

35 Spring St 2<sup>nd</sup> Floor

Melbourne Vic 3000

Attention Mr Andrew Chow, Director

Re Objection to Melbourne Water Precept increase 2012 for Patterson lakes (Quiet Lakes).

Dear Mr Andrew Chow

In reference to the proposed increases of the precept charges by MW I submit my objections

Based on the following

1. **Lack of consultation with residents.**
2. **Inefficient and inappropriate expenditure.**
3. **Inaccurate and fictitious capital allocation.**

#### **1 Lack of Consultation.**

MW in their submission frequent refer to consultation with resident and PLAC (Patterson Lakes Advisory Committee).

These references give the impression that full consultation has occurred. By consultation it implies that a proposal has been presented, full discussion has taken place with all parties and finally a consensus has been reached. In MW case this has not taken place rather MW has presented a proposal on the basis of take it or leave it, this is what is going to happen; the only consensus has been to disagree.

From the time MW have been responsible for the operation of the lakes they have been slowly dismantling the actions to effectively manage the lakes. From disconnection of the salt water pipe line from the bay to the lakes, applying for a bore licence from, 730 mega litre it had, to 20 mega litres, ripping the aquatic plants in the lakes out by the roots and refusing to operate the bore. The bottom line of this was when a drought occurred the BGA in the lakes flourished and the lakes became unsuitable for human contact.

For years the residents have been asking MW to restore the lakes to their original operation set by the developers and used successfully for a number of years before MW took control.

This does not require a large expenditure because most of the infrastructure still exists.

**I mention these facts in the light of claimed consultation by MW.** Instead of listening to the residents MW insist that they know better and present million dollar projects or consultants with theoretical concepts all at considerable cost to residents or themselves. All with no hope of approval by the resident, I believe with the objective of being able to claim that they consulted with the resident.

It is only after 10 years of no action that residents with the help of our parliamentary members finally got to speak with the Water Minister on no less than two occasions and probably three (MW

have to date ignored suggestions made by the Water Minister)that finally we may get the residents wishes heard. MW agreed to apply for a larger bore licence and this month got a 400 mega litre licence however they are still coming up with issues to hold up the use of the bore water allocation.

MW claim to have consulted with PLAC, their own selected lakes people, but even here their proposals were rejected but still they go ahead with their proposed precept increases.

MW carried out a survey which overwhelming rejected the increases and changes but still they go ahead.

The water Minister chaired a meeting between the residents and MW and made some practical suggestions, with to date, no true action by MW.

**The bottom line of all the above is no true consultation has occurred.**

**On these facts alone MW proposal should be rejected.**

## **2. Inefficient and inappropriate expenditure.**

In MW presentation they include a strategy to recover costs up to 2022/23 which confuses the application for precept increases for the next 12 months. Therefore I will not try to uncouple the tables but simply address each table presented be it 12 months or ten years. Keep in mind that the five year periods has not been approved by the ESC.

Before addressing the individual table I would like to put to you that the ESC reduced the MW increases for 2011/12 by 2.9% and currently the maintenance expenses are well under budget.

But still MW proposal adds the 2.9% to 11.5% making an increase of 14.4% WHY? They are well under budget for the current year!!!.

MW gives no confidence in their ability to keep financial records of expenditure. They report that they have been under recovering costs for lakes maintenance, whose fault is this? And now they want to recover cost into the future. Seeing MW got it wrong in the past it gives no confidence they will do any better in the future, this will be clearly obvious when I address each of the maintenance and expenditure tables.

### Table1.

This table is a summary and only refers to totals therefore the detail need to be drilled into to come up with the true costs. However there is one interesting item called “building block return on capital-quiet lakes”. What is this it can’t be interest as MW have said they are going to cover the short falls in revenue until 2022/23. This is a considerable amount and make a large difference if the numbers, what is it Once more another example of MW not consulting with residents.

### Table 3.

I admit I don't know about this number \$0.6410 or how it has been arrived out. However if I make no comment it could be misunderstood that I agree with it. Seeing I don't know the numbers behind it I cannot agree with it.

#### Table 4.

Once more something is wrong in these numbers in table 3 MW have a rate of \$0.6410 which includes a catch up amount but then has CPI2012/2013-TBA I am not sure what this table is showing but to my mind something is wrong. I will leave it to the ESC to make some sense of it.

Before addressing table 7 I would draw your attention to MW statement for the Quiet Lakes the expenditure is 28% below plan/budget, unless they embark on an end of financial year spending spree this will be the situation at the end of financial year. Once more why are they budgeting for a catch up on the budgeted short fall of 2.9% whereas actual expenditure is 28% below plan.

#### Table 7.

General maintenance Comment. Sand retrieval still to be completed -\$7399. Sand retrieval is important and needs to be done. The actual number need to be kept in mind for an item in another schedule which I will address further on.

Newsletter 44% under budget. This document gives MW the opportunity to communicate important issue with the residents but instead speaks about model boats and trivia. Remember this is part of the expenditure budget arguably it should be paid for by MW if they want to use it as a PA exercise.

Maintenance and contract Management fees

This appears to be over kill in management with two managers for what amounts to a very small operation.

In the comment area MW talk about car and fuel items. While they say it has not been charged does this mean it will be. What is the cost and why should we be paying for transport where we are about 2 KL away from MW office.

Carp removal. 21% under budget.

In the comment area MW state that this exercise was unable to be done due to excessive aquatic plants. This comment will be referred to in a table further on.

Water quality action. 49% under budget.

In the comment field Work on going and program to be completed I am not aware of any work in progress that justifies this cost.

The bottom line for table 7 is that the 28% under budget is the true costs. Taking out the water quality YTD cost of \$21870 the actual outcome for the year will be about \$161872 compared with

forecasted revenue 2011/12 of \$136594 and 2012/13 of \$156594. As you can see not a great variance and hardly justifies the MW future projections.

Keep in mind that the lakes are a very small community with limited ability to pay. MW are applying big business principles not applicable to the size of the operation they need to take a different approach to achieving acceptable outcomes at minimal cost.

#### Table 8

This is a summary of table 7

In my comments for table 7 I highlighted several items not applicable and should be removed being one of the levels of management say \$14000 and Water quality actions of \$84990 which would give an outcome of \$162188. Very close to the revenue amount.

#### Table 10.

Quiet Lakes Capital Expenditure.

With this table I will only address the annual forecast as most of these items will be covered in table 17.

Macrophytes Annual forecast of \$8000 (plan 2011/12 \$18309). This cost should not exist. MW are talking about desilting the lakes and sand retrieval both these actions will destroy the plants. In table 7 MW state that aquatic plants hindered netting of the lakes but here they are costing the planting of the lakes.

All of these costs and comments are contradicting each other in any case the expense, if MW want to do it, must be at their cost.

Further to this story in the 1998 MW ripped all of the plants out of the lake by the roots now they want to charge to residents for replanting. This whole area is contradictory and however you see it if done at all is a MW cost.

Bore Pump Forecast \$70000.

Originally the lakes had a bore licence for 730 mega litres and in November 1991 MW applied for a reduced licence for 20 mega litres, in other words they gave the bore water licence away saying it was an ornamental lake, all of which was completely wrong. Subsequently when the drought hit the bore could not be used and the BGA flourished. The residents for many years have been asking MW to return the lakes to their original operation, keeping in mind that no cost was involved as the original infrastructure still existed. MW refused to try the cheap simple solution in favour of the big million dollar solutions.

Finally with the help of our parliamentary representatives we got action and a bore licence for 400 mega litres obtained even so MW are still putting up hurdles on the use of the bore and still refusing to consider the simple solutions to their current issues.

The 20 mega litre mismanagement by MW clearly set out in the Notice of Determination when the 400 mega litre licence was issued by Southern Rural Water.

The bottom line to this is MW gave the 730 Mega litre licence away and now they should pay for the recovery of it and the associated costs. Not the residents as we paid for the original 730 mega litre licence why should the residents pay for it twice.

Civil Works \$30480.

MW have not explained what this is with no action YTD but still planned to do it. What is it? Until explained it should be removed.

Silt removal \$26000.

No detail as to what this I assume it has something to do with aquatic planting. If so a cost of \$26000 is excessive given the small area involved and also the aquatic planting should not have taken place, refer to my comments on Macrophytes. In addition MW own equipment was used for this exercise.

Given my comments above this year's capital 2011/12 expenditure should be nil with any costs paid for by MW not the residents.

Table 15 Quiet Lakes operating expenditure.

This is a repeat of table 7 & 8 with my same comments the bottom line budget should be \$162000 very close to revenue. This would be taking a practical approach to managing the lakes instead of the continuing escalation of costs proposed by MW. They appear to be taking the big business approach and expecting residents to pay, some where someone has to say stop, it is not a bottomless pit of money hopefully it is the ESC.

### **3. Inaccurate and fictitious capital expenditure**

Table 7 Quiet Lakes capital expenditure projected to 2011/2018

MW have set out a forward expenditure program which in their own words are proposals only and yet to be discussed or confirmed with the residents therefore must be completely discounted.

However I will briefly comment on these items.

Planting of aquatic vegetation

MW has allocated \$18309 for every year and yet as seen in previous schedules the lakes could not be netted due to the plant growth. In year 2013/14 MW are proposing Silt removal at a cost of \$1364000 and yet they are carrying out aquatic planting in the preceding years, desilting would destroy the plants in the lake. We have an excess of plants in the lakes why is MW proposing to plant more?

Bore pump \$70,000.

I have already covered this cost in previous comments. This is clearly a MW cost and should not be put to the residents.

Civil Works \$30,480 for the next five years \$152,400. The infer structure for the lake is already in place. The details provided by MW are valve replacement.

The ESC at their last review discounted the maintenance contract originally agreed to by Developers, councils and water Authority of the time. However I ask you to reconsider this contract as it is as legally binding today as when it was signed in 1973. The 1990 water act was not retrospective in regard to private contracts and therefore this contract is still valid. This contract clearly sets out what the residents are responsible to pay for under the heading of maintenance. It does not include capital items replacement such as valve.

Silt removal. Total cost \$2,025,000.

In the costs for the canals WM are covering the major part of the desilting program due to the canals being part of the flood mitigations system for the area. The lakes are also part of the flood mitigation for the area and yet MW will not pay for the silt removal or part of. The lakes were built well before the canals and a major flood control facility while the canals were being built. Part of MW responsibilities is desilting the lakes but they have never done it. For 40 years they have neglected their responsibilities. Had they desilted the lakes on a regular basis they now would not be asking residents to pay this huge amount. Let's get this clear MW is the only ones benefiting from this work. There is currently 600 mm of silt in the deepest parts of the lakes with approximately three metres of water cover. The residents have already shown that with the use of the bore and rain fall the quality of the water can be maintained at an acceptable level.

Certainly the residents would not disagree with the lakes being desilted but only are MW cost.

For 40 years the lakes have and still are protecting Patterson Lakes from flooding. Only last winter on four or more occasions the storm water pumps failed and storm water flowed into the lake thus protecting the wider community for flooding. I understand that the ESC cannot direct where MW get there funding However I ask you to direct them not to charge the residents for this capital expenditure.

Solar Bee \$328,230 in total covering five periods.

Currently there is one solar bee under trial on the lakes, to date from the weekly testing there is no obvious benefits and this project is very likely will not go ahead, therefore to include it in these expenditure charts is completely misleading.

The bottom line regarding this capital expenditure budget is that it is misleading in fact none of these items have a real possibility of being implemented at the residents expense. The desilting will only take place if MW pay for it. MW has only an agreement for the residents to pay for specific maintenance Items and not capital items. Please refer to the maintenance contract.

Graham Tonta