



Submission by the Interface Councils to the  
Essential Services Commission  
Water Price Review 2008

**MELBOURNE WATER  
2008 WATERWAYS WATER PLAN  
CONSULTATION DRAFT**

**March 2008**

## 1. The Interface Councils

The Interface Councils are the eight municipalities surrounding metropolitan Melbourne. They are the municipalities of Cardinia, Hume, Melton, Mornington Peninsula, Nillumbik, Whittlesea, Wyndham and Yarra Ranges (see figure below).

The Interface communities are in a unique position within Melbourne. As a group, the Interface:

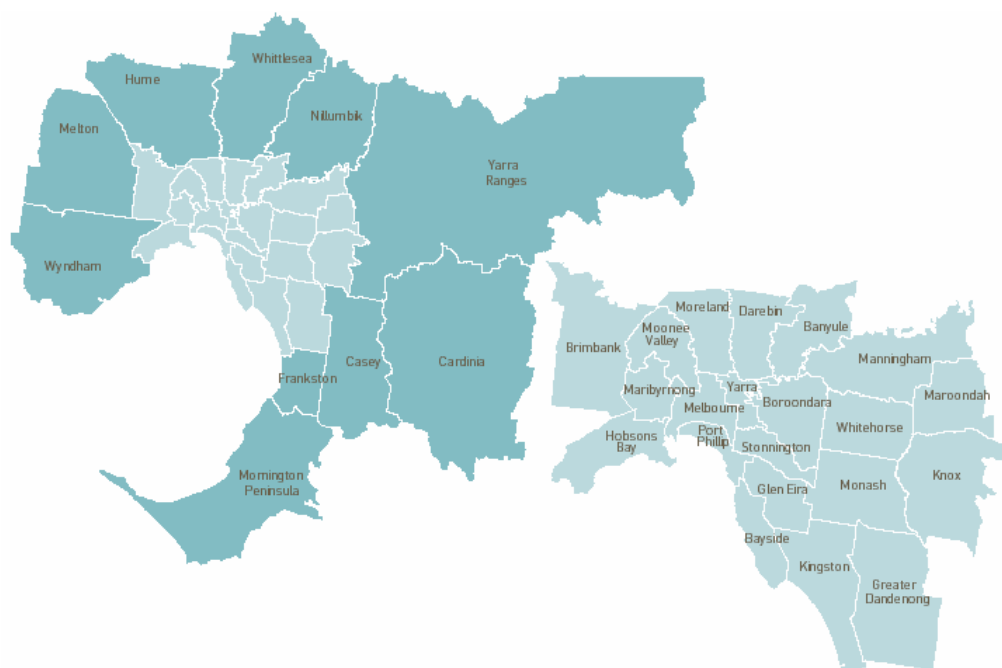
- Is composed of no more than 30% urban and no less than 70% rural. The rural parts of the Interface Councils are home to the 'Green Wedges' – environmentally and agriculturally significant tracts of land;
- Is home to almost a quarter of Melbourne's population – 890,000 people;
- Is the area expected to contain the majority of Melbourne's future growth, with some Councils experiencing annual growth rates of 8.9%; and
- Are 4 of the 20 fastest growing local government areas in Australia (Wyndham, Melton, Whittlesea and Cardinia)?

These unique characteristics mean that Melbourne Water, as the regional drainage and waterways authority servicing the Interface Councils, needs to take into account:

- The need to service sectors and industries in rural areas, such as the agriculture sector, as well as servicing the needs of traditional households and industry in the urban areas;
- The environmental characteristics of the land, which are crucial to the rest of Melbourne, require due care in land management and conservation;
- The large number of new urban developments which require new water and drainage infrastructure;
- The backlog of works required to address waterway health and flood risk; and
- The need to improve communication and coordination between Melbourne Water, Catchment Management Authorities and other regional water authorities.

The Interface Councils welcome the opportunity to provide comment on the Consultation Draft.

### ***Greater Melbourne Local Government Areas – showing Interface Councils***



Key Issues for Consideration		
Issue	Comment	Relevant Page No.
<b>Proposed Pricing Structure</b>	<p><i>Concession Rate</i></p> <ul style="list-style-type: none"> <li>The Consultation Draft makes no reference to a Concession Rate. A concession rate is a necessary addition to the water plan to be submitted to the Essential Services Commission.</li> <li>A concession rate will ensure that those members of the community unable to meet the additional costs associated with the introduction of the charge will not suffer as a result of being unable to pay the drainage and waterways rate.</li> <li>This includes pensioners and low income families.</li> </ul> <p><i>Pricing Principles</i></p> <ul style="list-style-type: none"> <li>The premise that prices should be structured to ensure that they reflect the extent to which customers benefit from the services provided is supported. Approximately seventy percent of the Interface Councils resides outside of the urban growth boundary and receive little or no regional drainage works.</li> <li>The move away from the use of 1990 property values in setting waterways and drainage prices is also supported. The property value methodology does not consider the provision or level of service provided to the customer and does not provide for transparency or customer understanding.</li> </ul> <p><i>Residential Properties</i></p> <ul style="list-style-type: none"> <li>The transition to a single service price for residential properties within both the existing and extended service areas is supported as a means for provision of drainage and waterway services.</li> <li>This single service price provides for equity amongst residential properties within the entire Melbourne Water service area.</li> <li>However, the continuation of the property-value based rate within the existing areas for the 2008 /2012 period is not supported.</li> <li>A number of the Interface Councils have both existing and extended areas within their municipalities which creates inconsistency and inequity within each local government area.</li> <li>The annual \$2 plus CPI increase is not supported. The annual \$2 increase is effectively an additional 3.5% increase added to the CPI increase. Any increase should be limited to a maximum of the CPI.</li> </ul>	Pages 30-35

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	<p><i>Non-residential Properties</i></p> <ul style="list-style-type: none"> <li>• The Interface Councils support the introduction of the flat rate within the extended area for non-residential properties.</li> <li>• However, the continuation of the property-value based rate within the existing areas is queried.</li> <li>• It is reiterated that a number of the Interface Councils have both existing and extended areas within their municipalities which creates inconsistency and inequity within each local government area.</li> <li>• This inconsistent pricing structure will mean that a property within the existing service area could be paying up to seven or eight times that of a similar property within the extended area.</li> <li>• The pricing structure for non-residential properties should be refined to ensure that consistency is obtained throughout the entire service area.</li> </ul> <p><i>Rural Properties</i></p> <ul style="list-style-type: none"> <li>• There currently exists inequity between those rural areas within Melbourne Water's service areas and those who reside outside of it.</li> <li>• Rural landholders outside of the Port Phillip and Westernport Catchment Management Area currently do not pay a rate for waterway and drainage services.</li> <li>• These services are provided by the relevant Catchment Management Area, where funds are allocated by the Department of Sustainability for waterway and drainage works.</li> <li>• There should be consistency in the State Government approach to charging rural landholders across the state.</li> <li>• The charge for property owners who reside outside of the urban growth boundary should be removed so that rural properties within Melbourne Water's service area do not pay a waterways and drainage charge.</li> <li>• This approach will ensure consistency across the state.</li> </ul>	
<b>Melbourne Water Role</b>	<ul style="list-style-type: none"> <li>• Page 5 of the Consultation Draft lists the factors involved in the provision of Melbourne Water's role. Whilst the items listed are supported, there are two outstanding items that require inclusion, those being: <ul style="list-style-type: none"> <li>I. The requirement for Melbourne Water to ensure that these objectives can be considered and managed in an integrated manner. For example, flood and drainage management impacts upon the management of water quality which in turn effects the management of</li> </ul> </li> </ul>	Page 5

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	<p>waterways and environmental flows. Melbourne Water has an important role to ensure that these issues can be considered holistically.</p> <p>II. Melbourne Water also have a role to deliver and share information and technical knowledge, as well as build capacity, within other sectors impacting on waterway and drainage activities.</p>	
<b>Local Government Role</b>	<ul style="list-style-type: none"> <li>• Local Government plays a key role in drainage management and in managing impacts on local waterways. Areas where Local Government play a key role include: <ul style="list-style-type: none"> <li>○ water quality improvements for receiving water particularly in relation to stormwater management;</li> <li>○ understanding and managing local and regional water resource issues;</li> <li>○ working with the community and industry on innovative solutions to water scarcity situations;</li> <li>○ identifying opportunities for stormwater harvesting and reuse;</li> <li>○ integrating groundwater management and surface water management; and</li> <li>○ Coordinating regulatory standards for water quality, particularly for greywater and stormwater and ongoing community education.</li> </ul> </li> <li>• Local Government also plays an important facilitating role in linking communities and supporting initiatives relating to waterway management. The role of Local Government in water management; as a community leader and educator, public land and asset manager, and as a statutory planning authority, should be considered and further acknowledged in the 2008 Waterway Water Plan.</li> </ul>	Page 6
<b>Climate Change</b>	<ul style="list-style-type: none"> <li>• The commitment made by Melbourne Water to ongoing research on climate change/variability and its implications is strongly supported.</li> <li>• A collaborative approach between all levels of government is essential in the identification of climate change adaptation strategies, and as such, it is requested that Local Government be further engaged and involved in this research.</li> </ul>	Page 7
<b>Service Outcomes Proposals</b>	<ul style="list-style-type: none"> <li>• All of the river health and water quality implementation targets included within the Consultation Draft are supported. These goals signify a clear transition to effective and integrated waterway and drainage management.</li> <li>• In particular, the commitment by Melbourne</li> </ul>	Pages 13-14

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	<p>Water to raise awareness within the community of issues related to the health of the region's rivers, water quality and flooding and to provide opportunities for their involvement in improving waterway health is noted.</p> <ul style="list-style-type: none"> <li>• The Interface Councils caution that with regard to achieving the identified targets there should not be cost shifting to Local Government.</li> <li>• Rather, where Local Government has a role to play, there should a collaborative approach in achieving these identified goals.</li> </ul>	
<b>Weighted Average Cost of Capital (WACC)</b>	<ul style="list-style-type: none"> <li>• It is acknowledged that the WACC is a key determinant of future prices and that independent advice has indicated that the WACC should be 6.4% rather than the 5.1% adopted by the Essential Services Commission.</li> <li>• The potential impact of adopting the higher WACC to the residents of the Interface Councils is of concern to and should not be considered for introduction within the 2008 regulatory period.</li> </ul>	Page 4
<b>Intolerable Flood Risk</b>	<ul style="list-style-type: none"> <li>• An integrated approach is required to manage flood risk within the Melbourne Water service area.</li> <li>• As acknowledged in the strategy <i>'more frequent, intense storms in different locations have the potential to place increased demands on Melbourne Water's and local government's stormwater assets'</i>. A combined approach between Melbourne Water, as the regional drainage authority, and local government, as the local drainage authority, is required to properly address these risks.</li> <li>• It is also requested that Melbourne Water keep local government informed of progressions in flood management. For example, locations where intolerable flood risks have been identified should be discussed with local government to ensure there is an understanding of the risks which exist within each municipality. This will also aid in enhanced provision of Municipal Emergency Management Plans.</li> </ul>	Page 14
<b>Submission of the final 2008 Waterways Water Plan</b>	<ul style="list-style-type: none"> <li>• It is requested that upon submission of the final Melbourne Water 2008 Waterways Water Plan to the Essential Services Commission that a copy of the final plan also be circulated to those parties/individuals who have provided comment/feedback to the Consultation Draft.</li> </ul>	Page 36

## **Conclusion**

The Interface Councils support Melbourne Water on the broad content included within its waterways plan. The move toward an integrated and comprehensive approach to waterways and drainage management, which considers and assesses the potential impacts of climate change, is strongly supported.

However, the Interface Councils strongly assert that:

1. The rural drainage and waterways rate be removed. This will ensure equity and consistency in charging rural land and property owners across the State of Victoria can be achieved.
2. That the flat rate for residential and non-residential properties be introduced across the entire Melbourne Water service area to ensure consistency between pricing structure for both the existing and extended areas.
3. A concession charge be introduced within the proposed pricing structure to protect those members of the community most vulnerable to the introduction of an additional drainage and waterways charge.