

INQUIRY INTO DEVELOPERS CONTRIBUTIONS TO THE WATER CORPORATION

TERMS OF REFERENCE

I, ERIC RIPPER, Treasurer, pursuant to section 32(1) of the *Economic Regulation Authority Act 2003* (the ERA Act), request that the Economic Regulation Authority (the Authority) undertake an inquiry and make recommendations on the most appropriate charging mechanisms for the entire suite of the Water Corporation's developer charges.

In doing so the Authority is expected to consider and develop findings on:

1. the general principles underpinning developer charges for government businesses and the approaches to developer charges adopted by water regulators in other jurisdictions and by other utilities in Western Australia, as well as the work that is done on a national level as part of the National Water Initiative Agreement;
2. whether standard headworks contributions are an efficient and equitable funding mechanism for the provision of water, and wastewater and drainage infrastructure, or whether alternative pricing structures have the potential to encourage more efficient urban development through cost reflective price signals;
3. the ongoing use of special developer contribution area charges for development in areas having particular local conditions and local requirements;
4. the efficient and equitable recovery of the cost of minor works (connecting works) for frontal and out of sequence developments, having regard to the appropriate cost and risk sharing arrangements between different developers over time;
5. major customer charges for development of infrastructure for high volume customers in country areas; and
6. headworks contributions for temporary connections to Water Corporation services.

In regards to headworks contributions (item 2 above), the Authority is requested to make recommendations on the charging methodology and the most appropriate level of charges, with a view to implementation from July 2008, or as soon as possible thereafter.

For the remaining charges, which are applied on a case by case basis, the Authority is requested to provide recommendations on the appropriate methodology to use in calculating these charges.

The Authority is to have regard to:

- the contribution of developer charges as part of the overall efficient and equitable recovery of the total cost of the provision of water, wastewater and drainage services;
- the Government's uniform pricing policy; and

- the Government's social, economic and environmental policy objectives.

The Authority will release an issues paper as soon as possible after receiving the reference. The paper is to facilitate public consultation on the basis of invitations for written submissions from industry, government and all other stakeholder groups, including the general community.

A draft report is to be made available for further public consultation on the basis of invitations for written submissions.

A final report is to be completed by no later than 30 June 2008.

**ERIC RIPPER MLA
DEPUTY PREMIER; TREASURER;
MINISTER FOR STATE DEVELOPMENT**