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Inquiry on Tariffs of the Water Corporation, Aqwest and Busselton Water
Economic Regulation Authority
PO Box 8469
Perth Business Centre
PERTH WA 6849

20 May 2009

SUBMISSION TO INQUIRY INTO TARIFFS OF THE WATER CORPORATION, AQWEST AND BUSSELTON WATER

Thank you for the opportunity to comment on the Economic Regulation Authority's draft report *Inquiry into Tariffs of the Water Corporation, Aqwest and Busselton* (March 2009).

The Swan River Trust is a statutory authority responsible for managing the Swan and Canning rivers. The rivers' health are strongly affected by the quantity and quality of drainage delivered to them yet the agency has limited ability to influence this. The Trust is therefore pleased to see that review of drainage tariffs has been included for the first time amongst ERA's review of the other water services.

General Comments

This submission is focused on the drainage charges and not the other services.

The Trust supports the notion of decoupling drainage charges from gross rental value and supports Recommendation 12 to charge customers flat rates based on land area in a three tiered approach with residential and non residential components.

The ERA has noted that in future it may be fairer for all customers to share the cost of drainage systems that provide public benefits, such as improving drainage quality. The ERA indicates that this could be implemented through a drainage levy however a recommendation on this issue has not been made for the coming regulatory period because Water Corporation has not proposed expenditure on improving drainage quality until 2012/13.

Water Forever (Water Corporation, February 2009; currently open for public comment) recognises that most of the water from the Perth region drains into the Swan Canning catchment, and that only a small proportion flows out to the ocean. The Water Corporation also commits to "improving drainage water quality to facilitate recharge and reuse in local areas" as an "action to 2015". Given this commitment, it seems that Water Corporation should be proposing some expenditure to improve drainage quality within the coming regulatory period. It is recognised that the management practices of the Water Corporation may be outside the scope of the ERA inquiry, but the cost of draining poor quality water into the Swan Canning river system should not be ignored.

Generally, the inquiry focuses discussion on water quantity costs and does not recognise that there are costs associated with water quality. The recommendations of the inquiry should not be limited by Water Corporation's proposed expenditure, and a recommendation regarding this issue should therefore be included, eg "All Perth customers should share the costs of the drainage systems that provide public benefits, through application of a drainage levy."

The ERA's recommendation to charge developers the costs of expanding the drainage network and recover the remaining costs from the Water Corporation's customers on the basis of land area seems reasonable. However, consideration should be given to providing financial advantage to developers that adopt water sensitive urban design principles rather than requiring an expansion of the piped stormwater drainage network which has limited environmental or public value.

5.4 Background

It is noted on page 74 that Department of Water is reviewing the funding of drainage services. The Trust understands this review has been in development for several years and believes little progress has been made to date. Given the urgency and importance of drainage reform the Trust welcomes any strong leadership in this area. A broad funding base, with a transparent mechanism for distribution of funds for quantity and quality works is central to this. Models for this have been proposed.

5.6.5 Drainage Rates

The report notes on page 79 the potential issue of increasing rates for previously low gross value rental and high land area non-residential properties such as market gardens and nurseries and potential argument from this sector that they do not have high drainage requirements. This indeed merits some further discussion, as these areas should be encouraged to retain and treat drainage on-site and a substantial increase in rates could serve as discouragement allowing potentially nutrient rich runoff to enter the drainage system.

6.4.1 Variations Due to Costs of Service

The Trust understands that due to charges for discharging industrial waste to Water Corporation sewers, many industries discharge their waste to the drainage network either directly or indirectly. While the Water Corporation needs to limit many contaminants types and loads in its wastewater treatment plants, the current alternative is increase of contaminants to receiving waterways such as the Swan and Canning rivers often as diffuse sources difficult to track and manage. It is recognised this is outside the scope of this inquiry however the Trust encourages the ERA to consider these impacts in the event that industrial charges are reviewed.

6.4.2 Variations Due to Equity Considerations

The Trust supports the notion of offering grants to the public and charitable institutions rather than through pricing to encourage these institutions to adopt, where possible, water sensitive design principals.

4 Wastewater Charges

Although the Trust makes no comment on the pricing approach, it is noted that the model would possibly be affected if reticulated sewerage were provided to industrial – as against non-residential – areas that are currently not serviced. Department of Water modelling suggests significant environmental gains could be delivered by sewerage industrial areas.

If you have any queries regarding these comments please contact me on 9278 0902.

Yours sincerely

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GENERAL MANAGER