

Inquiry on Developer Contributions to the Water Authority
Economic Regulation Authority,
PO Box 8469
Perth Business Centre,
Perth WA 6849

Dear Sir,

My submission is made following a lengthy period involved in the development industry as an engineering professional and deliberations as to equity and reasonable contributions.

My submission is;

1. **TRANSPARENCY:** Any system of charge for headworks items should be transparent in regard to the derivation of the charge and its application. I believe that the current charge system meets this criteria as the Water Corporation has through consultation with industry demonstrated the basis for the charges and has entered into discussion with the industry. Smaller developers who are not members of industry bodies are not naturally party to this process but at the same time are usually one off type developers.
2. **SIMPLICITY:** Some headworks systems used in the Eastern States are quite complex both for the user and the administrator of the charging scheme. In my opinion any system, whether it remains as the current scheme or some new arrangement, must be simple for both developers and the administrators in the general interests of business efficiency.
3. **REGIONAL DEVELOPMENT AND CSO:** I support the broad WA State Government policy of uniform charges as a mechanism of facilitating regional development. This is a transparent process as the costs of services in regional areas is known and incorporated into the CSO contribution calculation, and is not a cross subsidy. It is important that the regional areas are supported to assist the sustainability and diversification objectives of our general states growth.
4. **EQUITY:** It is important in applying user pays principles that equity is both transparent and applied. This has been the subject of considerable debate within the development industry. When headworks were first introduced, due to the growth of the population and metropolitan area, all previous lots had not paid headworks as their subdivisional services were constructed from State Capital funds. At that time it was considered reasonable that new lots contributed to

headworks on a proportional basis as they created demand for headworks. It is still true that some 500,000 of the current SRE land stock would fall into this pre headworks position. Any amendment of the current charging calculation system needs to recognize this prior situation. An examination of the current situation can be;

- (i) Number of SRE's was 737,669 in 2004 and with say 20,000 SRE's per year would give a current stock of 797,669. If the development industry has achieved 25,000 SRE's in 07/08 the proportion of new lots to the base is 3.13%.
- (ii) From the Issues paper the headworks contributions in 06/07 for the state both residential and industrial is \$162m. The Water Corporation capital expenditure in the same period was in the order of \$960m. This is a haedworks contribution to capital works of 16.88%.

From these figures it is apparent that the contribution is not equitable and makes a case for substantial reductions in headworks charges.

Please contact me if you have any queries on telephone 9279 4909 (H)

Yours faithfully

B. R . Keay NM, OFIEAust