DTI CORPORATION

Level 1, Manpower House, 33-35 Ainslie Avenue, CANBERRA ACT 2600 ABN 85 120 213 381
Telephone: (02) 6230 4110 Fax: (02) 6230 4114

TRANSCRIPT OF PROCEEDINGS

INDEPENDENT COMPETITION AND REGULATORY COMMISSION

WATER AND SEWERAGE TARIFF REVIEW

WALDORF HOTEL, CANBERRA

4.59 PM, TUESDAY, 6 DECEMBER 2016

MR DIMASI: Good afternoon, ladies and gentlemen. Can you all hear me? All right, good. We might get underway. Welcome to you all, to the ICRC public forum on the water and sewerage tariff structure review. My name is Joe Dimasi, and I'm the Senior Commissioner of the ICRC, so I'll be chairing the session this afternoon.

Just a couple of housekeeping notes before we start. In case of any fire emergencies, please follow the directions of Waldorf staff. I think they'll make themselves clear. Now, toilets I think, restrooms, are at the back there. We've got water, coffee and tea, so help yourselves. And when you speak, can you please - if you do want to ask a question or make a statement, clearly state your name and any organisation you represent, if any, for the record. That would be much appreciated.

The way we're going to - the way this conference will flow will be I'll just make a small presentation, just to give you a bit of background and thinking on the draft report and the thinking so far. And then we will open it up. There's a number of people who have asked to make a statement, so I'll call on them to make their statements. We're asking people to keep their statements to no more than five minutes so we can get through - give an opportunity to people - others to ask questions or make comments, and then we'll open up the floor to questions and comments.

I've got here next to me Dr John Fallon. He's a consulting economist with ICRC helping us on this project as well. So with that, let us get underway. If I can make sure that this works - okay.

Now, what's this review about? This review is about the current tariff structures. It's not about the overall price level for water. The review to change prices will happen next year, once the government gives us the terms of reference, as they do, and we will embark on a public process, and that will then change prices from 1 July 2018 forward.

This is purely about the relative prices, the structure of prices, the balance between the fixed and the usage charges. And it will not provide any extra revenue as a result of any changes happening here. I should also add that this review in itself will not result in any price change. Any thinking from this review will just simply flow through and will be used as a guide or help to us in our tariff review setting, which will happen next year, okay?

So for people who are expecting that there are price changes, and you've read about, you know, various changes in prices that will happen, that's not going to happen. This is simply some thinking that we are obliged to do about the structure of prices, whether the fixed charge and the usage charges are okay, whether they work well, where they could be improved, what else we could do with them.

So that's what we're doing. We'll give the pros and cons of the current tariff structure, how well do they meet public policy and the regulatory objectives, and any thinking about where we might go from here.

So as I said, no change in total revenue as a result of this review. The tariff review is simply the balance of the structure of charges. But the structure of charges is important, because it can do a number of things. It can influence the way we use our infrastructure and our water more efficiently, so it is important that we - that we think about it, and see how best we can do that. It affects the - as Icon has got to be able to cover its costs; its efficient costs only, but its costs. And so given that a lot of Icon's costs are fixed, if the usage of water is going down, as it is, it can also impact on the rate of increase of charges over time as well, so we've got to bear that in mind.

It of course - if we change these things, if we change the balance, it could also affect the balance between low usage and high usage water consumers, and we've got to bear that in mind. And it may also impact on low income users, and we've got to bear that in mind as well. So all those things, you know, are important, and they're all at the forefront of our thinking, and we've got to balance all of that.

Now, I'm sure you all know what the current tariffs are because, you know, they're on your bills. It's called an inclining block tariff, but that just simply means there's a fixed charge with a two tier usage charge. You know, up to 200 and then past 200 kilolitres, there's a different charge, and the question for us is, does this facilitate the efficient recovery of costs? Is it a good option, or are there better options for me available to balance the economic, social and environmental outcomes. Got to think about all of them.

Now, just so we can get a bit of a look around to see how we compare, if we look at the usage charge - sorry, the fixed charge, that's Icon compared to others around Australia. And so Icon is relatively low in terms of the usage - of the fixed charge. I should keep emphasising that, fixed charge. A number of others are quite high by comparison.

City West Water, by the way, is one of the three in Melbourne. There are three in Melbourne, not just one. That just happens to be one of them. If we look at the usage charge, we can certainly see that we've got two - or Icon has two usage charges, and the tier 1 and the tier 2, and certainly once we get past the 200 kls, we see that at 524 then that's relatively high compared to what we see around Australia.

Okay? So that's all we have at the moment. That's what's there now. Now - - -

UNIDENTIFIED SPEAKER: (inaudible)

MR DIMASI: We'll open it up for questions. Now, I guess the high usage charges were seen to be an instrument, perhaps a blunt instrument, to help conserve water during the millennium drought, in, with, of course, with water restrictions. But there was also a significant investment program with - to the dams and so on, as you all know, the Cotter Dam, to increase the capacity for Canberra's water.

So the water security has now improved greatly. Storage levels are high, and as a result of the campaign to reduce water, we've seen consumption has fallen over the last ten years without any expectations, any great expectations that it will increase. That is per capita consumption, which as you know is consumption per head.

Now, we don't know that for sure, but all the signs are that it won't increase. And so given the current trends and the best forecasts that are available, we're not expecting that there should be any need for further augmentation - that's building of further dams, pipelines and the like - for the next little while, for quite a while.

UNIDENTIFIED SPEAKER: Like 50 years.

MR DIMASI: Yes, 40 years or so. So we're talking - - -

UNIDENTIFIED SPEAKER: (indistinct) get some parameters on what "a little while" is.

MR DIMASI: A little while is – it will see me out and see most of us out, I think.

MR DWYER: One might say it's been overbuilt.

MR DIMASI: Look - - -

MR DWYER: One might. Not everyone, but one might.

MR DIMASI: Look, I mean - well, let's have those discussions later. So I can skip through this fairly quickly, give everyone a chance to talk. Now, we've got to be aware, also, of environmental objectives, but Icon's water licence requires it to ensure that environmental flows are given first priority. So that doesn't change. So the environment is taken care of and should - and will continue to be taken care of, and nothing - nothing in this changes that, so the importance of the environmental flows are there and remain there.

It's worth noting that the ACT consumes a fairly small proportion of the total amount of water that flows into its catchments. In the past eight years it's probably been about - this is net use - has been about eight percent of the total inflow. That is, after the environmental flows are deducted.

So Canberra uses a relatively small - it's net about 20 gigs a year, so it's a relatively small amount, so the question is, given the availability and prospective use of water, is there scope to reform these tariffs without compromising environmental or other social objectives? What scope is there for us to do it?

For us the regulator, the legislation - we've got to look at the legislation, we can't just invent what we do. We've got to follow what we're required to do by our act, and we have - for a pricing direction, there's an overarching objective of efficient investment - we've got to encourage efficient investment - efficient operation of that infrastructure and of the water, and to make sure that it's in the long-term interests of consumers. The long-term interests of consumers.

So that all sounds very good, which it is, but it's a juggling act that we've got to balance. So we've got to balance the economic efficiency considerations, the environmental and social considerations. And social considerations. All have to be balanced, and that's what we're thinking about very hard.

We've also got to take into account the government policy context, the ACT water strategy, any agreements and so on. So we've got to balance all of these things to come up with something that's - that is efficient, that's fair, and that's reasonable at the end of the day.

Now, at the broad level, at the high level, we've come up with some fairly broad principles, pricing principles, to help us do that. I should emphasise these are fairly broad. And basically these principles that we intend to follow, that the pricing structures should - as far as possible should encourage or promote the efficient use of the infrastructure, of Icon's water and sewerage services infrastructure, and the efficient use of the water itself.

It should also provide efficient incentives for any future investment and for the operation of the organisation. It should complement the environmental objectives, and make sure that they are not being undermined. It should make sure that any change to the structure of tariffs should basically avoid shocks, so that any substantial change should allow a reasonable period of time for customers to adjust. So try to avoid shocks and be conscious of the impact on the community.

And we should be aware of, as far as we can manage it, any impact on low-income groups, on low-income consumers, and mitigate any impact on them. We should try to keep these things simple and transparent.

Now, as I said, these are high level, but they're some of the guidelines we propose to follow in moving forward and in trying to come up with some way of improving, if we can, the existing tariffs.

What do we see as the challenges with the current tariff structure? Well, do they ensure efficient cost recovery? Icon's costs are largely fixed, but 90 percent of its revenues come from the variable charges. Combined with declining demand, that will put pressure on those usage charges going forward if Icon's costs are to be recovered.

We've also got to be wary of the possibility of large users leaving the system, because that will increase costs. That won't increase costs, that will increase charges for all, because the costs will be spread over a smaller number of users, so that's - economists call that bypass, but that's an issue we need to think about as well.

So they're some of the issues. Ideally the usage component should reflect what economists call the social marginal cost. I'll try to avoid jargon. And - but that basically broadly means the cost the community incurs for providing additional water, the direct costs of providing that water, the storage, bringing it down in the pipes, the value of the water itself, and what's referred to as externality costs, environmental costs.

And those - so those costs should be, ideally, reflected in the usage charge, but that should also be able to change as supply conditions and demand conditions change as well. That's in the ideal world.

So the question is, how does our two tier structure meet these objectives and meet the equity objectives as well, noting that from the information that we have, some 40 percent of utilities concession customers use more than 200 kilolitres of water.

So it's a bit more - it's a complex picture for your low-income users, because it's say to us that yes, there are some low-income users under 200, but there are also quite a few low-income users using more than 200, paying that very high usage charge as well, so we've got to bear that in mind as well, and that's - so that's something we need to balance.

Broadly, the direction of the draft report is that as much as possible we should think about over a period of time rebalancing the fixed charge and so that that increases relative to the usage charge. Bring the usage charges down but increase the fixed charge. And that, we think, would improve the pricing rules for usage and would better align the charges with costs a little bit better.

But that would also need to be aware of changing circumstances as well, so we just need to be aware with what might be happening over time. So we'd - our aim is to avoid any adverse impact on environmental or water conservation objectives. There's been a message to use water more wisely, so we also have got to be careful that we don't cut across that message, and I think we're very conscious of that. We'll have - we've got to have regard as to how that might affect the low income users, and also low users who might have invested in other - in tanks and the like, so we've got to think about them too, so we just can't just go and change things overnight as a result, and we're conscious of that.

So basically, in thinking of all of that, any tariff structure changes will be limited or moderated to address the key social concerns, as I have mentioned, particularly on low-income households, but all the others as well. Anything we do will have a gradual transition, because we are, as I said, aware of avoiding shocks.

There's a possibility of doing some different things. So for example, high usage charges could apply for large commercial users, and that's something we - you know, we might explore next year with - when we look at, you know, the tariff setting. And so - and we will listen to the community concerns about the equity of the changes of the impacts.

And very quickly on sewerage, we're not proposing to make any changes there. There's a lack of information on discharge. We could use as a proxy water usage, but I'm not sure that we see any gain from doing that, so we're proposing to leave - at least in the draft - we might get some feedback to change our minds - we are proposing to leave it alone.

We note in the trade waste that probably some more work needs to be done there, and we're looking to see, but any change has to be in the interests of the community as a whole.

So in summary, so I can finish and let you speak, any effective tariff structure, according to our thinking, should allow for the efficient recovery of the efficient costs of providing the water services, should provide incentives to use the water efficiently, but depending on the supply conditions at the time - so we've got to take into account what might be happening - should provide some flexibility to adjust to conditions as they change, needs to - this is easy to say but very difficult to do - balance the environmental, social and economic efficiency objectives. And it should have the overall objective of being in the long term interests of consumers.

Now, that's always at the forefront of our mind, and that's what we are trying to think as we go through. So that's our thinking. That's what's guiding us. Bearing in mind, as I said, that there is no specific proposal to change prices as a result of this review. Rather, this review is about the thinking that might help us - that might guide us in the actual price review that the government will ask us to do from next year, which will then start from 1 July 2018.

So we welcome you here. Happy to get your feedback on this and look forward to your thoughts. Now, as I said, we've got a number of people who have indicated they'd like to make a statement. I've got a working sheet, so I'll call on each of them to do that, and I'll - in the interests of time, I'll ask that they keep it as brief as they possibly can, five minutes if possible, and then I'll open it up for questions or statements from anyone else on the floor.

So with that, could I ask for Mr Gwyn Rees from the ACT Clubs to make any comments or statements?

MR REES: Hi, I'm Gwyn from Clubs ACT. I'll probably start off by saying that where I got involved with water, with clubs, was back when I first started with Clubs ACT, which was about five years ago, and the chief executive at the time when I first started work with Clubs ACT said, "I've got this issue for you that I want you to start dealing with," and essentially it was water.

And at the time it was dealing mainly with golf courses and surface water, which was the dam water. And as I delved more and more into this issue, it became evident that wherever you look in the ACT, water is very expensive. It doesn't matter whether you get it out of an aquifer or out of the ground, whether you get it from the river, the dam water, which is generally quite unique in Australia, and then even our tariff structure around potable water, everywhere you look water is very expensive.

And so it was a very odd space for clubs to sort of be covering in the ACT. You know, in other jurisdictions you have irrigated councils who tend to take care of this, but in the ACT I ended up having to sort of play within this space.

So just a frame, the infrastructure within Canberra that community clubs look after, it's pretty clear there. We have about 400 hectares of urban green space. Not all of that is irrigated, but that is the size of, you know, the space that the clubs look after, green space wise, so it's six golf courses, 20 bowling greens, three cricket fields, five football fields, a yacht club, a BMX track, and that list sort of goes on. So it's quite substantial. So in terms of recreational space, clubs play a pretty major role in what they give to the Canberra community.

In terms of the irrigated space as it applies to just potable water, it isn't as big as some people sort of lead the community to believe. In terms of those really reliant on potable water, Federal Golf Course, out of the six golf courses, is probably the most heavily reliant on the water. In the last 10 years they were encouraged by the utility to invest in water saving infrastructure. That involved a spend of over $1 million on dams, okay? So they were able to establish some of those dams. They'd like to go a little bit further as far as those dams are concerned, however haven't been able to get there. And part of the reason for that is simply the price rising in potable water.

Every bowling club in the ACT is pretty much reliant on potable water, and nearly every sports field. Some of them are able to get some re-use water from the various lines that are available, but pretty much every sports field.

So the cost of irrigating those assets is less than $1.5 million, it's probably more like $1.2, but I've padded that out a bit for you just to be a bit conservative on that figure. So I just wanted to have that in people's minds when they're thinking about, you know, who the big irrigators are in town and the way of shifting a fixed charge price in that, you know, $500 added to the fixed charge times 150,000 households is 75 million, and we're talking about when we look at community clubs is about 1.5 million.

So the costs of irrigating a sports field sits around about 20 meg, and that's how it looks like against various utilities. So I did this work about two years ago, so I just - I wanted the examples of who's close by, and that's how it sort of reflects as far as a comparison with different utilities.

I've put Queensland in there and SA mainly because they're sort of in arid regions, and where water quality is poor, and where tariff structures are high. And you can see the ACT at that 20 meg region comes out streets ahead.

So the other thing that, I guess in terms of a bit of mythbusting, is that people say, well, if we reduce the tariff structure, clubs will just spend more on irrigating, and it's absolutely not true. You know, like everyone else, you know, clubs have sought water saving infrastructure. You know, they've sought, you know, different types of grasses. So when you go to a golf course, they look at cooch grass, which goes dormant during the winter period. So they seek out measures to save water.

But the essence of it is, is that the course or the bowling green or the oval takes a certain amount of water. In a dry year that probably bucks the trend in that you need to irrigate more, but generally they take the same amount of water. It doesn't change. You can't over-irrigate, because that damages the course or the playing surface. You can't under-irrigate, because you lose the course. So it's pretty simple.

And these sort of graphs demonstrate this. Anyone can do this. ActewAGL has a portal that you can go in. You can go in there and you can pull off your bills for a ten year period, okay? And you can - you can graph them out and see them, just like this.

So as you can see, you know, more or less, you know, the RUC needs about, you know, 3,000 kilolitres, you know, somewhere between 2,500, 3,000 kilolitres per year to irrigate, you know, the actual bowling greens at Turner Bowls, Canberra Bowling Club and Ainslie Oval.

So you can see particularly for someone the size of Ainslie and where the sports fields are concerned, the pricing of irrigating the actual asset becomes horrendously expensive. So the maintenance of that is substantial.

So more or less, I just - what I wanted to do was just come here and just demonstrate how the tariff structure impacted actual community clubs in maintaining those assets.

It is the rule rather than the exception that in every Australian jurisdiction we either have a commercial rate, or we have a discount for, you know, clubs that maintain a community asset. So our involvement in this space is simply to, you know, try and get a better deal that represents the community assets that are maintained by clubs, but I'm happy to take any questions if anyone has any.

UNIDENTIFIED SPEAKER: My name's Robin (indistinct). Is the fact that you have - you use all potable water and not grey water because the ACT government doesn't service it to the areas that the clubs are situated?

MR REES: Some. So there's the Lower Molonglo Treatment Facility and the Fyshwick line. The Fyshwick line, my understanding is, is full. That's another interesting aspect, and could open up another conversation, I'm sure, that's very detailed. It has - my understanding, has no ICRC oversight, our current re-use water. It is the most expensive recycled water in the company that I can find.

UNIDENTIFIED SPEAKER: Is the Royal Canberra Golf Club covered in your - - -

MR REES: Royal Canberra struck a deal many years ago, and draws from the lake, a very different charge to everyone else.

UNIDENTIFIED SPEAKER: Can you give an indication of what that charge is?

MR REES: I don't know it off the top of my head, but it is very low.

UNIDENTIFIED SPEAKER: Yes.

MR REES: Very, very low.

UNIDENTIFIED SPEAKER: (indistinct)

MR REES: Yes, I - I'm not sure. I actually don't know the quote, but - - -

UNIDENTIFIED SPEAKER: (indistinct)

MR REES: Sorry?

UNIDENTIFIED SPEAKER: (indistinct)

MR REES: I don't know. I don't know the end figure, but it is very different to everyone else. It sits - it's an anomaly in the equation.

MR DWYER: It's not an anomaly, it's history.

MR REES: Yes, indeed, indeed. Been moved, been moved, Frank, yes, that's right.

MR DWYER: (indistinct) had the land where the lake is now, and the quid pro quo was they got water supplied when the land was surrendered.

MR REES: Indeed, indeed.

MR DIMASI: Thanks, Gwyn. Look, we do have to give - we've got to give everyone else a chance, so if we can move on?

MR REES: Sure, no worries.

MR DIMASI: Thank you very much. All right, we have Mr Kevin Cox, who's asked to be able to make a statement.

MR COX: I'm representing a new organisation that's just been formed called ACT Water Rewards Co-op, to which everyone who drinks or uses Canberra water is invited to join.

The ICRC says its tariff review recommendations are to make Icon Water economically efficient. Part of the definition of economic efficiency that I found was that when an economy is economically efficient, any change made to assist one entity would not harm another.

The ICRC recommendations and a regulated environment do not achieve the stated goal of economic efficiency as reducing the price of water to large users of water at the expense of increasing the price to households harms households.

The ICRC has a very difficult job using market principles to establish prices, as there is no market, and the price elasticity of water is very low. The price of water has little effect on demand. It really does have little effect on demand.

ACT residents reduced consumption of water not due to the price increase, but because they did the right thing by the community. To now increase the price of water to ACT households because they have changed their behaviour during the drought and not reverted to their previous patterns of consumption I would suggest is a bit perverse.

If the objective of the ICRC is for ICON Water to increase sales of water, then dropping the prices for household and encouraging Canberrans to consume water is another way to achieve higher consumption. But we know that that would work against the idea of having a long-term sustainable water supply.

ACT residents have come to terms with the current price structure, but they should gain some benefit from the extra profits made by Icon Water. Icon Water is making extra profits. It could take the form of lower prices or, as with ACT Water Rewards, it takes the form of a secure investment for household savings while increasing Icon Water profits.

In a regulated market, another measure of economic efficiency is to supply the same amount of water at a lower cost. If we look at the costs of Icon Water, one third, over one third of the costs, are actually in interest expenses and in depreciation. This is 38 percent, actually, of the income, and close to the costs of employment and operating costs.

If we reduce the financial costs, we can make Icon Water economically efficient without harming anyone. In my submission that I made, more detailed submission I made, I outlined how we can reduce these costs to near zero. Sounds impossible, but it is possible.

Reducing these costs increases economic efficiency without any change to prices. I'm on a community consultative forum run by Icon Water, and we have sat through two long sessions where Icon Water presented variations on the ICRC proposals and asked for our comments and what we thought were the best variations.

No variations on the ICRC recommendations that Icon Water came up with were, I thought, acceptable, because they're just not economically efficient, according to the definition. Water Rewards is a radical proposal, and so Icon Water made a suggestion that we try to gauge community support for Water Rewards. Accordingly, along with Seachange, we are forming the ACT Water Rewards Co-operative to propose to the ACT Government that they - essentially what we do is to replace bank loans with water rewards loans from the ACT Water Rewards Co-operative.

To deploy Water Rewards, the ACT Government only needs to give permission for the ACT Water Reward Co-op to provide them with money, to Icon Water, and for Icon Water to give discounts to water users when they pay their water invoices using water rewards.

ACT Water Rewards Co-op recommends that water rewards loans replace existing Icon Water interest bearing debt. Doing this will increase Icon Water's profits by $120 million in the first full year of operation. The approach requires no changes, no changes to the Icon Water - the way in which Icon Water operates. It can be built and operated with no cost to the ACT Government or to Icon Water. A small transaction fee, like on all money transactions that we pay now, will cover all ACT Water Rewards Co-op costs.

Members of the ACT Water Rewards Co-op is open to all people who consume Icon water. Each member will, on average - we intend to initially receive a free right to buy water rewards for an estimated cash value of $1,000.

The cost of the discount to Water Rewards holder is whatever makes Water Rewards an attractive investment. The reason is that the cost of the discount is borne by the same group, the consumers, who obtain the benefit from Water Rewards.

We have set it at an inflation-adjusted 10 percent discount per annum so that the discount rate makes it a very attractive investment. It is recommended the ICRC support the introduction of Water Rewards as it also provides a way for Icon Water to fund alternative sources of water for large water consumers and clubs. Icon Water can raise more money through the community to build this extra infrastructure we need to use non-potable water.

We'll be holding a public meeting next Tuesday, and - I forget where it is, but people can contact me later or I can give them a place where they can go and register to express their interest.

MR DIMASI: Thanks, Mr Cox. All right, we've got - thank you. We've got Mr Peter Sutherland from ACAT.

MR SUTHERLAND: Okay, ACAT. ACAT is the ACT Civil and Administrative Tribunal, and our role in this area is essentially as what's called the Water Ombudsman, or Energy and Water Ombudsman in the other states and territories.

We're not in fact an ombudsman, we are a tribunal, but our methodology is very similar to the ombudsman, and essentially we deal with complaints against the water utility, and also we deal with issues of hardship when people are unable to pay their bills, or in some cases unable to pay for the cost of actually stopping leaks.

So ACAT's experience is around - essentially around hardship and around complaints, and the complaints are mostly around the issue of high bills and leakages.

We've been in the game for a long time, through predecessor organisations. We started in 2001. And I have to say that I've got strong personal opinions in this area which I've got to try to not so much put on the table because I'm here speaking for the Tribunal, and when I say things that are slightly rude, they're actually personal opinions, not the

Tribunal.

The Tribunal is mostly concerned with the issue of hardship and protecting low income consumers in Canberra in relation to their water and energy bills. The - it's important to note that the objectives of the ICRC, right through the objectives, are quite explicit, requiring the Commission to consider both social considerations and environmental considerations, and you can look at the objectives, you can look at the overarching objectives, you can look at the additional considerations. It's fundamentally there in the front, there is - and it was actually - I was pleased to see it in the slide. There needs to be a balancing of economic considerations, social considerations, and environmental considerations, and the ICRC's role is to do that balance, not to give primacy to the economic issues.

Now, I've got a long history in this, and I can see a cycle. When I first got involved in this game around about the turn of the century, we had a - what was called, I think, the water rates, and then we had a thing called excess consumption, which was a small amount of money for consumption above a quite high amount.

Now, the economists at the time were saying this is inefficient, it's not giving the right price signals, and we transformed to a situation of a water supply fee and then consumption charges that were considerably higher and started earlier so that - or started from the first kilolitre, the first litre used, so that pricing signals were being passed through to consumers.

For those who've got long memories, the original tiers were in fact three tiers, I think from memory. It was up to 100, which was a very low price, about 50 cents, then it was between 100 and 300 priced to about $1 something, and then over 300 it was about $1.50, $1.60. I've got the figures somewhere. And really the conception there was the 50 was really very, very bottom level of a household use. You don't see many households, except in apartments, which will go below 50. 100, I'm sorry. The 100 to 300 represents essentially the range of average typical household uses, and above 300 you're moving into commercial and industrial and government.

And those prices - that was the - that whole change was delivered by - was pushed by the economists, but was actually, I think, welcomed by the community because there was a recognition that we had to change our approach to water in the territory.

Now, this was - this movement - or this was stimulated by the millennium drought, but it far preceded that. There's not a causal relationship between the current tiered system and the millennium drought. What happened in the millennium drought is that - and I don't think it was actually linked to the drought. It was further refinements by the ICRC. They moved to a two tier structure at, I think, 200 k and then above 200 k, and the pricing was, you know, the sort of $2, $4, moving up to about $255 that we have now.

And accompanying that change at that time, which I think is probably around about 2009, 2010, perhaps - so it's sort of early in the drought, I think, rather than there's a causal effect, they also - the ICRC also changed the pricing of the tier 1 so that it was based on a quarterly usage rather than an average usage. It continued to describe the tier 1 price as an annual price, namely the price for 200 litres, but in fact the charging was done on every quarter.

And the typical household in Canberra uses perhaps 40 in winter and 60 in summer, so that what you're getting is an average which is not - they're using 1,000, but in fact they're paying the tier 2, quite substantial tier 2, during the summer months.

And one of the things that the ACAT has consistently said to the ICRC ever since that day, that that's unfair, that really you need to move to quarterly pricing and be upfront about what the tier 1 is, or you need to have ACTEW actually - Icon, sorry, readjust its pricing to do a balancing at the end of the year. They say they can't do it for systems reasons. They've kept saying that, but that's not a good reason for wrong policy.

Coming to the issue, language is important in this game, and just out of the slides, the word - I think it was the word "reform" was used. See, I've - first one was "improve the price signal for usage". I don't think that's a correct categorisation. It's "change the price signal". It's not improving it. Improving it is very much a value judgement about how price signals should be determined.

I personally think the current price signals are right. It's personal. But I don't think you can simply characterise a change, a move to - from usage to supply as an improvement. It's a value judgement. And you used a similar word there where you talked about - it was a word, "the blunt instrument", I think.

You talked about reform. I don't think reform's the right word. It's change. Now, change is not bad or - you know, it is change. But reform is a perspective, which - you know, I think, and this is a contested issue.

That's probably enough history. What I wanted to talk to you is that in the end we've got - ACAT's got some generally formed policy positions. One is that we do support the conservation, the move towards conservation of water in the Territory. Looking back at the gardens, some people are nostalgic about the English gardens we had last century, but really, I think it's fantastic the way our community has transformed to a low water usage community without losing a lot of our bush values.

UNIDENTIFIED SPEAKER: It's only because of (indistinct).

MR SUTHERLAND: No. We transformed because of pricing and the response to the millennium drought in a whole lot of ways. And I think the Commission's right when they say that I don't think that behaviour's going to go back. But I think just as a value, that we probably should be rewarding conservation rather than encouraging now, essentially, large users to stop any sort of investment in water conservation measures and go back to the old days of simply using it at a marginal price.

We're strongly in favour of keeping the tiers. There are arguments about who the tier 1 helps. Essentially it's helping all households. We've got to remember in the water game that only owner-occupiers pay water directly to Icon. This is a debate that leads to private tenants and public tenants right outside the door. So we're talking home owners here. And the home owner group that's in most poverty in Canberra - there's two groups really. One is older people on aged pensions who have done their working life, they've accumulated - they've actually managed to buy the house in the 60s and 70s and 80s when houses were possible, and now they're living in the house on a pension.

Now, they have a struggle, but mostly they are very frugal, in my experience. The other group is the group who have come into home ownership but are stretched financially. Often they come into home ownership because of family breakdown, sometimes gifting of a house from parents. On disability support pension or on an aged pension or on a low income it can be very hard to maintain a house, particularly when the infrastructure starts - the leaks start, the - you know, just the cost of getting a plumber makes it very hard to address a water leak that ends up being three to five hundred dollars a quarter, moving up to $1,000 a quarter. Just the inability to spend $250 on a plumber to fix the leaking toilet.

I don't know where I got there, but that's the profile of who we're dealing with. Tenants are a different issue. We're in favour of the tier. It actually works so that each household gets a minimum allowance at a reasonable price. Yes, some low income households are bigger and will use more than that, but my experience is it tends to be because of factors like inability or educational issues around leaks and so on, or efficiency behaviour, that's why that happens.

The ones who are really in a tight spot are often the home owners who have got adult children or teenagers at home who just simply don't do the right thing by their parents who are the ones who pay the bills.

So the final thing is the supply fee. We think the supply fee should be kept fairly low, certainly not moving in the range that the Commission is suggesting. I think there's room for some re-balancing, but not of the order of magnitude that the Commission's proposing. Essentially it's a transfer of wealth or of savings in favour of the large user sector against apartment owners, is what is actually happening. I think the changes will become fairly - well, relatively neutral for detached owners, but - home owners in detached houses, but it's apartment owners that will be really paying the real cost of this sort of transformation.

I'd suggest that - the Commission raised options A and B. I don't think either A or B are really suitable. I think there is a C, which I would probably put option B in terms of the supply increases over the years, but maintaining it to two tier. Possibly the lower tier at the marginal cost. So it's dropping tier one, and then having tier two really being the balancer for the revenue needs of Icon.

And about the supply fee, I just need to drop in that we have to look at Icon as a government-owned monopoly business. Yes, the supply fee is only a small proportion of their water revenue, but on the sewerage side they get the whole amount up front, 100 percent, or one month's delay, so that they actually do have a cash flow - a significant cash flow positive from their sewerage business, and I think you've got to look at the business of Icon Water overall, and not simply isolate out the water and the sewerage and treat them as two completely separate and not interlinking financial - am I right there, aren't I? Like, if you took in the cash flow, it would have to be they're getting about 40 to 50 percent up front, when you include in the sewerage fee.

MR DIMASI: We'll have a look at the figures.

MR SUTHERLAND: Yes, but you know, the sewerage rates are around about - what was it? 400, 500 a year and - I've got the figures here, actually. But the sewerage rate is at least three or four times the water supply fee, and it's coming up front.

MR DIMASI: Yes.

MR SUTHERLAND: So just - those are the points that I primarily wanted to make, and then just end with renters, because they are important, but they're outside the remit of our Tribunal, because we only deal with customers. Our Tribunal does deal with the renters, though, when we put on our Residential Tenancy hat, because tenants pay for the usage only and not the supply fee. That's under the legislation.

Now you might say, "Oh, that's a good argument for tenants to support this change." I suggest probably not, that what we need to do with tenants is to move tenants into accessing the concession structure which they currently can't access, and I would say there's no - they have no protections through poverty. And the second is there's a very simple legislative fix, which is for example implemented in Queensland, where owners cannot pass through the costs of water to tenants, costs of consumption of water, unless they have water efficient appliances above a certain level.

And I think that's a good policy approach, and it's one that we can achieve in the territory in the next few years, I believe. Public tenants are a difficult area because in the end the public utility pays, the housing authority pays. Okay, thank you.

MR DIMASI: Thanks very much. Thanks for those comments. We've got Terry Dwyer.

MR DWYER: I've been involved in this debate for many years, and I thought I'd start by first of all paying a tribute to Greg O'Reagan, who was buried yesterday, who was a former Secretary of Water, our garden city.

But I'd like to point out where we've been and where we are now. In about 1989-90 we paid about $797 in fixed charge and usage charges for 1,297 kilolitres for a husband, wife, four children and a garden. The same amount of water would now cost us about $7,030 - over $7,000. If you work it out, that's about an 11.2 or 3 times increase. If that's productivity and management and supply of water, then I'm on another planet.

I want to point out to you and remind you that the ACT water system was designed for 450,000 people at 1960s levels of consumption. Per capita water consumption now is about one fifth of what it was in the 1950s. People have no idea as to how their living standards have declined in this respect. They have no idea how things that used to be taken as the normal and natural thing of turning on a sprinkler for kids to play outside on a hot day so mum could relax inside and people could cool off has gone by the board.

I remember, in fact, the excess water charges only applied after 450 kilolitres when I first came to Canberra, so in fact that was meant - meant that most people didn't pay any excess water charges. How then was it financed? Very simply. The ACT was set up as a land tenure colony. The whole idea was the leasehold system would pay for it. What was being sold to people who came here were serviced blocks of land. The costs of water and its supply and reticulation were embedded in the cost you paid for buying your leasehold, your serviced block of land, and the costs of maintaining it, the ongoing costs of maintaining it or augmenting it, would be covered by rates or land rental payments.

Gorton froze the land rental payments in the 1970s, but we still had fixed charges. What people don't realise is that Australia was decades ahead of American economists. What Hotelling and Vickery were talking about in the papers referred to by ICRC we had already been doing since the early 1900s.

In 1906, Sir Joseph Carruthers pioneered the introduction of land value rating into New South Wales to avoid taxing buildings and to make sure that land which was serviced paid for the costs of services which added to its value.

Imagine how much the Canberra centre would be if there were no supply of water to it. Basically the supply of water and its ability to supply adds value to the land, and the tragedy of Australian water policy is in 1992 the Industry Commission totally stuffed this up in its inquiry into water supply, and they put in one footnote which gave away the story.

They said, "Oh, of course, if we increased usage charges and took away land rates, of course the land rates taken away would be capitalised in higher land values, so in fact people would get no benefit." But they didn't understand that what they were looking at is a perfect two-part tariff. The optimal system is short run marginal cost, but as the Commission quite rightly observes now, if you have short run marginal cost as your uniform pricing signal on usage you will have a deficit on infrastructure, and everybody says, "Oh, shock horror, how do we recover it? We have to tax people."

Bullshit. You don't have to tax anyone. Just recover it from the land rates the way we used to, because what you are providing is the availability of water to the landholder. If you said to the landholder, "How much is it worth to you if we turn off - cut off the mains and refuse to service your land?" you'd get a very interesting answer. Do people really want to dig wells or go down the street to get buckets and truck it up to their homes in the back of their cars? Of course not.

So it's the value of the benefit conferred on the land which provides the natural mechanism for recovering the fixed costs of the infrastructure. So Hotelling actually recognised that and in fact he suggested, if you read that article which is cited there, he actually suggested land rating. He does mention it.

And Vickery was a considerable supporter of land value rating, and of course some of his insights were developed by Stiglitz in what's called the Henry George Theorem about the optimality of expanding services in an optimal city on the basis of land rating to cope to - in order to enable short run marginal cost pricing.

Now, what I find interesting about this is the ACT Government is quite rightly getting rid of stamp duty and moving to higher rates to finance public services efficiently and get rid of distortions. Why not do the same thing with water pricing?

I would like to point out another thing. In terms of short run marginal cost, the water abstraction charge is an arbitrary tax. It's not a genuine cost of supply, because it's set without reference to what farmers or anyone else would pay downstream. In fact, we give away a hell of a lot of our water downstream for free to farmers and we don't charge Adelaide for it. Maybe if we're going to talk about cost recovery we should be charging Adelaide for what they pull out of the Murray Darling, but that's a long story and I don't want to start a civil war.

But if you're going to talk about the optimal taxation and optimal revenue raising, I suggest you go back to what Adam Smith pointed out over 200 years ago, that the management of a large country is like the government of a great estate, where each of the tenants is expected to pay in proportion to his interest in the estate, and that leads naturally to the idea of land value rating.

So we don't need to reinvent all this. It has been done. Sir Joseph Carruthers worked it out in 1906 and was very proud of his achievement with local government rating. The founding fathers of the Federation were very keen on this subject. Sir John Quick was a very keen land nationaliser from Victoria. Sir George Pearce, after whom my suburb is named, was very keen on the Territory's land tenure system, and the whole idea was this would be a self-supporting, self-maintaining city because it would all be funded through the land rents collected by the government, which would be ploughed back into public works, which would then be available for free enjoyment.

Just as we do not - let me put it this way. When you walk out of here and go to shop in the Canberra Centre, do you see a toll booth at the escalator, somebody charging you a fee to go up the floor? Of course not. It’s provided free of charge. It’s there for people to use. Why? Because the landlord knows the provision of those common services adds value to the rents he’s able to charge and collect.

The similar principle was designed - was meant to be what Canberra was designed on, and so the whole system of a tax-free environment without distorting charges was at the heart of the foundation of this city, and it was meant to be a garden city, and I mourn the destruction.

On that note, I’ve chopped down one tree on my block since the drought. Two are dying and they’ll be chopped down. And I have no intention of ever watering my garden again. The irrigation system has been stranded and unused for 10 years and the only thing that’s kept it going is water, but as I say to people, God is far more generous than the ACT Government.

MR DIMASI: Thank you for that. Look, the last of our scheduled presenters is Ian Falconer. And again, if I could ask keep our comments relatively brief, and then we’ll hope to have a bit of time for everyone else to make a comment.

MR FALCONER: My name’s Ian Falconer. I’m a board member of the Conservation Council of the ACT, and a water quality consultant. I’ve been involved in the issue of water resources in the ACT and water quality in the ACT for about two decades now, and was a participant in the discussions which resulted in the large capital investments in the ACT to improve out water resource capability by the Googong Pipeline, the new dam, and upgrading the Stromlo Treatment Plant to handle water coming out of the Murrumbidgee. So I’ve got a lot of background in terms of the actual usage of water in the ACT.

When the last revision of the tariffs was done extensively by the ICRC, the Conservation Council and ACOSS got together to put up the structure which is essentially in place now. That is, we felt that it was essential that the basic population would be able to have their water at a relatively modest fixed charge, that the amount of water used by an ordinary household in an ordinary year would be available at an essentially basic cost and no profitability associated with it, but that users that were using more water than that should be able to meet the cost of the additional water use, as a consequence of which the rate per unit of water used was about double, and of course there was no actual limit on the total amount used.

The proposals which have come forward now and which have been discussed in my view are highly detrimental, the reason being that they counter two major facets of water resource policy. The first one is that, partly as a consequence of the drought and partly as a consequence of the circumstances in Australia as a whole, the ACT has put a huge amount of resources and investment into cutting down water use by people.

The ACT has paid for low flow caps, low flow showerheads, dual flush toilets, rainwater tanks. All these things are designed for and have been very successful in reducing the water use by ordinary ACT households, and most of the ACT households are using very modest quantities of water now compared to what they did before.

The ACT is now locked into, through the Murray Darling Basin Plan, an allocation of water called a sustainable diversion limit, which is for possible urban water use, and 40.5 gigalitres a year. This is okay. But there is no expansion in it for increased population. None whatsoever. It’s absolutely locked.

UNIDENTIFIED SPEAKER: It’s absolutely ridiculous.

MR FALCONER: I know it’s ridiculous, and I argued it with the Murray Darling Basin Authority at the time when they were putting it up, but the states in general don’t favour the ACT very much, and they locked us into a fixed allocation of water forever.

Now, the consequence of this is that we can’t afford to relax our continuously somewhat parsimonious use of water in the ACT. It’s a question of the population going up inevitability, even when we’re conserving water as carefully as we can, the water use will go up in population proportion, it’s bound to, and will hit this 40 gigalitres of net water use.

The only way we’ll be able to get round it is actually to buy water off New South Wales irrigators for real money.

UNIDENTIFIED SPEAKER: Or turn off the environmental flows and tell them to get stuffed.

MR FALCONER: The whole thing is an arguable construct of - the whole thing is, including the price structures. But we’ve got to have price structures, because the utility spends money, and its running costs are appreciable.

Now, what I think personally is that having an ever-decreasing price of bulk water use is totally contrary to everything we've been doing about the last 15 years in terms of controlling water use in the ACT, and in the long run it's a recipe for disaster.

That's half of it. The other half of it is the socio-economic impacts. And the point about the low base rate and the multi-tiered structures was that the ordinary household at the lower end of the socio-economic scale was not being whacked over the head for water utility charges which have to be met by somebody. And the feeling was that they should be met by the higher end users, whether they're commercial users, whether they're the clubs, and whether they're the government itself. Somebody's got to pay for it, because Icon Water is a totally owned public company. The two shareholders are the government. And it makes a fairly generous profit.

Now, quite obviously it's got to continue to make a reasonable profit, and it's got to continue to repay its loans, but it shouldn't be at the expense of the poorer section of our community, and I and the Conservation Council are quite against the general high level principles embodied in your tariff structure. Thank you.

MR DIMASI: Thank you. All right, look, that's the best of people who had asked to make a statement. Is there anyone else who would like to make a comment? Please. Again, if you can please tell us who you are, just so we have for the transcript.

ASSISTANT: (indistinct) and once you've completed your question and your statement, if you'd just fill your name, just for the transcription purposes, so - - -

MR PARKIN: Hello? David Parkin. Just looking through ICON's last few years, 14-15 annual report, you know, it appears that there's a $1.5 billion borrowings that they've got to be paying back, but the (indistinct) goes back to $80 million, I think. It's hard looking through all the numbers. But you're looking at about, you know, between $60 and $80 million paying back on that loan.

Now, surely - I don't understand where that $1.5 billion loan that's in the borrowings came from. I know we've got the dam, but I don't know who paid for that in the end. So if that was reduced down to - try to remove that borrowing, then sort of we've got a huge amount of cash flow which is equivalent to about 20 percent of their income going into servicing the loan, so I think someone needs to start looking at reducing that - the borrowings, for one of the things.

I think sort of in your report and sort of the 40 year water security - you know, I think maybe 10 year water security, because then you kick on other parts of it in the report, say, you know, well, we might have to put the water up for some other reason or whatever, so I think make up your mind, basically. There's water security or there's not.

The other points - - -

MR DIMASI: If I could tell you when it's going to rain, I'd give you a specific date, but - - -

MR PARKIN: No. That'd be great. 10 years definitely. 40 years is stretching it a bit but, you know, at least we've got some water security now. We also pay obviously a fairly decent dividend back to the ACT Government that - through the profit of Icon Water, which probably needs to be looked at as well, plus the borrowings.

Also probably - I use 70 kilolitres a year, so - in a household, which I'm a low user, so under the current structure it has been suggested that I'd be sort of basically paying an extra $500 a year for no benefit at all, and as someone else has pointed out, that unit holders are going to be really put into the $500 - if it goes ahead, of course, straight away basically every unit holder's going to be put into the $500 increase, which I think is a bit unfair.

And also probably my last point is the sewerage. I don't understand why Icon or yourselves cannot sit down and work out how to do a better job of sewerage charging. Basically, I - a single person household. My neighbours have five people. We both pay the same amount of sewerage, which obviously is not - you know, user pays just doesn't equate, so I think you really do need to look at the sewerage pricing.

Maybe - you know, I don't say it's going to be easy, because people do have water tanks and - yes, so all those equations have to be sort of - inputs have to be put into the equation, so it's not an easy task, I accept that, but it really should be looked at. Anyway, thank you.

MR DIMASI: Right. Look, thanks for your comments. Look, can I just reiterate one thing? Many of the issues that you raise, and some of the comments that have come about, probably are relevant to the review that we're going to be doing next year when we are looking at the actual costs of - Icon's costs and efficient costs and what prices should be.

This review, as I've said at the start, is about the structure only. It's - and the numbers that we provide in the draft report, they say indicative, based on what we know now, which is why I hesitated repeating them, because you know, that - we will be doing a full review of Icon's costs and any proposals for charges as part of our tariff review, which happens five yearly.

So many of the issues that are coming up - and I know it's hard to separate them - relate to that. But anyway. Thank you for your comments.

DR KLUGMAN: Can I have a say?

MR DIMASI: Yes, please.

DR KLUGMAN: Chris Klugman. First of all a basic point. This forum was very poorly advertised and very hard to find. Can I request that please next time if you're reviewing prices next year that you put a public ad in the Canberra Times and in the social media, hopefully, to say that it's on, and people can come and have their views known?

It seems the reasons for the change was that the large users are leaving the system. There's an economic bypass, is the term that you used. The solution seems to be to up the fixed price and down the usage so that nobody escapes. This seems to me to hit the poor. I noticed what the ACT Government's submission was, and the economically disadvantaged will be further disadvantaged.

There's no cognisance at all in any of the stuff that I've read about the garden city, the fact that this is a garden city, that we value and prize it as a garden city. It talked about social and economic impacts. If Icon is a government owned organisation, it has community service obligations, and part of those are keeping the environment that we love in Canberra.

There's no recognition of this whatever in any of the stuff that Icon puts out, and I think that's deplorable. Thank you.

MR DIMASI: Thanks for your comment. I believe there was an ad in the Canberra Times, by the way, for the forum.

DR KLUGMAN: Sorry?

MR DIMASI: I believe there was an ad in the Canberra Times for the forum. But thank you for your comments. Sorry, just to give anyone else a chance first.

MR BROMHEAD: Yeah. John Bromhead. I'm just a householder that has fairly moderate - not 70, but fairly moderate inside water use, and because it's been mentioned that we get charged quarterly, I end up paying - I end up not getting the benefit of about 50 kilolitres of tier 1 water, because the way the charging seems to happen I get charged virtually season by season, so my inside water use can be as low as 45 for two - over the winter - the autumn/winter seasons, and well over 200 annually. And this has been mentioned already, and I think that it could be very easy to solve that problem, and I think it's an inequity that a household with regular water use of 200 should get full benefit of the tier 1 water, and because I choose to be a gardener and irrigate my garden, my choice of water use costs me, what, an extra $113.50 a year.

MR DIMASI: Thanks for the point. Any other questions or comments? Just over here?

MR PETHERBRIDGE: Hello? Gary Petherbridge is my name. I'm president of an owner's corporation - the Owner's Corporation Network, which represents owners and people who live in apartments, and I suppose that's moving towards 30 to 40 percent of the households in Canberra at this point, and I've heard quite a few comments about apartments, so you know, I think that's probably - certainly would be in your considerations, I would hope, that that group of householders needs to be considered as a group, and I'm not sure that that modelling is happening, but so I'd like to be - you know, feel that that was going to happen.

Certainly the ACAT gentleman raised it, and some others have raised it as well. But there's another aspect to this as well, and that's developers probably should be encouraged to start creating separate metering for water usage in these apartments, especially as we move towards mixed use, which is a major push by the government, because what happens now in a lot of cases is residential places will be mixed in with restaurants and various other bars and hotels and things and there's very little planning that ever happens with that, even to the extent that, you know, toilets are usually an afterthought, in terms of public access, but the overall separate metering of water for those different types of establishment is a major concern, and ACT Planning has been totally inadequate in looking to how that's done, and they certainly don't give any direction to developers.

Developers basically do what they want to do, and that is keep their costs as low as possible as they develop these places, so there's just some thoughts there that you might like to consider, some aspects.

MR DIMASI: Thank you. Anyone else?

MR McGUINESS: Yes. Ray McGuiness from Bowls ACT. The Clubs

ACT man brought into the meeting the situation as far as bowls are concerned, and I am responsible for the 29 greens in the ACT/Queanbeyan region, and it's quite amazing to see the efforts that the bowling clubs have gone to to conserve water usage.

But still, that is a variation and they - you know, if the conditions are - over the drought period it can be quite across the item as far as water usage or potable water is concerned, and I think that the industry is one of uncertainty as far as bowls is concerned, and it caters for about 8 or 9,000 people throughout the year, and a lot of it is a result of the charges associated with the keeping of the greens. Thank you very much.

MR DIMASI: Thank you. All right, we've got - I'll get I think Gwyn wants to respond, and then we've got Peter Sutherland back that wants to make a comment.

MR REES: I just wanted to expand on the situation that bowls are in, and the gentleman over there probably summarises some of the people that are involved with bowls in the ACT and still pay an important part.

And the bowls clubs in particular are under enormous amounts of cost pressures. Putting the water issue aside, you know, rates are another issue that was a bit of a, you know, a hot topic, you know, pre-election. Certainly the Canberra community voted for rates, but you know, the maintenance of those facilities are not cheap. Using the Canberra Bowling Club, which I know quite well, as an example, you know, their turnover a year is about $400,000. They're predominantly run by volunteers. They have the capacity to employ a full-time staff member, a part-time staff member and a casual, but often these bowls clubs are a labour of love, and you know, a 15, $20,000 water bill is a big deal, so being able to get into a situation where, like other Australian jurisdictions, where again I said it is the rule rather than the exception where community facilities like bowls clubs are recognised, would be a great position to get to.

MR DIMASI: Thank you.

MR SUTHERLAND: Peter Sutherland here, further comment. I just wanted to take up one further issue that you mentioned in passing in your draft report, the issue of capacity charging in a supply fee. I've thought about this more in relation to electricity and demand management, but it's possibly something that is worth exploring, that if you've got a very large pipe coming into your meter then your fixed fee actually reflects that available capacity, rather than usage, in the supply fee.

MR DIMASI: Yes, that's right.

MR SUTHERLAND: And it's certainly worth looking at, but I haven't thought it through in relation to water in the same way as I have with electricity.

MR DIMASI: Yes, yes, yes. Okay. Just at the back there?

MR COX: On another topic, one of the things that's quite interesting about being on this committee with the Icon Water is that most of us who know something about water actually didn't realise that Icon Water doesn't control all the water in the ACT. It is an anomaly, and particularly with all this stuff that's been going on now with the water - the catchment stuff. That's all got to be maintained. That's all got to be looked after. That's got to be kept ongoing.

And it would seem that putting Icon Water and that stuff together would be a sensible thing to do.

MR DIMASI: All right. I think we've got the last comment from Terry Dwyer.

MR DWYER: I just want to make a couple of comments about units. If you have a land value rating system, you do have more valuable land plots where there are units, but of course you've got many more people sharing it, so they're not savagely treated, which they would be if you just apply the same supply charge to all of them, and I gather that seems to be a quick and easy revenue raiser, but in fact it's pretty arbitrary to dish out, say, twenty supply charge assessments against people on one spot versus the next door neighbour on a similar plot, but of course his plot will be less valuable if it's not zoned as units. So in fact the land value rating system is quite sensitive to that sort of thing.

It's also like to make another comment about scarcity. The ACT is actually water rich relative to its needs. I mean, about 96 per cent of water that flows and falls into the ACT is sent on downstream. All of our water virtually is sent back into the catchment, unlike Adelaide, which is not even in the damn Murray Darling Basin, and yet yanks water out of it, and if the states are so concerned about - or people in South Australia are so concerned about water scarcity, I suggest we write to them and say that it's not necessary for them to take it out of the basin, and nor is it necessary for them to maintain a huge artificial fresh water lake at the mouth of the Murray Darling which is a totally unnatural system.

So I don't think that we should accept the 40.5 as a barrier. I mean, we were literally sold down the river by our government in that, and in any case, as a constraint it's not binding because the price that farmers and others pay is so cheap we could easily buy water in larger amounts by buying it back anyway.

So even though we were done over, it's not irretrievable. But I do want to point out that basically our usage of our water resources is pretty minimal, really.

MR DIMASI: All right. Well, as we can see, this is broadening into - as you'd expect, into a broader conversation about water in the Federation. But, look, thank you all. There's been a broad range of comments, and we certainly have heard all those comments. Our job, at the end of the day, is to come up with some guidance to balance the various objectives that we have to - that we've got to have guidance to, and to do that, and to then apply it in the water tariff review next year, where the real action happens.

But certainly we - as I've said, I've said now many times, we are very keen to hear what the community has had to say. We've heard you tonight, and we've got a report of it, and the comments that we've picked up and the submissions that we've got, we'll certainly pay attention to them in our final report.

Thank you very much all for attending and thank you all for your comments.

HEARING CONCLUDED AT 6.21 PM