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Independent Pricing and Regulatory Tribunal  
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## **SUBMISSION ON THE 2014 REVIEW OF PRICES FOR ESSENTIAL ENERGY'S WATER AND SEWERAGE SERVICES IN BROKEN HILL**

This is a submission on the 2014 Review of prices for Essential Energy's water and sewerage services in Broken Hill, on behalf of the Broken Hill Chamber of Commerce.

On 19 June 2013 the Independent Pricing and Regulatory Tribunal (IPART) wrote to the Broken Hill Chamber of Commerce, inviting the Chamber to provide a response to the Issues Paper for the 2014 Review of prices for Essential Energy's water and sewerage services in Broken Hill. The Chamber of Commerce is keen to assist the Tribunal with its Inquiry and we now provide this written submission.

### **About the Chamber of Commerce**

The Broken Hill Chamber of Commerce was established in 1891, 122 years ago. At its establishment the Chamber was seen as one of the five pillars of the Broken Hill community, these were:

- Mine managers
- Unions
- Broken Hill City Council
- Pastoralists Association of the West Darling
- Broken Hill Chamber of Commerce

Today the Chamber works collaboratively with partners and stakeholders to achieve win-win business, economic and industrial relations outcomes, for the benefit of the Broken Hill and the Far West Region of NSW.

The role of the Chamber is to:

- Foster a positive economic outlook and promote business confidence.
- Business advocacy.
- Partnership brokering for major projects (eg the proposed Silverton wind farm).
- Provide industrial relations information to the Chambers members.

### **Demographic Information about the Broken Hill Local Government Area (LGA)**

The Broken Hill region is geographically large, and encompasses more than one third of NSW. The region stretches to the South Australian border in the west, to the Queensland border in the north and the Victorian border in the south. Broken Hill is located 1160 kilometres west of Sydney.

The city of Broken Hill is the major commercial and regional governance centre in far western NSW and the only community of significant size among the widespread and diverse small rural communities and Unincorporated Western Lands west of the Darling and Paroo Rivers.

The following demographic information is from the Australian Bureau of Statistics 2011 Census, the latest currently available.

- In the 2011 Census, there were 18,777 persons usually resident in Broken Hill LGA. 48.8% were males and 51.2% were females. Of the total population in Broken Hill LGA 7.5% were Indigenous persons, compared with an average of 2.5% Indigenous persons in Australia.
- In the 2011 Census 18% of the population usually resident in Broken Hill LGA were children aged between 0-14 years, and 33.8% were persons aged 55 years and over. The median age of persons in Broken Hill (C) (Local Government Area) was 43 years, compared with an average of 37 years for persons in Australia
- In Broken Hill LGA, the median weekly individual income for persons aged 15 years and over who were usual residents was \$417, compared with \$577 in Australia. The median weekly household income was \$789, compared with \$1,234 in Australia. The median weekly family income was \$994, compared with \$1,481 in Australia.

Broken Hill is also assessed as a locality of high social disadvantage:

- High percentage of people on a Centrelink benefit – Broken Hill – 380/1000 - **Ranked 5<sup>th</sup> in the State.**
- High percentage on SEIFA Index of Relative Socio-Economic Disadvantage – Broken Hill - **Ranked 10<sup>th</sup> in the State.**
- Higher than average need ratio by SEIFA – Broken Hill (911.7) - **Ranked 4<sup>th</sup> in the State.**

### **Business in Broken Hill**

The following are some of the apparent upfront additional costs that business in Broken Hill will incur in the foreseeable future:

Wages and salaries pressures. Wages in Broken Hill are affected by a number of factors, such as being a locality with a high proportion of low income earners with limited spending power versus the pressure of local demand for the provision of goods and services and for commensurate incomes for comparable work in other Australian localities.

Substantial increases in costs for other utility services, such as electricity and gas. The NSW Government has already recognised that dramatic increases in electricity prices has been heavily influenced by unreasonably high infrastructure costs, variously described as 'gold plating'.

Significant additional costs of transport of goods, services and personnel to Broken Hill. Broken Hill is a remote locality with significantly higher fuel and transport costs for the provision of goods and services in the region. This also includes higher costs for the development of private infrastructure.

Broken Hill is a major administrative, education and service centre for smaller and remote communities in Western NSW and Eastern South Australia. The continued provision of services in this region is dependent on Broken Hill maintaining the economic capacity to provide them. The provision of reasonably priced utilities, in particular water and sewerage waste disposal is a key component of this.

### **Water and Sewerage Usage in Broken Hill and its Region.**

Broken Hill is situated in an arid location in what is a naturally dry continent. The provision and usage of water in this city is a major factor in the continued existence and economic development of the region. A survey of local businesses affiliated with the Broken Hill Chamber of Commerce found that 58.6% were users of water and sewerage services at a commercial and industrial level. Significant increases in the cost of providing these services would profoundly impact on the economic viability of these businesses.

In addition, the quality of life in Broken Hill would be adversely affected by excessive water and sewerage costs. This would include:

- The provision of high quality accommodation and tourist facilities such as restaurants, clubs, art galleries and museums, which are a major tourist attraction and a major source of revenue for local business.
- Quality shopping facilities
- The provision of general amenities within the city, these include:  
Swimming and recreational facilities.  
Publicly owned parks and gardens.  
Sporting facilities.
- A healthy lifestyle:  
Broken Hill has been a major mining centre and contributor to the wealth of Australia since the 1880's and continues to make a significant contribution to the National wealth. Broken Hill has been a lead mining centre since the late 19<sup>th</sup> century, and this has resulted in higher than average lead levels in local topsoil. The high levels of lead in the topsoil have the potential to have a major impact on the health of the community, in particular children. Lead levels need to be dealt with by regular watering of topsoil and the growth of adequate ground cover. Both of which require an adequate and reasonably priced domestic and commercial water supply.
- Broken Hill is located in an area of significant natural and diverse environment. The effective disposal of sewerage waste is a critical part of maintaining this unique environment.

### **The NSW Government Subsidy on the Provision of Water and Sewerage Services to Broken Hill**

The NSW Government has in the past provided a subsidy for the supply of water to Broken Hill. This subsidy should be renewed and maintained for the following reasons:

The remote and arid location of the City. The supply of water and disposal of sewerage in Broken Hill is subject to conditions and expenses not encountered by other localities in NSW.

The economic importance of mining in the Broken Hill locality. The mines of Broken Hill are still a substantial contributor to the National economy. Current exploration indicates that there will be substantial investment in local mining for the foreseeable future. Broken Hill is an important part of this as the local administrative and service centre.

The low socio-economic status of many of its residents. The demographic information provided by the Bureau of Statistics indicates that unreasonable and excessive pricing of water and sewerage and the removal of subsidies would have a marked impact on the communities well being.

It is the strong view of the Chamber of Commerce that the NSW Government should continue to provide this subsidy.

## **Recommendations**

The Broken Hill Chamber of Commerce makes the following recommendations for the pricing of water and sewerage services in Broken Hill:

1. Price increases for the provision of water and sewerage services should be linked to the Consumer Price Index (CPI) and as Australia is currently experiencing a prolonged period of low inflation, the benefits of this should be passed to users and should not rise above the Consumer Price Index.
2. The NSW Government has in the past provided a subsidy for the supply of water to Broken Hill. The NSW Government should recognise the economic benefits that Broken Hill returns to the people of NSW through activities such as mining and Tourism. In addition, given the remote and arid location of the City and the low socio-economic status of many of its residents, the NSW Government should continue to provide this subsidy.
3. Broken Hill is an area of special needs owing to its remote location and the distances required for the provision of water and sewerage services. Whilst the Chamber of Commerce recognises the continued need for infrastructure upgrades, it is the view of the Chamber of Commerce that infrastructure costs for upgrading water and sewerage facilities should be met from the general revenue generated and by the provision of grant assistance from appropriate State and Commonwealth Agencies.

## **In Conclusion**

The Broken Hill Chamber of Commerce welcomes the invitation to contribute to the 2014 Review of prices for Essential Energy's water and sewerage services in Broken Hill.

Should you require any further information please contact the Executive Officer, Ms Anne Bransdon, on Mobile 0400 872 236, email: [anne.bransdon@brokenhillchamber.com.au](mailto:anne.bransdon@brokenhillchamber.com.au) or the Research Officer, Mr Dennis Roach on Mobile 0402 224 142.

On behalf of the Broken Hill Chamber of Commerce I would like to thank the Tribunal for accepting this submission.

Ann Rogers  
President  
Broken Hill Chamber of Commerce