



The Harvey Water "Furphy"

SPECIAL EDITION

ERA INQUIRY WILL RESULT IN WATER COST INCREASES

Irrigators will have seen commentary in the media about price rises as a result of the Economic Regulation Authority (ERA) Inquiry into Harvey Water Pricing which was tabled by the WA Treasurer in May 2007. The currently known facts are presented below.

The best case result for Harvey Water from the inquiry is that water costs will rise by a total of about \$10 per megalitre over a 10 year phase in period plus CPI.

The Inquiry looked at the Water Storage Charge that Harvey Water pays to Water Corporation and also the cost of the South West Dam Safety Program (DSP).

The Water Storage Charge comes from the fact that Water Corporation stores Harvey Water's licensed water supply in the 7 dams it owns and operates and it is normal to pay a fee for this kind of service. This is the only fee Harvey Water pays to Water Corporation because, as irrigators know, we don't buy our water from them.

Harvey Water has been alerting irrigators for many years about our worries over the potential financial impact the DSP might have on the cooperative.

When Harvey Water took over in 1996, the DSP was said to be about \$17 m in total and Harvey Water, as one of the beneficiaries of the dams, agreed to pay part of this. Recent figures are that the DSP is estimated to cost over \$150 m and rising. This is clearly alarming for the company and there have been intensive efforts by Board and management since 2001 to try to bring some sanity and equity into the situation.

The issues revolve around risk management expenditure in society by government. In the DSP, the level of expenditure per statistical life saved is about 3 times more than that normally spent by government in other areas such as roads, railways, health etc. As an example, the guidelines for dam safety are that our dams should be built to be able to cope with 1500 mm of rainfall in 72 hours, which is quite mind boggling. The ERA recognised this and has recommended to government that risk management expenditures should be roughly equal for different situations when measured on a per potential life saved basis.

If this suggestion (known as Option 2) is agreed, then instead of DSP work being necessary on all 7 dams, only the Wellington dam needs work. The Waroona dam has already been done but the ERA Inquiry has reduced our liability there.

There are still some details Harvey Water will check with ERA but our best outcome is that the cost of water will increase by about \$10 per megalitre in total and this increase will be phased in equally over 10 years plus the CPI increase which is usually applied.



Harvey Water will talk further with ERA and will tell them that the Inquiry process was fair, transparent and we had plenty of opportunity to put our case and argue our point of view. We didn't win every argument but we can accept the 24 recommendations when taken as a whole provided Option 2 is agreed. We firmly believe that Option 2 in the Inquiry is the most sensible of the two offered and hope that it will be adopted. We will advise on behalf of irrigators, that in the market situation where it is not possible for irrigators to simply pass on cost increases that any cost increase is difficult, but the level of cost increase recommended is manageable. Option 1 suggests a cost increase of around \$25 per megalitre so Option 2 is a lot better.

Harvey Water will continue to manage the company and its services to deliver a minimum reasonable cost of water to irrigators. As is normal practice in a cooperative, the Water Storage and Dam Safety costs as fixed costs will be spread equally across all members based on their entitlement.

The 95 page report is available on the ERA website at www.era.wa.gov.au. For an overview, the Executive Summary, the 24 Recommendations and Chapter 5 are minimum readings.

Further details will also be provided at Harvey Water's mid winter irrigator meetings.

DIRECTORS INFORMATION SESSION

A FREE information session will be held for any Shareholders interested in finding out (and asking questions) about all aspects of becoming a Company Director with Harvey Water (SWIAC or SWIMCO).

The information session will be held on:

**WEDNESDAY 13TH JUNE
7.30PM**

Some of the topics to be covered will include:

- The role of the Director
- Time requirements
- Board meetings
- Specific rights, responsibilities and obligations of Directors
- Co-operative Values and Principles
- Business Structure
- Education and Training Programs
- Anything else that you would like to know

Directors and staff will be on hand to answer all of your questions and to hopefully give a clear understanding of the roles and responsibilities of Directors.

RSVP:

To Jane on 9729 0110 or janef@harveywater.com.au
By Friday 8th June

Please contact Geoff Calder at Harvey Water on Tel: 9729 0100 for further information on any of the above topics.