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PILBARA DEVELOPMENT COMMISSION



Inquiry on Country Water and Wastewater Pricing
Economic Regulation Authority
PO Box 8469
PERTH WA 6849

Inquiry on Country Water and Wastewater Pricing in Western Australia

The Pilbara Development Commission would like to make the following submission on the draft report "Inquiry on Country Water and Wastewater Pricing in Western Australia".

The Commission agrees with the general content of the report, although it has concerns about pricing increases affecting sustainable development in the Pilbara region. Development in the region is constrained by a lack of housing, and the inability to attract and retain staff due to high costs of living and perceived lower standards of community facilities. Any rise in costs will contribute to this problem and further reduce the attractiveness of living in the region.

I would like to raise the following points for your consideration:

- The Commission agrees with the concept of a uniform pricing policy with equal prices for average usage on a town by town basis. More consideration of how the determination of an average usage would be calculated is necessary. Average usage will vary according to seasonal conditions, water quality, town planning design and population fluctuations. For instance, the large scale accommodation of single workers in medium or high density units during construction phases will skew consumption figures. In order for this policy to be implemented, a clear set of guidelines would need to be drafted.
- The Commission agrees in principle to charging at increased rates for households that consume above the average amount, and agrees with a model of staged prices according to consumption. This pricing structure should reflect the cost of delivery and be designed to promote consideration of household water usage.
- The report does not consider the quality of water provided. In many regional communities the quality of water is very poor. This results in high maintenance costs and shortened operational life for equipment such as water heaters, washing machines and plumbing. Although a scheme price may be based on the average usage, the real cost is borne by the community as maintenance and replacement costs of equipment. The Commission believes that pricing should also reflect quality.
- The Commission agrees that household sewerage charges should be separated from property values and gross rental values. The main Pilbara town centres are characterised by a regional housing and rental market that has low

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availability, high rental prices and inflated property values. A large proportion of household users are paying the maximum capped amount as a result. To remove the maximum cap and maintain the calculation based on property value would create a financial burden on regional households.

- The recovery of sewerage service costs from residential users should not be based on the relative cost of the service. Users should be able to access the same level of service at a comparable price in any area. Essential service delivery to regional areas should be at an equitable level. The CSO payment structure should be utilised to ensure that equitable pricing of services occurs across localities.
- In regards to in principle to cost recovery for commercial customers, there should be a parity of costings for similar business operating in different areas. As in the uniform pricing policy for residential water, costings for supply of an “average service”, should not differ. This could affect the location choices for new businesses and impact on existing business if competitors are paying a lesser amount for the same service.
- The practice of commercial users receiving subsidies through Community Service Obligations is not fair to residential users, although appropriate pricing of services is vital to prevent regional economic implications.
- Forwarding of future capital expenditure costs is based on the assumption that the infrastructure is adequately maintained and upgrading has been done to best practice or engineering specifications. If these activities have not been completed then users will be paying costs that have been incurred by the service provider. This would financially reward a service provider if maintenance programs had not been maintained and is not considered appropriate.
- In addition to the above, forward charging will charge those who may not necessarily benefit from infrastructure upgrades or expansion. This is particularly relevant in the northern regions which predominantly has a transient workforce.
- There are specific situations such as in Newman, where the Water Corporation does not own the extraction infrastructure and purchases the water from a mining company. How would costs be determined and how would forward pricing levels be determined in this situation?

The Commission supports development of a detailed framework for determining costings of services and charges on a town by town basis. However, it would not like to see cost savings to consumers eroded by the introduction of new levels of administration and management costs.

Yours sincerely



for

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