



## **Busselton Water Board response to the Draft Report re the Inquiry on the Urban Water and Wastewater Pricing of 18 March 2005**

The Board of Busselton Water (BWB) is pleased to provide a response to the Draft Report re the Inquiry on the Urban Water and Wastewater Pricing of 18 March 2005 issued by the Economic Regulation Authority (ERA) and detailing the preliminary findings and draft recommendations of the first independent inquiry conducted in Western Australia.

BWB acknowledge that the purpose of this inquiry is to enable the Government to consider and make decisions on the level and structure of Urban Water and Wastewater prices and on the form of price regulation that the Government should apply to the BWB, and other service providers. BWB is not involved in wastewater services.

BWB, having previously forwarded a submission to the ERA, will therefore limit this further submission to issues of concern to BWB contained within the ERA draft report. BWB therefore submits: -

- There are comments made on the BWB's original submission on the preferred method of raising water tariff charges and the attitude towards dividend payments to the State that have been ignored or disregarded within the draft report, and which the BWB would expect to be considered when the final report is prepared by the ERA. In a recently published "Victorian Water Review" dividend payments were described as "representing the return on capital invested by the owner, in this case the Government". In this case there has been no funding contributed or invested by the Government of Western Australia towards infrastructure capital or operating and maintenance costs. All such financial resources have been derived from our customers and land developers and therefore the question of dividend payments to the Government should not be a consideration of this review.
- The current pricing for water services at Busselton are, according to our customer research (see attached research summary), considered fair and equitable and yet the ERA is suggesting in the draft that charges be reduced by over 7% in 2006/2007. Customers are of the view that current charges are acceptable given that the Board is providing an appropriate level of service, good quality water and is adequately making provision for a continuation of the same level of service (through maintaining its infrastructure to a high level) into the future.
- The BWB is currently in a debt free situation and it is alarming to Board Members who are appointed to represent community interests, that the ERA in its draft report suggests that if BWB was "financially structured and operated on a more commercial basis" but the example given "a level of debt consistent with a balance sheet gearing of, say 40 per cent" (p.147) is inconsistent with our charter which is to provide good quality drinking water at a reasonable cost to our customers. BWB is a "not for profit" organisation and all our commercial inclinations are to reduce costs by engaging in profitable activities such as the state wide marketing of bottled water (currently prohibited in the



1904 legislation) and to use these profits to reduce the cost of water to our clients in our licensed area. We have no charter to return dividends to Government or any other entity to whom we have no financial obligation.

- In Clause 6.4.2.2 of the draft report the ERA states “Busselton Water does perform some functions that would generally be expected to be outsourced. These include the undertaking of a large amount of development-related mains laying and the manufacture of its own pipes and fittings.” This is an entirely erroneous statement and should be deleted from the draft report. The only fittings that have been manufactured by the BWB have been intricate components for a few very specific jobs where in all cases, the costs of having the work outsourced has, on inquiry, found to have been excessive.
- In the draft report, the Board considers that there has been a lack of focus towards pricing – the primary aim of the inquiry being to examine whether the prices charged for water by the agencies who hold the responsibility for providing the service, are considered appropriate. It is therefore of concern to the Board that there is no reference within the report to what the prices currently charged are, and to how those prices compare between all agencies in Western Australia, and possibly in other states.
- BWB has in recent years, used an inclined water tariff structure to assist in the management of demand with a high level of success, given the State Water Strategy initiatives to achieve a reduction in water usage due to the current concerns held throughout the state of Western Australia due to a declining rainfall.
- The draft report places considerable emphasis on “water capacity” rather than “water production” and this is of concern to the BWB. Water extraction reserves sought by the BWB in recent years and approved under licence by the Department of the Environment (Water and Rivers Commission) have taken into account the continuing high rate of growth of the region around Busselton. The potential for Busselton to supply water to such places as Dunsborough etc needs to be catered for and references within the report to the BWB having an “over-allocation” of groundwater are therefore not warranted.
- It should be noted that in respect the key finding on p.136 of the draft, BWB meets the provisions of the 1996 Australian Drinking Water guidelines.

In closing, the Board would encourage the Inquiry to consider that the Board has administered the supply of water services to its area of responsibility, quite successfully for 99 years. Our performance has resulted in customer acceptance ratings of between 92% and 98% (see Research Summary) and the BWB is justified in confidently believing, that what we are accomplishing, the methods we have adopted, and our future directions are technically and environmentally sound and in line with community expectations.