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30 September 2005

Mr Jim Cox
IPART
44 Market Street
Sydney, 2000

Dear Mr Cox,

**Submission in response to the Draft Report
Review of Water and Wastewater Industry Structure and Pricing in
Greater Sydney Metropolitan Area
(ref: 04/587)**

First of all I'd like to thank you for the public hearing of 8 September 2005. I found it an interesting and informative event.

I would like to make the following additional submission. Using the IPART Draft Report, September 2005 sections:

1. **Section 8.3, Potential regulatory implications of reforms and GATS.** I believe the information contained in this section is of great public interest. Since March 2003 there are numerous new uncertainties regarding GATS. Some of these events contradict the economic argument (trade is better than war) that had been put forward to promote 'globalisation' and associated agreements such as GATS. One of the difficulties is that the outcome seems to be sensitive to the sequence of decisions made by the State and Federal Governments. I believe the issues in section 8.3 call for a full and extensive public debate.
2. **Related to section 8.3 and Section 5, Pricing Infrastructure Access.** The existing pricing formulae do not include:
 - a. Contingent legal costs (any form of local or potentially international dispute resolution process which results from the participation of private providers) in case Australia does not withdraw its 'Revised Offer' prior to the conclusion of the current round of GATS negotiations.
 - b. Environmental costs (monetary estimates) of alternative technologies.
 - c. Back-up supply costs. As IPART acknowledges (Appendix C, p 97), these additional services have not been modelled by the Tribunal but are likely to be important.

Unless costs on the above items are explicitly included, rational economic decision making is not possible. By 'rational economic decision' I mean decisions made by individuals with full information, as distinct from financial decisions made by those who act on behalf of artificial persons, called corporations, who are required by law to 'maximise' the financial returns to shareholders. By considering individuals (real people), the interests of shareholders are taken care of because shareholders are also people.

Yours sincerely

Dr Ernestine Gross