

13/01/2020

To the Essential Services Commission,

I am submitting my opinion to you in an endeavour to have a voice heard and to provide feedback on a pricing scheme that I believe has been unfairly agreed upon. I believe the pricing structure needs a full overhaul, and that without some serious intervention, will be detrimental to the Goulburn Murray irrigation district. I am highlighting in my letter the issues I have with the way the feedback was gathered by Goulbourn Murray Water (GMW), the price they have proposed for their service and the potential harm this pricing structure will cause if not addressed appropriately.

The feedback gathered by GMW with regards to their 2020 pricing submission has been a well constructed biased marketing campaign. In four years, they have only consulted with 10% of their customers about their price structure submission and in what capacity these conversations were conducted, also leaves a lot to be desired. The engagements I have had apart from one, have been negative.

The feedback from customers has been cleverly gathered in such a way it appears overwhelmingly positive. However, having spoken to many of GMW's customers, this is not the case. The information presented was given little context and such brevity it simply was not possible for customers to give informed feedback. The information that was collected on the 'walk in' days was through using a tick box of "Yes", "No" or "Maybe" with regards to the question whether they are heading in the right direction by lowering the price of having access to water. In addition, the information provided on the day was very brief, it gave very little context and the two staff collecting the feedback were less than informed of the costing break down. When pressed for further information so that one could make an informed comment for feedback, the staff were unable to respond accordingly as they were not from finance.

In addition to attending the 'walk in' day, I requested a costing breakdown nearly a month before this meeting was held and was not provided with any information, despite multiple requests. I did not receive relevant correspondence until I contacted the Ombudsman. As a result, I was promptly responded to by a GMW representative. I was then provided with the information I had previously requested 2 months prior and advised the GMW representative this information should have been available at the walk-in days. Which again, I believe leaves their campaign looking less than transparent.

The report submitted by GMW to the Essential Services Commission however detailed and misleading, does not hide the fact that there is a clear discrepancy with the number of staff and management required for the system.

The system as outlined in DELWP delivery share review illustrates that the channels are only being used at 60% of their design capacity due to the number of reduced customers in the GMWs system. These channels are the most modern and efficient they have ever been, however GMW has almost as many staff as previous years with an average salary of over 100,000 per annum. This is absurd as the operations has been mostly absorbed by Rebicon for an undisclosed amount of money per year. Furthermore, the maintenance of the channel systems is at an all time minimum as many of them are lined and the spurs are now piped thanks to the connections project. I cannot help but ask why it is necessary to have a similar number of employees to manage a more efficient and effective system, that is also being used at a significantly reduced capacity.

As a customer of GMW, and one that has lived in their water delivery area for 24 years, it has been a long-established fact that GMW charge far too much for the service they provide. Until now, I was not aware that their prices were guided by the Essential Services Commission. I, like many others in the community, thought that they were the government and as such, their prices were beyond reproach. Despite GMW hiring many people and contributing, especially the Tatura community, they have continued to show little or no empathy towards the farmers who are the backbone of their “non for profit” organisation. For a company that is “for the farmers” I contest that the need for such high salaries and an excessive number of staff that continue to stay employed into drought-stricken years; it shows a general ignorance to the situation around them. In the last 10 years the changes in the Murray Darling Basin Plan (MDBP) have been detrimental and probably irreversible which is out of GMW’s control.

This should have prompted GMW to make drastic changes or fought the MDBP. It has led to the reduction of approximately 40% of the GMW customers and despite the numbers being hard to find, large quantities of customers no longer are able to afford irrigation water. Every year more farmers who were gifted the water attached to their farm in 2007 are leaving the land. A common theme is that these farmers sell their farm with no water allocation and keep the water to assist with retirement.

This separate issue of how water shares have been mismanaged monumentally has had a dramatic effect on GMW service. It radically effects how GWM deliver water as very few farmers can afford to purchase shares and the number who retained them is consistently growing smaller. It’s a huge problem for their business and the economic climate doesn’t allow for these exorbitant costs of their service, especially for those who would have the additional cost of water to contend with. The extent of the damage is prevalent for those who have lived in the Goulburn Valley prior to the millennium drought. However, despite the huge economic toll the drought and water mismanagement has had on the area, the price to deliver water has not yielded but increased, even for those new farmers who will under normal circumstances are not able to utilise the system.

GMW have unfortunately found themselves in a position where the current economic climate has rendered their service far too expensive for what they are providing. The MDBP has made water far too expensive for most farmers to utilise in the GV and this has reduced the customer base for GMW substantially. The new generation of farmers are buying the land without water and can’t afford the water to utilise for irrigation. However, GMW are still charging those people the equivalent of a year’s mortgage repayments to access the channel. In addition, the fees they charge are linked to the delivery shares attributed to the farms. The delivery shares as detailed the DELWP are inaccurate, outdated and in need of a substantial overhaul. GMW has stoutly remained linking their fees to this redundant system. This displays their lack of willingness to change or move with the times. It displays their lack of understanding of how people utilise their service since the MDBP. It also shows a huge lack of forward thinking as the new generation of customers becoming disgruntled they are paying for a service they may never be able to use or a service far above water they are able to use due to the allocation of an a channel share by a misguided system.

In addition, the proposed pricing structure is outdated and vastly overpriced. It doesn’t represent the current customer base or the modernised water delivery system available. In the current system there needs to be a revision into how the infrastructure costs are distributed and why the cost is so high. The age-old argument is that GMW needs to run the whole system despite there only being a 60% allocation.

This is a misrepresentation as the DEWLP report clearly shows the channels are being used at 40 % below their design capacity and when allocations are at all time low, orders for water significantly decreases due to water availability and price. This demonstrates the channels can be used at a lower capacity. By managing the channels more effectively it is not impossible to make the fees variable to a degree and put employees on contractual or casual basis (this would account for when orders are coming in and then later in the season when people have used their allocation). This allows a more realistic price for water delivery and demonstrates to the customers that GMW is empathetic to their plight and not just trying to gouge them to maintain employee numbers and their high salaries. Customers have displayed their preference for fixed prices as they need this to ensure they have the funds available and as there is widespread distrust in GMW.

Other water companies such as Sunraysia and Rich River charge a fraction of the price for infrastructure access fees and their new water delivery systems. In some cases, they charge a quarter of the price that Goulburn Murray Water will charge with the new pricing structure which just shows how out of touch the pricing system has been in previous years. I believe there is very little difference between these organisations and the modernisation provided in the Goulburn Murray Water system has made them far more efficient than the other water authorities. This again begs the question why are their prices so incredibly high?

However, it is not fair to attack their total management of the system. The new system provides huge water saving and far better efficiency. From all accounts water is promptly delivered when ordered and when people make accidents, they are willing to accommodate in most circumstances. The use of the localised call centre provided fast, effective communication from order to delivery. I must stress that the issues I have with the submission is not the competency of the organisation but the price in which they charge for the product.

Moving forward, the price structure needs to be reviewed. The prices are far too high for the service provided. The economic climate has made it impossible for the system put forward to be utilised. If the current price structure is accepted it is pure negligence and a lack of empathy for the farmers. The organisation needs to move with the times and currently they are stagnating and trying to keep living in the glory days of the pre-millennium drought, however the massive impact the of the Murray Darling Basin Plan has made the days of reliable affordable water impossible. GMW provides the essential service for successful farming across their irrigation area but the constant need to be overcompensated for their service is destroying their declining customer base. This can only yield in a vastly smaller irrigation base who are paying large sums of money for access to service they will never be able to utilise. Change must happen.

Thankyou for taking the time to read my letter.

Sincerely,

Max Bailey