



CHAMBER OF COMMERCE AND INDUSTRY
WESTERN AUSTRALIA

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13 January 2006

Inquiry on Country Water and Wastewater Pricing
Economic Regulation Authority
PO Box 8469 Perth Business Centre
PERTH WA 6849
Email: watersubmissions@era.wa.gov.au

Dear Sir/Madam

Inquiry on Country Water and Wastewater Pricing in Western Australia.

Water is critical to everyone in Western Australia – business, government, and the community as a whole. The Chamber of Commerce and Industry of Western Australia (CCI) supports removal of impediments to competition in all market sectors including in the water sector. CCI supports, both philosophically and by action, the development of competitive markets that give consumers a choice in price, quality and service.

CCI will respond to the draft report, but offers these statements of principles in relation to the issues paper and the terms of reference of the Inquiry on Country Water and Wastewater Pricing in Western Australia.

CCI believes the “beneficiary pays” principle as an equitable and efficient means of recovering the costs of providing goods and services.

Government businesses are often required to provide services to some customer groups (e.g. regional communities) at prices below cost. CCI recognises that these social objectives are legitimate goals of government, even though they mean that the beneficiary pays principle must sometimes be violated. In general, however, it is preferable that such social objectives be delivered in ways that minimise as far as possible the distorting of price signals, and the economic inefficiencies and inequities that result. For example, it is better to pay the cost of community service obligation guaranteeing access to affordable water in the regions by a direct subsidy from general government, rather than through cross-subsidies from other consumers.

Where uniform tariffs are implemented, they need to be independently valued and the Government must provide an efficient and equitable method of compensating for the non-commercial delivery by competing government and private retailers.

In relation to each of the terms of reference, tariffs need to be independently valued as a part of this inquiry.

Specifically, the discussion paper should also:

- provide clarity about the social, economic and environmental objectives of pricing;
- discuss state-wide tariff policy;

and in particular address:

- restricted service (for example, limited sprinkler days) and whether users should be compensated for loss of service that was previously provided;
- special cases or remote commercial users, such as many industrial locations in the Goldfields and elsewhere; and
- headworks charges, although these are clearly a key component of the “economic barrier” to new or expanding business.

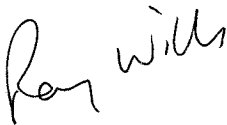
In addition to the comments above, we ask that the ERA draw on CCI’s submission to the ERA’s Inquiry on Urban Water and Wastewater Pricing dated September 2004 (attached).

CCI’s submission highlighted impediments to innovation and competition in the water sector in Western Australia. The absence of transparent pricing for the various elements of the water supply chain in Western Australia limits the ability of potential market entrants to establish business viability.

CCI’s submission emphasised that the availability of transparent pricing for the various elements of the water supply chain – supply, transmission, distribution and retail – is a critical factor that will limit the ability of potential market entrants to establish business viability.

CCI’s view is that new opportunities in the water sector for industry development and industry diversification will provide for competition or effective co-operation and result in innovation, reliability and security of supply, and better outcomes for all customers.

Yours sincerely



Dr Ray Wills
Senior Adviser - Industry Policy

Attachment: Water Pricing - A Submission to the Economic Regulation Authority’s Inquiry on Urban Water and Wastewater Pricing September 2004.