

## **GOULBURN MURRAY WATER PRICE REVIEW - SUBMISSION**

As the elected representative of the four thousand customers of Central Goulburn, I submit the following submission on their behalf, opposing the GMW proposal to change to a 5 and 1 pricing structure.

One of the economic cornerstones of value to customers is to have various suppliers competing for their business. Unfortunately GMW has no competition, and therefore holds a monopoly over its customers. District pricing, to a degree, creates competition within GMW. One district will always be dearest, and one the cheapest. It encourages transparency, as customers in a dearer district question the cause of their prices, which in turn creates accountability and responsibility through middle management.

Any form of socialized pricing removes transparency and bad management in one district can be easily hidden through subsidization behind good management in another. This fails to encourage management to be responsible and accountable to the detriment of *all* GMW customers.

Commodity production, climate, customers' size, etc. varies across the districts. Dairy is dominant in some, cropping and grazing, or horticulture, in others. The average annual rainfall in the west of the GMID is 367mm, whilst in the east it is 474mm. This creates different demands and value in irrigation. With approximately 40% of the resource (irrigation water) removed to the environment, the remaining volume must be allowed to evolve to districts where water is used most efficiently and economically viable. District pricing encourages this evolutionary process, as it creates harmony between the size of the irrigation footprint and the volume of water available to service it.

GMW claims that a major saving will be achieved by moving to a 5 and 1 pricing structure. The latest figures on these savings represent less than 0.5% of GMW's annual budget. This means if GMW were to lose just 1% (which I believe, would be ultraconservative) in efficiencies, through the removal of accountability and responsibility because of a lack of transparency, customers will be ultimately worse off than under the status quo, as these inefficiencies will outweigh the proposed savings and, in turn, be passed on to its customer base.

The Connections Program was the foundation stone for the push for a socialised pricing structure. As we are all aware, its business case has been proven to be flawed. It is currently in a reset position with no one knowing when, how, or to what extent it will resume. It is generally acknowledged it has insufficient funds to complete its intended remodeling. Of greater importance is the question of what will be left when the connections funding is exhausted. We know it will be a hybrid system. Will it be completed? Will customers be asked to fund the completion?

Surely it is a terminal business plan to build structures on a flawed foundation. Now is not the time to make the biggest changes to water pricing structure in 25 years. A structure that was drawing very few complaints and was designed to create value to its customers under the mantra "user pays".

A **strong foundation** is essential if we require structure to serve our future requirements.