

**SOUTH AUSTRALIAN FEDERATION OF RESIDENTS AND RATEPAYERS
ASSOCIATIONS INC
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**SUBMISSIONS TO THE INQUIRY INTO WATER PRICING IN SA, FEBRUARY, 2019:
Submission: "South Australian Federation of Residents and Ratepayers Associations
Inc."**

15th February 2019

Attention: Ms. Ann Pataki

Executive Officer

Inquiry into Water Pricing in SA

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Dear Ann,

On behalf of the South Australian Federation of Residents and Ratepayers Associations Inc., we would like thank you for the opportunity to present our submission from the public consultation process.

Main issues for SAFRRA Inc., regarding the Inquiry Into Water Pricing In SA Report 2019:

1. Water and Sewerage Costs: Most Ratepayers and Residents in South Australia are finding SA Water's water and sewerage charges far too high. In particular the low income families, single parents, old aged pensioners, those on fixed incomes who are not receiving a benefit or pension, rural living individuals, horticultures', businesses (large & small), farmers and all those ratepayers and residents who have gardens and small vegetable patches in the cities and rural areas who rely on mains water just to keep it alive. Far too many South Australian's are today forced to be on hardship programmes with SA Water to pay for unaffordable water costs.

2. Hardship programmes by SA Water and venerable people support: SAFRRA Inc., strongly supports that every possible effort to support and to have hardship programmes in place for all South Australians struggling to pay their water and sewerage bills. The young, those single, families, elderly, low income individuals, unemployed, new Multicultural South Australians not fluent in English and those with a disability all need SA Water and Government support. Water costs are far too high.

3. Water Prices in South Australia is effecting and not attracting urgent new businesses, agriculture, employment, growth, development and prosperity compared to the other States with lower water costs: We see the high cost of water as a major detracting blight for future development and prosperity of South Australia, causing our qualified hard working population forced to find employment interstate or overseas for a career and work prospects. Greater businesses attracted to South Australia with increased employment causing a flow on for this State and all other ratepayers and residents benefit with more government facilities and private infrastructure projects.

4. SA Water Pricing Inquiry Lewis W Owens Independent Inquirer December 2018:

The former EWS function was transferred to SA Water on the 1st July 1995 after the passing of the South Australian Water Corporation Act 1994 with 2,300.5 million of corporate assets and 1995 -1996 price increased 2% for water and near 4% in charges. (Refer page 14 & 33)

SAFRRA Inc., believe to have the former EWS changed to a SA Water corporate body was the right decision but in the process with regret many older experienced employees over the years have lost their jobs. The Corporate body we believe can be more efficient than a number of public servant organizations, political, we have needed to move forward.

Economic Valuation of SA Water accuracy range of plus / minus 15% to 25 % depending on the data. (Refer page 23) Net present value contracted 10 years, 25 years or infinity. (Refer page 24)

SA Water currently formal program of asset valuations reviews with major assets are every three years. Other assets classes less regularly (values indexed in between valuations). A move in the right direction. We believe all asset valuation reviews be 3 years and those minor assets reviews every five years.

In the mid 1990's SA Water was not in place with good asset valuations over next decade adopted the best practise approach 2013 – 2016. (Refer page 22)

Levelling BSA / CEPA relevant initial asset valuation in 2004, 2006 / 07, and the Transparency Statement fair value (DORC) 2004. RAB SA Water value was 3.62 billion as mid part value. (Refer page 23)

ERA Economic Regulation Authority of WA Deprival Value method regulated assets using a 10 year revenue projection. Is this model good enough for South Australia?

There were problems with DORC & Economic Valuation method of setting RAP. COAG endorsement of Deprival Value methodology and the SA Government did not comply with approved approach. ESCOSA endorsed the use of the DORC value. An alternative decision for contributory line use valuation of historical assets in SA RAB value approach to be with a reasonable range of value.

Comparison – water quality, climate, geographic spread and desalination.

Diving Deeper Report late September 18 and Submissions Received During November 18

The Submissions Received

Business SA (refer page 6)

BSA – RAB for water assets are approximately 1.5 billion higher than conservative estimates. CEPA found waste – water assets were over-valued by approximately 500 million dollars. Main aim of Inquiry should determine a robust valuation of RAB for SA Water's assets and not concerned by any financial impact on SA Water or the SA Government.

SACOSS (refer page 7)

Support vulnerable customers, broader health, and social programs, re calculating the RAB as a starting point for the inquiry. Full net costs ADP excluding the Commonwealth Government grant of 328 million dollars.

Diving Deeper Report late September 18 and Submissions Received During November 18

The Submissions Received

Livestock SA (refer page 8)

Significant impact of RAB on customer bills, particularly livestock producers. CEPA re-valuation of the RAB. Cost of water limiting profitability and production expansion.

Coorong Water Security Advisory Board (refer page 8)

High water prices and security of supply, industry specific, Taillem Bend to Keith pipeline has many agricultural businesses needing supply in the area.

Diving Deeper Report late September 18 and mid November 18

Professor Richard Blandy (refer page 9)

Impact on Government Revenue; supply SA Water with a dividend. Full cost of the ADP excluding Commonwealth Government Grant. Water industry outputs should deliver at the lowest possible cost, and not to be based on a monopoly profits.

Contributed Assets (refer page 31)

The customer contribution where a service or connection requires construction of a new main:-

- 1) Water & Sewer infrastructure are constructed by developers and transferred to SA Water.
- 2) The corporation constructs or modifies infrastructure at developer's request and charges the developer for its costs.

ESCOSA in 2004 recommended removing contributed assets from Regulating Asset Base. ESCOSA – removal post corporation contribution asset pre – corporatization contribution should be removed.

“If upper loan reverse is based upon unreasonable inflated assets base for pricing purposes then the result would be a lock in of excessive pricing.”

Free assets from sub-divider who construction water supply sewerage infrastructure with a sub-divider vested the completion infrastructure to SA Water for nil cost. Interesting information. All contributed assets depreciate useful life 100years. Assets split 43% water / 57% sewer use.

Poor record keeping by EWS prior to 1995 realisation valuable contributed assets. Pre –corporation contributed assets remain regulating assets.

Desalination Plan

The change to have a larger capacity ADP from 50GL to the present 100GL option.

The factors of due process what might have been achieved if an independent regulator had reviewed the capital program expansion. ADP capacity is only capable of supply an 80% capacity of Adelaide's peak summer daily demands. SAFRRA Inc., believes with increasing population growth in South Australia ongoing and increased future Adelaide planning developments, the increased desalination capacity though secretive at the time by SA Water and the Government was in the best interests for South Australia.

Water Pricing

The early 2000's and beyond saw the process in determining SA Water pricing secretive with limited engagement in South Australia. Final Action process lead to in May 2013 a Pricing Order which set the initial RAB. This impact in removing all post corporatization of contributed assets, and un-contributed assets actual CPI & CAPEX with difference inflators planned CAPEX. ESCOSA price determination for SA Water via new pricing order was a very good move.

Real water prices: - 12% increase in 2008 /09, 17.9% increase in 2009 / 10, 21.7% increase in 2010 / 11 and 26.3 % increase in 2011 / 12 and 25% increase in 2012 / 13.

SAFRRA Inc., is led to believe that the State Government at the time used SA Water as its "Cash Cow", SA Water profits going into general revenue and we wonder what influence was the State Government itself having regarding SA Water's, water prices. There was dramatic rises in water prices over the years from 2008 -2013. The transfer of water pricing to ESCOSA was in 2013 / 14. We believe from the information provided - ESCOSA in this case or another independent body should take over South Australia's water pricing with open, transparent community engagement which we believe is happening. What has the dramatic water price increases had on SA Waters profitability and the dividend to the government. We believe these profits should be redirected to lower water prices and used for more water security infrastructure projects.

SAFRRA Inc., believe in this report future and current technology advances, usage by SA Water is missing in this report – "A Cautious Conclusion" into SA Water Pricing must be factored into pricing any future infrastructure projects conducted by SA Water and the Government.

Summary

SAFRRA Inc. would like to see reduced water pricing in South Australia which will take South Australia forward and make us more competitive with all the other States and Territories. Affordable water and sewage costs for all. Let's see South Australia grow, expand to create a more prosperous life / wellbeing in our State.

Yours sincerely

Kevin Kaeding
President
South Australian Federation of Residents and Ratepayers Associations Inc