

Inquiry on Urban Water and Wastewater Pricing
Economic Regulation Authority
Level 6 Governor Stirling Tower
197 St Georges Terrace
Perth WA 6000

29/4/05

This submission expresses a deep disappointment that your authority, in its draft report, made no attempt to deal with the issue of whether the Water Corporation exists to raise revenue for the government or to be the supplier of water and sewerage services to its clients.

Your original issues document exposed the fact that Perth has the most expensive rates and water supply charges of all capital cities notwithstanding its cost were nearly the least.

In my previous submission dated 30 August 04 I pointed out by analysis of the last 6 annual reports that almost 2/3 of the revenue the Water Corporation receives is transferred to consolidated revenue via dividend, tax equivalent and interest. This the government spends as it pleases on other than water and sewerage services.

Your draft makes no reference, for instance, to why the Water Corporation's debt to treasury is so high. This is especially curious given that most of its assets were paid for by the urban development industry.

The draft report derives a value of the Corporation's assets (opening Regulatory Asset Value) as that figure which will yield a 6.5% pretax profit. Notwithstanding that your initial issues paper derived its historic return at around 4%. The relationship of the Regulatory Asset Value to the balance sheet of the Corporation, allowing realistic depreciation, has not been made.

Realistic dividends and the tax equivalent are justified in your draft report as being to allow the Corporation to operate in a market environment. Yet, at the same time as preparing your draft report for the government, you are considering the Water Corporation's application to extend their monopoly over the entire Perth metropolitan region.

The draft report also recommends Agwest and Busselton (which up to now have recovered only the cost of their services) increase their take to pay a dividend, tax equivalents and presumably interest to consolidated revenue.

You raise the issue of a more adequate supply possibly being available from the Yarragadee and recommend deferring the desalination plant. I agree with this, however, already the Water Corporation, and the government have ignored you and have stated that is outside your brief.

Not to be entirely negative though, I do suggest an opportunity which will meet water conservation objectives. Portion of the Water Corporation's revenue (or what may otherwise be described as excess income stolen from its clients) could be used to improve the Perth environment, creating a truly green city by better management of irrigation for private and public area from the superficial aquifer. This would decrease drastically consumption of potable water for this use and then, in my view, charging a higher price for it would be acceptable.

I strongly believe it to be wrong to let the public think they are paying for a service at near the cost of that service when in fact they are being grossly overcharged and hit with a hidden "tax" with the funds going to whatever marginal electorate needs a project to swing voters.

It would appear that the Economic Regulatory Authority might have become an arm of the government without any true independence. It calls for submissions but considers only those from the Water Corporation and those prolonging the tax grab.

Ken Gilbert