



12 November 2010

Urban Water Inquiry
Productivity Commission
LB2 Collins Street East
Melbourne Vic. 3165

Submission to the Productivity Commission's Public Inquiry on Australia's Urban Water Sector by Water Factory Company

Dear Sir/Madam,

Thank you for the opportunity to provide comment on the Issues Paper September 2010.

Water Factory Company is a private Australian Water Utility established in response to the Water Industry Competition Act 2006.

The Company is currently engaged by Property Developers to provide local sewage and recycled water services to residential communities in Sydney. It is likely that similar engagements will include servicing residential communities in other states. The Company will receive its first NSW license shortly, becoming the first private company in Australia to operate as a direct competitor to State-owned water utilities, dealing directly with customers.

Over the past 12 months and following implementation of the State WICA legislation, the Company has established commercial agreements, licensing arrangements, and customer service programs, and met infrastructure requirements. The Company has interacted closely with Regulators, Water Authorities and Local Councils, gaining insights that may be useful to the Commission as it assesses the important issue of economic efficiency.

KEY ISSUES

Productivity Efficiency

1. Supplier of Last Resort

The allocation of Supplier and Retailer of Last Resort provisions nationally will reduce the onerous financial support requirements of licensing authorities that are increasing the cost of entry - in particular time delays and additional financial support provisions.

2. Approvals Process

Legislation that includes time limits for approvals will increase certainty and prevent costly time delays.



Allocative Efficiency

3. *Residuals Management*

Local recycled water systems provide distribution and treatment efficiency while improving the environment in communities that would otherwise not receive recycled water. Local systems achieve community ownership and responsibility, something difficult to achieve in centralised systems.

Local recycled water systems are also usually situated alongside centralised sewerage systems, and are inefficient at managing residuals such as excess sewage during winter months and solids removed from sewage.

Centralised sewage systems are more efficient at managing mixed sewage characteristics from industry, residential homes, wet weather events, for example. The Centralised system is therefore better placed to manage the small amount of residual discharge produced by local recycled water systems.

The establishment of Access Regimes for public water authorities, requiring the management of residuals from local private recycled water schemes in accordance with pre determined and auditable access costs, will improve certainty for the private sector, and therefore allocative efficiency.

Dynamic Efficiency

4. *Funding*

The creation of an environment where financial organisations understand the asset value of water infrastructure and private water utility business under new regulations, would encourage investment in the Australian urban water sector.

The creation of a panel of financial institutions capable of financing water recycling and supported by Government, would increase confidence for investment in the new private water opportunities. This initiative may only be required for a short period until the investment industry adopts private water as a new business opportunity.

I await the findings of the Productivity Commission's Public Inquiry with interest.

Kind Regards,

Terry Leckie

Managing Director
Water Factory Company