

Hunter Councils IPART Submission

The Board of Hunter Councils represents the eleven local government areas of the Hunter Region some of which directly derive water and sewerage services from the Hunter Water Corporation. All the Councils of the Hunter and their various communities have deeply entwined social and economic structures, and issues relating to water and sewerage pricing and availability impact on us all. The Board welcomed the opportunity to comment on the IPART's draft determination on Water Prices for Hunter Water and acknowledged the very considerable steps being undertaken by the IPART to seek and acknowledge community and agency feedback.

Should there be a Dam?

For purposes of the submission the Board did not address issues relating to justification of the Tillegra Dam's construction or its long term environmental impacts. They noted that this was not within the terms of reference of the review and thus is outside IPART's determination. The board did however, note that the Tillegra Dam project has been classified both a "major project" and a "critical infrastructure project" under Part 3A of the Environmental Planning and Assessment Act 1979 and that environmental and social investigations are being undertaken and will accelerate as part of its formal consideration. The board also acknowledged and supported Dungog Shire Council's proposal that – if only to depoliticise the process – assessment of the project be undertaken by the Planning Assessment Commission rather than by the Minister for Planning. The Board will be writing to the Ministers for Planning and Water regarding that suggestion in due course.

Submission on the draft determination:

The Board of Hunter Councils submitted the following in relation to the Draft Determination of Water for Hunter Water:

- 1. The Board accepts that it is appropriate to seek a long term contribution from users for capital costs associated with service improvement and, in the case of Hunter Water, enhanced drought security. The Board does not, however, accept that the speed with which this cost is proposed to be recouped via the Draft Determination as reasonable or in accord with industry standards for major capital investment. Nor do we accept that the proposed higher weighted average cost of capital is advisable or necessary (noting, for example, recent – 2008 – determinations in relation to major rail infrastructure). We would contend that the accelerated rate of contribution from users and higher rate of return is heavily motivated by a desire of Hunter Water to insulate itself in business terms from the burden of debt repayment. This is an understandable desire shared by residential, business and local government users. Unfortunately – especially in the case of local government – we do not have Hunter Water's capacity to force home such a financial safety blanket and we are deeply concerned, given the prevailing economic climate, by increases over the determination period of 30.6% for typical residential households and 31.3% for businesses. It is our view that these increases are unsupportable and that they will exacerbate household stress and pressures to reduce business costs through workforce cutback.*
- 2. The Board also wishes to point out the special treatment being accorded to Hunter Water in relation, for example, to imposed standards and charges from the Department of Environment and Climate Change (DECC). Local government has had imposed on it very substantial and non-negotiable DECC charges and standards with no accompanying provision to fully pass the cost of these measures on. Local government must itself also face an enormous increase in Hunter Water charges with one Council – Newcastle City Council – estimating an additional impost of \$440,300 over the determination period. In an environment of rate capping and lessening income this is a significant opportunity cost and will result in additional financial stress, community upset and further imperative to reduce service provision.*
- 3. The Board is deeply concerned about the impact on the disadvantaged within our communities and especially our pensioners noting especially the predicted 56% increase for pensioners in the determination period. We do not accept that any retention of the inequity in relation to rebates available to pensioners in the Hunter as opposed to Sydney is acceptable. We also need to point out that an increasing number of pensioners live in group accommodation, strata and other forms of housing that do not allow flow on of a rebate benefit. These pensioners will be especially impacted.*

CONCLUSION:

The Board of Hunter Councils recognises that Hunter Water must ensure its long term financial viability. Equally, it and the IPART need to accept that Hunter Water's responsibilities extend to ensuring that the viability of its customers and fellow service providers is not jeopardised by its actions. If the Tillegra Dam is necessary as a long term resource for the Hunter Region we in the Hunter are prepared to contribute to its cost. Hunter Water must also play its part by minimising impacts and matching the very long term nature of its investment with a similarly long term payment co-contribution from its stakeholders.

3 June 2009