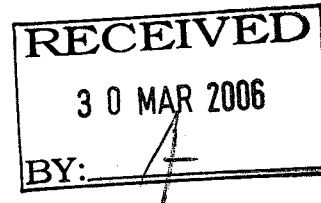




CHIEF MINISTER'S DEPARTMENT

Chief Executive

Mr Paul Baxter
Senior Commissioner
Independent Competition and Regulatory Commission
PO Box 975
Civic Square ACT 2608



Paul
Dear Mr ~~M~~Baxter

I refer to your letter concerning the water abstraction charge (WAC) and the role the WAC has played, if at all, in funding rehabilitation works in the lower Cotter following the 2003 bushfires.

Having reviewed water related expenditures within the Government, I can advise that the WAC revenue is already more than offset against all water related expenditure undertaken by ACT Government agencies.

The Arts, Heritage and Environment (AHE) area of this Department is the Territory's major land manager in that area of the Territory and is responsible for undertaking the catchment management protection and remediation work in the larger Cotter area. Other land managers are RoadsACT and Canberra Parks and Places. Budget funding is provided for these bodies. AHE also has access to forestry related insurance funds for the 2003 bushfires that are being applied to restoration work in the lower Cotter catchment and other areas.

The 2003 bushfires caused significant damage to the Cotter catchments and in particular the lower Cotter catchment (LCC), requiring urgent and significant remediation work in the lower Cotter. A subsequent decision taken by ACTEW to re-integrate the Cotter Dam into the ACT water supply system, culminating in the Cotter Googong Dam Bulk Transfer project (CGBT), increased the need to expedite rehabilitation of the lower Cotter catchment to stabilise water quality for water released from Bendora Dam and for water arising in the LCC.

A detailed assessment of the work required to rehabilitate the catchment to achieve the necessary water yield and quality standards was undertaken by government agencies, ACTEW and independent scientific experts in early 2005. It concluded that substantial work had to be undertaken immediately. In addition to this work, the ACTEW Board proposed to fund additional works on a "fast track basis" to meet its obligation to ensure a safe and secure water supply. Attached is a copy of a relevant letter from Mr Jim Service dated 16 May 2005. Because the CGBT utilises the urban reticulation system, without these works the reliability of the Cotter reservoir and the total water supply system would be affected in the short and medium term unless other more expensive treatment plant work was undertaken.

This catchment work is being undertaken in close co-operation with AHE, the prime land manager. To date, all lower Cotter restoration work undertaken by ACTEW has been clearly identified and paid for by ACTEW under letters of agreement between ACTEW and

AHE. A draft deed of agreement between ACTEW and AHE, that clearly defines the nature of future ACTEW work, management arrangements and payment structure, is being finalised.

Mr Hilton Taylor of AHE is separately providing you with a full analysis of the related expenditure carried out in the lower Cotter including work undertaken by AHE and that undertaken by ACTEW. I understand that Treasury has also provided a submission which clearly demonstrates that the ACTEW work is separate and additional to the ACT Government's work program.

In the 2005-06 Budget the WAC was forecast to provide \$15 million subject to rainfall and weather conditions for the year. Water related expenditure in the ACT is more than fully committed in terms of funds received from the WAC. The following table illustrates this position.

Budgeted revenue from WAC for 2005-06	Revised amount collected from WAC as forecast by ACTEW	ACT Government agencies Water related expenditure for 2005-06
\$15.030 million	\$12.7m	\$15.536m*

* Note that this figure is incomplete at this stage as some agencies have yet to finalise their data.

Attachment A provides an analysis of water related expenditure incurred by ACT Government agencies.

The Cotter catchment remediation expenditures incurred by ACTEW are not regarded as an appropriate cost for inclusion in the WAC as it is not incurred by the ACT Government. The aim of the WAC is to ensure that relevant costs other than those incurred by ACTEW are incorporated into the price of water. ACTEW is incurring the costs that it is seeking the ICRC's approval for inclusion in the price path of its own accord and in direct response to its own obligations for ensuring water supply to the ACT and regions. In line with COAG principles, this contributes to ensuring that the price of water reflects the full cost of the provision of water.

Please contact me if you require further clarification or information. The contact officer for this matter is David Butt (tel. 6207 5904 or 0414 396 511).

Yours sincerely



M L Harris
Chief Executive
27 March 2006

**ACT GOVERNMENT AGENCIES
WATER RELATED EXPENDITURE 2005-06**

Agency	Program expenditure	Staffing costs	Total
ACTPLA	\$8.089m	\$0.228m	\$8.317m
Office of Sustainability	\$1.901m	\$0.735m	\$2.636m
Water Resources & Environment Protection	\$1.439m	\$0.289m	\$1.728m
Conservation and Land Management	\$1.696m	\$0.0m	\$1.696m
Natural Resource Management Policy and Programs			\$0.151m
Treasury	\$0.0m	\$0.103m	\$0.103
DUS – Parks and Places	\$0.328m	\$0.082m	\$0.410
Total	\$13.453m	\$2.083m	\$15.536m

- Note 1. Health Protection Services figures still to come
 2. Salary costs do not reflect on costs incurred by agencies. These can vary across 6 +agencies and between levels of staff engaged. A conservative estimate of on costs would be \$0.600m.