

ECONOMIC REGULATION AUTHORITY

DRAFT REPORT – INQUIRY ON COUNTRY WATER AND WASTEWATER PRICING IN WA
2006

SUBMISSION BY J G STURIS

TERMS OF REFERENCE (SECTION 32)1

In this submission, we will comment on the commercial component of the Inquiry, particularly in relation to the Hospitality Industry eg. Motels, Hotels.

We will also comment on the price difference for both residential and commercial users of water in the country areas.

POINT THREE – TERMS OF REFERENCE

- THE EFFECTIVENESS AND EFFICIENCY OF THE SERVICE CHARGE STRUCTURE FOR BUSINESSES AND THE MERITS OF ANY ALTERNATIVE CHARGING STRUCTURE FOR COUNTRY TOWNS.

AND

POINT FIVE – TERMS OF REFERENCE

THE APPROPRIATENESS OF CONTINUING UNIFORM STATEWIDE MAJOR FIXTURE AND VOLUMETRIC DISCHARGE SEWERAGE CHARGES FOR BUSINESS.

BACKGROUND

The background paper, page 19 of the Draft enquiry, states: "An overall uniform pricing policy has not been adopted for commercial customers, (contrary to commercial waste water pricing)."

It also states, "Country commercial users currently face higher usage charges than Perth commercial users for any given level of water consumption"

"Commercial customers pay higher charges for higher levels of water usage. The change in price for country users currently occurs at 300kl/year: for metropolitan users, the threshold is 600kl/year.

It is clear from these facts that the country commercial businesses have been subsidising metropolitan commercial users.

The Draft Report asks if commercial users do not fully contribute to the cost of water they consume, they will have to be subsidised by C SO payments.

It is not the country commercial users who are being subsidised but the metropolitan users.

The Draft report goes on to state on page 20 "Commercial charges for water usage are significantly higher in country towns than in Perth

It is not only waste water charges that are overcharged for country commercial operators, but water useage rates are also overcharged in the country.

When the Water Corporation decided to change Perth commercial properties from GRV rating to rating on the number of major fixtures, eg.toilets and urinals, most water rates for these properties fell. Hence there has been no outcry from city based businesses as they are not being fully rated on their GRV.

It is interesting to note that the recommendation by the Water Corporation is to continue to rate country residential on GRV. BUT, Not to keep that rating system on city commercial properties.

It is the country commercial business, particularly the hospitality industry that is now wearing the brunt of the shortfall on revenue by the Water Corporation by rating their properties on the number of "major fixtures. As this is being phased in, many properties still are unaware of the impact this will have on their water costs.

It is also obvious by the lack of response from the hospitality industry to this Draft Report that many are not aware of what is going to be happening to their rates.

IF THE WATER CORPORATION CHOOSES TO TAX THE HOSPITALITY INDUSTRY ON THE AMOUNT OF MAJOR FIXTUES, SHOULD THIS THEN BE RATED ON THE OCCUPANCE OF THE PROPERTY. CURRENTLY THE AUSTRALIAN BUREAU OF STATISTICS EXPECTS EVERY MOTEL, HOTEL, RESORT ETC TO PROVIDE OCCUPANCY STATISTICS. THESE STATISTICS ARE COLLECTED AND RETURED TO THE ABS EVERY THREE MONTHS.

DURING HIGH OCCUPANCY TIMES, WATER USEAGE AND DISCHARGE RATES ARE PAID BY THE HOSPITALTY INDUSTRY ON A USER PAYS BASIS.

IF A PROPERTY IS ONLY, 45% - 55% FULL, AND THE INDUSTRY AVERAGES ARE EASY TO OBTAIN, WHY ARE THESE PROPERTIES BEING CHARGED ON 100% OF THEIR FIXTURES.

SEWERAGE RATES COULD BE CHARGED AT THE FULL RATE AND AT THE END OF EACH QUARTER OR ANNUALLY, BE CREDITED FOR THE MAJOR FIXTURES NOT UTILISED BY THE PROPERTY.

Large industrial properties are no longer rated on their GRV but now on the number of toilets. They may in fact have a high water usage, but will not be rated on the GRV. They may have only a fee of \$519 for their one toilet they have on the premises.

City properties would have had a decrease in their sewerage rates as it would cost them less to rate each toilet than their rates based on their GRV. I think this is where the Water Corporation is heading to try to recover losses in this decision.

On the Commercial Wastewater Pricing section of the Draft Report, it was pointed out in the background notes that, "A PREFERENCE WAS ALSO EXPRESSED FOR A GREATER CONSISTENCY BETWEEN COUNTRY AND METROPOLITAN PRICING STRUCTURES"

Will this committee find that the doubling of water costs and charges to country commercial business is inconsistent with their policy and will they continue to allow small country businesses to subsidise the larger city businesses.

ADDITIONAL POINTS TO THE SUBMISSION OF THE DRAFT REPORT.

TERMS OF REFERENCE TO ERIC RIPPER:

POINT 1

THE APPROPRIATE CONSUMPTION THRESHOLD FOR THE APPLICATION OF UNIFORM RESIDENTIAL CHARGES.

At the very least, country consumers are entitled to the same rates for the same consumption as their city counterparts.

If the Water Corporation is truly interested in a level playing field in relation to costs and charges, the city consumes the vast proportion of potable water and therefore should be expected to pay a premium for the privilege.

We are now expecting lower south west communities to give up their right to the Yarrigee aquifer to fill the swimming pools and water the football ovals of the metropolitan community. There is no provision for using grey water and continuing to educate the community to reduce and reuse water.

Socially, the government should expect a level paying field for water consumption costs.

POINT TWO

THE EFFECTIVENESS AND EFFICIENCY OF THE WATER CORPORATIONS FIVE TOWN CLASS CHARGES ETC.

After looking at the five town classes, it appears to be a reasonable model but I would like to see it reviewed bi-annually to ensure changes to communities are reflected and updated.

POINT FOUR

THE APPROPRIATENESS OF THE RESIDENTIAL AND VACANT LAND RATES ETC.

If it is policy to rate country vacant land and residential land on GRV, why has the Water Corporation decided not to rate city commercial land on GRV. This does not appear to be an appropriate change in the rating system.

POINT SIX.

THE IMPACT PROPOSED PRICING STRUCTURE WILL HAVE ON THE WATER CORPORATIONS REVENUE AND EXPENSES AS WELL AS PAYMENT TO, AND FROM THE GOVERNMENT.

The Water Corporation is chartered to provide potable water to the rate payers of Western Australia. It is interesting to note that the Corporation recognises that it may deliver water, but the quality of the water is not being questioned. Regardless of the quality of the water delivered, the country consumer is still paying many times more for their water than their city counterparts.

This is socially unacceptable and the responsibility of Government to provide an equitable and fairly priced water product to the consumer at the expense of Water Corporation profits.

Our community would accept a break even or small loss in return for quality water and equitable rating across city, country, residential and commercial users.