

FAXED?



Our Ref: 303372
BL:PQ

8 May 2008

Mr Greg Wilson
Chairman
Essential Services Commission
Level 2, 35 Spring Street
MELBOURNE VIC 3000



Latrobe City ABN 92 472 314 133
Telephone 1300 367 700
Facsimile (03) 5128 5672
Post to PO Box 264 Morwell 3840
Email Address latrobe@latrobe.vic.gov.au
Internet www.latrobe.vic.gov.au
AUSDOC DX 217733 Morwell

Dear Mr Wilson

**2008 ESSENTIAL SERVICES COMMISSION WATER PRICE REVIEW, DRAFT
DECISION GIPPSLAND WATER
PROVISION OF SEWERAGE INFRASTRUCTURE, MORWELL NORTH WEST
RESIDENTIAL PRECINCT**

Please find attached a copy of correspondence sent to Gippsland Water as a response to the Authority's Water Plan submitted to the Essential Services Commission.

The correspondence details an issue of great importance to the future of Latrobe City, and highlights a situation whereby Gippsland Water is constrained in providing essential sewerage infrastructure due to conditions imposed by the water industry regulatory process.

I understand the Essential Services Commission is currently reviewing its new Customer Contributions Guideline. It would seem that the circumstances relating to the provision of sewerage infrastructure to the Morwell North West residential precinct is a case that warrants consideration in the conduct of this review.

Council looks forward to this matter being progressed as quickly as possible to ensure the development of Morwell is not further delayed.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Bruce Lougheed".

BRUCE LOUGHEED
Mayor

Our Ref: 299562
BL:PQ

8 May 2008

Mr Richard McDowell
Chairman
Gippsland Water
PO Box 348
TRARALGON VIC 3844

Latrobe City ABN 92 472 314 133
Telephone 1300 367 700
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Post to PO Box 264 Morwell 3840
Email Address latrobe@latrobe.vic.gov.au
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COPY

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RESIDENTIAL PRECINCT**

As you will be aware, the Morwell North West Residential Precinct is zoned Residential One under the Latrobe Planning Scheme. Recently, Council applied to put in place a Development Plan Overlay over the land that would ensure that the land is developed in a coordinated manner. The Development Plan Overlay is not a necessary prerequisite to development, but when put in place, development must generally conform to the framework established by an approved development plan.

The Development Plan Overlay also includes a contributions scheme to ensure that the cost of limited road, open space and storm water drainage infrastructure is equitably shared across the area of the Development Plan Overlay.

The Morwell North West Residential Precinct is unable to be developed unless sewerage infrastructure is made available to the area on an equitable basis so that developers are able to connect to sewerage reticulation infrastructure.

I note from the Authority's recent presentation to the Planning Panel for Amendment C48 that the Authority is able to provide sewerage services to the area provided the out of sequence cost of the services is incurred by the developer who seeks to develop their land. The difficulty is however that no person will develop if that person (alone) is going to be responsible for the payment of the cost of bringing the shared asset from its current location to the land being developed. Accordingly, the provision of important residential land to Morwell is stifled, despite Council's efforts to coordinate the provision of infrastructure through the Morwell North West Development Plan Overlay.

Under the Water Industry Act 1994, sections 27, 28, 29 and 30 deal with the issue of developer charges for services to land. Council's advice is that these provisions provide the Authority with the ability to impose a charge on properties for contribution to the infrastructure.

In order to bring about the provision of shared sewerage infrastructure to the land, Council requests that the Authority prepare a scheme for the equitable cost sharing of infrastructure and then seek to recover the costs of that scheme by imposing developer charges on properties in the relevant area.

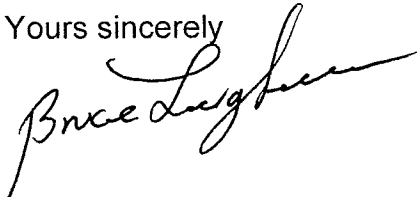
Even if the provisions of the Water Industry Act 1994 and the ability to impose developer charges for full cost recovery are limited by the operation of the Essential Services Commission Act, there is the ability under the Essential Services Commission Act to apply to seek to impose a charge that is higher than the scheduled maximum charge provided the Authority is able to demonstrate that the Authority has calculated the charge on a basis consistent with the pricing principles of the Essential Services Commission.

Council notes that the draft decision handed down by the Essential Services Commission makes provision for some \$6.9m of shared assets to be committed during the regulatory period. On the basis of the provision of this capital funding, and the capacity for the Authority to seek to impose a developer charge as detailed above, Council considers there is now the opportunity to progress the provision of sewerage infrastructure to the Morwell North West Residential precinct.

Again, Council stands ready to assist the Authority in any application that it needs to make to the Essential Services Commission to implement contribution charges in respect of any sewerage scheme.

Council looks forward to this matter being progressed as quickly as possible to ensure the development of Morwell is not further delayed.

Yours sincerely



BRUCE LOUGHEED

Mayor

cc: Gippsland Water Board Members: Mr Richard McDowell (Chairman), Ms Leah Young, Professor Alan Seale, Mr Peter S Wilson, Mr Brendan Jenkins, Ms Janice van Reyk, Mr David Mawer

Mr Greg Wilson
Chairman
Essential Services Commission
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