

08 December 2021

Submitted via Engage Victoria

Sustainable Water Strategy Team

Department of Environment, Land, Water and Planning

Dear Strategy Team members,

Central and Gippsland Region Sustainable Water Strategy

Consumer Action Law Centre (**Consumer Action**) welcomes the opportunity to comment on the Victorian Government's draft Central and Gippsland Region Sustainable Water Strategy (**the Strategy**). Our comments focus on the elements of the Strategy most relevant to our work in ensuring that the pricing of essential services remains fair and affordable for people in vulnerable circumstances.

Consumer Action is an independent, not-for profit consumer organisation with deep expertise in consumer and consumer credit laws, policy and direct knowledge of people's experience of modern markets. We work for a just marketplace, where people have power and business plays fair. We make life easier for people experiencing vulnerability and disadvantage in Australia, through financial counselling, legal advice, legal representation, policy work and campaigns. Based in Melbourne, our direct services assist Victorians and our advocacy supports a just marketplace for all Australians.

Affordability of water supply

Access to water is an indispensable human right. All Victorians have the right to enjoy access to safe, reliable water supplies, so that they are able live healthy and dignified lives. Fundamental to exercising this right is that water services remain affordable for everyone, including people on low and fixed incomes, as well as other consumers experiencing vulnerability.

Overall, we broadly support the proposed Directions contained in the draft Strategy, noting that the Strategy makes repeated mention of the need to keep water bills affordable even while taking action to ensure the security of water supply into the future. For Victorians we speak to through our financial counselling services, their concerns are often about immediate affordability of utility bills. Compared to energy bills, we receive a significantly lower volume of calls from people reporting difficulty paying their water bills. However, we note the Essential Service Commission's reporting which shows that the number of water customers in hardship programs has grown since the start of the COVID-19 pandemic.¹ Any increases in water prices will exacerbate financial hardship for people on low or fixed incomes, increasing the challenge they face in meeting the cost of their day-to-day expenses.

¹Essential Services Commission (2021), [Victorian water businesses – response to coronavirus: Summary report – covering data to 31 October 2021](#)

Although it is noted in the Strategy that it will 'not directly affect water prices'², decisions made in line with the final version of this Strategy will inevitably have a flow-on effect to future prices. As the Strategy acknowledges on page 119, investments must balance water security with the affordability of bills. Given the limited ability of people on low or fixed incomes to absorb increases in the cost of their water bills, where price rises are required, the Government and water businesses must seek to address affordability using policy tools such as expanded concessions and grants, and improved hardship programs. Ensuring that water bills remain affordable is central to ensuring that all Victorians can continue to exercise their right to water, while acting to strengthen the sustainability of our water resources into the future.

Use of water efficiency measures

In line with our focus on ensuring essential services remain affordable for all Victorians, we support proposed Direction 5-1 in the Strategy to make efficiency measures a foundational element of water management. Water efficiency measures are one of the most cost-effective suite of policy tools to secure our water supplies, achieving the environmental benefit of reducing water consumption while also delivering the social benefit of lower bills and easing affordability challenges for customers.

While it is noted in the Strategy that feedback has been provided that 'changes to pricing give users incentives to use water efficiently'³, we believe that pricing is not an effective demand management tool for several reasons, including the lag between consumption and billing and the large fixed-service charge component on bills. Additionally, attempts to use pricing to manage demand will have a disproportionate impact on people on low or fixed incomes, as well as large families or people living in water inefficient housing, particularly renters. Instead of pricing changes, other policy tools noted in the Strategy, namely public behaviour change campaigns, or subsidies for the upgrade or retrofit of water efficient technologies, will be more effective in driving water conservation, while also being fairer and more equitable.

In line with this preference for non-price policy tools to be used to reduce demand, we also agree with proposed Direction 5.3 to explore the introduction of higher water efficiency requirements for homes (which must include rental properties as these are likely to be older housing stock and have generally poorer water efficiency) and expand the rainwater tank requirement to more developments, as well as Direction 5.4 to develop a business case for state-wide showerhead replacements. We consider that improving the water efficiency of properties through these proposed Directions, while also exploring other options such as increasing minimum standards for water-efficient appliances, or expanding the Victorian Energy Upgrades Program to cover a wider range of water-saving products and services, will be a more effective demand reduction measure than any changes to pricing.

Investment to secure water supply

Although it is noted in the Strategy that it will 'not directly affect water prices', it is inevitable that decisions made to sustain water supply as result of this Strategy will ultimately have an impact on future water prices. As the Strategy makes reference to on page 98, savings from water efficiency measures alone will not be enough to meet future demand. There will be an upper limit on how much Victorians can further reduce their usage, especially given reductions in usage made to date. For instance, we note that in 2017-18 Melbourne households already had the lowest average annual residential water use of any of Australia's major urban centres.⁴ Given this, it is inevitable that additional investment in water capture and storage will be required to meet future demand for

² The State of Victoria, Department of Environment, Land, Water and Planning (2021), [Central and Gippsland Region Sustainable Water Strategy: Discussion Draft](#), p.14.

³ Ibid, p. 97.

⁴ Bureau of Meteorology (2019), [National performance report 2017–18: urban water utilities, part A](#).

water, even with increased use of water efficiency measures, given the backdrop of declining water availability, growing population and the impacts of climate on water security.

While we recognise that prices may need to increase to reflect the cost of water supply and sanitation services, we note that the specific decisions made after the finalisation of this Strategy will affect the extent to which prices rise, as well as how these costs are shared by Victorians. Any rise in household bills will have a disproportionate impact on households with low or fixed incomes. Getting infrastructure decisions right for water is particularly important since as noted in the 20119 audit of Australia's infrastructure needs undertaken by Infrastructure Australia, "Infrastructure required to manage water is typically fixed and long-lived."⁵

Given the need to grow Victoria's water supply to meet demand, we are generally supportive of proposed Direction 6.1 to develop a Water Supply Readiness Roadmap (**the Roadmap**) to proactively identify new water supply options in a transparent manner. By pursuing proactive, carefully planned increases in Victoria's water supply, we consider that such an approach will help to keep current and near-term bills more affordable by spreading the cost of any new infrastructure that is required over the entirety of the asset's life. However, we suggest that it be made clear in the final version of the Strategy that in addition to working with water corporations, catchment management authorities and Traditional Owners in developing the Roadmap, feedback will also be sought from consumers advocates, as well as consumers themselves. Incorporating consumer voice in this way will better allow for assessment of factors relating to affordability and community acceptance of planned investments.

In line with ensuring that investment decisions minimise the impact on water bills, we are also supportive of the proposition in the Strategy that a decision-making framework for public investment in new water supplies be developed, and that this framework, "...reflects the importance of affordability and stability for water users."⁶ Through incorporating these criteria into the decision-making framework, we consider that the Government and water industry will better be able to balance the which options are not only the most environmentally responsible, but also the most cost efficient, in order to minimise the impact of investment decisions on residential water bills. Central to this is the crucial role of the Essential Services Commission in approving water prices through a public process. Independent economic regulation of water prices is essential to balance the cost of providing services with the need to keep water bills affordable, and we consider that the Strategy should re-commit the State of Victoria to a robust economic regulatory framework.

Thank you again for the opportunity to provide feedback on the draft Strategy. Please contact **Luke Lovell** at **Consumer Action Law Centre** on 03 9670 5088 or at luke@consumeraction.org.au if you have any questions about this submission.

Yours Sincerely,

CONSUMER ACTION LAW CENTRE



Gerard Brody | Chief Executive Officer

⁵ Infrastructure Australia (2019), *An Assessment of Australia's Future Infrastructure Needs: The Australian Infrastructure Audit 2019*, Chapter 9: Water, p. 596.

⁶ DELWP (2021), *Central and Gippsland Region Sustainable Water Strategy: Discussion Draft*, p.173