

23 June 2016

Mr Malcolm Gray
Senior Commissioner
Independent Competition and Regulatory Commission
GPO Box 296
CANBERRA CITY, ACT, 2601

Dear Mr Gray

Thank you for providing the opportunity to lodge a submission to the review of the Water and Sewerage Services Tariff Structure.

It is the view of ClubsACT that the water charges levied on local clubs is untenable, being far higher than that imposed on clubs in other jurisdictions, and failing to recognise the not-for profit nature of clubs and the great benefit they provide for communities and the environment. We believe that there needs to be a discount or rebate applied.

More than two thirds of ACT clubs maintain some form of sport and recreation infrastructure, caring for over 400 hectares of urban green space in total and making a valuable contribution to local communities through employment and training, direct cash and in-kind social contributions. In addition, they provide social capital by mobilising volunteers and providing a diverse and affordable range of services, facilities and goods. They do this without profit and at little or no cost to Government. Indeed they make a substantial financial contribution to Government.

Sporting fields and ovals are utilised by hundreds of community groups, fostering and creating pathways to professional sports and improving the health and wellbeing of the community more widely. But clubs are much more than just a sporting venue. Golf courses, for example, enhance the aesthetic appearance of the ACT and form part of an urban landscape that provides eco-centres supporting natural flora and fauna. Many are also part of flood abatement zones, which help manage storm water flows through established eco-friendly wetlands. Others have planted trees and shrubs to help the greening of our urban environment.

Management of these facilities requires considerable skill and resources, and this is increasing in complexity as sites balance conditions that are conducive to play in tandem with the needs of the environment.

The responsible management of all resources within a site is essential for the survival of the facility, and water resource management and reducing reliance on potable water is critical for clubs. The conservation of water used for irrigation, the protection of water quality, both surface and ground water, and access to affordable re-use water, are all objectives for the ACT club industry. There is little doubt that after years of drought and concurrent price rises, clubs are carefully managing their water use for irrigation, understanding this is both environmentally and fiscally sound.

The golf industry in particular has made significant progress in water management in recent years; however, it is a costly process and there remains further scope for improvement in sustainable

water use for these clubs. It is in the ACT Government's interest to work with the industry to ensure the right tools are provided to achieve fit for purpose surfaces using the least volume of water.

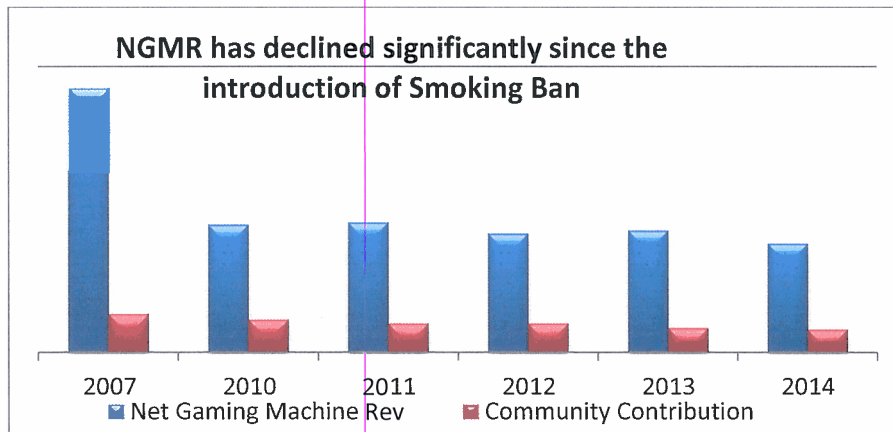
The problem for clubs is that despite all their efforts to be responsible managers of community facilities, they are being squeezed at both ends. Revenue opportunities continue to drop as a result Government regulations and decisions, while costs rise disproportionately in areas such as water tariffs.

Constrained Revenue Opportunities

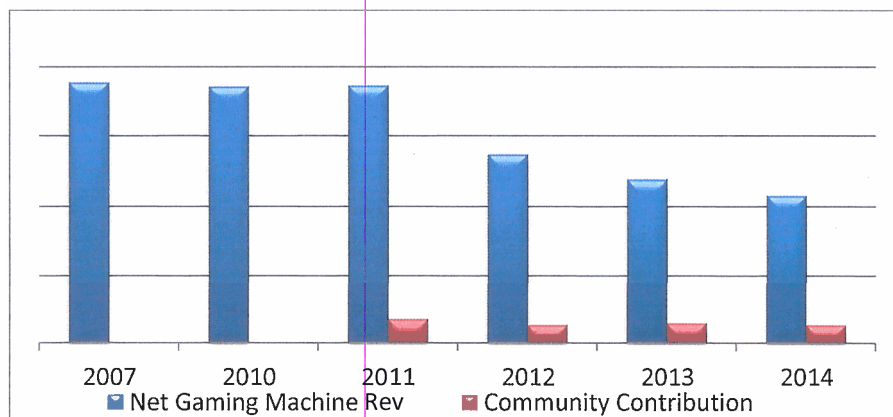
Clubs associated with golf courses rely heavily on income through golf club membership fees, but if they are to avoid membership becoming unaffordable for many in the community, they need to diversify revenue streams to offset the increasing costs associated with maintenance of the golf course facility. But most clubs that maintain ovals do not derive income from any form of membership or ticket sales to games. Their facilities are maintained by the club using income derived from club operations.

In years past, gaming revenue has been the key driver of club growth that has allowed clubs to provide much needed community support. But a long line of regulatory and legislative change in the ACT has resulted in a continued downward trend in gross gaming revenue, as the following charts demonstrate.

Example: Ainslie Football & Social Club – Alan Ray Oval (2014 NGMR - \$3,782,193)



Example: Yowani Country Club Canberra (2014 NGMR - \$217,026)



This will become dramatically worse if the ACT Government remains committed to allowing the proposed casino to operate 200 gaming machines. Based on productivity commission research, this decision will take another \$20 million in revenue from community clubs, with dire implications for the industry in the absence of assistance, and correspondingly dire consequences for the community as sporting and recreation facilities inevitably close.

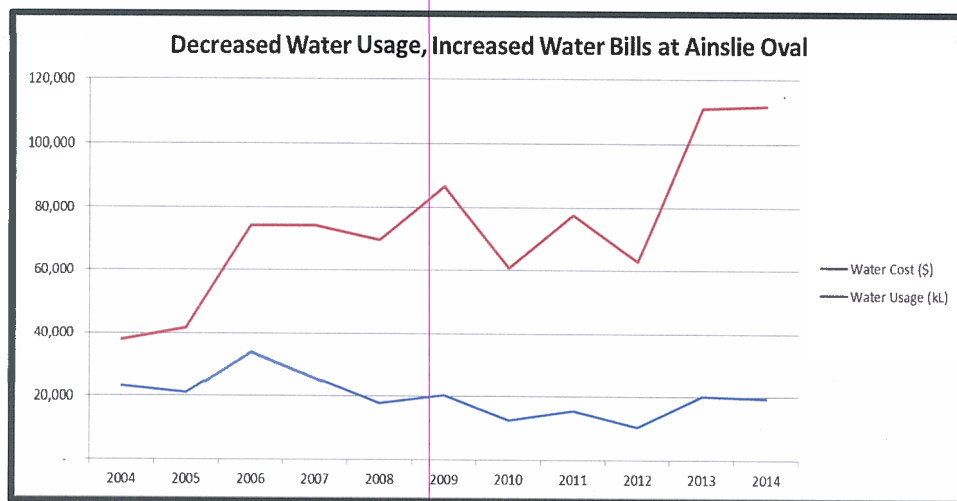
Increasing Costs

Clubs have experienced increases in water charges over the past decade of over 400%. This dramatically exceeds any reasonable measure of real cost growth, and forces ACT Clubs to endure much higher costs than do their counterparts in other comparable jurisdictions.

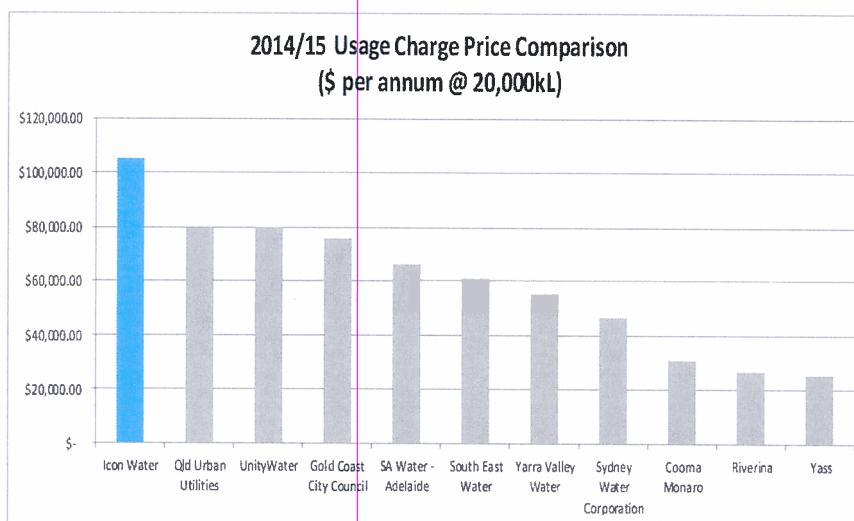
In 2004, ACT clubs paid \$1.05 per kilolitre of potable water, but in 2016 they are confronted with a price of \$5.22 per kilolitre (Tier 2 over 548 litres). The impact of this pricing is best demonstrated below where, despite reducing consumption over time, costs attributed to water are at record highs.

Example: Ainslie Football & Social Club – Alan Ray Oval

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Water Cost (\$)	38,137	41,944	74,429	74,419	69,803	86,835	60,888	77,818	62,958	110,983	111,765
Water Use (kL)	23,024	20,947	33,735	25,625	17,740	20,297	12,668	15,612	10,496	20,012	19,515



The explosion in water costs for ACT clubs creates a burden far greater than that experienced elsewhere in the country, as demonstrated in the following charts.



NSW/ACT Potable Water Charges			Notes:
	Usage Charge Tier 1 \$/kL	Tier 2 \$/kL	
Sydney Water	\$2.32	NA	Commercial rate over a certain usage and rate falls instead of increasing
Yass	\$2.80	NA	Golf Course 45% of full rate.
Riverina Water	First 125kL per quarter \$1.33	Thereafter \$2.00	Clubs (community facilities) pay \$1.33
Cooma-Monaro	0-300 kL per annum \$1.54	Thereafter \$2.44	Lawn bowls clubs pay flat rate of \$1.54
ICON Water	First 0.548 kL/ per day \$2.60	Thereafter \$5.22	

In a meeting held with ACTEW Water (now Icon) in 2014, ClubsACT queried the rationale for the tiered pricing for users. The response was that this system provides a price signal to users. But Icon Water's attempt at sending a price signal for usage above 548 litres per day is simply irrelevant for users such as clubs. The cost of water will not change the demand to irrigate an oval, golf course or lawn bowls facility. Use of water for these facilities is simply a necessity, and clubs have little or no ability to reduce usage if they are to ensure that the surface is safe, healthy, playable and less subject to environmental stress.

Price signals are only effective where the user has some capacity to modify their usage. For clubs, where water use to maintain safe community facilities is simply a necessity, the price signal becomes price gouging.

Addressing the Problem

Community Services Obligations (CSOs) in various forms, provide discounts or rebates for those identified recipients who meet specified Government community objectives. Under Part 13 of the *ACT Utilities Act 2000* the Government can... “oblige the utilities to provide utility services in accordance with relevant Government programs, for example, for community services, the environment or other social issues.”

Icon Water provides a range of CSOs on behalf of the ACT Government. These CSOs are social, rather than commercial in nature and are explicitly funded by the ACT Government. The majority of CSOs by value relate to pensioner concessions in connection with water and sewerage charges. Water and sewerage services are also provided at 50% price discount to community organisations such as schools and churches. With this in mind, it seems unreasonable to view community clubs as not being worthwhile recipients of a CSO type arrangement for water pricing.

Canberra Liberals Brendan Smyth MLA in March 2014 commented that clubs... “made an important contribution to the ACT economy, not only in tax, but also in employment and economic activity. They supported local sports and other groups and were an important meeting place, especially for older people.”¹

For golf courses or lawn bowls clubs, a very high percentage of their members are on fixed or low incomes. These members are the most sensitive to increases in price. They are also the very people who should be encouraged to remain physically active and socially engaged. And while clubs continue to support these people, there is a role for Government in providing assistance to clubs so that they can ensure that affordable access to facilities remains available to those who need it the most.

A precedent for a CSO type discount already exists in other jurisdictions. The Yass Valley Council, for example, applies a discount for both the lawn bowls and golf clubs via a water usage rebate at 45% of the potable usage charge currently \$2.80 per kL.² In South Australia, SA Water receives a CSO payment calculated as an estimate of payments forgone, for providing service charge exemptions to certain customers such as benevolent institutions, charitable organisations and sporting clubs. Arrangements also exist in SA where local councils have agreed to pay future bills and have negotiated set annual fees for individual clubs.³

If a CSO cannot be achieved for ACT community clubs, then the application of a different tariff structure should be employed.

The issue we face of course is the willingness of Government and the utility to forego revenue and place greater importance on the maintenance of facilities that help keep Canberrans fit and active. With 63% of the Canberra population either overweight or obese, clubs play an essential role in meeting an important community objective. And if allowed to continue this role, clubs will provide real long-term financial benefits to Federal and ACT Governments through reduced health costs.

¹ <http://www.canberratimes.com.au/act-news/act-assembly-launches-an-inquiry-into-the-future-of-the-clubs-industry-20150326-1m8bes.html>

² <http://www.yassvalley.nsw.gov.au/images/documents/yassvalley/Council%20Documents/FINAL%20FEES%20AND%20CHARGES.pdf>

³ <http://www.dailytelegraph.com.au/news/onkaparinga-council-to-pay-southern-sporting-clubs8217-future-water-bills-as-part-of-fee-overhaul/story-fnii5yv6-1226736919095>

ClubsACT supports a reasonable tariff structure in line with the discount applied to schools and churches, or the implementation of a CSO arrangement for clubs which recognises the value of our community assets. It is imperative that the Independent Competition and Regulatory Commission (ICRC), who set the pricing and tariff structure, recognise the community benefit of clubs and the unreasonable costs they currently face in providing services for the ACT community.

I would be happy to expand on any aspect of this submission.

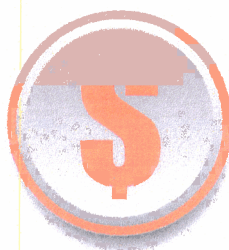
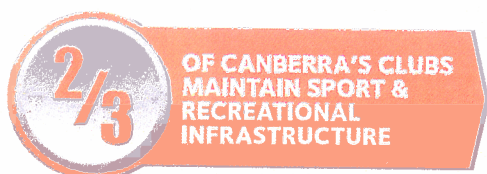
Yours sincerely



Gwyn Rees
Chief Executive
ClubsACT

KEEP CANBERRANS FIT, ACTIVE AND PROVIDE OPPORTUNITY FOR SOCIAL INCLUSION.

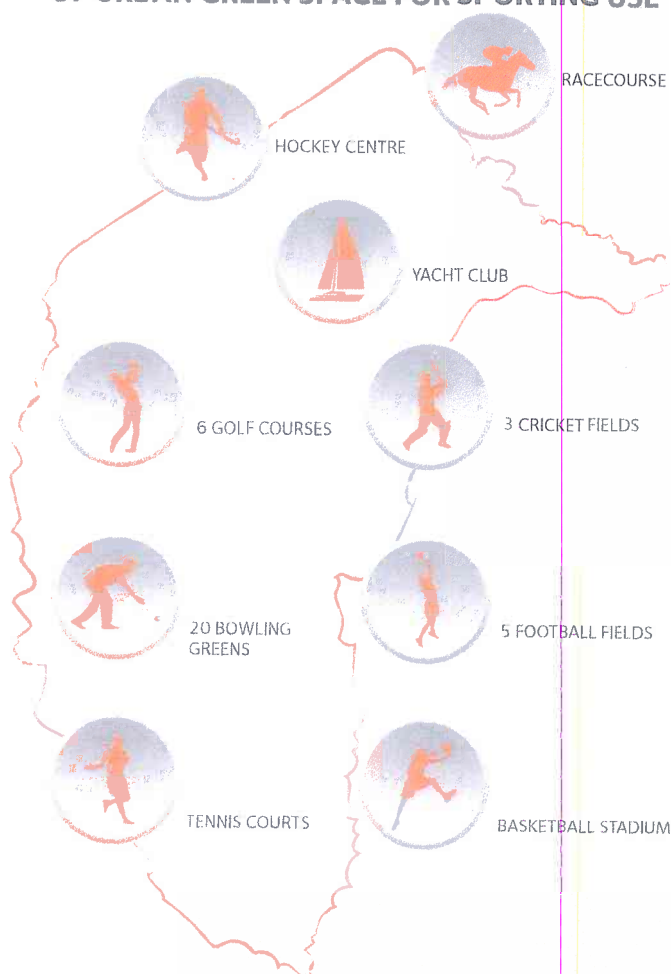
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OF URBAN GREEN SPACE FOR SPORTING USE



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PLAY AN ESSENTIAL ROLE IN THE SOCIAL AND ECONOMIC FABRIC OF OUR COMMUNITY.

OUR COMMUNITY CONTRIBUTION



MORE THAN

200,000

PEOPLE HOLD **CLUB** MEMBERSHIPS
IN THE ACT - MANY HAVE MULTIPLE
MEMBERSHIPS



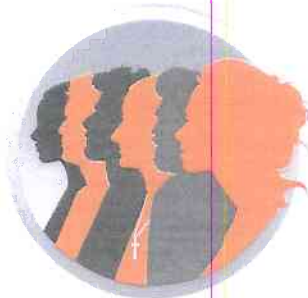
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CULTURAL & RELIGIOUS GROUPS
SUPPORTED IN ADDITION TO 9 ETHNIC **CLUBS**



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EVERY YEAR TO THE COMMUNITY.



2300

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BY **CLUBS** ACROSS THE ACT

CLUB REVENUE STAYS LOCAL

CBR CLUB \$ → **CBR**

THE NOT-FOR-PROFIT
COMMUNITY CLUBS MODEL
ENSURES REVENUE
STAYS LOCAL

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