

Glenmarie Capital Pty Ltd

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Independent Competition and
Regulatory Commission (ICRC)
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22 March 2022

Dear ICRC,

Request for a review of sewerage supply charges for property 41 Dooring Street, Dickson ACT 2602 (Icon Water Account Number 9999 1510 9109) and to the accommodation sector in general

We are the Investment Manager of 45 Dooring Street, Dickson, known as the Adina Serviced Apartments Canberra Dickson (referred to as its former name ARIA Hotel, 41 Dooring Street, Dickson on tax invoices issued by Icon Water) and write this submission request on behalf of Glenmarie Capital Pty Ltd ATF Glenmarie Capital Trust, the owner of the property and operating business.

We request that a review of the sewerage supply charges applied to Adina Dickson and the accommodation sector in general be reviewed as we are of the opinion that the property and the accommodation sector are being charged a much higher sewerage supply charge when compared to commercial office and residential properties, and also based on the number of serviced apartments provided by the property. We issue this request as we understand that ICRC is scheduled to undertake a price investigation in 2022 for the next regulatory period starting 1 July 2023.

The request for the review is based on the following:

Assertion 1

Adina Dickson is charged a much higher density charge per user when compared to residential apartments and commercial office buildings. Adopting the FY22 sewerage supply charge of \$506.30 per year we make the following assertions:

Using figures from 2019 which represents a bouyant year of trading, unaffected by COVID-19, where the average guest density at Adina Dickson was 1.76 guests per occupied room and its

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frequency of use (i.e. average occupancy) in 2019 was 76.79%. As a result, the density charge per user per year at Adina Dickson would be \$374.62. Whilst 2019 represented a buoyant year, the accommodation sector since then has traded at a lower level of occupancy, Adina Dickson for example has traded at 33.70% in 2020 and 26.56% in 2021. Adina Dickson is forecast to trade at an occupancy of around 50.0% in 2022 and is not expected to reach the same occupancy level as achieved in 2019 for the foreseeable future.

The average density per residential dwelling was 2.6 people counted per household on Census Night 2016. As a result, the density charge per user would be \$194.73 per user per year. This density charge does not factor in the higher daily usage of a residential dwelling compared to Adina Dickson on the basis that it is occupied for much longer periods of time in a day and therefore used more frequently. This should be supported by, on average, higher usage and wastage from residential dwellings compared to Adina Dickson.

The density for a commercial office building is approximately 20 people for every toilet based on the OH&S requirements for the workplace. According to the Safe Work Australia Code of Practice office buildings require one toilet for every 20 males, one urinal for every 25 males, and one toilet for every 15 females (please refer to the Safe Work Australia Code of Practice, page 21). Therefore, its usage would be significantly higher than for a serviced apartment hotel such as Adina Dickson, however the density charge per user is significantly lower at around \$35.44 per user per year. We believe that we should be charged a similar rate per usage as commercial office space as they are both commercial enterprises and we would expect that usage on commercial office premises would be higher as occupants would spend more awake time in an office than they would in a serviced apartment hotel that largely caters to corporate and government guests which spend most of their time out of the serviced apartment during the day on business.

Adina Dickson is scheduled to be charged \$65,867.44 per annum in sewerage supply charges for FY22 (excluding the Government Economic Survival Sewage Rebate). If we were charged the same rate per density as a commercial office building, we would only be paying around \$5,792.07 per annum in sewerage supply charges.

We acknowledge that there is ongoing fixed capital, operational and maintenance costs to the infrastructure to ensure the wastewater system can handle periods of peak demand however we also note that a period of peak demand in one building will typically be offset by lower demand in another, placing little to no additional stress on the sewerage system.

Additionally peak demand times for a commercial office building are substantially higher than that for a serviced apartment with the average density of 20 for a commercial office building as noted previously versus 1.76 for a serviced apartment. Therefore, a fair and equitable pricing structure should account for the fact that a hotel or serviced apartment building should be charged around 1/11th of what is charged to a commercial office building.

With occupancy levels expected to be around 50.0% in 2022 and not reaching pre-COVID levels in the foreseeable future, the accommodation sector is not expected to be contributing to peak demand pressure on the wastewater system and in fact is subsidising other building uses such as commercial office and residential dwellings.

A fair and equitable pricing structure would account for the frequency of use and guest density on a per annum basis whilst also having the capacity to cater for peak demand periods.

Assertion 2

Adina Dickson's sewerage supply charges equate to \$890.10 per apartment per year (based on 74 apartments).

While we believe the most appropriate methodology to use to calculate sewerage charges is that outlined in assertion 1 above, an alternative way of looking at it is, if Adina Dickson were charged on a per apartment basis (74 apartments) rather than a per room basis (128 room) + 2
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public toilets (130 in total). Many residents would have more than one toilet fixture in their property yet only pay one sewerage charge per residence. If this approach was applied the sewerage supply charge would equate to \$37,972.50 per annum (74 apartments plus 1 male/female public toilet X \$506.30).

Please find the attached spreadsheet in support of the above assertions and Glenmarie Capital Pty Ltd's request that the sewerage supply charges be re-assessed as part of ICRC's 2022 price investigation, as we are of the opinion that the property and the accommodation sector in general is being charged an excessive amount in fixed charges due to the existing pricing structure being unfair and inequitable.

Please feel free to give me a call if you would like to clarify any points set out in this letter.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Louise Tabone', written in a cursive style.

Louise Tabone

Investment Manager – Serene Capital

on behalf of Glenmarie Capital Pty Ltd