

Dear Mary Anne Hartley

Thank you for your letter dated 30 June.

The approach which we would prefer is one of having two way discussions with the panel as opposed to a detailed submission.

The concerns we have raised should be treated as discussion points.

Our current matters of concern are:

1. Reasons given for price increases and requests for increases over recent years
 - as a method of rationing water during drought
 - because of revenue lost during drought
 - because not enough water being used
 - because if ACTEW doesn't increase prices it will be technically insolvent

2. Concerns of undue and unnecessary influence of one person. The ACT Treasurer
 - is the joint shareholder, with the ACT Chief Minister, of ACTEW
 - has a say in the appointment in the ICRC commissioners
 - has a say in who ACTEW board and CEO are
 - refused to accept the ICRC pricing decision last year by refusing to amend the ACT budget by revising down receipts from ACTEW in the order of \$26ml
 - decided last year that a the auditor general should audit the ICRC pricing determination process, this could be interpreted as undue pressure on the ICRC
 - we understand, decided that ACTEW would request a review of the ICRC pricing determination
 - decided on the selection of the members of the industry experts to conduct the review. (We wish to make it clear that this statement is NOT a criticism of the review panel members in any way)
 - relies on drawing all profits from ACTEW to assist in funding the ACT Government budget and has even stated publicly that if the ICRC does not give ACTEW the price increases it requests then, words to the effect of, government services would be effected or the money would need to come from either tax increases or cuts to spending.

3. We are also concerned about ACTEW itself, those concerns being
 - the prudence in distributing all ACTEW profits to the ACT government and not building up reserves
 - ACTEW's level of debt which is approximately \$2 billion
 - ACTEW's trading being close to "whilst insolvent"

- given the currently historically low interest rates there would be the a serious effect of any small market increase in interest rates on ACTEW's ability to service its debt any significant increase in interest rates would probably be catastrophic
- ACTEW's ability to budget for major projects, such as the Cotter Dam, where the first mentioned figure was in the order \$165ml which ended up with a final cost in the order of \$410ml. See also gold plating below.
- even some of the smaller decisions by ACTEW are questionable, the change of name from ACTEW to ACTEW Water being a good example. This was supposedly to end the confusion between the different companies ACTEW and ACTEW/AGL. \$3million has been mentioned as the cost. The confusion between the two still exists, without being too pedantic the acronym ACTEW Water spelt out is ACT Electricity & Water Water. (even spellcheck has queried this...)
- the rewards for gold plating services to obtain better returns must be overlooked. The necessity and size of projects should be decided upon by the ICRC and taken into account in pricing decisions by the ICRC. Gold plating is being seen Australia wide in both water and electricity supply. The difference between the rate of return on assets and the borrowing costs has been a bonanza in revenue raising for both the utilities and governments. Much has been said on this topic, simply put it's a rort and it must cease.

Our view on how water pricing in the ACT should be calculated

ACTEW as a government (community) owned business should be regarded as a service provider and not a revenue raiser

- there should be no dividends or other returns to the ACT particularly whilst ACTEW is financially insecure. Debt levels should be at least half of the current ones if not less.
- Every resident of the ACT effectively guarantees ACTEW debt repayments through the ACT government. That guarantee enables ACTEW to borrow at very favourable rates of interest. Any perceived required rate of return in excess of the interest rates paid by ACTEW should go towards debt repayment or the building up of significant reserves to help insulate ACTEW against future adverse events.
- if the ACT government wants to continue with its water abstraction charge it should be billed separately by the ACT government, likewise for the utilities tax. To hide these taxes within water bills is cowardly and inappropriate. Openness and transparency should be of prime importance not just a lip service policy. Consumers have a right to know the split up between water price and government taxes.
- Water meters should be mandatory in all new dwellings, including units. Retrofitting should be encouraged where possible by financial incentives. Units now outnumber houses in new dwelling construction yet most do not have separate meters which act as a conservation tool.

Would you please advise the time and location of the hearing next week Friday 25 July.

Thank you for the opportunity to participate.

Yours sincerely

Peter Jansen
Committee Member
Ratepayers Association of the ACT Inc.

18 July 2014