30 April 2021

Non-Potable Water Review
c/- Ms Nicole Wong
Economic and Financial Group
Chief Minister, Treasury and Economic Development Directorate
GPO Box 158
CANBERRA CITY, ACT, 2601

Dear Ms Wong,

NON-POTABLE WATER REVIEW

Golf NSW and the ACT-Monaro District Golf Association, the State and local representative sporting bodies for golf in NSW and the ACT are pleased to make our submission to the Review of Non-Potable water pricing for high intensity club users.

Both organisations applaud the commitment of the ACT Government to undertake this review and we welcome the opportunity to contribute in a meaningful way to the conduct of the review.

This submission has been developed in conjunction with and on behalf of the 10 golf clubs in the ACT that utilise non-potable water for course irrigation purposes.

Golf is one of the largest participation and community sports in Australia with more than one million participants nationally and an estimated 20,000 participants in the ACT.

In recent times, the critical role that golf plays in strengthening and connecting communities has been further evidenced through increased participation during the COVID pandemic. In the ACT there has been an increase of 24% in the total number of rounds played in 2019-2020.

The resultant annual community impact arising from the game of golf in the ACT is over $65.7 million annually.

We contend that the current pricing arrangement for access to and the use of non-potable water by golf clubs in the ACT is inappropriate and requires review. We further contend that the current arrangement fails to recognise the diverse and different requirements of ACT golf clubs, and further fails to recognise and adequately support those clubs who make significant financial investments to access, manage and efficiently utilise non-potable water.

We look forward to continuing to work with the Government and the ICRC as appropriate to determine a reasonable and sustainable pricing structure.

Stuart Fraser
Chief Executive Officer, Golf NSW

Garry Heald AM
President ACT-M District Golf Assoc

Attachment: Industry Submission: Golf NSW and ACT-Monaro District Golf Association

ACT Non-Potable Water Review

Golf NSW and ACT Monaro DGA

INDUSTRY SUBMISSION – APRIL 2021

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Background and Context

This Submission

This submission has been prepared by ACT Monaro District Golf Association and Golf NSW on behalf of the golf clubs in the ACT that are impacted by the non-potable water pricing framework.

The submission has been structured to address each of the key questions set out in the Discussion Paper. In addition, we have also provided a comprehensive evaluation of the benefits that golf clubs provide to the community, which we believe should be taken into consideration in the development of any future pricing framework.

In developing this submission the following process has been undertaken:

- Project Working Group established with key Golf NSW and ACT Monaro District Golf Association stakeholders to commence the development of a submission on behalf of the industry.
- Independent consultants, SBP (Sport Business Partners) appointed to assist in developing the submission.
- Primary and secondary research conducted with clubs and the sport.
- Key information and data inputs received from clubs (this data has been provided in aggregate, with specific examples provided where relevant).
- Development of a draft submission.
- Formal feedback and review process with clubs to identify any required changes to the submission.
- Consultation and engagement with Golf NSW and ACT Monaro District Golf Association.
- Submissions finalised and lodged.

It is important to note that each club involved in this submission has very different circumstances in regard to water usage arrangements and associated costs. Where relevant, this has been explained throughout the submission.

Context of this Review

The ACT Government has committed to undertaking a review into water costs for high-intensity club users of non-potable water. The ACT Treasury will lead the review, with the incorporation of specific advice from the Independent Competition and Regulatory Commission (ICRC).

The review will investigate and provide recommendations on whether:

- The current pricing framework for non-potable water is appropriate.
- Any adjustments can be made to the current framework.
- There are other arrangements that could achieve the desired outcomes, such as those adopted by other jurisdictions.

The aim is to allow clubs to maintain operations while not requiring cross-subsidisation from other ACT water users, and to provide independent recommendations on an optimal model. The emphasis of the review is on a fair and equitable system, which is a key part of the Terms of Reference.

About Us

Golf NSW is the peak representative body for the sport in the ACT and New South Wales. Golf NSW manages all aspects of the sport including course ratings, handicapping, high performance, development, participation, competitions and tournaments.

The ACT Monaro District Golf Association covers areas including the Southern Tablelands, Canberra and the Australian Capital Territory, the Monaro and Queanbeyan districts.

There are 10 golf clubs that are directly impacted by this review. These are: Magpies Belconnen Golf Club, Capital Public Golf Course, Fairbairn Golf Course, Federal Golf Club, Gold Creek Golf Club, Gungahlin Lakes Golf Club, Murrumbidgee Country Club, Royal Canberra Golf Club, Royal Military College Golf Club and Yowani Country Club.

Executive Summary

Key Findings

- Non-potable water usage and associated costs vary significantly across golf clubs in the ACT.
- The golf industry is already a proactive water manager, and golf clubs in the ACT have developed numerous strategies to reduce water usage and lessen the reliance on non-potable water extraction.
- The green infrastructure within golf clubs provides significant benefits including water filtration and purification, floodwater regulation and stormwater protection, carbon sequestration and landscape amenity.
- The current Water Abstraction Charge (WAC) for non-potable water results in golf clubs in the ACT paying significantly more for water usage than their counterparts in New South Wales (and other states).
- The current water pricing framework does not include treated effluent (recycled water), which costs $2.40 per kilolitre. This has a major impact on the ongoing viability of one club in particular, which has no real options to change to an alternative non-potable water source.
- The costs of operating and maintaining non-potable water infrastructure are significant, and the clubs involved in this submission spend on average approximately $24,000 per annum per club on the operations and maintenance of non-potable water infrastructure.
- Most golf clubs are not-for-profit entities and typically run a very marginal business. A minor shift in any expense line can have a significant impact on overall operations and ongoing viability of any club. This is consistent within the ACT and across the country, with many clubs in financial duress already.
- Any increase in non-potable water usage costs incurred by clubs directly impacts the financial viability of all clubs and will increase the cost to play golf across the ACT, causing a flow-on impact on participation, course utilisation and the associated benefits that are derived from golf.

Community Benefits of Golf

- Golf is one of the largest participation and community sports in Australia with well over one million participants nationally. In the ACT alone, it is estimated there are approximately 20,000 participants.
- The annual community impact of golf in the ACT is over $160 million dollars, made up of:
    - $56,874,238 annual economic benefit.
    - $98,017,376 annual environmental benefit.
    - $2,363,562 annual health benefit.
    - $2,990,536 annual charitable contribution.
- The critical role that golf plays in strengthening and connecting communities has been further evidenced through the increased participation, both from social golf and club memberships during the COVID-19 pandemic. In the ACT, there was a 24% increase in rounds played between 2019 to 2020.
- We believe these community benefits should be taken into consideration in developing an updated pricing framework.

Conclusions

- Based on the evidence presented in this submission, we believe the current pricing arrangement used for non-potable water in the ACT is inappropriate as it is based on the type and volume of water a club has access to, rather than the actual costs.
- Golf NSW and the ACT Monaro District Golf Association would like to work with the ACT Government on a fair, equitable and consistent solution which does not leave any club in a worse financial position on water pricing than they currently are – as we fear for the significant negative implications for ongoing community access to, and benefits derived from, the sport in ACT.

Source: Golf NSW. Golf in ACT Community Impact Study, SBP (2021).

Water Pricing Framework – ACT

History of Water Prices in the ACT

Icon Water is owned by the ACT Government and is the sole provider of regulated potable water and sewage services to customers in the ACT. The Water Abstraction Charge (WAC) is a charge on those licensed to take water and is set by the ACT Government. The ACT sets a WAC for both potable and non-potable water.

The **potable** WAC is currently set at around $0.631/kL, which is charged to recover catchment management costs and environmental costs associated with water extraction. The **potable** WAC is based on the following three components:

- Costs incurred by the ACT Government in maintain water catchments;
- Environmental costs associated with the consumption of water in the ACT;
- Scarcity value of water as a resource that holds significant value.

Currently, the non-potable WAC is set at approximately 50% of the potable WAC ($0.305 per kilolitre), while the price for recycled effluent is set at up to 75% of potable water charges ($2.40 per kilolitre), or as otherwise agreed and determined by Icon Water.

In 2012, the ICRC conducted a review into secondary water use in the ACT. The Commission adopted a two-stage approach to comparing public secondary water options, involving a cost-effectiveness analysis that considers a broad range of economic factors, as well as environmental and social factors which are considered on a more qualitative basis.

This submission notes that in its October 2003 report on the WAC, the ICRC recommended that "The WAC should not be applied to… water extracted from dams and similar holding areas on golf courses."

Reframing the Conversation and Pricing Model

While the scope of the review is clear, we believe that using the same pricing framework for both potable and non-potable water (with a percentage discount applied) does not take into consideration the community benefit provided by golf clubs. Nor does it recognise the diverse and varying requirements of ACT golf clubs, and fails to recognise and adequately support those clubs who make significant financial investments to access, manage and efficiently use non-potable water.

The delivery of the recreational, social and sporting activities facilitated by golf clubs provide a significant benefit to the community, and we believe these benefits should be taken into consideration in developing an updated pricing framework. This is consistent with the 2012 ICRC review, which discussed the need to consider the broader economic, environmental and social benefits, as well as assessing public water options from a community benefit perspective, by asking:

- What are the other economic costs and benefits to the ACT community?
- What are the environmental costs and benefits to the ACT community?
- What are the social costs and benefits to the ACT community?

We have attempted to answer these questions through this submission, and have specifically quantified the community benefits provided by ACT golf clubs on pages 17-23 of this submission. At a high-level these include:

- **Economic:** Direct and ancillary economic benefits, and local purchasing and employment opportunities.
- **Environmental:** Benefits including the provision of green space and 'lungs', as well as sanctuaries for native flora and fauna, especially remnant Indigenous vegetation.
- **Social:** Social benefits including the growth and maintenance of strong social capital (personal networks), regular and enduring social interaction, as well as the self-discipline, honesty and etiquette that is taught through the sport.
- **Health:** Extensive health benefits of golf, especially for an older demographic. This extends to both physical and mental health.
- **Donations and fundraising**: Charitable activities for local community groups.
- **Community and Social Capital Development**: The provision of meeting places, premises, and sporting facilities.

Source: ICRC. Final report, Secondary water use in the ACT, Report 6 of 2012.

Water Usage and Sources

Water Assurance as a Strategic Factor

There is little doubt that greatest challenge to the long-term sustainability and overall affordability of golf courses and clubs, is access to reliable and affordable water sources.

Recycled water provides a reliable supply of water that is largely independent of climate, particularly during drought when rainfall is low. It also provides environmental benefits, such as reducing pollutants released to the environment. The most significant issue with accessing recycled water in ACT is the cost. It is currently priced at $2.40 per kilolitre, which is in contrast to the price of other forms of non-potable water that are aligned to the non-potable WAC.

The golf industry recognises the important role that non-potable water plays in the future sustainability of the sport. Given that water is perhaps the single greatest challenge to golf's sustainability, the sector has continually sought to optimise its water consumption by increasing efficiency and utilising innovative technologies. Some examples of the investment that ACT golf clubs have made into water saving infrastructure are outlined later in this report.

Water Usage

In developing this submission, several golf clubs in the ACT provided the actual amount of non-potable water (ML) that is used annually. The total amount of water used by the six clubs who provided their data was 768ML in 2019 and 648ML in 2020. Some specific examples are given below that demonstrate the variance in water usage across cubs:

- Royal Military College Golf Club (a nine-hole course) used 49ML of recycled effluent in 2019.
- Murrumbidgee Golf Club used 154ML in 2019, primarily sourced as catchment/stormwater. The club has approximately 150 ML capacity in its holding dams (which are currently full), providing a years' worth of water with the current grass species.
- Yowani Golf Club used 92ML of non-potable water in 2019, primarily sourced as catchment/stormwater.
- Gold Creek CC rely on rainfall and run-off captured through stormwater drainage into a storage dam that holds 135ML. Usage is weather dependent but averages approximately 150ML per annum.

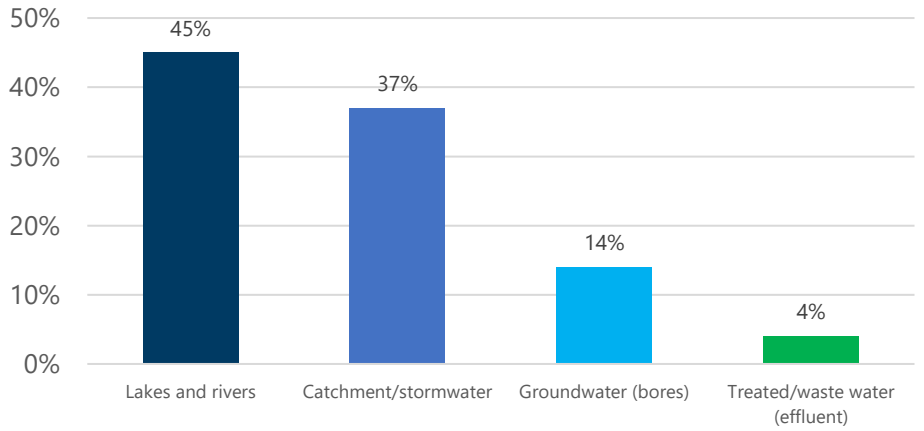
Water Storage

There are several water sources that are used by golf clubs. The main sources are lakes and rivers, and catchment/stormwater. The approximate total volume of water drawn annually from each source across all golf clubs in the ACT is highlighted below.

Total Annual Water Usage by Source (All ACT golf clubs)		
Source	**Volume (ML)**	**No. of clubs**
Lakes and rivers	763	2
Catchment/stormwater	627	4
Groundwater (bores)	242	4
Treated/waste water (effluent)	75	2
Total	**1,707**	

Note: Total no. of clubs does not add up to 10 as some clubs draw water from more than source.

Non-Potable Water Sources used by ACT Golf Clubs (%)



Source: Golf NSW and ACT Monaro DGA. Data collected from ACT Golf Clubs, SBP (2021).

Discussion Paper Questions

Cost of Maintaining Water Infrastructure

Discussion Paper Questions

1. What were the annual costs of operating and maintaining non-potable water infrastructure?

The annual costs of operating and maintaining non-potable water infrastructure vary, ranging from as low as $2,000 to over $75,000 for each club per annum.

In total, the clubs involved in this submission spend, on average, approximately $24,000 per annum, per club on the operations and maintenance of non-potable water infrastructure.

Total annual cost of operating and maintaining non-potable water infrastructure ($)		
Club	FY 2018/2019	FY 2019/2020
Total across all clubs	$191,023	$196,682
Average per club	$23,878	$24,585

Note: These figures refer to cash outlays only, and do not include depreciation costs.

2. Do these costs vary significantly from year-to-year?

While the data provided demonstrates there are not significant changes year-on-year, there are a number of factors which influence operating and maintenance expenditure. These include:

- **Weather and rainfall**: Years with less rain require higher water usage, resulting in increased costs of maintenance and repairs to existing irrigation systems. In addition, when rainfall is minimal, some clubs have no alternative but to source potable water at significantly increased costs. Usage of potable water re-directs high quality water away from its primary purpose.
- **Machinery/equipment failure**: Irrigation systems require significant capital investment, and replacement costs impact financial viability.
- **Capital investment into new water management initiatives**: The installation of water management strategies generally requires new machinery and equipment which is a significant capital outlay for clubs.

Source: Golf NSW and ACT Monaro DGA. Data collected from ACT Golf Clubs, SBP (2021).

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

The capacity to expand infrastructure at each club is dependent on:

- The amount of water required and the source from which the water is drawn.
- The capacity of the club to house the infrastructure on available land.
- The access to capital for investment in water storage projects.

For each club, these circumstances will be different, but some specific examples include:

- Royal Canberra GC cannot create a large enough storage system to adequately irrigate 27 holes as well as the 12,000 trees in the Westbourne Woods Arboretum which is solely maintained by the Club under its long-term lease agreement.
- Murrumbidgee CC recently desilted its dam and increased capacity by approximately 15ML, so is in a good position with adequate storage.
- Yowani CC has capacity to expand non-potable water infrastructure through a new dam and more efficient irrigation system.

Costs of Purchasing Non-Potable Water

Discussion Paper Questions

4. What were the annual costs of purchasing non-potable water?

The annual costs of purchasing water vary, and are dependent on the water source used by the club and the volume of water extracted. The annual costs vary across clubs from around $40,000 to over $240,000. The club that has the highest non-potable water purchasing costs is the Magpies Belconnen Golf Club, due to its reliance on accessing and purchasing recycled water.

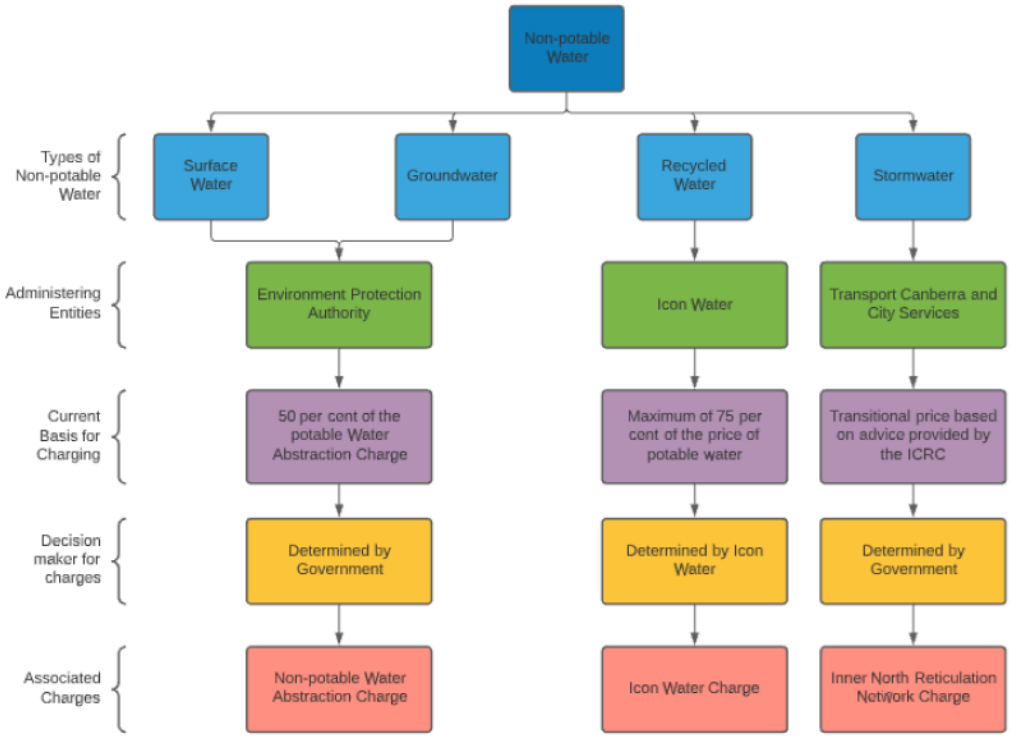
In 2020/21, the price for recycled water was set at $2.40/kL however the club has been informally advised by Icon Water to expect an increase over the coming years. In the absence of any prescribed framework to set water prices, this could result in a price in the order of $3.70/kL (based on approximately 75% of the potable water price). If this were to eventuate, the club would face an estimated water bill for recycled water of approximately $296,000 based on a typical year's consumption.

Furthermore, we would also like to highlight the inequity between the non-potable water prices that golf clubs in the ACT are paying compared to similar clubs in the Murrumbidgee catchment (e.g. Queanbeyan, Goulburn and Yass), and other irrigators in the ACT who benefit from the Competition Equalisation Payment (CEP) scheme. With a net cost of CEP recipients between $0.002 and $0.008/kL, this is significantly lower than the price paid by golf clubs, even with the MES discount applied of $0.15/kL.

Please note: In preparing this submission we requested more detail from the ACT Government on the specifics of the Infrastructure Offset Scheme (IOS), Market Equity Scheme (MES) and Competition Equalisation Payment (CEP) Scheme, in order to provide a more informed assessment of how they could be adjusted or improved. Unfortunately, the Government was not able to provide any further documentation apart from what was mentioned in the Discussion Paper, as the water regulation unit of the EPA deals with each licensee directly. We are therefore unable to provide an objective assessment of the equity of the existing schemes, and have relied upon the data and anecdotes provided by the clubs involved in this submission as the basis of our assessment.

Total annual cost of purchasing non-potable water ($)		
Club	FY 2018/2019	FY 2019/2020
Total across all Clubs	$439,000	$658,337

Non-Potable Water Sources



Source: Golf NSW and ACT Monaro DGA. Data collected from ACT Golf Clubs, SBP (2021).

Costs of Purchasing Non-Potable Water

Discussion Paper Questions

5. How much does the cost of purchasing non-potable water contribute to overall annual operational costs?

The contribution to overall operating costs of purchasing non-potable water varies across clubs. This ranges from 2.5% of total operating costs up to 7% at most clubs.

However, for the Magpies Belconnen GC, the cost of purchasing treated effluent from LMWQCC is a much larger proportion of operating costs, making up 15.2% of operating expenditure in 2018/2019 and 19.8% in 2019/2020. This is a significant percentage of operating costs that have and are expected to continue to rise unless an appropriate water pricing arrangement is put in place.

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

As previously mentioned, we have not been able to access any explanatory detail from the ACT Government about the specifics of the CEP, MES and IOS to consider and determine if, for example the CEP might be applicable to ACT golf courses, which are effectively irrigators using non-potable (and recycled) water.

ACT rural irrigators are currently accessing water at significantly reduced prices ($0.002 to $0.008 per kL), while our peers in regional NSW (Queanbeyan) are able to access water directly from the river at around $0.005 to $0.006 per kL. As the CEP was designed to improve equity amongst irrigators in the ACT, and the MES was designed to improve equity for ACT golf clubs, then the resultant price after the application of the MES to ACT golf clubs should not be significantly higher than equivalent NSW users.

It is noted that the IOS can further reduce the cost of water for those clubs who have credits, but this means that another scheme has to operate to become close to parity with our NSW neighbours. If the price of water was set at a level to achieve the parity intent that the schemes have been designed to achieve, then there may not be a need for an off-set scheme.

ICRC has not previously advised a price for treated effluent (recycled water), and Icon Water has adopted a policy of a price for usage from its recycled water schemes of up to 75% of potable water usage charges, or if agreed otherwise.

- The cost of recycled water in both real and percentage terms has increased from $0.07 in 1999 to $2.40 in 2021. This represents a 3,329.6% increase, compared to a CPI increase of 67.4% (from 67.4 in 1999 to 122.8 in 2021).
- The two golf clubs linked to Icon Water's recycled water schemes (Magpies Belconnen GC and Royal Military College GC) have limited or no choice to opt-out for another secondary water source. In the case of the Royal Military College GC, the golf club is part of a larger estate, and has little discretion to invest in such alternative sources. In the case of the Magpies Belconnen GC, decisions on large water security investments such as increased on-course water storage ponds and modern irrigation infrastructure are stymied due to the uncertainty, and subsequent risk, arising from the short-term nature of the sub-lease for the golf course they manage (5-year renewable lease).
- With a very small market in the ACT for the treated effluent produced at the LMWQCC, there is no prospect of demand exceeding supply, and no purpose in setting prices with the intention to balance supply and demand.
- For these two golf clubs to be in a comparable position to their counterparts in NSW, they would need to be able to negotiate with Icon Water to offset any discharge fees payable by Icon Water to release the treated effluent into the catchment, by diverting it to golf course irrigation use.
- The treated effluent delivered to these two golf clubs by Icon Water has to be treated sufficiently for ultimate release into the Murrumbidgee catchment. With no discharge fees apparently payable, any revenue raised from its alternative use should simply recover the cost of delivery, plus a pricing structure to encourage water use economy and to recognise the scarcity value of water, particularly in prolonged dry times.

In addition to the above, another cost to be considered as part of the review is Royal Canberra GC's lease agreement with the ACT Government. Under this agreement the club is solely responsible for the maintenance and protection of the Westbourne Woods Arboretum – a heritage listed site. The annual cost of maintaining the arboretum increases annually and will surpass $250,000 per annum over the next 5-10 years.

Source: Golf NSW and ACT Monaro DGA. Data collected from ACT Golf Clubs, SBP (2021).

Water Management Strategies

Water Management Strategies

We recognise that access to water supply is likely to become more difficult in the future, and as an industry, golf clubs and management must continue to act responsibly with water use and continue to examine water management and water use efficiency strategies.

Due to the costs of non-potable water, golf clubs in the ACT have already developed numerous strategies to reduce water usage costs and lessen the reliance on non-potable water extraction. Some examples include:

Drought tolerant grasses:

- Murrumbidgee CC has recently oversown all fairways with couch grass, which is more drought resistant and requires less water to maintain – reducing fairway watering by 40%.
- Royal Canberra GC is also in the midst of trialling couch grass, through the full conversion of one hole. The membership will vote on whether the grass is seeded over the entire course in the next 18 months. The cost of full conversion would be approximately $3 million.

Increased on-course storage:

- Yowani CC has already invested over $1.5 million in the construction and maintenance of a storm water harvesting facility enabling it to harvest storm water, under license, from Sullivan's Creek during high rainfall events. In addition, in the next 3-5 years the Club is planning to increase its water storage capacity by approximately 20ML through the construction of two additional dams, at significant cost. The additional storage capacity achieved will represent 20-25% of current annual water usage. This further reduces the Club's potential for reliance on town water supplies.

More efficient automated irrigation systems:

- Royal Military College GC is installing a new irrigation system in Winter 2021. The cost for the system will be covered through a levy on each round of golf – increasing the cost to play.
- Royal Canberra Golf Club has recently installed a new irrigation system at a total cost of $2.3 million.
- In 2016 Gold Creek CC upgraded its irrigation system to Toro Lynx to ensure more accurate and effective irrigation practices. These improvements came at a cost of $150,000.

Water Management Plans

- Research conducted by the Australian Golf Industry Council in 2013 found that over 40% of golf clubs nationally have formal Water Management Plan's in place, and two thirds of golf clubs either have or are currently exploring other water alternatives.
- All clubs in the ACT have committed to developing Water Management Plans to ensure responsible decision making and operations as part of this review.

Capital Expenditure

In delivering improved water management strategies, most golf clubs have invested in infrastructure improvements to reduce the costs of purchasing water, and/or maintaining or operating water infrastructure.

The cost of implementing these measures is significant for any club, ranging from $150,000 to upgrade new irrigation systems, through to $3 million for full resowing of drought tolerant grasses across courses.

In some instances, clubs must cover the significant capital expenditure required through a levy on each round of golf. Generally, this is only viable for projects of up to $100,000, after which the cost to play becomes a barrier to participation. This makes the sport less accessible to the local community and impacts the ongoing financial viability of clubs.

Source:
Golf NSW and ACT Monaro DGA. Data collected from ACT Golf Clubs, SBP (2021).
Australian Golf Industry Council. Water and the Australian Golf Industry (2013).

Assistance Measures

Discussion Paper Questions

Image: Debris captured from the Yowani CC stormwater harvesting facility in a typical storm event, which would otherwise flow from Sullivan's Creek into Lake Burley Griffin.

7. Does the current assistance program – the Market Equity Scheme (MES) – remain an appropriate form of assistance?

The general consensus amongst golf clubs is that the discount provided through the current Market Equity Scheme reduces costs for clubs, and the Infrastructure Offset Scheme incentivises clubs to invest in and develop water infrastructure.

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

We believe that the following are some of the options that should be subject to further analysis and consideration by the Review Team, in conjunction with Golf NSW and the ACT Monaro DGA, before any particular solution is identified. The requirements of each golf club are different and the application of any solution that has not been appropriately modelled against each club in the ACT is very likely to lead to unintended consequences. Options that we believe deserve further detailed consideration include:

- Golf clubs are irrigators of land that is provided for community benefit. Accessing non-potable water at a price point similar to our NSW peers and the ACT irrigators (under the CEP Scheme) would be a highly desirable outcome for all golf clubs. Pricing under such arrangements would achieve the equity/parity intent proposed under both the CEP and MES by 'levelling the playing field' for golf clubs in the ACT.
- Such an arrangement might be enabled with allocations for water use. Allocations could be set, pre-paid, and/or tiered and should be reflective of indicative usage by each club as opposed to a 'one size fits all' approach. Charges associated with allocations could negate any requirement for the application of a WAC.
- Investigation should occur to ascertain if clubs that have a current reliance on recycled water might be able to access other forms of non-potable water directly through the recycled infrastructure, i.e. in the case of Magpies Belconnen Golf Club, if they could receive river water through the pipe currently carrying recycled water.

Golf clubs in the ACT recognise the benefits of being able to off-set infrastructure investment costs against the charges for accessing non-potable water. Such an arrangement incentivises clubs to make prudent investments in water management strategies. Off-set arrangements are seen as important and easily managed. Consideration should be given to the retention of proven off-set schemes (where appropriate) as well as consideration of new off-set arrangements.

Implications on Viability

Discussion Paper Questions

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

The cost of providing non-potable water affects each club's viability differently in the short and long-term. Some specific examples of significant negative implications for clubs which this submission represents are given below:

- Murrumbidgee CC primarily uses water sourced from its own storage dams. If no new scheme is put in place, next year's water abstraction bill would be approximately $30,000, for water that is sourced from its own land. This will significantly impact the viability of the club.
- For Magpies Belconnen GC, water costs have a significant impact on the viability of the club. Should the current pricing of recycled water remain at $2.40 per kilolitre or higher, the continued viability of the club comes into serious question. Note: This club has also completed its own individual submission to this review given the severity of its situation.

If water prices continue to rise under a new pricing framework, the viability of every golf club in the ACT will be impacted.

10. What are the key factors that impact on the viability of the club?

In the long-term, any significant shifts in water pricing will have a detrimental impact on the game in the ACT. Golf clubs are generally not-for-profit entities and typically run a very marginal business, where a minor shift in any expense line can have a significant impact on overall operations and viability.

If there is an increase in non-potable water usage costs, this increase will be reflected in membership fees, or a levy on rounds played for clubs to continue to trade in the positive. Any increase in the cost to play will then have detrimental flow-on effects on membership numbers, golf participation and course utilisation.

Broader Jurisdictional Experiences

Discussion Paper Questions

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

In developing this submission, we have also considered water pricing frameworks from other jurisdictions, and whether there are any existing frameworks that could be applied or modified for the ACT in the future.

The **Independent Pricing and Regulatory Tribunal New South Wales (IPART)** reviews and determines the maximum prices that can be charged for bulk and retail water by most major water utilities across NSW.

Sydney Water (NSW)

Sydney Water supplies water, wastewater, recycled water and some stormwater services to more than five million people in Greater Sydney and the Illawarra.

Unfiltered water is water that has chemical treatment, but not at a water filtration plant. The unfiltered water charge is currently set at a small discount to the treated water usage price, to reflect the reduced water filtration costs incurred by Sydney Water.

In 2020-21, the maximum usage charge for unfiltered water is set at **$0.31/kL** less than the usage charge for potable water.

Water NSW (NSW)

Water NSW is a State-Owned Corporation established under the Water NSW Act 2014 and operates under an Operating Licence issued and monitored by the Independent Pricing and Regulatory Tribunal (IPART). Water NSW operate the state's rivers and water supply systems, and supply two-thirds of water used in NSW to regional towns, irrigators, Sydney Water Corporation and local water utilities.

Water NSW also owns and operates the largest surface and groundwater monitoring network in the southern hemisphere and build, maintain and operate essential infrastructure. The groundwater usage charge is set at $2.08/ML or **$0.0021/kL** for the Murrumbidgee region.

Disparity Between Non-potable Water Usage Charges

The following table demonstrates the significant disparity between non-potable water usage charges to irrigate ACT golf clubs and charges faced by other users.

Usage Based Charges (per ML)		
Jurisdiction/User	**Pricing Scheme**	**Charge per ML**
WaterNSW – Bulk Water (Murrumbidgee)	General Security Entitlement Charge + Combined Usage Charge (2016-17 prices)	$5.33
	Groundwater Water Management charges (2020-21 prices)	$4.64
ACT Rural Irrigators	**Competition Equalisation Payment (ACT)** (net cost after assistance to rural irrigators)	$2-$8
ACT Golf Clubs	**Non-potable WAC (ACT)** (under 'Market Equity Scheme' – 50% of 2020-21 rate of $0.305 per kL)	$152.50
	Treated Effluent network (ACT) (Icon Water @ $2.40 per kL)	$2,400.00

Sources:

- IPART, Review of Water Prices for Sydney Water (2020).
- IPART (NSW), June 2017, Review of prices for rural bulk water services from 1 July 2017 to 30 June 2021, p135 et seq.
- Yass Golf Club has a Certificate of Title with the NSW Government under s87B of the Water Management Act, 2000 to draw water from the Yass River – no usage charge.
- Queanbeyan Golf Club pays a nominal fee under its agreement lease with Queanbeyan-Palerang Regional Council for water drawn from the Molonglo River to irrigate the golf course.
- Treasury Discussion Paper, Non-potable Water Review. March 2021, p10.
- ACT Government, Water Resources (Fees) Determination 2020, 30 June 2020, Schedule p3.
- WAC obligation under MES without access to the Infrastructure Offset Scheme (ACT).
- ACT Treasury 2021 Non-potable Water Review, information supplied by Magpies Belconnen Golf Club

Broader Jurisdictional Experiences

Discussion Paper Questions

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

South East Water (Victoria)

South East Water (SEW) is a water retailer for potable, sewerage and recycled water across the south-eastern region of Melbourne and the Mornington Peninsula. SEW has eight water recycling facilities and is also home to the Eastern Treatment Plant operated by Melbourne Water.

SEW produce different classes of water (A, B, and C) with the quality depending on EPA discharge licence requirements and the end use for the recycled water. The Eastern Treatment Plant produces Class A recycled water under Melbourne Water's licence with the EPA and discharges approximately 130,000 ML of recycled water into the Bass Strait each year. SEW set a price for 'third pipe networks', and for 'non-residential schemes.'

The rate for non-residential schemes is dependent on the class of the recycled water, and more importantly whether SEW has an EPA licence to discharge to the environment or not.

The 2020-21 rate for recycled water from the South Eastern Outfall (i.e. water that would otherwise be discharged into Bass Strait) is $0.167/kL plus an infrastructure charge ($0 if the infrastructure is 100% funded by the customer).

Customers along the South Eastern Outfall are made up of golf courses, nurseries, vineyards, open space (sports fields), racecourses, school ovals etc.

The 2020-21 rate for Class C water (all plants) is $0.0523/kL as SEW want to encourage the greatest possible use, as it provides a significant saving if additional costs of treating this water to a much higher standard for discharge to the environment are avoided.

SEW rely on the following underlying principles in pricing recycled water:

- Customer feedback regarding a preference to see greater use of recycled water (for agriculture, industry, green space and potable water savings).
- No charge to recycled water customers for the water treatment cost – this is already funded via sewerage charges to meet the EPA discharge licence.
- For all Class A schemes, an infrastructure charge is in place to cover a significant proportion (at least 50%) of the pipe network capital recovery, operations and maintenance. For any new Class A recycled water schemes for market gardeners etc. the water charges are likely to start around $0.4-$0.5/kL based on customer willingness and ability to pay.
- For Class C schemes, SEW have a postage stamp rate across all treatment plants of $0.053/kL, with the aim to encourage greater use. This generally saves SEW the cost of needing to treat the water to a higher standard.

Recently, the south-east of Melbourne was declared a "priority" area for use of recycled water by Infrastructure Australia. For all Class A recycled water schemes, SEW undertake business cases with full economic analysis (increased productivity, liveability benefits, tourism benefits, environmental benefits) to demonstrate that schemes have a benefit to cost ratio greater than one. Cost shares are then based as close as possible to the "beneficiary pays principle".

Source: South East Water.

Other Matters

Discussion Paper Questions

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

One of the factors that Icon Water has previously considered when setting prices for treated effluent is the infrastructure cost of installing new pipelines.

A 4km pipe was installed approximately 9 years ago which is currently used by the Magpies Belconnen Golf Club, and was also intended to be used by the ACT Government for sports ovals in the electorates of Holt and Higgins, as well as by local wineries along Stockdill Drive (where the Lower Molongolo Water Quality Control Centre is located).

To our knowledge, there are currently no other users of this treated effluent from the Lower Molongolo plant. Magpies Belconnen Golf Club is currently bearing the cost of the Governments' investment in this infrastructure, which was quoted at approximately $3 million and having a 60-year lifespan. There has also been a lack of transparency in quantifying the costs of pumping the water 4km from the plant to the club – although the levelised cost of delivery to the customer was estimated at $0.04 per kilolitre in advice commissioned by the ICRC for its 2012 review.

Furthermore, we are aware that the price paid by downstream users of water from the LMWQCC is very small in comparison to ACT users. i.e. the value of water varies at different points in the network.

It would be a far more cost-effective solution for Magpies Belconnen GC to transition to non-potable water drawn directly from the river instead of using recycled water as is the current situation. It should be explored whether the pipe that currently delivers recycled water to Magpies Belconnen CG could carry non-potable water directly from the river. It is evident that the intent of having multiple users on the Lower Molonglo line has not eventuated and this has contributed to the overall cost for use of the recycled water product.

We ask that this situation is examined and considered in the review to provide a fair and equitable outcome for this club.

Image: Yowani CC on-course water capture and storage.

Golf in the ACT and Benefits Provided to the Community

The Community Impact of Golf in the ACT

Below is a snapshot of the vast benefits that golf clubs provide to the ACT community, which are explored in further detail over the following pages. We believe that these benefits should be considered in the development of a future pricing framework for non-potable water in the ACT.

THE ANNUAL COMMUNITY IMPACT OF GOLF IN ACT IS $160,094,444

Annual Health Benefit
$2,363,562

Annual Economic Benefit
$56,874,238

Annual Charitable Contribution
$2,990,536

Annual Environmental Benefit
$98,017,376

Annual Physical Health Benefit
$2,259,805

Annual Contribution from Clubs and Associations
$31,438,773

Annual charitable contributions from Clubs
$880,530

Landscape and neighbourhood amenity
$94,560,269

Annual Mental Health Benefit
$103,756

Annual Contribution from Regular Participants
$9,548,594

Annual charitable contribution from golf participants
$2,110,006

Floodwater regulation and stormwater protection
$1,898,090

Note: Specific sources are quoted throughout this section of the report.

Economic Benefit

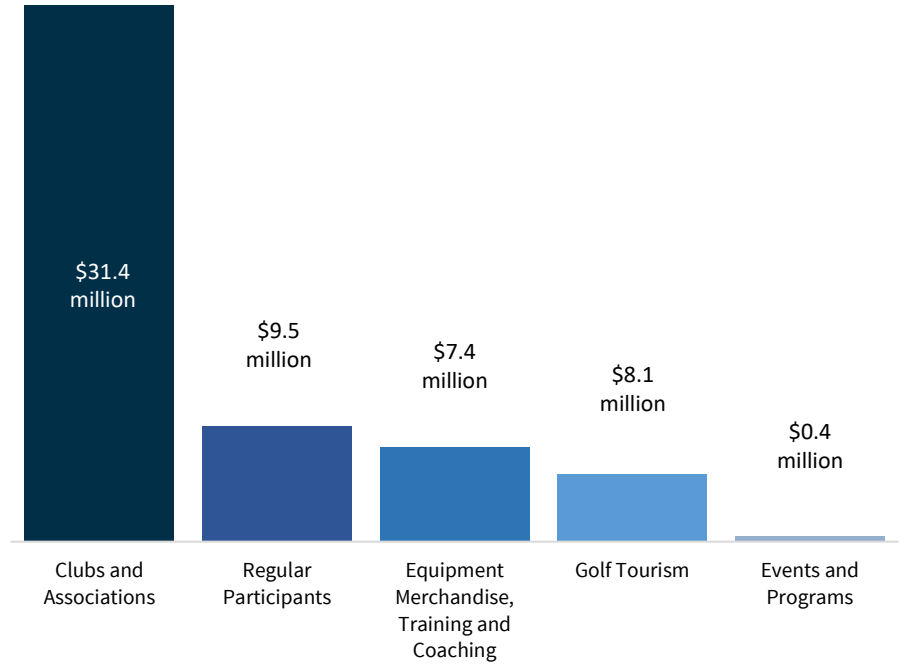
Total Annual Economic Contribution:
$56,874,238

Golf is one of the largest participation and community sports in Australia with well over one million participants nationally. In the ACT alone, there are over 14,000 participants.

Golf makes an economic contribution to the ACT of **$56,874,238.** This includes:

- The regular and occasional participants (from social to program based participants, school participants, regular club member competitors, and elite participants at the many events staged throughout the year).
- Expenditure on services, goods, maintenance, and employees by golf clubs, associations and peak bodies.
- Golf tourism, which generates visitation throughout the ACT. This contributes directly to the local economy through visitor spend and overnight stays.
- Golf training and coaching activities.
- Retailing of golf equipment and merchandise.

Golf clubs also make a significant contribution to job growth and development through the creation of local employment opportunities. This includes a variety of roles from greenkeepers and maintenance staff to administration and hospitality.



DIRECT CONTRIBUTION				
Clubs and Associations	Participant Expenditure	Club Events	Club and School Programs	Total Direct Contribution
$31,438,773	$9,548,594	$329,951	$69,503	$41,386,821

ANCILLARY CONTRIBUTION		
Tourism	Retail and Coaching	Total Ancillary Contribution
$8,051,291	$7,436,126	$15,487,416

Source: Golf NSW. Golf in ACT Community Impact Study, SBP (2021).

Environmental Benefit

Total Area of ACT Golf Courses:
633ha

Provision of oxygen for
35,167 people
or 8% of the ACT Population

Total Annual Environmental Contribution:
$97,866,108

The connection to the outdoors and nature through golf is fast becoming the only time many spend in green open space. In many metropolitan areas golf courses provide critical green wedges and open spaces that support birdlife, wetlands and other animals.

Research shows that an area of 180m^2 of turfed grasses, grasslands and trees produce enough oxygen to support one person. ACT's golf courses occupy approximately 633 hectares of land, **providing enough oxygen to support approximately 35,167 people**. This equates to over 8% of the ACT population.

There are many published articles on the environmental benefits of golf courses and Clubs. Among these are water filtration, stormwater retention, carbon sequestration and landscape and neighbourhood amenity.

The **total annual environmental contribution of ACT golf clubs is $97,866,108.** This is based on:

- The pricing premium that land adjacent to open space and golf courses attracts, and the increase in housing value given the green link that golf clubs provide.
- The avoided cost of maintaining current water quality in metropolitan waterways through alternative infrastructure.
- The avoided costs of built infrastructure to deal with additional stormwater.
- The value per tonne of the amount of carbon dioxide equivalent that would be sequestered annually.

In addition, Club's are responsible for the maintenance and beautification of the land within their boundaries, at a significant cost per annum. These environmental benefits to the community derived from the extensive golf course precincts are substantial, and will become more so each year as the ACT population grows.

In metropolitan centres (such as Canberra), where urban sprawl is a fact of life, golf courses are an incredible source of land wealth, making them more susceptible to closure and re-development. Without the proper planning frameworks and policies in place to protect clubs, the potential loss of local amenity, open space, community health, and opportunity for long-term public benefit is at risk.

ENVIRONMENTAL CONTRIBUTION	
Landscape and Neighbourhood Amenity	$94,560,269
Water Filtration	$1,360,297
Stormwater retention	$1,898,090
Carbon Sequestration	$47,452
Total	**$97,866,108**

References: Sustainable Golf Course Design, Society of Australian Golf Course Architects (2016). Valuing Victoria's Parks, Parks Victoria and the Department of Environment, Land, Water and Planning (2015). Planning for golf in Victoria Discussion paper, Department of Environment, Land, Water and Planning (2017).

Health Benefit

Annual Health Benefit:
$2,363,562

Mental Health
$103,756

Physical Health
$2,259,805

Lifetime Community Health Benefit:
$75,843,712

Regular participation in physical activity provides significant health benefits to individuals from both a physical and mental health perspective. There are numerous health benefits to the community derived from playing and being involved in the game of golf, including improved cardiovascular health, mobility and flexibility.

Three of the top ten most common diseases in Australia are reduced in prevalence through physical activity, with 5.0% of all diseases being attributed to physical inactivity (according to the Australian Institute of Health and Welfare).

These diseases have a significant negative impact on the health of Australians. Physical inactivity is the fourth highest risk to the burden of disease behind tobacco, obesity and alcohol use.

The community contribution to health that golf provides in terms of dollars saved is significant for all golfers in the ACT. **The total annual health contribution of golf participation from clubs in the ACT is $2,363,562**. This equates to a **lifetime health contribution of $75,843,712** due to the tenure of golf members over their lifetime.

References: Golf NSW, Community Impact of Golf in the ACT, SBP (2021). Australian Institute of Health and Welfare 2016. Health expenditure Australia 2014–15. Health and welfare expenditure series no. 57. Cat. no. HWE 67. Canberra: AIHW. ABS, 2012. 4917.0 –Sport and Social Capital. Australian Bureau of Statistics. OECD (2018). Perspectives on Global Development 2012: Social Cohesion in a Shifting World. The Organisation for Economic Co-operation and Development. Atherley K, 2006. Sport and Community Cohesion in the 21stCentury: Understanding linkages between sport, social capital and the community. Department of Sport and Recreation, Western Australia.

ANNUAL HEALTH CONTRIBUTION – Golf in ACT			
Participant Segment	Physical Health Benefit	Mental Health Benefit	Total Health Benefit (Yr)
Males - Golf Members	$1,761,596	$35,060	$1,796,656
Females - Golf Members	$196,745	$56,432	$253,178
Sub-Total (Golf Members)	$1,958,341	$91,493	$2,049,834
Males - Social Players	$275,964	$4,899	$280,863
Females - Social Players	$25,500	$7,364	$32,864
Sub-Total (Social Players)	$301,464	$12,264	$313,728
Total Annual Health Contribution	$2,259,805	$103,756	$2,363,562

LIFETIME HEALTH CONTRIBUTION – Golf in ACT			
Participant Segment	Physical Health Benefit	Mental Health Benefit	Total Health Benefit
Males - Golf Members	$64,647,734	$680,882	$65,328,616
Females - Golf Members	$3,716,003	$1,328,227	$5,044,230
Sub-Total (Golf Members)	$68,363,737	$2,009,109	$70,372,846
Males - Social Players	$5,096,275	$46,979	$5,143,255
Females - Social Players	$241,190	$86,422	$327,612
Sub-Total (Social Players)	$5,337,465	$133,402	$5,470,867
Total Lifetime Health Contribution	$73,701,202	$2,142,511	$75,843,712

Charitable Contribution and Course Utilisation

$2,990,536
Total Annual Charitable Contribution

Total Annual Rounds Played (2019):
453,697

Total Annual Rounds Played (2020):
671,057

Total Members (2020):
7,420

Golf club's regularly offer the use of their course to not-for-profit (NFP), philanthropic, and community organisations to host charity golf days. Club's often forgo their fees for the rounds played as part of their contribution to the charity, in addition to the goods, services and cash also donated by the club. Very rarely is the value of this contribution measured or reported, and this means that the club's contribution back to the community goes largely unrecognised.

The average annual amount raised in charitable donations in 2019/20 by ACT golf clubs was $103,791, as indicated in the table below. If this is multiplied out across the ten clubs involved in this submission, this would equate to over $1 million.

Average Charitable Contribution	ACT Golf Clubs
Charity golf days hosted (per year)	7
Golf rounds donated to charitable causes (per charity golf day)	82
Cash donations to charity ($ per year)	$56,553
Donations in other goods and services	$9,447
Average total annual charitable contribution (per club per year)	**$103,791**

ACT golf clubs regularly attract both interstate and international visitors to the region. This contributes directly to the local economy through visitor spend and overnight stays. In 2020, well in excess of half a million rounds of golf were played at the clubs represented in this submission, of which approximately 217 thousand were played by visitors and non-members across the two years.

ANNUAL ROUNDS PLAYED			
	Competition	Social	Total
2019	213,793	85,098	**298,891**
2020	239,904	132,262	**372,167**
Total	**453,697**	**217,360**	**671,057**

Source: Golf NSW, Community Impact of Golf in the ACT, SBP (2021).

Social Capital and Community Development

ACT golfers are over 3 times more likely to volunteer than the general population

911
Community Events, Meetings & Other Functions

Golf, like many sports at a grassroots community level, contributes a broad range of social benefits such as community cohesion, social mobility, social inclusion and social capital.

Social capital is defined as being **"a resource available to individuals and communities founded on networks of mutual support, reciprocity and trust".**
Social capital can contribute to both individuals (via outcomes in health, education, employment and family wellbeing) and communities (community strength and resilience).
Golf participants in the ACT are more likely to:

- **Volunteer within the community (71%)**, than general sport participants (42%) and non-sport participants (19%).
- Have a **greater social network diversity (87%)** than general sport participants (77%) and non-sport participants (67%).
- Have **three or more friends in whom they can confide** in (58%) compared to general sport participants (58%) and non-sport participants (37%).

Golf clubs and courses are often the venue for many social and community events, thus providing an interactive social hub for the local community. Golf clubs also offer a meeting place for many older members and their guests who no longer play golf but use the facilities for cards and social interaction. Clubs are also extensively used as function venues by individuals, not-for-profit organisations and local businesses.

As shown below, there were nearly 1,000 community events hosted at golf clubs in 2019, the reduction in this number in 2020 was due to the COVID-19 pandemic.

Average Community Contribution	2019	2020
Private functions hosted (e.g. Weddings, Birthday Parties, Conferences, Anniversaries etc.)	312	81
Community events hosted (e.g. Business Events, Seminars, Lunches, Dinners)	149	25
Community Meetings (e.g. Provision of meeting rooms for community groups such as Rotary, Schools etc.)	450	135
Total community events hosted per annum	**911**	**241**

References: Golf New South Wales, The Community Impact of Golf in the ACT, SBP (2021). Sources: Australian Institute of Health and Welfare 2016. Health expenditure Australia 2014–15. Health and welfare expenditure series no. 57. Cat. no. HWE 67. Canberra: AIHW. ABS, 2012. 4917.0 –Sport and Social Capital. Australian Bureau of Statistics. OECD (2011). Perspectives on Global Development 2012: Social Cohesion in a Shifting World. The Organisation for Economic Co-operation and Development.

Conclusions

Issues to be Addressed

Based on a review of water pricing frameworks in other jurisdictions, we believe that the current pricing arrangement used for non-potable water in the ACT does not provide an equitable approach and is in need of review. The key issues identified with the current system are:

- The current water pricing framework does not price recycled water (treated effluent) equitably.
- The price paid by downstream users of water from the Lower Molongolo Water Quality Control Centre is very small in comparison to ACT users. i.e. the value of water varies at different points in the network.
- The current non-potable water abstraction charge (WAC) does not take into consideration the various end-users, and the benefits provided to the community.
- Golf clubs are most often not-for-profit entities and typically run a very marginal business, where a minor shift in any expense line can have a significant impact on overall operations and viability.
- Any increase in non-potable water usage costs will increase the cost to play golf across the ACT, causing a flow-on impact on participation, course utilisation and the associated benefits that are derived from golf.

Benefits to be Considered

Golf courses provide significant economic, environmental, social and health benefits to the community, and we believe these benefits should be taken into consideration in developing an updated non-potable water pricing framework.

- With the annual community benefit of golf in the ACT valued at approximately $160.1 million, it is clear that golf is more than a weekend or afternoon recreational activity.
- When measured as a value output against each megalitre of non-potable water consumed, the golf clubs involved in this submission generate approximately $93,787 in output for each megalitre used.
- This positions golf as a value producing industry in terms of water use, and demonstrates that any increase in water costs as a result of this review cannot be fairly evidenced or justified.

Conclusions

- The desired outcome is for a non-potable water pricing framework to be developed that is equitable for all users and results in no net increase in the cost of purchasing non-potable water for ACT golf clubs.
- We suggest the current Market Equity Scheme and Infrastructure Offset Scheme continue until this review is complete and the Government finalises its position on water pricing.
- The significant capital expenditure incurred by clubs to improve and maintain water usage, capture and storage should continue to be recognised through an Infrastructure Offset Scheme or other similar arrangement.
- Further consideration of a pricing framework that incentivises investment into water infrastructure would be seen favourably by the clubs involved in this submission.
- It is strongly recommended that the pricing structure for recycled water which impacts Magpies Belconnen Golf Club is reviewed and replaced to ensure a fair and equitable outcome.
- In addition, Royal Canberra GC currently has a bespoke arrangement based on the unique circumstances of its lease with the ACT Government which should be maintained.
- Any changes as an outcome of this review will have significant implications to multiple stakeholders which will need to be considered holistically.

The usage and components of pricing water are complex and different for each club. Golf NSW and the ACT Monaro District Golf Association would like to work with the ACT Government to examine issues that arise from this consultation period, and model the various proposals to ensure that a fair, equitable and consistent solution is developed that does not leave any club in a worse financial position on water pricing than they currently are.

SBP Advisory

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