

Inquiry on Harvey Water Bulk Water Pricing
 Economic Regulation Authority
 P O Box 8469
 Perth Business Centre
 Perth WA 6849

Subject: Submission regarding the Issues Paper: Inquiry on Harvey Water Bulk Water pricing. The subject will be referred to as the **Paper** in my submission.

Issues 1. Page 7. The bulk water Supply Agreement should be based on the "renewal costing system" that is currently used. It should be considered that the water used for irrigation is essential for the production of food necessities for the West Australian population, therefore any increase in the cost of water to irrigation users via the upkeep of the dams would be passed on to the consumer by the producers to recoup any increases. As the public of Western Australia already pay 15% of the upkeep of the dams used for irrigation and do not pass on any upgrade or safety costs to Harvey Water, increases in costs to irrigation users would be due to Harvey Water internal cost increases, not the Water Corporation. Any expenditure increase by the Water Corporation on irrigation dams upkeep could have a detrimental affect on public food costs that are tied to irrigation if that expenditure by the Water Corp; is recouped from the irrigation users by Harvey Water.

Issues 2. Page 13. The ANCOLD Guidelines are appropriate to determine dam safety standards for South West irrigation dams, also dams in the Peel region.

Issues 3. Page 13. The WA Government is responsible for the safety of all Government services and should efficiently budget to do so. If there is conflict with the ANCOLD Guidelines regarding dam safety they should be adjusted to suit WA requirements for their obligation to safety.

Issues 4. Page 13. Again it is the responsibility for the WA Government to ensure that sufficient funding is available for safety in all dams.

Issues 5. Page 13. The WA Government should be aware if the ANCOLD Guidelines are not suited to the task of dam safety and if not suitable act accordingly to correct the situation.

Issues 6. Page 13. If the ANCOLD Guidelines for dam safety are acceptable in most Australian States/Territory then WA should follow suit, then if needs be modify the Guidelines to suit WA requirements.

Issues 7. Page 17. The beneficiaries of the South West & Peel dams maintenance and operation expenditure are mainly those making profit business wise from the use of the water for irrigation and the Water Corp; for public potable water supply sale.

Issues 8. Page 17. The costs to the beneficiaries should be allocated on the basis of financial benefit for actual removal of the water, as against more finance supplied via the CSO. The water is not removed from a dam by recreational or unidentifiable public beneficiaries use and every person who pays GST/Stamp Duty and other Government levies pay for the operational costs of the dams. It would not be ethical to lumber the public with further financial burden to subsidise persons taking water from the dams for financial gain. It should be noted that finance via the CSO is used to fund dams where the public are banned from access to certain dams, a clear case of double dipping by the Corporation. The 15% CSO & 85% BWSA cost allocation should be reconsidered due to public exclusion from applicable dams.

Issue 9. Page 17. It appears to me that the public are in a catch 22 situation because they pay either way, whether it's the "impacted or beneficiary" system. Mentioned is made at Issue 9 above re double dipping the water in the dams and the 15% CSO and 85% BWSA current agreement. The Corporation made the decision to build the dams and are responsible for their safety/upkeep, the impacted (no such word as impactor) and beneficiary systems are just Government gobbledegook.

Issues 10. Page 17. Cost recovery is already determined in the current BWSA and the CSO, but with water trading for the IWSS and the Water Initiative compliance occurring some adjustments will have to be made with the BWSA, I am sure the appropriate responsible authority could reduce the operating and maintenance costs.

Issues 11. Page 19. The Marsden Jacob review clearly indicates that farmers could not afford to fully cover the costs for dam safety, as this would reduce the profit by \$20k to \$30k per farm, with a larger impact on dairy than horticultural farms.

As mentioned previously any cost levied to farmers will be added to their product at the point of sale to recoup those increases in operating their business, with increases for the retail sector, then passed on to the public. The Authority should seriously consider any increases to irrigation users as more farmers are walking away from their properties due to financial worries and any increases will exacerbate farmers.

Issues 12. Page 19. The value of water traded via Harvey Water is not in relation to dam safety values, therefore does little in the way of guidance for safety upgrades.

Issues 13. Page 22. This Issue will open a can of worms regarding principles to govern structures of water storage charges and not just to Harvey Water. Principles are variable meaning different things to different people and Government cannot make decisions in isolation on this subject. I have remarked that the farmer will recoup any shortfall in the business profit due to any increase in the cost of the irrigation water used and this will be passed on to the retail outlet, thereby increasing the price of the farm product to the public. If there is an ulterior motive by Government to increase charges to conserve water in regard to any BWSA then I don't agree with any covert principles. Government is to be transparent in all dealings with the public and one would hope so in this instance. Principles of moral sense, responsibility and common sense should be the main concern of the Corporation if it is considering changes to any BWSA as I predict that there will be repercussions throughout the farming fraternity with increased irrigation charges.

Issues 14. Page 22. The question should the storage charge to Harvey Water be the same as the charge to other users is impossible for me to determine as there is not sufficient information supplied in this Paper regarding the charge to other users. I will say that the charge to recreation users of water storage of 15% of the total would no want to have been based as per Harvey Water BWSA formula. Also the charge to the public for their water and the deduction via taxes and duty already taken to subsidise the Corporation should have been stated in this paper so that this question might have been answered. The third parties item should also have been clarified in this Paper to inform this author of their involvement in the overall cost in considering an answer to Issue 14. I presume that eg if Alcoa World Alumina Australia wanted to use some of their farm water entitlement for their mining process this would be third party use? If my presumption is correct concerning Alcoa then I would suggest that the third party in this case is not in the same situation as that of a farm and should not be charged at the same rate as a farm. As stated elsewhere a farm is producing essential food for the community, Alcoa would be producing a product solely for profit, not an essential for the public, therefore the charges should be higher in this instance via Harvey Water.

In summary I would say that the Issues Paper: Inquiry on Harvey Water Bulk Water Pricing would be status quo in regards to a sudden increase in storage charges. As stated elsewhere the farm price of the end commodity would increase for the public, plus the price being escalated by the middle men as currently occurs. The Corporation would need to have an unarguable reason to increase storage charges to Harvey Water, then farmers plus increases to the public for food to justify any cost escalation. I have not read in this Paper a compelling reason for increases and would consider any happening to just increase the profit of the Water Corporation to supply more finance to the West Australian Government general coffers as happens currently, to obtain another surplus Government budget in 2007.

Regards



Mr John B Clark
7/11/06