



Essential Services Commission
Level 2, 35 Spring Street
Melbourne 3000

May 8 2008
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Dear Sir

ESC Water Price Review

I refer to the recently release **ESC Water Price Review**. Having reviewed the Report, Moorabool Shire Council wishes to address a number of key issues raised that affect the implementation of the Country Town Sewerage plan in Moorabool Shire.

Attached is a copy of a submission prepared on behalf of Moorabool and I would ask that matters raised therein be considered as part of the consultation process.

Yours sincerely,



Margot Stork
General Manager Human & Corporate Services

**SUBMISSION IN RESPONSE TO
ESSENTIAL SERVICES COMMISSION 2008 WATER PRICE REVIEW
ON BEHALF OF MOORABOOL SHIRE COUNCIL**

BACKGROUND

On 5th December 2005 the then Premier of Victoria, Steve Bracks, announced sewerage and water supply initiatives for a number of central Victorian towns. Blackwood, Barrys Reef, Simmons Reef and Gordon, all within Moorabool Shire, "would be the first towns to receive funding for sewerage upgrades under the State Government's Country Towns Water Supply and Sewerage Program". The State Government made it clear at that time that priority was being given to towns based on a range of criteria including "public health and environmental factors". Indeed, the Premier's media release included "... Towns announced today were chosen as top priority in a statewide list of works developed by an independent review in consultation with the Department of Human Services and the Environment Protection Authority (Victoria). Local councils and the Municipal Association of Victoria helped collect information."

In 2007 Sinclair Knight Merz Pty Ltd (SKM) were engaged by the Essential Services Commission (ESC) to undertake an independent review of the expenditure forecasts of a number of regional urban water businesses, including Central Highlands Water (CHW). On 27th March 2008 SKM released the final *Expenditure Forecast Review for the Victorian Regional Urban Water Businesses*.

COUNTRY TOWNS WATER AND SEWERAGE PROGRAM

As part of the SKM review the *Country Towns Water and Sewerage Program* was considered. The Government of Victoria has committed the expenditure of \$42m to the program. For MSC the program includes the development of sewerage to both Blackwood and Gordon townships. When the program was announced both Blackwood and Gordon were nominated as priority towns with urgent health and environmental issues. The urgency outlined in the media release of the State Government of January 9 2006 was "...to stop leaking septic tanks polluting rivers, groundwater and other waterways and damaging the environment".

CHW, as the authority responsible for delivery of the sewerage capex to both Blackwood and Gordon, provided SKM with capital expenditure estimates for the two projects. Those figures were ultimately downgraded in the final report to the following;

Blackwood \$6.19m (reduced from \$6.95m in the water plan)

Gordon \$3.43m (reduced from \$3.95m in the Water Plan)

At page 9 of the draft decision the ESC sets out the proposed adjustments to capital expenditure for CHW for the next regulatory period. In essence the MSC towns of Blackwood and Gordon are scheduled for sewerage infrastructure development commencing in 2010-11. The explanatory notes accompanying the table provide the following;

“(c) Country Towns Water and Sewerage Schemes-SKM considered that while there is an obligation to undertake these works, they are not aware of any requirements concerning timing associated with this obligation”.

The explanatory statement would appear to be directly at odds with the information contained in the SKM report. Consider page 32 of the SKM report;

“Note: The review team originally considered that the most realistic construction commencement date for the Gordon and Blackwood schemes was also 2010/11 but revised its view on the basis of their inclusion in the recent EOI, although this later date still remains a possibility”.

Moorabool Shire Council supports the view that the ESC should seek urgent guidance from the government concerning the priority of the Moorabool Country Towns Water and Sewerage Schemes. On the basis of the statements made in government media releases relating to the projects and subsequent assurances provided by the government to Moorabool Shire Council, Council strongly believes that the government requires the original commitments to the project to be honoured.

CONCLUSIONS

It is clear that the SKM review team formed the view that the projects making up the Country Towns Water and Sewerage Program should be delayed for a period of time beyond the proposed start date of November 2008 with completion by December 2010. The need for delay appears to be based on the view that CHW is not in a position to complete the works pursuant to the proposed timetable.

SKM do not however recommend the three year delay quoted by the ESC at page 9 of the draft review. Indeed SKM also acknowledge some of the “political” factors associated with the expedient delivery of project including;

“...there appears to be significant community interest in the various schemes proceeding as early as reasonably possible”.

“The media announcement of January 9, 2006 states that the ‘statewide program aims to stop leaking septic tanks polluting rivers, groundwater and other waterways and damaging the environment”.

Moorabool Shire Council fully supports the view expressed by SKM that there are both political and community reasons to ensure the commencement of the Moorabool Shire projects be expedited to meet the original timeframes and parameters as announced by the State government.