

T R A N S C R I P T

LEGISLATIVE ASSEMBLY ENVIRONMENT AND PLANNING COMMITTEE

Inquiry into the Supply of Homes in Regional Victoria

Colac – Monday 24 February 2025

MEMBERS

Juliana Addison – Chair

Martin Cameron – Deputy Chair

Jordan Crugnale

Daniela De Martino

Wayne Farnham

Martha Haylett

David Hodgett

WITNESSES

Shaun Cumming, Managing Director, and

Seamus Butcher, General Manager, Planning, Delivery and Environment, Barwon Water; and

Andrew Jeffers, Managing Director, Wannon Water.

The CHAIR: Thank you for joining us today at this public hearing for the Inquiry into the Supply of Homes in Regional Victoria. On behalf of the committee, I acknowledge the traditional Aboriginal owners of the land on which we are meeting, the Eastern Maar people. We pay our respects to them, their culture, their elders past and present, and we acknowledge any other Aboriginal people from other communities who may here with us today. I also extend a welcome to any members of the public and media watching today.

This is one of several public hearings that the Environment and Planning Committee will be conducting in regional communities around the state. We will be consulting widely to learn how we can increase housing supply and ensure we have the right mix of homes to suit Victorians at every stage of their lives.

I will run through some important formalities before we begin. All evidence taken today will be recorded by Hansard and is protected by parliamentary privilege. This means that you can speak freely without fear of legal action in relation to the evidence which you give. However, it is important to remember that parliamentary privilege does not apply to comments made outside the hearing, even if you are restating what is said during the hearing.

You will receive a draft transcript of the evidence in the next week or so to check. Corrected transcripts are published on the committee's website and may be quoted from in our final report.

Thank you for making the time to meet with the committee today. I am Juliana Addison, the Member for Wendouree and the proud Chair of the Environment and Planning Committee.

Martin CAMERON: Martin Cameron, Deputy Chair. I am the Member for Morwell down in the Latrobe Valley. I will be upfront: I am a former plumber as well, so this is right in my wheelhouse.

Daniela DE MARTINO: Daniela De Martino. I am the Member for Monbulk, which covers the Dandenong Ranges.

Wayne FARNHAM: Wayne Farnham, Member for Narracan – that is the West Gippsland area of Victoria – and former builder, so here we are.

The CHAIR: What an excellent line-up. I want to thank all the committee members for being here, as well as the secretariat for all the work that they have put in to make this happen and Hansard broadcasting for joining us on our regional tour. Could you lovely representatives from Wannon and Barwon please state your full names, titles and organisations to begin with, please. I am rusty at this. We are a bit out of shape. We will get better at this as the day goes. Shaun, would you like to start?

Shaun CUMMING: Good morning, everyone. I am Shaun Cumming. I am the Managing Director for Barwon Water.

Andrew JEFFERS: Good morning, everyone. My name is Andrew Jeffers. I am the Managing Director of Wannon Water.

Seamus BUTCHER: Good morning. Seamus Butcher. I am the General Manager of Planning, Delivery and Environment at Barwon Water.

The CHAIR: Can I say how delighted we are to host you today and to have you. I thank you for the work that your organisations have already put in to present to us, because we know that when we look at regional housing, water is an important part of that story. Would you like to make an opening statement before we go to questions?

Shaun CUMMING: We both will. I can start, and then I might pass onto you, Andrew. Firstly, thank you for the opportunity to present and meet and discuss today. Just as a bit of background to start off with, Barwon Water provides water, wastewater and recycled water services to a population of about 370,000 people over an area of 8100 square kilometres. The shires or councils that are within our service area include Colac Otway shire, Golden Plains shire, the City of Greater Geelong, the Borough of Queenscliffe and Surf Coast shire. Collectively that group of councils and shires is known as the G21 region, and the G21 region is growing rapidly. Over the recent 10-year period the growth rate over the G21 region has been about 2.4 per cent, and that compares to the regional Victoria average of 1.4 per cent, the Australian average of 1.4 per cent and the Greater Melbourne average of 1.8 per cent. So we are very mindful of that growth rate and servicing that growth rate, and our vision is to be an enabler of regional prosperity in providing our water and sewage and recycled water services and how we actually go about that. We understand deeply that the timely planning and delivery of water and sewerage infrastructure is very much connected to construction of new houses and servicing housing in regional Victoria.

I thought I would outline today, just to kick things off, five key areas that we think we really lean into to facilitate that. The first one is long-term planning. We have co-designed with our community a 50-year adaptive urban water strategy that delivers our water future. Within that we work closely with councils to provide input on land use planning and pre-fixed structure plans, and then based on those plans we then develop our infrastructure servicing plans to ensure we deliver infrastructure in a timely way. These service development plans are developed collaboratively with the councils and developers and also provide developers certainty in terms of service availability for their investments. We then use this work to inform our long-term capital investment plans and feed that into our ESC pricing submission. So we work in five-year pricing submission blocks with the ESC. Our current pricing submission block kicked off in 2023, and our next one will be in 2028. Over the 2023 five-year pricing submission period we are investing \$200 million in servicing growth and looking forward with that growth that is in our region for the couple of pricing submissions post PS28; there will be over \$2 billion worth of investment in growth. In particular for us the north-western growth area around Geelong is a significant growth area – about 2½ times the size of Ballarat when it is fully formed, just to put some scope to it.

The CHAIR: This is Armstrong Creek?

Shaun CUMMING: No, Armstrong Creek is the current sort of major growth area, which has 20 000 lots; the north-western growth area is 40,000-plus lots as that shapes up over the next 10 or so years.

The second key area I wanted to talk about is actually our customer-centric developer services. So this is the interface that developers have when they deal with Barwon Water. We have got a dedicated and trained team for developers to interface with, with a number of proactive KPIs that they monitor to ensure we are providing timely services. We continue investing in streamlining and automating our processes to make that a fast turnaround process. One key challenge that we find in this space is that for some developments or some submissions the quality can be at times not up to scratch, which increases the timeframe for the review and acceptance process. So with that, we are mindful of that, and we have upgraded our website to provide key information for developers and their contractors and consultants to use up-front to maximise the potential of a good submission first up and therefore less iteration through the process as well.

The third area I thought I would put forward is forward resource planning and timely investments. So those long-term infrastructure servicing plans that we develop, we use them to inform going forward what the best optimal capital delivery models are for us in terms of, you know, contractor partnerships and consultancy partnerships and all that sort of stuff as well but also what our team needs to look like so it can sort of resource up to meet workloads. Then actually in terms of delivering the infrastructure in the ground, there is some work that we do in terms of early acquisition of key infrastructure sites to make sure that the land is available for key elements of infrastructure and also early design and approval so that when a development is ready to go we are ready to go in terms of delivering the infrastructure. It is a balance that we manage in terms of not getting infrastructure in the ground too early and it sitting there not being utilised or not delivering it too late and holding up development. We manage that through getting those early key lead time items in place so that we can strike when ready, basically.

The fourth area I thought was actually developer engagement. This is about understanding each other's needs and ensuring we stay engaged. We are a sustaining member of the Association of Land Development Engineers

and actively engage with the Geelong chapter of ALDE. We are also active in the UDIA, or Urban Development Institute of Australia, and their events and forums. We also communicate any sorts of changes or insights through our industry alerts to developers. We find in Colac, as an example today, and some of the smaller regional towns developers can struggle with the funding that the larger infrastructure that is sometimes needed and shared infrastructure that needs to be developed for developments, and in these cases we are open to looking at staged payment methods to break those little lump sums up to enable those developments. We do not see that as much in Geelong or Surf Coast, where you have got the larger developers doing the works.

The last one I thought I would highlight is innovating to service growth. We are mindful that we need to innovate to deliver sustainable growth going forward. On that basis we chair a multi-agency integrated water management forum for the Barwon region, and that pulls all the relevant councils and agencies together and makes sure we are thinking about integrated water management early in the piece, embedding smart ways in the precinct structure plans and having conversations with developers early in the piece about how that can be optimised in the way that it is delivered as well.

Because we are in Colac today, I thought I would give you some case studies in Colac in terms of what we are doing. In recent times we have interconnected a feed from the Geelong system into the Colac water supply system, and that essentially provides Colac water security into the 2050s. We are currently commissioning a \$40 million upgrade to the Colac wastewater treatment plant. That includes a renewable organic network as well, and that will service growth in the town but also service growth in major industries that are providing jobs and employment in the town, and through the renewable organics network it is generating enough power to power the town's plant on 100 per cent renewable energy that it generates itself and feed energy into the grid in a number of forms as well.

On the pumps and pipes ground, we are investing \$9 million in a sewer works for a development area called Elliminyt in the Colac area, and also a pump station, storage and rising main – \$5 million in Colac West to service growth there as well. That just gives you a flavour of all the investments that we make to enable growth to happen.

The CHAIR: Terrific. Thank you, Shaun. Andrew – Wannon Water.

Andrew JEFFERS: Thank you again for the opportunity to be present today and talk about water. Wannon Water is a regional urban water corporation constituted under the *Water Act*. We have 45,000 customers and service about 100,000 people, and if you look at our geographic operating area, if you think of the Otways and draw a line up to the southern Grampians and across the border, it is all the towns through that south-west corner of Victoria.

We are an asset-intensive business. We have about \$1 billion worth of assets to provide those essential water and sewage assets across that region. Those assets, generally speaking, are long lived. For example, pipes have a life of 80 to 100 years, and given that longevity of those assets, the decisions on the location, size and quality of the installation are really important to efficiently meet the long-term needs of the communities and customers through the region into the future.

We are a not-for-profit business, so what that means is we raise funds through our prices, as Shaun mentioned, and those prices are regulated, and we use that revenue raised to invest in our assets and run the operations of our business.

In terms of housing supply and demand, we have an important role that we understand and appreciate and take seriously. That is the longer-term planning and forecasting growth and demands. We do have a 50-year water supply demand strategy that is our primary tool of navigating that, and we developed that in consultation with our stakeholders. The other important role is the provision of the trunk infrastructure to new growth areas. The third area in relation to housing, a formal role, is in relation to being a referral authority for the land development process, which includes us requiring developers to provide water and sewer reticulation assets.

Whilst observing and acknowledging that there are challenges in relation to the availability of housing to meet community needs in our region and across Victoria, in relation to our role what we have noticed is the annual rate of new properties has steadily increased over the last five years. For our region that has increased from 0.6 per cent in 2019–20 to 1.1 per cent in 2023–24. Other than Warrnambool that increase and growth actually is up and down, so it is quite variable in the smaller communities. It is really only Warrnambool that has had

consistent growth across our region, but those growth rates, that is really quite manageable for us to meet the needs of those new properties that are coming along the line. We have been able to provide the trunk infrastructure to those areas to support those new properties and have not had too many challenges in being able to do that. So that lower growth rate that is being experienced across the state means it is more manageable for us to work with.

Challenges we see, and as expressed to us from local government and other development stakeholders and communities, are less about the larger scale urban development. It is more about the smaller scale developments, such as minor water and sewer extensions in peri-urban areas – the challenge there is the costs are quite high on a per-property basis, and that is a barrier for those sorts of developments to occur – and unsewered towns. There are 24 unsewered towns across our region, and that lack of sewerage services is a barrier to development in those towns. What we have found, and we have done close work with local government and communities, is the cost of building a sewerage scheme at a town scale is far beyond the community's ability to afford it.

I outlined our role. So what we do is make sure we have good processes to ensure that we are responsive to housing. We understand the community stress that exists. What we do have are good relationships with the relatively small number of land developers and consulting engineers in our service region. That means we are able to talk about issues quite consistently and frequently, and where there are time pressures and things like that, we are able to respond the best we can and work with those developers. Every three years we undertake an independent stakeholder perception survey, which includes interviews with the land development sector. Our most recent survey, in 2024, did not indicate any concerns from the land development sector about the timeliness or our development processes that we are running.

Just concluding, we do work closely with regional stakeholders on the issue of housing. We have worked with Warrnambool City Council to support their key worker housing projects. We lead a Thriving South West Victoria partnership, which delivered a regional housing solutions forum, bringing stakeholders together to look at where the opportunities are, and a number of projects have come out of that. We also have a project underway reviewing with local government the processes around providing water and sewer services in those peri-urban areas to see if we can remove some of the barriers there. That is all I was wanting to say. Thank you for the time, and I look forward to some questions.

The CHAIR: Terrific. Excellent. Deputy Chair, would you like to kick off? I think Shaun is part of Barwon.

Martin CAMERON: Thank you very much; I was waiting for you to jump in there. Thanks so much for coming in and talking with us today as we move around and get our head around issues with housing around our regions. One of the questions, which you sort of touched base on there, is the process to getting developments up and the major infrastructure that is needed. Are there one or two particular problems that continue to surface with developers, whether they be big or small, that there is an issue in fixing? Obviously there are, price-wise, a few bits and pieces. But with some of that major infrastructure that needs to be put in the ground for these developments to go ahead, are there continual issues trying to set them up for the developers to go ahead to install new housing? I open it up to both.

Shaun CUMMING: In our region I would not raise any systemic issues. You mentioned, Chair, we have just come through servicing the major growth in the Armstrong Creek area. They were investments that we made a good 10 or 15 years ago. We really are planning early and making these large investments very early in the piece, so then you have a 10 or 15-year sort of fill-out period. We did not really encounter any sort of systemic issues in that space, and we are now leaning into the north-western growth area in a similar way. Like I say, the art in it is picking the timing of when to make those large investments, because they are significant, and making sure that you are, I guess, maximising the value for both the state and the developers in that space. That is done through engagement with developers, understanding where their approval timeframes are and understanding where the market is as well – particularly over the last two years the market has shifted quite a lot – and reading into that in terms of what does that mean for the timing of growth and development and the like as well. But I cannot raise any sort of systemic issues.

Andrew JEFFERS: If I can build on that answer from our perspective, things are smaller scale in the smaller communities. With the investments we need to take to support the growth areas, there is no particular challenge other than we do notice the costs to invest – the cost of those assets has increased significantly. As I

mentioned at the outset, we are not-for-profit. We have got to raise prices to pay for those investments, so there is a challenge around the costs of infrastructure. We do see that is a bit exacerbated as you get further away and more into the regions – there are less contractors available to do that larger scale work. We have still been able to achieve that, but we have noticed an increase in costs.

Martin CAMERON: Thank you.

The CHAIR: Daniela.

Daniela DE MARTINO: Speaking of costs, if you are investing in the future, who is contributing to that? Is it solely yourselves and then you recoup the costs when developers move in? What does it look like, that funding? In both your cases actually, smaller scale and larger scale – it would be great to see what the difference is like.

Shaun CUMMING: I can start.

Andrew JEFFERS: You seem to be going well starting.

Shaun CUMMING: I will start and you can add the good details behind it. There are a couple of elements in terms of covering costs. We cover the costs basically within our own sort of revenue and pricing structure and scheme. There are new customer contributions that are paid in development areas or new connections. Essentially they look at the incremental cost of servicing that development and apportion costs according to that incremental cost versus the shared benefit across the broader customer base and the model for that. To give you some context there, a greenfield block or lot in our region is about \$4080 in terms of a new customer contribution for water and about \$600 for a sewer. That is in greenfield. In infill it is \$816 and \$120 for water and sewer. That takes into account if you have existing infrastructure that you are leveraging or new infrastructure that you are building. We are reliant on those new customer contributions and then the broader price of water and sewerage services across our customer base. I guess, as Andrew mentioned, as we sort of look into the future, we have got to make sure that we can maintain the sustainability of the essential services that we provide and associated sustainable price structures that support this growth as well. We couple that hand in hand with our hardship support programs as well for customers. I am very active in outreach and hardship support as well for those that cannot afford to pay the bills or are struggling to pay the bills.

Andrew JEFFERS: Perhaps I will just add to that another aspect, which is that we are a monopoly business, okay? Because we are a monopoly business our pricing and our approach to pricing is regulated by the Essential Services Commission. They establish frameworks around essentially how much developers should pay and the principles around that versus how much the community pays, where you recover through prices. Those frameworks have been around for a little while. We put our proposals in to the Essential Services Commission about how that is exactly going to work in those five-year periods, and that gets independently reviewed by the Essential Services Commission. They look at it from a number of perspectives, but one of the perspectives they look at is through a customer lens as well. So that does provide another tier of oversight around our approaches around who pays for what, because that can be contentious at times.

The CHAIR: Just as a supplementary on that, do you feel, with the massive growth you are getting, that support from the Essential Services Commission in terms of the expectation that the government is putting on you, particularly for the amount of houses that we want to build before 2050? Putting you on the spot now, do you feel that that is keeping up with the demands that are being placed on water authorities?

Andrew JEFFERS: I will have the first go at that, but I think that is actually more pertinent for Barwon Water, where the growth rates are higher and it becomes a bit more challenging in how you balance all that. But certainly in previous pricing cycles it has been up to us to present the compelling case to the Essential Services Commission for why certain investments should be undertaken to support growth and anything else. It is our job to do that. If there is a government policy imperative, that is one of the things that they would take on board in terms of looking at the proposals we are putting forward but also looking at growth rates and forecast growth rates and those sorts of things, which are an important part of justifying expenditure for new infrastructure in terms of certain areas. For us, we have not seen a problem in the Essential Services Commission in approving prices that include the proposals that we have put forward.

The CHAIR: Wayne?

Wayne FARNHAM: Thank you, Chair. I have got a few things I want to touch on here, but I will go one at a time. You mentioned the peri-urban councils earlier, and Surf Coast is a peri-urban council, I think, from memory. The cost now to get the infrastructure into those peri-urban councils – you said it was problematic for developers. I suppose what I am saying is: for the developers now in the peri-urban councils, in unlocking the land that we need to because of the housing crisis, has it become just not viable for developers to start developing because of the cost of the infrastructure in those areas?

Andrew JEFFERS: I would like to clarify what I meant by ‘peri-urban areas’, because it was not how you described it.

Wayne FARNHAM: Okay.

Andrew JEFFERS: If you can imagine a community – I give an example of Dunkeld – that has water and sewerage services that go to a geographic location in that town, the peri-urban development is the next bit outside that is not currently serviced. It might be a larger lot owned by a mum and dad looking to do a really small subdivision; it might be four lots. The costs of providing infrastructure to service those four lots, extending from the existing infrastructure, is quite high per lot.

Wayne FARNHAM: I interpreted it as peri-urban councils, I am sorry.

Andrew JEFFERS: Yes, so it was more peri-urban areas in existing townships.

Wayne FARNHAM: Yes. You said you have got 24 unsewered townships within your region. Do you see anywhere in the future where that infrastructure can be delivered?

Andrew JEFFERS: It is a significant challenge, and the costs per lot are in excess of \$100,000.

Wayne FARNHAM: So it is just not viable.

Andrew JEFFERS: It makes it really difficult for the community to be able to come to afford that sort of investment.

Wayne FARNHAM: Just this morning in the paper we saw that the Premier has come out and put councils on notice – ‘Get going; we need development and we need housing’ – which is fair enough. Part of the feedback I hear from developers a lot of time is that the relevant authorities sort of hamper the process along the way. How much time do you generally get to process a planning application? The second part to that is: do you achieve those targets? And if you do not achieve them, where do you think the downfall is? Is it that more staffing is required or better skilled staff – those types of things? I just want to put that to you.

Seamus BUTCHER: I know Shaun has got some stats on that.

Shaun CUMMING: In terms of a development process, as it might be, I am just going to step you through it, because there are a number of points along the way. The first one is providing early service advice around how to best service a development, and then it will come back to us for planning permit conditions, and then it will come back to us for a deed that we sign with the developers around how we are going to fund it and share the cost. They will come back to us with the design, a completed design, and then consent to connect to the system once it is completed. So they are our sort of touchpoints. There can be quite a journey between those touchpoints as the developer develops their design or works out how they want to do the subdivision –

Wayne FARNHAM: It has got to go back to the consultant.

Shaun CUMMING: and all that sort of stuff. But in terms of when it is with us for approval, we have timeframes that we have set ourselves. So an example is a planning permit referral – 28 calendar days is our sort of turnaround time – averages between 10 and 14 days as a turnaround time. When I say average, there will be cases that come without the required info or something like that and it takes longer, and there are cases that are quicker, but that is the average – around sort of 10 to 14 days. So it is a pretty good turnaround time in the process.

Seamus BUTCHER: What I would add to that is: if you take somewhere like Colac, we have probably provided servicing advice on some of Colac’s growth areas for 10 or 15 years before they were built. So that

might be direct just in terms of developer queries that come and ask, 'Oh, what do I need from a sewerage and water perspective through to a Colac urban development plan or a Colac 2050 plan?' We will give advice – you know, 'This is the infrastructure. This is how you connect into water. This is how you connect into the sewer.' So a lot of that advice will happen for years before the sort of formal – the time a developer gets to put in an actual application. And some of the bigger plans now we will do in what we call an integrated water management plan to give them that advice and do that with the developer at the time. So we work out 'What is the best way to service this? Is there recycled water nearby that we could look at? Have you got drainage issues? Maybe you should look at some stormwater harvesting.' So we will try and do that planning as early as we can so they can factor that through before they even get to the point of saying, 'Right, I'm ready to go and here's my application.'

Wayne FARNHAM: I had better let someone else have a go, otherwise I will chew up all the time.

The CHAIR: We will come back. I am very interested – obviously in the plan for Victoria there is a very strong focus on in-builds around our large regional cities. In terms of the current infrastructure that Barwon Water has, and perhaps in a Warrnambool or a Portland but particularly in growth areas like Geelong, how is the current infrastructure going to go? It is one thing to put 20,000 people in Armstrong Creek or 20,000 lots or 40,000 lots in the north-west; if we have massive infill in central Geelong, how will your current infrastructure hold up?

Shaun CUMMING: Very much in terms of meeting the housing statement and housing targets we have an aspiration to increase the amount of infill to assist, as well as the greenfield sites to increase the amount of infill. Currently the amount of infill is around sort of 30 per cent of development. Ideally, we will shift that up towards 50 per cent into the future, so we are very much planning for that in our infrastructure plans. There are upgrades to certain sorts of feed infrastructure that we do, there is maintaining existing infrastructure through realigning and all that sort of stuff as well, and then the other big piece of the equation is water efficiency. The demands of the past are not necessarily the demands of the future as we build, I guess, new housing complexes with more water-efficient devices. We have currently received IWN funding for a trial of a unit called a Hydraloop unit, which recycles up to 40 to 50 per cent of the greywater from a from a development as well. So there are some smarts that we are looking at in that space to take your traditional pressures off the system as well. But as an overarching answer to your question, increasing infill and servicing for infill is in our planning just as much as greenfield is in terms of our 10-year capital works plan.

The CHAIR: We talked about the difference in costs in terms of a greenfield site for connection as opposed to infill, so obviously it is going to be much cheaper for a water authority for there to be a strong infill rather than greenfield.

Shaun CUMMING: Yes, and it depends on the area, because there are some areas that have capacity and some areas that are near capacity, and that is where we are proactive in informing things like plan for Victoria and stuff like that in terms of priority growth areas and areas where we can maximise existing infrastructure as well.

Seamus BUTCHER: But as a general rule I think you could say infill will be cheaper per lot or per unit to service than the greenfield.

Andrew JEFFERS: That is the point I was going to make too, and that is then reflected in our new customer contributions approach. It actually incentivises infill development. The new customer contribution charge for the growth areas is higher than what it is for the infill areas, and it reflects that lower cost of infrastructure to provide the services.

Shaun CUMMING: One other area where we have recently updated our policies is to be proactive around a second dwelling policy as well. We have looked at that and how we can service that with existing connections, so not charging customers a second new customer contribution when they set up a second dwelling in accordance with the new policies as well. That is a quick way of servicing growth in an infill way as well.

Martin CAMERON: Just quickly touching on recycling, I was in Bendigo a couple of weeks ago and walking around some new developments. You can see the normal water meter, and then you have got the recycled water meter there. Obviously that is just a component going into new estates at the moment. Does

every lot get it, or can people opt in or opt out of having it? And is it an extra charge to be able to have that facility on the block?

Shaun CUMMING: For us, new growth areas are a really good opportunity for provision of class A for things like toilet flushing and garden watering and stuff like that. In Torquay North and Armstrong Creek every house has a purple pipe and is connected to class A. It the same as far as the north-western growth area goes. We are very much planning for class A to be provided to those areas as well. Mindful of the role that recycled water plays in our water future, we also are working on the business case for an alternative water grid that will transpose our whole region and transport recycled water between old and new growth areas. I would say that the use of recycled water is easier to put into new growth areas than to retrofit into old areas, so there is an opportunity to do that. We are also mindful recycled water has the opportunity to support the industry that creates the jobs that supports the housing. Very a much part of the alternate water grid that we are putting together is around supporting things like agribusiness, some of the manufacturing in the northern areas of Geelong and hydrogen for the future as well.

Martin CAMERON: Thank you.

Seamus BUTCHER: Just to add really quickly a couple of the drivers which have enabled us to put class A recycled water or a purple pipe into the growth areas in Geelong: one, how close they are to a treatment plant and recycled water. The location is important. Armstrong Creek with 20,000 lots was close to our biggest plant, where we had a bulk amount of recycled water available, so with economies of scale, it stacked up. The north-western growth area is quite remote from Black Rock, but it will require its own local treatment plant. So now you have a challenge of: well, it is expensive to get rid of the sewerage, so it makes sense again to recycle water and put it back into the homes. So I think it does depend on many factors; it is not just a blanket yes to all new growth areas because there are plenty of places where it would be cost-prohibitive to get recycled water to those lots around the region.

Martin CAMERON: Thank you.

The CHAIR: Wayne, do you want to follow up on some of your concerns?

Wayne FARNHAM: Sure. Thank you. I do not know what it is like down here, but I know Melbourne Water charge about \$7500 a block in the Drouin area for development contribution levies. Do you have similar charges this way? I know you mentioned a \$4000 customer contribution charge –

Shaun CUMMING: That was me.

Wayne FARNHAM: That was you, sorry. Is that to the individual or is that per developer per block?

Shaun CUMMING: Per lot, yes.

Wayne FARNHAM: Per lot? That is the developer's contribution, the \$4000?

Shaun CUMMING: Correct.

Wayne FARNHAM: What do you invest that in?

Shaun CUMMING: That is in all this trunk infrastructure that is to supply the development.

Wayne FARNHAM: So that goes straight back into the infrastructure?

Shaun CUMMING: Yes. Headworks, feeder mains, large pump stations, all of that.

Seamus BUTCHER: The ESC have – Andrew called it trunk; we call it shared, but basically by size. Infrastructure over certain sizes the authority will pay for, and infrastructure under a certain size for water and sewer the development pays for directly. All that shared infrastructure that the water corporation has got to put in, so the big pump stations, the big pipes, water tanks – that all gets basically pooled for us. We have a couple of NCCs but largely one customer contribution that goes across our region to pay for all those big items, and that is, as Shaun said, a per-lot fee that the developer pays for.

Andrew JEFFERS: That is all true, but just a point of clarification: Melbourne Water is a drainage authority as well as a bulk water and sewerage authority, so that charge probably relates to their stormwater services. In regional areas stormwater services are under the domain of local government, so they would have developer contribution plans that set out the process around stormwater, which is not a function of the water corporation.

Wayne FARNHAM: I think the local government one in our area – it is \$12,500 in Baw Baw shire and \$7500 in Melbourne Water per lot, so it is about \$20,000 a lot. Those developers have to pay those fees up-front – is that correct – before they start?

Shaun CUMMING: When they are connecting the lots on, so it is not an up-front thing.

Wayne FARNHAM: It is more before they get title and sign-off on the project that they have to pay the fee, or do they pay it up-front before they start?

Seamus BUTCHER: I do not exactly know the exact spot, but it sits somewhere in the process. It is not immediately up-front.

Andrew JEFFERS: For us, we will not give certification which gives the title clearance until the NCCs are paid. I think it is probably the same for you.

Wayne FARNHAM: Okay.

The CHAIR: Can I just ask: in terms of long-term planning – and you talked about a 50-year strategy – obviously COVID resulted in a lot of people looking to live in the regions that previously had not considered it. How did that impact your long-term planning in terms of the increase in demand that was there, and how much pressure are you under by developers to put in additional pump stations ahead of your strategic plan of when you are planning to roll it out? Because from my experience developers are wanting to move ahead much more quickly than the strategic plans potentially of a water authority. How do you manage those pressures?

Shaun CUMMING: I mean, talking to that is out-of-sequence growth, and I might throw to you, Seamus, to talk to that.

The CHAIR: Out-of-sequence growth, that is exactly what I am talking about.

Seamus BUTCHER: Look, I will be honest: we probably do not have a lot of pressure for out-of-sequence. It goes back to my earlier point that, like Andrew, we know the major developers in Geelong. We are probably of a scale where we get to know a handful of big developers and we build a good relationship, and we would meet them regularly. So we are generally well aligned on their timeframes and ours, and they are well embedded in our capital programs. We have a 10-year capital program that lists all the growth infrastructure we are going to put in over the next 10 years. So we are not often caught out or in a tough spot. I would suggest there are usually other factors that influence a developer's timeframes. It is not usually our infrastructure. I think for me it is that really good engagement with developers and a relationship. We generally are in the ballpark of the timeframes.

Look, there are provisions and there are policies that if the developer really wants to come what we would call out of sequence and jump the queue or develop an area that we have not got in that plan, there are some what we call bring-forward costs where they would pay a share depending on the number of years – effectively the water businesses' financing costs really. We can put it in, but they pay a bit extra contribution to that shared infrastructure.

Andrew JEFFERS: What I would like to add is that when you do planning, the plan is out of date as soon as you have done it, right, and what actually happens is going to be something different. So there always needs to be that flexibility. With the approach around new customer contributions to fund growth assets, whilst it might specify specific assets in our proposals, the world changes, right, and so we are able to move the investments around to meet the needs of the communities. It is not locked away.

The CHAIR: Terrific. I am conscious that it is 11:30 and that you have been generous with us. Are there any last questions from the committee?

Wayne FARNHAM: No, I am good.

The CHAIR: And if anything was to come up, would you be happy for us to forward you questions and then to provide additional responses for us?

Andrew JEFFERS: I would be delighted to.

The CHAIR: Terrific. On behalf of the committee, we thank you for your very clear explanations of the situation, and we thank you for making the time to participate in this inquiry.

Witnesses withdrew.