



SERVICES TO COMMUNITIES

***SUBMISSION BY SOUTH AUSTRALIAN
DEPARTMENT OF TREASURY AND FINANCE***

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SOUTH AUSTRALIAN SUBMISSION ON SERVICES TO COMMUNITIES

South Australia is generally comfortable with the overall assessment approach but believes that the water, sanitation and protection of the environment component needs further development.

The water assessment attempts to quantify the impact of differences in water availability, water quality and the need to provide services to small communities where water and sanitation providers are unable to fully recover their costs from their customers.

Water quality and availability affect the costs of providing services. (South Australia has amongst the lowest water quality and availability). Low water quality requires extensive treatment to meet national drinking water standards. Low availability often means water has to be pumped from underground or transported long distances.

The Commission has considered several assessment approaches including actual per capita (APC) expenditure on subsidies (based on water CSOs) and equal per capita (EPC). South Australia supports the Commission not proceeding with these approaches for the reasons outlined in the Draft Report.

South Australia supports the Commission looking for alternative approaches that appropriately incorporate the main disabilities, such as the population living in small communities and rainfall availability. The Commission are considering the following two options (but were not able to complete either option for the Draft Report):

- A rainfall based approach that would relate a rainfall indicator to population centres of a certain size. Generally, areas of higher rainfall would be assessed as having a lower cost.

This is not South Australia's preferred approach as such an indicator would not capture the full complexity associated with the cost of providing water – and could be confounded by a correlation between small communities and the local availability of water.

- A multi-factor approach that builds on the model developed in the 2004 Review and attempts to capture water availability and quality, community size and the need for subsidies.

As a placeholder for the Draft Report, the Commission has used a modified 2004 Review assessment which discounts the calculated factor by 50 per cent because of the age of some of the data used in the calculation and their concerns about data quality.

An updated multi-factored approach is preferred by South Australia. With more up-to-date data there would be no need for a discount factor. In our January 2009 Submission we provided a list of factors that should be

considered in constructing an appropriate model – including distance between the water source and consumption points, type of water source, level of treatment and density of development. We have also previously suggested data sources to assess these factors.

From South Australia's perspective, any new model needs to reflect our reliance on the Murray River and the high costs in treating and transporting water long distances.

Data on local water sources is needed for an adequate assessment of this cost disability. We understand that the relevant Bureau of Meteorology data may not be available in time for the 2010 Review assessment. In this case, we suggest that the Commission could signal in the Review report that it intends to examine this data when available with a view to incorporating it in future Updates. In its absence, and if no better data emerges, we would advocate as a fallback the continuation of the draft report assessment.

Current data request. The Commission has requested cost data by size of community for water, sewerage and electricity services. SA Water has provided data for five regions. This confirms that non-metropolitan regions face a significant cost disability.

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