



1st February 2008

The Chairman
Inquiry on Competition in the Water and Wastewater Services Sector
Economic Regulation Authority
PO Box 8469
Perth Business Centre
PERTH WA 6849

by email: watercompetition@era.wa.gov.au

Dear Sir

**Inquiry on Competition in the Water and Wastewater Services Sector
Response to ERA Draft Report December 2007**

The Goldfields Esperance Development Commission (GEDC) offers the following comments in response to the findings and draft recommendations contained in the above mentioned report.

Finding 1: Supported as any potential advantages to consumers accruing from past disaggregation of utilities, are yet to be demonstrated.

Draft Recommendation 2: Given this region's experience over recent years with the United Utilities of Australia proposed project to desalinate water in Esperance and pipe potable water to the Goldfields; there is a case for a body, independent of the Water Corporation, to decide on the merits, or otherwise, of developing a new bulk water source. However, does it require the creation of yet another level of administration and resulting costs, which will need to be passed onto the consumer eventually, to achieve this objective? Could this possibly be achieved through some other cost effective means?

Finding 3: Supported

Draft Recommendation 4: Supported

Draft Recommendation 5: Supported

Draft Recommendation 6: Supported

Finding 7: Supported

Draft Recommendation 8: Supported on the basis that real benefits can be clearly demonstrated to consumers by allowing third party access. Each access application would need to be evaluated on a case-by-case basis to ensure that this requirement is met.

Draft Recommendation 9: Supported

Draft Recommendation 10: Supported

Draft Recommendation 11: Supported

Draft Recommendation 12: Supported. WA is fortunate compared to other states in so much that water planning and provision are principally the responsibility of one organisation – Water Corporation. In other states such roles and responsibilities are spread among a myriad of agencies and as one consequence makes accountability and transparency of decision-making issues a lot more problematic. The Water Corporation has acquired a wealth of engineering and technical skills over many years; and enjoys a very good reputation within Australia and overseas for its innovative approach to solving technical challenges. It was at the vanguard, and probably still is, in concluding that climate change was a reality and taking into account its possible consequences when planning for future scenarios. The Water Corporation has been receptive to the concerns of the Kalgoorlie-Boulder community, when several years ago a bushfire cut power to several pumping stations along the Goldfields water pipeline. The City had on hand at the time only two days of water supply reserves. The Water Corporation has recently completed constructing two impressive reservoirs, with the total surface area being enclosed, and with project costs in excess of \$80 million, to extend the two days reserves out to two weeks. Another three reservoirs are planned for the City, with two of those being constructed within the next five year period. It is difficult to envisage such a satisfactory result if left to “market forces” to resolve. The Water Corporation also pays a significant annual dividend to its owner, the State Government and by extension, the citizens of WA. Such strong points should not be treated lightly and need to be carefully considered when contemplating policy changes.

Draft Recommendation and Finding 13 & 14: Supported but on the firm basis that the environment and water sustainability are not compromised in the pursuit of maximising water sales.

Draft Recommendation and Finding 15: Not supported as scarcity based pricing will unduly disadvantage those on low incomes; and is likely to have a greater impact on non-urban centres.

Differences between rural and urban water markets need to be acknowledged and factored-in when water policies are formulated. Scarcity based water pricing seems to imply inadequate long term planning for the provision of adequate water supplies. Consumers, in the main, seem prepared to comply with water conservation measures and restrictions when educated about the need to do so. Businesses need predictability in pricing structures to enable them to plan. Scarcity based pricing does not provide this.

Finding 16: The ERA is strongly urged to consult with the Regional Development Council as part of its investigation process, and prior to making a recommendation in its Final Report. This proposal, if adopted, has ramifications for regional WA.

Finding 17: Supported

Draft Recommendation and Finding 18: Supported as long as it's a "level playing ground" for all licensed service providers.

The Commission is interested to know what are the likely implications of proposed national changes to water pricing, as reported in the article headed "Overhaul of national water pricing" in The Australian Financial Review dated Thursday, 31 January 2008 (p1) will have on the eventual model adopted by this State ie. will many of the issues raised in this inquiry be ultimately decided at a national level so as to achieve a national consensus?

In concluding, it is worth noting that the State Government has given the following undertakings as per its Regional Development Policy:

- *The Government has firmly committed to the principle of uniform energy tariffs and water prices to ensure that the cost and availability of energy and water enhances regional Western Australia's economic competitiveness.*
- *Ensure that recommendations made by the Economic Regulation Authority fully consider the needs of regional residents and businesses.*¹

Yours sincerely

Robert Hicks
Chief Executive Officer

¹ "Regional Development Policy 2003: Regional Western Australia – A Better Place To Live" p.33
Infrastructure\Water Resources\GEDC's comments on ERA Water Competition Draft Report 1 Feb 2008\Ray Ciantar