

All correspondence to the Secretary:
2/6 Chestnut Avenue, MORWELL Vic. 3840
mgconsult@vic.australis.com.au



Gippsland Resource Group Inc

Submission to the Essential Services Commission on the Gippsland Water Plan 3 2013-2018

Preamble

Shortly after Gippsland Resource Group's (GRG) incorporation in 2007 we were granted funding by CUAC Ltd to review Water Plan 2. We were disturbed at many aspects of the plan not the least the huge cost burden placed on an already stretched economy in an area of high un-employment and containing a large percentage of consumers on pensions and fixed incomes. We were also concerned that the major users were being subsidised by the ordinary consumers. These sentiments were expressed at the very small number of public meetings and in 2008 submissions to the ESC.

Co-inciding with the media release 20th June 2008 "Regulator approves prices for Victorian Water Customers", then chairman of the ESC, Greg Wilson made the public pronouncement to the effect that he had been assured by Gippsland Water that there was no cross subsidisation.

The appendix 1 on media the release shows a comparison of the average annual price increase from 2007-8 to 2012-13 %

In the case of Gippsland Water and the ESC draft decision was "reduced" from 17.4% to 14.9% as the ESC's final decision still the highest in Victoria. The average household bill then became 2007-08 \$672 to \$1152 in 2012-13 (71.4%). Whilst this amount stated (Excluding Inflation) because the exact figure for the on-coming years was not known it is clear that an adequate allowance of 12.5% was made for inflation in section 9.3.3 by then Director Regulation – Water, Sean crees in his release of the final decision on the 3 July 2008.

Our concerns regarding large non residential users being subsidised by the general customer base was again noted in the final decision.

During discussions over some months regarding the cross subsidisation issue and the cost allocation of the largest infrastructure project undertaken, the Gippsland Water Factory we were assured that the expenditure on Water Plan 2 would be reviewed and the relevance to Water Plan 3 would be assessed. This has not occurred and at the only meeting with the ESC on the 6th December 2012 no information was forthcoming.

GRG also suggested to the ESC that they arrange a venue in Morwell or Moe, the most disadvantaged towns in Latrobe Valley, to enable more people to attend, this was ignored.

There were four people in attendance from the ESC at this meeting, including a commissioner and a minute taker. The audience was not given any details of the questions



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that the ESC had asked of Gippsland Water and GRG was not allowed access to the minutes taken.

GRG has taken on the task over the last four years to monitor the tariff rises proposed and found early on that Gippsland Water was increasing prices on a yearly basis and not in accordance with the ESC's final decision of the 3rd July 2008. An excellent report produced by Dr Christine Sindt titled Gippsland Water's Hardship Policy on behalf of GRG to CUAC Limited clearly shows how the overcharges were imposed by Gippsland Water in collusion with the ESC and the report has been widely circulated and acclaimed. The Survey results were explicit and indicative of a community under pressure but rejected by Gippsland Water and the ESC.

With a faceless board and project and capital spending decided by an "Internal Committee" it is no wonder that the Gippsland Water community has no confidence in Gippsland Water to combine fairness and equity in their pricing or the ESC to regulate them. As all the expertise on utilities including water seems to be in Gippsland rather than spring st.Grg feels that gw should be more accountable to the people rather than their major stakeholder, the Government, their words!

During the review since the early December meeting with the ESC we were able to obtain a copy of the East Gippsland Water Plan 3 2013-2018. It was a pleasure to read and understand how results can be achieved by working with the community.

We have included comparisons with East Gippsland Water and Gippsland Water in our submission where appropriate. There appears to be no set standard in the compilation of water plans.

cross Subsidisation – Submission Proper

During june meetings conducted by Gippsland Water so called fact sheets were distributed in place of the full Draft Water Plan 3. This was decided by the internal committee as the whole thing was apparently too technical, one of the fact sheets was apparently directed at GRG item 13.1 "debunking the myths, myth one". Residential customers subsidise our major customer this is not correct!

Despite no evidence being provided to prove the facts GRG does agree that the major users do in fact use raw water, sourced mainly from allocations from blue rock dam.our experience in working on all the power stations in the Latrobe Valley is that items of plant and equipment function only on treated water. The differentiation or the quantities are not communicated in fact sheet 13.1.

This is demeaning to GRG and misleading to Gippsland Water customers. Chart 9.4 Page 137 of the 2008 Draft Water Price Review.



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This shows an item under change in non residential usage charges an item under Gippsland showing a major client increase of 100.4 % to 67 kl.

When requesting details of major client usage we were told by Gippsland Water on the 18/1/10 that they could not be disclosed as they were subject to "Commercial in Confidence Contracts". Our experience over 30 years at purchasing and contract administration concludes that the contracts are in fact secret as the commercial in confidence provision__ does not exist after the tender period has concluded. The collusion continued with the ESC citing confidentiality for not disclosing details. Clearly if the details were in the public domain when published in the Draft Water Price Review of 2008 The ESC and Gippsland Water are complicit in the operation of cross subsidisation and should be prosecuted by the appropriate authority.

GRG has requested an explanation from the ESC on the 17/12/12. To date there has been no response. There is also apparently no adherence to any competition policy as all clients under contract supposedly pay the same price.

Executive Summary – Gippsland Water

Page 5 the first paragraph states in part "Gippsland Water is required to submit a Water Plan each year of the regulatory period commencing July 2013 to June 2018.

GRG disputes that there is a requirement to lodge annual plans without any consultation with the community. Gippsland Water Plan 3 is a five year plan. Only unusual circumstances should decide whether a one off annual plan is lodged. The community demands uniformity.

East Gippsland Water

2- Executive Summary Page 5

"East Gippsland Water is required to submit a water plan to the essential services commission (ESC) prior to the commencement of a five year regulatory period.

Loch Sport Sewerage Scheme

Fact Sheet 7.1 states that the above requires \$32.3 million from Water Plan 3 to complete. GRG only found out from a newspaper report in the Gippsland Times of the 14th September 2010 that the previous Government had approved this project. The business case for a reticulated water system was not approved as it was deemed "too dear".

Well GRG considers that the Loch sport scheme is not viable for Gippsland Water customers because of a decline in population risk factors to infrastructure and a large % of installations would be vacant blocks. Tyers in Latrobe city offers a much better alternative at a more affordable price. GRG has written to the water Minister on the 26th October 2012 on this and other issues. No response to date.



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Economic Setting Page 6

2nd Paragraph states "Gippsland Water Tariffs have risen by almost 98% during the 5 years of The second regulatory period' the fact is that the tariffs increases were approved by the ESC."

GRG disputes that the ESC has approved prices by almost 98 % as the 2008 decision clearly stipulates 71.4% including an allowance of 12.5% for inflation.

There is no mandate for these changes and they should be refunded. As pointed out by Dr Christine Sindt in a letter to the Latrobe Valley Express of the 9th October 2012. "These actions are an insult to the intelligence of our community"

2 – Overview of Proposed Tariff ~~Re~~forms

During the limited consultation with its customers Gippsland water sought feedback on two options for increases in Water Plan 3. These options were apparently developed by the "internal committee" with no input by the customers in its development.

East Gippsland Water – Overview 3

Last Paragraph

"The focus has been on engaging with customers and then using the feedback to ensure the service delivered by East Gippsland Water meet their expectations." What a contrast to Gippsland Water. East Gippsland Water actually involved its customers in its decision making.

East Gippsland Water 3.2 Overview of Water Plan Process Table 1.

Includes East Gippsland Water Plan 3 journey starting with community consultation in January 2012 describing the requirements for Water Plan 2 and advising customers what they did in Water Plan 2. Not only were there consultations in the major towns but also smaller ones such as Buchan and Bruthen.

February 2012 Board Discussion

April 2012 Board Consideration

May 2012 Final draft goes public

June – September 2012 Further consultation

Obviously East Gippsland Water's approach was to involve the customers in the make up of the plan, rather than dictate like Gippsland Water does .

3 Customer Impacts' average household bills



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Gippsland Water says "Assuming average water consumption of 174kl 'pa'. The figure of 174kl p.a is actually the state average as 163kl p.a is the figure published by the ESC. East Gippsland Water says lower demand shows a usage figure of 130kl. Clearly Gippsland Water is maximising the average use to increase revenue instead of taking measures to deal with a decrease in revenue.

4 – Overview of proposed Tariff Structures

"Tariff Structure for Water is a two part structure for wastewater comprises a fixed service fee". This needs to be reviewed where there is minimal or no water usage.

5 – Community Consultation on Draft Water Plan 3

The consultation was negligible and only concentrated on a draft plan already drawn up without any input from those that it affected. The take or leave it approach is not appreciated and efforts at consultation puny by comparison to East Gippsland Water. 5.5.1 a number of 15 meetings were held across the region to gather customer input for the draft plan

It then goes on to describe the venue dates throughout East Gippsland Water

5.5.3 Online Survey and Email Feedback

5.5.4 Advertisements in Local Paper

5.5.5 Written Invitation to comment

5.5.6 East Gippsland Water sent over 500 written invitations

5.5.7 Customer advocacy group consultation

5.5.8 Being aware of Customer requirements

Staff and Board members were involved in these consultations unlike Gippsland Water where Board Members did not attend.

1.2 Strategic Direction

Our Mission, Our Values

These are weasel words which Gippsland Water has obviously no intention of following with their current reactionary culture instead of community engagement.

Consultation 23.30

Bare minimum and the results inconclusive because they did not engage the community. Presentations from interested groups were by request from the groups concerned.

4.3 Overview of operating expenditure pg 44



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Item 4 – Regulatory Licence/Fees 2013-2018 \$2.18ml

Item 5 environmental contribution \$22.38 ml

Egw total licence fees

\$0.45 ml

\$5.56ml – Environmental Contribution

There is a huge discrepancy between what Gippsland Water appears to pay to the ESC and Environmental Contribution to that of East Gippsland Water.

Gippsland business obligations Fact Sheet 14.1

Gippsland Water shows that environmental contribution to the Victorian Government is set out in the Water Industry Act 1994.

East Gippsland Water shows compliance to the Water Act 1989. GRG has not read the Water Industry Act 1994 as we believe that its only metropolitan authorities that are responsible to the Water Act 1994

4.6.1 Environmental Contribution

also shows the relevant Act as WIA 1994.

This situation needs to be clarified to ensure that the above contributions have not been overpaid.

East Gippsland Water shows a staffing numbers chart with a cost ratio of 47% to revenue. Is there a regional authority standard.

6 4.3 Electricity Page 38

East Gippsland Water uses procurement Australia for purchasing power, maybe Gippsland water could look at organisations such as this to reduce costs and therefore tariffs.

Gippsland Water Fact Sheet 15.1 – Gippsland Water Achievements 2008-2012

Dot Point 2 – States the final capital cost is \$230 mil.

Dot Point 3 – The alliance style contract requires the alliance partners to share some of the cost overrun and shield Gippsland Water and its customers from additional costs.

The amount committed in water Plan 2 was 174m with \$34ml being allowed by the previous minister as a cost overrun from the prior estimate of \$140ml.



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- Where is the authority for the cost overrun of \$56ml from the Water Plan 2 estimate to completion
- How have Gippsland Water been shielded along with the customers when the % required in the first two years of Water Plan 2 were 23%, obviously to cover costs of the Gippsland Water Factory.
- Given that Gippsland Water has admitted that they have changed just under 98% for Water Plan 2 when the ESC's final discussion in 2008 was 71.4 (including an inflation allowance), where have the customers been shielded?
- Page 4 – Introduction and Overview of the 2010-11 Gippsland Water Annual Report Refers to a significant sum of \$7.6ml claim for asset damage during the construction of the Gippsland Water Factory.
- q 1 What happened to the insurance claim?
- 2 – Why was the \$7.6ml liability of Gippsland Water rather than the builder, the alliance partner?

Page 107/8 ESC Water Price Review 9.3.3 Gippsland Water

2008 Final Decision

The ESC were to fully analyse how costs have been allocated between customers for the Gippsland Water Factory.

Question 1: Where is the review, the final cost is known?

Question 2: Why shouldn't there be refunds to the overcharges on tariffs for the water factory?

Office of Water

IN 2009 the previous government ordered an assessment by Deloitte of the Gippsland Water Factory. The current govt, to its credit had the assessment completed and made public in 2011. The results were a damning indictment of the board and management and in particular their slack attitude to contract management. It appears that the ESC has not even read this report as GRG has, and gives credence to Gippsland Water when it is not warranted.

The ESC only seems to look at providing revenue for the inflated programs and Gippsland Water keeping the revenue to the same level as Water Plan 2 that had Capital Programs of some \$250ml in it. This is not prudent or efficient spending of our money.

Compliance by Gippsland Water

In the 15/11/2012 edition of the Latrobe Valley Express was an advertisement for a "Commercial Services Project Officer". This was one of many throughout 2012 that

www.gippswater.com.au



Join our dynamic team and help shape the future with Gippsland Water. You will enjoy a friendly environment and a culture that develops our people and promotes work life balance.

Commercial Services Project Officer

Temporary full time position

Gippsland Water currently has an opportunity for a Commercial Services Project Officer to join us at our offices in Traralgon.

As the Commercial Services Project Officer you will be responsible for providing innovative solutions and improvements to our current processes relating to corporate governance. You will engage with key stakeholders to identify emerging issues and to help develop and implement recommendations to ensure Gippsland Water workgroups are aware of their governance obligations.

To be successful in this role you will have;

- Experience working in a regulated environment
- Ability to research and identify emerging compliance issues
- Demonstrated project management skills.

Applicants must address the selection criteria as set out in the position description to be considered for this position.

For specific enquiries relating to this position, please contact Nigel Gerreyn on 03 5177 4655.

Applications close at 5pm on Thursday 22nd November 2012.

Shortlisted applicants may be required to undertake a pre-employment medical and a National Police Check.

Further information: A position description and instructions on how to apply can be obtained from our website www.gippswater.com.au or by contacting Bryan Cake, Recruitment on 03 5177 4709. Applicants must address the selection criteria.

Heather Thompson
HR Administrator
PO Box 1790, Traralgon Vic. 3844
Or email to: thompson.heatherg@edumail.vic.gov.au



South Gippsland
Shire Council



Works Engineer - Operations

**Temporary full time
\$84,928 total annual salary package
9 day fortnight**

We are seeking a qualified Engineer to join our Operations team to provide Engineering support and expertise in relation to flood recovery works and maintenance programs of roads, bridges, drains and recreation reserves throughout the Shire.

You will work closely with the Operations and Engineering teams, external consultants, contractors and Government departments. You will have proven experience in project management, staff coordination and bring a high level of analytical, research and problem solving skills and be able to demonstrate prior policy development experience.

Enquiries to Fred Huitema, Manager Operations on 5662 9100.

Executive Support Officer

**Temporary full time - up to 12 months
Option of 9 day fortnight
\$62,437 total salary package**

An exciting opportunity exists to provide administrative support within the Chief Executive's Office and to Councillors.

You will be responsible for assisting in the delivery of a range of administration activities including handling correspondence, coordination of Councillor requests and responses and organisation of events and civic functions.

You will have Year 12 secondary education or equivalent, experience in office administration, accurate keyboard, word processing and spreadsheet skills and strong attention to detail. Your professional and considered approach along with your ability to communicate maturely and effectively with key stakeholders will be highly regarded.

Enquiries to Lauren Green, Executive Office & Projects Coordinator on 5662 9200.

All applicants must submit an Employment

Career Opportunities

www.berrystreet.org.au

The Berry Street School - Morwell Campus delivers a trauma-informed education model to young people aged 12 to 16 years who have become disengaged from mainstream education. We have the following vacancies available at our Morwell location:

Specialist Teachers

**Full time & Part time (0.6 FTE)
12 months fixed term**

We are seeking motivated and passionate Teachers to join our team. The successful applicants will work with the Leader of Teaching and Learning in continuing the delivery and development of the school's literacy and numeracy strategy and contribute to the ongoing development of the VCAL program, a new initiative commencing in 2013 for the Berry Street School - Morwell Campus.

A tertiary qualification in teaching (encompassing maths) is required (including VIT registration) and experience working with young people in out of home care or the Child Protection system is desirable.

Technology Teacher - Wood / Automotive

**Full time
12 months fixed term**

We are seeking a motivated and passionate Technology Teacher to work with students from Year 7 - 10, and within our VCAL Program, including VET. The Technology Teacher will develop and implement our woodwork and automotive program at the School and support the delivery of our VCAL program. The Technology Teacher will also work with mentors to strengthen our delivery through the support and supervision of mentors who will work one-to-one with our students.

The Technology Teacher will be on the ground for an exciting new facilities development in 2013 when our school moves to a new location.

A tertiary qualification in teaching (encompassing woodwork and automotive) is required (including VIT registration). Knowledge of the VET sector and pathways is desirable.

More information can be found in the Position Description available on our website:

www.berrystreet.org.au/employment

Queries to Jane Barr on (03) 5134 5971.

THE LATROBE VALLEY EXPRESS
THURS 15/11/2012



GIPPSLAND RESOURCE GROUP Inc.

Reg. No. A 00 50380

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indicated major staffing problems at Gippsland Water which was also evident in the Deloitte Assessment of the Gippsland Water Factory.

The advertisement also indicated major problems with compliance if they had to look for a person to fill this role (as attached).

Epitaph

GRG has only commented on items affecting the monitoring of the 2008 decision and the ramifications for Water Plan 3. As we have previously called for a review of the operation of Gippsland Water, we now re-iterate this view. The commissioner at the ESC meeting on the 6th December 2012 said that he would look at the 2008 final decision; no communication has been received to date. Because of the major effect water prices are having on the economy of Latrobe City GRG will not endorse Water Plan 3 until all our questions are resolved.

31/12/12

Merv Geddes
Secretary
Gippsland Resource Group