



**ACT**

Government

Education and Training

File Ref: DET12/472

Mr Mike Buckley  
Commissioner  
Independent Competition and Regulatory Commission  
PO Box 161  
CIVIC SQUARE ACT 2608

Dear Mr Buckley

Thank you for your letter of 15 May 2012 inviting the Education and Training Directorate to make a written submission on the Commission's draft findings and recommendations on its Inquiry into Secondary Water Use. The Directorate is pleased to provide background information and comments in relation to water supply and usage at ACT public schools.

The present situation in the ACT involves a monopoly service for the primary supply of water, through ACTEW. As you will be aware, ACT schools receive a concession for potable water supply equal to 50 per cent of the water usage charge.

In recent years, the ACT Government has implemented programs and continues to implement programs aimed at reducing the use of primary (potable) water while also improving the environmental performance of ACT public schools. This includes the installation of rain water harvesting and capture at all schools, surface water collection systems and the fitting of water efficient appliances into new schools and retro-fitting into existing schools (e.g. tapware and dual flush toilets). In addition, new and improved drought tolerant landscapes are being constructed at schools. ACT public schools have, collectively, reduced their water consumption by over 50 per cent over the last five years.

These measures are intended to reduce the reliance of public schools on treated potable water by converting toilets and landscape water use to non-potable water supplies (e.g. rain water tanks and irrigation ponds) and maintaining school grounds and landscapes, both to maintain safe play areas and to improve the appearance and presentation of public schools. To maintain the relevance of these measures, it is essential that public schools retain access to continuous and reliable secondary water supply systems, both through on-site capture and through regional networks. The use of potable water in these areas, through the primary water supplier (ACTEW) should now be a last resort.

To supplement the on-site water capture at public schools, the Education and Training Directorate is working with the Environment and Sustainable Development Directorate (ESDD)

on options to access secondary water through the Canberra Integrated Urban Waterways Project, initially the inner North Canberra network. These networks are viewed by the Education and Training Directorate as essential to providing a continuous and reliable water supply without resorting to the use of potable water for toilet flushing and grounds irrigation (i.e. landscaped areas, kitchen and community gardens, ovals and general play areas).

Importantly, and where possible, the Education and Training Directorate does not wish to re-visit the situation where drought or extreme weather conditions again prevail and water shortages arise with schools again required to implement water restriction measures imposed on the primary water supply system. This will impact the significant investment in school landscapes and adversely affect the safe condition of school grounds and the environmental sustainability of schools.

In reviewing the Commission's draft Report, the Education and Training Directorate notes that the Commission is confident that the ACT is secure in terms of water supply for the next 20 years. The concern is that this will lead to complacency and a continued reliance on a monopoly primary water supply, which is highly treated to 'drinking water' standards. The Education and Training Directorate would be concerned if ACT consumers, including schools, resorted to 'old habits' in the management of water use. The Education and Training Directorate is keen to actively educate students and our future generations in sensible and sustainable water conservation practices, including the capture, treatment and use of secondary (non-potable) water supplies.

While the Commission has undertaken an assessment of the secondary water systems in the ACT, this is based largely on an economic analysis of the investment to establish and maintain the urban waterway networks, especially in its set up and infancy stages. The Education and Training Directorate is of the view that there are significant social and education benefits and that these factors should receive greater 'weight' in the Commission's assessment. In economic terms, an assessed value should be attributed to these benefits as a 'community service obligation' and offset against the infrastructure investment cost, similar to an expense write-off for a research and development investment.

The Education and Training Directorate is particularly concerned at the Commission's price estimate of \$4.12 per kilolitre for the non-potable water system from the secondary water system. While reflecting the initial infrastructure set-up cost for the urban waterway system, such a pricing regime is a disincentive over the current lower cost primary water system. The Education and Training Directorate is now concerned that the Commission's expressed view will discourage ACT agencies and other parties from proceeding or participating with the trial network.

Like other parties, the Education and Training Directorate can only rely on the certainty of a continuation of the trial urban waterway network in order to commit to any related investment at public schools, such as water tanks, water connection and reticulation systems, and water treatment and filtering systems. The Education and Training Directorate wishes to avoid the risk of any investment becoming redundant.

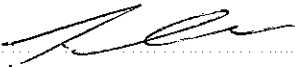
As noted above, the Education and Training Directorate seeks the Commission's further consideration to offset the 'community service obligation' benefits derived from maintaining a broad-use secondary water system in ACT regions. This should be expected to achieve an estimated price that better reflects the cost and benefits of this water supply to the ACT community. Alternatively, the Education and Training Directorate seeks the Commission's consideration of the opportunities and incentives that will enable secondary water systems to become economically viable.

In summary, the Education and Training Directorate is of the view that the Commission should be encouraging the establishment of secondary water supply systems and that any assessment of such systems should not be based solely on investment capital costs and yield (operating profit), but also sustainable environment and community education outcomes.

Specific comments against each of the Commission's draft findings and recommendation are at Attachment A.

Thank you for the opportunity to provide comments on the Commission's draft Report. Should you or Commission staff wish to discuss these comments, please do not hesitate to contact Mr John Wynants, Senior Manager Strategy and School Improvement on 6207 6541 or email [john.wynants@act.gov.au](mailto:john.wynants@act.gov.au).

Yours sincerely



for:

Diane Joseph  
Director-General

25 June 2012

## **Draft Report – Secondary Water use in the ACT**

The Education and Training Directorate (the Directorate) offers the following comments on the ICRC Draft Report findings and recommendations:

### Draft Finding 4.1

This is noted. The Directorate would be concerned that the community may become complacent and return to “old habits” in terms of water use and water management practices.

The Directorate would be keen to ensure that incentives exist within the overall water supply and management mechanisms to both encourage good water use practices and sustainable environmental practices at ACT public school sites and educational outcomes, in terms of opportunities for current and future water capture, use and re-use and learning.

This would require an overall system that does not continue a reliance on the primary water supply system.

### Draft Recommendation 4.1

The Directorate notes that this recommendation is largely based on an economic analysis of the investment, management and maintenance of secondary water systems. However, this is a narrow form of assessment and the Directorate seeks the Commission’s further consideration of the sustainable environment and social (including student and community education) benefits that can be derived from installing secondary water systems across the ACT.

With regard to the proposed secondary waterway networks (Inner North, Tuggeranong and Molonglo/Weston Creek), the Directorate notes that the Commission supports the continuation of the inner North trial.

The Directorate is however, concerned that the Commission’s draft Report does not offer confidence to ACT agencies and other potential participants (including ACT public schools). This places the Directorate in a position as to whether it should commit to any investment in the trial, further jeopardising the value of the trial.

Further, the Directorate is concerned at the possibility that, based on the Commission’s recommendation, the Molonglo/Weston Creek urban waterway system will not proceed. This removes the opportunity for planned ACT public schools in the Molonglo district to design ‘up front’ the connection to secondary water supply systems. This will require more costly retro-fitting should the system be established in the future.

The Directorate would request that the Commission broaden its economic analysis to take into account later capital investments that would need to be added to other government services and facilities. This should be offset against the Commission’s current economic analysis.

#### Draft Finding 5.1

This is noted. However, as stated above, the Directorate is of the view that the Commission should take account of further sustainable environment and social benefits, as well as the economic (cost-benefit) outcome.

#### Draft Recommendation 6.1

The Directorate has no specific comment on this recommendation.

#### Draft Recommendation 6.2

The Directorate has no specific comment on this recommendation.

#### Draft Recommendation 6.3

The Directorate has no specific comment on this recommendation.

#### Draft Recommendation 6.4

The Directorate has no specific comment on this recommendation.

#### Draft Recommendation 6.5

The Directorate has no specific comment on this recommendation.

#### Draft Recommendation 6.6

As a potential third party, the Directorate supports this recommendation.

ACT public schools currently receive a concession (50 percent) for water consumption from the primary water system. It will be necessary that access to a water supply, other than the primary system, should remain attractive to schools so as to ensure that sustainable environmental and social outcomes are encouraged and that a perverse incentive to use potable water for landscape irrigation and toilet flushing is avoided.

#### Draft Finding 7.1

This is noted.

#### Draft Recommendation 7.1

As a potential participant in this network program, the Directorate supports this recommendation.

### Draft Recommendation 7.2

The Directorate proposes that consideration also be given to the following factors:

- Sustainability environmental impacts;
- Social impacts, including education benefits (student and community); and
- Opportunity cost impact, in relation to future infrastructure costs to retro-fit systems and facilities.

### Draft Recommendation 7.3

The Directorate is concerned that this recommendation will create a disincentive for ACT agencies and participants, which may result in their premature withdrawal from the network. This would be a self-perpetuating outcome, leading to the trial being unviable from the outset.

The Directorate is further concerned at the lost opportunity should the other networks (Tuggeranong and Molonglo/Weston Creek) not proceed at this time. With new schools planned for the Molonglo district, there will be economic benefits as well as sustainable environment and social benefits in proceeding with the Molonglo/Weston Creek network at the earliest opportunity. To do otherwise, will result in future capital costs to retro-fit government and other facilities.