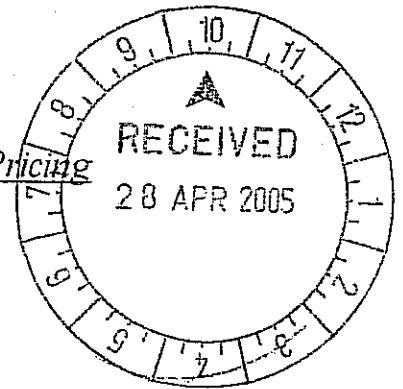


Inquiry on Urban Water and Wastewater Pricing
Draft Report 18/3/05



*Submission from the W.A. Branch,
Australian Water Association (A.W.A.)*

The Australian Water Association welcomes this draft report, which is the first detailed, publicly available review since the Binnie Report (1979). AWA is generally in agreement with most of the Economic Regulation Authority's major recommendations and in particular supports the following:

1. The proposal to simplify water tariffs by using a fixed charge and only two tariff steps, still aimed at encouraging restraint in water use.

It is pointed out however, that the fixed charge is meant to be the cost of having the service available, and its level should not be manipulated to the point of making this relationship meaningless. All customers, regardless of circumstances, should pay for basic service availability.

2. The need to eventually find a way of removing land value as the basis for wastewater charges. As you have noted, only two States have yet to make this change.
3. The need to deal with C.S.O's as at present. The cost of State-wide parity pricing of water services could easily be hidden if external payment of C.S.O's were abandoned by being absorbed internally into Water Corporation accounting.

AWA does not support a number of matters raised in your report, particularly the following:

1. You claim that water costs could perhaps be kept lower if desalination was deferred awaiting studies into the Yarragadee aquifer: and this would not greatly increase the risk of total sprinkler bans.

While the customers have co-operated well with the present restrictions, it is considered that they would not accept more severe restrictions. Perth's living standards depend (more than any other major Australian city) on reasonable gardens and parks to soften such a harsh climate. Any level of risk of further restrictions beyond the present would be socially irresponsible and certainly should not exceed 3-5%.

Further delays to desalination are therefore unacceptable, especially as the environmental studies into Yarragadee due later in the year may still not settle all the issues surrounding this aquifer.

2. It is doubtful whether the Water Corporation can save capital to the extent you suggest. It has been a pioneer in the Australian public sector in developing alliance and partnership styles of contracting and will no doubt continue down this path. It must however remain in control of its contracts and the quality of assets constructed.

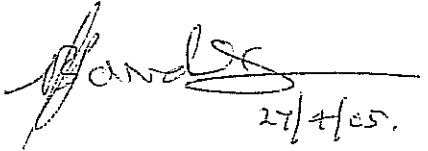
The Corporation has just entered a BOT style alliance contract for its desalination plant and it will be able to compare this with other water and wastewater plants that it continues to operate. (It is worth noting that many BOO and BOOT contracts around the world have been awarded in developing countries to privatised water companies from developed countries, with mixed results. The Water Corporation, with top expertise in operation of traditional water and wastewater treatment processes, may gain nothing by following out-sourcing in this area, but would lose its own valuable expertise).

3. You point out that the Water Corporation has the lowest operating cost per serviced property (which is surely what matters as far as customers and the total cost is concerned), but has high staff numbers relative to the total population served. The table on p.56 really demonstrated little, other than South Australian Water and Western Australia Water Corporation cover millions of square kilometres compared with five other authorities that cover relatively tiny areas. Even in S.A's case, extreme contracting-out has not enabled them to better W.A's cost per property result.

To provide operations to customers in 250 separate water districts spread all over W.A. naturally requires higher staff to population ratios, if water quality standards are to be maintained. This particular table is quite meaningless in its present form.

Subject to on-going good performance with respect to cost per property, the Water Corporation is clearly the best judge of the correct "staff to outsourced-contractor ratio" to continue satisfactory services over such an enormous area.

These comments prepared for A.W.A. by Mr Barry S Sanders,



27/4/05.