

# Fairer Water Bills



## Water sector efficiency review

### Key questions and answers

#### 1. What is *Fairer Water Bills*?

*Fairer Water Bills* is in two parts:

- an efficiency review of Victoria's urban water corporations to identify cost savings that can be passed to Victorian households in the form of lower water bills from July 2014
- a review of the economic regulation of the water sector to reduce the regulatory burden and red tape for water corporations.

#### 2. Why is the Victorian Government taking this action now?

In Melbourne alone water bills doubled in real terms, on average, between 2007 and 2013. The Government is committed to reducing cost-of-living pressures on Victorians.

To achieve this commitment, the Government has investigated how best to improve the performance of the publicly-owned water sector and flagged its intentions through:

- foreshadowing greater water sector efficiency in *Securing Victoria's Economy*
- consulting on reducing waste and inefficiency during the formation of *Melbourne's Water Future*
- appointing new water corporation board members
- negotiating reduced costs for the Wonthaggi desalination plant.

#### 3. What type of water corporation cost savings will contribute to lower water bills?

The water corporations, in collaboration with an independent reviewer, have identified savings such as:

- lower interest costs of debt
- innovative use of technology like using of SMS technology to send customer bill reminders, saving printing and postage costs
- the use of more in-house staff training programs rather than using external training providers
- more efficient scheduling of maintenance and capital works
- greater efficiency in processes within the water corporations.

**4. When will water bills start to go down?**

Residential customers of Yarra Valley Water, South East Water, City West Water and Western Water will pay \$100 less per annum for their water bills from July 2014 for the next four years. Customers of regional urban water corporations will also see benefits of *Fairer Water Bills* and the Boards of regional urban water corporations will determine how these benefits will be passed on to their customers.

**5. How exactly will the savings be passed on to customers ?**

Melbourne residential water customers who receive a bill that includes usage charges will get the \$100 fixed amount bill reduction. This will be included in their first bill for 2014/15.

**6. Why weren't Victoria's water corporations operating efficiently already?**

The Government has worked closely with the water corporations to help them identify savings that can be passed onto Victorian households through new ways of providing services.

**7. Will all of the water corporations continue to be viable following this initiative?**

Yes. The savings initiatives have been proposed by each of the water corporations and have been closely scrutinised by the international firm of financial and risk management advisers, Deloitte, to ensure that there is no material financial, service delivery, safety or compliance risks for the water corporations.

**8. How have the regional and rural water corporations participated in this exercise?**

All regional urban water corporations providing services to Victorian households have identified possible efficiency improvements. This includes South Gippsland Water, Westernport Water, Central Highlands Water, Coliban Water, East Gippsland Water, Gippsland Water, Goulburn Valley Water, Grampians Wimmera Mallee Water, Lower Murray Water, North East Water and Wannon Water.

**9. What impact will *Fairer Water Bills* have on services?**

Victoria is proud of the high quality of its drinking water and this quality will be maintained. The efficiencies have been determined based on strict criteria to ensure they can be met without diminishing industry standards for safety, service performance or financial viability of the water corporations. Drinking water quality, environmental health standards and water supply security will not change.

The Department of Health will continue to regulate the provision of safe drinking water. Water corporations will be required to continue meeting their existing obligations to protect, restore and care for the health of Victoria's waterways. Protections will continue for vulnerable customers.

**10. Will jobs be lost across the various water corporations as a result of *Fairer Water Bills* ?**

Reducing staff numbers across the water sector is not what the *Fairer Water Bills* initiative is about. The saving initiatives have not set any headcount reduction targets.

*Fairer Water Bills* is an initiative designed to produce lower water bills for Victorian water consumers from 2014/15. To achieve this, some water corporations have identified organisational changes as part of their proposed efficiency initiatives. It is estimated that a small percentage of roles will be impacted over the next four years. These impacts may include changes such as non-replacement of roles after retirement or resignation, internal and external transfers and non-renewal of fixed term contracts.

**11. Will more functions of the publicly-owned water corporations be passed to the private sector as a result of this initiative?**

Transferring functions to the private sector is not a key objective of *Fairer Water Bills*, however, some of the publicly-owned water corporations have identified where functions could be undertaken more efficiently through outsourcing. Primarily this is in the areas of maintenance, facilities management and printing.

**12. Will the water corporations be required to resubmit their pricing plans to the Essential Services Commission for Water Plan 3?**

No. The Essential Services Commission (ESC) sets the maximum revenue for the water corporations, so a reduced price does not have to be approved by the ESC.

**13. Will the ownership of water corporations change as a result of this initiative? Will they be privatised?**

No. The Government's *Melbourne's Water Future* strategy makes it clear that reforms will be implemented whilst ensuring that public ownership is maintained.

**14. Why are the savings being confined to residential customers only?**

*Fairer Water Bills* was implemented to relieve cost-of-living pressures on Victorian households.

**15. Will hardship protections for vulnerable customers be maintained?**

Yes. Each of the water corporations has a program in place to help vulnerable customers and these programs will continue. There is also the Victorian water and sewerage concession which provides a 50 percent discount off water and sewerage charges up to an annual maximum. For 2013-2014, this maximum is \$283.90. Water corporations also have hardship policies as part of their customer service charters.

The reduction in water bills delivered by *Fairer Water Bills* will further help those who are experiencing financial hardship.

**16. How can the government guarantee that prices won't go up again?**

The water bill reductions achieved by Fairer Water Bills will apply for the remainder of the current water plan through to 2018. The second part of *Fairer Water Bills* is reviewing the regulation around how water prices are set. The outcome of this review is expected later in 2014. A new price determination will apply after 2018.

**17. What if I have sold my house in the last 12 months and bought a new house in a different area with a different water retailer. Will I receive the savings?**

The savings will be delivered from July 2014. You will receive the savings from your new water retailer.

**18. What happens if I move interstate?**

The savings will be delivered from July 2014. If you move interstate before you receive your first water bill for the 2014/15 year, you will not receive the savings.

**19. What happens for deceased estates?**

The savings will be delivered from July 2014 and will be delivered to deceased estates which continue to own property in Melbourne after this date.