

Property Owners' Association of Victoria

<http://www.poa.asn.au>

www.poavic.org



Email: poavic@yahoo.com

ESSENTIAL SERVICES COMMISSION

water@esc.vic.gov.au

27/7/2016

Dear ESSENTIAL SERVICES COMMISSION

Re: WATER PRICES REVIEW - <http://www.esc.vic.gov.au/wp-content/uploads/2016/05/Water-Pricing-Approach-Proposal-Full-position-paper.pdf>

Consultation on Position Paper for the 2018 price review - **Levy & Peak-use Gouging**

Thank you for the opportunity to comment, especially from the private Owners and Consumer's side in cities and towns. We hope that you will consider our views because the majority of water pricing is paid by private owners for fixed large monopoly charges, that do not allow flexibility or incentive for more efficient competitive water suppliers to occupants or competitive re-cycling.

Overview: The Property Owners Association of Victoria Inc (POAV) represents the owners of privately owned properties in Victoria. The government subsidised welfare organizations apparently only care about water restrictions and are not concerned with the fixed costs. The POA wants the removal of water levies on property owners and asks that water collection and distribution be subject to competitive supplies with the removal of monopoly powers. The Water Act 1989 is being used by monopoly water retail companies to charge massive fixed costs on low cost properties, for tax raising.

Monopoly Powers: Your Consultation paper stated:

"2.1 ECONOMIC REGULATION

The overarching objective of economic regulation of essential services industries is to promote effective competition where feasible and to implement cost-effective (and incentive-based) regulation where necessary.

This implies that:

- for the natural monopoly element of each service (eg gas and water pipes, and electricity wires) appropriate controls are imposed on price and service quality to prevent misuse of monopoly power and to provide incentives for efficient operation; "

Levy Gouging: This is no control under the legislation to prevent a water company from misusing its monopoly powers where the consumer does not want a supply. The ESC should make directives to regulate the monopoly powers against overcharging in fixed costs, **levy gouging**, under the Water Act Section 259 Tariffs, subsection 9.

The Position paper shows that the Water companies are Risk averse. They continue to **levy-gouge** to achieve the **majority of their revenue**.

"Risk – the business has not proposed to change the relative sharing of risk between itself and customers. This was decided having regard to matters such as the form of price control proposed, tariff structures (such as the relative share of fixed versus variable charges) and confidence in the accuracy of its demand forecasts. "

There has been total resistance by monopoly water companies against simply selling water by the litre, just like petrol sellers, without massive fixed levies. Unlike with electricity, gas or most other supplies, retailers do not exist in the Water Industry in a similar way as yet. In order to introduce greater flexibility, competition and water conservation, a consumer must be able to turn on and turn off a water supply without having large fixed costs still being charged when the water supply is off.

There is no huge fixed levy for the other unwanted supplies, and the practice only developed because water was first supplied over a hundred years ago before the introduction of water meters and cheap pumps. When sewerage was first introduced, it was promised that the sewerage costs

would soon be reduced to zero through the practice of recycling. Property owners pay Council rates, Land taxes, CGTs, Stamp Duties and more recently F.S.Levies but the extra impost of annual Water levies on top of user-pays charges is an old fashioned tax that has failed to deliver an efficient and flexible service.

The number of Water Rates has suddenly increased by the mass production of strata titles and charges should be reduced. There is very little increase in infrastructure for this and the Water companies are charging windfall levies in a process of **levy gouging**. Even without strata-ing, some property owners with multi-purpose properties on single titles (for example a Shop and Dwelling) are being levied on Commercial Rates for all the property. Others are being billed with 2 water levies on a single occupancy of a shop and dwelling, despite the **Municipal Council only levying for one property**. This is contrary to the stated position of the Small Business Minister at the time (refer attached.) In the case of a multi-unit residential property with 1 water meter and 1 sewer connection, there are multiple levies and in many cases, they overbill even beyond what they are allowed, for example, Yarra Water quoted 1500 properties had been wrongly billed this month for this. The water bills are incomprehensible and fail to show on what basis or \$/kl the water is charged, with the consequence of serious overcharging going undetected for many years. Pre-arranged sewer discharge factors are altered by water companies without notice to owners or tenants.

Peak-use Gouging- Currently, water meters are read quarterly and there is no averaging over a year so consequently average consumers are slugged with 50% surcharges. There is a lack of government publicity given to the mechanism to reduce sewerage discharge rate calculations in Summer.

RURAL TOWNS: As town water is generally below safe drinking standard in many small rural towns, it appears too expensive to maintain safe drinking water and town sewerage as an aim, now that cheaper plastic tanks and pumps are available. This only subjects rural towns to draconian surcharges and **levy gouging**, with very high cost water charges. It only further accelerates the de-population of these towns. There is a need to reduce the cost of housing and doing business in small rural towns.

Action to control Levy Gouging:

If the ESC fails to issue appropriate directions, the Water Act could first be changed so that Section 259 Tariffs, subsection 9, only refers to charges or fees for water and sewerage, if the existing property does not have approved independent water supplies and if there is an occupant who wants the supply of water.

If necessary, the Water Industry Act could be changed to allow private reselling of water between tenants or occupants.

If a property does not have approved independent supplies, subsection 9 could be changed so that the Water company can only impose a rate or levy on a property that is occupied by an occupant who uses water, and the Municipal Council imposes a Rate too. To stop Levy Gouging, there should be no right for a Water company to impose a number of Rates more than the number of Rates imposed by the Council on that property. If the water is turned off and there is no occupant, there should be no power for the Water company to impose a water (or sewerage) Rate.

Labor's Desal plant waste of money. The unwanted desal plant was a total **waste of money**, deliberately to garnishee property owners and was pushed and promoted by the Water Industry inside government with massive PR and fear propaganda, to benefit big business, investment trusts and unions. It would be better for the Community if were sold to some overseas country and a dam built on the Mitchell River instead. The charges for this should be separated on bills and those who don't want it, should not be forced to pay it, providing they have sufficient storage water themselves.

Please do not hesitate to contact the Association, should you require further information.

Yours sincerely,
Raja de Alwis, Secretary of POAVIC
Property Owners' Association of Victoria Inc.



WATER PRICES REVIEW - Property Owners' Association of Victoria further Comments
- & attachment

poavic

to:

water

27/07/2016 04:37 PM

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1 Attachment



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Dear Sir/Madam,

Re: WATER PRICES REVIEW - Property Owners' Association of Victoria further Comments - & attachment

Please find attached an attachment accidentally omitted in our Comments on the WATER PRICES REVIEW (previous email today).

This relates to the following sentence in our comments:

"Even without strata-ing, some property owners with multi-purpose properties on single titles (for example a Shop and Dwelling) are being levied on Commercial Rates for all the property. Others are being billed with 2 water levies on a single occupancy of a shop and dwelling, despite the **Municipal Council only levying for one property.** This is contrary to the stated position of the Small Business Minister at the time (refer attached.)"

The essence of this attachment is that there should only be one charge per tenancy, and in the case of a shop and dwelling, there is no necessity to install an extra water meter. Some country water retailers, eg Coliban are over-charging in many small towns where properties have been amalgamated under 1 tenant and where the Council rates it as 1 property, the Water retailer rates it as 2 properties, and refuses to reduce it to 1 property charge, despite there being only 1 water supply meter.

Where there are 2 tenants, in a shop and dwelling, there should still be only 1 water charge, if there is one water meter servicing both.

The Water Act 1989, Section 259 Tariffs, subsection 9, states:

"An authority may, in respect of a property, separately impose fees under a tariff or development tariff in respect of each separate occupancy on that property"

there is no right to impose **2 water (& sewerage) fees** on a shop and dwelling property, that is rated as one property by the Municipal Council. However, the Water companies are apparently using water meter readers to act as valuers and determine matters that concern experienced property valuers. In most cases, they properly rely on the advice given by the Municipal Council.

The Act may need changing if you cannot direct the Water Companies to rate in accordance with Municipal Council determinations (except for shop and dwellings, where one bill is sufficient.)

Should you require further information, on this from Coliban, or on Yarra Water and others, overcharging **thousands of property owners** with unwarranted extra charges, and deliberately or otherwise, calculating water use charges based on less properties than it bills for, please advise.

Please would you endeavour in your price review, consider that water averaging should be addressed, namely that the charges for water (and consequently sewerage) are calculated at peak use levels on a quarterly basis, whereas people actually are being overcharged if based on an annual water meter read.

Kind regards,

Property Owners' Association of Victoria



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Shop/Dwellings - POA clarifies Metering

As mentioned in Parliament on 16 Nov 05 thanks to a speech by Hon. Bruce Atkinson mentioning the POA's concerns, the Government has confirmed they are not requiring separate metering. The Retail Leases Act will now only require estimates of outgoings of the retail part, —and some requirements will be notifiable to the Govt on new or varied leases. The shop/dwelling tenant will not be able to use the RTA to require separate metering, as the RTA does not apply.

Hon. Bruce Atkinson "It has been raised with me by the **Property Owners Association** of Victoria that in this bill retail premises means premises not including any area intended for use as a residence; I have discussed that with the Parliament today. The Property Owners Association suggests that this would appear to put them in the invidious position of having to install extra metered facilities, new mains water, gas, power, driveways and possibly other future changes for fireproofing, sprinklers, hard-wired smoke detectors et cetera because of the delineation in the premises.

It would mean extra rate notices, extra legal fees, extra water bills and other legal or administrative requirements would be visited upon them for the separate uses within a particular building. In other words, creating a retail premises which is part of a premises might well expose property owners to a considerable administrative burden and to additional costs in regard to the treatment of utilities, rates, taxes and so forth. The property owners are also concerned that what might happen is a tenant could use two separate consumer protection devices to stop paying rent and forestall eviction and might well be able to play one off against the other because of the vagaries surrounding what is a retail premises. I wonder if the minister might give some assurances on how that will operate going forward."

The Minister Viney replied for the Government:

"Mr Atkinson also raised concern about changes to the meaning of 'retail premises' in section 4 of the act, those changes to be implemented by clause 5. The bill simply seeks to clarify the existing provision -- that is, that the residential area of a premises which has both a residential area and a retail area does not form part of the retail premises. It does not require separate metering of utilities, but for the purposes of this bill the residential area is not regarded as part of the retail premises in the context of this legislation.

The government made that change in the 2003 legislation for all new leases. However, anyone operating under the previous system would still have recourse to the original means by which that lease operated under the 1998 act. I am advised that on Friday this matter is to go before the Court of Appeal and that it is a complex issue. It is by no means certain that the difficulty we are trying to deal with in this legislation will still be the case after the outcome of that appeal.