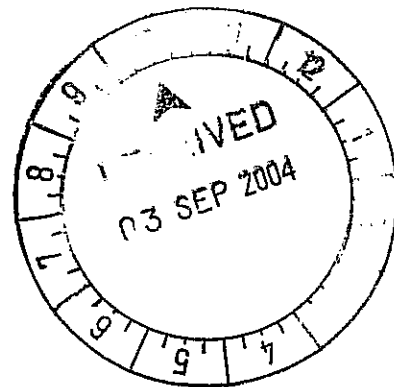


Inquiry on Urban Water and Wastewater Pricing
Economic Regulation Authority
Level 6 Governor Stirling Tower
197 St Georges Terrace
Perth WA 6000

28 August 2004

Submitted by:
Mr D Major



Submission

Why is the cost of water so much higher in the country compared with the city?

Western Power has a uniform tariff policy so that everywhere in the state people pay the same for electricity. What is the reason for the Water Corporation not adopting the same tariff policy for water?

In the metropolitan area there is a five step progressive tariff scale for the Water Corporation's household consumers, whereas in the country there is a nine step progressive tariff scale. The issue is then further compounded by 5 different class tariffs making a total of 45 tariff charges for country users compared with only 5 for the users in the metropolitan area.

Why the 4 additional progressive tariff scales? Surely the country people are entitled to some equality.

When you come to pricing the city residential price it commences at 41.6 cents per KL and progresses through the 5 steps until a maximum of \$1.50 per KL. The country price commences at the same 41.6 cents per KL but progresses through 9 steps to \$7.63 KL. Therefore the city resident at the highest price pays 3.6 times more than the lowest price. Whereas in the country it varies from 7 times the cost in class one to 18.3 times the cost in class five.

It will then be argued that the water tariff charges in the country are the same as the city up to 350KL and the charges then vary based on the additional costs associated with providing water to the specific town or area.

Should water be taken from Yarragadie aquifer in the South West and piped to Harvey at a cost of \$360 million, where it would connect to the integrated scheme supplying Perth and the Goldfields, the people in the South West could pay up to \$4.77KL whilst people in Perth would only pay a maximum of \$1.50 for the same water.

To further illustrate that the price charged to country residents does not truly reflect the extra costs involved I would ask you to peruse the following scenario: A person with a 5 acre property to accommodate a large family and garden use 1550KL water costing \$2680. However he subdivides this property into 6 residential blocks and the new owners build and each one use the average of 260KL of water costing each \$136.54 or a total of 1560KL of water the total is only \$819.24. This is \$1860.76 less despite comparing equivalent totals of water used. That is the same quantity of water is pumped but because it is now used by 6 residents instead of one the Water Corporation would charge \$1860 less.

Not only does the metropolitan resident have the advantage of cheaper water, but they sit upon an aquifer where the bore water is easily attainable. This contrasts many country areas where bore water is not readily attainable and in a vast number of cases it is unsuitable because of the high level of salinity in the water.

Uniform Tariff Policy

Successive governments have sought to remove differences between residential customers in Perth and regional areas. The water Corporations' residential customers, wherever they live in the state are now charged uniform prices for fixed service charges and water usage charges up to 350KL.

If it is possible to implement this up to 350KL, why can this not be done over the entire range of tariffs. Surely it must be possible to reduce the progressive tariff scale to no more than 5 to cover the whole state.

Community Service Obligations Policy

Prices are reduced by the States Community Service Obligations policy. Under this policy, government compensates the Water Corporation for undertaking activities that are not commercially viable, such as providing uniform tariffs.

If the Water Corporation adopted a uniform tariff policy, such as Western Power, whereby every metropolitan and country residential customer paid the same for water this should reduce the amount required to be budgeted for under the Community Obligations Policy.

With the bulk of our population residing in the metropolitan area it would only take a small increase in their price to achieve a uniform tariff policy similar to Western Power.

Much has been written about the Perth to Mandurah Railway, however it is the tax payer who is going to bear the entire capital cost of construction, interest on money borrowed, repayment of the capital, plus a hefty annual subsidy to meet the deficit between the fares receipted and the operating costs. This is despite the fact that the only beneficiaries will be those that live along a narrow strip close enough to the line and can get to it by car or bus. Everyone in Western Australia will have to pay for this railway whether they use the line or not. Why should those from Kununurra to Esperance be asked to pay for a project that will be of no benefit to them?

With this as an example, surely it is not unreasonable for country residents to request equality in such an essential service as water usage.

Desalination Plant

The siting of a desalination plant has come under some discussion of recent times.

The Government's choice of Cockburn Sound has raised considerable concern among many people. They are concerned about the discharge of the residue from the plant into the Cockburn Sound and what environmental impact this will have on the marine life in the Sound.

Another option to be considered is the siting of the plant in rural towns to help transform Western Australia's huge tracts of sub surface rural saline water into useable resource and take the pressure off metropolitan aquifers and dams.

A further option to be considered is siting a plant to treat unpotable water from Wellington Dam. This could provide the same volume of water for less cost than the proposed 45 gigalitre sea water desalination plant at Kwinana and bores in the South West Yarragadie aquifer.

For years governments and authorities have scoffed at Ernie Bridge's campaign to pipe water from the Kimberley to make W.A.'s rural area bloom and do away with restrictions. Of course the cost would be great, but with 75% of the nation's water resources situated in the North it is untapped and under utilised.

With the enormous success of the Snowy River Scheme many years ago as an example, why can't the royalties from the Gorgon gas project which are going to the Federal government be used to help finance the piping of water from the Kimberley to Western Australia and South Australia, so doing away with the water problems for both of these states?

Submission by Douglas Major