

Mr Stuart Peevor
Manager
Pricing and Analysis
Essential Services Commission of South Australia
GPO Box 2605
Adelaide SA 5001

By email: escosa@escosa.sa.gov.au

Dear Mr Peevor

RE: Review of SA Water's Regulatory Business Proposal: Issues Paper

Thank you for the opportunity to provide comment on the *Review of SA Water's Regulatory Business Proposal 2013 to 2016 - Issues Paper*.

Woolworth makes a significant contribution to the economy of South Australia, employing more than 12,000 staff in more than 210 stores across the State including Woolworths supermarkets, BIG W department stores, Woolworths Petrol sites, Dan Murphy's and BWS liquor outlets and our Masters Home Improvement store.

Woolworths' Sustainability Strategy 2007-2015 has seen a significant investment in water efficient fittings, equipment and infrastructure. In 2011, this investment generated an estimated saving of 317 million litres of water in our supermarkets. A further 25 million litres of water was harvested from regional distribution centres.

In the course of developing our stores, it has been Woolworths' experience that water charges in South Australia are much higher than in other jurisdictions. In other states water supply charges are typically in the order of a few thousand dollars per year. In South Australia however, the costs incurred are substantially greater. One Woolworths recently completed development, the Murray Bridge Marketplace, is incurring an annual water supply charge of approximately \$51,000. A comparably sized development, Bega Marketplace in New South Wales, incurs an annual water supply charge of \$3,000. A similar discrepancy is evident in the charge for sewerage services. The charge at Bega Marketplace for a sewerage service is \$15,000 per annum. In comparison, the cost incurred at Murray Bridge Marketplace is \$126,000 per annum.

The main reason for the high cost of water supply and sewerage in South Australia appears to be that the fixed supply charges are based on the capital improved value of the property. In other states fixed charges are generally related to the recovery of fixed costs.

The case for regulatory reform in this area is strong as current arrangements do not encourage investment in South Australia. Indeed, linking water charges to the improved capital value of property may act as a disincentive to further investment in the State. Woolworths believes these charges should be based on the recovery of efficient costs, rather than on the value of buildings and commercial operations.

Woolworths recommends ESCOSA review the regulatory approach to charging for water supply and sewerage services in other states and so ensure South Australia is following best regulatory practice and providing a regulatory environment that encourages investment and job creation.

Should you require any further information or wish to discuss this further, please do not hesitate to contact Patrick Hall, Project Manager, on 02 8885 3674 or at phall@woolworths.com.au.

Yours sincerely



Paul Oates
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Woolworths Limited