

**SOUTH AUSTRALIAN FEDERATION OF RESIDENTS
AND RATEPAYERS ASSOCIATION INC (SAFRRA)**

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SA Inquiry into Water Pricing

“A Balanced Bargain”

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Dear Ann

SAFRRA INC., SUBMISSION

SA Inquiry into Water Pricing

‘A Balanced Bargain Report’

By Lewis W Owens, Independent Inquirer May 2019

SAFRRA INC. wishes to thank you for the opportunity to comment on the key points regarding in the ‘A Balanced Bargain Report’.

1. **Overview** - A summary of SAFRRA Inc., submission on Cautious Conclusion report is printed on page 13 of the “Balanced Bargain Report” and we wish to reinforce that most ratepayers and resident in South Australia are finding SA Water’s water and sewerage charges are far too high for low income families, self-funded retiree’s, pensioners, single parents and those with disabilities. The ability to pay with low income unaffordable essentials for life require a life line with hardship programs by SA Water and greater State Government funded support (concessions). The residents of South Australia no longer can afford the sudden spikes (rises) in water and sewerage pricing. We have had enough of that from previous government. We accept that the business, manufacturing, mining and agricultural sectors must have water pricing that is affordable, competitive compared to the rest of Australia for all industries to grow, expand and employ more South Australia’s throughout this State, especially in some of the depressed regional areas.

2. **Background** - SAFRRA Inc., ABC that is A = Apply the Act, working with legislation, the Treasurer’s setting the initial RAB thus “A” to know mean “Apply the Act and Agreements” refer page 16. B = Balance the Bargain, the asset owners the ratepayers and residents of South Australia, SA Water a monopoly run for the people of SA receive the best level of service without extreme pricing structure for an excessive Government Return (if only that return could go back to the public, lower prices for water and sewerage charges.

2. Background cont. C = Collaborative Climate, we believe a more transparent structure that SA Water operates in, extensive public consultation where the customers views are recognized and share to the best outcomes for all SA Water Customers. The Government Utility, a sustainable business and the profit income is to benefit South Australians. Affordable pricing / lower prices for the vulnerable low income customers and from the Business Community water pricing that is not too high to sustain businesses in SA to grow and be viable employing more South Australians. Have a reasonable not an inflated RAB. (Refer page 18).

3. **Reasonableness Revisited** – SAFFRA Inc., believe in reasonable decisions be **Reasonable**, balanced, just, proper, these reasonableness decisions to be delivered to all ratepayers and residents, social and financial asset impacts. Please do not inflate water prices. Vulnerable customers must be recognized, supported by the government and its utility SA Water in regard to pricing charges. (Refer pages 21 & 22).

4. **A Government Perspective in Defence of the initial RAB** – SAFFRA Inc., we believes the decision on the RAB value in May 2013 was a legitimate act to use before the move to an independent economic regulation. To be transparent and avoid huge spikes in water charges that was experienced earlier by the government. ESCOSA did not dispute the rate of return calculated for legacy assets. The initial RAB set by the government complied with CoAg Strategic Framework, CoAG Guidelines and NWI pricing Principles and the opening value fair.

5. **ESCOSA Comments and Advice** – SAFFRA Inc., believe ESCOSA was required to review and report on the compliance of the process with CoAG guidelines and not the actual outcome of the process. The Inquiry agrees with ESCOSA that the treatment of pre-corporatisation contributes assets needed to be reviewed and the value was difficult to determine but not zero. ESCOSA using Fair Value in place of a Deprival Value, failure to remove all contributed assets from the RAB and the use of ‘legacy assets’ that were in place before July 2006 in other words EWS figures used before July 2006 were difficult to back up or calculate correct.

6. **The Issues to be Addressed** – SAFFRA Inc., believes ESCOSA accepted the right of the government to set the initial RAB based on securing the targeted average revenue preferred by ESCOSA. SA Water Corporation established in 1995 and political decisions would be made regarding the operation of the business under the control of the Treasurer, budgets and prices set by the government with minor input from the board. The massive capital expenditures during the period of 2008 - 09 to 2012 – 13 were directed by the government as part of the Water for Good and many investment decisions were not taken independently by the Board of SA Water and were not reviewed by ESCOSA. Why? Even legal advice from Crown Law to clarify the Government’s legal obligations in this regard and was advised that CoAg and NWI Agreements are political agreements and are not legally binding – but there would be an expectation that signatories would comply with the terms and spirit agreements. 2.

6. The Issues to be addressed cont. The Treasurer in 2013 decided not to abide by the terms and spirit of these agreements to use a different methodology to establish a RAB value, and to adopt a new date for the purpose of setting the RAB value. The government was entitled to revalue and set a new RAB value at the commencement of independent economic regulation from June 2013 and not resited from that action by its declaration of a legacy date of 30 June 2006. With SA Water's Legacy Assets the notion to recover full costs on a go-forward basis seemed fair to adopt. While SA Water set a different set of numbers to the Inquiry revaluing waste-treatment facilities costs and recycling production was an acceptable addition in costs and we can see / transparent how the SA Water's 3.1% legacy assets was calculated. (Refer pages 60 & 62).

7. **Reasonable Assessment** – SAFRRA Inc., believes the Reasonable Assessment is a never ending story. The government at the time moved to replace the 12-13 RS by Initial Asset Value to secure the targeted revenue stream despite the decline in the WACC value. The wider community even when SA Water prices rose by over 20% per year for four successive years prices increased by over 150% over that period. You would think alarm bells would be ringing. Especially, conducting meetings behind closed doors between ESCOSA and DTF officials and the Treasurer. Was this open government? ESOCSA seemed to agree with the government of the day. We had the impact of the drought in SA and the construction of the DESAL Plant. The increased revenue from SA Water pricing paid for the interests of consumers the needy, those in hardship with social and business support programs, reliable water supply at a major cost to the SA Water customers. We believe Chapter 7, highlights the need for a more transparent open inquiry into water prices from an independent inquirer. There was no consideration to lower water prices to the consumers. Ability to pay ignored. (Refer pages 63-69).

8. **Analysing of the Two Perspectives** – SAFFRA Inc., believes (1) **The Government Case**, (2) **The Inquiry Case**, We would agree with the Inquiry Case, 8.2 to that the most appropriate case to commence a regulatory roll-forward was the legacy date the 30th June 2006 asset valuation at 30 June \$7209 million (in \$ June 13) or \$7151 million (in \$ Dec12) (Refer pages 77 - 78) Locating the majority of new housing around transport corridors. High rise on main roads seven stories high is this lifestyle change comfortable with our residents and are they prepared or will they have no choice but to live in high rise without large buffer zones, trees, or green space which is not acceptable.

9. **A Balanced Bargain** – SAFRRA Inc., believes as with the inquirer that revenue affects the financial viability of SA Water and that the value of the RAB be set to have that balance. With the State Government the owner of SA Water, South Australians the shareholders (customers), setting the Initial RAB value behind closed doors does not create the transparency, good practice by the owner. Higher returns by the government support on-going investment opportunities for security and the environment.

9. A Balanced Bargain cont By leaving the RAB unchanged was considered a fair balance for current and future consumers and higher water prices not passed onto future generations to pay. It was a two way sword for the government at the time. What this inquiry points out is the wider community was not consulted, meetings behind closed doors, less opportunity for public participation in regard to water and sewerage prices. Price hikes unfordable costs to the low income families, individuals, and business to compete, grow and employment in this State. Our water prices and charges are too high for many South Australians. What's done is done. Let's move on and grow this State care for the vulnerable poor residents and help businesses compete by fair water prices to be viable. As we have seen for this report financial figures may not have been calculated correctly. SA Water was used as a cash cow for a Government needing cash flow for infrastructure. (Desal Plant).

Summary

We can spend millions of dollars on reports inquires. Figures used by a Government to set water and sewage prices may not have been quite correct. It is done know more on and make sure these mistakes, calculated additional cash flows, meetings behind closed doors, no wider community input never happens again. An independent body setting water and sewerage prices without any government interference. We expect Water and Sewerage prices for the people and by the people of South Australia. To achieve affordable water and sewerage prices for all.

Yours sincerely

Kevin Kaeding
President
South Australian Residents and Ratepayers Associations Inc.

Enclosed:- News Release by the then State Government – the Hon. Paul Caica, Minister for Water and the Hon. Jack Snelling, Treasurer, on Wednesday, 11 May 2011 regarding New Water Prices for 2011 -12

