

27 November 2017

Lucy Weston – Project Manager, Customer Engagement, Water  
Essential Services Commission  
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To Lucy Weston,

## **UDIA Victoria, Northern Chapter Submission: Water Price Review Process**

The Urban Development Institute of Australia (UDIA), Northern Victoria Chapter thanks you for the opportunity to make a submission to the Essential Service Commission (ESC) water price review process. UDIA is the peak industry body for the urban development sector, representing over 320 member companies in Victoria alone. The Northern Victoria Chapter represents landowners, developers, consultants and contractors who work directly with a number of regional councils and other referral agencies such as water authorities. Together we drive industry discussion and debate and inform all levels of government to achieve successful planning, infrastructure, affordability and environmental outcomes.

Coliban Water has engaged with stakeholders in our region over the last two years. In relation to the current water plan submission a survey was conducted but we did not have any more detailed engagement regarding the structure or economic components of the plan until after it was submitted to the ESC. Following the submission of the water plan we have been given a snapshot of their water pricing submission and therefore our comments herein are based on the amount of information and concepts provided to us. We would welcome the opportunity to review Coliban Water's water pricing submission in its entirety. These comments have also been made directly to Coliban Water, through their engagement process, however we believe it is the responsibility of the UDIA to make direct submission on behalf of our members.

Water plans are based on detailed economic modelling that we are not involved in or privy too. All our industry can do is respond on broader issues, which ultimately relate to maintaining affordability and ensuring that cost shifting does not occur to our industry.

While the below comments and recommendations are specifically directed at Coliban Water's pricing submission, we anticipate that many of the comments would be equally applicable to broader water pricing approaches in regional areas throughout Victoria.

### **Comments and Recommendations**

#### Innovation

- We applaud the quest for innovation, however caution against adopting any future approach which may advance Coliban Water at the expense of the development industry and housing affordability.

#### Gravity Sewer versus Pressure Sewer

- In comparing the Coliban Water submission with other innovation models such as the Aquarevo development in metro Melbourne, several issues with the former become clear. Aquarevo uses a large-scale pressure sewer system, where benefits for the owners of the land translate into a local treatment plant, and the recycled water becomes available for the owners. Therefore the land owner is receiving something in return. No such equitable scheme has been proposed in the Coliban Water submission, which reduces Coliban Water's downstream and pump station costs whilst shifting additional cost to the development industry who receive no material advantage in exchange.
- Pressure sewer is approximately 40% more expensive than gravity sewer. The reliance on pressure sewer results in increasing development costs within the Greater Bendigo region, which will further stifle development in an already struggling local market. Additional costs to the development industry have a direct impact on maintaining regional housing affordability and need to be considered and appropriately factored into the decision making. Pressure sewer should therefore be adopted only where appropriate for the economic benefit of the development.

- Should pressure sewer be of benefit to Coliban Water, providing cost savings to downstream systems and including wastewater treatment plants, that cost saving should be reflected in the augmentation fees.
- The system should be directly encouraging innovation to reduce overall costs, not increasing costs.
- In addition to making the lots with pressure sewer more expensive to develop, it is anticipated the ongoing power and maintenance costs associated with the pods will also de-value the lots compared to conventional lots without any of the benefits demonstrated by the aforementioned Aquarevo development.
- There is no clarity around who owns, installs and maintains the individual pressure sewer pods.
- The Greater Bendigo region has some very undulating and sloping development sites and we understand that the proposal is to locate the pressure sewer pods in the front 2.0m of lots which will be impractical on many sites.

#### Major Infrastructure

- Coliban Water proposes to pay for pump stations to service main catchments (without definition of those catchments) via an increase in augmentation fees over the next 5 years to recover costs, but only if there are 2 or more beneficiaries. The augmentation fees will rise and fall in line with the cost recovery process. For instance a pump station worth \$2,000,000 is expected to add an additional \$400 to the augmentation fee over the next 5 years – assuming 1,000 lots per year in the Bendigo area. This will be removed after the 5 year period. Should the pump station only service a single development, it would be paid for entirely by the developer. So, in this case the developer will pay wholly for a pump station and also contribute to everybody else's via the augmentation fees that will be charged. We consider this to be a flaw in the strategy, which will need to be amended to maintain equitable solutions and pricing parity across all landowners/developers.
- Funds were allocated for SPS in Coliban Water's previous water plan, which have not been used for the purpose – some guidance on timing of funds for specific proposals would be valuable.
- The State Government is encouraging regional water boards to be pro-active in unlocking potential growth within their regions. The Coliban Water pressure sewer and pump station proposal may be contrary to this desired outcome.

Our primary interest with water and infrastructure pricing, is to ensure that regional development is supported rather than hindered, by innovative and consultative approaches to water pricing and water infrastructure.

The State Government has a clear interest in regional areas taking on some of Victoria's projected population growth, and affordability is one of the key attractors for people choosing to live regionally. Water infrastructure pricing plays a key role in maintaining affordability, and in regional areas there is the added opportunity to explore and test innovative solutions in close and co-operative consultation with the development industry.

Thank you for engaging with UDIA Victoria on this important matter. We look forward to discussing this submission further with you.

Yours sincerely



**Andrea Tomkinson**  
Chair, Northern Chapter  
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