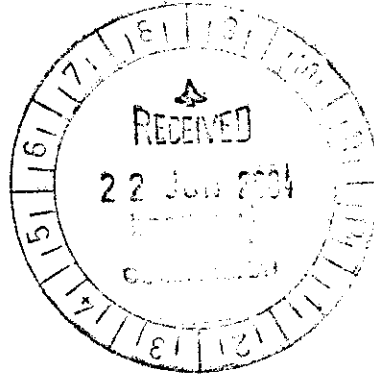




Department of Human Services

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OUR REF:
YOUR REF:

18 June 2004

Dr John Tamblyn
Chairman
Essential Services Commission
Level 2, 35 Spring Street
MELBOURNE 3000

Dear Dr Tamblyn

Re: **Consultation Paper No. 2 Draft Performance Reporting Framework for the Victorian Water Industry**

Thank you for the opportunity to comment on the Draft Performance Reporting Framework. The following comments supplement the previous submission on Consultation paper No.1.

A primary concern is the protection of low-income water customers in relation to the price and affordability of water. Thus our views about performance indicators are based on an underlying assumption that a comprehensive understanding of the impact of pricing and regulatory requirements will lead to the development of effective policy responses to moderate issues of hardship and affordability.

It is considered that differentiating between groups of customers in relation to the affordability performance indicators, specifically concession recipients and non-concession customers would bring us closer to understanding the real dimensions of these issues than treating all customers as a homogenous group. It is clear that concessions recipient customers are more likely to be vulnerable to experiencing financial hardship on the basis that they are also low income customers.

The proposed affordability performance indicators only differentiate between domestic and non-domestic customers.

Identification and consideration of concession customer as a specific group appears to be consistent with the Essential Services Commission Act 2000, section 8(1) and section 8 (2)(e), which states that the Essential Services Commission must protect the long term interests of Victorian consumers with regard to price and must have regard to social legislation in its regulatory decision making.

document2



The State Concessions Act 1986 is Victoria's primary social legislation concerning affordability and defines which customers of essential services are on a low income and are eligible for further assistance. Concessions are specifically targeted to low income Victorians as assessed by the Commonwealth Government income and assets test to determine eligibility.

The Victorian Government's submission to the Commonwealth Senate Poverty Enquiry described state concessions in Victoria which aim to ensure that the cost of essential services does not serve as a barrier to universal access, as being carefully and deliberately targeted to low-income Victorians.

Each year the Commonwealth issues almost 1.3 million means tested concession cards in Victoria. A significant proportion of the State's 4.95 million people have a low income. The majority of cardholders receive the full pension or allowance, however many part pensioners are still only living marginally above the poverty line. Even when the upper limits of income and asset tests are considered, concession cardholders still represent the poorest in society.

The current method of using concession cards to determine eligibility for concessions is the most efficient and effective method available to Victoria in the absence of any other mechanism.

It is noted that a number of water businesses have raised objections to reporting this level of detail, however it should be noted that they currently report on concessions delivered to cardholders. They have also provided information on this customer segment for the 1996 and the 2001 Household Utility Consumption Surveys.

The main issue in not being able to differentiate between concession and not concession customer segments through the affordability indicators may limit the capacity to assess the impacts of water pricing reforms that have been flagged for implementation in the 2004-05 financial year.

It is understood that if there are significant costs in providing data on a customer segment basis then alternative methods of monitoring issues of affordability may need to be investigated.

The proposal to undertake more detailed research and consideration of affordability issues is supported. I would like to offer any assistance required in developing and undertaking further research.

The opportunity to participate in the development of performance indicators for the water industry is greatly appreciated. If further information is need please contact me on 96167593.

Yours sincerely



Karen Piper
Manager
Concessions Unit