

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 email:  
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## Re Magpies submission into the Non-potable Water Review

Dear Nicole

### Introduction

The ACT Government released its Non-potable Water Review (**“Water Review”**) discussion paper in March 2021 seeking submissions from interested parties by 30 April 2021.

The ACT-Monaro District Golf Association (President Garry Heald) is providing a submission on behalf of the ACT golfing sector. The Magpies Belconnen Golf Club (**“Magpies”**) has contributed into the ACT-Monaro District Golf Association submission.

Due to the unique, inequitable and monopoly pricing being pursued by Icon Water (**“Icon”**) and the material impact that this pricing is having on the Magpies club and our community, we have prepared our own submission.

Please find our responses to the questions posed by the Review enclosed, and a confidential information schedule.

### Executive Summary

The Magpies has expended significant effort over the past 18 months attempting to establish an affordable and equitable supply of water - key to continuing to lawfully operate and play our important role in the community.

Unfortunately, Icon have been unwilling and unable to satisfactorily rationalise their pricing of recycled water - either from a cost or market value perspective.

As the sole customer of recycled water produced by the Lower Molonglo Water Quality Control Centre ("**LMWQCC**"), and provided with no alternative water supply options by the ACT Government, Magpies are being forced to pay a monopoly pricing by Icon that is:

- ✦ 26 times the rate paid 15 years ago and equating to an extraordinary 170% per annum increase. The most recent annual increases have been 17% and 14% pa!
- ✦ over 10 times the water rates paid by other ACT golf clubs accessing water from the river and lakes systems which include recycled water.
- ✦ resulting in the Magpies paying \$628,000 in water consumption charges over the past 5 financial years, while, as noted by your Discussion Paper, "no Water Abstraction Charge ("**WAC**") has been payable (by most ACT golf) clubs for a number of years"
- ✦ 250 times the rate paid downstream by NSW property owners for the same recycled water pumped back into the river system
- ✦ seeking to recover costs and inefficiency arising from Icon's own inability to (i) retain its customer base for recycled water (ii) expand its customer base for recycled water (ii) meet its 20% recycled water usage targets
- ✦ so out of market that no one else is willing to pay the price. Magpies are the sole recycled water customer of LMWQCC not because we want to be, but because the ACT Government has provided no other choices. Ironically the ACT Government seems to have shelved its original plans to use LMWQCC recycled water at local sporting grounds.

Icon's pricing approach does not pass reasonableness tests or market value tests.

Recycled water produced by LMWQCC and not used by Magpies (99.8% of what is produced) is released into river system that flows into NSW for no cost.

The equalization system is not delivering on its aim to provide an even playing field across ACT golf clubs and with local NSW golf clubs, in fact it is adding to the inequity and understandably causing frustration and anger in our community.

The ACT Government promised a water review in 2016 that was not been delivered and has fumbled with the inequity problem since. Five years and \$628,000 paid in water charges later, we welcome this Water Review.

**[CONFIDENTIAL TEXT]**

Fair and equitable water pricing will allow the Magpies to operate, invest in its own water infrastructure and continue to serve its growing community. Without it, it cannot.

The ACT Government is a significant beneficiary of the neighbouring Ginninderry estate development, seeking to generate \$208m profit from the development. ACT Government will

likely need to provide community assets and services including those that the Magpies supply. This Water Review also provides the opportunity for the arms of ACT Government to reassess, work together and support the needs of the community and ACT Government's broader agenda.

**It is our recommendation that the concept of pricing for recycled water separately be discontinued, and instead the price of recycled water should be aligned to Water Abstraction Charge ("WAC") pricing and Market Equity Scheme (MES) that is used by other golf clubs inherently also using recycled water.**

My board and I welcome the opportunity to discuss with you or provide any clarification required.

Paul Netting  
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Belconnen Magpies Sports Club  
[REDACTED]  
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## Confidentiality

As requested, we have assessed the confidentiality of the components of our submission as follows:

Component	Assessment and comments
Introduction & Executive summary	Not confidential
Question 1	Not confidential
Question 2	Not confidential
Question 3	Not confidential
Question 4	Not confidential
Question 5	Not confidential
Question 6	Confidential. Most of our response to this question references the ongoing discussions between Icon and Magpies. We believe it is appropriate for this ACT Government review to be privy to this information but should otherwise remain confidential.
Question 7	Not confidential
Question 8	Not confidential
Question 9	Not confidential. The impact of the excessive pricing of water putting Magpies at risk of closing down has been discussed with our members.
Question 10	Not confidential
Question 11	Not confidential
Question 12	Not confidential

## Response to questions within the discussion paper

**Question 1 – costs to maintain your infrastructure: What were the annual costs of operating and maintaining non-potable water related infrastructure in 2019/20 and 2020-21 year to date?**

Our annual costs are:

Financial Year	Amount	Comments and examples
2019/2020	\$35,500	<ul style="list-style-type: none"><li>Electricity costs, irrigation repairs and pump maintenance</li><li>Desilting of dam (September 2019) to increase storage capacity</li><li>Clean out of the dam whilst empty (January 2020)</li></ul>
2020/2021	\$39,000	<ul style="list-style-type: none"><li>Electricity costs and pump maintenance</li><li>Irrigation repairs (increase from 19/20 to 20/21)</li></ul>

**Question 2 – costs to maintain your infrastructure: Do these infrastructure costs vary significantly from year to year?**

Our infrastructure costs have not varied much year to year more the result of the club having insufficient funds because of the excess water prices we have been charged.

We do see variation in the need to spend each year which is typically the result of:

- Repair or capital replacement costs to irrigation systems and equipment. We believe an investment of around \$1.0m-\$1.5m is required to upgrade the irrigation system which is past its recommended useful life.
- Level of dam works undertaken such as de-silting or cleaning out the empty dam to enhance storage capability
- Level and season of rainfall which impacts the irrigation system usage

**Question 3 – costs to maintain your infrastructure: Is there capacity to expand non-potable water infrastructure at your club?**

**Magpies**

Yes - there is land available on the Magpies golf course to expand dams and the water storage system. The excessive water pricing and the resulting uncertainty on our financial future has meant we have been unable to consider longer term investment in water infrastructure.

**More generally, most ACT golf clubs**

Most ACT Golf Clubs have access to non-potable water from the rivers and lakes system.

We do not understand why the WAC is currently charged at the same rate for both of the following situations:

- (1) Surface Water collected on golf course land and stored and maintained in dams with no benefit or value added by ACT Government.
- (2) Non-Potable Water supplied to other golf courses where costs such as testing and treatment have been incurred by the ACT Government to maintain water catchments.

Why for example would a golf course invest in any dam and water storage infrastructure themselves when they would be charged the same WAC rate whether they collect and manage the water, or whether they use the non-potable water directly from the rivers and lakes system.

It would make sense to us to have two separate rates in order to align ACT golf clubs to better manage use of water.

**Question 4 – costs of purchasing non-potable water: What were the annual costs of purchasing non-potable water in 2019-20 and 2020-21 year to date?**

Financial Year	Amount	Comments
2019/2020	\$151,111	<ul style="list-style-type: none"> <li>used 76,871 kilolitres from LMWQCC as well as small amount of WAC</li> </ul>
2020/2021	Nil	<ul style="list-style-type: none"> <li>Nil charge via water rebate. Usage expected to be less than 25,000 kilolitres supplied from LMWQCC due to high rainfall summer and efficient irrigation management.</li> </ul>

Historical water usage from LMWQCC and WAC below has been:

Financial Year	LMWQCC kilolitres	WAC (own dam) kilolitres	Annual Cost	Total kilolitre
2016/2017	91,001	18,786	\$149,880	109,787
2017/2018	85,749	17,110	\$107,775	102,859
2018/2019	70,862	46,583	\$94,942	117,445
2019/2020	76,871	27,534	\$151,111	104,405

**Question 5 – costs of purchasing non-potable water: How much does the cost of purchasing non-potable water contribute to overall annual operation costs?**

Our non-potable water costs have been:

- 2.5% of total golf course operating costs in around 2006 (\$0.09 per kilolitre)
- 15% of total golf course operating costs in the 2018/2019 financial year (\$1.80 per kilolitre)
- 20% of total golf course operating costs in the 2019/2020 financial year (\$2.10 per kilolitre)

The proportion of non-potable water costs to total golf course operating costs has increased significantly each year due to the rapid increases in LMWQCC costs over the period.

More recently annual price increases have been as high as 17% and 14% per annum:

Financial Year	LMWQCC cost	Annual increase
2017/2018	\$1.80	
2018/2019	\$2.10	17%
2019/2020	\$2.40	14%

**Question 6 – costs of purchasing non-potable water: are there any other costs not identified in this Discussion Paper that should be considered as part of the Review?**

*[CONFIDENTIAL TEXT]*



**Question 7 – assistance measures: does the current assistance program - the Market Equity Scheme (MES) – remain an appropriate form of assistance?**

*“The Market Equity Scheme (MES) was introduced in 2014 to provide golf clubs with a 50 per cent discount on the non-potable WAC. The scheme was introduced to allow ACT Clubs to compete with NSW golf clubs, which do not pay a charge for water stored on their own land. This aimed to provide **equal support across all golf clubs** independent of the ability to invest in significant infrastructure upgrades to improve water efficiency” (Non-portable Water Review Discussion Paper March 2021 p9-10).*

**Most ACT golf clubs**

The majority of ACT golf clubs use water from the ACT water system - lakes, rivers, creeks, ponds, property dam water and are charged the ACT Government’s WAC rates. The water in the ACT water system is obviously derived upstream of Canberra, from rainwater and water recycling plants.

The combination of the MES & Infrastructure Offset Scheme has significantly reduced the nonpotable WAC payable by most ACT golf clubs and seems to be providing a fairly equitable support mechanism for most ACT golf clubs, versus local NSW golf courses.

As noted in the Non-potable Water Review Discussion Paper March 2021 (“**Discussion Paper**”) “in most cases no WAC has been payable (by ACT golf clubs) for a number of years” (page 10), aligning closely to local NSW clubs:

- We understand the Queanbeyan Golf Club pay a small license fee of \$300 per 10 years, 0.9c per kilolitre to an agreed volume per license, equating to a total cost of less than \$1,000 per year.
- We understand that Yass Golf Club receive water free of charge.

**Magpies**

These schemes however are failing the Magpies, and in fact widening the gap and creating an inequity between what Magpies are paying and other ACT golf clubs are paying for non-potable water.

In 2016 a Water Review was promised by the ACT Government, but not delivered, and the opportunity to correct this inequity missed.

The implications have been significant:

1. Since 2016 the WAC rate has only marginally increased whilst Icon has taken the opportunity to increase the price to its only customer, the Magpies, that have no other water supply options<sup>5</sup>, from \$1.00 to \$2.40.
2. Between financial years 15/16 and 19/20, the Magpies have paid over **\$628,000** for non-potable water where most ACT golf clubs, and local NSW golf clubs, have paid little or no cost. This funding could have been better utilized to replacement irrigation systems that are now past normal life cycle.

For example, in the 2018/2019 financial year, the Magpies water costs were:

Approach	Kilolitre	Portion of non-potable usage	\$ Per kilolitre	Cost
LMWQCC	70,862	56%	\$1.80	\$127,551
WAC	55,758 <sup>6</sup>	44%	\$0.059	\$3,266

While WAC water represents 44% of our usage and is charged at an appropriate lower cost per kilolitre (relative to market), the WAC costs represents only about 2% of our non-potable water costs.

### **Inequity being created by the pricing and assistance schemes**

We understand for example that:

- An ACT golf club is licensed to remove up to 213,000 kilolitres pa from the lake and river systems at WAC rates – 2.5 times the level of water used typically by the Magpies. If this club used the same volume that is used by Magpies, they would likely be paying between \$0k to \$18,000, instead of the \$192,000 p.a. (20/21 pricing proposed by Icon to Magpies) for recycled water – 10+ times price differential.
- An ACT golf club extracts water from the lakes and river system at an estimated 4-5 times the volume used by Magpie but understand the club's water costs are less than Magpies.

**In summary, most ACT golf clubs net water costs are at least 90% lower than the costs paid by Magpies. Unless LMWQCC pricing is brought in line with WAC, or the MES is amended to allow for the LMWQCC pricing, then the assistance measures will continue to fail in their objectives to provide an even playing field across ACT and local NSW clubs.**

<sup>5</sup> In 2020, Magpies requested to be provided non-potable water from the Molonglo River next to the LMWQCC, but LMWQCC advised they are not licensed by ACT Government at the location for that purpose. Magpies assume ACT Government who own Icon Water would be able to grant that license.

<sup>6</sup> The 55,758 usage for WAC differs from the 46,583-kilolitre used from our own dam in 2018/2019, the actual financial year, whereas the WAC usage is from the ACT Government meter read which does not line up with financial year.

**Question 8 – assistance measures: what other assistance measures could be considered in the future?**

As general principle, Magpies are comfortable with subsidies to realign the net cost of users, but these mechanisms need to work as intended to create an equitable playing field.

While we believe the cost of recycled water should be brought in line with the WAC | MES net rates, the key is the bottom line or net impact, and we are indifferent as to whether this is achieved via gross pricing or subsidies.

We believe the ACT Government could consider encouraging the responsible & efficient use of non-potable water:

- structuring the MES around each golf club having a set allocation of non-potable water calculated on areas maintained and typical water use over a historical period of 5 years
- where usage above that allocation is charged at an increased tiered rate.

Other assistance measures could include grants for expanding current dams or increasing capacity of dams by way of de-silting or other means.

**Question 9 – long term implications on viability: to what extent does the cost of providing non-potable water affect a club’s viability in the short term or long term?**

**Question 10 – long term implications on viability: what are the key factors that impact on the viability of the club?**

The Magpies simply cannot afford the significant increases that have already been applied and continue to be proposed by Icon.

As noted in question 5, **our water costs have increased from 2.5% of our operating costs to 20% of our operating costs over 15 years and making the club unprofitable and operating untenable.**

As a non-for-profit organisation, ceasing operations would have a **severe impact** on our local community, and the reason why the excessive and unreasonable pricing proposed by Icon has received so much media and community backlash.

The impact of ceasing operations includes:

- The redundancy of 44 employees - loss of ~\$2.8m in wages
- Withdrawal of 600 golf memberships and 7000 social club members – impacts on physical and social wellbeing
- Closure of the only public golf course in Belconnen – nearly 100,000 residents and around 40,000 rounds of golf per annum
- The loss of a 45-year community asset, developed alongside suburbs in the 1970’s
- Terminating affiliations with more than 30 community sporting clubs in Belconnen including financial contributions important to their sustainability
- Future proofing failure from a lack of golf, green space and licensed facilities to support the additional 30,000 future residents of the neighbouring Ginninderry estate
- \$2.8m reduction in spending with suppliers in the local economy - primarily small to medium businesses
- Loss of about \$30,000 funds raised for charities such as Leukemia, Cancer & Menslink
- Loss of a maintained wildlife corridor and green space for locals

The Belconnen Magpies Sports Club (“BMSC”) have extended their lease of the Magpies on a short-term basis to 31 March 2022.

The following key factors are impacting the viability of the Magpies:

1. Most significantly, the long term non-potable water pricing being assessed as part of this Water Review due July 2021.
2. Replacement of irrigation systems that are now past normal life cycle (as mentioned in Question 7).
3. Impacts of Covid – Potential with new vaccine and for easing of occupancy restrictions that may improve trade at the venue and golf course.
4. Proposed gaming changes likely to be defined this year. Reducing our reliance on gaming<sup>7</sup> aligns with our club values and we will work with government on the transition to new legislation as it is developed.

**[CONFIDENTIAL TEXT]**

**Question 11 – broader jurisdictional experiences: are there any examples of alternative arrangements from other jurisdictions that may be useful for consideration in the ACT?**

As noted in Question 6, nearby golf courses in New South Wales receive far greater support from the NSW Government than the Magpies receive from the ACT Government. As noted in Question 7, equalization systems are the failing the Magpies.

NSW golf courses are acknowledged for the value they provide their community in terms of people participating in sport and exercise, whether playing golf or walking the course, as well as the environmental benefits of providing a wildlife corridor.

We understand:

- Queanbeyan Golf Course access water from the Queanbeyan River, just prior to entering the ACT water system, in what is understood to be a small license fee of \$300 per 10 years, and 0.9c per kilolitre to an agreed volume per license. A total of less than \$1,000 per year.
- Yass Golf Course operate with free access to the Yass River and pump directly for use on the Golf Course.

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<sup>7</sup> For example (i) whilst Magpies hold 82 gaming authorisations, we have only utilized 63 of these during COVID, keeping our gaming machines in a compact space and using most of our club space for social use aligned to providing a family friendly environment (ii) BMSC surrendered 25 gaming authorisations and sold another 36 from its previous premises at Kippax, instead renting this building to Ochre Health who are providing a range of much needed health services for the local community.

**Question 12 – Other matters: 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

**(a) Failing market value tests**

Our submission has provided information on the costs being charged by Icon for recycled water. While owned by the ACT Government, we understand Icon is a commercial entity and management are obviously judged and aligned to profit generated.

In summary Icon's calculations incorporate the cost of a failed 10-year plus strategy to increase the sale of recycled in the ACT to 20%. These costs of the failed strategy should be recognised and written off by Icon. Icon should not be attempting to pass these costs onto the last remaining and forced user of "directly pumped"<sup>8</sup> recycled water from the LMWQCC.

Irrespective of what an organisation believes the cost of a service is, the ultimate test is the market value - what others are willing to pay.

The market value facts from recycled water production at LMWQCC are pretty simple, and we do not think disputed:

1. The major benefactor of recycled water from LMWQCC is the NSW Government with 32 million kilolitres produced pa and returned into the river system heading into NSW.
2. Icon charges the NSW Government **\$0.00 per kilolitre** for this recycled water.
3. The NSW Government charges properties across the NSW boarder **\$0.009 per kilolitre** for the using the water.
4. If Magpies cease to require the 80,000 kilolitres pa of recycled water, due to closure for example, there is no upstream alternatives or users, and Icon will release the 80,000 kl into the river system. Icon will receive **\$0.00 per kilolitre** from the NSW Government for this water, and NSW properties will pay **\$0.009 per kilolitre** downstream.

**In summary, the market value of each kilolitre recycled by LMWQCC is between \$0.00 to \$0.009 – very different from the current \$2.40 rate charged by Icon uniquely to Magpies.**

**In cash terms the usage of 80,000 kilolitres recycled water downstream by NSW properties costs \$750 versus the \$190,000 that Icon would be intending to charge Magpies at the 2020/2021 proposed rate.**

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<sup>8</sup> We use the term "directly pumped" because in effect the Canberra water system such as Lake Burley Griffin includes recycled water.

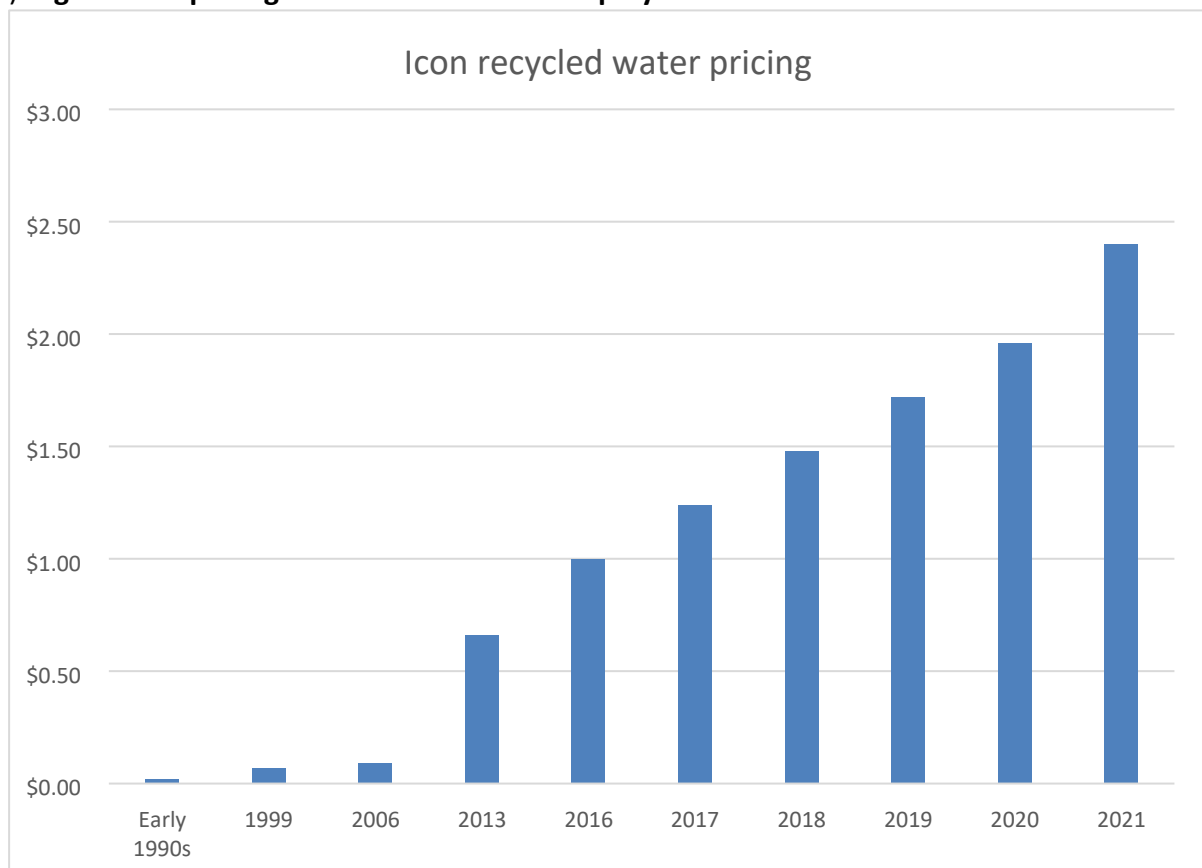
Conversely, if the \$2.40 Icon cost of recycled water per kilolitre was applied to the 32,000,000 kl of recycled water that no one else in the ACT wants and Icon releases back into the river system, it would have a value of \$76,800,000 per annum! Perhaps Icon should initiate a conversation with the NSW Government?

Not surprisingly, the market has spoken.

All other potential users from local vineyards to the ACT Government itself for local parks etc have withdrawn from the use of recycled water from LMWQCC at proposed rates.

Magpies is the last remaining customer, and not by choice.

**(b) A growth in pricing consistent with a monopoly**



Magpies historically were paying as little as \$0.02 cents per kilolitre. In 2006, we were still paying a reasonable water cost of \$0.09 per kilolitre. Since 2006 that price has risen to the unsustainable level of \$2.40 per kilolitre.

This represents a monopoly supplier increasing a utility cost by an unsustainable 2567% over a 15-year period with the annual water cost going from around \$10,000 in 2006 to ~\$190,000 based on normal 80k kilolitre usage.

**The 15-year increase, annualized is an unbelievable 170% pa.**

As noted, we believe this is more to do with Icon's failed strategy to expand the market for recycled water, losing customers and being unable to win new customers, with Magpies as the sole remaining commercial customer being burdened with all the cost.

Icon had proposed this increase to 75% of the potable rate in coming years to about \$3.70 per kilolitre, which equates to about \$296,000 per year.

### **(c) ACT Government not operating uniformly**

We understand the additional complexity created by a previous government agency such as ACTEW becoming a separate entity tasked with delivering community services, as well as profit outcomes as Icon Water. The public sector is often criticised for not operating in unison. While this is often directed at layers of federal, state | territory, and local governments, we believe it is fair to say that even the ACT Government is not operating as one in its approach to Magpies.

### **Immediate financial impact**

The Magpies is a contributor to both ACT and federal government tax regimes, contributions that would reduce to \$nil if forced to close from excessive water pricing. Our estimated direct and indirect tax contributions are as follows:

ACT Govt receives for Gambling and Racing, and other fees and taxes	ACT	~\$130,000
ACT Govt alcohol excise/WET	ACT	~\$120,000
ACT Govt Payroll tax	ACT	~\$60,000
Magpie's contribution into ACT Government		~\$310,000
GST	Federal	~\$250,000
Estimated Income Tax on over \$2.78m expenditure with suppliers	Federal	~\$165,000
PAYG tax for Golf Course, Administration, Restaurant and Bar staff	Federal	~\$300,000
Magpie's contribution into Federal Government		~\$715,000
Magpie's contribution into Government		~\$1,025,000

### **Future proofing and profits**

The Ginninderry estate is a multi-decade development of 11,500 houses and an expected 30,000 residents with early phases next door to the Magpies already being completed.



Our understanding is:

1. ACT Government is a joint venture partner and significantly benefits from this development. It was reported in the Canberra times in 2018 that the ACT Government was expected to make a \$208m profit on the development.  
<https://www.canberratimes.com.au/story/6012180/corkhill-brothers-set-to-make-139million-on-ginninderry-project/>
2. That it is likely that due to vicinity to the ACT versus Yass, that the ACT Government will likely provide much of the services to the estate.

It is surprising that the ACT Government, via Icon, would take such a narrow and short-term view of the value of Magpies to what will be a growing community it is supporting.

On one hand the ACT Government, via Icon, is forcing the only local golf club with licensed premises, a hub and meeting place for 30 community sporting clubs, into closure, reducing the appeal of the area, while on the other hand is signing heads of agreement with the NSW Government to provide the emergency, infrastructure, community services to the estate and generating \$208m profit from the successful development of the area.

Would the ACT Government really want to jeopardize some of a \$208m profit, in order to continue to over-charge a local community asset, when part of its commitment will be providing the necessary services for the community?