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Date: 12th May 2023

Kate Symons
Commissioner and Chairperson
Essential Services Commission
Level 8, 570 Bourke Street
Melbourne Victoria 3000

RE: Coliban Water Draft Decision

Dear Kate,

Thank-you for the opportunity to make further comment on the proposed Coliban Water increase in New Customer Contributions (NCC's).

Villawood Properties has been a developer in Bendigo for the past 32 years. Over that period, our business has developed approx. 2,100 lots and each titled lot has paid the applicable NCC rate at the time.

We were disappointed with comments at the recent Forum with respect to the how developers were viewed. As an example, Villawood Properties is extremely proud of our partnership with South-East Water to create Aquarevo which is an innovative, sustainable development where homes feature a range of unprecedented water saving features. This was not driven by the bottom line but by innovation. Villawood Properties remains available and willing to consult with Coliban Water to implement such innovation and arrive at an acceptable NCC position.

Bendigo's growth areas are being developed as per the City of Greater Bendigo's 2004 Residential Strategy and there has been an expectation that Coliban Water has planned for a transition into these new growth areas for some time. Areas identified in the strategy such as Marong, Strathfieldsaye and Huntly have been developing over the past decade and assumed that much of the infrastructure is already in place.

As a leading regional residential developer, we understand the need to share in the cost of providing infrastructure required for new development areas. By Coliban Water's own admission though, the investment in upgrades has been lacking for some time and now they are in position where they need to catch-up.

NCC charges contain a percentage component within the charge allocated towards capital works for future upgrades. We have asked Coliban Water for the percentage capital contribution component without ever receiving a definitive answer.

It is reasonable to assume that the collection of the NCC's in the past should have either been spent or allocated towards new capital projects directly affected. Is this the case or have they been allocated to other parts of the business? Just as Coliban Water advise that they do not expect their existing customer base to subsidise new growth, the reverse can be said of revenue collected from new customers.

We suggest that the ESC include an annual transparent performance review of the collection and allocation of NCC through the next pricing period.

It is also a fact that much development over the past 20 years has been infill which has been no burden to the existing system. Coliban figures indicate that most of the growth is in new greenfield suburbs, but this is at odds with Councils own figures that indicate that growth is split 50:50 between infill and greenfield. It is difficult to come to any position with conflicting figures and lack of detail.

Presently, we have only been provided with some high-level overall figures for greenfield infrastructure without any breakdown of those costs which you would expect to see such as a scope of works, design, consultancy, civil rates, assumptions, contingency or any justification that the works are 100% growth related.

Without the proper information before us, it is impossible to determine the real costs and the industry is being asked to accept the figures and select a medium-term contribution philosophy in a condensed timeline to suit impending deadlines. For example, we have only today received the revised NCC summary document from Coliban. Included in the proposal is a small lot infill NCC. How was this position arrived and now as an industry we have no opportunity to undertake any sort of review.

What we do know is that once the philosophy is decided and costs adopted that the NCC will only increase going forward, so we must stop and take the time to get it right now.

Villawood's recommendation to the Commission is to increase current NCC's by CPI over the next pricing period whilst Coliban Water does the extensive work required to demonstrate the justification of projects, costs and the model.

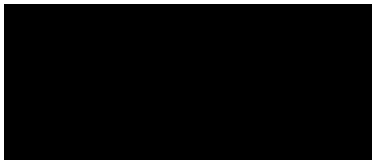
In comparison to other water corporations, the Coliban Water fees will be the most expensive in the State, and by some margin. Why aren't the Coliban NCC's rising in line like other water corporations which are similar to their existing customer increase?

With rising construction costs, climate change, rapid inflation and interest rate charges and now proposed hefty NCC increases by more than double, affordability in the Bendigo region will take another hit. Results from the recent City of Greater Bendigo Managed Growth survey indicated that housing affordability is already a big issue for Bendigo residents, but even a bigger issue for future generations. Many State policies are counter-intuitive and continue to drive up delivery costs.

This is too important to make quick decisions to suit a timeline. Let's take the time to get it right.

If you have any queries do not hesitate to call me on [REDACTED] or email [REDACTED].

Yours Sincerely,



Julian Perez
General Manager (Vic Regional)
Villawood Properties

