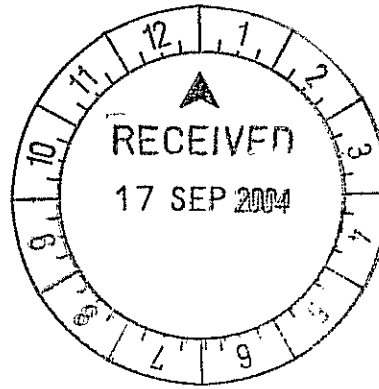


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Tuesday, 31 August 2004

BY FAX - 9213 1999

## INQUIRY ON URBAN WATER AND WASTEWATER PRICING

Thank you for the opportunity to comment on this independent inquiry into water pricing.

A stated objective of the inquiry is to ensure "accountability and transparency" in the way water prices are set.

However, the introduction goes on to say that "*inquiry will not cover ... the pricing of drainage, trade-waste and developers' contributions.*"

It is difficult, if not irresponsible, to consider the issue of pricing water without considering all the direct costs of supplying water to a consumer. We would like to comment on one aspect of pricing relating to head works charges paid by property developers.

Ideally, the price of water should reflect the cost of supplying the water. The cost of supplying water should be calculated with reference to the usage, together with an allocation of the capital costs of providing water. The capital costs of water include the cost of head works which are inevitably borne initially by the developer of property.

What happens is that the cost of head works are included in the purchase price of the property, and they are generally passed on from the property developer to property purchaser. The costs of head works are effectively 'lost' in the purchase price of the property as they are not visible to the consumer.

Thus, water consumers have water priced to reflect water usage and other fixed costs, but not head works charges. The result is that water consumers are not being given an accurate pricing mechanism that reflects the full costs of supplying the water. This will encourage excessive water usage.

One solution to this problem is for the Water Corporation to pay for head works and recoup this cost through its fixed services charges. The pricing of water would then better reflect the cost of supplying that water, and encourage a more efficient usage in our State.

We trust these brief comments provide a constructive contribution to your inquiry.

Yours sincerely



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