

## Submission to

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I submit the following points to be considered as part of the Pricing Review by the Essential Services Commission. I thank you in advance for taking the time to review and consider these points thoroughly.

1. When questioned about transparency of pricing, Mr Gavin Hanlon, CEO G-MW, announced "that G-MW was a little different than other businesses in that the pricing started from a top down approach". To quote him again "we know how much revenue we require in total so then we try and allocate partially the costs to the various services and requirements needed".

I know of no other business that operates in this manner. Costs need to be calculated from the bottom up revealing what revenue is needed.

It is clear that transparency of G-MW's costs have not been explained at all to the rates payers.

2. On the front page of the G-MW hand-out the key projects from the water plan to "access tracks and fencing costs \$13 million for improvement of service". It is unacceptable that this is explained away in one line.
3. It has become painfully clear that the whole modernisation programme and the current pricing of water are very closely connected and should be considered in the future water plan for G-MW.
4. G-MW say that they are going to reduce the Revenue recovery to an increase of 1.5% per annum however they have no idea how the financial implications of the Modernisation programme roll out will impact upon their business.
5. The current assumptions are based on the amount of water and that customer numbers will remain static over the next 3-5 years.

This is a wrong assumption as the farming population and volume of water is a variable and on the decline especially in the dairy industry.

6. I am told by many farmers that currently the price of water for irrigation far exceeds the productivity returns. This contradicts the assumption of consistency of water volume and customer numbers made by G-MW in its business plan.

7. I strongly recommend that G-MW goes back to basic fundamentals calculating the real cost/ML to capture, service and deliver to the Owner of the irrigation water.
8. Due to the variables no business can be locked into 3-5 year plan therefore an annual review should be conducted.
  - a. I have carried out the costing of a small capital replacement and obtained the necessary information from G-MW under FOI. From a local excavating contractor, I obtained a quote on the same job. This operator assures me that his costs would be 20-30% cheaper than G-MW. I can provide you with this information upon request.
  - b. I appreciate the ACCC has set the pricing principles of the Murray Darling Basin however these should be considered in the broader terms and I urge the ESC to drill down into the real costs of G-MW to reveal the true costs.
  - c. I acknowledge the announcement by David Heaps of the Review of G-MW Interest charged on overdue accounts. This is a major step in the right direction.

Thank you for accepting and considering this submission.

Colin Fenton