

SUBMISSION TO INQUIRY ON URBAN WATER AND WASTEWATER PRICING

The primary raison d'être of the Water Corporation is to provide the population with a safe, reliable, affordable essential commodity. It is not or should not be to achieve the highest profit that can be exacted from the consumers.

The provision of water supplies and wastewater services should remain in public hands and not be privatised. The evidence is incontrovertible that the profit motive, when related to the ownership and management of an essential service, results in a drop in standards and higher charges for consumers.

The basic underlying pricing structure of the services supplied by the Water Corporation should allow for :

- efficient and ongoing maintenance of the system;
- generous funding of research and future capital expenditure to meet expanding demand;
- cross subsidisation to address disadvantage whether economic, geographic or environmental.

Security of Water Supply

In view of the current and projected outlook in respect to supply and demand :

- The two-days per week sprinkler watering restrictions should be continued as they have apparently been successful in reducing consumption.
- Desalination plant/s placed in environmentally sound locations seem to be a sensible option.
- In addition to tapping into the Yarragadee Aquifer, greater control/regulation should be exercised over private industry bores to reduce the excessive abstraction of Perth groundwater by these users. In particular, I understand the horticultural industry has been responsible for drawing massive, unsustainable quantities of water from the Gnangara Mound, with no financial disincentive against waste of this valuable resource.

Pricing Structures and Level

The charts on pages 41 and 42 of the Issues Paper show that the Water Corporation's operating costs are the lowest in Australia for water services and the second lowest for wastewater services. It has also been shown that these costs have declined over the past five years, and despite the fact that prices have not increased above the inflation rate, the Corporation has been able to meet its commitments.

Although water restrictions have resulted in a drop in revenue of \$45 million per annum, it still managed a 4% return on fixed assets in 2002-03 and anticipated 3.9% for the last financial year 2003-04, only .5% below its stated target of 4.4%. This would seem to indicate that a substantial or real above-inflation price increase is not warranted, except where an added burden is placed on the Corporation's costs, for example the construction and operation of the desalination plant.

As water restrictions have been successful in reducing consumption it appears a price increase is also unwarranted for this purpose. If, however, it becomes necessary to raise revenue because of increasing costs, may I submit the following points be kept in mind :

- (1) Paying customers who have had to cope with the two days per week water restrictions should not now alone be burdened with higher prices to regain the estimated \$45 m drop in revenue due to these restrictions and to meet higher Corporation costs. An inquiry should be conducted into where revenue should be exacted from other sectors who are not paying their share for a diminishing resource. For example, to what extent are licensed water users – mining companies, industry, irrigators and others contributing to the cost of water used in comparison to the commercial and residential customers of the Water Corporation. By excessive consumption, some consumers are apparently placing the supply from the Gnamagara Mound in jeopardy, forcing the State to invest millions of dollars in seeking new or alternative supplies.

It should also be borne in mind that any costs imposed on these businesses could be claimed as a legitimate tax deduction, an option not available to residential customers unless, of course, they are investors.

- (2) If it becomes necessary to increase residential water tariffs, it may be preferable to slightly increase the fixed charge rather than the cost for usage. This would be equitable, applying to all households, and would allow for concessions to pensioners seniors who would be disadvantaged by an increase in the usage price. It would also mean people with private bores who have minimal usage costs would bear their fair share of the costs associated with water service provision.

(3) **Impact of pricing recommendations on social outcomes**

The price structure which rewards low consumption and penalises higher usage creates disparities between ratepayers who have access to ground water and those who do not. People in the Perth Metropolitan area have ready and fairly cheap access to an abundant supply of their own bore water, which enables them to enjoy unlimited quantities for lawns, gardens and fruit trees. This is not the case in outer metropolitan areas, for example in the Hills, where ground water is difficult if not impossible to find on the majority of properties. While some residents instal dams, this is not possible on smaller blocks in the villages.

Water consumption accounts for homes in those areas relying solely on scheme water can run into hundreds of dollars, while those on suburban properties like Dianella, for example, can be as low as \$20 or even less, due to access to a bore.

Any further price increase in the higher consumption brackets will disadvantage Hills families even more.

(4) **Seasonal Variation**

Water prices should not be charged on a seasonal basis for the reasons suggested in the Issues Paper, namely impact on larger families and extra administration costs. However, if this were to be contemplated, surely the time to discourage the wasting of water is winter when one sees sprinklers being used while it is raining. Users should not be penalised for water used during the hot dry summer months, when it is necessary to sustain at least some garden, a desirable and sometimes socially important part of the home.

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