

30 January 2007

67B Birdwood Ave  
Como, 6152  
08 62228415(BH)

Mr Greg Watkinson  
Director, References & Research  
Economic Regulation Authority  
PO Box 8469  
Perth Business Centre  
Perth WA 6849

Dear Greg

### **Draft Report: Inquiry on Harvey Water Bulk Water Pricing**

This submission is in response to the dam safety related issues that are raised in the Draft Report Paper: Inquiry on Harvey Water Bulk Water Pricing of 14 December 2006. The views expressed are personal opinions based on my background in the Australian Dams industry. Again my comments are confined to those issues that relate directly to Dam Safety.

Overall I believe that the draft report has comprehensively considered the issues associated with dam safety expenditure on the South West dams. However I am concerned that the thrust of the report appears dismissive of the considerable effort that both ANCOLD and the various dam owners throughout Australia have made to ensure that the ANCOLD guidelines provide useful guidance to owners and governments that is mindful of their available resources.

The discussion that leads to preliminary views 7, 12 and 13 appears quite narrow and there are broader issues that could arise from these preliminary views that should be considered carefully before the recommendations are finalised.

I have outlined two key areas where this approach could be problematic:

#### **1 - Comparable Measures**

If one accepts the argument that funding should be comparable to life safety expenditures in other areas in the WA economy the question then would be "What areas should be compared?" The report proposes some selected benchmarks, however life safety expenditures occur in the areas as diverse as Occupational Health and Safety, bus safety, marine safety, building standards and codes, bushfire prevention, railway maintenance standards, fencing of unsafe public areas, water treatment and, of course, a myriad of other fields. The political process currently deals with the issue of balancing comparable life safety expenditures.

To suggest that it would be possible to formulate a rational process to compare risks and expenditures across the broad sweep of life safety expenditures seems very optimistic and may lead to government taking defacto liability for the safety of Water Corporation's or other dam owner's assets.

It would therefore seem that this approach would require great care to successfully develop and implement.

## **2 - Establishment of a Body to Oversee Dam Safety Standards**

On the assumption that dam safety expenditure is currently too high a body to oversee dam safety standards could usefully focus and potentially reduce expenditure. Logically this body would also oversee large farm dams, mine tailings dams and recreational and water supply dams not under the jurisdiction of Water Corporation.

However liability issues would need to be clarified as the question would arise as to who is ultimately responsible (and thus liable) for the safety of each dam in WA.

For instance in NSW the Dams Safety Committee has a responsibility for dam safety issues. It is my understanding that this committee effectively has the authority to approve works that would produce outcomes with levels of risk higher than those proscribed by ANCOLD Guidelines. However in practice this outcome rarely comes about, due to the concerns that the Dams Safety Committee have about liability for their decisions.

In effect, a body overseeing dam safety must also be mindful of current community standards, and these standards are reflected in ANCOLD guidelines. It is suggested that the ERA discuss this issue in detail directly and openly with the NSW Dams Safety Committee before committing to a recommendation.

### **Further issues**

#### *Staging of Upgrades*

In addition the report discusses potential staging of dam safety upgrades as a useful process. It should be noted that staging of dam upgrades is possible within the existing ANCOLD guidelines and has been used throughout Australia (including WA) to defer capital expenditure or optimise portfolio risk reduction. Although it is sometimes possible to stage dam safety upgrades it is more often the case that staging works would lead to significant overall cost increases through both the addition of significant re-work and the actualisation of additional project overheads. In these instances the logic of completing the works in the one package is compelling.

#### *Cost Per Statistical Life Saved*

The report also uses Cost Per Statistical Life Saved as a measure of dam safety expenditure effectiveness. To my knowledge this measure is rarely used to justify dam safety expenditure in Australia and the comparisons given all appear to relate to risks that could be considered to be voluntary.

#### *Overall Level of Dam Safety Expenditure*

Although the draft report has focussed on the economic case for dam safety expenditure the argument has not been made that this expenditure is currently too high. However it is possible to conclude that the required levels of dam safety funding are unaffordable to Harvey Water and that, therefore, there is a strong economic case for direct government assistance. This would be similar to other States (Victoria, for example) where Government has contributed to the cost of major dam safety upgrades on the basis that water customers usually derive no economic benefit from these works and that the direct beneficiaries of dam safety works are spread throughout the wider community.

Nonetheless it may be possible to argue that dam safety expenditure is currently too high. The 1992 work by Syme and Bishop relating to community perceptions of dam safety would appear to be highly relevant to the ERA's considerations and may be worth revisiting and updating.

In summary, whilst there is merit in the proposals to establish a body with dam safety responsibilities for WA the implications will be broader than those canvassed in the draft report. It has not been shown that existing expenditures on dam safety are too high and whilst a dam safety body may regularly and effectively inform government of the status of dam safety in this State, an outcome of reduced expenditure is not guaranteed.

I hope that these comments are helpful I would be pleased to provide any further assistance that might be useful to the Economic Regulation Authority.

Yours Faithfully

A handwritten signature in black ink, appearing to read 'Steven Fox', written over a faint, illegible stamp or background.

Steven Fox

FIEAust