



Our ref: MINW0630/11

Inquiry into Australia's Urban Water Sector  
Productivity Commission  
Locked Bag 2, Collins Street East,  
MELBOURNE VICTORIA 8003

Dear Sir/Madam

### **Draft report: Inquiry into Australia's Urban Water Sector**

Thank you for the opportunity to comment on the *Australia's Urban Water Sector* draft report. The report has examined a comprehensive range of opportunities for microeconomic reform in the water industry. Its recommendations will make a positive contribution to public discussion on urban water reform.

Recognising that the implementation of any final recommendations arising from the inquiry would ultimately be a matter for consideration primarily by State and Territory governments, this submission focuses on factual information that may be of assistance to the inquiry.

#### **Developer charges**

The draft report sought further information on developer charges.

In 2008, the Western Australian Economic Regulation Authority (ERA) delivered the final report of its inquiry into developer contributions to the Water Corporation. The Government response to the inquiry can be found at:  
<http://www.water.wa.gov.au/PublicationStore/first/95292.pdf>.

In summary:

- Developer charges for standard developments (generally those located in or adjacent to current supply areas) are based on the direct costs of providing services to new developments. These charges are uniform across Western Australia.
- Source costs are recovered through customer bills, not developer charges.
- Where development is undertaken ahead of sequence, additional charges apply to cover the cost of bringing forward these developments.

With regard to the adequacy of price signals, the ERA found that developer charges are unlikely to be a dominant consideration in the location decision for many new developments, although very high developer charges may impact on development.

**Table 2.16: Urban water supply and service arrangements**

Table 2.16 lists Aqwest and Busselton Water as water retailers. Aqwest and Busselton Water are vertically integrated water utilities and provide their own bulk supplies.

**B6: Western Australia's Structural, Institutional, Governance and Regulatory Arrangements**

The Treasurer is responsible for establishing ERA inquiries, and the reports of inquiries are provided to the Treasurer who is required to table these in Parliament. Formal responsibility for setting charges for water services rests with the Minister for Water, not the Treasurer. Water charges impact on the budget and are of interest to the public and so it is common for the Minister for Water to seek the views of the Treasurer and of Cabinet.

Yours faithfully

Maree De Lacey  
**A/DIRECTOR GENERAL**

19 May 2011