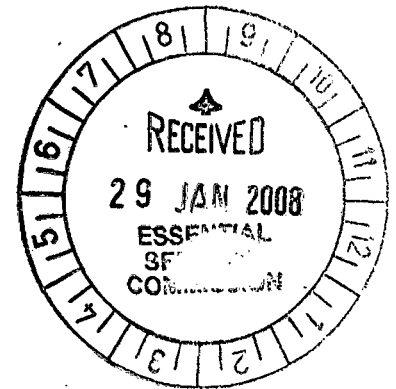


26 January 2008

Essential Services  
Commission (Victoria)  
2nd Floor  
355 Spring Street  
MELBOURNE VIC 3000



**RE: GIPPSLAND WATER PLAN 2008-2013.**

Dear Sir,

Gippsland Resource Group Inc. was registered on the 09/07/2007. Part of Gippsland Resource Groups mission statement was to protect the regions natural resources which include, of course, water.

Gippsland Water lodged their interim plan with the E.S.C. on the 31/07/2007 with little or no consultation with the ordinary consumer.

There was one meeting held in Traralgon in mid August where representatives outlined the plan and the infrastructure expenditure over the ensuing 5 years of some \$250ml. This translated into an increase of 100% over the term of the plan.

A consultants report to Consumer Utilities Advocacy Centre CUAC (RMCG final report 11/12/2007) concludes that Gippsland would have the largest increase (\$703) out of the 13 regional utilities. The figure shown at 2007/08 is \$701 rising to \$1404 for 2012/13, on a customer base of 61,400. It is difficult to comprehend that Gippsland's customer's base will remain static, for the five years so any variance in population will impact on revenue. This is just one flaw in the plan.

It was disappointing that Gippsland Water proceeded to lodge its final plan on the 8<sup>th</sup> October 2007, ignorant of the wide spread condemnation of its plan at the August 2007 meeting.

Other flaws in the plan were highlighted in a petition circulated throughout the region and signed by hundreds of customers and forwarded to the E.S.C, we understand.

The C.U.A.C. report, although basically generic, stated that ordinary customers are subsidising the 6 industrial major users, who use 73% of the allocation and little information is available on the industrial tariffs, because they have "Commercial in confidence" agreements with the Government.

The make up of the Gippsland Water Board is heavily slanted toward business hence the expectation that ordinary consumers representing 27% of the usage, should subsidise their big brothers. This of course is totally inequitable and maybe illegal.

Two projects representing about 68% of the total infrastructure spend proposed of \$250ml are of major concern to G.R.G.

1. **Gippsland Water Factory \$125ml (stage 1).**

The Gippsland Water Factory has approximately a total value approaching \$175ml with the Government contributing around \$50ml. The water factory will recycle water from the Australian Paper Mill, Maryvale (Paper link) for itself and other supposed industrial users, A.P.M. is the only customer at the moment. On estimates gleaned over the last few years the budget of the water factory has ballooned to about 20% over the original figure and appears to be un-capped and due for completion late 2010. Apart from recycling treated water, the residue will again be transmitted through the regional outfall sewer (R.O.S.) to Dalray's Beach near Sale.

The works will include a major upgrade of the R.O.S. to attempt to eliminate the foul odour that emanates from a section of about 40kms of open drain between Longford and Dutson Downs.

The odour has been a constant source of air pollution complaints since the R.O.S. policy inception by the previous Labour Government in the 80's. The policy was extremely un-popular at the time, and still is.

APM is obviously the polluter not only for residents near the R.O.S. but other unpleasant odours that reach as far as Moe when the wind conditions are favourable.

As a rule the polluter pays but in this case Gippsland Water wants the victims to pay.

G.R.G. believes that the Government should pay for their failed policy in partnership with the polluter.

In a recent water conference convened by the power industries (some of the major users), an engineer from Gippsland Water raised the spectre of the Gippsland Water factory Stage 2.

When asked who would fund Stage 2 the reply was "The Beneficiaries". Given the Gippsland Water Boards determination on who should fund stage 1, their definition of beneficiary would be en-lightening.

The Gippsland Water Factory, stage 1 has no obvious benefits for ordinary users and G.R.G. would like to see the recycled water from A.P.M. used on community projects, such as sporting ovals before ordinary consumers subsidises one of the big 6 on commencement of the water factory operations in 2010.

2. **Loch Sport Sewerage Project \$45ml.**

Loch Sport is not in the jurisdiction of Gippsland Water. Basically Gippsland's Water's boundary finishes at the Gippsland lakes following the course of the Latrobe River.

Gippsland Water was apparently given the responsibility by the Government to manage the project. It is very deceptive conduct in our opinion to take on a project to be funded supposedly by ordinary consumers when they are not the beneficiaries. Once again no disclosure or consultation. Once again we believe this project should be funded by the Government and the beneficiaries.

A more equitable funding arrangement for the balance of the infrastructure spending of \$80ml would be using the user pays principle and applying the % use to the big six and the ordinary customers.

**E.S.C.'S Issue paper.**

We have looked at the overview on the web site in order to formulate our response by the 28/01/2008.

Unfortunately, as far as we are concerned, the focus seems to be on the price to be paid for water rather than the capacity for an area such as Gippsland to pay an increase of 20% p.a. over five years.

Gippsland gets no economic advantage for their natural assets such as electricity and gas and regularly pays 10-12c more for fuel than in Melbourne. We already subsidise Melbourne and big business with these resources and water should not be allowed to go down the same pathway.

Because there is a perception in some quarters that water is too cheap, we have compiled some local statistics from the most disadvantaged sectors of the Gippsland Community and customers of Gippsland Water.

Further, the long standing disparity between classes of customers as regards the usage of reticulated water and the price paid is most evident in the fact that six large customers pay only 30% of the overall cost while using 70% of the water. These large customers also source raw water supplies from other bodies e.g. Southern Rural Water. This is outside of the Gippsland Water Enquiry; however, the W.I.R.O. takes into account national competition policy which states that no class of customer shall cross subsidise another class of customer. This blatant long standing arrangement must end if the small residential customers are to gain from the changed arrangements. The Essential services commission has to enforce national Competition Policy within its area of responsibility".

Admittedly the Social Security participants from Centre link is from 2003. but It gives a fair indication of the trend.

The water Minister advised in a letter to a small business director in August 2007 that approximately 300 people would be employed on the construction phase of the Gippsland Water Factory.

The un-employment rate in Moe of 9.2% and Morwell 9.4% (DEWR Sept quarter 2007), an increase of 1% over the previous quarter, would seem to suggest that not many of the estimated 300 would be local, Latrobe Valley workers.

Also, the average wage tax year ended 2005 (A.B.S) for Latrobe City was \$36,099 compared to the state average of \$44,814, a disparity of \$8715 p.a. (19.4%). Gippsland was \$38,666 (\$6,148 13.72%). We have been advised as well that Gippsland Water in letters dated 26/07/2007 to occupants of co-operative housing not for profit organizations, have removed concessions, back dated to 01/07/2007. These co-operatives provide low cost housing to about 300 people in Gippsland alone to Centre link recipients mainly pensioners. There has been no sufficient response or explanation to this issue by Gippsland Water or the Government. This callous act increases the burden to these co-ops to about 70% p.a. under Gippsland Waters plan.

**Social security participants**  
**Centre link June 2003.**

Pensioners	7,864
Disabled	3,852
Carers	2,152
Widows	1,086
Mature Age	263
Youth Allowance	1,781
Sick	<u>29</u>
	<b>17,027</b>

Further the AB.S. figures for household income spanning the period to 2005 show, that the bottom 40% of households have received at a maximum no more than a miniscule increase in overall household income but even less when deducting housing costs (mortgage, rental etc) from family budgets. The proposal to increase water costs by the amount proposed will further erode family living expenses.

The suggestion by the E.S.C and Gippsland Water that families will pay by using further Government concessions is a false economy. It would be far more economical for the Governments' to provide direct cash imbursements to bridge the gap that will appear when and if these increases are imposed, of course our preferred position is for only minimal increases in water rates in line with general cost of living increases".

**Average Wage Tax Year/Ended 2005 A.B.S.**

Latrobe City	\$36,099
Victoria Average	44,814
Gippsland	38,666

**Un-Employment**

DEWR SEPT 2007 Quarter

Moe	9.2%
Morwell	9.4%
Traralgon	5.1%
Balance	5.3%
Gippsland	7.4%

**Gippsland Carers Association INC.**

Estimate of Carers \$5,800

**DEPARTMENT OF FAMILY AND COMMUNITY SERVICES**

June quarter 2005

Vic Carer payments	20,931
Vic Carer allowance	77,526
Aust disability support	696,700
Pension	
Aust aged pensions	1,876,000

Gippsland have about 5,800 carers who are struggling to obtain just compensation for their 24hr jobs and the increase in all utility prices, fuel and food is a heavy impost..

Gippsland resource Group Inc. is concerned to see a much fairer distribution of increased costs contained in the Gippsland Water plan 2008-2013. Also input into a revised plan with the Government and the beneficiaries taking responsibility for the Gippsland Water factory (Stage 1) and the Loch Sport Sewerage program.

G.R.G. look forward to participating in any forum conducted by the E.S.C. to resolve issues contained in this submission.

Yours sincerely,



Merv Geddes

Interim President

Gippsland Resource Group Inc

2/6 Chestnut Avenue

MORWELL Vic 3840