



Conservation Council of the South East Region and Canberra (Inc)

Kingsley Street, Acton
GPO Box 1875
Canberra ACT 2601
AUSTRALIA

Tel: (02) 6247-7808
Fax: (02) 6248-5343
Email: ccserac@ecoaction.net.au

The Commissioner
Independent Competition & Regulatory Commission
PO Box 975
CIVIC SQUARE ACT 2608

Dear Commissioner

Re Draft Report – Water Abstraction Charge – September 2003

Overview

The Conservation Council is Canberra's peak non-government, environment organisation. As an umbrella organisation, the Council represents the interests of over 35 community and conservation organisations in the ACT and Australian Capital Region as well as the broader environmental interests of all citizens of the ACT. The Council's mission is to achieve the highest quality environment for Canberra and the surrounding region.

A key aim of the Conservation Council is to ensure environmentally sustainable supply, use and treatment of water in the ACT and region.

The Council is explicitly opposed to the construction of any new dams in the ACT. The Council is also committed to ensuring that citizens and native fauna -- current and future -- have access to an adequate and high quality water supply. The Conservation Council argues all means to reduce water use be investigated before any investment in additional water supply options so as to ensure the responsible and sustainable use of this invaluable resource in the future.

The Conservation Council believes initiatives to reduce water use, including via appropriate price structures for water are essential to achieve reductions in the ACT's water consumption. The key is determining the right mix so that environmental outcomes are achieved in a socially equitable manner.

As previously stated the Conservation Council recognises that the Water Abstraction Charge is just one piece of a larger jigsaw. We will also be offering comments to the other ICRC reference relating to water pricing as well as the processes around the Water Resources Strategy.

In this context we offer comments on the draft recommendations and findings of the Commission into the Draft Report on the Water Abstraction Charge of 9 September 2003.

Use of revenue raised by the WAC

A key issue for the Conservation Council is the use of funds raised by the Water Abstraction Charge. We welcome the process proposed by the ICRC that the WAC be determined on an annual basis and that it [the WAC] will include amongst other things water supply costs such as "funding of water management and demand management programs in the ACT". [page 40]

The Conservation Council is Canberra's peak non government, environment organisation. As an umbrella organisation, the Council represents the interests of over 35 community and conservation organisations in the ACT and Australian Capital Region as well as the broader environmental interests of all citizens of the ACT. The Council's mission is to achieve the highest quality environment for Canberra and the surrounding region

The ICRC notes that the WAC cannot be “merely be for a revenue raising purposes”. In the interests of transparency the Conservation Council strongly supports that each year, information be available on how WAC revenue is expended.

The Conservation Council is of the view that funds raised through the WAC as “flow costs” – ie those costs reflecting the scarcity value of water or environmental costs should be directly linked back to programs that address these issues.

WAC Principles

In broad terms the Conservation Council supports the three principles set out by the Commission. That is:

- Transparency
- Flexibility
- Legality

The Conservation Council also broadly supports the need for the WAC to meet measurability and reasonability tests. However while the Conservation Council recognises that there are issues in regard to measurability of the ‘inherent value of ecosystems’ [page 12] and other values associated with water supply and environmental flow, we also suggest that there is a need to establish ways of ‘measuring’ these aspects in the future. We see it as akin to applying the precautionary principle to water pricing. Overall the Conservation Council is not convinced that the WAC formula captures all the externalities related to water supply and therefore still does not reflect the true cost of water supply.

Coverage of the WAC

The Conservation Council supports the ICRC view that the definition of ‘water supply costs’ should include all costs incurred by the ACT government in the maintenance, regulation and assurance of water supply [page 5]. In particular the Council agrees that this should also include ‘funding of water management and demand management programs in the ACT’ [page 40].

We note however that there are other costs in relation to catchment maintenance and related costs that are not factored in. For example, the activities of non-government entities include private landholders in addition to community based groups that may be partly though not wholly funded by government. The contribution made by non-government entities is seen as significant in the regional context, with a large number of groups actively contributing to catchment health and environmental impact abatement.

The Conservation Council views such initiatives as integral in the overall management of the catchment. The Council also highlights the considerable savings derived by the government through the active participation of volunteers in on-ground implementation of catchment management and monitoring initiatives.

Financial data relating to community-based catchment management initiatives should be included in determination of the WAC to more fully capture the true cost of catchment management.

The environmental cost component of flow costs should also encompass the cost of monitoring and research programs specifically addressing the impact of flow regimes on aquatic biota. The Council expresses the importance in specifically allocating costs for research monitoring as important in ensuring that future flow regimes are adequate to ensure the long term health of our river and water supply systems and the species that rely on these environs.

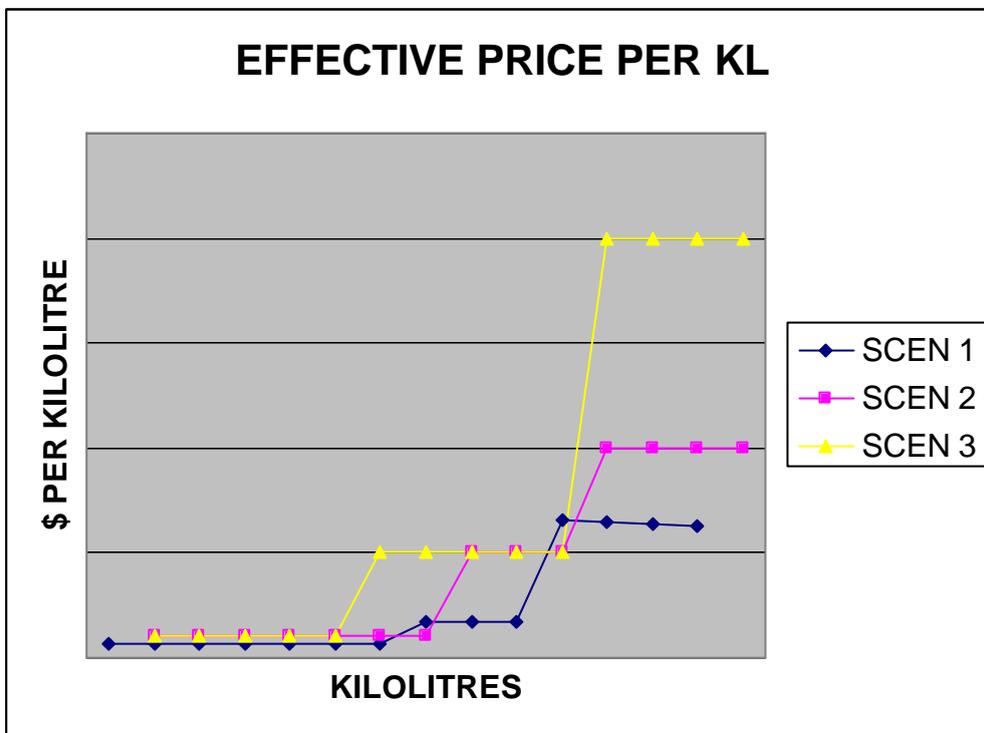
Applying the WAC Formula

The Council acknowledges that additional charges not encapsulated in this model may be required in the future to meet the need for specific management issues eg. to cover the costs of catchment restoration in the post fire period. Where these issues incur considerable costs, the Council agrees that the costs be ‘smoothed’ over a three year period to ensure that disadvantaged consumers are not unduly burdened by additional price increases.

The Council acknowledges that a more accurate determination of the scarcity value of water will arise from a formally

agreed cap on diversions on water in the Murray-Darling Basin (MDB) and the subsequent determination of a trading price for water. The Council in principle supports inclusion of the determined value in calculation of the WAC, however, this issue will require further review on agreement of the trading price.

The Conservation Council notes that the WAC will be charged at a flat rate. Overall the Conservation Council wants to see a pricing package that is stepped as indicated in the graph below, and is combined with tools to assist those – such as larger families or low income earners who may be unduly disadvantaged by such pricing changes.



The Conservation Council further agrees that water supply costs should *not* be applied to reused water, as this charge has been captured in the initial use of the water, and has the potential to provide a disincentive to reuse initiatives. The Council sees some virtue in metered reused water attracting a flow cost to account for the alternative use of this water in restoring environmental flows, however is reluctant to make a definitive recommendation in the absence of further research into the social and environmental implications of such a charge.

WAC as a demand management tool

The Conservation Council agrees that the WAC in isolation will not achieve adequate demand management. The Conservation Council sees merits in a range of demand management tools, including:

- voluntary and regulatory measures
- an appropriate pricing structure
- community education
- rebate schemes on water efficient appliances
- retrofitting of low income households as a priority
- low interest loans for the purchase expensive water efficient appliances, eg. rainwater tank and washing machines
- structure of prices for reticulation and wastewater treatment services.

The Council will make further comment on demand management options in its submission on the ICRC's Draft Report relating to water pricing and wastewater services in the ACT.

The Council is of the view that significant price increases via the WAC and the ACTEW pricing tariff on an inclining stepped basis, combined with a package of other measures – rebates, community education etc, retrofitting of low income households for free – will result in a considerable reduction in water usage in a fair and equitable manner.

It should be noted that the NSW Government is currently considering charging \$5.00 per kilolitre for household use over 300 kilolitres. This and other measures are being considered as they have decided not to build any more dams for Sydney.

A key issue in this context is the source of revenue for the variety of demand management tools that need to be implemented. As indicated above the Conservation Council supports the use of WAC revenue, to fund demand management programs as well as programs to ensure our water resources and the ecosystems that rely on those resources are adequately protected for current and future generations.

Thank you for providing the Council with this opportunity to comment on the WAC. Please contact me on 6247 7808 if you would like to discuss any of these issues further.

Yours sincerely

Clare Henderson
Director (a/g)
October 2003