

## AN INFORMATION BULLETIN FROM HARVEY WATER

Number 49; April 2005

### FAIR PRICING OF WATER

This Information Bulletin addresses two issues which are frequently raised by irrigators on the cost of water. It also notes some future influences on water price.

#### **SALINITY**

Collie River irrigators frequently argue that because the quality of the water they get is so poor, they should not have to pay the same Consumption Charge as irrigators in Harvey and Waroona, who have excellent quality water.

There is no argument about the quality of the water from Wellington Dam. It has been very poor for years before we took over and has got even worse in the past 5 years. Harvey Water's approach has always been to try to solve the salinity problem rather than address the symptoms.

It is important to know some basic facts:

1. Harvey Water has no authority in the catchment of the Collie River where the salt is coming from. Our only opportunity is to urge and support activity by those responsible. Harvey Water is represented on the Collie Recovery Team which is responsible for improving the water quality.
2. The first real steps to improving the salinity will take place in 2005 winter with the diversion of salty water into mine voids through pipes funded by Harvey Water.
3. Harvey Water does not buy water from anyone, so there is no possibility of obtaining a discount for poor quality. We get the water at no cost, the same as for all licensees in WA.
4. Harvey Water pays the Water Corporation a fee for storing our water in their dam. People sometimes confuse this fee as being a price for the water, but it is not. It is a storage and operations fee.
5. The cost of water to irrigators is made up of two main parts:
  - The Asset Contribution which is to pay for the cost of maintaining the channels etc which send the water to the farms. Collie has the longest channel system and so is the most costly to maintain, although all irrigators pay the same Asset Contribution.
  - The Consumption Charge which is the cost of delivering the water. This is the same in all irrigation districts, even though in Waroona the cost is now much less because of the pipe system. This cost is the administration cost of employing staff and providing the services to

make the deliveries happen. It costs exactly the same to deliver salty water as it does high quality water.

So, there is no reasonable basis for providing a reduction in cost in Collie except if other irrigators in Harvey and Waroona agreed to pay more so that all delivery costs were still covered. This agreement is unlikely.

### **ALLOCATIONS**

Harvey irrigators frequently complain that because they get less than 100% allocation they should get a reduction in their fixed charge, the Asset Contribution.

Harvey irrigators have had less than 100% allocation in 5 of the 9 irrigation seasons since Harvey Water took over. The restrictions have been due to the low rainfall.

The Asset Contribution is used to maintain the channels etc and to build up a sinking fund to pay for projects and future maintenance.

The argument from irrigators is that if they are only getting say, 80% of their water, then they should only have to pay 80% of their Asset Contribution, because they aren't using the channels as much.

The Board argues that in delivering any amount of water, 100% of the system is used each time and this creates the same amount of wear and deterioration. It does not agree that the reduced amount of allocation has the same reduced effect on the system in any given year.

The records show that no matter what the level of restriction, about the same volume of water is delivered every year.

### **Other influences on water price.**

These influences will affect the cost of water for all irrigators.

Our ten year agreement with the Water Corporation on paying the operating cost of dams which supply our water expires in 2006. We will be negotiating with them on what the new charges will be. There are reasons why they might go up and also reasons why they might go down.

There is a Dam Safety Program for all irrigation dams on the drawing board which is currently estimated to cost about \$113 million over the next 10 years. Irrigators are major beneficiaries of these dams and will be expected to pay their fair share. Harvey Water has made a proposal to government on how this could be addressed to not only provide fairness but also certainty on prices in the future.