

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

30/8/04

**Water Corporation: Role of a Public Utility.**

This submission poses the question as to the function of a service provider, in this instance the Water Corporation. Is it to be a public utility at cost providing water to its customers and collecting wastewater and disposing of it? Or is it a taxing instrument raising funds for consolidated revenue to be spent on projects other than the utility role?

Perth sits on an abundant groundwater reservoir both superficial and deep that extends both north and south. It is beside a catchment with good run-off, relatively easy dam sites and gravity feed to the city. It is also beside the ocean for easy effluent disposal and its sandy soil is easily trenched.

Yet Perth householders' bills for their water supply and sewerage are the highest of all Australian Capital cities. This is despite the fact that over the last 20 years new home buyers have funded roughly 2/3 of the cost of all new infrastructure to deliver water and remove sewage. Added to this is that the actual operating cost per house to supply the water is the cheapest of all Australian cities and for removal of sewerage it is the cheapest except for Adelaide.

An examination of the annual reports of the Water Corporation for the last 7 years is summarized on the attached table.

Nearly 2/3 of the rates and sales collected goes into WA consolidated revenue. This is by way of a dividend, an income tax equivalent and interest. True, the Treasury gives back to the Water Corporation a little of this to fund "vote winning" schemes like backlog sewerage and city/ country rate equalization, which would otherwise be unviable. But, for reasons unclear to me from the reports, the Water Corporation's debt to Treasury grows each year such that it is now close to the value of the Corporation's assets despite 2/3 of them having been funded by developers for new lot creations.

Put into perspective the WA Treasury has pocketed \$2.76 billion of ratepayers' money over the last 7 years.

Fortunately, this inquiry into urban water and wastewater pricing should expose this situation. The solution to future sustainable water supply for Perth is efficient management of the resource. Accessible potable groundwater should be captured before it discharges to the sea. Non potable groundwater should be replacing potable water for irrigation and diversion of otherwise ocean discharges and restrictions used to protect wetlands where appropriate.

Ken Gilbert

*Note*

*Some of my extractions from the annual reports may need refining and I would be pleased to discuss this with the ERA Water Division or with the Water Corporation.*

# Water Corporation - Analysis from Annual Reports

	2003	2002	2001	2000	1999	1998	1997	7 year
Cost of Assets provided by developers as condition of subdivision								
Developer Contributions paid by developers for clearance	39.57	32.394	30.877	108.028	80.658	123.556	70.221	485
Cost of Assets over current year	86.489	63.861	49.86	71.888	66.002	55.23	38.165	431
	258.403	240.197	225.89	205.617	192.124	180.316	182.253	1485
Percentage of Assets Developer funded	48.8%	40.1%	35.7%	87.5%	76.3%	99.2%	59.5%	61.7%
(Cannot determine backlog assets)								
Current Asset Valuation	\$9618	\$9492	\$9345	\$9173	\$8918	\$8709	\$8578	
Depreciation of Assets over current year	\$237.8	\$225.1	\$210.9	\$204	\$190.2	\$181.1	\$173.2	
Inferred addition to assets from CSO	147	162	187	257	211	130		
%age of CSO	57%	67%	83%	125%	110%	72%		
Earnings from rates and water sales	\$675.196	\$652.269	\$659.997	\$619.395	\$581.494	\$565.186	\$530.81	
Community Service Contribution from Treasury	\$258.403	\$240.197	\$225.89	\$205.617	\$192.124	\$180.316	\$182.253	
Profit before tax	\$469.05	\$423.421	\$456.427	\$452.238	\$420.142	\$386.895	\$357.491	
Taxation Paid to WA Government	\$140.971	\$127.26	\$151.575	\$139.894	\$158.57	\$132.624	\$107.314	
Dividend paid to WA Government	\$255.293	\$259.811	\$240.753	\$201.215	\$196.111	\$158.706	\$198.692	
Long Term Borrowings	\$9773	\$8623	\$8077	\$5761	\$4618	\$4034	\$5562	
%age of asset value	102%	91%	86%	63%	52%	46%	65%	
Interest to WA Treasury	62.7	49.6	32.9	33.1	32.1	38.2	43	
Payment by ratepayers								
Amount paid to WA Government	\$675.196	\$652.269	\$659.997	\$619.395	\$581.494	\$565.186	\$530.81	4284
	458.964	436.671	425.228	374.209	386.781	329.53	349.006	2760
Percentage of rates & water sales going to government	68%	67%	64%	60%	67%	58%	66%	64%

(a) Transfers to Developers Contribution Reserve with tax added  
(b) From Cash Flows from operating activities