



Independent Competition and
Regulatory Commission (ICRC)
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28/4/22

Dear ICRC,

Request for a review of sewerage supply charges for property Mercure Hotel Canberra, 39 Limestone Avenue Braddon ACT 2612 (Icon Water Account Number 12197170 1002 and to the accommodation sector in general

We are the owners of the Mercure Hotel Canberra 39 Limestone Avenue Braddon and write this submission request on behalf of The Schwartz Family Company Pty Ltd.

We request that a review of the sewerage supply charges applied to the Mercure Canberra 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. 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

The Mercure Canberra 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 \$70,000 per year we make the following assertions:

Using figures from 2019 which represents a buoyant year of trading, unaffected by COVID-19, where the average guest density at the Mercure Canberra was 1.61 guests per occupied room and its frequency of use (i.e. average occupancy) in 2019 was 77.74%. As a result, the density charge per user per year at the Mercure Canberra would be \$453.48. Whilst 2019 represented a buoyant year, the accommodation sector since then has traded at a lower level of

occupancy, The Mercure Canberra for example has traded at 38.88% in 2020 and 46.66% in 2021. The Mercure Canberra is forecast to trade at an occupancy of around 62.77% 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 \$279.95 per user per year. This density charge does not factor in the higher daily usage of a residential dwelling compared to The Mercure Canberra 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 The Mercure Canberra.

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 hotel such as the Mercure Canberra, 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.

The Mercure Canberra is scheduled to be charged \$ 70,000 per annum in sewerage supply charges for FY22 (see invoices supplied)

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 Hotel guestroom with the average density of 20 for a commercial office building as noted previously. 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 62.77% 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

The Mercure Canberra sewerage supply charges equate to approximately \$542.64 per Hotel Room per year (based on 129 guestrooms).

Please find the attached spreadsheet in support of the above assertion 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.

Sewerage Charge	2019
Jan-Mar19	18,316
Apr-Jun19	18,313
Jul-Sep19	18,183
Oct-Dec19	18,183
Total 2019	72,996

Per Guest Density	\$ 453.48
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Per Census Density	\$ 279.95
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Yours Sincerely,

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