

14 December 2007

Lyndon Rowe
Chair
Inquiry on Developer Contributions to the Water Corporation
Economic Regulation Authority
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Dear Mr Rowe

Inquiry on Developer Contributions to the Water Corporation

The Chamber of Minerals and Energy of Western Australia (CME) thanks you for the opportunity to tender a submission to this inquiry.

Water is a primary feedstock and process component for many of the operations of member companies of CME. As such, CME believes timely and efficient provision of water services at reasonable rates is implicit for economic development and prosperity.

In terms of provision of services to industry, CME considers that there are several areas where improvements can be made to ensure that a fair and transparent process is in place for the assessment of developer contributions.

CME acknowledges the tensions inherent in the Water Corporation's responsibility to deliver economic returns for the State Government in the short term whilst also acting as an agent of State development.

CME supports the establishment of mechanisms by which these sometimes competing aims can be resolved equitably for all parties and in the interests of State development.

Process and timeliness of delivery of service

CME member companies have reported that when negotiating for headworks provision they would have been assisted by a defined timeframe for negotiations to take place.

In the absence of such timeframes, and in a monopoly situation, companies are unable to seek alternate providers, nor any avenue of appeal or other process should negotiations reach an impasse or levied charges be unacceptably high.

Furthermore, the longer negotiations are delayed, the more capital costs escalate, and this has been the experience of at least one member company, with a very substantial increase in the capital contribution over the two year negotiation period.

Even given design expansions over the period, this has been an unforeseen burden, as the company finds itself with no alternative but to comply with the requested charge, as there is no adjudication process to ensure this is appropriate and reasonable.

CME recommends that a process is established to ensure commercial negotiations are undertaken in a timely manner and that an independent authority should oversee the negotiation process to ensure timeliness, transparency and equitability. A mandated timeframe for the negotiation process may be appropriate.

Some appeal mechanism to outside authority should also be in place, given the current monopoly position for these services.

Permanence of Water infrastructure

CME believes that there is a place for consideration of the long-term nature of water infrastructure to be accommodated in negotiations of developer contributions.

Industry is seeking to operate projects in many cases for more than 25 years, but ultimately will decommission and move on. The water and other infrastructure will remain, will continue to be available for use, and will be fully depreciated. This ongoing value to the State water network needs to be recognised in initial headworks negotiations.

It is critical to acknowledge the long-term nature of this infrastructure. Given the timeframes involved, it is entirely appropriate that government fund the infrastructure and recover costs over similar timeframes. In the interests of State development and regional provision of services, water infrastructure should be State funded.

Should you wish to explore these or related issues, please do not hesitate to contact Paul Hynch, Executive Officer Industry Policy at (08) 9220 8514 or p.hynch@cmewa.com.

Yours sincerely

Reg Howard-Smith
Chief Executive