

Our Ref BRD07028/46

26<sup>th</sup> April 2016

Water Team  
Essential Services Commission  
Level 37, 2 Lonsdale Street  
Melbourne Victoria 3000

Dear Water Team,

**2016 MELBOURNE WATER PRICE REVIEW  
Draft Decision impact on waterways management**

Thank you for the opportunity to comment on the Commission's draft decisions for the Melbourne Water Price Review.

We appreciate the Commission's prudent approach to ensure Melbourne Water's revenue, including the waterways and drainage levy, are used to make effective, justifiable investments in the environment.

Part of the PPWCMA's role is to similarly ensure that environmental managers are maximising their effect through good planning, coordinated action and optimal resourcing.

I write to express concern about the ESC determination to reduce Melbourne Water's proposed capital expenditure on waterways and drainage by \$134.7 million<sup>1</sup>. Based on Table 4.4 and pages 45-6, this is a reduction of 15%.

This is a significant difference that will affect outcomes and benefits across Melbourne Water's waterway, drainage and flood management activities.

Our letter to the Commission on 8<sup>th</sup> October 2015, expressed 3 important points:

- The PPWCMA believes Melbourne Water's waterway and drainage services are effective, coordinated, legitimate and responsible investments of public money. This view is based on a decade of observation and reporting on Melbourne Water's performance as waterway manager.
- The waterways maintained and managed by Melbourne Water are critical to the quality of Melbourne and its hinterland as places where people want to live, work and visit. These waterways are some of the nation's most important natural and constructed assets.
- The pressures on the environments Melbourne Water seeks to maintain and repair are not static but growing. Its proposed budget reflects this growing demand and the ways in which damaged waterways continue to decline if not addressed.

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<sup>1</sup> Table 4.3 /shows MW's proposed capex and the ESC determination difference as \$104.7m. We are unsure if this difference is a misprint or the result of a separate calculation elsewhere in the report.

In the light of these realities, the decision to reduce by over \$100m Melbourne Water's proposed capacity to do work is poor economy. Short-term financial savings will generate higher long-term costs. These long-term costs are likely to include:

- A waterway health program that loses momentum, expertise and capability and struggles to keep up with accelerating population and urbanisation pressures;
- Social and economic costs of lost and unrealised amenity and liveability in waterways that fail to meet growing social and economic needs;
- Rising costs of repairing environments that have become more damaged over time,
- Higher than present-day costs of delayed works;
- Wasted investments made over the past decade in waterways and constructed wetlands that are lost through slow or absent follow-up and maintenance;
- Declining water quality inflows to Port Phillip Bay eroding the gains made through the Yarra and Bays program over the past decade;
- Lost opportunities to leverage project funding against funding offered by private frontage-holders, local councils and other public landholders.

Reducing current capital expenditure will literally transfer costs to future generations. This is poor economy when we have the opportunity now to minimise the permanent loss of value in an already diminished inheritance.

We note too that the Commission questions the legitimacy of Melbourne Water's plans for capital expenditure in improved community assets, particularly tree cover in riparian environments for social amenity and climate change response. We believe section 189 of the Water Act provides for these activities.

Further, the Victorian Government's preparation of new strategies for Water, Climate Adaptation and Biodiversity are expressions of the need for and community's desire for these investments.

Yours sincerely,



David Buntine  
CEO