going through CBD and major traffic  
25 areas of significant customers is about right, but I would  
26 suggest that's something that would be an appropriate  
27 review by IPART of how we do that. We think we've been  
28 assessed by independent auditors, and they really support  
29 the work that we've done in that space, but that is our  
30 judgment and we welcome any scrutiny of it.

31  
32 MS GARNIER: I'm just aware of time, but we do have a  
33 couple more questions, if that's okay.

34  
35 Sydney Water is proposing to allocate all of the costs  
36 of Rouse Hill River Management activities across the sewage  
37 customer base. Can you explain why you think that's fair?

38  
39 MR YOUNG: Stuart.

40  
41 MR WILSON: There's a specific river management charge at  
42 Rouse Hill for the stormwater drainage system out there  
43 which is unlike many of the stormwater drainage systems in  
44 Sydney, that it's - it's a more modern system than concrete  
45 waterways, and it's there to really protect river health.

46  
47 The River Management charge covers the operating costs

1 of that system, or nearly covers the operating costs.  
2 However, as part of maintaining that river management  
3 system, Sydney Water needs to purchase significant areas of  
4 land, just inherently in that as stormwater land.  
5 That - there's not a mechanism currently available to  
6 recover the costs of that capital expenditure.  
7

8 To put it in the river management charge would involve  
9 very large increases to that particular customer base, and  
10 when we looked at who are the real beneficiaries of this  
11 expenditure, it's really - it's really a river health  
12 issue. It's the protection of the Hawkesbury-Nepean. And  
13 when we look at other programs that benefits the  
14 environment, they are generally paid for by the wider  
15 customer base, so we felt it was appropriate to put the  
16 capital costs of that Rouse Hill management system  
17 to - proposed that they be funded through the waste water  
18 system.  
19

20 MR CHAPMAN: Just one last quick one. We note from  
21 your submission that Sydney Water is proposing significant  
22 changes to the way that it charges for trade waste  
23 services, and the acceptance of trade waste into its sewage  
24 system, particularly in terms of Wastesafe and its other  
25 pollutants.  
26

27 Do you have a strategy to phase these charges in over  
28 a period of time, or have you not considered that?  
29

30 MR YOUNG: That's a really good point. I think the first  
31 element for the Tribunal and the community is what Sydney  
32 Water is proposing, is it cost reflective and is it  
33 appropriate. And if the answer to that question is, "Yes"  
34 - and Sydney Water believes the answer to that question is  
35 "Yes".  
36

37 The second element is what's the transition effects of  
38 moving to something that is more appropriate and cost  
39 reflective, and it would be fair to say, in our submission,  
40 we haven't tackled that issue of transition, but if I could  
41 say on the record today that as with the other proposals  
42 that we've made, we'd be very happy for the tribunal to  
43 look at transition - a slide path of transition for  
44 customers moving from their current charges to what we see  
45 as more appropriate charges in the future, and we welcome  
46 any discussion in that area. We think that would be wholly  
47 appropriate.

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1  
2 MS CHADWICK: One last question for me. An issue that has  
3 come late to our reviews is the funding of the  
4 community-based Streamwatch program. Can you just advise  
5 has funding for Streamwatch been included in your price  
6 proposal, and what is your long-term plan for the program?  
7

8 MR YOUNG: Yes, funding for Streamwatch is included in  
9 our program, but it's fair to say that that's under review at  
10 the moment in terms of that, with a number of other  
11 educational initiatives, but for the foreseeable future and  
12 for our price path, we are proposing to fund that, but we  
13 are in discussions with a number of other institutions  
14 about how they can come in as partners in that program  
15 moving forward. So it's there.  
16

17 MS CHADWICK: Thank you.  
18

19 THE ACTING CHAIRMAN: Thank you. Bearing in mind  
20 the opportunity for questions later in the day, I'll just take  
21 a couple of quick questions from people sitting in the  
22 audience if they'd like to ask one or two question for the  
23 time being at least. If you do want to ask a question,  
24 please identify yourself for the benefit of the  
25 transcribers.  
26

27 Okay. I think we'll move on. So, thank you so much.  
28

29 QUESTION: John Newton from Amcor. In your proposal, if  
30 you've got an asset renewal process, and part of the  
31 rationale for that is a longer term cost saving from a  
32 repair and maintenance regime, have you factored in the  
33 savings in the repair and maintenance expenditures on those  
34 assets where it's going to be renewed?  
35

36 THE ACTING CHAIRMAN: Do you want to take that on  
37 notice?  
38

39 MR YOUNG: Yes, I'll take it on notice and get back to you  
40 at the end of day.  
41

42 THE ACTING CHAIRMAN: Just one more, yes.  
43

44 QUESTION: It's Julliard. It's just a question in terms  
45 of cost recovery for the waste treatment plant. I think  
46 they were basically getting the security charges, and I  
47 think what will happen there is you probably will get  
48 unstuck with the pricing because the companies will invest

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1 in their own facilities, so therefore your revenues will be  
2 increased from the charges, and you'll probably get again  
3 some issues like under recovery of the costs, and we need  
4 to bump the charges again to keep the revenue up. The  
5 arguing is for the water pricing for normal water. If  
6 we're not using the water, therefore people want the  
7 charges up. Can you put - shed some light on it, please.

8  
9 MR WILSON: Just a quick comment. If you are referring to  
10 trade waste regime, what we are really trying to do is only  
11 recover the costs that trade waste imposes on the network,  
12 and if in response to those costs companies undertake  
13 on-site investments, it lowers their impact on the system,  
14 and lowers their charges, then we think that's a really  
15 good thing.

16  
17 You know, these charges are designed to send a signal,  
18 because we are not trying to seek to overcharge or  
19 undercharge. And if revenue falls from trade waste because  
20 people are doing more, we don't have a problem with that.

21  
22 MR YOUNG: I think that would be a good outcome. It  
23 would mean that, you know, if they were putting their own  
24 pretreatment in because trade waste charges are higher, you  
25 know, that would be less cost to Sydney Water. And we'd  
26 say that is a system that's really working, sending the  
27 right signal to the community where they have taken action.

28  
29 QUESTION: One more question?

30  
31 THE ACTING CHAIRMAN: I want to move on. I think we  
32 shall have the questions later in the day. I think we'll leave  
33 it there and move on. So thank you very much for your  
34 presentation and patience in answering questions.

35  
36 And we now invite the next group, which is Nature  
37 Conservation Council, to come forward and make their  
38 presentation.

39  
40 NATURE CONSERVATION COUNCIL

41  
42 MS AMBLER: Thank you for the opportunity to appear at  
43 this hearing today on behalf of the New South Wales Nature  
44 Conservation Council, and particularly at this early stage  
45 of the proceedings.

46  
47 Now, the NCC is not able to make detailed comments on

1 many of the economic issues raised in IPART's Issues Paper,  
2 but we believe that the matters that we have raised are  
3 particularly pertinent for consideration in this pricing  
4 review, a review that's taking place at a time when the  
5 institutional profile of the water sector in the Sydney  
6 region is undergoing rapid change.

7  
8 We hope that the matters raised in this presentation  
9 will provide food for thought for all participants here  
10 today and, of course, particularly for IPART's  
11 deliberations. I'll just use a little bit of this time to  
12 expand upon the main issues we raised in our presentations  
13 or our submissions to the hearing on 12 October and 17  
14 November.

15  
16 Now, briefly, those issues are, firstly, in relation  
17 to IPART's statutory obligations, to have regard to the  
18 need to maintain ecologically sustainable development. An  
19 obligation that the NCC believes provides an opportunity  
20 for IPART to expand ESD leadership in New South Wales.

21  
22 The second issue we raised relates to the need for  
23 environmental regulators to enforce licensing conditions  
24 imposed on water service providers, rather than permit  
25 offsets of adverse impacts against broad environmental  
26 programs that are often cross-sectional and  
27 multi-jurisdictional in their presentation.

28  
29 And, finally, the need to identify and actively pursue  
30 new and forward-thinking programs to continually reduce  
31 negative environmental impacts arising from the supply of  
32 water and waste water services in New South Wales.

33  
34 So to revisit the first point - expand the ESD  
35 leadership in New South Wales.

36  
37 Under section 15 of the IPART Act, IPART must have  
38 regard to the need to maintain ecologically sustainable  
39 development by appropriate pricing policies that take  
40 account of all the feasible options available to protect  
41 the environment. Now, from the Protection of the  
42 Environment Administration Act we see that ESD requires the  
43 effective integration of economic and environmental  
44 considerations in decision-making processes.

45  
46 The Act suggests that ESD can be achieved by various  
47 practices, including improved valuation, pricing and

1 incentive mechanisms. Expanded on this objective,  
2 suggesting that certain environmental factors should be  
3 included in the valuation services, including polluter pay  
4 - that is those that generate pollution and waste should  
5 bear the cost of containment, avoidance or abatement, and  
6 that the user for goods and services should pay prices  
7 based on the full life cycle costs of providing those goods  
8 and services, including the use of natural resources and  
9 assets, and the ultimate disposal of any waste.

10  
11 Now, in its submission to IPART's Review of Pricing  
12 for Water Planning Administration and Administration for  
13 the Water Administration Administrative Corporation last  
14 year, the NCC stated the need to identify all costs  
15 associated with integrated urban water recycle management,  
16 and include those in pricing determinations in an endeavour  
17 to achieve ESD.

18  
19 So the NCC at that time expressed the hope that in the  
20 course of such a process, environmental externalities would  
21 emerge as tangible costs to be included in ongoing price  
22 determination.

23  
24 Now, it's with the same optimism that the NCC proposes  
25 that costs should be identified from catchment to tap and  
26 beyond, so the users of the water and waste water services  
27 provided by Sydney Water pay prices base on the full life  
28 cycle costs of providing those services. Proper account  
29 must be taken to the use of natural resources and assets,  
30 especially the negative externalities associated with the  
31 extraction and use of and the discharge of waste into the  
32 natural resources.

33  
34 IPART explained its approach to address negative  
35 environmental impacts in price determinations in its  
36 research paper in July this year. Simply put, IPART  
37 considers prudent costs of complying with environmental  
38 regulatory environments. The NCC suggests perhaps it's  
39 time to go beyond a prudent approach to ensure that ESD is  
40 achieved in New South Wales.

41  
42 Now, if I can give you an example to illustrate our  
43 concerns about the prudent approach. For 2010 the State  
44 Water Price Determination allowed 3.1 million for cold  
45 water pollution mitigation work, when State Water asked for  
46 \$15 million. The IPART comments that IPART found that  
47 3.1 million was a prudent and efficient amount for the

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1 period in question. Now, IPART is at pains in its  
2 information paper to stress that environmental regulators  
3 have expertise in environmental management.

4  
5 If I could just extend that, then I think the question  
6 arises whether water managers - such as State Water and,  
7 indeed, Sydney Water - have relevant expertise in their  
8 businesses to soften the cost of their own environmental  
9 obligations and seek recompense for the cost of compliance.

10  
11 The gap between 15 million and 3.1 million is vast, as  
12 is the chasm that might result between anticipated water  
13 and those that affordable within the funding constraints.  
14 Would there have been a better outcome for the environment  
15 and society if a high amount, higher amount, or I guess the  
16 fuller amount had been allowed.

17  
18 Can IPART go further and address environmental issues  
19 beyond those imposed by regulation? The IPART research  
20 papers considers two approaches being followed in the  
21 United Kingdom. One that required an assessment of  
22 customers willing to pay for environmental outcomes, but  
23 were beyond those mandated; and, secondly, an approach  
24 that takes a more proactive position by providing incentives  
25 for regulated entities to achieve further environmental  
26 outcomes.

27  
28 The NCC submits that both approaches fall within the  
29 ambit of mechanisms approach to achieve ESD. The question  
30 remains, if either of these approaches is to be adopted,  
31 how will change be driven. IPART has opened the door to  
32 this progressive approach in its research paper, by saying  
33 that while it would be cautious, it would consider allowing  
34 higher prices to achieve environmental outcomes beyond  
35 those mandated, with sufficient evidence and justification  
36 provided.

37  
38 So then it's up to others to give IPART cause to  
39 progress along one or both of these lines, even if it is  
40 little by little to deliver ESD for New South Wales.

41  
42 The second issue that we raised was that we believed  
43 there should be not offsetting of adverse environmental  
44 impacts. In its research paper, IPART states that  
45 Government and/or environmental regulators are best  
46 placed to optimally address environmental externality by  
47 their regulatory instruments, including, for example, limits

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1 on pollution.  
2  
3 However, current regulatory framework that governs  
4 water service divisions in the Sydney region, mainly  
5 addresses the obvious hazards that cause negative  
6 environmental site impacts. The issue is in discharge to  
7 waterways, sewage overflows and system leakage and losses.

8 Furthermore, failing to ameliorate or eliminate these  
9 negative impacts is generally then applied to the most  
10 suitable problem sites.

11  
12 The NCC submits that there are many negative  
13 externalities associated with water service delivery that  
14 remains to be addressed. They are actually hiding in main  
15 view or occurring in areas that are not part of any  
16 priority scheme.

17  
18 Once again we'd like to give an example to illustrate  
19 our concerns, and in this case it is one that is part of a  
20 priority scheme.

21  
22 Sydney Water is currently seeking modification to  
23 condition 63 of its conditions of approval for its  
24 Brooklyn-Dangar Island Sewage Scheme. The scheme was  
25 implemented as part of the State Authority Sewage Program,  
26 initiated in 1997. It was approved on 20 March 2006.

27  
28 Modifications to conditions attaching to the approval,  
29 including condition 63, were obtained on 31 July 2009 and  
30 again on 23 July 2010, to provide extra time for  
31 commissioning and optimisation of the plant. The current  
32 application seems to suggest that all is not right with the  
33 plan, and Sydney Water is seeking modification to effluent  
34 quality limits in an endeavour to rescue what appears to be  
35 an unhappy situation from the start.

36  
37 Water service users have paid the price for this  
38 development and rectification of ongoing problems, and they  
39 are now faced with the possibility that what will determine  
40 the appropriate level of discharge will be now revised.  
41 Although Sydney Water does states in its assessment report  
42 accompanying its application for modification, that it is  
43 unlikely that there'll be significant environmental  
44 impacts.

45  
46 If compliance with environmental regulatory  
47 requirements is to be IPART's yardstick in price

1 determination, then the community should expect to see that  
2 compliance, not successive applications to change the rules  
3 because the service provider cannot comply. Perhaps in  
4 these circumstances IPART may find it's torn between its  
5 obligations as economic regulator and as a licenced  
6 reviewer.

7  
8 Has Sydney Water, indeed, met its operating licence  
9 commitments in respect to the relevant development, and in  
10 further expenditure on a plan with obvious operation  
11 constraints is prudent and efficient?

12  
13 The NCC acknowledges that there is provision for  
14 modification and environmental regulatory requirements,  
15 and that such modifications do occur. However, we do  
16 believe that there should be no opportunity for water sector  
17 operators, including Sydney Water, to offset adverse  
18 environmental consequences arising from their operations  
19 through implementations of programs such as a commitment  
20 to become carbon neutral, that has a broad positive impact,  
21 and known to be a part of a corporate and statutory  
22 obligations of many Government and non-Government  
23 institutions.

24  
25 But they do not particularly address immediate issues  
26 of environmental concern arising in the corporation's poor  
27 activity. Where an environmental regulatory requirement is  
28 in place, there should be full compliance with the  
29 requirement, or the requirement itself should be an issue  
30 resolved in its own context. Now there's plenty of scope  
31 to attribute positive outcomes from other activities, to  
32 Sydney Water's endeavour to achieve special objectives.

33  
34 And finally our third point - the opportunity for  
35 industry leadership and programs to achieve positive  
36 environmental outcomes. Now, we said at the start the  
37 review is taking place in a challenging context. The urban  
38 water cycle now goes beyond rain-fed water resources to  
39 include new sources, such as recycled water and desalinated  
40 waters.

41  
42 Waste water flows are being tapped to provide raw  
43 water for retreatment. Treated sewage discharges are being  
44 rerouted from streams and rivers, depriving watercourses of  
45 water that in the past has often constituted their only  
46 flow.

47

1 There is not one single service provide now, but  
2 several. They operate in different areas, under different  
3 regulatory regimes. Community expectations arise in a  
4 water service provider that are expected to be good  
5 corporate citizens, and responsible water managers.  
6 However, ESD remains largely an aspirational goal with  
7 little if any real statutory framework to guide and mandate  
8 it.

10 The NCC suggests that water sector operators in the  
11 Sydney region can lead the way to further the objectives of  
12 the ESD. Environmental management in the Sydney Region  
13 should be cohesive; should be undertaken on a whole of  
14 catchment basis, taking into account impacts from all water  
15 operations.

17 Examinations of avenues to adequately fund programs  
18 must be a priority. As all water supply options were  
19 placed on the table in the course of development and  
20 implementation of the Metropolitan Water Plan, so all  
21 opportunities to fund the environmental program should be  
22 considered. Community education and engagement in the  
23 process will definitely help deliver results. Water  
24 service provision is no longer in the hands of a single  
25 provider.

27 And, finally, the research paper notes that IPART also  
28 contributes to achieving society's environmental objective  
29 through undertaking a special review. The NCC would like  
30 to strongly encourage IPART to undertake a review of the  
31 funding opportunities for an expanded environmental  
32 expenditure to address the negative environmental  
33 externalities associated with the water service provisions  
34 in the Sydney region.

36 THE ACTING CHAIRMAN: Thank you very much. We  
37 might start, actually, with Amanda.

39 MS CHADWICK: Thank you very much. In the time  
40 available, I think, Wendy, I'll just ask a couple of questions;  
41 and, yes, we will have a look at the Dangar PSP project that  
42 you drew our attention to.

44 I note your overview of our paper is extensive, so I  
45 won't touch on it again, other than to say, yes, I think  
46 that we would be completely open to demonstrable evidence  
47 before us, about willingness to pay for an increase in

1 environmental projects. And, in fact, in the State Water  
2 determination that you drew attention to, we did so in the  
3 case of Yango Creek.

5 Taking, perhaps, more of the current situation as a  
6 given than you're suggesting that we should, and looking at  
7 simply one of the projects that Sydney Water has proposed  
8 as having environmental objectives, and that would be  
9 the - I think it's now the - about the 8th or 10th year of  
10 the waste water overflow abatement program.

12 Sydney Water is proposing to spend \$263 million over  
13 the next four years on the overflow abatement program. In  
14 your view, is that an appropriate environmental  
15 expenditure?

17 MS AMBLER: Perhaps now I'd like to invite my friend and  
18 colleague here, Professor White.

20 PROF WHITE: How do we respond to that? The waste  
21 water overflow abatement program was a necessary  
22 program, and it was a significant problem. How you weigh  
23 that program up against other environmental issues, if that's  
24 behind the question, is a difficult thing to weigh up.

26 The ablation on Sydney beaches arising from the waste  
27 water overflow for however many years is a significant  
28 problem. So I'm not sure I'd make a valued judgment on the  
29 fly about how you weigh one up against the other. That was  
30 a problem that existed. It's largely been overcome,  
31 although there's still a little way to go in that respect,  
32 but new charges will emerge. So I'm not really in a  
33 position to give you an on-the-fly Solomon judgment on  
34 that, I don't think.

36 MS CHADWICK: Thank you. And I guess the second  
37 aspect of your supplementary submission related to the  
38 Streamwatch program. So today Sydney Water has indicated  
39 for the record that the Streamwatch program is included in  
40 their current forecast expenditure, assuming that continues.

42 Is there any further comments you'd like to make in  
43 response to your supplementary submission and that  
44 confirmation.

46 PROF WHITE: Well, we were encouraged to hear that. I  
47 hadn't been aware that that was on the record previously,

1 but the worrying thing, or the slightly worrying thing in  
2 that was that - an indication was given that they were  
3 looking to partner with other organisations. If that means  
4 a lessening of responsibility, that's a problem. If it  
5 means an increasing in involvement by partnering, that  
6 would be great.

7  
8 MS CHADWICK: I'll take that as a positive as well. Thank  
9 you.

10  
11 THE ACTING CHAIRMAN: Okay. Thank you very much  
12 for your submission and presentation.

13  
14 We now have a presentation from the Public Interest  
15 Advocacy Centre. So could we invite them to come forward.

16  
17 PUBLIC INTEREST ADVOCACY CENTRE

18  
19 THE ACTING CHAIRMAN: It's just worth perhaps  
20 reminding people that we use the microphones so the people  
21 in the back of the room can hear, but also the transcribers can  
22 hear what is being said. So it's an important part of our  
23 process, so they can record what is being said.

24  
25 MS HALLIGAN: Well, thank you very much for having me -  
26 us - here today. My name is Erin Halligan. I'm a Policy  
27 Officer with the Energy and Water Consumers' Advocacy  
28 Program with the Public Interest Advocacy Centre, and this  
29 is my colleague, Carolyn Hodge, she's a Senior Policy  
30 Officer.

31  
32 I would like to thank IPART for this opportunity to  
33 make this presentation and for us to go through some of the  
34 key points we put in our submission. PIAC appreciates that  
35 this consultative process for IPART's pricing determination  
36 is essential for ensuring that the tribunal meet its  
37 obligations to protect consumers by monitoring the quality  
38 and reliability of regulated services, and considering all  
39 the social impacts.

40  
41 PIAC is well positioned to contribute to the process  
42 through its work with Energy and Water Consumers'  
43 Advocacy Program, or EWCAP. And EWCAP regularly  
44 contributes quality processes by representing the needs and  
45 interests of low income and other residential consumers in  
46 the New South Wales energy and water markets.

47

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1 So PIAC maintains that everyone is entitled to a  
2 supply of water necessary to secure an adequate standard of  
3 living, and that no consumer should be disconnected or  
4 restricted from their water supply due to an inability to  
5 pay. In this current pricing review, Sydney Water is  
6 proposing an increase of 15.1% above inflation water prices  
7 from 1 July 2012, which is to be spread out over a  
8 four-year price path.

9  
10 Sydney Water's modelling indicates that this increase  
11 is equivalent to a rise of \$166 to the water bill of the  
12 average Sydney water households. In reviewing the  
13 requirements for this increase, PIAC believes that it is  
14 fundamentally important that only the efficient costs of  
15 providing Sydney Water services are passed through to  
16 consumers, and consumers are protected from any  
17 unreasonable rise in the cost of accessing water because it  
18 is an essential service; that customers are informed and  
19 aware of Sydney Water's customer hardship assistance, and  
20 that eligibility to this is equitably distributed, and that  
21 any price rises are smoothed out over a reasonable period  
22 to avoid bill shock.

23  
24 So as previously mentioned, Sydney Water is proposing  
25 to increase average household water bills by \$166 over the  
26 next four years above inflation. This is a considerable  
27 jump in household water prices at a time when overall  
28 living pressures are being most acutely felt.

29  
30 Sydney Water has stated that one of the driving  
31 factors behind the price increase is that forecast water  
32 consumption fell well below expectation over the last two  
33 determination periods, resulting in the corporation  
34 accruing significant debt.

35  
36 Following the extended period of water restrictions,  
37 as well as the introduction of Sydney Water's Water Rise  
38 Rules, Sydney Water customers have become conservative  
39 water users, and this behaviour change was not fully  
40 factored into the demand analysis for the previous  
41 determinations.

42  
43 PIAC notes there have already been moves to ensure  
44 that Sydney Water's forecasting will accurately reflect  
45 actual consumption behaviour. PIAC attended the Demand  
46 Analysis Workshop at IPART on 11 November, and was  
47 pleased to see that Sydney Water has made considerable

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1 investment in re-evaluating the landlock link and of  
2 implementation Water Wise Rules.  
3  
4 However, PIAC is concerned that consumers are  
5 currently set to bear the costs of Sydney Water's reduced  
6 revenues due to falls in consumption behaviour from  
7 efficiency programs that they have been actively encouraged  
8 to engage in.  
9  
10 PIAC suggested in its submission that Sydney Water and  
11 IPART scope opportunities for Sydney Water to absorb some  
12 of these extra costs through other operational efficiency gains.  
13 For example, PIAC understands the NSW Government has  
14 announced that the Sydney desalination plan is soon to be  
15 refinanced via a long-term lease. PIAC proposes that IPART  
16 and Sydney Water investigate opportunities for the revenue  
17 raised from leasing arrangements to be reinvested to offset  
18 some of Sydney Water's lost revenue.  
19  
20 PIAC believes that with their ie profits were gained  
21 from the knowledge about leasing arrangements, that they  
22 funds should be redirected to offset some extra costs  
23 currently being passed through to consumers.  
24  
25 PIAC believes that it is essential to smooth price  
26 increases over the determination period to help customers  
27 absorb increases and reduce bill shock. Sydney Water has  
28 proposed that the 15.1% price increase be throughout 2012  
29 to 2016. PIAC supports the continuation of a 4-year  
30 determination period as it allows very little scope for any  
31 price increases to be weighed against the damage that may  
32 be caused by bill shock, and any sharp rises can be  
33 smoothed out to reduce customer impact.  
34  
35 Based on Sydney Water's current price path, PIAC  
36 calculated the increase for household bills for average  
37 customers to be around \$103 for the year 2012/'13, \$23 for  
38 2013/'14, \$21 in 2014/'15 and \$20 for 2015/'16. PIAC is  
39 concerned that many low income households do not have the  
40 capacity to absorb the price increase.  
41  
42 PIAC understands that Sydney Water needs to boost  
43 their revenue in the shorter term, to prevent further  
44 accrual of its debt in the longer term, but we would like  
45 to recommend that IPART seek to spread this initial sharp  
46 increase over two years instead of one, as a fair  
47 compromise to assist customers absorb the increase.

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1  
2 Strong consumer protection frameworks are essential to  
3 ensuring that all Sydney Water customers, especially those  
4 experiencing financial hardship, can maintain access to  
5 services. Although water bills currently comprise a small  
6 proportion of household's disposable income, you have to  
7 understand that many New South Wales households are  
8 already experiencing difficulty in paying their water bills.  
9  
10 Since the last determination there has been close to  
11 double the number of Sydney Water customers experiencing  
12 restriction to their water supply due to an inability to  
13 pay. It was also noted in Sydney Water's submission that  
14 during the 2009/'10 financial year, over 50,000 customers  
15 accessed customer assistant programs to help them manage  
16 their bill payments, and more than 224,000 pensions  
17 received quarterly concessions.  
18  
19 PIAC is pleased to see that Sydney Water has already  
20 committed an extra \$1.3 million to develop financial  
21 assistance initiatives over 2011/'12 as part of its payment  
22 assistance strategy. This is a welcome step to improve the  
23 delivery of this service to Sydney Water customers.  
24  
25 Historically it's been the case that many Sydney Water  
26 customers have been uninformed about the assistance, and  
27 that there is some assistance that is available to them.  
28 The payment assistance scheme, or PAS, is a good example of  
29 this. Under PAS, Sydney Water customers experiencing  
30 financial hardship can access vouchers to assist and cover  
31 water bills.  
32  
33 According to IPART's 2010 research supporting the  
34 residential energy and water use, only 9% of Sydney Water  
35 customers who were experiencing difficulty in paying their  
36 water bills had received a PAS vouchers, and most of these  
37 customers reported that they were unaware of the program.  
38  
39 PIAC hopes that Sydney Water can effectively use the  
40 new payment assistance strategy to build consumer awareness  
41 about the various customer assistance available to them,  
42 and make sure they are able to access this assistance when  
43 they need it.  
44  
45 PIAC would also like to recommend that Sydney Water  
46 review its eligibility criteria for PAS vouchers to include  
47 private tenants and caravan park residents who currently

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1 cannot access the assistance.  
2  
3 Finally, PIAC believes it would be useful in relation  
4 to the delivery of the new payment strategy if Sydney Water  
5 were to provide public reports on the uptake of this  
6 radical assistance. Reporting in this matter allows the  
7 transparent public review of rates of access to the  
8 hardship programs, and is a good measure of the program's  
9 effectiveness, as well as financial impacts on customers  
10 following the price rise. Thank you.

11  
12 THE ACTING CHAIRMAN: Thank you very much for that  
13 interesting presentation. You made an interesting proposal  
14 that the large increase in prices next year should be  
15 spread out over two years, so the prices get to the same  
16 point at the end, but they get there slower. Can you just  
17 outline to me the benefit that provides to the consumers.  
18

19 MS HALLIGAN: We think that \$103 of the \$166 is a quite  
20 significant amount of that first initial portion of this  
21 price rise. I note that in the Sydney Water presentation  
22 they said they were open to negotiation on that, and we  
23 have acknowledged in our submission that we understand  
24 that by, you know, having it paid initially, in some ways  
25 reduces the risks of further increases in the future.

26  
27 We would like to see that, you know, if there was  
28 opportunity for the prices to be, you know, distributed  
29 over the whole four years if that was financially viable  
30 without any extra costs being passed through to consumers,  
31 that that be considered. However, splitting that over the  
32 first two years is a fair compromise instead of having the  
33 first initial shock of, you know, of \$103 of the total 166.  
34

35 THE ACTING CHAIRPERSON: I thank you for that. We will  
36 certainly look at that. I'll move over to Amanda.  
37

38 MS CHADWICK: Erin, could I just clarify, in fact, what it  
39 is you are proposing. There are two different ways in  
40 which that could be done. The first way is that - is the  
41 issue that Sydney Water identifies when they were talking  
42 about a smoother. So that would mean that the money  
43 Sydney Water didn't recover in the first year, you would, in  
44 effect, add on to the third or the fourth year, plus the  
45 time value of money, so a dollar now might be \$1.20 later.  
46

47 The other way is called a glide path - so Sydney Water

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1 loses money in the first year of the determination, but  
2 ultimately prices end up at the same point at the end of  
3 the four years. Could you just clarify which of those two  
4 approaches is the one that you are talking about?  
5

6 MS HALLIGAN: I might defer to my colleague, Carolyn.  
7

8 MS HODGE: I think the proposal that we put forward was to  
9 establish a principle. So I guess what we would like to  
10 avoid is consumers paying more because of the tool - the  
11 way that the price rise is applied. In what we understood  
12 in offering the compromise for the first two years is that  
13 if Sydney Water couldn't recover those costs early, then  
14 that might have a cost impact on consumers in, say, the  
15 third year or the fourth year.  
16

17 So I guess what we would like to see is perhaps there  
18 could be some more information from Sydney Water, some  
19 projections about the options about taking on a glide path.  
20 But in principle we think that \$103 in the first year is  
21 just too steep for some consumers to bear - not all. I  
22 guess what we would be looking at is just over \$25 a  
23 quarter in that instance, and that could mean the  
24 difference between someone charging their mobile phone or  
25 not. We know that's a lifeline for some low-income  
26 consumers. And so we are just trying to put that into some  
27 context, but our overall principle is to avoid the bill  
28 shock.  
29

30 MS GARNIER: Just referring back to your written  
31 submission, you state that no customers should receive any  
32 restriction for an inability to pay. Firstly, how would  
33 Sydney Water give incentive for customers to pay in this  
34 instance, and how could they distinguish between someone  
35 who is unable to pay and someone who is unwilling to pay?  
36

37 MS HALLIGAN: I think as a point of clarification, we are  
38 not suggesting that Sydney Water remove restriction or  
39 disconnection as an overall incentive for people to pay  
40 their bills. What we are suggesting is that an - and  
41 emphasising - is that water is an essential service, and  
42 for people experiencing financial hardship, they should not  
43 be restricted or disconnected from that service simply  
44 because they are unable to pay at a given time.  
45

46 And so by having that as a policy statement, we are  
47 really trying to emphasise that we want to make sure the

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1 proper protection mechanisms are in place to make sure that  
2 people in times of financial hardship don't get - you know,  
3 disconnected or restricted from the essential service.

4  
5 In terms of being able to distinguish between  
6 inability to pay and unwillingness to pay - we feel that,  
7 you know, with robust customer assistance programs, that  
8 that could naturally occur. We understand that Sydney  
9 Water has invested a lot of energy and money in revamping  
10 its new payment assistance strategy, and as part of that  
11 there's very good proactive mechanisms in place to assess  
12 customers in need of financial assistance, and those  
13 customers are measured against an array of hardship  
14 indicators.

15  
16 We believe if that process is rigorous and robust  
17 then, you know, it should be easily distinguished the  
18 differences between those experiencing genuine hardship and  
19 those who are unwilling to pay.

20  
21 MS GARNIER: Another aspect of your submission is that  
22 Sydney Water should communicate its schemes more  
23 effectively so that more people understand, and you  
24 reiterated that now. Do you have any ideas or proposals on  
25 how this might be achieved?

26  
27 MS HALLIGAN: I think what we identified clearly in our  
28 submission is one of the main barriers to people accessing  
29 customer assistance is unawareness or - you know, a lack of  
30 knowledge around what is available to them. In recognising  
31 that we made the recommendation that there might be some  
32 existing channels that Sydney Water might be able to use to  
33 enhance their capability of giving that information, such  
34 as, you know, using the website and having the information  
35 more readily accessible.

36  
37 Having said that, we do acknowledge that, you know,  
38 not everyone is, you know, relies on the web for their main  
39 source of information and throughout the Sydney Water  
40 supply area there's a diverse range of constituents that  
41 all have a diverse range of needs and access all sorts of  
42 different information.

43  
44 We believe that as a good example that using peak  
45 agencies and peak bodies who work directly with specific  
46 community groups would be an excellent way to target those  
47 particular areas. PIAC thinks it's important that, you

1 know, different communication is used in different ways to  
2 access audiences. As an example, we did work with the  
3 Physical Disability Council of New South Wales, and they  
4 acknowledged to us that, you know, it's a bit of a misnomer  
5 that a lot of their constituents rely on the web. In fact,  
6 a lot of them rely on written materials and hard copy  
7 material, and that a lot rely on the peak agencies  
8 themselves to be a facilitator of that information.

9  
10 So, I mean, we suggest that's one more option, that  
11 Sydney Water could work more collaboratively with peak  
12 bodies to tap into the existing networks and relationships  
13 and better target communications to those particular  
14 audiences.

15  
16 MS GARNIER: Just to move on now - customer assistance  
17 programs are funded by the remaining customer base. With  
18 that in mind, do you think the current programs should be  
19 expanded, and how do you think they could be better  
20 targeted and made more effective?

21  
22 MS HALLIGAN: Yes, we do think that they should be  
23 expanded. We are talking about an essential service, and  
24 making sure that people can access that service is very  
25 important. As we acknowledged, the price rises are not  
26 happening in a vacuum. There's a lot of ongoing pressures  
27 around the cost of living that many households are  
28 managing.

29  
30 In terms of how that should be better targeted -  
31 again, we think that, you know, using existing channels and  
32 things within agencies to properly target different  
33 community organisations through different community  
34 organisations is a very good way, but we acknowledge as  
35 well that Sydney Water has invested a good amount of money  
36 in the new payment assistance strategy, and through that  
37 they are rolling out these programs that proactively  
38 involve customers in paying their bills before they get too  
39 far gone.

40  
41 So given that we don't really know the long term, you  
42 know, outcomes of those processes, we are very excited that  
43 that is happening, and hope that that will serve that as  
44 well.

45  
46 MS HODGE: Can I just add that hardship may affect us all.  
47 We see with different energy and water vouchers, that they

1 are in place to respond to emergency situations. So where  
2 the customer base - the broader customer base may have some  
3 impact around funding those programs. I think it's really  
4 worthwhile in pointing out that a lot of those customers  
5 would have that safety net available to them should their  
6 circumstances change either through health reasons or other  
7 financial impacts. So it is a valuable safety net that  
8 could be available to a broad range of customers.  
9

10 MS GARNIER: I just have one last question. It's been  
11 proposed to us that more detailed reporting and more  
12 transparent reporting of Sydney Water's customer assistance  
13 programs may be beneficial. What do you think of that? Do  
14 you think it's beneficial, and how do you think it would  
15 work?  
16

17 MS HALLIGAN: Yes, we think it would be very beneficial.  
18 We think that detailed public reporting allows for a more  
19 transparent and accountable directory of programs and  
20 services. We think this is particularly the case with  
21 customer assistance programs because the outcomes of those  
22 programs are often very - give a good insight into what the  
23 impacts are of price rises to the constituents.  
24

25 And we think that, furthermore, that if we have access  
26 to more detailed reporting, it allows us to see what sort  
27 of programs are being implemented, and whether the  
28 expenditure that's been promised to - that has been  
29 budgeted to deliver these services has been spent and has  
30 been spent in a way that is valuable to the consumers that  
31 it is supposed to be serving.  
32

33 THE ACTING CHAIRMAN: Thank you very much for your  
34 presentation and for answering questions.  
35

36 MS HALLIGAN: Thank you.  
37

38 THE ACTING CHAIRMAN: The next group to present is the  
39 Council of Social Service of NSW, so I invite them to come  
40 forward and introduce themselves.  
41

42 COUNCIL OF SOCIAL SERVICE OF NSW  
43

44 THE ACTING CHAIRMAN: Thank you. When you are  
45 ready, proceed.  
46

47 MS PETERS: Well, I don't normally need one of these, but

1 I do appreciate it for the purposes of transcription.  
2 Thanks very much for the opportunity. I'm Alison Peters,  
3 and I'm the Director of the New South Wales Council of  
4 Social Service, commonly referred to as NCOSS. With me is  
5 Dev Mukherjee, the Acting Deputy Director of Policy.  
6

7 In opening I should also indicate for the record that  
8 I have in the past been a director of Sydney Water. I was  
9 a director for the period of 2002 to 2007. I always think  
10 it's polite to add that. And also that NCOSS is  
11 represented on Sydney Water's Customer Council.  
12

13 I don't intend to make a very long presentation today.  
14 Thankfully our colleagues at PIAC have canvassed many of  
15 the issues that we would also make comment on, so I thank  
16 them for that.  
17

18 We note that this is IPART's role here is to ensure an  
19 adequate balance between the need to give Sydney Water  
20 sufficient revenue to deliver what is, in fact, an  
21 essential service, as well as balancing the costs to  
22 individual customers as a result of the need for revenue to  
23 deliver this service.  
24

25 NCOSS focuses very clearly on low income households  
26 and the impact of such increases, but we are mindful of the  
27 fact that because of the nature of water and waste water  
28 services as essential services, they are broader than just  
29 the mere individual consumption of those services, and that  
30 provide essential health requirements and have broader  
31 public benefits in that regard.  
32

33 So while no one likes to pay increased bills, we are  
34 also mindful that this is something that collectively we  
35 must all contribute to ensure appropriate standards, and we  
36 recognise the role IPART has to play in determining that  
37 balance.  
38

39 We also note that while water pricing, water charges,  
40 are a small proportion of household expenditure generally,  
41 and that includes for low income households - the simple  
42 fact remains that low income households by their very  
43 nature have less capacity to meet increases and in  
44 particular large, if you like, unexpected increases to any  
45 essential service or bill. They have less capacity to  
46 juggle expenditure, because less of their income is able to  
47 be devoted to discretionary expenditure that they might

1 otherwise use to cover bills for essential services.  
2  
3 While this is certainly outside the remit of both  
4 Sydney Water and, indeed, IPART, what we would also note is  
5 that Sydney Water has a unique relationship with owners of  
6 properties, whereas many other essential services are  
7 provided to users of those services. So there is a small  
8 but critical group of people who are low income households  
9 in the private rental market who also face the impact of  
10 these bills, but not directly through a bill from Sydney  
11 Water, but as a result to changes to their rental income.  
12

13 We are mindful that, again, it's outside the remit of  
14 the Tribunal, but it is something that we certainly get  
15 feedback from our member organisations, that increasingly  
16 this is a group of people who are seeking out assistance  
17 and support because they've been unable to pay bills,  
18 including their rent, which has been impacted by increases  
19 in water charges. So we make that point as well.  
20

21 We would certainly support the notion that the  
22 proposed increase be smoothed. It is certainly our  
23 experience that for people who are juggling tight bills,  
24 very large increases can be something that tips them over  
25 the edge, not just for their capacity to pay their Sydney  
26 Water bill, but their capacity to pay other important bills  
27 as well. So we welcome the opportunity to have further  
28 consideration of how that price path might be smoothed.  
29

30 At this point we are probably not in a position to go  
31 greatly into how we think that could be done, we would need  
32 more information. And I'll leave it there for questions.  
33

34 THE ACTING CHAIRMAN: Thank you very much. I guess  
35 we are all very aware that utility bills are generally are  
36 increasing - water bills are one part of that story. In  
37 that context, I mean, how effective do you think the  
38 wholesale customer programs are for Sydney Water and, you  
39 know, do we have a system that's capable of taking the  
40 strain, or should we be thinking about other things as  
41 well.  
42

43 MS PETERS: Certainly I think, and we acknowledge in our  
44 submissions that Sydney Water's suite of programs, for want  
45 of a better term - their hardship programs - are good.  
46 Everything can always be made better, and as you get more  
47 information you can tailor those programs so that they are

1 more effective.

2  
3 I think from NCOSS's perspective, perhaps it's easier  
4 to say that some of the longer term solutions actually lie  
5 outside the realm of this Tribunal, about how you actually  
6 increase the capacity of households to improve their income  
7 streams so that they can meet costs, that others of us -  
8 that the rest of us don't like.  
9

10 THE ACTING CHAIRMAN: Basically we should think it's as  
11 good as it reasonably can be then.  
12

13 MS PETERS: Certainly.

14  
15 THE ACTING CHAIRMAN: Except that, I guess, right now  
16 in our own thinking, which is what I'm most concerned about.  
17

18 MS PETERS: I think a great deal of progress has been made  
19 both with Sydney Water and, indeed, the energy retailers as  
20 well in terms of a better suite of programs that actually  
21 do meet needs. We have certainly, in our submission, made  
22 some recommendations about extending concessions, as has  
23 been done in electricity, for example, to those households  
24 who are in receipt of a low income health care card. That  
25 is currently not the situation for Sydney Water. We think  
26 that would certainly assist.  
27

28 As I said, there are always ways that these programs  
29 can be improved over time, but we have been relatively  
30 pleased just to see what Sydney Water has proposed, and  
31 what they are implementing.  
32

33 THE ACTING CHAIRMAN: Thank you thank you.

34  
35 MR CHAPMAN: Thank you for your presentation, Alison.  
36 Now, you took a fairly level-headed approach when you  
37 stated that the needs of consumers should be balanced with  
38 the need to ensure that Sydney Water is financially  
39 sustainable.  
40

41 Do you have some idea of what level of price increases  
42 you would consider reasonable over a four-year period at  
43 this point, and on what basis we might be able to judge  
44 that?  
45

46 MS PETERS: Thankfully this is actually something we might  
47 have opinions about, but it remains the role of IPART to



1 determine. For us - to be honest, we are not in a position  
2 to actually make extensive comment about, in particular,  
3 Sydney Water's CAPEX program and the operational savings  
4 they are making. Decisions have been made that make sense  
5 to them. It's for IPART and other to comment those. We  
6 are not in a position, if only because we don't know what  
7 alternatives there might have been, what other propositions  
8 were and the like.

9  
10 We have, in other submissions to IPART, in other  
11 industries, indicated that there does need to be fair  
12 balance between appropriate and proper standards, without  
13 the need for, if you like, gold plating, which might have a  
14 flow-on through to costs. But we are not in a position nor  
15 would we have the capacity to be more precise than that.  
16 Not on the record anyway.

17  
18 MR CHAPMAN: Do you have - I think you mentioned you  
19 didn't really want to go into too much about how you feel  
20 that prices might we able to be smoothed out. Do you want  
21 to add anything to that? PIAC certainly thought perhaps  
22 phasing it in over the first jump in over two years might  
23 be something worth looking at. Do you have a similar view?  
24

25 MS PETERS: Certainly we agree with PIAC entirely about  
26 the price shock. For people with bills - what we have  
27 certainly found in our experience is that it's often not,  
28 if you like, the increase in the Sydney Water bill, but  
29 because of its size and it's not budgeted for, it becomes  
30 the tipping point for everything else.

31  
32 So household budgets are very finely tuned and the  
33 least little increase can be an issue. So some form of  
34 smoothing, we think, could be useful to help household  
35 budgets. We think that also works very well with the  
36 potential in the hardship program. So the delivery of the  
37 PAS certificates, for example, can be done through  
38 community-based organisations who can also help people do  
39 budgeting, financial counselling if they have got other  
40 financial issues and so forth.

41  
42 So we think an approach that might smooth out the  
43 increases over the determination period would assist, but  
44 again we haven't done much in terms of actually saying how  
45 we think that should occur.

46  
47 MR CHAPMAN: Thank you very much. Given that

1 hardship programs are funded by the rest of the customer base,  
2 do you think it is appropriate to extend the current programs,  
3 and how could assistant programs be made more effective and  
4 better targeted?  
5

6 MS PETERS: We - in our instruction we indicated that to  
7 us water and waste water services are, in fact, an  
8 essential service. I don't think the use of the term  
9 "public good" is actually quite appropriate for them, but  
10 the reality is they are something by which all of society  
11 benefits - whether they pay as direct customers or not.  
12

13 We, therefore, think it's entirely appropriate that  
14 these sorts of schemes are recognised also. From time to  
15 time people have difficulty paying their bills, but the  
16 cost of that is shared equitably amongst all of Sydney  
17 Water's customer base, so we don't actually think that that  
18 should be a barrier for the programs.

19  
20 While we think, and we would certainly have made a  
21 recommendation that Sydney Water report on their hardship  
22 programs and their effectiveness, because that helps us, as  
23 well, understand what's working and what maybe we need to  
24 think about reviewing. We would also be concerned about  
25 too tightly targetting specific demographic groups, because  
26 the danger of that is you then miss the next group who  
27 might emerge as a particular problem.  
28

29 If, however, what you mean by "targetting" is some of  
30 the issues that PIAC raised, ensuring that low income  
31 households actually understands what assistance is  
32 available, and there are - we look at how they can access  
33 those services, and that some of the psychological  
34 emotional barriers about doing so for some of these  
35 customers can be reduced, then certainly we think there  
36 could be things done to allow that targeting to occur, so  
37 that it's seen as assistance to pay bills, rather than the  
38 stigma of not being able to pay your bills.  
39

40 MR CHAPMAN: Terrific. Thank you for your submission  
41 and thanks for your time here today.  
42

43 THE ACTING CHAIRMAN: Thank you very much. The  
44 next group to present are the Energy and Water Ombudsman  
45 NSW. I invite you to come forward and introduce yourselves.  
46

47 ENERGY AND WATER OMBUDSMAN NSW

1  
2 MS PETRE: Good afternoon, and thank you for the  
3 opportunity to speak to our submission. I'm Clare Petre,  
4 the Energy and Water Ombudsman for New South Wales, and  
5 with me is my colleague Chris Dodds, Senior Policy Officer  
6 at EWON.

7  
8 Look, there has been a bit of a theme in the previous  
9 submissions, so EWON made a brief - fairly brief  
10 submission, and I think I can be even briefer now because  
11 some of the points that I - we have made have already been  
12 taken up by previous speakers.

13  
14 We essentially made three key points in our  
15 submission. First, was about the price path. And I think  
16 that point has been well made - that it's not Sydney  
17 Water's responsibility that these price rises are occurring  
18 at the same time as significant energy prices, particularly  
19 and general pricing on pressures, but that's the fact. And  
20 there are many consumers with very little financial  
21 flexibility, and I think we would also favour a smoother  
22 increase. I think that obviously that needs to be  
23 reasonable both to a Sydney Water and the customer, so we  
24 don't have a specific suggestion for that, but I think we  
25 agree with the previous submissions that a big lump in the  
26 first year is too much of a price shock compared to - in  
27 the context of other significant increases.

28  
29 And we'd like to see it balanced over the four years  
30 rather than loaded into the first year.

31  
32 The second point that we made was regardless of the  
33 level of price increases, there will always be some  
34 customers in financial hardship - either in the short,  
35 medium or long term. And so we really welcome Sydney  
36 Water's intention to strengthen their existing  
37 affordability program as well as introduce new assistance  
38 program to help minimise the impact of price increases on  
39 vulnerable and low income customers particularly.

40  
41 So we specifically welcome the hardship unit, the  
42 proposed Plumbassist. I think that's a really strong  
43 initiative because not only does it benefit customers, but  
44 also it benefits Sydney Water who - if customers who don't  
45 realise the cost of a leaking system - and EWON has seen  
46 cases like that recently - it really adds up over time. So  
47 not only does it increase the cost for the customer

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1 involved without realising it, but it's wasting water, so  
2 it's a really good initiative from both sides, and the  
3 increased commitment to the plumbing assistant service and  
4 the no-interest loan scheme. Particularly the NILS scheme  
5 - again, it is in the benefit of all the parties - both for  
6 customers who have water inefficient old appliances, so if  
7 they can replace them it helps them to reduce their usage,  
8 manage their bills better. But it's also in Sydney Water's  
9 benefit because it's reducing water waste overall.

10  
11 I think that the assistance - Sydney Water has talked  
12 about these forms of assistance for some years, and it has  
13 been a little while in coming, but we have a lot of  
14 confidence in the people that they have put in place and  
15 the general shape of the scheme, and I think it's - we look  
16 at a certain convergence and a symmetry with energy,  
17 because they both are essential services, and I think the  
18 Sydney Water assistance programs are very reflective of  
19 what is happening in the energy sector as well. So we feel  
20 comfortable and I think they're going to work well.

21  
22 But in terms of that our third key point just was  
23 about accountability. And I think it is important for  
24 Sydney Water to have some measures of how these are  
25 working. And, again, there are examples in the energy  
26 sector - just looking very closely at these. So it is a  
27 matter of not only reporting on the amount of money that is  
28 being allocated to the different programs, but also ongoing  
29 measures of how many people are on the program, the value  
30 of the debts on the program, how long people have been on  
31 the program, the number of people taking up the Centrepay  
32 option because that's been a really key factor in helping  
33 people pay small amounts rather than receiving a big bill  
34 after three months.

35  
36 Both for Sydney Water to be able monitor the success  
37 of those programs, but also for external groups who do  
38 watch, and for whom these things are very important. So  
39 the accountability measures put in place I think will be a  
40 key to the success of the program as well.

41  
42 So they were the main points of our submission, and as  
43 I said I think there is a theme here because we are looking  
44 at customers, and I think Alison made the point well, that  
45 we talk about low income and vulnerable customers, but  
46 there is such pressure on people at the moment that it's  
47 very easy for people to tip into financial hardship at any

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1 time. So it could be a small but significant proportion of  
2 the Sydney Water customer base.

3  
4 THE ACTING CHAIRMAN: Thank you very much, Clare. It  
5 sounds reasonably encouraging, I think, given the  
6 situations that we are facing.

7  
8 Can I ask you to comment now or later from your own  
9 complaint and investigation work, what sort of issues  
10 customers have with water and how you think they might be  
11 affected by higher water prices.

12  
13 MS PETRE: There's no doubt that because water primarily  
14 deals with property owners - although tenants certainly are  
15 paying water bills now and are having the usage passed on -  
16 the numbers of complaints about water are certainly less  
17 and will always be. And the number of restrictions is less  
18 compared to the number of disconnections of electricity.

19  
20 But in other ways there is just a similarity, "My bill  
21 is too high"; concealed leaks are an issue in water, but  
22 not so much in electricity, although there are gas/hot  
23 water service leaks are an issue.

24  
25 But it is about - essentially about money. Billing  
26 issues, and I think actually it wasn't in our submission,  
27 but it is something that we are having to look at now.  
28 When we look at the costs on a bill, the actual consumption  
29 part for both energy and water consumers is really small  
30 compared to the fixed charges, the network costs and other  
31 costs on the bill.

32  
33 And that is becoming a real problem as people contact  
34 us and say, "I have done everything I can to save water, to  
35 save energy, and yet my bill - it doesn't seem to matter  
36 because as they see the consumption part drop, but the bill  
37 stays high or the same, and I know in Victoria, for  
38 example, there is a service to property rebate, where for  
39 eligible low income users, the usage - the fixed charges  
40 are adjusted according to the usage.

41  
42 And I think that's an area that he may have to look at  
43 because it is very frustrating for consumers to make all  
44 these efforts and not to really see the benefit in the  
45 bill. And that is something that is similar to both water  
46 and energy consumers. Apart from that I think, yes, it's  
47 mostly retail matters, it's mostly about the bill and the

1 pressure of costs.

2  
3 MS CHADWICK: Thank you very much for your  
4 presentation. Again, it's perhaps a little bit predictable from  
5 our side too. I was wondering whether or not you would like  
6 to touch the question that others weren't so willing to touch  
7 so far, as to whether or not as part of this smoothing, you  
8 are suggesting to us that we take money from this year and  
9 add to the fourth year or a glide path? Could you clarify  
10 what it is you are suggesting?

11  
12 MS PETRE: Look, I think I'm squibbing out in the same way  
13 as others, but - and I think that is a matter for IPART.

14  
15 MS CHADWICK: Yes.

16  
17 MS PETRE: But, on the other hand, from a consumer's point  
18 of view at the moment, we are trying to predict price  
19 increases, and there's a lot of information about  
20 electricity prices particularly. So the ability to predict  
21 what the prices will be so that people can budget,  
22 households can budget, is a benefit. So I don't think we  
23 are either in a position to take a landing on this, but I  
24 think IPART would appreciate the principle of what we are  
25 trying to say, and it is about fairness to both sides. It  
26 is about the ability for consumers to predict what is  
27 coming so that they can adjust their budgets if they can,  
28 accordingly. Beyond that I'm sorry, we are really not in a  
29 position to take a final landing on that.

30  
31 THE ACTING CHAIRMAN: Issues of technical modelling I  
32 think is one for us.

33  
34 MS CHADWICK: Related to that, Jim asked a couple of  
35 Questions about your customer complaints which you record  
36 for the water industry. Having considered those complaints  
37 and looked at some parts of Sydney Water's submission, are  
38 there any aspects of their operating in capital expenditure  
39 that you'd encourage us to look carefully at in order to  
40 result in more moderate price increases?

41  
42 MS PETRE: No, I'm sorry, I don't think EWON is in a  
43 position to - we just don't have the expertise to address  
44 that and so I suppose the short answer would be no.

45  
46 MS CHADWICK: You referenced gold-plating - I was  
47 wondering if you had a suggestion where we should start to

1 look. You made sensible and useful suggestions to us about  
2 ways to improve reporting around hardship program. I'd be  
3 interested in taking those forward under this review or in  
4 the next operating licence review, if you can provide us  
5 with some of those things you mentioned off the top of your  
6 head. If you had a more detailed list, I'd be happy to  
7 consider that.

8  
9 MS PETRE: And we'd be very happy to do. I think it is  
10 useful, not only externally, but I think it shouldn't be  
11 too onerous on Sydney Water, because it's the sort of thing  
12 they should be collecting anyway for themselves, for their  
13 own internal monitoring so that it will be the same sort of  
14 information that would be of interest to external bodies.

15  
16 MR DODDS: At the IPART discussion on performance  
17 indicators - if you cast your mind back to that - the  
18 discussion around performance indicators around hardships  
19 sort of fizzled to a halt as at that time, in my opinion,  
20 some Sydney Water people mistook indicators for hardship  
21 programs as opposed to the things that we do for people in  
22 hardship.

23  
24 So they were talking about, "We have got payment  
25 plans". That is all well and good, but they didn't seem to  
26 have a hardship program per se on the ground. The sorts of  
27 things that the Ombudsman was mentioning are the sorts of  
28 things that have been developed by the Australian Energy  
29 Regulator around the appropriate measurement of the  
30 effectiveness and efficiency of the hardship programs that  
31 are now a regulatory requirement under the National Energy  
32 and Customer Framework. They are not quite a requirement  
33 yet in New South Wales, but they will be as of 1 July 2012.

34  
35 Now, not all of those are appropriate to order, and  
36 certainly what EWON suggested at the round table was that  
37 it would be useful for the water providers, IPART, EWON and  
38 other stakeholders to get together and talk about what set  
39 of indicators would be appropriate. I still think that's  
40 the path forward. I think the National Energy Framework  
41 provides a good base, but they do need to be adjusted  
42 because some of them are a bit - for the number of people  
43 that will be in hardship, for the number of people that are  
44 being disconnected - probably the energy ones are a bit too  
45 complex and they need to be simplified. I think that's the  
46 way forward on the indicators.

47

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1 MS KRIEGER: I think it would be interesting later in the  
2 day when Sydney Water replies, to get some comment on that  
3 suggestion.

4  
5 THE ACTING CHAIRMAN: Thank you very much for your  
6 presentation. And, finally, before lunch we have a  
7 presentation from Anglicare. If their representatives can  
8 come forward and introduce themselves for the record.

9  
10 ANGLICARE

11  
12 MR BELLAMY: My name is John Bellamy. I'm a Senior  
13 Researcher with Anglicare Sydney. And my colleague is Mr  
14 Phil Collier, who is the Assistant Director of Community  
15 Care Division within Anglicare.

16  
17 Anglicare Sydney is a large charity with contact with  
18 many thousands of people suffering hardship. Hardship is  
19 often seen among people who access our emergency relief  
20 services, of which we have a number throughout the Sydney  
21 and Illawarra. Of people who come to our emergency relief  
22 services, something like about two-thirds of them survive  
23 on less than \$500 a week, and it would be very typical of  
24 them to be spending 40 or 50% of their income on rent,  
25 apart from any other kind of expenses that they might have.

26  
27 On top of that they are also faced with a situation of  
28 decreasing rental affordability, something which is  
29 subjectively is not going to improve over the next 10 years  
30 or so. The thrust of our submission is that Sydney Water's  
31 concession and hardship programs need to be better targeted  
32 to assist more of the most disadvantaged members of  
33 society. Despite their greater need, many people suffering  
34 hardship cannot gain assistance from Sydney Water because  
35 they are not home owners. We are aware that is a very big  
36 part of that situation.

37  
38 Essentially there are three planks upon which our  
39 submission is built. Firstly, that there is a great  
40 imbalance between Sydney Water's pensioner concessions and  
41 hardship programs in terms of the amount of money and  
42 funds expended on each. Something like about \$150 million is  
43 projected to be spent on - in 2012/'13 on concessions to  
44 pensions who are also home owners, and yet something like  
45 \$1 million on hardship programs, according to the report.

46

47 The second plank on which our submission is built is

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1 that renters in the private rental market, who are  
2 ineligible for assistance from Sydney Water, nonetheless  
3 are equally affected by water price rises, as they are home  
4 owners. This is because all such costs are passed on  
5 through rent rises by the landlords. Yet renters are not  
6 in a position to receive any kind of assistance or  
7 assistance compared to home owners, when it comes to water  
8 price rises.

9  
10 The third plank on which our submission is built is  
11 people suffering financial hardship in our experience are  
12 more likely to be renters than to be home owners. Owning  
13 your own home is an important protective factor against  
14 hardship. And this is reflected in our own ER, emergency  
15 relief clients. By the way, we do gather a lot of data  
16 from these people ourselves to know their backgrounds and  
17 so on.

18  
19 One of the things we know is that only 7.5% of them  
20 are either a home owner or a home occupier. The vast  
21 majority are renting in the private rental market, or  
22 renting a public housing.

23  
24 By comparison, I am working on the basis that Sydney  
25 Water - people who receive assistance from Sydney Water are  
26 much more likely to be home owners to a high percentage.  
27 The conclusion we reached from all of this is many people  
28 suffering hardship cannot receive any assistance under the  
29 Sydney Water schemes, despite being affected by water price  
30 rises.

31  
32 So what we wish to recommend in our submission - we  
33 have recommended a number of things for consideration. We  
34 know some of these things are beyond the remit of this  
35 Tribunal. Some of them are things that are more something  
36 that State Government might need to consider, but we want  
37 to put them out for consideration. The first one is simply  
38 more be done to raise awareness of hardship things - such  
39 as PAS vouchers and NILS - because working from the PIAC  
40 report done on disconnections, that report highlighted the  
41 fact that something like about 50% of people who had  
42 suffered a disconnection were unaware that there were these  
43 kinds of help or assistance available to them. So we think  
44 that's a situation that could be addressed in terms raising  
45 awareness, people's awareness that such things exist  
46 through Emergency Relief Centre or through Centrelink or  
47 through other places dealing with people in this sort of

1 situation.

2  
3 Secondly, a second possibility which we want to  
4 recommend for consideration is the possibility of actually  
5 extending the PAS voucher scheme to include those who earn  
6 less than \$500, and who rent. At the moment people need to  
7 provide documentation that they are the recipient of the  
8 water bill - their name is on it, it can stamped at the  
9 Emergency Relief Centre.

10  
11 Similarly they could also bring a lease, showing that  
12 they are a renter. They could bring a letter from the real  
13 estate agent saying they've undergone a rent increase in  
14 the last six months. And at the same time, when they are  
15 coming to an Emergency Relief Centre, their general  
16 situation has been assessed in terms of their eligibility  
17 for all sorts of assistance as well.

18  
19 So we think it would be possible, in terms of  
20 documentation that can be supplied, if the assumption or  
21 the proposition was accepted that people who are renting  
22 are also being affected by water price rises; if that  
23 assumption is accepted, then it would be possible to give  
24 them the same sort of assistance as is currently available  
25 to home owners through that sort of a scheme.

26  
27 The third recommendation that we put forward for  
28 assistance is simply that Sydney Water provide more funds  
29 for hardship schemes. I note there's already been a number  
30 of presentations around this, and this is happening, and  
31 that's something that we really would want to comment. But  
32 widening that to include private renters would clearly mean  
33 more funding of those sorts of hardship programs.

34  
35 Fourthly, that consideration be given to changing the  
36 basis for water bills. There was a time, of course, when  
37 they were linked to land values. As a result, there were  
38 differential sorts of billing happening across Sydney, and  
39 now it's a situation more where there's a single service  
40 charge - you know, what you pay in Mosman is what you pay  
41 in Mt Druitt essentially.

42  
43 But we were wondering whether something in between,  
44 some sort of simple tiered system based around postcodes,  
45 where some are in a lower tier and some are in a higher  
46 tier in terms of the service charge. It seems to us that  
47 it's something that is possible to achieve.

1  
2 Similar things have been developed, research has been  
3 done by Tony Vincent, for instance, surrounding this issue  
4 of disadvantaged in postcodes across Australia. This is  
5 quite possible to allocate classified postcodes in this  
6 sort of way, according to the levels of disadvantage found  
7 within them.

8  
9 The fifth recommendation that we would put forward  
10 would be that the State Government consider putting more  
11 funds into the EAPA scheme, the equivalent electricity  
12 scheme. The thing we noticed that in your report is the  
13 rising water prices are linked to rising electricity  
14 prices, so there could be some justification to consider  
15 the two things together or be linked in some kind of way;  
16 or, indeed, more money, more funds being in the EAPA  
17 scheme with the view of providing more assistance for people  
18 who are also suffering higher water prices as well. In that  
19 way the EAPA scheme is not bound by the same issue of being  
20 linked to home ownership.

21  
22 So we wish to thank Tribunal for the opportunity to  
23 make this submission.

24  
25 THE ACTING CHAIRMAN: Thank you very much. If we  
26 started with your own emergency relief activities, how  
27 important are water-related issues in people requiring  
28 emergency response?

29  
30 PHIL COLLER: It's important. The highest priority, I  
31 suppose, for people is usually food and power. They are  
32 the key elements, but water does come into it. But, again,  
33 too, it's in somewhat - as John was saying about a hidden  
34 issue, because a lot of people we see aren't the owners and  
35 are paying rent, if the water bill does go up, rent goes  
36 up, they pay for it, but there's no direct correlation in  
37 terms of saying, "Well, here's a water bill" here is why -  
38 we can get a PAS voucher or assistance.

39  
40 So we normally have to give other forms of assistance  
41 when things like rent do go up. Very few people who come  
42 to us actually own their own property, so there's very few  
43 that come to us with a name on a water bill, but it does  
44 impact on them though a sort of a third party-type  
45 arrangement.

46  
47 THE ACTING CHAIRMAN: So, I mean, the typical situation

1 is someone coming in with a rent bill they have difficulty  
2 paying, or an electricity bill they have difficulty paying,  
3 and you assist them not though the PAS scheme, but in some  
4 other way.

5  
6 PHIL COLLER: That is correct, yes.

7  
8 THE ACTING CHAIRMAN: I guess the difficulty we all face  
9 is the renters are not customers of Sydney Water, so it's  
10 hard for Sydney Water to assist them directly. Have you  
11 thought about how we might get around that issue?

12  
13 PHIL COLLER: We have. One of the things would be where  
14 rent was to increase, was to seek reasons why rent was  
15 increasing to see if it was as a result of water. I think  
16 we mentioned that in our submission around getting  
17 documentation from a landlord to say, "Rent has directly  
18 increased as a result of water increases", and to make  
19 people eligible for something like PAS through that type of  
20 a system where we can directly show a correlation to  
21 increasing rent through water.

22  
23 MR BELLAMY: There's no doubt that what we are  
24 recommending regards the PAS scheme, involves decoupling  
25 the notion that it's been about customers and home  
26 ownership only. What we are saying is people are affected  
27 by these things simply through rent risers, and they are  
28 not a customer at that point.

29  
30 THE ACTING CHAIRMAN: Thank you for that. Amanda.

31  
32 MS CHADWICK: I think we might need to put aside your  
33 suggestion about how a PAS voucher could be justified with  
34 regards to a letter and see if Sydney Water has a response  
35 at the end of the day.

36  
37 I think that your submission raises a number of very  
38 interesting issues for us to consider; in particular a  
39 common link earlier in the day of raising awareness of the  
40 program itself. Do you have suggestions as to how we can  
41 encourage that?

42  
43 PHIL COLLER: A lot of the promotional work that we do is  
44 through our Emergency Relief Centres, through financial  
45 counsellors, through Centrelink and neighbourhood centres.  
46 It's really about where people are at because we find that  
47 often people that come to us for assistance, particularly

1 in the first instance, have no idea of what kinds of  
2 assistance and support is available out there, and it  
3 really is having someone be able to tell them what is  
4 available, how to access it, and want to do it.  
5  
6 And we find that things like normal advertising don't  
7 necessarily work because people aren't looking for it, or  
8 are in crisis, or a crisis is looming, so we try to educate  
9 people through a whole range of services where people are  
10 at - whether it's coming to Centrelink or come to us or  
11 other services where people may go for assistance. They  
12 don't have any materials available at that point of  
13 contact, I think.  
14  
15 MS CHADWICK: I guess the next issue to explore is in  
16 order to achieve more moderate price increases, are there  
17 areas of Sydney Water's activities that you think we should  
18 look at carefully?  
19  
20 MR COLLER: I don't know that we are in a position to  
21 comment on that.  
22  
23 MS CHADWICK: The last thing that - in relation to a  
24 suggestion that we should explore a location-based pricing,  
25 I think it is an unfortunate reality that not only is there  
26 the national water initiatives which sets pricing increases  
27 that we need to have regard to, but some of the postcodes  
28 that you are concerned about are areas in which the cost of  
29 supply are, in fact, much greater than some of the other  
30 areas of Sydney where the cost of supplying the same  
31 service is demonstrably less. So there is a degree of  
32 consumer support also embedded in our current system of  
33 postage stamp pricing. Thank you.  
34  
35 THE ACTING CHAIRMAN: Thanks very much for your  
36 submission and presentation.  
37  
38 PHIL COLLER: Thank you.  
39  
40 THE ACTING CHAIRMAN: We now break for lunch. What  
41 are the lunch arrangements?  
42  
43 MS GARNIER: It's outside.  
44  
45 THE ACTING CHAIRMAN: It's outside. Right. And I think  
46 we should resume at the suggested time of 10 minutes past  
47 one. Thank you.

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1  
2 LUNCHEON ADJOURNMENT  
3  
4 THE ACTING CHAIRMAN: Ladies and gentlemen, I suggest  
5 we resume after lunch, so can you please take your seats.  
6  
7 Just to explain, we have four groups presenting, and  
8 then we'll take presentations from those four groups, and  
9 then we'll reverse the final two presentations so we get  
10 questions and comments from the floor, and enable Sydney  
11 Water to respond both to the presentations and also to the  
12 questions and comments.  
13  
14 The first group we are going to hear from is Owners  
15 Corporation Network, so I invite their representatives to  
16 come forward and to introduce themselves.  
17  
18 OWNERS CORPORATION NETWORK  
19  
20 MS JACKSON: Well, thank you very much for this  
21 opportunity for the Owners Corporation Network to present.  
22 I'm Ingrid Jackson, and I'm a member of the Owners  
23 Corporation Network.  
24  
25 We're a particular market segment. Our members are  
26 all customers of Sydney Water, but because we are not  
27 particularly well-known to everybody, I'll just explain a  
28 bit about what we are. We are the peak body for owner  
29 occupiers and investors in residential strata developments.  
30 So that's our concern. As membership, we're a  
31 not-for-profit organisation, and we consist of volunteers.  
32  
33 Our members are all owners of residential  
34 multi-premised dwellings in strata schemes. The services  
35 we provide to our members are information and education,  
36 facilitating of networking, and representation and lobbying  
37 in relation to policies and positions.  
38  
39 We have also been active in making a submission and  
40 presenting to the IPART review of metropolitan water  
41 utility price structures and, in fact, what we'll be  
42 talking about today is similar because our concern is not  
43 so much about pricing itself, but about price structures in  
44 water charging.  
45  
46 Sydney Water has proposed to treat strata units as if  
47 they are the same as houses when it comes to water

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1 charging, or water service charging, and I would like to  
2 talk about that. And what I'm going to do is start off  
3 with a bit of background because we are a particular  
4 segment that not everyone is so familiar with, so I'm just  
5 going to give you a bit of background here.  
6  
7 One is a bit about where people actually live and how  
8 many people live in houses and how many people actually  
9 live in units or strata, multi-premised dwellings. And  
10 what I've done here is pulled out - we don't have the  
11 latest Census data, but we do have the 2006 Census.  
12  
13 What I've got here is a chart that shows along the  
14 vertical axis you see units - one bedroom, two-bedroom, et  
15 cetera; houses - one bedroom, two-bedroom - and then along  
16 the horizontal axis how many people live in each of those  
17 types of dwellings.  
18  
19 And when you have a look at that, what we find in the  
20 Census - and this is Sydney - is that when it comes to  
21 units, a large proportion - let's say the mode rather than  
22 the average - the mode is in one and two-bedroom units, and  
23 tends to consist of one or two persons. Whereas when it  
24 comes to houses, we see that the mode where the most houses  
25 are located is either three bedroom or four bedroom, and  
26 they will tend to have two, three or four persons in that  
27 sort of household. Of course these are all customers to  
28 Sydney Water.  
29  
30 Specifically - this is still background so we can  
31 explain things - what are the kinds of charges paid by  
32 units with a shared meter.  
33  
34 Now, there are possibility of having some  
35 multi-premised dwellings where individual strata units are  
36 individually metered, but largely they are not. Largely  
37 there's just one meter for the whole block, and in that  
38 case generally there's a water service charge, which is  
39 billed directly to the owner, there's a water usage charge.  
40 I know IPART people know about this, but I know many  
41 people in the audience may not.  
42  
43 Water usage charge is billed via strata levy, so it's  
44 billed to the owner's corporation, not to the individual  
45 owner, and the waste water service charge appears in the  
46 bill of the individual owner.  
47

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1 I want to drill down a bit on that because this is of  
2 interest to the long-term decision making about price  
3 structure. How is the water service charge actually  
4 calculated. And we'll look at how it's being done right  
5 now.  
6  
7 So where there's a shared meter for a block of strata  
8 units, the way it's calculated is there's the meter size,  
9 and that is divided by the number of units. So, for  
10 example, if an apartment block has a 50mm meter, the charge  
11 would be per annum \$904.95. That gets divided by the  
12 number of units in the block, say 35, and the individual  
13 owner will be paying a water service charge of \$25.86 per  
14 year. So that's how the pricing is done.  
15  
16 The outcome is that - this was actually in IPART's  
17 discussion paper for metropolitan utilities, that the units  
18 with a shared meter pay a water service charge which is  
19 about 40-45% of the charge paid by houses. Now, we did a  
20 little sampling - this is not a statistical chart - amongst  
21 people in the Owner's Corporation Network, strata owners,  
22 just to see how - what kind of water service charge people  
23 were actually paying, and comparing it to houses. We are  
24 looking at 2010 and then comparing it to what is proposed  
25 by Sydney Water for 2012 onward.  
26  
27 So with a house currently paying \$144 per annum, and  
28 it's meant to go up to \$162.64 - that's a 12% increase.  
29 And the same for individually metered units. However,  
30 where there are shared water meters for a whole block,  
31 there's a diversity of water service charge, and here we've  
32 got examples of different blocks with different  
33 sized metres and different numbers of units.  
34  
35 And what we see is the individual owners pay a variety  
36 of water service charges which doesn't seem very equitable.  
37 And Sydney Water did refer to that today - \$48, \$25, \$14,  
38 \$18, \$5, \$18 - quite a variety. It seems to help if you  
39 are in a great big block, because it gets divided up a lot  
40 more, and Sydney Water just proposed that everybody pay  
41 \$162.64 per year.  
42  
43 Now, certainly there are some issues of inconsistency  
44 in water service charging as they stand at the moment, but  
45 we look at the increase from the point of view of the  
46 owners of those various units, and we see that there's a  
47 variety of substantial increases in water service charging,

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1 ranging all the way up to, in this case, to 2853% more than  
2 what they're paying now.  
3  
4 Now, the other side of the coin, of water pricing, is  
5 the actual water usage charge. And, of course, the water  
6 usage charge is rationally priced to provide a price signal  
7 to encourage water saving. How does that work in the  
8 strata unit which is sharing a meter? Well, I would  
9 suggest it doesn't work very well at all. The water usage  
10 for the whole building is measured by the meter and charged  
11 at the usual price per kilolitre. It is then charged to  
12 the Owners' Corporation, and owners then individually pay  
13 for this via the strata levies.

14  
15 The way that works for those that don't live in  
16 apartments is apartments are differentiated on the basis of  
17 something called a unit entitlement. So if you have a  
18 bigger apartment in the same building or higher up with a  
19 better view, you generally pay less strata levies than  
20 someone down at the bottom in a smaller apartment. So that  
21 means that people with the bigger and better apartments are  
22 going to pay more water usage charges than people with a  
23 smaller apartment. So there's no relationship between  
24 usage charge and actual usage done by the owners.  
25

26 And just to highlight these anomalies in this water  
27 unit charging approach, here's a couple of blocks. One is  
28 an inexpensive block, and the apartment right at the top -  
29 they paid \$400,000 to buy and they have 35 unit  
30 entitlements. The other block is a more expensive block,  
31 and the apartment at the top they paid over a million to  
32 buy, and they have 35 unit entitlements. Because these  
33 blocks both use the same amount of water, the apartments at  
34 the top, with the high unit entitlement, pay the same  
35 amount for water usage through the strata levies, so in  
36 this case, say, \$461 per year.  
37

38 At the bottom of the same block you've got an  
39 apartment that only has nine unit entitlements, and that  
40 would be the case in both blocks, and they only paid  
41 \$400,000 in the expensive block for that. So they only pay  
42 \$118 for usage that year. Regardless of how much water  
43 they use, and it could well be, for all we know, that the  
44 one that has the nine unit entitlements and is the one at  
45 the bottom, actually used a large amount of water because  
46 there's no price signal, there's no ability for individual  
47 unit owners to manage their bill.

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1  
2 So that was as background. I guess we're concerned to  
3 see equity. We do see there are anomalies in pricing, both  
4 in usage charges and in the water service charges, but at  
5 the same time we are looking to get some equity there, and  
6 we support IPART, which in its discussion paper for the  
7 metropolitan review said equity - was concerned about  
8 equity and equity between customers and customer impacts;  
9 particularly who is affected by any changes, and to what  
10 extent, and also interested to know are similar customers  
11 being treated equally. And I think those things are  
12 important to be aware of.  
13

14 I guess this little page here is more a summary of  
15 some of the issues that exist in water charging. OCN would  
16 argue that unit and houses are actually not similar, and  
17 the reason they are not similar is because of the fact that  
18 water charging consists of both service charging and usage  
19 charging. The water usage charge vis-a-vis strata  
20 customers is not volumetric.  
21

22 Strata unit holders cannot reduce their bill by  
23 reducing water usage. And someone up in another apartment  
24 can use as much water as they want, and you could try to  
25 reduce it as much as possible and it won't work because  
26 someone else won't play the game.  
27

28 Usage charge inconsistencies exist, as I pointed out,  
29 within a strata scheme and they also exist in both  
30 service where charging anomalies exist between strata  
31 schemes. Sydney Water's proposal would see up to 5,000%  
32 increase in water service charging from - this was at the  
33 one end - from \$3.20 to \$162.64.  
34

35 Now, IPART tabled four options in the discussion paper  
36 for the Metropolitan Utilities Price Structure Review and,  
37 of course, we await that review's results, and those four  
38 options included remaining at status quo - so in other  
39 words keep doing what we're doing; charging units the same  
40 as houses, which is Sydney Water's proposal, and Sydney  
41 Water attributes that proposal as being the one that IPART  
42 favours; lower the service charge for houses - lowering the  
43 service charge is deemed meter size and continuing to  
44 charge units by meter size, or finally charging units a  
45 fixed percentage of the house service charge.  
46

47 So Owners Corporation Network are concerned to make

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1 sure that strata unit owners get equity, have  
2 recommended - this is the Owners Corporation Network  
3 position, and what we recommend, a move towards water  
4 service charging equity, but we don't believe equity means  
5 equal.

6  
7 We favour option 4 as the most equitable, which would  
8 involve charging multi-premised dwellings a lower fixed  
9 percentage of the residential house charge. We appreciate  
10 Sydney Water has put in a transitional period, and would  
11 encourage that, to minimise impacts. And in addition,  
12 having demonstrated the major anomalies between water  
13 usage pricing, we'd be encouraging mandating individual  
14 metering in new strata developments.

15  
16 Thanks very much.

17  
18 THE ACTING CHAIRMAN: Thank you very much. You  
19 point out that there are some quite large percentage increases  
20 in some of the fixed charges for units under Sydney Water  
21 proposal, but some of those charges now are very low  
22 indeed. So I think the large percentage change should be  
23 seen in the context of a very small amount some people are  
24 paying.

25  
26 MS JACKSON: Sure.

27  
28 THE ACTING CHAIRMAN: I think the main proposal that  
29 units should pay a lower fixed percentage of the amount that  
30 houses paid. What justifies a lower percentage and how  
31 should we think about that?

32  
33 MS JACKSON: Well, I guess the justification that we are  
34 putting is that because there is an inability of strata  
35 owners to manage their usage charge and, in fact, there are  
36 inequities in the water usage charging, that to raise the  
37 service charge to be equal to houses just multiplies the  
38 inequity; and, in fact, some owners would find themselves  
39 paying a lot more than houses because of way the usage  
40 charge is allocated.

41  
42 So the concept will be to have a percentage of the  
43 fixed charge. Possibly I see from Sydney Water's data that  
44 currently the average service charge is, for a common  
45 metered properties, is 40-45%. Perhaps that would be the  
46 percentage to use to consider that.

47

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1 THE ACTING CHAIRMAN: Just to be clear, from your mind  
2 the problems with the usage charge side of it justifies  
3 lowering the fixed charges?

4  
5 MS JACKSON: Well, what we are suggesting is that because  
6 there are inequities there, that to try to pretend that  
7 it's a similar customer isn't really correct, and that to  
8 then on top of that charge the same amount that a house is  
9 charged for water usage is not fair.

10  
11 THE ACTING CHAIRMAN: Okay. Thank you.

12  
13 MS GARNIER: Okay. So just moving on from some of Jim's  
14 questions, if each individual unit had a meter, would you  
15 then support Sydney Water's proposal to charge units the  
16 same price as houses?

17  
18 MS JACKSON: Yes, we would.

19  
20 MS GARNIER: Okay. Moving on from that, and to talk  
21 about your inequities in usage charges - the cost of putting  
22 meters in retrospectively in units is quite expensive. How  
23 do you think that this might be addressed over time? Have  
24 you thought about phase-in periods?

25  
26 MS JACKSON: Well, first of all our recommendation is to  
27 put individual metering into new developments. We didn't  
28 actually say retrofitting, but we have evidence that  
29 Queensland, for example - and this has been done in other  
30 parts of Australia as I'm sure you know - on 1 January 2008  
31 Queensland introduced mandatory installation of what they  
32 call submeters, what we call individual metering, in all  
33 multiunit development, and that was for new developments  
34 paid for by the developer at the development process.

35  
36 Also, as having found that Queensland does have this  
37 mandatory installation, had a chance to look at different  
38 water authorities in Queensland. One good example of a  
39 website is Unity Water, which provides services to the  
40 Sunshine Coast. They have on their website a whole section  
41 on what they call submetering, individual metering, which  
42 includes the policy as well as application forms, as well  
43 as kits, specifications, and they have a policy for  
44 allowing Owners' Corporations, or body corporates as they  
45 are called in Queensland, to apply to have individual  
46 metering retrofitted at the cost to the body corporate.

47

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1 So there's an example, very visible example, in a  
2 State where metering is mandated for developers, also  
3 providing opportunities for retrofitting where an owners'  
4 corporation wishes to do this. Now, I haven't followed up  
5 to find out what the pricing is there, and that would have  
6 to be explored.  
7  
8 MS GARNIER: And just a brief follow on from one of Jim's  
9 questions. You seem to advocate a common charge across  
10 strata units, albeit at a different rate to houses, how do  
11 you propose that the Tribunal start to think about valuing  
12 any reduction in the service charge of houses?  
13  
14 MS JACKSON: I didn't suggest reducing service charges to  
15 houses.  
16  
17 MS GARNIER: No, units having a lower service charge than  
18 housing.  
19  
20 MS JACKSON: Well, I think this would require appropriate  
21 calculations, and the one that came to our mind was an  
22 average, which is the 40-45% which is currently on average  
23 paid. If there were other proposals, that might be another  
24 option, but that seems to be a rational approach.  
25  
26 MS CHADWICK: Just for clarification on our part --  
27  
28 MS JACKSON: Sure.  
29  
30 MS CHADWICK: -- price structure review is momentarily on  
31 hold while we do this and the SCA and the Sydney  
32 desalination plant price review. We do intend to get back  
33 to it shortly. I'm afraid we've had a few other  
34 distractions of late.  
35  
36 THE ACTING CHAIRMAN: Okay. Thank you very much  
37 for the presentation, and for answering questions.  
38  
39 MS JACKSON: Thank you.  
40  
41 THE ACTING CHAIRMAN: We now have a number of  
42 presentations from business groups, and the first of those  
43 is the Australian Sustainable Business Group. So if they  
44 could please come forward and introduce themselves for the  
45 record.  
46  
47 AUSTRALIAN SUSTAINABLE BUSINESS GROUP

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1  
2 MR DOIG: Good afternoon members of the Tribunal and  
3 ladies and gentlemen. My name is Andrew Doig, and I am the  
4 National Director of the Australian Sustainable Business  
5 Group, and we put in a submission in relation to the Sydney  
6 Water submission to IPART on its pricing review. Would you  
7 like me to go through our --  
8  
9 THE ACTING CHAIRMAN: Please do.  
10  
11 MR DOIG: We identified a number of issues that we raised  
12 with the Tribunal with relation to Sydney Water's  
13 submission. First of all was water pricing, and the 15%  
14 above CPI costing that was to be imposed in that area.  
15  
16 We also discussed sewer usage charges. There was,  
17 certainly looking at some substantial reductions for Sydney  
18 Water in that area, for IPART. And then we embarked on  
19 looking at different sections of trade waste charging - in  
20 other words discharging pricing to sewer from major  
21 industrial sites. We covered biological oxygen demand,  
22 temperature, PH, and we even suggested a mechanism for  
23 offsetting PH charges against increasing the PH and sewer  
24 to adjust for some of the issues that trade waste issues  
25 were causing Sydney Water.  
26  
27 On water pricing, I suppose we all sound the similar  
28 type of bell to most of the other industry groups, that we  
29 would prefer if the prices do not go up by 15% above CPI.  
30 Certainly we want to make the point that it is a fairly  
31 stressed environment out there in poor industry and  
32 business, and there is certainly a substantial current, I  
33 suppose, advantages having a relatively low water price  
34 compared to some of our major developed trading nations,  
35 but in comparison to our developing trading nations - for  
36 example, the price in Shanghai is only 43 cents a  
37 kilolitre, which compares - is only around about 4.2 times  
38 more expensive in Sydney current rates.  
39  
40 So given the highly stressed economic conditions  
41 surrounding Sydney's industries, we recommend that IPART  
42 continue its program of ensuring efficiency of improvement  
43 and productivity gains within Sydney Water.  
44  
45 The next issue is the one on sewer usage charges. The  
46 Tribunal, in its metropolitan pricing review, identified  
47 that Sydney Water was out of kilter with the other local

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1 sewer providers, and considerably so. While it would be  
2 welcome if there was a cut in the sewer usage charge, I  
3 suppose our concern is what other mechanisms will be  
4 introduced to make up that revenue loss.

5  
6 This is one of the problems we have of going through  
7 this process of determining prices that, you know, it's  
8 unfortunate we only end up with one type of model that  
9 comes up, and we aren't able to review alternative models  
10 and maybe develop them along the line. So unfortunately  
11 that's not the case. We certainly, again, support any kind  
12 of price reduction, but we are concerned what other things  
13 may change to make up that revenue gap.

14  
15 Now, I want to move on to trade waste charges, and  
16 certainly there has been a substantial change to the trade  
17 waste system. There is an ask for an extra \$7.85 million  
18 in revenue to be gained from trade waste industrial  
19 customers. This is largely justified by Sydney Water's, I  
20 suppose, claim that they have additional increases in terms  
21 of sewer corrosion, and therefore damage to their  
22 infrastructure.

23  
24 We're not in a position otherwise to, you know, accept  
25 what Sydney Water has provided on that, and I've been on  
26 the Customer Council with Sydney Water for many years,  
27 starting in the 1990s, when I think it was first set up, so  
28 we have had a long relationship in that area, and generally  
29 I think they've probably got some justification for  
30 claiming these costs back in terms of sewer corrosion  
31 issues.

32  
33 The problem is that the new pricing structure that is  
34 to come in has a fairly wide change. Some companies will  
35 have a major price drop, in the order of -58%, I have a few  
36 here -59% - are some of the typical charges, but some will  
37 actually have substantial trade waste price increases of  
38 83%, 120%, 97%. They are considered to be - I think for  
39 any economist - a shock load or shock price increase.

40  
41 Therefore we are recommending that while these shock  
42 price increases be distributed over a period of time to  
43 reduce them to something in the order of, you know, three  
44 or four times CPI as a maximum or whatever IPART would  
45 consider would be a reasonable shock - you know, no price  
46 shock increase in that area.

47

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1 There is some argument that this is only on the trade  
2 waste bill, but according to a service - a small survey  
3 that we conducted, there were a few companies that were  
4 still looking at 20 or 10% total bill increases or more in  
5 terms of the relation to this trade waste charges.

6  
7 One of the major impact areas is on BOD charges, and  
8 Sydney Water has undertaken a fairly substantial change in  
9 this; that they've gone from a price in terms of dollars  
10 per kilogram of BOD. That varied with concentration to a  
11 flat rate that does not vary in concentration. We believe  
12 this is a strange approach because it will tend to penalise  
13 those who have got, you know, low quantities - or low  
14 concentrations of BOD, but large quantities, and reward  
15 those who have got small quantities or small mass or  
16 volumes, but high concentrations of BOD.

17  
18 We are a bit concerned the submission that Sydney  
19 Water put forward was a little misleading because it used  
20 average BOD prices. According to our calculation, they  
21 said 71% increase on average for primary treatment, but  
22 this could vary up to over 300% increases for some  
23 customers. So there were some substantial changes just for  
24 that particular item.

25  
26 We discussed temperature, but really that's become a  
27 little redundant because the submission that Sydney Water  
28 put in wasn't clear on how that would apply. Now that it  
29 has been clarified, it won't be quite a stressed sewer  
30 system and therefore it's a fairly minor issue. The same  
31 applies to PH charges. Again they propose a flattened fee  
32 of \$55 per PH units, which again a PH unit is actually a  
33 logarithmic scale and here we have a flat rate.

34  
35 We propose that if there is a problem with the actual  
36 corrosion issues that you do get in Sydney Water, and PH is  
37 one of those measures that causes, or particularly low PH  
38 causes some of the corrosion issues, it might be cost  
39 effective for industry to actually be supplemented or even  
40 have a charge reduction similar to the rate that they  
41 provided on PH to improve the quality of sewerage in the  
42 pipes to reduce the actual corrosion level.

43  
44 Sydney Water already has a PH range between 7 and 10.  
45 Most companies will tend to already operate around - above  
46 7, but they don't see much point in going beyond that. If  
47 the process probably needs investigating. There are

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1 obviously many complications with such a suggestion, but  
2 there is already substantial CAPEX in industry to supply a  
3 dose PH, and really we are only looking at the cost of  
4 chemicals. It may be a fairly cheap means available to  
5 Sydney Water for protecting its sewers by actually offering  
6 some sort of compensation by lowering its charge rates  
7 according to a formula for its customers.

8  
9 THE ACTING CHAIRMAN: Thanks, Andrew, very much.  
10 Sydney Water will be able to speak for themselves, but my  
11 understanding this morning indicates they are looking to  
12 the trades for minor trade waste charges. So that may  
13 relieve some people and alleviate some of your concerns.

14  
15 I do want to ask you about the sole usage charge,  
16 where you seem to have, I should say, limited enthusiasm  
17 for price reductions. Can you explain to me why you are  
18 not more enthusiastic?

19  
20 MR DOIG: Well, if there was price reductions overall,  
21 yes, we'd certainly be enthusiastic about it. But our  
22 concern is there may not be price reductions. It may show  
23 up and hit in certain other areas, hitting certain  
24 companies harder than others, but similar to what has  
25 already been proposed with this one.

26  
27 THE ACTING CHAIRMAN: The concern is with trade waste  
28 charges.

29  
30 MR DOIG: Indeed, yes. It depends on if they are going to  
31 be affected because the sewer usage charge is going to be  
32 reduced.

33  
34 THE ACTING CHAIRMAN: Yes, I understand.

35  
36 MR CHAPMAN: Thanks, Andrew. I thank you for your  
37 submission, it was very detailed and a quite interesting  
38 read.

39  
40 You mentioned in your submission, and again today,  
41 that you feel that some of Sydney Water's proposed trade  
42 waste changes are inefficient. Why do you believe that?  
43 For example the BOD charge - you mentioned about having a  
44 flat BOD charge instead of one that varies with  
45 concentration.

46  
47 MR DOIG: Well, yes. You have to look at history. I

1 mean, the BOD charge has always been variable according to  
2 concentration, so it has always been assumed that the  
3 treatment cost to Sydney Water does increase and in  
4 proportion to concentration.

5  
6 Going back to a flat rate really begs the question of  
7 why is that necessary if for at least 20 years that we've  
8 been going forward with this variable pricing rate  
9 according to concentration.

10  
11 Again, it's inefficient because the cost of treating  
12 BOD on site is generally rather energy intensive, needing a  
13 lot of blowers to aerate water. Unless you've got a very  
14 large land area available. I believe that's the same  
15 problem Sydney Water may face as well, particularly with  
16 some of its limited land capacity in inland areas.

17  
18 MR CHAPMAN: You've also said in your submission that  
19 some of your members or large businesses were not very well  
20 informed of what was coming up from Sydney Water's  
21 proposal. You feel there could have been better  
22 consultation.

23  
24 MR DOIG: Always. Though I appreciate the consultation  
25 we're getting today. It has been a little rare of late in  
26 New South Wales.

27  
28 MR CHAPMAN: Do you have any ideas on how that could  
29 be improved?

30  
31 MR DOIG: Well, I suppose being on the Customer Council -  
32 we actually hadn't met for quite some time - I think it was  
33 over a year. We are scheduled to meet, I think, next week.  
34 It's the first time in well over a year. If there was  
35 some, I suppose, proposed models that were put forward at  
36 the customer forum, they could have been a little better  
37 investigated and some of the more rough edges could have  
38 been identified and trimmed off, so - and more  
39 conciliation.

40  
41 MR CHAPMAN: All right. Thank you very much.

42  
43 THE ACTING CHAIRMAN: Great. Thank you very much  
44 for your submission and your preparation today.

45  
46 We now move on to the NSW Business Chamber, so if  
47 their representatives could please come forward and

1 introduce themselves.  
2  
3 NSW BUSINESS CHAMBER  
4  
5 MS CASSIDY: Good afternoon, everyone, I'm Larissa Cassidy  
6 from the NSW Business Chamber. I'll just start with a  
7 brief background on the Business Chamber.  
8  
9 We represent the interests of around 30,000 businesses  
10 across New South Wales and the ACT. And these range from  
11 owner operators to corporations, and from manufacturers to  
12 service providers. So it's quite varied there.  
13  
14 So today I'll talk about the non-residential sector,  
15 because that's obviously what we're interested in. Just to  
16 look at the impact of Sydney Water's pricing proposals -  
17 Sydney Water has provided a sample of commercial,  
18 industrial and other business types from the  
19 non-residential sector in their submission, so I've just  
20 provided a bit of a snapshot of that.  
21  
22 And as you can see, the total change over the period  
23 of the price determination ranges from a 10-25% increase  
24 from 2011/'12. So these price rises are quite significant,  
25 and we are concerned that in the current economic climate  
26 business will struggle with these increased costs.  
27  
28 The NSW Business Chamber do a quarterly business  
29 condition survey, and this showed that businesses are  
30 continuing to experience some of the worst levels in  
31 business confidence in two years. So in this economic  
32 climate of your high dollar, your lower aggregate demand  
33 and rising energy costs, businesses - you know, those which  
34 aren't in the mining sector - are facing increasing cost  
35 pressures and are struggling to remain competitive. So  
36 therefore any significant increases in a business's water  
37 bills would further exacerbate this. So we are a bit  
38 concerned with that  
39  
40 I guess if we just look at what's behind the price  
41 rise. Sydney Water has said that it's partly due to the  
42 need to service debt that was not paid off over the last  
43 price determination due to below forecast usage. NSW  
44 Business Chamber appreciates investment in water  
45 infrastructure is essential to ensure their customers have  
46 a consistent and reliable supply. That's very important to  
47 our members. And also we appreciate that the impact of the

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1 drought led to some uncertainty surrounding supply and  
2 demand.  
3  
4 But I guess we would like to see that - we are looking  
5 at how these forecasts of our usage were so inaccurate. So  
6 we firstly propose that IPART do look at, and Sydney Water  
7 look at, their forecasting processes to avoid this from  
8 happening again.  
9  
10 I guess our second point is that in any other sort of  
11 competitive commercial environment, the owners of an  
12 enterprise would be accountable for any inaccuracies in  
13 their forecast, and therefore they'd need to accept lower  
14 dividend margins, rather than just simply passing the costs  
15 directly on to customers. So we recommend this be  
16 considered as an option, that the dividends paid to the  
17 Government is lowered, rather than just automatically  
18 passing any shortfall in revenue directly on to customers  
19 in the form of higher prices.  
20  
21 And I guess our third point is the factors behind the  
22 price increases have pointed to the possibility of over  
23 investment. The Productivity Commission's report into  
24 Australia's urban water sector identified that large  
25 savings would have occurred if the Government had delayed  
26 construction on the desalination plan. And the Commission  
27 concluded that there needs to be a clearer delineation  
28 between responsibilities for making policy decisions, and  
29 commercial decisions.  
30  
31 So we recommend that the Productivity Commission's  
32 findings, as well as looking at the likely results of this  
33 current price determination, that they look at these  
34 current and future investment decisions to prevent us from  
35 being in the same position again.  
36  
37 Now, just moving on to IPART's review of the price  
38 structures. The Business Chamber participated in IPART's  
39 public hearing, and we made a submission to that process.  
40 And I guess our submission was that we do support cost  
41 reflectivity as a broad principle, but we do believe that  
42 it should only be pursued if there are significant  
43 inefficiencies apparent, so it should not just be pursued  
44 just for the sake of it, and so we believe that further  
45 analysis is needed to be completed on whether there are  
46 inefficiencies resulting from the current structure and  
47 also in terms of IPART's proposals to address any

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1 inefficiencies - what the impact would be on the customers.  
2  
3 I guess relating to Sydney Water's proposal to reduce  
4 the threshold for sewage usage charges. The NSW Business  
5 Chamber is concerned that this will have significant  
6 impacts on those businesses with the lower levels of  
7 sewerage use, which will now be above the threshold, mostly  
8 because these are often smaller business and this will lead  
9 to a marked increase in their sewage bill.

10  
11 And one final point is that - back to the  
12 transitional period. We'd like to emphasise that whenever  
13 there are changes to pricing structures, there does need to  
14 be appropriate time allowing for businesses to transition.  
15 A phasing of any changes would be appropriate, and we  
16 believe it is important to consider individual changes in  
17 the context of the other changes and privacy increases that  
18 are going on, because we need to consider the aggregate  
19 impact that businesses will be faced with with any pricing  
20 changes.

21  
22 So now just to conclude, so the price increases being  
23 proposed by Sydney Water are quite significant, and in this  
24 sort of economic client businesses are really facing quite  
25 significant cost pressures and have experienced low  
26 business confidence. And also a third point is rather than  
27 automatically passing on these costs to customers,  
28 consideration should be given to making up for the revenue  
29 shortfall by the dividend process as would be considered in  
30 a commercial environment. And if there are any changes to  
31 be made, appropriate transitional arrangements need to be  
32 in place.

33  
34 THE ACTING CHAIRMAN: Thank you very much. Just a  
35 comment if I may. Sydney Water will lose a revenue over the  
36 past determination period because their forecast was wrong,  
37 and there's no suggestion that that amount of money will be  
38 recovered in future prices. They've lost it. The debate  
39 is really about what will happen in future and more  
40 accurate forecasting in future.

41  
42 What I wanted to ask you is you gave the impression  
43 that business does not want to face higher prices - I  
44 understand that. Are there any particular issues about  
45 Sydney Water's pricing, in particular prices or impacts  
46 that we should pay attention to for businesses?

47

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1 MS CASSIDY: I think it's hard for business because they  
2 are so varied. But I think we do need to look at them not  
3 individually, but look at the total aggregate impact  
4 because that's when it becomes clear about the pressure  
5 that they are facing.

6  
7 THE ACTING CHAIRMAN: So it's really the total pricing is  
8 the issue rather than any particular component.

9  
10 MS CASSIDY: That's right .

11  
12 THE ACTING CHAIRMAN: Thanks.

13  
14 MS GARNIER: You suggested that you don't disagree with  
15 Sydney Water's proposal to reduce the discharge allowance  
16 from 500 kilolitres to 200 kilolitres. If the 500  
17 kilolitres was maintained, there would be a revenue  
18 shortfall for Sydney Water. How do you believe that  
19 revenue shortfall should be recovered?

20  
21 MS CASSIDY: This is when we talk about looking at the  
22 dividend process. I think we need to be concerned with the  
23 impact that it will have on businesses and just by  
24 broadening the base to gather sort of more customers, we  
25 are concerned that this will have quite a negative impact  
26 on businesses, and they'll face significant increases in  
27 their bills, and we'd suggest the Government consider  
28 reducing the dividends that they are paid.

29  
30 MS GARNIER: Just to move on - you talked about a  
31 transition period and a phase-in period. Have you given  
32 any thought to how this may work? How long businesses  
33 may need?

34  
35 MS CASSIDY: I think to some extent it does depend on what  
36 does get agreed on. I think as a general rule we believe  
37 that it should be phased in over two price parts - so that  
38 would be eight years, just because, as I said, individually  
39 the changes may not look that significant, but when you  
40 consider the total price increases rolled out and in the  
41 context of the other changes that may or may not occur,  
42 then the impact can be quite significant.

43  
44 MS GARNIER: And if you can expand on why you believe  
45 it's not equitable to reduce the discharge allowance from 500  
46 kilolitres to 200 kilolitres?

47

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1 MS CASSIDY: I'm not opposed to the concept of reducing  
2 the discharge. I think this comes back to what we were  
3 claiming in the other IPART process, is that we need to  
4 example what the impact will have, and just sort of based  
5 on initial calculations it does look as though the smaller  
6 users that will now be included in the threshold will now  
7 be above the threshold, will be facing quite significant  
8 increases, so it doesn't seem fair that these businesses  
9 are now faced with these significant increases in their  
10 bills.

11 THE ACTING CHAIRMAN: Thank you very much. And  
12 next we have the Waste Contractors and Recyclers of NSW.  
13 So if they can please come forward and introduce themselves  
14 for the record.

15 WASTE CONTRACTORS AND RECYCLERS OF NSW

16  
17 MR KHOURY: Okay. Members of the Tribunal, ladies and  
18 gentlemen, my name is Tony Khoury, and I'm the Executive  
19 Director of the Waste Contractors and Recyclers Association  
20 of NSW, and I have got with me Mr Glenn Horne, who is one  
21 of our members who has had a long experience within liquid  
22 waste, and specifically involved with Sydney Water and  
23 grease-trap waste matters.

24  
25 We have got 148 members that represent 95% of the  
26 industry, across all facets of the industry - solid waste  
27 and liquid waste. We have a very active liquid waste group  
28 that represents members to regulators such as Sydney Water,  
29 the Office of Environment and Heritage, WorkCover, et  
30 cetera, and we lodged a comprehensive submission with you  
31 on 9 March 2011, which we don't propose to discuss in  
32 detail, but just to talk to today.

33  
34 So the current model of 8 cents per litre rebate -  
35 that system has been in place since 1992 and it works very  
36 well, and it works very efficiently, and it continues to  
37 achieve the objective of protecting the environment in  
38 terms of cleaner beaches, cleaner waterway; it provides for  
39 investment in processing infrastructure, and transport is  
40 reasonably efficiently. And the old saying goes - if it  
41 ain't broke, why touch it. And many of our members are of  
42 the view that they'd like the status quo to prevail and to  
43 stay the way it is, and I am sure Glenn will elaborate on  
44 that.

45  
46  
47

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1 MR HORNE: Yes, I've been involved since the inception of  
2 the waste-trap system back in '92. The implementation of  
3 the system changed. It was a fairly deregulated  
4 collections system into a very regulated collection system  
5 for grease-trap collection. It promoted frequent servicing  
6 regimes and also beneficial collection of the grease-traps  
7 which eliminated a lot of the grease-crease that was  
8 acknowledged at that time.

9  
10 So what it's done over those times, over the last  
11 19 years, it's created the environment where the generator  
12 of the grease-trap waste is understanding of the  
13 requirements of maintaining the grease-trap in a workable  
14 fashion, eliminating problems within the Sydney Water sewer  
15 system. The initial two years of the system, I must admit,  
16 created some confusion with the generators. They had to  
17 change from a service fee by a transporter, to a dual  
18 charge - one by the transporter and one by Sydney Water.

19  
20 That probably took two years to settle until the  
21 generators understood. Changing back now, we do believe  
22 that it's going to recreate total confusion within the  
23 system, or within the generator system, and that's one of  
24 our major concerns.

25  
26 MR KHOURY: Okay. The second system was a proposed  
27 split model where the 8 cents was maintained, but it was split  
28 4 cents between the transporter and 4 cents to the plant.  
29 And many of our members believed that in conjunction with  
30 the code of practice, that that system will create a  
31 culture of good quality service, it will encourage better  
32 training of workers, and will create better investment in  
33 transport. And the association is not adverse to that  
34 system, and that wouldn't be a difficult system to sell to  
35 the waste generators because they wouldn't notice that  
36 change in such a model, it would be directly between Sydney  
37 Water and the industry.

38  
39 The clients are already used to paying the 8 cents,  
40 and therefore Sydney Water would continue collecting it,  
41 but it would just distribute it in a different manner, that  
42 it would better encourage transporters, and we would  
43 continue to also achieve the objective of protecting the  
44 environment through cleaner beaches, cleaner waterways,  
45 providing for investment in transport and processing  
46 infrastructure. We think that that would be a reasonably  
47 efficient system.

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1  
2 Do you want to add anything to that, Glenn?  
3  
4 MR HORNE: No, not at this stage.  
5  
6 MR KHOURY: The third option is a no-payment model, and I  
7 guess that's the system that concerns us the most. There  
8 will be a chance that there will be more missed services,  
9 therefore we run the risk of not continuing to protect the  
10 environment, and exposing our beaches and waterways to  
11 pollution. We run the risk that there might be less  
12 investment in infrastructure, because Sydney Water is  
13 relying on a business community to invest in processing  
14 infrastructure.  
15  
16 Under the proposal from Sydney Water, with the  
17 no-payment model, in the event of a missed service, it is  
18 going to take a waste generator possibly up to three months  
19 before they get that price impact signal through that bill.  
20 That delayed price signal may result in the potential for  
21 more missed services, and therefore the possibility of  
22 overflowing grease-traps, and more pollution events, and  
23 that is of concern to our members.  
24  
25 Under the no-payment model the transporter would carry  
26 a greater part of the debt, and we have a concern that bad  
27 debts across the industry would be a problem, and that we  
28 have negotiated or had discussions with Sydney Water that  
29 if that's the decision that's made by the Tribunal that we  
30 would need to have a bad debt register that's maintained  
31 between the Association and Sydney Water, to minimise the  
32 financial risk to the transporters.  
33  
34 So they're essentially - it's a choice between those  
35 three models as we see it.  
36  
37 MR HORNE: At present the impending change to the no-fee  
38 model or a no-payment model by Sydney Water creates a  
39 severe problem for industry as such. We're concerned on  
40 the fact that, as I explained earlier, in the first  
41 two years of Sydney Water there was mass confusion with the  
42 generators. We do believe that a no-payment system,  
43 creating the environment where the transporter is involved  
44 in charging the client for the treatment and the transport  
45 will be very confusing because Sydney Water has proposed  
46 that they will still incur a charge to the generator of a  
47 service fee or an admin fee.

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1  
2 So the generator as such will then receive three  
3 charges - a transport fee, a treatment fee from one  
4 company, as well as a continuous or a lesser fee through  
5 Sydney Water. That in its own right will create confusion,  
6 you know, to the generator.  
7  
8 The 8 cents a litre that's currently paid to the  
9 transporter has allowed - sorry, the treatment facility -  
10 has allowed the treatment facility to maintain and create  
11 infrastructure to service the treatment of the grease-trap  
12 within the Sydney Region. It's acknowledged within Sydney  
13 that the control of grease-traps is better than possibly  
14 any other State in Australia, and as such the industry is  
15 concerned that elimination of any control measures by  
16 Sydney Water will again allow the generator to lapse back  
17 into how they were 20-odd years ago - and that is able  
18 to dictate to the transporter when they want their  
19 grease-trap serviced, which is what happened 20 years ago.  
20  
21 That in its own right creates an environment where  
22 instead of pumping out a grease-trap of a certain  
23 consistency, the transporter would be effectively put in a  
24 position where they'll end up trying to pump out a  
25 grease-trap that is very thick, or in some cases solid.  
26 There's no recourse for the transporter to gain additional  
27 funds on that, but it's a service cost to the transporter  
28 only.  
29  
30 So they are all the indicators that the waste industry  
31 is concerned about, that elimination of the current system  
32 will put us back 20 years.  
33  
34 On the other part of that, Sydney Water - their  
35 grease-trap system is currently managed via a computerised  
36 - electronic computerised system Wastesafe. It works  
37 extremely well and the industry is very happy with it. It  
38 has improved over the past 20 years. It has got a lot  
39 better, but without the revenue gained by Sydney Water on  
40 their current charges to the generator, the industry is  
41 concerned that the Wastesafe or the support via Sydney  
42 Water and the inspectors will diminish, and therefore  
43 creating a harder environment for industry from the  
44 transporter and the service provider.  
45  
46 MR KHOURY: I was also asked to prepare some short notes  
47 on why the industry needed a longer period of time to

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1 transition to the new system. There are 12,000  
2 grease-traps across Sydney. There are 25 organisations  
3 that are licensed to collect grease-trap waste through  
4 Sydney Water. If there is to be a changed, we only have  
5 about 50 sales reps across the industry, and to visit the  
6 12,000 accounts at two hours per account is approximately  
7 24,000 man hours.

8  
9 Now, if the final determination is not handed down  
10 until June 2012, and it's effective 1 July 2012, the  
11 industry would not have time in that one month to visit all  
12 of those waste generators to renegotiate financial  
13 agreements, to negotiate those new agreements and have them  
14 signed off, and the industry would like to put forward to  
15 the Tribunal that as a minimum we would need till 1 July  
16 2013 to be able to visit all of those accounts in an  
17 orderly fashion, and ensure that commercial arrangements  
18 were entered into in the event of a significant commercial  
19 change.

20  
21 I was also asked to provide a short update on the Code  
22 Of Practice. Sydney Water and the Association have agreed  
23 in principle to a Code Of Practice that will underpin the  
24 transporter collection agreements with Sydney Water. We  
25 see that Code Of Practice as working in any of the  
26 situations, but we have only had preliminary discussions.  
27 We were advised earlier in November that the Code Of  
28 Practice would be made available to us in draft form within  
29 the next few weeks, and is entitled "Industry Code Of  
30 Practice for the Collection, Transport and Proper Delivery  
31 of Grease-Trap Waste". I really can't tell you much more  
32 about the code because I haven't seen the draft yet.

33  
34 Thank you.

35  
36 THE ACTING CHAIRMAN: Thank you very much. Just for  
37 my benefit, perhaps I'm not as well informed about these  
38 matters as I should be, how does the system work at the  
39 moment? You left me with the impression that Sydney Water  
40 pays money to processors of trade waste, and it recovers it  
41 from the people who generate the trade waste. Is that  
42 right, is that how it works?

43  
44 MR HORNE: The current system operates on an  
45 understanding where the transporter charges the generator for  
46 the service to the grease-trap pit - that is turning up, pumping  
47 out, cleaning and so forth. Sydney Water then charge the

1 generator for the treatment of that grease-trap waste.  
2 Currently the charge from Sydney Water to the generator is  
3 13 and a bit cents per litre, and of that 13-odd cents they  
4 pay the treatment facility 8 cents per litre to treat the  
5 waste on their behalf.

6  
7 So in essence the transporter and the treatment  
8 facilities are contractors as such to Sydney Water.

9  
10 THE ACTING CHAIRMAN: And the advantage of that  
11 arrangement from your point of view?

12  
13 MR HORNE: The advantages of that - simply it guarantees a  
14 revenue for the treatment facility on an ongoing basis,  
15 based on the number of litres that it treats per week, per  
16 month, per year, and that guarantees revenue, allows  
17 capital works improvements and so forth for the duration of  
18 the life of the treatment facility.

19  
20 The elimination of the payment by Sydney Water -  
21 industry believes it creates an environment where an  
22 existing facility has a lot more advantage over somebody  
23 that would like to develop a facility, but there's no  
24 guarantee of revenue.

25  
26 MR KHOURY: And at least 5 cents for Sydney Water to  
27 manage the system and cover their administration costs and  
28 ensure that the waste generators are conforming with the  
29 service requirements.

30  
31 THE ACTING CHAIRMAN: Thank you for clarifying that.

32  
33 MR CHAPMAN: Thanks very much for coming. Just one  
34 follow-up question. Most of the other issues have been  
35 addressed in your presentation.

36  
37 You observed the grease-trap rebates don't really  
38 apply in any other State in Australia or other  
39 jurisdictions that you are aware of. What are the charging  
40 approaches in terms of grease-trap waste?

41  
42 MR KHOURY: Well, the negotiation is just a straight  
43 commercial arrangement between the waste transporter and  
44 the waste generator. And then the waste generator pays a  
45 fee at the processing - the waste transporter pays a fee at  
46 the processing facility for the whole load.

47

1 MR CHAPMAN: Thank you. With Sydney Water follow-ups,  
2 I'd be interested to hear their response for the Wastesafe  
3 issue, if you can arrange that. Thanks, Tony.

4  
5 THE ACTING CHAIRMAN: Thank you very much for your --

6  
7 MS CHADWICK: Sorry, may I ask a quick question if that's  
8 okay. Many of the issues that you raised relate to  
9 transition and how to adjust to a new arrangement. Could  
10 you just share with us to the extent you were or were not  
11 consulted, and how you became aware of the proposed  
12 changes to Sydney Water.

13  
14 MR KHOURY: Well, we first became aware earlier this year  
15 about the changes. We've made our views known to Sydney  
16 Water. There's our submission dated 9 March 2011 which  
17 addresses all of the issues that we've discussed today. I  
18 don't think it should come as any surprise to anybody as to  
19 what our views are.

20  
21 Perhaps I've elaborated in a bit more detail today in  
22 terms of the number of customers and the number of  
23 transporters, but Sydney Water already has that  
24 information. And the fact that there are 12,000 accounts  
25 out there - as I said, at two hours per account, that's  
26 24,000, you know, people hours. That's a lot of  
27 visitations and a lot of contractual negotiations.

28  
29 If we don't allow that to take sufficient time for  
30 that to happen in an orderly fashion, as Glenn alluded to  
31 earlier, it will be confusing, and there will be missed  
32 services and there will be non-payments. I don't think we  
33 want to see any backpedalling happen as a result of any of  
34 the decisions of the Tribunal.

35  
36 MR HORNE: I'd just like to add there though, we did have  
37 discussions with Sydney Water 12 months ago possibly, in an  
38 endeavour to change the current system to better the  
39 industry standard and the industry way of doing things.  
40 The current payment to the treatment facility of 8 cents  
41 has not changed in 19 years, since 1992, and we attempted  
42 to have that increased to keep up with CPI and other  
43 associated costs.

44  
45 So our approach to Sydney Water 12 months ago was  
46 based on the fact that we wanted some change in the  
47 Wastesafe system to allow the industry to move forward a

1 bit, develop new technologies and be able to improve the  
2 overall industry as such. What came of that initial  
3 approach was the advice from Sydney Water that their  
4 preferred model was to walk away from Wastesafe altogether,  
5 which was probably a bit of a shock to us initially,  
6 because that wasn't the intent of our original discussion.

7  
8 MS CHADWICK: Thank you.

9  
10 MR KHOURY: If I could say in conclusion, our submission  
11 hasn't attempted to address the issue of indexation on that  
12 eight cents whatsoever. We've basically needed to stop and  
13 think about that because as Glenn said, it's been 19 years  
14 since that 8 cents has changed.

15  
16 THE ACTING CHAIRMAN: Thank you very much for your  
17 submission. We'll now have a session where people sitting  
18 in the back of the room can make questions or comments.  
19 It's very important for us to transcribe your question or  
20 comment. Can I please ask you to come and sit at the chair  
21 at the end of the table and speak into the microphone and  
22 that way we'll be able to record your comments. Just in  
23 the next 15-20 minutes we'll take as many comments and  
24 questions as we can, and people wish to ask.

25  
26 Who would like to lead off? If anyone. Yes, one in  
27 the back. Just come forward please. Introduce yourself.  
28 Speak into the microphone.

29  
30 QUESTIONS AND COMMENTS FROM THE FLOOR

31  
32 QUESTION: Okay. Thank you for hearing our concerns  
33 today. My name is John Newton from Amcor. I'm the Group  
34 Environmental Sustainability Manager for Australasia.

35  
36 I've got a couple of comments to make, and then a  
37 couple of questions coming out of some of the other  
38 presentations that have been heard here today. Firstly,  
39 and there's some interest from the committee around  
40 consultation.

41  
42 We discharge about 3.5 million litres of waste into  
43 the system every day, so we consider ourselves to be a  
44 reasonably large user of the system. We didn't receive any  
45 consultation about this process until very, very late,  
46 which is - I'll say is out of character for Sydney Water,  
47 but it's what happened with this particular process.

1  
2 The question around temperature and the charges for  
3 temperature. We have heard a presentation from Andrew Doig  
4 from the Australian Sustainable Business Group, where he  
5 said it's been confirmed that temperature - the  
6 differential in temperature charges would only apply in  
7 corrosion impacted zones or something - words to that  
8 effect. We have heard that also, but haven't heard that  
9 today, confirmed from Sydney Water. So I'd be interested  
10 to find out from Sydney Water if that is the case.

11  
12 If that is the case, is there a process to identify  
13 today where those corrosion-impacted zones are, and is  
14 there a process in place to ensure corrosion-impacted zones  
15 don't grow over time. So if we have an area within the  
16 sewer where there is no corrosion impact, is there a  
17 process in place to ensure it stays that way. So in four  
18 years time we are not talking about a different zone and  
19 increasing charges.

20  
21 Our trade waste charges run to the millions of dollars  
22 per year, and so from a cost transition perspective, we  
23 would find one month, if the decision is handed down in  
24 May, to apply the following July as being something which,  
25 from a business perspective, is almost impossible to deal  
26 with. We work on five, three and one year budgets. Our  
27 budget for 2012/'13 is being put together as we speak, and  
28 get signed off some time in February. To then come in with  
29 a charge which, from the numbers bandied around, in terms  
30 of running to the hundreds of thousands of dollars being  
31 imposed in May, would make operational issues at our site  
32 at Botany very difficult.

33  
34 So we'd like put that any price increases being sort  
35 of stayed, if you like, for one year, so through to the  
36 '13/'14 financial year, and then transitioned over a period  
37 of time.

38  
39 The move from a tiered BOD charge to a flat charge  
40 also would disadvantage a company like ours where we  
41 are - because we are a large discharger of low  
42 concentration, we would be disadvantaged in that we pay for  
43 the flow anyway. So where we have a flow - there is a flow  
44 charge, and then on top of that there is a BOD charge. So  
45 if it's all flat, we are effectively, because we are a  
46 large user, we are effectively being charged twice for that  
47 flow going down the system.

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1  
2 There was discussion from the NSW Business Chamber  
3 too, of the increases being phased in over two charge  
4 periods - I think was the term that they used, which would  
5 be an 8-year transition. We would support that approach.  
6 From a business perspective it's been certainty, so if we  
7 can see for an eight year period what the charges are going  
8 to be, to something which is significant, that would make  
9 our budgeting process a lot more smoother.

10  
11 THE ACTING CHAIRMAN: Thank you very much for those  
12 comments. Yes, please.

13  
14 QUESTION: Good afternoon, everybody. Chairman, sir,  
15 thank you for --

16  
17 THE ACTING CHAIRMAN. Can you introduce yourself?

18  
19 QUESTION: Raj Mahulkar, I'm from India, from Pune, close  
20 to Bombay. We have a population of almost for 3.7 million,  
21 and we are now planning for almost 5.2 million.

22  
23 But I heard some of the questions and also some  
24 comments. When we talk of the pricing, there are two  
25 aspects which are very important. One is the water quality  
26 and the pressure. I saw some of your submissions, 24  
27 submissions, but some of this aspect of quality has been  
28 very - touched upon, but not given specific importance.

29  
30 I draw your kind attention to appendix 3 of Sydney  
31 Water, in their presentation, and paragraph a 3.5. In that  
32 document they talk of the drinking water quality. They say  
33 that the service water must manage drinking water quality  
34 to the satisfaction of the NSW Health in accordance with  
35 the Australian Drinking Water Guidelines.

36  
37 First and foremost is that when you talk of the water  
38 quality, water quality where - at the outlet of the Sydney  
39 Water point, or at the delivery of the consumer point,  
40 their water quality. Merely talking about water quality  
41 doesn't mean anything because we as a country are more  
42 interested as to what the water quality will be at the end  
43 of consumer.

44  
45 And, again, giving the responsibility only to NSW  
46 Health, because they have said unless NSW Health specifies  
47 otherwise, they are talking of only two parameters, which

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1 are related to health and aesthetic guidelines. One is  
2 PH2, colour and turbidity. Now, if you go to the website  
3 of Sydney Water - again they are talking of parameters,  
4 which is chloride, sodium and others. They have numerous  
5 other parameters, which talk about quality. What sort of  
6 water quality are they talking of? The entire water  
7 quality, full spectrum, has to come out very openly,  
8 because this is a chance where you are given an opportunity  
9 for the manufacturers of drinking water, this water bottle  
10 manufacturer or what you call the spring water,  
11 springwater.

12  
13 Now, they have an advantage because I read a book when  
14 I came here, by John Archer, that was published in 2001.  
15 It is Australia water, common crisis. If we look at the  
16 book, all the Australian cities' water management has been  
17 in a pessimistic picture. So if that is sort of a picture  
18 which has been posed, and clearly mentioned that the water  
19 turbidity has been supplied. The quality of the water is  
20 very poor, and that quality of water is not really good for  
21 a man to drink. It's not drinking water.

22  
23 So I think this aspect needs to be very clearly  
24 mentioned and, secondly, the pressure. When you talk of  
25 the pressure - again also they mention that from 15,000  
26 they would like to reduce to 6,000 properties. The point  
27 is that you are talking of a pressure. At what pressure do  
28 you like to supply the water? Now, in India we talk of 0.5  
29 kilogram centimetre square. You must talk in terms of  
30 pressure, and then you talk about how many incidents you  
31 would like to really rectify. So these two aspect are very  
32 important.

33  
34 Secondly, the recycled water quality. I have seen a  
35 number of places that use the recycle water for lawns and  
36 for complexes. I saw the children playing in the lawns,  
37 small children of almost up to 1-2 years. They eat the  
38 grass. Now, if you ask any doctor would they permit a  
39 child to take that sort of a grass when it's been fed by  
40 the recycle water. So therefore you also have to be very  
41 cautious as to where you want to recycle, how do you want  
42 to make the recycling use.

43  
44 THE ACTING CHAIRMAN: Can I encourage you to finish  
45 your remarks.

46  
47 QUESTION: Yes. And the last is the customer education.

1 This was the thing which was talked about. I would like to  
2 give the example of Thames Water and also the Brisbane  
3 Water. I remember when the price rise to be done by the  
4 Thames Water - almost for one year they used to advertise  
5 in the different media channels - either electronic or  
6 print media - as to what is the level they'd like to  
7 increase, why they want to increase, whether people like to  
8 accept that sort of increase, and then given a sufficient  
9 reason.

10  
11 So I think sort of an education program is absolutely  
12 required. This education can be by way of the interviews  
13 or dialogues and seminars. I think some portions which I  
14 saw in Brisbane also. They've been doing really good.

15  
16 THE ACTING CHAIRMAN: Thank you for the comments. I  
17 think from an IPART point of view we do want to emphasise  
18 that we have absolutely no doubt that drinking water quality  
19 in Sydney is a very high standard. I think I'll let Sydney  
20 Water respond to comments, but I wouldn't want that to pass  
21 unchallenged. It is a very high quality.

22  
23 Any more comments. Yes, please.

24  
25 QUESTION: Thank you for your time.

26  
27 THE ACTING CHAIRMAN: Can you introduce yourself.

28  
29 QUESTION: I'm Ilja Kopechy, from Lion. We are producing  
30 milk at Penrith. Just one question in terms of the base  
31 water charges for the plant. The gentleman from Amcor, I  
32 think, asked questions in terms of the pricing charges,  
33 because if they are in line at Penrith, we'll get double  
34 the cost of that - those things.

35  
36 One thing to consider is the phasing, and maybe if  
37 Sydney Water consider co-investing with us, because if you  
38 get small scale plant, operating costs seem to be hardest  
39 from Sydney Water's costs. I saw the numbers - six times  
40 as much to operate small plants as opposed to very large  
41 plant. That could be something worth looking into,  
42 co-investing into. Say the treatment at St Marys, as  
43 opposed to building our own treatment plant at Penrith.  
44 Just those things.

45  
46 THE ACTING CHAIRMAN: Thank you.

47

1 QUESTION: Thank you for your time.  
2  
3 THE ACTING CHAIRMAN: Other comments. Yes, thank  
4 you.  
5 QUESTION: Hello, I'm James Rooney from Beca. We are a  
6 consulting firm, and I have a query for Sydney Water. Some  
7 of our clients are looking at large water users, and to  
8 avoid some of the increases in costs are looking at a  
9 reverse osmosis as a way of introducing water costs and  
10 trade waste costs going to sewer.  
11  
12 Now, my query is in the current climate where there's  
13 been a lot of investment in reverse osmosis in this State,  
14 and potentially that it might be switched off if it keeps  
15 raining - is it a good environment for millions of dollars  
16 to be invested in more RO capacity if it's not necessary?  
17 So I would just be interested to hear if Sydney Water would  
18 be interested in incentives to avoid that. Thank you.  
19  
20 THE ACTING CHAIRMAN: Further comments? In that case  
21 we might invite Sydney Water to come back and respond to  
22 submissions made during the day and also points made and  
23 comments.  
24  
25 SYDNEY WATER RESPONSE TO STAKEHOLDER  
26 PRESENTATIONS  
27  
28 MR YOUNG: Chair, once again, Kevin Young, Managing  
29 Director of Sydney Water Corporation, and I'm joined again  
30 with Angela Tsoukatos and also Andrew Kirkwood, who is  
31 our expert in the trade waste area, because there was detailed  
32 questions in there.  
33  
34 As the new Managing Director I thought I would defer  
35 those matters. I did have some overview comments of the  
36 day, and I wanted to particularly thank IPART and the  
37 stakeholders, and the people that presented today.  
38 I did want to thank them because I thought that the  
39 day was very constructive in people's approach. Naturally  
40 Sydney Water will be out there with a submission of what we  
41 think is right. And we appreciate that at the end of the  
42 day it's IPART's role to come in, but I thought each of the  
43 presenters presented their case strongly and passionately  
44 with what they thought, and it was done in a very  
45 constructive manner.  
46  
47 My overview of the balance of the submissions made

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1 today is that I kept coming back to this issue of balance -  
2 the balance between different views and people were  
3 passionate about - but it comes to - and thankfully in this  
4 place we appreciate that IPART is the price regulator, but  
5 the questions of people saying, "Look, should be spending  
6 more in the environment", but others saying, "We need to be  
7 careful about the bills going up", and "Should we spend  
8 more in water efficiencies and water recycling, but then at  
9 the end of day we are concerned about the bills going up,  
10 although we see that as an objective good."  
11  
12 How do we form the balance between investing more  
13 money in hardship, but also understanding that that cost  
14 and the bills will go up in that space. How do we get the  
15 balance right between deciding who pays, between good  
16 discussion on units and houses, and then an overview - then  
17 a discussion about how do we find the right balance between  
18 what business pays and what the residential sector pays,  
19 and I thought there was some passionate constructive views  
20 in that place.  
21  
22 And at the end of the day Sydney Water will have a  
23 few, you'll have the benefit of all the submissions and  
24 comments made today, and we rely on your judgment there to  
25 strike that balance for the community, which is the role of  
26 IPART in that space.  
27  
28 I did want to pick up a point - a question raised I  
29 took on notice - it was John Newton from Amcor. John, I  
30 apologise, I didn't quite hear the point you were making at  
31 the time, but essentially it was are operating savings from  
32 asset renewals invested by Sydney Water are put into the  
33 forecast. I think that was the key point you were making.  
34  
35 MR NEWTON: Correct.  
36  
37 MR YOUNG: I wanted to put on record that the answer to  
38 that is absolutely yes, but what we do is, as part of our  
39 forecasting capital, we recognise that there will be  
40 operational savings for all the capital we invest, once we  
41 take those operational cost savings out of our future  
42 forecasts, and there's a few examples.  
43  
44 For example, we are investing capital in pressure  
45 reduction program. You'll see in the detail of that that  
46 we are factoring into the submission \$2.5 million reduction  
47 in breakdown maintenance because we recognise that we

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1 invest capital does result in lower operating costs and we  
2 think that should be reflected in the prices going forward.  
3 And there are many other examples I talked about - the  
4 asset management in that space.  
5  
6 Quickly we'll go through the submissions and key  
7 points. I thought there was some great points raised today  
8 and some things that I think I agree with a number of the  
9 points, and some things we can work on moving forward.  
10  
11 We had the Nature Conservation Council, and they were  
12 talking about Sydney Water - they were talking about the  
13 regulatory issues and how regulation should better work,  
14 and fortunately we are in a place of not being a regulator,  
15 but being regulated. So I understood the broader questions  
16 they were raising there.  
17  
18 The question about pushing for more innovation in  
19 water efficiency and recycling - and I think we need to be  
20 on the lookout for anything that comes along in that space  
21 in innovation, and what we can do in improvements in those  
22 areas, but it must be balanced against the cost to the  
23 consumer as well. At the present time we have invested and  
24 we do have an independent supply with the desalination  
25 plan, and we are finding in our water efficiency that we  
26 are getting less bang for buck over time in that space. So  
27 I think we'll always be on the lookout for things that add  
28 value in that area.  
29  
30 They raised the general issue of Brooklyn, which I  
31 thought was a very balanced comment. That's a clear case  
32 where Sydney Water is trying to strike the right balance  
33 because, as was noted, we believed that what we are  
34 proposing in terms of the standards will have minimum  
35 impact on the environment, but we do see we can produce  
36 that at a lower cost, and we like to grab that to pass that  
37 on to customers because we want to as much as possible see  
38 bills to be lower. So we will unashamedly be always on the  
39 lookout for lower costs, for minimal impact on the  
40 environment, and we do stand in the marketplace with that  
41 as an attitude of the business.  
42  
43 The groups that represented the hardship case - I  
44 thought they were very articulate. I'll start with Erin  
45 and Carolyn from PIAC, who said that only efficient costs  
46 should be passed through, and I know IPART has that well  
47 within their sites. The issue of water use going down and

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1 costs going up is a classic issue that you will face, and  
2 from me being in the water industry so much, it's just  
3 amazing how much of our business is fixed, how much of our  
4 business is a fixed cost with, as I said before, driven by  
5 50,000km of mains that require that maintenance and  
6 operations, and those costs really independent of the  
7 amount of water or waste water that flows down them. I  
8 mean, it's a huge fixed cost business in that space.  
9  
10 I did take on board the comments that were made about  
11 smoothing. I thought it was an interesting concept for the  
12 first two years. That could be considered - a two year  
13 smoothing. I think Amanda might have asked a couple of  
14 questions about the issue - was it glide path or smoothing,  
15 and I wasn't quite clear on that, but I think the  
16 suggestion might have been if you averaged it out, that if  
17 Sydney Water had a revenue loss in the first year because  
18 of the smoothing under the glide path, we would just borrow  
19 the money of the shortfall from the bank, and I think the  
20 chairman was saying that the cost of borrowing that money  
21 as a shortfall would be taken into account of how we  
22 allocate that across the 4-year path.  
23  
24 THE ACTING CHAIRMAN: I think it's a decision for IPART.  
25 I don't think we've committed either way.  
26  
27 MR YOUNG: Exactly. So smoothing or glide path - Sydney  
28 Water would honestly believe that in a cost-reflecting  
29 sense, that if it was IPART's decision to smooth the first  
30 two years out, yes, we could go to the bank to borrow the  
31 shortfall, but it's unlikely that I could go to the bank  
32 and say, "Is there any chance I could get a zero interest  
33 for this time period?" They would say they believe in  
34 commercial principles. That's what Sydney Water believes  
35 in. I think that's what IPART would look at as well. I  
36 did want to tackle that issue.  
37  
38 There's really good comments made - and this was  
39 picked up by a number of the groups about a better  
40 reporting of the hardship, the sort of key performance  
41 indicators, and where we are heading in that space. I  
42 think generally we would really encourage IPART and Sydney  
43 Water and the groups getting together to discuss how we can  
44 make that happen was a point that was picked up later - I  
45 think from Chris Dodds from EWON - about the next steps in  
46 that space, and also Alison Peters.  
47

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1 So we would like to put on the table that we would  
2 like to work with the groups about greater transparency in  
3 that area, what we could do in that space.  
4  
5 NCOSS - Alison Peters was - she agreed with a lot of  
6 issues raised by PIAC. It's the classic issue of the  
7 owners versus the renters came up again. Interesting, my  
8 reflection of that, how did we get there, is that water was  
9 seen as something that you - that unlike electricity or gas  
10 or phone, that you wouldn't just cut off, that you would  
11 see - that you would restrict people, you would still get  
12 the right to have the water and the sewer.  
13  
14 And the heart of that was it went to the owner then  
15 because if there was a bad debt that accumulated over time,  
16 it would go to the owner and there would be an asset. So  
17 that was the original intention, I think. That's been  
18 built up over the longer time period in that space. That  
19 is the bigger issue, the whole question of ownership versus  
20 rental. I suspect it could be picked up by IPART at a  
21 future time. That is a big issue.  
22  
23 Again, smoothing was referred and very keen to report  
24 on the hardship, which we said we'd like to do that.  
25  
26 EWON again - smoothing. Chris made the point, "Let's  
27 get together" and we've supported that. I was pleased  
28 there was a lot of support from the different groups about  
29 the things that Sydney Water has proposed with the  
30 increased hardship program. They were appreciative that we  
31 were trying to move into that space and do more in that  
32 area.  
33  
34 Anglicare - John Bellamy and Phil Coller - they were  
35 looking for a better-targeted program in the hardship, and  
36 I think if we got the indicators together and we looked at  
37 a question raised about can we do work on the effectiveness  
38 on the different elements is something that would help us  
39 get into that space.  
40  
41 There was a few suggestions there that were  
42 probably - I think they admitted themselves they were  
43 beyond the remit of the Tribunal, the questions of postcode  
44 pricing. That, I suspect, would be quite controversial, I  
45 think. Before we stepped into that space we'd need to get  
46 good community research. Our community research says a lot  
47 of our customers do favour the postage stamp pricing.

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1 There's a strong support for it.  
2  
3 I thought Amanda made a really good point, which is  
4 very true, that if you live on the coast, say, for waste  
5 water, there's an economy of scale, and it's from a Sydney  
6 Water viewpoint it's the lower cost, but we charge postage  
7 stamp, and that is used for more expensive out west, where  
8 it can be more expensive. So there is a flow of  
9 cross-subsidy in that spot.  
10  
11 Angela, there was an interesting issue with PAS  
12 vouchers and renters. Do you have information on that, and  
13 there was also a question raised about the increase in the  
14 number of restrictions - doubling the number of  
15 restrictions?  
16  
17 MS TSOUKATOS: Sure, I'm happy to comment those. Yes,  
18 one of the stakeholders made a comment that Sydney Water  
19 has doubled the number of flow restrictions for residential  
20 customers. I do have year-on-year comparisons looking from  
21 March 2010 to March 2011, and it was 1026 customers  
22 experienced some flow restriction in March 2010 and 1,498  
23 in March 2011. So not quite a doubling, an increase. But  
24 you have to see that against a customer base of 1.7 million  
25 accounts, so it is actually quite small.  
26  
27 And as Kevin has said, it is an absolute last resort,  
28 and we go to great lengths to not restrict customers  
29 supply, because we accept as the stakeholders have said,  
30 this is an essential service, essential to life. So that's  
31 that particular figure.  
32  
33 Regarding PAS, we have actually extended PAS to  
34 private renters if they can actually demonstrate that they  
35 are responsible for the water usage component of the bill,  
36 if they can show us that, and we are actually looking at  
37 people living in caravan parks. And as has been suggested  
38 by the stakeholders, we would be happy to work with you on  
39 looking at other consumer groups.  
40  
41 And with the bill assist program that we've set up,  
42 where we have got case coordinators in our case management  
43 team, in our contact centre, we basically deal with whoever  
44 presents. So perhaps we might not be able to help them  
45 with their bill, if they are not actually responsible for  
46 that component, but we will look at their circumstances and  
47 see how we can work with them and other agencies to offer

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1 support.  
2  
3 The issue of hardship effectiveness - very happy to  
4 work with the stakeholders to develop new KPIs that look at  
5 the effectiveness of the program, because our ultimate aim  
6 is to get people into a formal program and get them out of  
7 the program as quickly as possible.  
8  
9 MR YOUNG: Thank you, Angela.  
10  
11 The next submission was from the Australian  
12 Sustainable Business Group, where Andrew made some really  
13 good points about supporting cost reflective pricing,  
14 sending a signal to industry. A common theme coming up is  
15 the issue of transition in that space. I think that's  
16 something we need to pick up, and Sydney Water will be  
17 happy to look at that.  
18  
19 It's the same issue again in the balance that when you  
20 see this is an appropriate mechanism from a cost reflective  
21 viewpoint, whenever you transition, there is a trade-off  
22 then between the shortfall through a transition that must  
23 be - or Sydney Water's view - that spreads over the rest of  
24 the charges, so that balance to be achieved between  
25 transitioning and increasing prices for other customers.  
26  
27 Certainly where Sydney Water is seeing a new cost  
28 reflective charge in the area of trade waste, that will be  
29 increasing, and we have taken that increase into account to  
30 reduce charges for others. So if there is a transition,  
31 there's a rebalancing that IPART needs to consider in that  
32 space.  
33  
34 There was considerable discussion about some of the  
35 increases in trade waste that were quite high. I think  
36 that needs to be looked at too in what the overall bill for  
37 a company is. There can be increases in trade waste, but  
38 overall not as big an increase in the overall bill, but  
39 that will be a case-by-case decision.  
40  
41 And there was a really good discussion also, I  
42 thought, very pragmatic, about - I think Andrew rightly  
43 said that people would like lower usage charges, but he  
44 reflected that lower usage charges might actually mean  
45 bigger fixed costs, and then that has a whole range of  
46 implications for different businesses of what that means.  
47

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1 And I suspect lower usage charges, sewage usage  
2 charges, and bigger fixed costs would have a different  
3 transition incidental effects on business impact more on  
4 smaller businesses that would lose in that case, and bigger  
5 businesses win. Again, it's a balance of moving to the  
6 right approach, and how you transition it - who wins and  
7 who loses in that case, in that position.  
8  
9 NSW Business Chamber, and Larisa, making some support  
10 there, seeing the need to invest, but it must be prudent.  
11 There was a bit of a discussion, I think, Chair, that you  
12 corrected, which was a belief that we were increasing the  
13 bills because we lost revenue in the past. We are both  
14 very clear on that that that is - we draw a line under  
15 that. That was the best estimate that Sydney Water and  
16 IPART did at the time. The reality is that's one of the  
17 risks we place in the business, and that did not prove to  
18 be true, but bills moving forward are not based on a  
19 clawback of the \$900 million that we did not receive in  
20 revenue with a different demand.  
21  
22 We don't think - there was a question about gold  
23 plating and whether we are overinvesting. I don't think  
24 that's the case. I've read the Productivity Commission  
25 report which is looking - they have also - the Productivity  
26 Commission is very strong on what they call the huge  
27 economic costs of ongoing restrictions on a community.  
28 And they do play a big part in their report about how that  
29 can really impact on a community, the economic costs of  
30 severe restrictions, and they ask for utilities to step  
31 into that space.  
32  
33 They do make some comments on desalination, but I  
34 think not in a bad sense for Sydney. And they make  
35 comments on other plants further around Australia, but I'll  
36 leave for others to comment on in that space.  
37  
38 And the question of transition came up again, which we  
39 said we would look at.  
40  
41 Andrew, the Waste Contractors and Recyclers  
42 Association of NSW - would you like to make a few  
43 comments. I was quite out of my depth in that area. It was a  
44 quite technical discussion, good points were made.  
45  
46 MR KIRKWOOD: I guess it's a technical discussion, but  
47 it's also a quite narrow sort of area within our water

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1 utility charging, but also our trade waste charging as  
2 well.  
3  
4 WCRA did point out that since 1992 we had a system  
5 called Wastesafe in place, which is a way that we monitor  
6 that commercial premises actually pump out their  
7 grease-traps. Now, if you don't know what a grease-trap  
8 is, if you go to a restaurant and they wash up all the  
9 dishes and things like that, the waste water from all the  
10 kitchen processes runs into a thing called a grease-trap.  
11 It collects all the grease and the solids, and the  
12 relatively clear water goes off to sewer.  
13  
14 Back in the late '80s we had some fairly big problems  
15 within Sydney around managing grease. And one of the  
16 problems we had at the time was many contractors would go  
17 along and pump the grease-trap out, but then take it to one  
18 of our manholes and put it back down the sewer. So the  
19 customer wasn't getting much value for the service, and we  
20 were ending up with the grease still.  
21  
22 We had a lot of discussions at the time with the EPA,  
23 and they agreed it was a problem, but it was specifically a  
24 problem that Sydney Water had. So we introduced a system  
25 called Wastesafe at the time.  
26  
27 The 8 cents a litre is a charge that we actually put  
28 on the generator of greasy waste, and then we paid that to  
29 the depot that actually treats the grease-trap waste. The  
30 way that we arrived at the figure of 8 cents a litre was at  
31 the time, back in the late '80s, we did a comparator if we  
32 had to actually operate a treatment facility and treat that  
33 greasy waste, and that's where we arrived at the figure of  
34 8 cents a kilolitre, or 8 cents a litre I think it is.  
35  
36 I guess though what's happened over the last sort of  
37 10 years is quite a number of changes have occurred. Those  
38 changes have been in the regulatory environment within New  
39 South Wales. I believe that environmental regulations for  
40 transporters is a lot stronger than what it was back in the  
41 late '80s, so we have a lot more level of comfort with  
42 regulation of that industry.  
43  
44 But I think the other thing, and WCRA have made the  
45 point, is that we actually do have a waste tracking system  
46 for grease-trap waste in Sydney, and we are committed to  
47 keeping that going. Simply what we are doing is taking

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1 away the 8 cents a litre out of, if you like, the chain of  
2 payment. So Sydney Water will be keeping the Wastesafe  
3 system going, which means we'll still be ensuring that  
4 customers have their grease-traps pumped out and we have  
5 committed to WCRA and also to transporters, that we will  
6 ensure that we have high levels of compliance in actually  
7 managing that non-compliance.  
8  
9 Where we have, I guess, an issue with the 8 cents a  
10 litre - is it's the only waste type where we actually do  
11 pay a rebate. There's many other types of liquid wastes  
12 that are generated by trade waste discharges throughout  
13 Sydney, and we don't have a system for those, so there's an  
14 inequity on that side. The other thing is, and I think  
15 this point was made in your question as well - is it is not  
16 industry practice around Australia for the water industry  
17 to operate this way. We had particular issues back in the  
18 late '80s, early '90s, and we believe that the whole  
19 industry is at a point of maturity where we don't see the  
20 point in continuing with that 8 cents a litre.  
21  
22 The other issue I think we have with the 8 cents a  
23 litre is it almost, if you like, sets a guaranteed price,  
24 and it doesn't take into account what is occurring, I  
25 suppose, with innovation within the industry of treating  
26 the grease-trap waste. Say, for example, in the last  
27 few years there's opportunity through things like  
28 cogeneration, for example, electricity generation from  
29 grease-trap waste, because it's something that has quite a  
30 high calorific value.  
31  
32 There's different ways in which that waste is treated,  
33 rather than through a biological treatment process now.  
34 So, in fact, in effect by keeping the 8 cents a litre  
35 there, we have the potential that we are actually keeping a  
36 market alive which should really allow the market forces to  
37 determine what is the real way it should be managed.  
38  
39 Thank you. Chair, I think that was the main  
40 presentation, and then you asked for people to come forward  
41 and make some comments. I might just go through those if  
42 we could.  
43  
44 The first one I think, again, was John Newton came up  
45 and talking about the transition issues, which we had a  
46 discussion - we need to decide how best to transition that  
47 from an incident effect approach. Sydney Water would be

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1 wanting to see from a revenue neutral perspective as well.  
2 We'd be very keen to do some modelling and work with the  
3 Tribunal on that.  
4  
5 Andrew, there were some issues raised about the Tom  
6 Crozier-impacted zones - where they are, and also the  
7 tiered system. I wonder if you could assist in that area.  
8  
9 MR KIRKWOOD: Little bit of history, I suppose over the  
10 last few years. Sydney Water, and a lot of other water  
11 utilities have been doing a lot of research over the last  
12 five or six years about the effects of hydrogen sulfide  
13 corrosion on sewer networks. A lot of this work was  
14 co-funded by Sydney Water and also Gold Coast City Council,  
15 with the University of Queensland. It was quite a big  
16 research project that was undertaken.  
17  
18 What that demonstrated to us is that - I guess there's  
19 a couple of key precursors, if you like, to corrosion  
20 within concrete assets, sewerage systems, and it's not just  
21 the fact that we've got sulphate which becomes hydrogen  
22 sulfide within our sewer network, it's the precursor to  
23 that which is the issue, and the University of Queensland  
24 demonstrated that the key issues we had was that the waste  
25 streams that had very high BOD, which is a measure of the  
26 organic activity that's actually occurring within waste  
27 water, so it's particularly prevalent within food-type  
28 wastes, but also in paper and pulp-type wastes as well, and  
29 also high temperature.  
30  
31 In effect what occurs is the sewer actually becomes a  
32 bioreactor, so we are getting treatment occurring all the  
33 way through the sewerage systems. Unfortunately, in Sydney  
34 a lot of our industrial parks tend to be at the far end of  
35 our sewerage systems, and so out of that work, what Sydney  
36 Water then did was a research study of our own into our  
37 corrosion impacted catchments, and we had a fairly - almost  
38 disastrous case out around Smithfield some years ago, where  
39 we actually nearly lost the top of a sewer over one of the  
40 main roads over there, and that heightened our awareness of  
41 this issue.  
42  
43 So we now have a process in place where we actually  
44 physically inspect our sewer mains, and on a regular basis,  
45 and we've got many thousands of kilometres of those to  
46 actually check the level of concrete cover. We accept that  
47 sewers do corrode over time. Typically most should have an

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1 asset life of around 80 years. So that translates to if we  
2 start to get more than 1mm of concrete cover over a sewer  
3 asset starting to come off within a 4-month period, that  
4 starts to raise alarm bells for us, because it means that  
5 potentially you're not going to get the asset life out of  
6 that asset.  
7  
8 We then do a study and look at what could be the  
9 potential sources of corrosive substances, and on the basis  
10 of that we then declare a sewer system corrosive. And that  
11 is the basis of when those requirements will come in around  
12 the lower temperature figure, and encouraging industry to  
13 treat their waste water to bring it down to an acceptable  
14 level.  
15  
16 So what that does mean is that over time, as we look  
17 at our sewers, some sewers will be declared corrosive  
18 impacted, if we find that is the case. So I can't  
19 guarantee that the current corrosive impacted sewers are  
20 the only ones that we're going to have in Sydney. It will  
21 be the result of our ongoing regular inspections of our  
22 network which will actually determine that.  
23  
24 However, when we do find that this is the case, we do  
25 give the industries in that area quite a reasonable time  
26 period to actually comply with our requirements. And if  
27 you need to sort of have case studies of that, the work  
28 that we've been doing in the Smithfield catchment with the  
29 large industry out there is a good example of that, and  
30 also the work that we are currently doing in industry  
31 around the Rosehill, Camellia, Silverwater area as well.  
32 So quite happy for you to investigate that and have look at  
33 that.  
34  
35 So, no, I can never guaranteed that more sewers will  
36 never ever be declared corrosive impacted. It's a matter  
37 of what occurred within those catchments that will  
38 determine that.  
39  
40 MR YOUNG: Thank you, chair, and I also missed a  
41 presentation, a good presentation done - my apologies for  
42 that, was the Owners Corporation Network. I missed that,  
43 if I could return to that now.  
44  
45 I thought that there was a general agreement that  
46 there's an imbalance at the present time in how charging  
47 has occurred. We want to move forward with a better

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1 approach, and I think the question is is it 100% or a  
2 proportion of it, is what I got.  
3  
4 The other thing, I thought we had a general agreement  
5 in the question of the future of putting in watering  
6 metering for all future blocks, is something that Sydney  
7 Water would like to move in that space, encouraging that  
8 for all new development to have that. I think we are in a  
9 common space there.  
10  
11 It really goes to the heart of, as I said before, most  
12 of the business is fixed, and for a connection to the water  
13 supply system you really are becoming a member of the club,  
14 and there's a charge for being a member of the club that  
15 says when you turn that tap on you get use of the complete  
16 network and system of assets that's spread out, and that  
17 you can get, you know, virtually a continuous supply of  
18 water available at a high water quality that is available  
19 throughout your residence, and what is the cost of that.  
20  
21 Well, I think the point that was made is we are  
22 proposing in some cases it was set at 5,000% increase, and  
23 you might have made this point yourself, Chair, that when  
24 you look at this, what we are proposing is that for the  
25 Sydney Corp connection, we say to them, "Look, the cost of  
26 membership to the club is \$3.50 a week", and with that  
27 you've got the fixed costs, the networks to have this  
28 supply of water and adequate pressure - that the pressure  
29 comes in on a continuous basis of this water quality.  
30  
31 And some of the flats at the moment, they are charged  
32 - it's just the way the system works - I think I was  
33 looking at some units paying 6 cents a week. And in any -  
34 with respect if you said to customers, "How do you feel  
35 about paying 6 cents a week?", I'm sure they'd be overjoyed  
36 with that. In fact, it's ridiculously cheap. So I think  
37 even what we are proposing, the \$3.50, is reasonable in  
38 terms of that membership.  
39  
40 The other interesting thing I thought, and was a bit  
41 of an eye-opener, was I thought water pricing was complex.  
42 When I saw the difficulties of charging depending on how  
43 far you are up the block of units and what sort of view,  
44 this is a tough area and I can imagine that creates an  
45 interesting public hearing on that, as to equity pricing,  
46 and how to make that judgment. Lucky, Chair, you are not  
47 in the position of judging that. We'll leave that.

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1  
2 Back to the actual comments that came up. I think Raj  
3 came up - I think some of that might be a bit of  
4 misunderstanding in that space; that one thing I think  
5 Australia is very proud of is the standard of water quality  
6 that we achieve in this land. It's some of the best in the  
7 world. I think the approach that we have taken has been  
8 adopted by many other countries. It's called a  
9 multi-barrier approach from catchment no tap, which is  
10 really a risk-based approach which Australia has led in.  
11  
12 I just want to - apart from sort of standing at my  
13 digs and saying water quality is one of the things I'm  
14 extremely proud of in Sydney, is that each of that water  
15 quality through the Australian Drinking Water Guidelines  
16 reflects that the quality of water is at the customer's  
17 property, not at the water treatment plant. So that's  
18 taken into account. There was an issue raised about  
19 whether it was just flowing from the water treatment plant.  
20  
21 No Australian guidelines recognise that, and there's  
22 sampling right across the entire Sydney, Illawarra area so  
23 that what we get is a reflection of what is coming to  
24 customers in that space. It was mentioned there were a  
25 small number of tests. I can tell you there's 70 tests for  
26 each of those samples across a range of parameters, and  
27 Sydney Water in that space actually tests for extra things  
28 that we don't need to under the guidelines, but we want to  
29 make that transparent, and all the testing that we do with  
30 customers indicates customer sentiment with water qualities  
31 are seen as really strong. It's one of the things that we  
32 are proud of. I've probably dealt enough on that topic.  
33 It's something we felt strongly about.  
34  
35 Ilja came up from, I think, Lion milk. He raised a  
36 really interesting question about economies of scale, of  
37 where smaller businesses were doing something, and  
38 whether, through a number of businesses, there could be  
39 Sydney Water coordinating on site to get a greater economy of  
40 scale. I think that's something we should take on board and  
41 have a look at in that area. I thought it was just an interesting  
42 reflection that came out of the talk today and I thank him  
43 for that.  
44  
45 MR KIRKWOOD: Can I just make a quick comment on that?  
46 I know a number of water utilities, particularly in Victoria,  
47 are looking at a concept called industrial ecology, which

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1 is very similar to that. It's something that the broader  
2 urban water utilities are considering, and we very much see  
3 ourselves as having more of a facilitating role in that  
4 than anything else.

5  
6 MR YOUNG: And James Rooney from Beca raised a really  
7 interesting issue about if industry is seeing itself with  
8 trade waste, I suspect having to reduce costs and investing  
9 in more and more treatment, including reverse osmosis - how  
10 does that come out if we have spare capacity. I think the  
11 trade waste in that area should be reflective of what we  
12 would get, and it should be - and linked to that is the  
13 catchment. I believe it will come out in the wash in each  
14 of those areas, in that space.

15  
16 I think they were all the comments. Again, from  
17 Sydney Water, thank you for your comments. We are very  
18 appreciative of the chance to be here today. And we are  
19 very appreciative of the effort that all the stakeholders  
20 undertook to present. As I said, people were very  
21 passionate about their views, which we like, and we think  
22 that's part of this process, what makes it very good. And  
23 at the end of the day there's a balance to be achieved  
24 here, and I am pretty sure we can get something that will  
25 be balanced and acceptable.

26  
27 THE ACTING CHAIRMAN: Thank you, Kevin, very much.

28  
29 It remains for me now to close the public hearing.  
30 Can I join Kevin in thanking people that have presented  
31 today and made submissions. I think it has been a very  
32 good session which has helped to isolate, illuminate,  
33 discuss the more important issues that we need to face in  
34 deciding on Sydney's water and waste water prices for  
35 the years ahead.

36  
37 As a general reflection, I think it's a difficult time  
38 for utility pricing, because prices are rising for various  
39 reasons, while a lot of people's income in the community is  
40 not increasing. And there is no doubt it is putting  
41 pressure on the household budgets, and there's no doubt  
42 people have difficulty dealing with the increase in  
43 utilities bills that they are facing. So we are aware of  
44 that.

45  
46 I think we are committed to cost reflective pricing.  
47 I think it's a matter of intellectual commitment, and is

1 required by Government policy. And prices therefore have  
2 to reflect the full cost of doing the things society wants  
3 Sydney Water to do. Within that context we understand the  
4 comments received I think both from community groups and  
5 business groups saying that, "Well, can you just try to  
6 minimise the extent of price increases that people face",  
7 and we do understand those comments and work hard to  
8 achieve what we can in that direction.

9  
10 So those comments have been received and understood.

11  
12 The way ahead, I think, for us to take all the input,  
13 the input we received from Sydney Water, the input and  
14 submissions and from today, and we'll go away and think  
15 about what it all means and come up with some draft  
16 submissions some time in the New Year. I'm not sure  
17 when - March, thank you - so that's good. And I guess the  
18 ball is in our court.

19  
20 Just to close, I'd like to thank everyone for your  
21 most constructive participation today. May I also perhaps  
22 take the chance of thanking the Secretariat for their  
23 preparation for today, which has been excellent. I don't  
24 think a day as productive as this can exist without a lot  
25 of hard work in preparation. I'd like to thank the  
26 Secretariat also for the effort they have done. Thank you.

27  
28  
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