



MEDIA STATEMENT

TUESDAY 9 SEPTEMBER 2003

ICRC RELEASES DRAFT WATER ABSTRACTION CHARGE REPORT

The Independent Competition and Regulatory Commission today released its draft report on the water abstraction charge levied by the ACT Government.

The water abstraction charge (or WAC) is the price that ACT consumers effectively pay for the water delivered by ACTEW Corporation, as distinct from ACTEW's charges for use of its water and sewerage reticulation network.

Senior Commissioner Paul Baxter said the ACT Treasurer, Ted Quinlan, had asked the commission to advise the Government on a range of issues relating to the WAC, including:

- the methodology for calculating the WAC
- an appropriate level for the WAC
- value of the WAC as a demand management tool
- impact of the WAC on low income earners and larger households
- changes in the relative value of water resulting from environmental change and the cost of maintaining the quality and security of the water supply
- impact of the WAC on the ACTEW Corporation's revenue and expenditure, including infrastructure costs.

"Appropriate components of the water abstraction charge levied by the Government include but are not limited to catchment management costs, the opportunity cost of water usage, the environmental cost of the actual abstraction and indeed the current value of water as a public resource," Mr Baxter said.

"This raises the topical question of the value of a water abstraction charge as a demand management tool and its impact on water usage behaviour by consumers."

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Mr Baxter said the commission had developed a flexible, transparent and legally permissible methodology for determining the WAC that could be applied annually if necessary as part of the ACT Budget process.

“In essence, the methodology differentiates between water supply costs, such as catchment management, administration, regulation and other costs met by the Government and not currently recovered through ACTEW’s charges, and flow costs, which are the environmental and water scarcity costs which should be reflected in the price paid for abstracted water,” he said.

Mr Baxter said that on the basis of the draft methodology, the current WAC could be as high as about 17.5 cents a kilolitre compared with an actual current rate of 10 cents.

However, including anticipated catchment repair costs resulting from the January bushfires would raise the WAC to about 23 cents a kilolitre—which compares with the Government’s announced change to 20 cents a kilolitre from 1 January 2004.

“Given the size of the WAC that can be justified, the commission does not believe that the charge of itself will be the main water demand management tool for the ACT,” Mr Baxter said. “Rather, the WAC needs to be used in conjunction with other demand management measures, including public education, water saving devices and appropriate water reuse strategies.”

Mr Baxter added that the commission had rejected applying a differential WAC rate for different levels of consumption, instead preferring a flat rate for each kilolitre consumed. But the commission had given a strong indication that it would use variable pricing as a demand management tool when determining a new price path for ACTEW’s charges (as distinct from the WAC) to take effect from 1 July 2004.

Mr Baxter said the commission was also satisfied that increasing the WAC would not have a significant impact on low income earners and larger households—estimated to be about 0.1% to 0.2% of weekly income based on nondiscretionary water use.

“However, the commission has recommended to Mr Quinlan that the Government consider extending the existing concession subsidy payment for water to include the WAC, to be applied in exceptional circumstances,” he said.

Public submissions on the draft WAC report will close on 7 October, with a final report to be released later in October.

For further information please contact Paul Baxter, Senior Commissioner (02) 6205 0799.

STATEMENT ENDS 09/09/03