

Dear Sirs

## PRICING REVIEWS AND MARGINAL COST PRICING

*Intermissa diu*, I return to this subject, the scene of so much slaughtered economics.

I heartily agree with rebalancing tariffs so that all utility charges are based upon an *ad valorem* land value rate charge reflecting the value added to lands serviced, along with a per kl or per kw or per kj charge based upon quantity transported and set at short run marginal cost (SRMC).

Current pricing policies have inflicted severe deadweight loss upon the community. For example, I have not watered my garden now for years and refuse to do so and I leave it to go feral or die. The only satisfaction I get from its destruction by ACTEW and the ACT Government is watching the dirt get washed away into ACTEW's drains so they can have the cost of cleaning them or getting sued by insurers when the insurers realize that flooding at the bottom is due to mucked up maintenance.

What ACTEW and AGL have been doing is drive everybody towards self-sufficiency and they have thus destroyed the benefits of economies of scale otherwise possible through reticulated network infrastructure.

If they continue to stick with per unit pricing above SRMC they put themselves in a death spiral financially, as households slowly adapt, double glaze, put in water tanks, solar batteries etc. – all irreversible decisions which undermine per unit revenue for these rapacious monopolists forever.

Monopoly is a terrible thing unless you own it - as Rupert Murdoch once remarked. The only consolation we victims have is that these monopolists have lately been so greedy and stupid that many of us have learnt to live without them so much – we are learning to use their overpriced “services” less and less. Our homes become our castles against them.

ICON Water (renamed for a privatization sale?) will soon be a dog-eared sale prospect - like a dud motorway based on inflated traffic forecasts.

Yet all this need not be so. A much brighter future is possible, so I applaud ICRC's attempt to move back to basic economic principles.

I am not yet so misanthropic that I no longer care about marginal cost pricing policies which would be good for the community, the ACT Treasury - and even ACTEW and AGL themselves.

Incidentally I trust we are not paying for ACTEW's PR newsletters and grants to organisations of all sorts of queer colours? That looks like corruption to me.

Yours faithfully

Terry Dwyer

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Additional submission received 11 December 2016

**From:** Terry Dwyer [REDACTED]  
**Sent:** Sunday, 11 December 2016 9:57 AM  
**To:** Nayager, Ranjini  
**Subject:** RE: Water Tariff Review - Public Forum [DLM=For-Official-Use-Only]

Dear Miss Nayagar

Please thank the Commission for the opportunity to speak the other day.

It is a pity that basic economics has been trashed for years in the generalized institutional corruption of Australian utility regulation.

I have just come across a splendid description of the real life social and economic consequences of rapacious utility monopolies and their "death spiral" pricing in Robert Caro's "Lyndon Johnson: The Path to Power" in chapter 31 where he talks about the

history of US electricity utilities and rural electrification. It should be required reading for every Australian utility regulator.

He is not an economist but what he is describing is deadweight loss writ large from pricing above marginal cost. Just as American rural women were bent low dragging water into houses without electricity, so ACTEW has forced our pensioners to stoop carrying around buckets of washing water to save their gardens from drought. This is economic retrogression, not economic "reform".

Please feel free to treat this as a public submission.

Kind regards

Terry Dwyer

PS It's Chapter 31 in the audio book and 28 in the print edition.

I should perhaps have added that there is a political point in this for a half-sharp government. Land rates also fall on non-voting foreign landholders of ACT land who are thereby forced to contribute to infrastructure which enriches them. By contrast, user charges fall solely on ACT voters. In short, as well as large economic efficiency gains which will benefit the ACT Treasury indirectly, a shift to short run marginal cost pricing financed by land rates will also deliver the ability to cut net costs for ACT voters. As we have seen recently, voters who are being slowly impoverished tend to take revenge.