

8th April 2022

Independent Competition and
Regulatory Commission (ICRC)
PO Box 161
Civic Square ACT 2608

icrc@act.gov.au

Dear ICRC,

Request for a review of sewerage supply charges for property (1-21 BINARA STREET CITY ACT 2601) (Icon Water Account Number 1220 0172 1101 and to the accommodation sector in general

Salter Brothers Asset Management Pty Ltd (Formerly Map Capital Pty Limited) as trustee for Salter Brothers (Canberra) Trust write this submission request as owner of Crowne Plaza Canberra Hotel property at 1-21 BINARA STREET CITY ACT 2601.

We request that a review of the sewerage supply charges applied to Crowne Plaza Canberra Hotel 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 and please make reference to the accompanying spreadsheet in support of the following assertions:

Crowne Plaza Canberra Hotel is charged a much higher charge per user based on density when compared to residential apartments and commercial office buildings. Adopting the FY22 sewerage supply charge of \$493.71 (our yearly fee of \$164,899.44 / billable fixtures of 334) per year we make the following assertion:

Using figures from 2019 which represents a typical buoyant year of trading, unaffected by COVID-19, where the average guest density at Crowne Plaza Canberra was 1.46 guests per occupied room and its frequency of use (i.e. average occupancy in a calendar year) in 2019 was 85.3%. As a result, the density charge per user per year at Crowne Plaza Canberra Hotel would be \$396.43.

Whilst 2019 represented a buoyant year, the accommodation sector since then has been impacted by COVID-19 State and Territory Public Health Orders and border restrictions that resulted in trading at a much lower levels of occupancy, that significantly reduced profitability. Crowne Plaza Canberra Hotel 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 Crowne Plaza Canberra Hotel 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 Crowne Plaza Canberra Hotel.

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 Crowne Plaza Canberra Hotel, 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 hotel that largely caters to corporate and government guests which spend most of their time out of the hotel during the day on business.

Crowne Plaza Canberra Hotel is scheduled to be charged **\$164,899.44** per annum in sewerage supply charges for FY22. **If we were charged the same rate per density as a commercial office building, we would only be paying around \$12,037.64 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.

With occupancy levels not anticipated to reach 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.

Please find the attached spreadsheet in support of the above assertions and Salter Brothers Asset Management Pty Ltd 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,



Gary Lopez
Senior Asset Manager
on behalf of
Salter Brothers Asset Management Pty Ltd

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