

LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY**WRITTEN QUESTION**

Mr Dunham

to Minister for Essential Services

Sewerage charges

The increase of 2.5% in water and sewerage charges was, to quote the Chief Minister, 'necessary to ensure that the business remains viable.'

Is this true?

Given that the measure of increasing charges will raise approximately \$800,000 - \$900,000 pa, and that the profit yield for this year is \$6 million above the norm:

- a) Isn't the question of viability an exaggeration?
- b) Couldn't the increase in charges have been absorbed by reducing the record profit to levels approximate to the average?

ANSWER

The Power and Water Corporation does not recover the full cost associated with providing water and sewerage services in the Northern Territory. As a commercial entity, it is appropriate for Power and Water to progressively move towards earning a commercial return in its water and sewerage businesses. This will require a combination of efficiency improvements, which Power and Water is already endeavouring to achieve, tariff increases over time and appropriate levels of Community Service Obligation (CSO) funding.

Power and Water's costs generally increase in line with the Consumer Price Index (CPI). The 2.5 per cent increase in water and sewerage charges on 1 January 2003 was necessary to ensure that Power and Water's water and sewerage revenue increases in line with costs. Accordingly, the increase will only be sufficient to maintain the level of

cost recovery around present levels. On this basis, the tariff increase is soundly justified.

If Power and Water does not continue to demonstrate progress in meeting this target, part of the Territory's annual NCP payments could be put at risk.