

SA Water 14/00275

14 February 2014

Mr Mark Grossman
Chairman, Agricultural Bureau of South Australia Inc.
C/- Rural Business Support
555 The Parade
MAGILL SA 5072

**SOUTH AUSTRALIAN
WATER CORPORATION**

SA Water
250 Victoria Square / Tarntanyangga
Adelaide SA 5000
GPO Box 1751
Adelaide SA 5001
Telephone +61 8 8204 1000
ABN 69 336 525 019

Dear Mr Grossman

Thank you for your letter dated 16 January 2014 regarding the cost of water for broad acre farmers in South Australia.

There is a significant subsidy in water supply pricing for non-metropolitan customers, both potable and non-potable. Customers in non-metropolitan areas pay annual water charges that are the same as those for metropolitan customers despite operating, maintenance and capital costs that are substantially higher than for the metropolitan area. The government pays an annual community service obligation payment to SA Water to reflect the non-commercial nature of this pricing arrangement.

It is notable that a key driver of the need for this subsidy is the substantially higher cost of providing water supply services in the country and this in turn is influenced by low population densities and remoteness issues. It is also generally true that the cost per customer of providing the existing non-potable supplies is higher than for metropolitan supplies and the major urban country supplies. This is often driven by the remoteness of the supplies and the absence of any scale advantage.

The application of state-wide prices to non-metropolitan customers, including non-potable supplies, shields those customers from the burden of the full cost of providing these supplies. It is an important element of the government's equity, social justice and regional policies.

Customers with properties classified by SA Water as "country lands" benefit in other ways. These include:

- being able to amalgamate contiguous pieces of land (paying only one set of quarterly rates when there might be multiple rateable properties),
- being able to have multiple meters dependent on the size of the land without incurring additional service rent fees, and
- being charged water at a flat rate rather than tiered water pricing.



It is also notable that a three tier water use pricing structure is commonly charged to households in metropolitan and country townships. Where properties are classed by SA Water as being in a "country lands water district", a single tier pricing structure applies. For the current 2013/14 financial year, this price is in line with the second tier for metropolitan and country township properties.

As you have noted in your letter, SA Water does not currently offer an allowance for water wastage for properties that do not directly abut an available water main. However, we are currently in the process of reviewing our Leakage Allowance Policy, and the effect of providing allowances to all properties within South Australia will be considered.

Although SA Water is not able to offer customers a subsidy or reduced cost of water, we can provide extended payment terms for those having difficulty paying their bills. We recommend that customers contact our Customer Service Centre on 1300 650 950 to discuss potential payment terms as soon as their bill is received to avoid late payment fees.

I thank you for bringing this matter to my attention and trust the above information clarifies SA Water's position for you.

Yours sincerely



John Ringham
CHIEF EXECUTIVE