

STATE SUSTAINABILITY STRATEGY

The Western Australian Government has adopted the following definition of sustainability;

Sustainability is the simultaneous achievement of environmental, economic and social goals.

The State Water Conservation Strategy now being undertaken by the Water and Rivers Commission, the Water Corporation and the Office of Water Regulation, will provide a comprehensive set of measures which can be undertaken to ensure that the three goals are reached. This is in addition to practices which are already in use to ensure sustainable water use.

However there are some issues where the notion of simultaneous achievement of the three goals above, will not be made any easier by current institutional and other requirements and these issues are set out below.

Institutional separation

The COAG reforms resulted in a split of the Water Authority into a licensing and oversight body (the Office of Water Regulation), a resource manager (the Water and Rivers Commission) and the service provider (the Water Corporation). The aim of this was organisational and economic efficiency and reduction in conflicts of interest. Presumably this theoretically satisfactory situation will also result in a sustainable result where there is a working market which simultaneously adjusts to achieve the three goals of environmental, economic and social sustainability. In practice this is not happening for a number of reasons which include confusion about the Corporation's status. As a major government agency it has the ear of government, favourable access to resources, information and advice and seats on influential committees which would not necessarily be available to any private provider. With its corporatised commercial hat on, financial data remains commercial in confidence and hence any cost data for water is not available outside the Corporation. Transparency and competition are thwarted.

An ideal situation of low priced water in copious amounts

The Perth metropolitan area has a Mediterranean climate where water provides an essential component of an outdoor lifestyle. Inland, aspirations are similar and water is subsidised in the interest of equity as well as to provide comparable quality of life and access to the service.

The Corporation, the major supplier in the State, for whatever reasons, including climatic ones, produces an ever increasing volume of water for sale at a relatively low price. 'An early action following corporatisation was to accelerate the first phase of a 50- year investment plan for water supply development in Western Australia. With the full impact of climate variability on the last quarter century's streamflows, signalling a potential

water supply short fall, the Corporation acted quickly to begin restoring the supply-demand balance.’ ‘This...nine year program...delivers a 76 percent boost to Perth's integrated water supply scheme’. (Annual Report 2000/2001 p.5)

The Annual Report also states the Corporation's Financial Performance Objectives and these include ‘To earn a commercial rate of return’ and ‘To maximise revenues’ and ‘To deliver budgeted profit and return to shareholder’. The shareholder is the government of Western Australia.

Clearly the provision of water at low prices is socially sound as long as there is a lot of water, but is it environmentally so? The argument would be that as long as the resource regulator is performing effectively and providing for environmental flows and sustainable allocation, then, it should be, on the basis that low rainfall climate perturbation can be offset by increased use of aquifers. A reassuring exercise would be to have available modelling using current parameters of population growth and various climatic sensitivities for the next thirty, fifty and hundred years to determine the answers.

Aims of the economic regulator and the resource regulator may not coincide

The Steering Committee for the State Water Conservation Strategy identified the potential for the economic regulator and the resource regulator to be going in different directions. The latter potentially may want to restrict access to water resources by requiring exploration of more thrifty use practices by the applicant together with recommendations for high prices. The economic regulator may not necessarily wish to increase prices because of the risk that the increased revenue may cause inefficiencies in the supplier.

This situation has arisen elsewhere. For example in NSW in 1996 IPART enunciated set of principles including ‘pricing policy should promote the ecologically sustainable use of water and the resources to store manage and deliver that water.’ Nonetheless IPART does not regulate prices for water services with a single focus on water conservation. For bulk water, IPART argues that prices for water services should recover the efficient economic costs incurred in delivering bulk water and administering the associated resource management and licensing activities.

IPART’s predecessor, the NSW Government Pricing Tribunal made recommendations on the application of far reaching conservation measures including the evaluation of least cost planning options for use by water suppliers. Subsequently in 1996 the Tribunal requested the water agencies to report on which, if any, demand management measures they found to be cost effective and how and when these measures would be implemented. IPART requires integrated resource planning as a part of licensing requirements for both Sydney Water Corporation and the Hunter Water Corporation.

The institutional separation proposed for the Economic Regulator and the Department of Environment and Water Conservation and Protection might hinder achievement of sustainability as defined. In the most recent draft of the ERA proposals, the Economic

Regulator will have the role of deliberating on pricing on referral from the Treasury and then providing recommendations back to it. It will have no policy capability. The Corporation does, at this point, not see itself as bound to give information on commercial –in –confidence matters, that is financial information, to the regulator. In the last analysis Treasury will be performing the balancing act of determining the simultaneous achievement of the three goals. How it will take into account any recommendation from the Economic Regulator that ‘pricing policy should promote the ecologically sustainable use of water’ remains to be seen, as does the relationship between itself and the resource regulator.

The Water Conservation Strategy for Western Australia emphasises the application of economic instruments to ensure optimal investment in water conservation. Significant savings can be developed in water energy and cost to the government and the community. Barriers to its implementation will be financial and institutional and in some cases relate to lack of information. The Government has stated its commitment to making Perth one of the most water efficient cities in the world and the Office of Water Regulation is committed to assisting it in achieving this aim.