

Mr Lyndon Rowe
Chairperson
Economic Regulatory Authority
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13 March 2012



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Dear Mr Rowe,

RE: WACOSS Submission for the Inquiry into the Efficient Costs and Tariffs of the Water Corporation, Aqwest and the Busselton Water Board.

Please find enclosed a submission from the Western Australian Council of Social Service Inc (WACOSS) for the Inquiry into the Efficient Costs and Tariffs of the Water Corporation, Aqwest and the Busselton Water Board.

WACOSS thanks the ERA for the opportunity to represent the interests of disadvantaged and vulnerable water consumers.

Please contact Chris Twomey, Director of Social Policy on (08) 9420 7222 or chris@wacoss.org.au if you have any queries about this submission.

Yours sincerely,

Irina Cattalini
Chief Executive Officer

**Western Australian Council of Social
Service Inc (WACOSS) Submission for the
Inquiry into the Efficient Costs and
Tariffs of the Water Corporation, Aqwest
and the Busselton Water Board.**



wacoss

Western Australian
Council of Social Service Inc

*Ways to make
a difference*

13 March 2012

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Introduction

WACOSS welcomes the opportunity to make a submission for the Inquiry into the Efficient Costs and Tariffs of the Water Corporation, Aqwest and the Busselton Water Board.

About WACOSS

The Western Australian Council of Social Service (the Council) is the leading peak organisation for the community sector, and represents around 300 member organisations and individuals, and over 800 organisations involved in the provision of services to individuals, families and children in the community. The Council has strong relationships with the community services sector and represents the interests of the sector and the communities they serve. The Council therefore is in a unique position to comment on critical social issues that affect members of the WA community.

The Council is respected within both government and non-government arenas as an authoritative voice for consumers in regard to utility reform in Western Australia. In January 2005, WACOSS commenced the Consumer Utilities Project (CUP), now the Consumer Essentials Project (CEP). CEP works with consumers and representative organisations to achieve better outcomes in the provision of essential services. WACOSS is pleased to provide a response to Inquiry into the Efficient Costs and Tariffs of the Water Corporation, Aqwest and the Busselton Water Board.

Disclaimer

Absence of comment on any portion of issues paper does not imply WACOSS's consent to the matter. No part of this submission is confidential.

Contact

Please contact Chris Twomey – Director of Social Policy on (08) 9420 7222 or chris@wacoss.org.au should you have any queries regarding this submission.

***Inquiry into the Efficient Costs and Tariffs of the Water Corporation,
Aqwest and the Busselton Water Board.***

Question to interested parties: Are you aware of any information that would help the Authority to assess whether the demand management activities of the service providers are efficient?

Effective demand management strategies require good analysis to target communications to the right audiences and craft appropriate messages, and to identify opportunities for behavioural change in water use. They also require effective feedback mechanisms to inform consumers of the impacts of their water reduction efforts and to encourage them to continue.

The Council is concerned that there are a number of systemic barriers to providing timely and meaningful feedback to consumers on changes to their water use that undermine efforts at demand management. The largest existing barrier to effective demand management is clearly frequency of billing, with a six-monthly billing frequency cycle providing consumers with little opportunity to practically see how behavioural changes contribute to reduced water use. The impact of seasonal factors on water use can easily over-ride or mask the outcomes of demand management activities depending on how the infrequent billing cycle corresponds with seasonal demand peaks. Infrequent billing is also the greatest contributor to payment difficulties experienced by low income and vulnerable people facing financial hardship. More frequent billing, together with targeted communication strategies and incentives are likely to be necessary to make the next step change in reducing water consumption. Given the pressures on Perth's water sources, with climactic reductions, rapid population and demand growth, and a drying up of existing sources, the Council believes such action is imperative.

The Council also believes that there are two complimentary strategies that might be pursued by water authorities to reduce consumption. One is to build on the current campaign strategy of targeting the most profligate users (those with large green lawns and swimming pools ... etc.). The other is to provide incentives to those who are most sensitive to price increases and most likely to be adversely affected by rising water prices – disadvantaged and vulnerable households on low and uncertain incomes. Such a strategy would be timely, given increasing cost of living pressures and political sensitivity to growing utilities hardship – however there are a number of significant barriers that must be addressed, including better knowledge and understanding of the circumstances and water use behaviours of low income households, billing frequency and information, and the disjunction between property owners and water authority clients and tenants as water consumers in the private rental market.

The Council also suggests that different groups within the population are sensitive and responsive to different demand-management strategies. For example, public health research looking at demand management strategies for issues such as smoking and risky drinking have demonstrated quite clearly that low income consumers are most sensitive to price signals (when, as discussed above, there is a clear and immediate link between behaviour and incurred cost) whereas those on middle and higher incomes are largely insensitive to cost increases but much more likely to be influenced by societal norms and peer pressure. Were the Authority to consider recommending a partial or staged roll-out of more frequent billing (or even a number of trials) it would make sense to target suburbs with higher concentrations of lower income households. Even in the absence of further concessions reform (as discussed and recommended below) an approach combining more frequent billing for customers at risk

of financial hardship, combined with a more proactive approach to tackling payment difficulties before debts can mount up, is likely to deliver significantly better outcomes for those experiencing water hardship for the additional cost in meter reading.

Billing arrangements

Western Australian water authorities operate a billing system based on owners as account holders, with all liabilities, responsibilities, and rights applying directly to the owner of the property. However, in the case of rental property agreements the cost sharing arrangements for the payment of water bills between owners/tenants varies considerably from this position.

As indicated by the Real Estate Institute of Western Australia, annual service charges for residential premises are generally the responsibility of the owner and water consumption charges for residential premises are generally the responsibility of the tenant. The tenancy agreement/contract between the Owner and the Tenant can provide for sharing the costs of water consumption, and increasingly the full cost of water consumption is being transferred to the Tenant via the contractual arrangements of the tenancy agreement. For example, a 2002 CSIRO study found that, of those who rented, the vast majority (74.8%) paid for the water themselves, while 16.5% had the water paid for by the owner and 8.7% shared the cost evenly with the owner.

For many citizens renting long term is becoming the most viable form of tenure as home ownership becomes increasingly unattainable. Changes to the current housing market, including the cost and availability of affordable sustainable housing, increasing interest rates, wage and salary increases which are no longer keeping up with inflation along with many other social and economic variables have seen an increase in the number of citizens renting and for longer periods of time.

While in many instances owners are passing onto tenants some of the costs of capital investment, such as the cost of maintaining gardens and lawns including verge maintenance through special conditions within the tenancy agreement, tenants are under increasing pressure to accept these in order to remain competitive for the decreasingly available number of rental properties.

Many tenants are finding it increasingly difficult to cope with the financial increases and demands passed on by owners. Saunders (2011)¹ suggests that renters face a much higher risk of poverty than home buyers or owners. Rental accommodation is becoming increasingly unaffordable within the metropolitan area, with a recent study by Anglicare demonstrating that less than half of one percent of rental properties available within the metropolitan area were affordable for households on low incomes². People living in private rental accommodation are more likely to be experiencing housing stress (that is, spending 30% of their disposable income on housing³) and are increasingly over-represented among applicants for emergency relief.

Tenants are increasingly responsible for a larger proportion of water bills, however, with the increased liability, tenants are not also provided with increased consumer rights, as they are not considered the account holder by water authorities. Generally tenants do not currently receive itemized water accounts from the owner. A request for payment is notified to the tenant usually with only a stipulated amount required. Usually the tenant has no way of knowing if they are being charged correctly for water consumption. There have been some instances where a tenant has paid the requested amount for water consumption to the

¹ Saunders, 2011. *Down and Out: Poverty and Exclusion in Australia*, The Policy Press. Bristol, UK

² Anglicare WA, 2011. *High Rents Linked To Homelessness*.

³ Note that this measure of housing stress only applies to the bottom 40% of households by income

owner; however the owner has not paid the Water Corporation, leading to a reduced flow of water to the tenant.

Where a tenant is unable to meet the cost of maintaining the lawns and gardens, which often occurs as a result of the tenant being unable to meet the cost of water usage beyond the cost of daily living, a tenant may be in breach of their tenancy agreement. Tenants who breach this term of their agreement may be subjected to charges for damages relating to the cost of re-establishing the lawn and gardens, removal of garden rubbish and the repair to damaged reticulation systems which have resulted from poor or inconsistent usage of the system. This debt may include the cost of

re-establishing the verge if the tenancy agreement stipulates the garden and lawn extend to this part of the property. An inability to meet these costs may adversely affect the tenant's chances of securing a property at a later time through an adverse tenant data base listing or an inability to raise a new bond if the previous bond money is forfeited.

The fact that for water (unlike electricity or gas) the customer is the property owner rather than the tenant creates another systemic barrier to demand management activities by both removing the incentive from tenants to change water use behaviour (as they are not directly billed for their water use) and from landlords to invest in more water efficient infrastructure and gardens (as they simply pass on the costs). The Council calls for further investigation to determine if usage fees should be sent directly to an occupant rather than to the property owner as a means to provide for more transparency to the consumer. An approach in which the householder dealt directly with the water authority would also enable the water authority to communicate directly with the actual users of water, which would greatly assist demand management education campaigns. In addition, having a direct relationship with the customer will ensure that the water authority is able to better identify and assist customers experiencing hardship, and to engage with them earlier and to be able to deliver more effective support measures.

Smart meters and additional Sub-metering

WACOSS believes that beyond increasing the frequency of the billing cycle, implementing smart meters could lower water use through improved water efficiency and leak detection. In addition to providing better environmental and social outcomes, lower water use through more frequent billing and the installation of smart metering has the potential to allow water authorities to defer the need for constructing new water infrastructure. It is important that in considering the true cost of moving to smart meters that the full picture of deferred costs and potential water savings is taken into account – something that cannot accurately be done without more research involving smart metering and the water consumption patterns of different types of households. While we recognise that the cost of the installation of smart meters is likely to be substantial, there may be some scope to include them in the costs of new developments in environmentally sensitive areas – in a similar matter to which it is cheaper to include dual pipe systems and local water recycling facilities at the point of development than attempting to retrofit.

It has been noted that the Kalgoorlie – Boulder trail can contribute to ongoing savings by reducing field operation costs associated with meter readings. The ability to remotely read meters can enable more frequent billing at a significantly reduced cost, and enable the utility to better identify abnormal usage patterns that may indicate leaks. It would also enable

targeted demand management programs providing direct feedback to consumers which might include incentives or rebates for achieving water use reduction targets. If and when there is ultimately a move to require more frequent billing of water usage, the offset cost of meter reading may prove a decisive factor in the cost viability of smart metering - particularly if there is meaningful evidence of their use in effective demand reduction strategies.

Should the Kalgoorlie – Boulder trail establish that the application of smart meters reduces water use and water loss (via leaks), the Council would recommend that a cost-benefit analysis be carried out to determine where smart meters should be utilised in regional and remote areas. A further measure to be incorporated in this analysis could be the option of installing additional sub-meters on residential unit blocks to encourage individual responsibility for water use. It is most likely that water use will further be reduced when customers are paying the costs of their water use directly and able to directly benefit from changing their usage patterns.

Key Issues for Setting Water Charges for Residential Customers

(18) Question for interested parties: In determining the level of water usage charges for residential customers, what considerations or assumptions should the Authority take into account regarding, for example:

- the long-run or short-run marginal cost of water supply;
- the level of security of supply;
- the cost and availability of current and future water sources, including externality costs;
- the marginal costs of water delivery;
- whether usage charges should be set in inclining blocks, or if there should be a single volumetric charge, and on what basis the charges in each band should be set;
- whether discounts should apply for low volumes of water use;
- whether high prices should apply to water use above a certain level, and if so, what level and what price;
- potential impacts on tenants and large households of any changes in usage charges;
- how any changes in charges should be phased in?

Water security is vital for community and individual wellbeing. With ongoing increases in the price of accessing water those who are most vulnerable in our community might not be able to afford water and therefore be excluded from the benefits of water security. Therefore a delicate balance is required in order to ensure that the water authorities have the monetary resources required to deliver water across the state in an equitable manner. The Council believes that appropriate and well-targeted concessions provide the best options in ensuring that the majority of the community is charged at a rate that covers the water authorities

marginal costs of water delivery while ensuring that those in need have access to an essential resource.

In previous submissions to the ERA⁴ the Council has identified some key pricing principles that it believes are essential to ensuring that pricing of water services is equitable and socially sustainable. These include:

1. Pricing processes should be fair and transparent
2. Water resources should be sustainably priced
3. Price alone is an inappropriate demand reduction strategy
4. The cost of water services should be applied equitably
5. Tenants should not be disadvantaged
6. People on lower incomes should not be disadvantaged
7. People facing financial hardship should not be disadvantaged
8. Restricted connection of water supply is unacceptable
9. The application of interest on water debt is unacceptable

We are happy to discuss and expand on these principles on request or provide copies of our earlier submissions.

The challenge in setting fair and equitable water charges, or in passing on increases in the cost of water services to customers in a manner that is fair and equitable, is further complicated by a system of identifying and charging water users that does not clearly identify consumers (as opposed to property owners) and does not adequately or accurately discriminate equitable usage on the basis of household size and composition, baseline essential use, or financial hardship.

The issue of inclining block versus single usage charge tariff structures is complicated to the extent that setting a single baseline level for 'essential use' (e.g. up to 150 kL per household) fails to discriminate between the varied needs of different household types, and so large households or those with disproportionate essential use needs (e.g. those with young children) can be charged unfairly for 'essential use' consumption in excess of a tariff threshold derived from the consumption of an 'average' household. The only way in which to effectively stop larger households from being unfairly penalised by high-volume water usage charges is to either develop a more complex tariff system, in which inclining block thresholds are based on household composition and size, or to develop a more effective and substantive concession framework in which the size of concessions available to low income households were proportionate and evidence based. Of these two options, the former has the benefit of sending clearer price signals to different households for excessive water usage, but is likely to be more complex and expensive to administer than the latter. In either case what is needed is better data on the range of essential and discretionary water usage by different types of low income households, and the opportunities for reductions in water usage.

Impact on Tenants

The Council notes the suggestion in the ERA Issues Paper that:

⁴ For instance *WACOSS Response to ERA Issues Paper on the Inquiry into Tariffs of the Water Corporation, Aqwest and Busselton Water 2008*.

“Tenants in Western Australia pay only the usage charge for water and not the fixed charge. Therefore, an increase in usage charges has a disproportionate impact on tenants’ total water costs...” (p35)

On the face of it the fact that the majority of tenants in private rental properties have arrangements with their landlords which are predicated on them paying water usage charges while the property owner covers the fixed charges seems to suggest that the most effective way to keep prices down for tenants would be to recover costs by keeping water charges low and increasing fixed costs. The Council is concerned that some caution needs to be exercised in taking such an approach, as it might be unrealistic to think that landlords will not find some way to pass on increased costs to tenants.

At the same time an approach to cost recovery that relies on increasing fixed costs rather than usage costs discriminates unfairly against low water users by disproportionately increasing their overall consumption costs, while providing a windfall to profligate users. It would however result in proportionately smaller increases in overall consumption costs for large households or those with higher levels of essential water consumption. In seeking both the most equitable way to recover water costs and simultaneously looking to send an effective price signal to reduce water usage the Authority faces a conundrum that cannot easily be resolved within the current billing and concessions structure. In the interim, if there is not the political will to address this issue, passing on cost increases through raising fixed versus usage costs may provide a rough and ready means of keeping costs down for some disadvantaged consumers, but one that may disadvantage certain others and have unintended consequences that mitigate against improved water conservation among profligate users.

The Council notes that it raised concerns during the last inquiry into water tariffs and stated its opposition to changing the water tariff structure at the time in the absence of a social impact assessment of the likely impacts on low income and vulnerable households. The Council noted at the time that the proposed change from a five tiered to a three tiered structure (scheduled to come into effect from July 2012) would have the overall effective of a relative increase in costs for low water users and a relative reduction in costs for high water users. We are waiting to see what the impact of the tariff changes will be in practice and remain concerned that we may see an increase in water hardship among vulnerable users who are disadvantaged by the changes. The Council also notes the extent to which the changes made by the State government differ from those recommended by the ERA in 2009.

The Council notes that under the current arrangements it is possible for a landlord to request that an account of water use is changed into their tenant’s name. The property owner is still held liable for all water service and use charges, the arrangement is treated as a private matter between the landlord and tenant, and the tenant is not in a position to independently seek such an arrangement. We remain concerned that more needs to be done to protect the interests of tenants as consumers and continue to advocate for legislative reform to give tenants stronger consumer rights in relation to water services in Western Australia.

Inclining Blocks Vs Single Usage Charge

The Council believes that, in the absence of clear evidence to the contrary, the current inclining block tariff structure should remain in place. We are yet to be convinced of the merits

of moving to a single usage charge, and remain concerned about the message such a move may send to profligate users. The current system has the benefit of providing access to a certain level of essential water usage at an affordable rate, even if that level is not sensitive to household composition and need. The Council can see that a single usage charge structure would deliver greater affordability to some groups who are disadvantaged by the current structure, particularly large households, but remains to be convinced that these issues might not be much more effectively addressed through concessions reform.

The Council holds reservations in relation to the level that the current 'essential water' tariff block covers. The allocation of 150kL while adequate for small households, is inadequate for families and larger households. We note that discussions of water conservation policy and relative water use between cities and countries are usually made on the basis of per capita use, and water use areas usually set per capita targets. On this basis we believe it would be better to develop a system that is able to better price 'essential' and 'discretionary' water usage on the basis of household size. We recognise that this will inevitably add to the administrative complexity of billing arrangements, as there would need to be some means of determining household size.

An alternative arrangement would be to provide for an extra 'allocation' by means of a concession for families that are, say, recipients of the maximum rate of the Federal Government's Family Tax Benefit A and all recipients of Family Tax Benefit B that takes into account the number of dependants as determined through the taxation system. This change would accommodate for larger low income families while maintaining the inclining block structure that provides an incentive for low water (discretionary) use for the general community.

Concessions for Pensioners and Seniors

(24) Question for interested parties: Do you have any comments on the concessions for pensioners and seniors provided by the Water Corporation, Aqwest and Busselton?

As a peak organisation representing disadvantaged and low income Western Australians and the social services that support them, The Council is particularly concerned that the current concession structure for water charges does not reflect the nature of financial hardship within our community or deliver equitable support to different types of low income households based on the level of need and expected patterns of essential water use. One of the groups with the highest essential water use are parents of young children. This fact is recognised by water authorities in other states, which have more appropriate concessions in place. Some utilities even pre-emptively target their hardship policies to parents – such as the Water Babies program by Yarra Water which warns parents of expected increases in water use, offers them a payment plan and gives them a contact if they should have trouble paying their bills. The Council is concerned that one of the most vulnerable groups to water hardship are single parent and low-income families in rental accommodation, particularly those with young children.

The Council is also concerned about the lack of effective targeting of the water concession offered to holders of the WA Seniors Card, which includes both aged pensioners (who usually ration their water use) and self-funded retirees, including some with significant assets (who may be among our most profligate water users). Any permanent resident of Western Australia (include holders of the sub class 410 or 405 Visa who have lived in WA for a minimum of 5 years and reside in WA for a minimum of 6 months each year) who is aged 60 years or more and not in full time employment (i.e. work 25 hours or less per week, averaged over a 12 month period) is eligible to receive a Seniors card⁵. The costs of these concessions have to be borne by the rest of the community via Community Service Obligation payments (payment from the state government to the water authority for providing the concession). The Council notes the level of CSO subsidies for Aged⁶ Pensioner and Senior concessions was \$118m in 2010/11 and is estimated to rise to \$141m. The Council would like to see some modelling and analysis of the projected CSO concession costs were eligibility extended to disability support pensioners and low income families⁷ and eligibility tightened for the Seniors' concession.

The Council's suggestions for concessions reform are discussed further below (Q26). We are open to having a discussion about different concessions models to consider how best to address the principles of delivering equity according to merit, need (level of hardship and level of essential use) and administrative complexity and cost if there is an interest in progressing the issue further in the Authority's final report.

Concessions and Hardship Information

The Council suggests that the Economic Regulation Authority should undertake the experiment of trying to find information about concessions eligibility and hardship arrangements on the websites of the water authorities. When we sought concession information on the Water Corporation's website (the largest of the water providers being considered) we discovered it was impossible to locate their hardship policy on their website by simple navigation – unless you know it is called 'hardship policy' and make use of the search engine – as there appears to be no way to click through to it. Similarly, while it is clear that aged pensioners and holders of a WA seniors card are eligible for a concession, the only other information refers to 'holders of a State Concession Card' with no further information about who is eligible or where such a card can be obtained. A picture of the card on the website indicates it was produced by the Department for Community Development, who have not existed for several years. We understand that the Department for Child Protection now issues the State Concession Card, but eligibility is limited to those on a TPI entitlement from the Department of Veterans Affairs and war widows. This is another confusing concessions anomaly that makes the case for a whole of government approach to state concessions. It is also interesting to note that the Water Corporation website does not point out to aged pensioners that there is a higher rate of concession available for holders of a Commonwealth Seniors Card (ie recipients of the full aged pension) than is available to holders of the WA Seniors Card – (something we discovered by ringing the Department for Communities who administer the WA Seniors Card when seeking information on the State Concession Card).

⁵ <http://www.communities.wa.gov.au/serviceareas/seniorscard/Pages/default.aspx>

⁶ Note we have inserted 'aged' as there are other arguably deserving pensioners receiving the Disability Support Pension and Single Parents Pension who are not eligible for water concessions, as discussed previously.

⁷ Based on receipt of FTB B or the maximum rate of FTB A.

The Council continues to advocate for whole-of-government coordination of state concessions policy and a single portal for all concessions information and inquiries. As concessions are attributed on the basis of an entitlement that is conferred upon all members of the community who are eligible due to their personal circumstances, a situation in which some citizens are not accessing these entitlements because of a lack of information is manifestly unjust. As the intention of government concessions policy is to address the disadvantage of citizens who might be otherwise excluded from attaining a basic standard of living and participating in the economic and social life of the community it is appropriate to expect governments to take their obligations to inform citizens of their rights and entitlements seriously and to deliver them consistently.

Wastewater Charges for Residential Customers

(21) Question for interested parties: Should wastewater charges for residential customers continue to be set on the basis of property values, or should customers pay the average cost of wastewater services (subject to caps)?

The Council is concerned by the discrepancy noted in the ERA Issues Paper between the comparatively high cost of wastewater services delivered by the Water Corporation (figure 2.2) and the low operating cost of water and sewerage services (Figure 3.2) and would be interested to learn why we have the highest wastewater service costs of the Australian utilities considered when we have the next-to lowest operating costs.

The Council thinks that wastewater charges should continue to be set on the basis of property value, while maintaining the minimum and maximum caps. This method ensures that in general terms the cost structure should reflect a household's ability to pay, provides some measure of comparative equity and reduces the chances of payment default by less affluent households (i.e. for the less affluent effluent).

Water Corporation's Non-standard Tariffs

(25) Question for interested parties: Are the Water Corporation's non-standard tariffs appropriate, either on the grounds of cost-reflective pricing of specific services, or equity reasons, or for practical considerations?

Additional charges on late payments (page 45)

The issues paper notes that the interest rate charged for late payment varies between water boards, with interest being charged at 14.81% by the Water Corporation, 10% by Aqwest and 12% by Busselton Water. WACOSS suspects that these rates are well above the rates that these water boards would be charged for incurring debt. If this is the case then these water boards might be unfairly benefitting from community members that have trouble paying their account on time. It is noted in Aqwest's 2011 Annual Report that their "...maximum exposure to interest rate risk... for financial assets and liabilities..." for cash and cash equivalents is 3.99%. If this is the average interest rate that they can access loans at, there would then appear to be a wide margin between this figure and the 10% that is being charged to customers for overdue fees. Busselton Water is similar with the 'Weighted Average Effective Interest Rate' for 2011 for cash and cash equivalents stated at 4.62%, while charging their customers 12%.

The Council remains opposed in principle to the charging of interest on utilities debts. If interest is to be charged however, we believe that the interest rate on overdue bills should at a maximum set out to reflect the actual cost of that debt to the utility (i.e set at the interest rate that they are charged when they incur debt plus minimal administration costs), with interest being waived for customers experiencing financial hardship. We encourage the Authority to investigate the number and circumstances of customers who are being charged interest to ensure that interest is being charged in a fair and equitable manner that isn't contributing to or affecting people experiencing financial hardship.

The Council notes the commitment of the Water Corporation within its Hardship Policy that customers experiencing financial hardship may... "Choose from various alternative payment arrangements in accordance with their circumstances and capacity to pay," ... and that ... "arrangements that are maintained will be interest exempt." The Council is concerned about the potential for customers in financial hardship agree to sign up to what may prove to be unrealistic payment plans as a result of the threat of having their access to water restricted and without adequate or independent advice on their ability to make payments. Under these circumstances customers could find themselves failing to maintain these arrangements and therefore accruing interest on their unpaid debts, which might ultimately lead to a debt spiral. The Council recommends that the Authority might want to look into whether there are sufficient safeguards and procedures in place to prevent this from happening and perhaps consult with financial counselling services to see if what experiences their clients report of utilities hardship.

Impacts of Tariffs

(26) Question for interested parties: Do you have any particular concerns around the social impacts of water pricing that need to be brought to the attention of the Authority?

Need for a new concession framework for water

The current concession arrangements seem to be grossly inequitable when we consider that there are some particularly disadvantaged and vulnerable groups within our community who are not entitled to any concessions, including low income families, single parent families and people living with a disability. A simpler approach to concessions might be to use eligibility for a Centrelink health care card as the deciding criteria. A more targeted approach would be to base water use charges on evidence-based criteria for essential water usage rates for different disadvantaged groups.

The Council would like to see a concession review that investigates a new concession framework – one that is based on significant evidence and subject to periodic review. An appropriate starting point would be to seek consistency across utilities starting with what is currently in place for electricity customers in Western Australia. Unless there are suitable policies and protections in place to shelter low income and vulnerable customers from any price increases many of these customers will have trouble affording water, which might be

lead payment difficulties or under-utilisation by those in hardship of a resource that is vital and essential to their health and well-being.

The greatest barrier to providing more equitable and effective concessions remains the current billing structure that identifies the customer as the land owner rather than the water user. With increasing numbers of low income households unlikely to be able to aspire to home ownership it is increasingly clear that billing reform is needed as a first step towards delivering equity and tackling water hardship.

The Council notes that water service charges are only one aspect of the more complex and pressing problem of rental affordability in Australia and believes that wider reform is required at the Federal level to adequately address the problems of housing stress, cost of living pressures, the inadequacy of pensions and allowances, and utilities hardship. There are limitations on how far the state government concessions can go to mitigate the impacts of some of these external factors, but it remains arguable that a consistent, linked-up and better targeted approach to state concessions policy could achieve more equitable and sustainable outcomes in a more cost effective manner.