



Your strong and independent voice for livestock producers

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13 November 2018

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Dear Sir

### **Inquiry into Water Pricing in SA**

Recently Livestock SA was surprised to discover that this Inquiry had commenced. We had seen the public announcement that you had been appointed to conduct this Inquiry and were waiting to see the terms of reference and an indication of how the Inquiry would be conducted. Together with the Coorong Water Security Advisory Group, Livestock SA had been informed by the Minister for Environment and Water that it was likely the Inquiry would begin at the end of the year and that we would be invited to contribute.

We now find that not only that has the Inquiry started but that there has been considerable consultation and work undertaken.

Livestock SA is the peak body for sheep, beef cattle and goat producers in South Australia with approximately 3,500 members. Many of these rely on SA Water for access to water supplies for their livestock across quite a wide part of the agricultural areas of the State, from Eyre Peninsula to the South East. The increasing cost of SA Water has become a limiting factor to profitability and production expansion.

We are disappointed that although we were given assurances that our opinion mattered, until now we were not aware that the Inquiry had started, and we have not had the opportunity to contribute.

Livestock SA is also disappointed at the terms of reference for this Inquiry. Given the current State Government's comments before the election, both in the public domain and specifically to Livestock SA, the terms of reference are extremely narrow. In particular we note that "Actual SA Water charges will not be considered by the Inquiry" and that the Inquiry is focussed "almost entirely on the value of the RAB (regulated asset base)."

In 2017 at the Livestock SA AGM there was a motion carried in relation to water:

*That Livestock SA adopt Water Security for Livestock Production as an immediate state-wide producer priority.*

- *Advocate for water security as a state-wide objective for livestock producers, which will deliver a sustainable and equitable price, improved resilience and long-term viability to the South Australian livestock industry.*
- *Engage with State and Federal Governments to provide assistance to livestock producers to invest in water infrastructure.*
- *Promote and encourage competition in the water delivery market in South Australia.*
- *Support SA livestock producers to become independent from the SA Water supply.*

At the associated Growing SA 2017 Conference, in response to concerns raised with him about the high cost of water for livestock, the then Minister for Agriculture, Food and Fisheries Leon Bignell proposed a 90-day project. While this project did not eventuate, PIRSA was requested to work with Livestock SA to investigate this issue. Out of this was developed a project "Identifying Water Issues Impacting South Australian Livestock Industries." A copy of a report "Livestock Water Issues: Consultation Report" is attached. While this consultation and survey was far from exhaustive, it does give some perspective of the high cost of SA Water to livestock producers in this State.

It is noted in the "Diving Deeper" document that there are also others of those that have already been consulted that would like the Inquiry to have regard to the benefits of lower prices on business competitiveness. To this we would like to add consideration of the implications of lower prices in further developing and allowing expansion of industries for the benefit of the State's economy, and in particular in relation to livestock production, the regional economies.

At this point in time, Livestock SA is not in a position to make constructive comments on the value of the RAB. We note the Inquiries comments that almost everyone the Inquiry talked to assumed the new initial RAB would be lower, and hence a reduction in prices. In 2013-14, the return of and on capital accounted for around 70% of SA Water's revenue cap for both drinking water and sewerage services (67% and 72% respectively). Therefore, the impact of the RAB on customer bills is significant and particularly for livestock producers dependent on SA Water.

Livestock SA has noted SACOSS's concerns about the consequences of any change in the value of RAB.

Livestock SA is also aware that Business SA engaged Cambridge Economic Policy Association to provide advice. In general terms Livestock SA supports the approach they have taken including the recommendation to undertake sensitivity testing to develop a more robust approach to the RAB valuation, and the alternative approach developed.

This Inquiry appears to be virtually limited to consideration of SA Water's drinking water services, with no mention of industry use, which is where Livestock SA's interest lays.

Yours faithfully



Joe Keynes  
President