



**ethnic
communities'
council of
victoria**

3 February 2009

ECCV SUBMISSION TO THE ESSENTIAL SERVICES COMMISSION

Metropolitan Melbourne Water Price Review 2008-09

1. The Ethnic Communities' Council of Victoria (ECCV) welcomes the opportunity to provide input to the Essential Services Commission's Metropolitan Melbourne Water Price Review 2008-09.
2. Established in 1974 as a voluntary community based organisation, ECCV is now a broadly based, state-wide peak advocacy body representing ethnic and multicultural communities across Victoria. For over 30 years, ECCV has remained the principal liaison point between ethnic communities, government and the wider community in Victoria. ECCV has been a key player in building Victoria as a successful, harmonious and multicultural society today.
3. ECCV believes that in a multicultural society, it is necessary for laws and civic processes to be continuously adapted so as to remain relevant and equitable to the needs of all peoples and cultures in Victoria. Many Victorians that come from culturally and linguistically diverse (CALD) backgrounds have different understandings and experiences of the law. It is imperative that the legal system is sensitive to and reflective of these experiences and serves the interests of all Victorians.
4. ECCV recognises that the primary objectives of the Essential Services Commission include:
 - protecting the long-term interests of Victorian consumers with regard to the price, quality and reliability of essential services; and
 - ensuring users and consumers (including low income or vulnerable customers) benefit from the gains from competition and efficiency.
5. ECCV also notes that under the Water Industry Regulatory Order (WIRO) the Commission must ensure that when prices are being determined that:
 - the interests of customers are taken into account;
 - customers or potential customers are readily able to understand the prices charged or how they have been calculated; and
 - customers are kept suitably aware of the costs of using water and given incentives to use water sustainably.
6. ECCV would like to express appreciation to the Commission for the production and distribution of the *Water Plans – Issue Paper December 2008*. Where appropriate, the following feedback references specific questions outlined in the response section of the discussion paper.

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Have customer impacts resulting from the proposed price increases been adequately addressed ?

7. ECCV believes that if the customer impact of the proposed price increases is to be adequately addressed, due attention must take given to each of the following different stages:
- Awareness
 - Understanding
 - Preparation
 - Implementation

Awareness

8. According to the Issues Paper, average annual household bills are proposed “to increase over the four year regulatory period by:
- 70.2% for South East Water;
 - 71.4% for Yarra Valley Water; and
 - 62.8% for City West Water.

In absolute terms, customers can expect their water and sewerage bills to **increase by around \$80 to \$120 a year**” (p40).

9. With this equating to a total increase of between \$320 and \$480 after four years, ECCV is concerned that the extent of this expected increase has not been adequately communicated to the general public and members of culturally and linguistically diverse (CALD) communities in particular, many of whom fall into lower income and more highly vulnerable socio-economic groups.
10. ECCV understands that Yarra Valley Water already implements a Languages Other Than English (LOTE) communication strategy to inform the public about price changes, which includes translated advertisements appearing in the respective ethnic media. ECCV recommends a similar strategy be employed throughout all water jurisdictions.
11. ECCV notes that while the availability of translated material on websites is commendable, not all age and cultural groups are comfortable with using the internet as a prime source of information. ECCV recommends that a multilingual water task team be established across the different water jurisdictions with bilingual staff available to help inform CALD communities on the proposed changes to water pricing and water conservation in general. ECCV also recommends that printed material be augmented by the use of ethnic radio to help inform Victorians with limited English proficiency of the proposed price increase. Elderly members of CALD communities especially tend to draw information from radio programs in their preferred language.
12. ECCV queries whether suitable forewarning is being provided between the appearance of LOTE material informing of the proposed price increases and their implementation.

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Understanding

13. ECCV appreciates the Commission's recognition of the need to help customers understand the manner in which water prices are calculated or otherwise determined. This includes detail about factors such as the cost of future supplies and accommodation of periods of peak demand and or restricted supply, as well as choices regarding alternative supplies for different purposes.
14. ECCV particularly notes the need to clarify the mixed messages currently being sent out to the public about supposed links between the proposed price increases and pre-existing water restrictions (see **Attachment 1**). According to the article in *The Age*:

The Essential Services Commission has warned that reduced consumption has become a major factor behind the soaring water prices that will soon hit households.

15. ECCV is concerned that water users may feel unduly punished for abiding by the Victorian Government's own "Target 155" campaign which seeks to limit water consumption to 155 litres each day. Encouraging changes in attitude and behaviour among older members of the community can be particularly challenging, making it doubly essential to ensure that any efforts to conserve water are rewarded and incentives to do so are not undermined.

Preparation

16. As well as informing about the nature of the proposed price increases, ECCV wishes to highlight the importance of providing easily accessible multilingual information about how water users can prepare themselves and their households for the impacts of the changes, notably those households on the brink of, or already experiencing, hardship issues.
17. ECCV appreciates the requirement of a Customer Service Code, which include a hardship policy providing a range of options for customers experiencing financial hardship. Options such as:
 - flexible payment plans;
 - referral to financial counsellors and other relevant agencies; and
 - information on concessions and other government assistance that customers may be entitled to.
18. ECCV notes the availability of 12 types of water saving rebates currently available in Victoria, valued from \$10 to \$1000 (see **Attachment 2**). However, the Council is concerned that the benefits of the rebates may be skewed towards higher-income people who are more likely to afford the more expensive items such as water tanks and grey water systems, while residents of poorer suburbs are only able to claim the smaller rebates, such as \$10 to \$20 for shower roses and \$50 for dual-flush toilets.
19. ECCV believes the ultimate goal of any rebate scheme is to facilitate the use of all possible water conservation devices by every Victorian irrespective of their geographic position and socio-economic status.

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Implementation

20. ECCV recognises that on occasion the direct impacts of changes such as the proposed increase in water prices do not become truly apparent to a certain segment of the community until the changes are implemented. This is not necessarily due to any deliberate avoidance of prior information by the consumers concerned; just a failure to fully comprehend the implications. ECCV recommends that culturally competent and linguistically diverse customer service processes remain easily accessible once the price increases are introduced to answer questions as they arise.
21. ECCV recommends that the Commission also closely monitor the implementation of the price increases to ensure vulnerable segments of the community are not disproportionately disadvantaged.
22. Should disputes arise from the implementation of the price increases, ECCV believes that Victoria's legal system should ensure the fundamental right of people from CALD backgrounds to access qualified interpreters for legal counsel whenever they face language difficulties.
23. In terms of equitable legal processes, LOTE information and resources should also be available so all Victorians have knowledge of and access to the legal system and its applications.

Should the prices for some services be increased by more than other services (such as water prices compared to sewerage prices) to better reflect underlying costs?

24. ECCV notes that the average water consumption per person can differ markedly between households of four or less people and households of five or more people due to varying manners of usage. For example, in higher-population households it is common for two or three children to share the same bath water. With families from CALD backgrounds, especially newly-arrived refugees and humanitarian entrants, among the higher-population households, ECCV is concerned that prices for different water services not disproportionately disadvantage this already vulnerable socio-economic group.

Should usage charges increase by more than fixed charges to better reflect costs and give customers greater control over their bills?

25. In general, ECCV believes the amount that Victorians are charged for water should reflect their personal usage. However, the Commission should be mindful of the difference between *discretionary* water consumption and *necessary* water consumption. For example, one household may have similar levels of water usage as another, but for different reasons. Whereas usage in the first household may be predominantly for the personal health and hygiene of the occupants, usage in the second household may be for water features or a private pool. In periods of restricted supply especially, ECCV believes it is appropriate that the cost of discretionary water usage be priced higher than necessary water usage.

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26. ECCV also reminds the Commission that levels of domestic water consumption represent a very small percentage of Victoria's overall water use compared to industrial water usage. ECCV recommends that suitable administrative mechanisms be introduced in all commercial enterprises to better monitor and minimise consumption.
27. In a country with a climate and ecology that is acutely vulnerable to the impacts of drought and global warming, ECCV believes that the burdens and benefits should be shared as equitably as possible regardless of geographic location and socio-economic group, and that price structures incentives should reflect and encourage this outcome.

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FALLING USE PUSHING UP WATER PRICES

Peter Ker

The Age, 5 January 2009

REDUCED consumption of water will do more to inflate household prices than some of Victoria's biggest and most controversial water projects, as retailers scramble to recoup emerging holes in revenue.

As the Brumby Government urges Melburnians to limit their consumption to just 155 litres each day, water retailers are selling less product and making less money.

Last week, Melburnians used a daily average of 149 litres per person — well within the parameters of the Government's recently launched "[Target 155](#)" personal consumption campaign.

The [Essential Services Commission](#) has warned that reduced consumption has become a major factor behind the soaring water prices that will soon hit households.

A new four-year water pricing regime will begin for Melbourne on July 1, and water retailers are seeking to raise prices by almost 97 per cent by 2013 in extreme cases.

The price forecasts require approval from the commission, which has described the increases as "considerable" in its initial response to water retailers.

The commission has launched an investigation into the legitimacy of the retailers' claims, using its own resources and hiring private consultants PricewaterhouseCoopers.

In a recent response to the retailers, the commission highlighted the factors that would play the biggest role in forcing up prices.

The Wonthaggi desalination plant, which is expected to cost more than \$3 billion, not surprisingly was the most influential factor behind rising prices.

But Victoria's other controversial water project, the \$750 million north-south pipeline, was found to be less of a cost burden than reduced consumption.

"The top five contributors to Melbourne Water's price increases are (in order) the desalination plant, reduced demand, other capital investments, the (north-south)

pipeline and the higher average cost of capital," the commission reported.

Water retailers have found themselves in a curious position over recent years: playing a major role in encouraging curbs on water use, yet knowing that such conservation measures erode their own revenue and profits. In comments that suggest it favours a return to higher household water consumption once the desalination plant and the north-south pipeline are completed, the commission said retailers had been "conservative" when predicting consumption rates for the coming four-year period.

"Their assumptions about usage appear conservative. Higher demand forecasts would result in lower price increases. The commission will assess whether the demand forecasts are reasonable," said the commission's response to retailers.

The commission said it would also review "the purpose of certain water-saving measures", given major water projects would soon supply more than 225 billion litres of extra water each year.

Experts have vigorously debated whether water consumption should return to traditional levels once the major projects are completed, or whether the behavioural change achieved over recent years should be retained.

Microbiologist and water expert Nancy Millis argued recently that water-saving measures should be retained even after the desalination plant comes on line.

"We need to continue to educate people as to the fact that water is a precious commodity," Professor Mills said.

But both major political parties in Victoria favour a return to more relaxed water consumption levels, with Water Minister Tim Holding stating last year that the Government wanted Victorians to be able to own a swimming pool and water their gardens.

The water retailers' consumption forecasts for the next four years were based on Stage 3a water restrictions remaining in place until June 2010, a return to Stage 2 before June 2011, Stage 1 before June 2012 and a



return to the most relaxed consumption level — permanent water saving rules — before June 2013.

Water restrictions and reduced consumption have wreaked havoc with the balance sheets and financial planning of Victorian water authorities in recent years.

Melbourne's biggest retailer, Yarra Valley Water, blamed stage 3a restrictions for a

\$22.1 million fall in revenue last financial year, while fellow metropolitan retailer South East Water reported a \$6 million revenue shortfall.

Retailers are now formulating their responses to the commission's findings, and a final decision on water prices is expected from the commission in June.

WATER REBATES FLOW TO THE WEALTHY

The Age, 18 January 2009

The big money is going to the well-off to keep their gardens green, not to cut water use in the home as the rebates were intended, writes Michael Bachelard.

STATE Government water savings rebates are being claimed by well-off middle-class people living in leafy eastern and north-eastern suburbs. Overwhelmingly, they are used to keep gardens green.

Official figures obtained by *The Sunday Age* show a tiny number of people claim the Government's preferred \$1000 rebate for using tank water for toilets and laundries. Instead, most claim the smaller rebate of \$150 for a tank that is not connected inside the house and who pour the water saved onto their larger-than-average gardens.

Critics say the water rebate policy, which costs more than \$5 million a year, gives the State Government a patina of environmental respectability but actually serves as middle-class welfare.

But the Government defends the scheme as "an excellent way for households right across Victoria to save water as well as providing a solution to water restrictions".

Victoria offers 12 water saving rebates, valued from \$10 to \$1000. Rebates, particularly the larger ones, are skewed towards higher-income people because they can afford the original purchase price of expensive items such as water tanks and grey water systems. Government figures show that the larger rebates go overwhelmingly to suburbs such as Eltham, Templestowe, Northcote, Blackburn, Camberwell, Glen Iris and Glen Waverley.

Energy rebates for ceiling insulation and solar hot water are also most often claimed

by people living in high-income suburbs with a high proportion of professionals, such as Clifton Hill, Yarraville and Brunswick.

However, the figures show residents of poorer suburbs such as Springvale, Cranbourne, Narre Warren and Frankston are claiming the smaller rebates, such as \$10 to \$20 for shower roses and \$50 for dual-flush toilets.

The manager of policy research at St Vincent de Paul, Gavin Dufty, said rebates were worse than just middle-class welfare — they actually disadvantaged poorer people.

"These are subsidies for the middle class that are ultimately funded by low-wealth, low-income households," he said.

According to the Essential Services Commission, the government regulator of water and power utilities, falling demand for water will be the second biggest contributor to increased water prices in Victoria in coming years.

Mr Dufty said that as wealthier people could afford, with Government help, to opt out of using mains water while maintaining the quality of their home, the burden of the cost of new public water infrastructure would increasingly be borne by the poor.

Institute of Public Affairs executive director John Roskam said subsidising water tanks was "another form of middle-class welfare that is expensive, ineffective, and avoids the broader issue, which is the lack of planning for essential services like water".



But demographer Bernard Salt said he had no problem with rebates that favoured the relatively well off, because those people had more investment in their home and garden remaining beautiful.

"I think it's legitimate. It's an investment in retaining middle-Melbourne's Garden State lifestyle. We are green, verdant ... a great deal of our culture is invested in suburban gardens," he said.

By far the most popular rebate scheme is the \$30 to buy items worth more than \$100 from a basket of water-saving goods. Items include garden mulch, wetting agents and compost bins.

Residents of Eltham were the most enthusiastic per capita adopters of this rebate, with more than 12 per cent of households making a claim, followed by

Camberwell, Greensborough, Glen Waverley, and Rosanna.

Water tank rebates were also popular, with more than 25,000 claims being lodged, mostly in north-eastern and eastern suburbs. But most tanks, 22,000, were not plumbed in for household use in toilets and laundries. Plumbed tanks attract a rebate of up to \$1000 and tanks used just on gardens or a swimming pool get only \$150.

Eltham plumber Dean Fitzsimons said he worked on tank projects that cost homeowners anything from \$3000 to \$15,000. The \$1000 rebate was "bugger all".

"A lot of people only do tanks for irrigation because their gardens are burning up," Mr Fitzsimons said.

"Sometimes you do houses where there are water tanks and a pump run to a toilet."