

B. R. KEAY,

28 August, 2007

The Chairman,
Inquiry on Competition in the Water and Wastewater Services Sector,
Economic Regulation Authority,
Po Box 8469,
Perth Business Centre,
PERTH 6849

Dear Sir,

SUBMISSION ON THE ISSUES PAPER

I make the following submission on the Issues Paper;

1. Competition for the supply of water should only be considered after the resolution of the pricing of water is resolved in regard to water sustainability. There is a view that water conservation should be encouraged by cost mechanisms, ie the cost of water be made at such a level that users are forced to consider their consumption. The classic comparison is water from the Water Corporation at say 10c/Kl against bottled water at \$2,000/Kl. Thus competition may be at odds with the State Water Strategy which needs to be resolved at a high philosophical and political level. Competition which is aimed at reducing costs to consumers would be against this policy.
2. The process where water usage has been constrained has also impacted on the wastewater stream. The greatest benefit appears to be with large wastewater creators and not the small percentage created by domestic households. Competition could be achieved by encouragement of large creators to manage their own process.
3. Competition in Western Australia is constrained by limited regional populations both for water and wastewater where demand is small compared to the financial outlay needed for systems. It is apparent that the CSO process needs to continue if the objectives of regional diversification are to be achieved. The adoption of comparative competition appears to offer a methodology for improvement.
4. The Water Corporation, which is wholly owned by the people of the state, achieves a high level of competition through its purchasing policies for services and goods.
5. The licensing powers available to the Economic Regulation Authority have not been fully extended or tested. This should occur in a test locality to verify that these could achieve competition.
6. Any break up of the Water Corporation should be delayed until the results of the Western Power breakdown can be evaluated, which too date has not shown any benefits.

Regards,

Bruce Keay