

5th February 2021

Essential Services Commission
Level 8/570 Bourke St,
Melbourne.
VIC 3000

Dear Sirs/Madams

Re Melbourne Water Price Submission 2021

I wish to support the Melbourne Water Price Submission 2022 and in particular, the elements of the Waterways and Drainage charge outlined therein.

I was a member of the Melbourne Waters Waterways and Drainage Customer Council that considered both the Waterways and Drainage Investment Plan (WDIP) and the development of the 2021 Pricing Submission over a period of over 12 months involving more than 14 half day meetings and additional subcommittee considerations. I was a strong advocate for enabling Melbourne Water to lift its outputs on Waterway Health activities substantially including a wider scope of activities.

The WDIP and Pricing Submission process was a lengthy and well-informed consultation process and followed on from an 18-month exhaustive and widely attended series of consumer/community consultations across 5 catchment areas to develop the Healthy Waterways Strategy (HWS) in 2018-19. This latter process was needed to inform both the WDIP and Pricing Submission. Melbourne Water also had other consumer group consultations.

The HWS showed the extent of the gap in the servicing need to tackle a wide scale of alarming degradation and threats to the waterways and the need for a major increase in investment of both Capital and Operating expenditures to at least flatten that trajectory, let alone make some gains. The challenge is how to close that gap in the face of past and ongoing degradation pressures with only a modest increase in revenue the past, increase costs, additional obligations and climate change impacts. **A Business as usual position was seen to be unsustainable.**

Faced with this challenge, Melbourne Water ran a Simalco consultation process that tested the willingness to pay sensitivity of consumers on the matter of the Waterways and Drainage charges, plus the customers willingness to pay to improve healthy waterway outcomes. This involved direct consultations with the community in consumer workshops and an invited testing of pricing options with a reasonably sized sample of customers (Simalco). Other consultations were also run with special precept and other charge customers as to their preferences on price increases. The Simalco process showed that a high proportion of residential customers were supportive of a price increase, once they became aware of the benefits and outcomes that would arise and the value proposition as

a consumer. The majority supported the targeted outcomes of the HWS. Non-Residential consumers are perhaps more detached from the River Health outcomes as they aren't beneficiaries except for in a few of the MWC programs. MWC proposes a different approach for their rates over the next 5 years.

Notwithstanding a potential to attain an increase in co-contributions from other parties and Agencies, it was obvious that Melbourne Water would still need a substantial increase in investment in all areas of waterway management to meet its current service obligations of protecting and rehabilitating the Waterways under its management. These co-contributions are not likely to substantially change the waterway conditions, as that support is either from volunteer groups with limited capacities or from Agencies and Municipalities who are also under severe budgetary pressures and have limited capacities to raise funds.

Simply, the required gap closure and improvement in outcomes could not be done with the current pricing approach and funds raised via the Melbourne Water Rate. A substantial decision must be made by the ESC as to whether the conditions and values of Melbourne's Waterways are to be improved or whether the current declining trajectory in Waterway Health is going to continue. The work quantum and investment in Waterways and Drainage management must increase substantially, both in Capex and Opex or the consumer supported and expressed outcomes of the Healthy Waterways Strategy will not be realised. The ESC in its deliberations, will be the single most important determinant of whether the HWS has a chance of being fulfilled. The bow wave pressure of decline in waterway health condition and values, will only surely increase if rates and funding are not increased.

From a review of the overall position, it became obvious that the previous two price determinations did not enable Melbourne Water to grow its capability and capacity to meet the service obligations and Waterways and Drainage needs and did not fully account for the delivery and servicing needs in the expanded districts. As time has gone on and more information has come to hand, the needs of the expanded areas far exceeds the revenue raised from those areas. Whilst efficiencies have been gained in service delivery and some operational areas, the overall gap in deliverables, outcomes and improved Waterway Health continues to widen across the whole of the district. The Waterways are at a tipping point with regards to condition and values – failure to adequately fund their rehabilitation through increased rates can only result in a serious decline in the overall condition.

In the Opex areas, service cuts are now being experienced due to the adoption of a flat operational investment budget. Assets aren't being maintained and new assets are being taken on every year. The ESC needs to understand that soft engineered Waterways and Drainage assets need a reasonably high operational expenditure from the day they are created, unlike some hard-engineered capital items which have lower maintenance needs. There is a real need to grow the operational budgets in real terms to adequately maintain and hold the condition of the rehabilitated Waterways and Drainage assets and systems. Simply, at the moment there are many examples of declining assets as funds do not permit the necessary maintenance where works can't be capitalised. The ESC needs to understand that a lot of the activity that MWC conducts for Waterway Health is by nature an Opex investment.

CPI rises also don't cover the increases in cost base as CPI is a poor measure of increased construction and maintenance costs in the State of Victoria under the current high volume of major public projects.

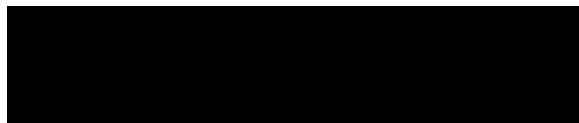
Notwithstanding MWC's best endeavours, there are many areas of challenge that remain underserved, including urban and rural waterway water quality, protecting and rehabilitating the highest value stream areas, tackling agricultural chemicals being sourced from agricultural districts, litter and microplastics, and getting the balance right of sustainable passing flows after water harvesting, to support instream ecosystems abundance and diversity, plus working with the retail water authorities to tackle backlog and remote sewer areas. Simply the list of too do's is never ending!

The MWC pricing submission has made an allowance for Covid19 response particularly for the non-residential ratepayers. This is one of several response options considered. Another Option suggested in discussions was to hold off any real increase in the residential rate and just seek CPI for year 1, for the residential customers, but then seek annual increases to attain an overall >5% increase net of CPI over the next four years, such that the base investment level was improved at the end of year 5. This could also be in a ramped charge fashion.

No matter what funding model is considered, MWC cannot be expected to meet the substantial increase in investment required to meet the consumer endorsed HWS if it doesn't attain a step-up price increase in its charges.

I therefore implore the ESC to consider that this 2021 Pricing Submission, is a watershed moment in investment in Waterway Health for the Port Phillip and Western Port Region. A continuation of the previous minimalist price positions as per the last two price determinations would be a substantial insult to all those consumers who have been engaged in the extensive consultation processes to date. An appropriate, but considered increase, is required not only over the life of the next price period, but also for the following price period as well. Failure to provide for a modest yet important, price rise will only result in MWC being unable to deliver on the HWS in a comprehensive manner, with it and the Government held to ridicule by the consumers and customers.

Yours Sincerely.



MWC Ratepayer and consumer

Resident in the Yarra River Catchment