

31 August 2007



Lyndon Rowe
Chair
Economic Regulation Authority
PO Box 8469
Perth Business Centre
PERTH WA 6849

7th Floor, 12 St Georges Terrace
Perth, Western Australia 6000
Locked Bag N984
Perth, Western Australia 6844
Telephone: (61 8) 9325 2955
Facsimile: (61 8) 9221 3701
Email: chamber@cmewa.com
Website: www.cmewa.com

Dear Mr Rowe

INQUIRY ON COMPETITION IN THE WATER AND WASTEWATER SERVICES SECTOR

Thankyou for the opportunity to comment on the above inquiry.

CME supports efforts to enhance competition for the delivery of water and wastewater services in Western Australia.

CME considers that any opportunities to enhance the efficiency of provision of water services would be of benefit to Western Australia.

The following provides some general comments in relation to resources sector investment and participation in the development of water sources, infrastructure and delivery.

Resource development in remote areas

To a large extent, the Western Australian resources sector has been advantaged by its capacity to access and utilise water for which there is limited or no competitive use, due to the remote nature of many operations and the poor quality of water that is able to be used for mineral extraction and on-site processing.

It is important to note, however, that the resources sector makes a significant contribution to water source development in Western Australia, through private water infrastructure investment. The resources sector provides around 95 per cent of its own water needs, with the remainder sourced from licensed water providers.

The sector makes substantial investments in exploring, identifying, quantifying the water resources required for viable operations and providing infrastructure to obtain and store the water. The sector provides in excess of an estimated \$700 million in water discovery and development, with ongoing operating and management costs almost certainly exceeding \$100 million per annum.

Within the resources industry there is routine development of water resources by and for a single user, i.e. a resource operation, which are managed primarily by that user. The development of such resources should be recognised as beneficial to overall evaluation and management of the State's resources.

Trading

Given the location and quality of the water resources, much of the water used by the resources industry is not suitable for trading, with some exceptions, such as the South West. Given that the resources industry has significant operations in the South West, however, it is critical that further modelling is undertaken as to the impacts of any water trading rules on all sectors. The transition arrangements should be defined and known well in advance.

Service Provision

In terms of water services to remote communities, CME urges the continuation of subsidy arrangements that maintain the ability to provide affordable water and related services. Such services are an essential component of the infrastructure that is required to attract people to live and work in remote and regional Western Australia.

CME believes that the requirement on service providers to maintain financial capacity be balanced with the duty of Government to ensure the provision of affordable water supplies, sewerage and drainage, particularly in remote and regional areas where cost-based pricing would make these services unaffordable.

In relation to situations where resources companies provide water services to towns, it is unlikely that the industry would support any concept of regulated third party access to company water supply systems.

Other areas of interest

Although resources sector participation in the water and wastewater service sector are likely to remain limited for the foregoing reasons, the recommendations of the Inquiry will be of interest to our member companies. Opportunities may arise, for example, pursuant to expansions of projects which produce considerable volumes of water through mine dewatering.

Where such opportunities arise, it is important that clear and transparent planning processes are in place to provide all participants and potential participants in the sector with relevant information on which to base their commercial decisions.

We look forward to reviewing a draft report on the recommendations of the Inquiry in due course. Should you require any further information please contact Cara Babb, Executive Officer - Indigenous Affairs on (08) 9220 8504 or c.babb@cmewa.com.

Yours sincerely

Tim Shanahan
Chief Executive