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29 May 2008

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

Attention: The Chief Executive Officer

Dear Sir

**RE: INQUIRY ON COMPETITION IN THE WATER AND WASTE WATER SERVICES SECTOR
CALL FOR SUBMISSIONS FOR FURTHER CONSULTATION FOR A REPORT OF AN
INDEPENDENT PROCUREMENT ENTITY**

We refer to the Economic Regulation Authority of Western Australia to call for Submissions dated 16 April 2008.

Our submission is appended to this letter.

CHAPTER 1 RESPONDS TO THE ECONOMIC REGULATION AUTHORITY CALL FOR SUBMISSIONS.

The "thrust" essentially urging to overhaul Government red tape and over administrative regulations, by allowing a competitive, private corporations business environment action response to allow a co-operative and engagement spirit and willingness to work with State and Federal Governments to improve regulated policies and programs that deliver the environmental and sustainable water policies - **WE ARE IN THIS EXERCISE TOGETHER.**

CHAPTER 1 MAY BE USED FOR PUBLIC SUBMISSION.

IN THE FINAL ANALYSIS, IT IS ABOUT CUSTOMER SERVICE.

Yours faithfully
SOUTHERN CROSS WATER & INFRASTRUCTURE

JOSEPH A CARUSO
DIRECTOR

WATER SUSTAINABILITY RESOURCES IN WESTERN AUSTRALIA

CHAPTER I

INQUIRY INTO COMPETITION IN THE WATER AND WASTE WATER SERVICES SECTOR. CALL FOR SUBMISSIONS FOR FURTHER CONSULTATION FOR A REPORT OF AN INDEPENDENT PROCUREMENT ENTITY

APPENDIX 1

TERMS OF REFERENCE

CLAUSES 3.6; 3.7 AND 3.8 AMENDMENT TO TERMS OF REFERENCE

Key areas of focus by the Hon Eric Ripper, Treasurer

- **Enhancing the Efficiency of the Future Water Source Procurement and Other Significant Capital Investment Processes**

Water sources supplies are at **CRISIS POINT**. The Water Corporation has delivered sound, reliable and quality water services in the past. The future and new millennium however, is indeed a different scenario in reference to water sustainability, transfer, treatment pricing and availability in allowing supply of bulk water to the community..... the water utilities Government ideological culture must change.

New water suppliers and sources, either as a joint Government or Non Government Organisation (NGO), initiative should be adopted as urgent policy priority. There needs to be a joint, working mindset water engagement between Government and Private enterprise.

The sourcing and delivery of water and private involvement in the commencement of the new proposed water delivery policy is the new and reformed journey forward.

Tendering models and other trigger conditions are not required and should be, if contemplated, scrapped. The open market will dictate best value for quality goods and services. There is no need to burden the system with a further level of Government management, tender and pre-qualification departments. What purpose can this serve? The main and only material thrust is to provide quality, guaranteed and competitive water at the providers cost, that benefits the consumer. The provider must not have a competitive disadvantage. From monopoly Government suppliers as evidenced under the present Water Corporation model.

The delivery and commissioning of a new source should be judged and evaluated on the following capital commercial, quality and environmental legislative key framework:

- **LOCATION** - (nearby IWSS) and strategic connection to existing water utilities infrastructure.
- **QUANTITY AND GUARANTEE OF SUPPLY** - to meet shortfall and longer term demands.

CHAPTER I (CONTINUED)

The delivery and commissioning of a new source should be judged and evaluated on the following capital commercial and quality legislative key framework (continued):

- **INTENDED USE** - potable, industrial, irrigation and recreation.
- **CALENDAR FOR DELIVERY INTO IWSS** - year 2013/14 onwards.
- Timely and next surface water available source.
- **PRICING BY NEGOTIATION** - preferred.
- **LONG TERM WATER SUPPLY** - with signed framework agreements.
- **REMOVING RED TAPE** - to have priority to allow expedient statutory and regulatory approval. Process simplification must be implemented, notwithstanding compliance to environmental standards.
- **COMPLYING WITH THE ENVIRONMENTAL AND REGULATORY GOVERNMENT REQUIREMENTS ACT LEGISLATION** and providing projects to pursue projects to lessen Carbon Emissions footprint and emissions.
- **SUPPLY CHAINS** - ensuring that goods and services are purchased from sustainable, local sources and delivery is performance dominated, under quality and local traceability.
- **GREENHOUSE GAS EMISSION COMPLIANCE.**
- **Opportunities for Enhanced Competition by Introducing Third Party Access Regimes to Existing Water and Waste Water-Related Infrastructure**

Given that the ERA is considering to establish an IPE and that the Water Corporation and Treasury allow third party access to water utilities, water resources and transport corridors, the following is suggested:

- Allow the Department of Planning and Infrastructure (DPI) to allocate suitable Crown Land.
- Private (NGO) subject to risk and security scrutiny, be given access to transfer, store, sell treat and trade water, on simple negotiating terms and set at agreed commercial conditions with the Water Corporation
- Competition by a de-regulated system delivers, cost effective and competitive pricing (**THIS IS CURRENTLY LACKING**) and a new frontier culture is required to break existing water utilities monopolies in this State.
- **Other Reforms to the Water and Wastewater Market which may Enhance Competition**

NO WATER SHOULD BE HOARDED! Reform must address reasonable supply quality and cost to taxpayers and not be swallowed in a galaxy of Government Committees, and Sub-Committees that err extensively in reaching final decisions to deliver positive or any outcomes. (The system requires reform as with power, gas and toll roads which have been successful.

CHAPTER I (CONTINUED)

- **Other Reforms to the Water and Wastewater Market which may Enhance Competition (continued)**

The Government must set workable and acceptable guidelines for off-take and delivery quantities, population demographic growth by region, city and community expectations. Corporate tax relief should be considered for 5 years, for new or expanded water supply capital projects.

DEVELOPING THE RECOMMENDATIONS

Proven and guaranteed essential services of any Government are paramount. This is the domain of elected Governments. However, with competing funds in health, education, transport, infrastructure, energy, water and other community portfolios, the Private Sector has an important role to play in providing either totally or in allowing essential infrastructure models of some of these services that would otherwise be starved for Government funding and implementation.

THE PRIVATISATION MODEL IS RIPE FOR IMPLEMENTATION. THERE MUST BE A GREATER APPRECIATION TO THE VALUE OF WATER AND HOW TO CHANGE CONSUMPTION PATTERNS TO LESSEN DEMAND.

Government water trade and transport must be opened up to third parties. The Department of Water must issue greater and wider water licences, to allow greater flexibility in harvesting, storage and delivery of water.

APPROACHES TAKEN IN OTHER JURISDICTIONS

Sovereign jurisdictions (UK, Europe) and our Eastern States have opened a range of utilities. Energy, power, water and transport services have been given to private institutions and these models are successful.

APPROACH TAKEN

Queensland, New South Wales, Victoria and South Australia are changing Government culture and have privatised power, energy and water utilities with success.

COST BENEFITS OF ALTERNATE INDUSTRY STRUCTURE

If the private proponent is to provide a reliable water quality service, it should provide the following infrastructure at its own or shared cost with the Government. There needs to be a recognition that these assets are deemed of National and security significance.

There may be consideration to leasing under a long term operational lease agreement, private assets to other private Government authorities.

- Water Source
- Pipeline Corridors (to connect IWSS)
- Conduct the business under the Australian Corporations Law.

CHAPTER I (CONTINUED)**COST BENEFITS OF ALTERNATE INDUSTRY STRUCTURE (CONTINUED)**

- Conduct itself in a Corporate Social Responsible (CSR) manner.
- Conduct itself under UN Principles of Responsible Investment (PRI)
- Comply with Carbon Emissions Reduction.
- Any impacts to existing asset operations. The market becomes more efficient and driven by performance, cost competitiveness and without Government intervention.
- Innovative plans to conserve and manage water and strengthen environmental technology.

ANY IMPACT TO GOVERNMENT REFORMS IN SOCIAL, ECONOMIC AND ENVIRONMENTAL POLICIES

We envisage no impact to the existing sound work and policy framework save for over regulation and slow adaptation that the Government have implemented and adopted moreover in keeping with Statutory and Legislative Guidelines. The private sector will continue to deliver these services, and should complete economic social programs and disciplines, particularly in regional and country communities that are lacking as a result of the governments inability to fund.

TERMS OF REFERENCE - SECTION 26 OF THE ACT (AND OTHER SUGGESTED THRESHOLDS)

- A number of Government public interest policies are correct in supporting the States demographic social, urban and economic growth demand.
- Long term interests of consumers (public), is a moral, social and elected priority and the responsibilities of an elected Government.
- Re-investment in water utilities by Research and Development in sustainable, new and existing recycled waste water and cloud seeding or any other sustainable development are an underlying ongoing commitment from both Government and the Private Sector..... There needs to be **BOLD AND MEASURED VISION**, willingness from both Government and Privates Sectors to utilise and scrutinise best practice approach to solving the problem of conserving excessive waste of water and adopting forward thinking solutions.... there is a further requirement for joint efforts, harnessing scientific and technical operational knowledge from Government and private scientific, learning sectors. To date, the Private Sector has had no role to play, rather than being sidelined. There must be a heightened ranking programme in investment in new and aging replacement of refurbished infrastructure.
- Address the challenge of the future of water in this State with bold and innovative plans.
- The promotion of competitive and fair market to supply goods and services and that the water complies with the Trade Practices Act is mandatory.
- Transparency in the public process and informative consultation is also mandatory.

CHAPTER I (CONTINUED)**TERMS OF REFERENCE - SECTION 26 OF THE ACT (AND OTHER SUGGESTED THRESHOLDS) (CONTINUED)**

- Complying with simplistic, but basic Statutory Regulatory Legislation, there is a need to simplify and overhaul the regulatory process to allow measured but accelerated development.
 - Conserve energy and adopt a softer more innovative method of water harvesting and production, viz. use sustainable energy to drive mechanical pumping and processing water plants.
 - A need for Governments to recognise that Treasury cannot provide all infrastructure utilities. There is competition and a need for Treasury capital and operating to fund many Government agencies.
 - Have appropriate bulk water licenses issued and approved for trading water with third parties.
 - Give consideration to Climate change impacts, by considering Government incentives.
 - Engage in wider global UNDP and other United Nations and relevant water specialist organisations and institutions.
 - Draw on the studies from ongoing Research and Development specialist organisations to ground water and surface water interactions.
 - Become part of a global network of experts and policy guidance cluster like minded organisations.
 - Consider inputs of UNDP economic regulation guidelines (effective policies) for public service economic delivery.
 - Capital investments that allow Corporate Social Responsibility (CSR) and Principles of Responsible Investment (PRI).
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