

## **Submission to ICRC Investigation into prices for water and wastewater services in the ACT: December 2003 Draft Report.**

### **1. Supply of essential water should be as close to free as possible.**

The ACT Chief Minister has been talking up increasing water rates, especially the water abstraction charge, to “send a message” about clean, fresh water as a scarce resource. While happy to see them finally catching up to what environmentalists have been saying for thirty years or more, I have a vague recollection that when we reduced our water use when full volumetric charging was introduced, supposedly to delay the construction of a new dam, ACT authorities had discussions with Goulburn farmers about selling them our “excess” water! I think it all fell through when it became public – I can not remember the details, but I do remember that it was from then on that I became suspicious of any price increases supposedly for environmental reasons.

**Tariffs:** Given that water is absolutely essential for life, an enlightened society would make water for drinking, cooking, washing, and so forth, available free of charge. Storage, reticulation, treatment and so on, would be paid for from federal general revenue taxes, not left to be provided by local government through additional taxes in the form of water rates. The water itself, we already own in common – it is provided by nature – and even if powerful agencies deny us our water rights, those rights are not extinguished.

Additionally, nearly all this personal indoor house-use water is returned to the river system, after appropriate treatment, and is available for use downstream. The water is temporarily “borrowed” and remains part of the environmental flow. For all the silly talk about low flow shower heads, in an environmental sense it doesn’t matter if we push through more or less water. If a lot is lost through leakage, then that is a serious, but technical, problem for ACTEW to solve.

Even though it adheres to the corporate ideology of water as a commodity and “user pays”, the ICRC at least recognises in proposals A and B that personal indoor-use water should have a lower tariff. I submit it should go further by re-setting the points at which increase steps in volumetric charges occur in both proposals, as explained in my third section.

**Water Abstraction Charge:** Both the ACT government and the Commission seem to think it is OK to apply the water abstraction charge from the very first kilolitre. Encouraging people to drink less, wash themselves, their vegetables, floors and clothes less thoroughly or often, and flush less, is a health and hygiene disgrace. We must continue to use this water, so plainly the WAC is just a regressive tax. Thank goodness they haven't worked out how to meter the air we breathe.

### **2. Environmental levies should be applied with caution, if at all, to “discretionary” water.**

Water used in construction, swimming pools, lawn watering, and so on, is removed from the river system, and so – in commodity terms - is “bought” rather than “rented” by the consumer. It is this water - which ACTEW calls “discretionary” - that arguably could have an environmental tax impost to, as ACTEW says, “manage demand by influencing consumption behaviour, consumer investment and lifestyle decisions”.

But putting the cost of water up above the actual cost of supplying the water, if overseas experience is anything to go by, makes the utility attractive to transnational corporations for privatization, and has the effect of reserving the water for the wealthy, who continue to squander it. When water really has been scarce, use has been rationed and curtailed by water restrictions, not by market forces. Any long-term water conservation as has occurred seems to be due to grass roots environmentalism and political action, not economic measures.

I think that in the ACT we have reduced our water use over the past decade principally because of raised consciousness due to the education campaigns, rather than because of the price of water supply. Whenever ACTEW has called on ACT citizens to voluntarily reduce water consumption, the population has responded well when the reason was clear. I do grant that there was a drop in water consumption in the mid 1990s when full volumetric charging was introduced, but this too, was preceded by an education campaign about reducing consumption to delay the construction of a new dam, and so it is hard to say how much reduction was due to the price increase.

In addition, it was easy to cut back then, as we were all profligate waterers in the 70s and 80s. Achieving big reductions nowadays will be harder. For example, in my own case, I reduced my

garden watering by two thirds in the past decade, and as I just use what I need I will cut back no more, no matter what the increase in water rates. So ACTEW may be over estimating the elasticity in demand for “discretionary” water use by living in the past.

Philosophically, I feel I have a right to water for growing food, and that this component of gardening water should be treated in the same way as personal indoor house-use water and not have any deterrent cost component.

Also, given that we are currently having to put up with stage 3 water restrictions because of the stupid, or cynical, ACTEW decision to defer construction of the Stromlo water treatment plant, ACTEW are not the crowd that I want influencing my lifestyle decisions – especially when they describe the decision to defer as “prudent”!

For these reasons, if we *have* to pay for water supply, proposals A and B should be structured to cover ACTEW's costs but not be inflated with an additional environmental "message" tax. Again, I think it is a matter of re-setting the points at which increase steps in volumetric charges occur in proposals A and B, as outlined below.

### **3. The points at which increase steps in volumetric charges occur should be higher.**

All the proposals for new tariff structures (the Commission's proposals A and B and the original ACTEW proposal) set the points at which increase steps in volumetric charges occur through calculations based on an estimated per capita non-discretionary consumption of 57 kilolitres per annum. The ICRC report points out that no one knows what this figure should be for the ACT, so by default the commission follows the ACTEW example and uses the Western Australian study figure of 57 kilolitres. I submit that this figure is too low.

My reasoning: Although I am wary of anecdotal argument, I am suspicious of study results (about everyday phenomena) which seem at odds with my own experience – it often means some error in method. I live simply and alone. My own quarterly water consumption in winter, when I do not water the garden, is between 20 and 25 kilolitres. For a year this would be 80 to 100 kilolitres. Much more than 57 kilolitres. What about everyone else? The lowest daily water consumption for the ACT (on a cold winter's day) seems to be a bit under 100 mega litres. Let's say 90 ML. Dividing by the population of the ACT gives a per capita indoor water consumption of a bit over 100 kilolitres. Some of the water is used at building sites, etc., so some reduction is needed. 20 per cent seems too much, but it would take the figure down to my lowest ever indoor use of 80 kilolitres, so may well be reasonable. It is certainly a closer fit than you get with 57 kilolitres per capita, which would give an average ACT winter daily use of 47 mega litres. Not even close to 90 mega litres.

ACTEW may have taken the WA figure of 57 kilolitres in good faith, but I suspect that they have an inkling that is too low and are pleased to use it to set a low step for increased charges – with a hand over their heart, saying it is the only “scientific” evidence available.

The original ACTEW proposal to reduce the step from 175 kilolitres to 130 kilolitres was based on an assumption that the average Canberra household used about 140 kilolitres of indoor water each year (two-and-a-half people times 57 kilolitres). Taking my lowest figure of a per capita indoor-use of 80 kilolitres per annum, and multiplying by the average household of 2.6 people (from the Census figures given in the report) gives an average household indoor use of a little over 200 kilolitres per annum. On ACTEW's logic, they should *increase* the step to 200 kilolitres.

**Conclusion:** Applying this argument to Proposal B, if the step at 175 kilolitres was based on the existing ACTEW tariff step as representing a reasonable consumption for an average Canberra household, then it too should be changed to 200 kilolitres.

In Proposal A (my preferred option), the step at 300 kilolitres was set to be just above the indoor use of large households (5 people times 57 kilolitres, equals 285 kilolitres). If the real indoor use is closer to 80 kilolitres, then the step should be set at 400 kilolitres. This seems a more reasonable point at which to start applying the highest charge, given that the *free* water allowance per household in the ACT used to be 350 kilolitres per annum. At 80 kilolitres, close to 30 per cent of households consume above 300 kilolitres of non-discretionary water, as opposed to 3 per cent if the figure of 57 kilolitres is used. So in proposal A, the first step would be at 200kL, the second at 300kL and the third at 400kL.

Victor Stevens  
4 Goodenia St  
Rivett ACT 2611