



**Comment
on the ICRC's Water
and Wastewater
Annual Price Reset**

March 2006

INTRODUCTION

ACTCOSS acknowledges that modern day Canberra has been built on the traditional lands of the Ngunnawal people. We pay our respects to their elders and recognise the displacement and disadvantage they have suffered since European settlement. ACTCOSS celebrates the Ngunnawal's living culture and valuable contribution to the ACT community.

The ACT Council of Social Service Inc. (ACTCOSS) is the peak representative body for not-for-profit community organisations, people living with disadvantage, and low-income citizens of the Territory. ACTCOSS is a member of the nationwide COSS network, made up of each of the state Councils and the national body, the Australian Council of Social Service (ACOSS).

ACTCOSS' objectives are representation of people living with disadvantage, the promotion of equitable social policy, and the development of a professional, cohesive and effective community sector.

The membership of the Council includes the majority of community based service providers in the social welfare area, a range of community associations and networks, self-help and consumer groups and interested individuals.

ACTCOSS receives funding from the Community Services Program (CSP) which is funded by the ACT Government.

ACTCOSS advises that this document may be publicly distributed, including by placing a copy on our website.

Equitable cost resetting

ACTCOSS notes that, for an average household, water costs have risen by nearly 13% over the past two years. For consumers on low and fixed incomes, wage rates have not increased at a comparative rate. For income support recipients, the increase in wages has been CPI (around 8%) over the same period. As the Essential Services Consumer Council pointed out in its 2003-04 Annual Report, the cost of basic utilities is outstripping wage growth for low income households¹.

ACTCOSS therefore asks that the ICRC consider the impact of any price increase on low income households. Unfortunately it is impossible to gauge whether low income households are also low use households; however, we believe that a certain level of water consumption serves the public good and should therefore be provided at minimal cost. Low income households which are also on the upper scale of water use must be able to access relief through the ESCC, concessions and rebates.

It is therefore recommends that the following principles should guide any reset of prices for ACTEW:

- ❖ The fixed component of the water charges should continue to be reduced at a rate of \$5 each pricing announcement (currently \$75);
- ❖ First tier prices be kept stable, reflecting the minimum water requirements for households to maintain public health.
- ❖ All pass through costs be distributed on a 1:1.5 ratio between the second and third tiers;
- ❖ Remediation work in the catchment is the responsibility of the ACT Government and should be funded from the Water Abstraction Charge, either as a reimbursement to ACTEW, or by the Government accepting a lower dividend; and
- ❖ The cost of the pipeline augmentation should be passed through, but only in terms of the reasonable and efficient costs.

ACTCOSS again calls for the ACT Government's review of Community Service Orders, rebates and concessions to be made public. There is concern that current rebates and concessions are inadequate for low income households, while some concessions are no longer appropriate. For example, we believe that concessional water rates for schools and churches are poorly targeted in terms of achieving social goals. They may also work against water

¹ Essential Services Consumer Council Annual Report 2003–04, Page 220 "Hardship Systemic Issues". Annexed Report to The ACT Department Of Justice And Community Safety Annual Report 2003–04, Volume 1.

conservation by not providing the appropriate incentives to reduce water usage and maintain water-related infrastructure.

CONCLUSION

The ICRC has outlined that, in the worst of the drought restrictions there was a 20% reduction in water use in the ACT. The paper doesn't speculate whether that 20% has been recaptured since the easing of restrictions and what implications that reduction had on ACTEW's past profitability or future revenue potential. ACTCOSS would be interested in that information when the final decision on the pricing path is published.

ACTCOSS is pleased to provide this comment on the water and wastewater price reset. While we understand that there have been significant costs for ACTEW in ensuring water supply into the future, there are equity considerations in terms of how those costs are dealt with by the business. We trust that the ICRC will keep these considerations in mind when making its decision.