



28th July 2005

Mr Lyndon Rowe
Chairman
Economic Regulation Authority
197 St Georges Terrace
Perth WA 6000

Dear Lyndon

Public Submission to the Economic Regulation Authority (ERA)

Thank you for the opportunity to comment on the ERA's draft report into the Goldfields Water Report.

The Chamber is concerned that the ERA's draft report into the Goldfields Water Supply Project does not appear to be treating the proposal fairly in its analysis. To compare a project that is going to significantly increase the supply of water to the region within three years to one that might provide the same service in thirty years does not seem right.

Outside the existing mining industry, the Authority appears to have largely overlooked the regional benefits likely to accrue from the proposal. During the Goldfields-Esperance Development Commission forum on the report held in Kalgoorlie on July 22, a representative of your office commented this was unlikely to be altered in the final report. He then went on to say that the ERA had virtually ignored Term of Reference 1 "the cost of supplying bulk potable water to Kalgoorlie-Boulder and surrounding region." This comment was surprising but on re-reading the draft report it would appear correct. Neither the "real" cost of water nor the Community Service Obligation payment per megalitre to Kalgoorlie, is detailed in the draft report.

The report refers to the "avoidable cost of water" but we don't consider that to be the "real cost"; that is, the amount the State Government and consumers pay the Water Corporation to deliver water to Kalgoorlie. This cost comprises the CSO plus the avoidable cost, so the comparison in our opinion should be based on a fair analysis of what the State Government and consumers will collectively pay for water under each proposal. The Chamber seeks your undertaking that the economic benefits and true costs of the project to the region will be recognized and taken into account in the ERA's final report.

Economic activity generated by infrastructure investment has a flow-on effect that benefits businesses throughout the community, but this is not addressed in the draft report. We believe it needs to be taken into consideration.

United Utilities have indicated they plan to invest \$440 million in the Goldfields Water Supply Project, and suggest that 65 per cent of this will be spent in the region. When operational, 90 per cent of the \$454 million running costs will be spent in the region over the life of the project. (Fig. 7.1 Draft Report)

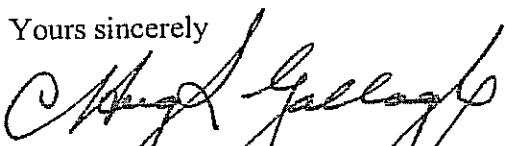
The project will employ 200 workers during construction and 20 permanent employees in the region during operation.

Water from this project will also allow for the expansion of the Mungari Industrial Park at Coolgardie, which is currently constrained by a lack of water. Industrial development at this site will contribute to the diversification of the Goldfields economy.

Traditional comments by the Water Corporation that the supply of water to Kalgoorlie only needs to be incrementally increased because demand is only increasing incrementally has to be challenged. Capital headwork charges imposed by the Water Corporation have deterred numerous investors in this region over many years. The opportunity to remedy this situation would be a major fillip for future growth potential as the UUA proposal would remove such an impediment.

Again, thank you for the opportunity to contribute to this process; your consideration is appreciated.

Yours sincerely



Hugh Gallagher
Chief Executive Officer
Kalgoorlie-Boulder Chamber of Commerce