

# MEDIA RELEASE



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## **Research reveals price Geelong water consumers prepared to pay**

Geelong water users are willing to pay more to ensure disruption to their water and waste water services is kept to a minimum, Deakin University research has found.

In a study funded through a grant from the Consumer Utilities Advocacy Centre, Associate Professor Gamini Herath from the University's School of Accounting, Economics and Finance of the Geelong campus, identified the water and waste water service attributes consumers thought were important and then asked them how much they were prepared to pay for various interruption scenarios.

"We have never had this sort of information before. It holds important lessons for consumers and water companies alike," Associate Professor Herath said.

Associate Professor Herath said water supply was one of the biggest problems people would face in the future as the cost of water, like petrol, increased.

"As it increases you will see people's behaviour change," he said. So for instance with the increases in petrol prices people are trying alternatives like walking, sharing a vehicle and reducing travel.

"A similar thing will happen with water. With water though it is not just a matter of raising the price - water services and waste water services have attributes which are important to the consumer."

"My research identified the following attributes which are important to the water consumer.

They are:

- the length of any water stoppages,
- the number of days water is unavailable in case of a breakdown.
- the time of day and the days and whether the interruption occurs in the weekend or weekday.

For waste water services the following attributes were important:

- whether a breakdown in services occurs outside or inside the house
- the length of stoppage
- and whether a person is available to communicate the problem rather than having an answering machine.

Associate Professor Herath said Geelong consumers were prepared to pay an average of \$77.18 per year to ensure that a person answered their call and directed their call to the appropriate person when waste water services failed rather than listen to an automated message.

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“Consumers are also willing to pay significant amounts to avoid break downs in their waste water service,” he said. “In Geelong consumers are willing to pay \$256.73 to reduce interruptions to their waste water services from three times a year to once a year.

“Consumers are also prepared to pay large amounts - \$492 - to have waste water overflows moved from inside the house to outside. “They are also prepared to pay \$233.63 to reduce the time for a waste water interruption from 12 hours to one and half hours.”

Associate Professor Herath said while the amounts people were prepared to pay seemed large, many of the respondents had not experienced serious disruptions to their water and waste water services which influenced their value of the current service.

“The study also, shows that currently most water consumers in Geelong are satisfied with water services. This may be why they are prepared to pay large amounts because they would like to maintain the status quo,” he said.

Associate Professor Herath said the lessons for water companies were:

- Water companies must maintain their present standard of service
- Waste water services were very important and companies should focus on these
- Wastewater or sewage water overflows need to be controlled at any cost
- Where they improve services it should be in the areas identified in the research
- Automated responses need to be seriously re-examined

## **Additional information:**

The research was funded through a Public Grant from the Consumer Utilities Advocacy Centre, an independent advocacy organization established to ensure the interests of Victorian energy and water consumers, particularly low-income, disadvantaged and rural consumers, are represented in policy and regulatory decisions.

Some funding for the study was received by Wannon Water.

- Researchers used a choice modelling approach to establish consumers’ willingness to pay for water and waste water service attributes in Geelong and Warrnambool.
- Choice modelling allows respondents to choose from a range of actions, the course of action they most prefer.
- Questionnaires were distributed, with follow up phone contact, to 715 consumers in Geelong and 415 in Warrnambool.

**Media contact** – Associate Professor Herath is available for interview. Please contact Sandra Kingston 0422 005 485 in the first instance