

NOTICE

Inquiry on Urban Water and Wastewater Pricing

Final Report

The Treasurer, the Hon Eric Ripper MLA, today released the Economic Regulation Authority's final report on the Inquiry on Urban Water and Wastewater Pricing.

Mr Lyndon Rowe, the Authority's Chairman, said the inquiry concluded that water consumers in urban areas of Perth, Bunbury and Busselton could continue to enjoy reliable supplies of high-quality water for the foreseeable future without the need for harsh water restrictions and at prices not significantly different to current charges - a reassuring conclusion for consumers.

The 253-page report, with its 38 recommendations, was the result of a rigorous analytical study that involved extensive consultation, Mr Rowe said. The inquiry was conducted by the Authority at the request of the Treasurer, Mr Eric Ripper.

The report recommended small increases in water prices of 0.7 per cent per year above inflation and a change from the current multi-level charge structure, which is based on usage, to a simpler system that better reflects the cost of developing new sources to meet future demand.

"These price increases are based on conservative assumptions," Mr Rowe said. "These include rainfall runoff continuing at levels similar to the past eight years, reduced abstraction from the Gngangara Mound, sprinkler restrictions being eased to three days a week watering in 2006/07 and a 1 in 50 year risk of a total sprinkler ban."

Mr Rowe said that the price increases recommended in the report would pay for the Perth Seawater Desalination Plant and allow development of the South West Yarragadee aquifer.

The inquiry also recommended a fundamental change to the method for calculating wastewater charges. It proposed that the current system – which is based on property values and does not reflect the cost of using the wastewater system – be phased out over four years and replaced with a more transparent and simpler system based on the average cost of providing the service while partly retaining the principle of "capacity to pay".

"The inquiry's findings provide consumers with appropriate economic signals on the impact their water use has on the need to develop new sources, and the future cost and price of water supplies," Mr Rowe said.

"This should help consumers decide on investing in water-using goods (pools and gardens) and water-saving technologies (water-efficient appliances).

"There is also a clear signal to potential investors in alternative water sources, such as water recycling, as to what consumers are willing to pay for additional water supplies."

The report is the first independent inquiry into water and wastewater pricing in Western Australia. It presents the Authority's recommendations on the level and structure of water and wastewater prices and the system it proposes the Government adopt to set prices for the Water Corporation, AQWEST and Busselton Water.

The recommendations will inform the Government's decisions on the level and structure of urban water and wastewater prices to apply from July 2006.

A copy of the final report is available from the Authority's website (www.era.wa.gov.au).

The Authority wishes to express its appreciation to all stakeholders who contributed during the conduct of the inquiry.

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