



Media Statement

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Treasurer tables ERA's inquiry into efficient costs and tariffs for water

A report by the Economic Regulation Authority on the efficient cost and tariffs for water services finds that Western Australia's three government-owned water utilities are recovering significantly more in revenue than the cost of providing water, wastewater and drainage services.

The report finds the State Government will receive \$338.4 million more in revenue in 2018-19 from Perth customers than the efficient cost of supplying water services.

It recommends that Water Corporation reset its charges to reflect the cost of providing water services, saving the typical Perth household \$400 in 2018-19.

If the government wants to achieve this next financial year, water charges in the Perth area would need to increase by 5 per cent, wastewater bills would decrease by 42 per cent and drainage charges would decrease by 6 per cent.

"The ERA was asked to look at the efficient cost of supplying water services to Western Australian customers," ERA chair Nicky Cusworth said.

"In Perth, customers are currently paying more for water, wastewater and drainage than the efficient cost of providing them with those services.

"The cost of providing water services to regional areas is subsidised by government.

"The ERA is not recommending that subsidies are removed, but has provided independent analysis of how much government needs to pay to meet costs not recovered from regional customers."

"We also recommend that the Water's Corporation's future spending growth is subject to stricter efficiency targets, reducing the costs it needs to recover from customers."

In water, household customers currently have a fixed service charge and several usage charge tiers that increase per kilolitre as consumption increases.

A single per unit price for water consumption based on the long-term cost of supply would provide more consistent incentives for customers to save water, and signal the future cost of water services.

The ERA recommends a single usage charge of \$2.41 per kilolitre, which will allow the fixed charge for customers to decrease.

“A single usage charge for water may reduce bills for some households with low income and low water consumption because of the decline in the fixed charge,” Ms Cusworth said.

“It will also mean that households that use a lot of water will face higher bills.”

Background:

The ERA was asked by the Treasurer to conduct an inquiry into the efficient costs, revenue and tariffs for water, wastewater and drainage services provided by the Water Corporation, Aqwest and Busselton Water.

The inquiry will inform the State Government’s setting of service tariffs for the five year period starting from 1 July 2018.

The State Government increased water services charges from 1 July 2017 by 6 per cent. The 2017 State Budget also adopted a further 6 per cent increase in tariffs for 2018-19 for planning purposes, with increases of 2.5 per cent per year thereafter. The inquiry adopts these tariff increases as a base case for its evaluation.

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