



In reply please quote 8875118 2014/03678/01  
Enquiries to Delfina Lanzilli  
Telephone 08 8226 4003

**State Valuation Office**

101 Grenfell Street  
Adelaide SA 5000

GPO Box 1354  
Adelaide SA 5001

Telephone: 08 8226 3855  
Facsimile: 08 8226 1428

ABN 71 967 041 422

Dr Pat Walsh  
Chairperson  
Essential Services Commission of South Australia  
GPO Box 2605  
ADELAIDE SA 5001

Dear Dr Walsh

**Inquiry into Reform Options for SA Water's Drinking Water and Sewerage Prices**

I refer to the Draft Inquiry Report concerning the above matter, released for comment by the Essential Services Commission of SA (ESCOSA) on 20 July 2014 and to subsequent discussions between officers of ESCOSA and the Department of Planning, Transport and Infrastructure (DPTI) about matters that potentially impact on the Department.

As you are aware, DPTI's major concern in connection with ESCOSA's earlier review of SA Water's Water and Sewerage Revenues 2013/14 - 2015/16 was the substantial revenue loss (some \$8 million over the regulatory period) that would be incurred if SA Water were to purchase once every three years – rather than annually – the Valuation Roll supplied by the Valuer-General in accordance with the *Valuation of Land Act 1971*.

While ESCOSA's Final Determination of May 2013 foreshadowed that it would pursue this proposal further as part of its drinking water and sewerage pricing review, I note that the draft Inquiry Report does not contain any such recommendation.

Hence, for the time being at least, this budget risk to DPTI (and, in particular, the State Valuation Office) has been removed.

Nevertheless, I take this opportunity to reiterate the concerns regarding this proposal that were outlined in DPTI's letter to you of 18 March 2013 – briefly:

- the loss of some \$8 million of fee revenue to the State Valuation Office (SVO) over the three-year pricing review period (with no reduction in the Valuer-General's costs in preparing the Valuation Roll for other statutory clients);
- the impacts on other SVO customers and the potential loss of council clients;
- detachment from the equity principle, by moving away from property value-based ratings;
- loss by SA Water of up-to-date data that forms part of the Valuation Roll and supports SA Water's billing system;
- the legal ambiguity surrounding SA Water's use of SVO's proprietary information where no fee is paid; and
- the possibility that SA Water would need to assume responsibility for objections and court appeals in respect of lapsed valuation data which it was still using.

I also advise that the DPTI views expressed in our letter of 11 November 2013, in response to an ESCOSA questionnaire, remain current.

In particular, I point out that DPTI could be exposed to substantial business and budget risk if certain other of ESCOSA's recommendations were adopted – most notably, the proposal that the *“end-user of a retail service, rather than the owner of the premises to which that retail service is supplied, should be SA Water's customer for that retail service.”*

As previously stated, changes to the basis of billing of water and sewerage rates could require massive, costly systems alterations by SA Water and/or DPTI, together with legislative change to the *Valuation of Land Act*, supported by the Government and by Parliament and a transition period.

Of itself (and leaving aside any other new property features that may need to be recorded for SA Water billing purposes), the establishment of tenancy data to enable the proposed billing of water consumers rather than property owners would, together with the ongoing management of such a highly dynamic register of some 300,000 tenancies<sup>1</sup> at a minimum, represent an enormous ongoing financial and administrative burden.

DPTI would recommend a comprehensive cost/benefit analysis to establish the feasibility and economic efficiency of capturing and managing specific information such as occupancy, size of building and/or land use to support alternative charging models discussed by ESCOSA.

---

<sup>1</sup> Indicative figure, based on ESCOSA's estimated proportion of properties tenanted (28%, as in *Draft Inquiry Report into Reform Options for SA Water's Drinking Water and Sewerage Prices*, July 2014) multiplied by SVO's broad estimate of total properties theoretically available for tenancy at June 2014 (in the order of 870,000 plus 72,000 actual existing tenancies).

In summary, DPTI has no additional views or concerns to raise with ESCOSA in connection with the draft Inquiry but we appreciate the opportunity to reemphasise the significance and magnitude of the risks to which it is potentially exposed should it be required to establish data, resources and systems to support new water and sewerage pricing structures emanating from the current review.

Please do not hesitate to contact the Valuer-General, Delfina Lanzilli (8226 4003) should you wish to discuss any matter or require additional information.



Andrew McKeegan  
A/CHIEF DEVELOPMENT OFFICER

23 September 2014