

## **ACT Non-potable Water Review**

The stated Aim of the Review into ACT water costs for high-intensity club users of non-potable water is to investigate allowing ACT clubs to maintain operations whilst not requiring cross-subsidisation by other ACT water users. Basically this is about identifying water pricings and possibly rebates that might allow this to happen. Operations involve costs and water pricings could result in costs that make maintaining operations non-viable without some relief. This was shown recently when Federal Golf Club (FGC) nearly lost its grass and viability during drought because of high water costs, and Royal Canberra Golf Club (RCGC) its 19-27 holes due to limitations on water supply only available from Lake Burley Griffin. The high cost of recycled water (LMWQCC) has been a key factor in the Magpies Belconnen Golf Club giving up 9 holes to development and closing the whole course if these costs are not addressed.

Moreover, non-club water users and others are being cross-subsidised or provided rebates, for example:

- ACT rural (agricultural) irrigators on the basis of competition from neighbouring NSW irrigators who are able to get more affordable water from the Murrumbidgee;
- The Inner North Recycling Network (INRN) on the economically-appropriate basis of often non-market economic, environmental, health, and social benefits to society, as well as of reducing demand on potable water. These rationales apply equally to clubs, for example: Benefits which are Economic (e.g. Significant employment (see Golf Australia article in response to the Nikki Gemmell anti-golf, Clover Moore-supportive article in The Weekend Australian Magazine), and Flood and Stormwater control (Flood plain prone courses near rivers, creeks etc., and FGC capture of polluted stormwater before it enters lakes etc.)); Environmental (e.g. RCGC stewardship of the old Arboretum, Native Birds, and Wildlife); Health (e.g. Walking exercise); and Social (e.g. Social Bridge playing members, and subsidised Lessons for School children etc.); as well as any use of non-potable water would reduce demand on potable water. Clubs in some situations, like with the Yowani Golf Club and the INRN, could construct mini-Recycling Networks with similar non-market society benefits to the INRN which should be the basis for public rebates;
- ACT premises taking and storing rainwater which have moved from being banned to now allowed without a licence and with possible purchase rebates; and
- Other Government revenue streams (e.g. Rates can be lower for pensioners etc.).

Non-Potable water prices are said to be (generally) based on costs of supply (e.g. Potable price less Non-potable conversion costs?). However, ACT golf club subsidies or rebates, like the Market Equity Scheme (MES), could be justified on the same basis as those for ACT Irrigators because they face competition from neighbouring NSW clubs (ACT-Monaro District Golf Association covers both jurisdictions) with their lower costs (e.g. no charge for water stored on their own land). In terms of having a consistent interstate approach, the PC (2003) states “ In other areas, such as water pricing, defining water property rights, water trading (e.g. off irrigators from the cheapest option, a nearby NSW dam, through an ACT connection?), allocating water to the environment, and assigning financial risk for future changes in the allocation of water – a fragmented approach to reform is unlikely to deliver the broader economic and environmental benefits offered by a comprehensive national approach.”.

Current non-potable prices are suspiciously very rounded percentages of potable water prices (with a loose basis and little transparency) and are said to take into account different environmental costs and benefits, availability of the resource, and “scarcity” values, and are different between sources (Stormwater (INRN), Surface and Groundwater, and Recycled Water). It is not clear if the Australian government contribution of capital costs to the INRN is inappropriately being covered in ACT charges associated with recovering these costs and thus inappropriately raising costs and prices.

ACT water is expensive relative to NSW, for example, through aspects like “gold-plating” (this occurred when every option was applied around “drought proofing” the ACT, including the INRN, a higher Cotter River dam that flooded a heritage listed one, etc. rather than just the cheapest option, the NSW dam connection which has only been used once). These high water prices are increased by the Wage Price Index rather than the more appropriate water costs. Increases in prices were asked for, and questioned by the Ombudsman, when higher prices decreased demand, rather than cutting costs through structural adjustment. If water is an essential cost, and there is no demand response, then price increases are just a tax.

The Green pressure to close golf courses, mentioned above with the Nikki Gemmell article, incited an avalanche of critical responses with Letters to the Editor, a large number of which were published. These letters pointed out that golf clubs have a large number of beneficiaries, especially when non-member public players and the resurgence following Covid-19 are taken into account; that fees are affordable; that clubs employ a significant number of workers; and that young players, women etc. of all persuasions from schools etc. are welcomed and taught the game.

Finally, what is the opportunity cost of golf clubs and what alternative uses would their footprint have; more building development? The opportunity cost of golf clubs would be small when they take up a relatively small amount of open space of surrounding parklands where people are already able to exercise, as in the case with many ACT golf clubs like RCGC, FGC, Gungahlin Lakes (GL), Gold Creek (GC) etc.

The above points are restated in terms of responses to some of the Questions asked to be answered in the Discussion Paper:

2. Do these (non-potable infrastructure-related) infrastructure costs vary significantly from year to year?

Yes they do, for example whether there is a drought or not, and it would be worthwhile looking at Rural drought policies in terms of relief from these variable costs which could make Clubs, like rural properties, non-viable sometimes.

3. Is there capacity to expand non-potable water infrastructure at your club?

Yes, for example replacing current grasses with less water-demanding grasses but a Benefit Cost Analysis (BCA) of doing so on RCGC shows the Costs outweigh the Benefits (BCA of 0.6) so this should not be undertaken given the current economic parameters without some assistance.

6. Are there any other costs not identified in this Discussion Paper that should be considered as part of the Review?

Yes, the loss or depreciation of infrastructure such as grass when non-potable water is too expensive or unavailable with no alternative sources.

7. Does current assistance program – the MES – remain an appropriate form of assistance?

Yes, on the basis of the need for a National approach to water policy and that other ACT rate payers and entities are receiving assistance on the basis of equity, environmental, preservation/heritage and other non-market public benefits.

8. What other assistance measures could be considered in the future?

There are a number but an obvious one currently in limited use is Public payment for Public goods like the often non-market society economic, environmental, health and social benefits provided by ACT Clubs. Similarly, assistance on expanding non-potable infrastructure at clubs like mini recycling networks. Taking up NSW regulations like no charge for water stored on Clubs' own land would also assist their viability.

9. To what extent does the cost of providing non-potable water affect a club's viability in the short term or long term?

It can be a key factor, especially in certain situations like drought years, as shown in recent cases experienced by FGC, RCGC, Magpies Belconnen, etc.

11. Are there any examples of alternative arrangements from other jurisdictions that may be useful for consideration in the ACT?

Yes, and some from NSW are mentioned in the Discussion Paper like with NSW's policy of no charge for water stored on Clubs own land.

12. Are there other matters relating to the costs of supplying non-potable water for high intensity club users that ought to be considered in the Review?

Yes, for example the high cost of ACT potable water used as a basis for non-potable prices.

Yours sincerely

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### References

Golf Australia (2021), R. Morri, 22 February 2021

Productivity Commission PC (2003), Review of National Competition Policy Reforms

The Weekend Australian Magazine (2021), N. Gemmell, "Reclaim the fairways", 20-21 February 2021 (and Letters to the Editor 6-7 March 2021)