Cabinet Submissions & Decisions

15/684 - 15/704

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15/684 - 15/704

RESTRICTED -
Indexation of
Water Abstraction Charges
(WAC)

15/700CAB

ACT GOVERNMENT

Without submission **RESTRICTED – Indexation of Water Abstraction Charges (WAC)**

Decision No. 15/700/CAB

24 November 2015

1) Cabinet agreed:

   a) to options outlined in the Treasury brief on indexation of water abstraction charges; and

   b) to include the measure in the 2015-16 Budget Review for commencement on 1 July 2016.

Cabinet Secretary

Chief Minister, Treasury and Economic Development Directorate - Minister Barr

CMTEDD-EFG: Indexation of the Water Abstraction Charge (WAC) by 2 per cent per annum on an ongoing basis.

Government Priority: N/A
Election Commitment / Parliamentary Agreement: No
Type of initiative: Revenue
Minister's Ranking of Proposal: N/A

Brief Summary:

The WAC is a charge set by the government on users licensed to take (abstract) water for urban and non urban purposes in the ACT. The WAC raises approximately $30 million revenue per annum, however this is ultimately dependent on weather conditions which directly impact water usage.

The WAC was introduced in 1999 as a result of COAG reforms to the water industry to ensure water pricing reflects its true value. The Independent Competition and Regulatory Commission (ICRC) sets the ongoing price for water charged by Icon Water based on their costs of delivery. The WAC is an additional charge levied by the government to reflect the scarcity value of water and send a pricing signal to those licensed to abstract water.

In 2014-15, the WAC for urban use increased from 51 to 54 cents per kilolitre and the WAC for non-urban use increased from 25 to 26 cents per kilolitre. This represented about a five per cent increase and was the only increase in nearly 10 years. In 2015-16, the WAC for urban use increased further to 55 cents and the WAC for non-urban use increased to 26.5 per cent (a 2 per cent increase).

Indexing the WAC by two per cent annually, commencing in 2016-17, would raise the charge for urban water by about one cent per kilolitre per annum, and 0.5 cents per kilolitre per annum for non urban use, and yield additional revenue of around $6.3 million over the next four years.

The WAC has been challenged in the past in the High Court as being unconstitutional as a “tax” on water. Whilst the proponent did not win the case,

MINISTER'S POSITION

FUNDING

	2016-17 $'000	2017-18 $'000	2018-19 $'000	2019-20 $'000	Total $'000
Net Operating Impact	**565**	**1,265**	**1,865**	**2,565**	**6,260**
Expense	-	-	-	-	-
Capital	-	-	-	-	-
Depreciation	-	-	-	-	-
Revenue or Savings/Offsets	565	1,265	1,865	2,565	**6,260**
Staffing - Full Time Employees	0.0	0.0	0.0	0.0	

Treasury Assessment

The WAC is a relatively efficient way to raise additional revenue because the majority is collected by a single taxpayer, Icon Water, with the charge passed on to consumers. An annual two per cent increase in the WAC would increase the average consumer’s annual water bill by around $5 per year (and a total of $22 over four years) for a consumer that uses 200 kilolitres of water per year.

However, any increase to the WAC may attract criticism for adding to cost of living pressures, particularly in light of the five per cent increase in 2014-15 and the two per cent increase in 2015-16, and also the proposed increase in the UNFT which will also impact water prices.

The ACT is required to report annually to the Australian Competition and Consumer Commission on water charges, and this requirement places a check on the amount of additional revenue that may be collected through the WAC each year.

ACT golf clubs that abstract non-urban water are charged the WAC for the volume of non-urban water used each year. However their WAC amount is reduced by 50 per cent due to the Market Equity Scheme (MES) introduced in June 2014. The scheme recognises the importance of access to non potable water sources for golf course operations.

Furthermore, ACT golf clubs that have made or planned to make infrastructure investments (up until the end of 2015) to improve water efficiency may be eligible to offset any payable WAC against the investment until the end of 2020. The impact of indexing the WAC on ACT golf clubs would be minimal due to the reduced WAC payable under the MES and other offsets.

TREASURY RECOMMENDATION

FUNDING

	2016-17	2017-18	2018-19	2019-20	Total
Net Operating Impact	**565**	**1,265**	**1,865**	**2,565**	**6,260**
Expense	-	-	-	-	-
Capital	-	-	-	-	-
Depreciation	-	-	-	-	-
Revenue or Savings/Offsets	565	1,265	1,865	2,565	**6,260**

Coordinator-General Comments (Parking and Active Travel/Urban Renewal/Domestic Violence): N/A
Other Comments: N/A

Offset: N/A

Legislative Impacts: Yes, changes to the rate of the WAC can be implemented through the *Water Resources (Fees) Determination* .
Outcomes of Prior BCC Consideration: N/A
Treasury Contact Officer: Kathy Goth, Director of Economic and Financial Analysis, Economic and Financial Group