



Inquiry on Urban Water and Wastewater Pricing

**Submission of the Western Australian Council of Social Services Incorporated
to the Economic Regulation Authority**

INTRODUCTION

The Western Australian Council Of Social Services Incorporated (WACOSS) is the peak body of community service organisations across Western Australia. With over 350 members, WACOSS has strong relationships with the social services sector and seeks to represent their interests, and those of the financially disadvantaged individuals they assist at a service level. Given this relationship, WACOSS is in a unique position to comment on issues in our society that socially impact upon disadvantaged members of the community.

WACOSS welcomes the opportunity to contribute to the Inquiry on Urban Water and Wastewater Pricing being conducted by the Economic Regulation Authority. The issues paper raises topics of vital importance to the community and the resulting decisions of the inquiry will have broad social impacts across the state. WACOSS feels strongly about many of the topics presented in the paper. Unfortunately, limited organisational resources severely restrict our ability to discuss many of these issues at present. Given that WACOSS is the key body of the community services sector in the state, our inability to fully comment on the issues paper is likely to mean that social implications of water pricing issues will be relatively neglected in the feedback received. WACOSS therefore requests that the Economic Regulation Authority take this into consideration when making recommendations to Government and ensure that social implications of water pricing receive the attention they deserve.

The following submission briefly highlights just a few of the key concerns WACOSS has in regard to the current and future pricing of urban water and wastewater in Western Australia.

PART 7: RECOMMENDATIONS ON PRICING STRUCTURES

Water is an essential requirement for human life, and as such, affordability and access to clean reliable water supply is a basic human right¹. In order to maintain that right we now realise that we must take measures to ensure that our water usage is conducted in a sustainable manner. However, in the rush to implement demand management pricing options and cross-subsidisations, consideration must be undertaken to ensure that measures intended to reduce excess water consumption don't unintentionally decrease access to the water supply for some elements of society and increase the level of poverty in Western Australia.

¹ Article 25, Universal Declaration of Human Rights.

Part 7.1: Are Demand Management Pricing Options Being Well Utilised?

WACOSS recognises that demand management strategies are vital to the sustainability of our state's water supply. Within these strategies, however it is vital that, for residential consumers, they should focus on incentives and support to reduce consumption rather than increases in pricing. Reliance on market-based approaches such as increasing the price of water to encourage consumers to reduce consumption carries a number of pitfalls. In particular, it is a regressive approach in terms of social equity as it ignores the range of capacities to pay. Current water prices and debt management policies already create difficulties for many low-income and disadvantaged households. On any one day of the week, for example, there are in excess of 100 Western Australian households who have their water restricted for failing to meet the Water Corporation's payment schedule². There is a real risk that managing demand through price increases will result in an increasing number of low-income households being placed on restricted supply.

Part 7.1.1: Should Prices Play a Greater Role When Water is in Short Supply?

WACOSS believes that prices should not play a role in demand management when water is in short supply unless implemented only to those households with the capacity to pay. Determination of capacity to pay involves a number of considerations and would require further investigation.

As a case study of the effects that increased prices of water would have on a group of low income earners, it is useful to look at the experience of public housing tenants. These tenants often find themselves in a catch 22 situation in relation to water usage. The Department for Housing and Works requires public housing tenants to maintain the gardens of their homes. It is a well-known fact that the largest proportion of residential water use can be attributed to maintaining the garden. Only the newer public housing residences have water-wise gardens and the 'normal' style gardens require a significant amount of water to survive in our climate. Failure to maintain the garden, because of for example, restricting water consumption to avoid large water bills or because of a restricted water supply, can lead to eviction.

As mentioned above, the effect of increasing water prices as a form of demand management is likely to be that more low income families will end up in debt to service providers resulting in water supply restrictions. The current use of water supply restriction (from a standard water flow of at least 20 litres per minute to a trickle of 2.3 litres per minute³) as a debt management tool by the Water Corporation has a range of serious negative health and social impacts. Emergency relief agencies report that families with restricted supply have insufficient water for bathing or laundering⁴. As a consequence, children may be reluctant to attend school for fear of being stigmatised, and in some cases children have been excluded from school altogether due to poor hygiene. Furthermore, for low-income earners struggling with the rising costs of energy and the cost of living in general, decisions about whether to pay the water bill first rather than the electricity bill add to the stress already associated with trying to live on a very limited income.

² Social Impacts of Water Pricing as a Component of the Draft State Water Conservation Strategy. WACOSS, 2002.

³ Information provided by the Water Corporation.

⁴ Would You Like a Bit of Heat with that Trickle of Water? WACOSS, 2003.

Part 7.1.2: Should the Water Usage Charge Make Up a Greater Amount of the Total Water Bill?

The proposition that average bills could remain the same with the reduction in fixed charges being matched by the increase of volume based charges ignores the fact that in property rental arrangements the owner pays the fixed charges and rates and the tenant pays the consumption charge. In this situation the tenant suffers the volumetric price increase without the projected equalising effect of the decreased fixed charges. People on low incomes form the vast majority of public housing tenants and a significant proportion of private rental tenants. Therefore these groups are likely to be disproportionately disadvantaged by the introduction of policies increasing water usage charges.

The proposal to charge on a volumetric basis for wastewater as a replacement for a significant component of the current fixed charge also has the potential to be unfair as it will be levelled against the owner, who has no control over the amount of wastewater produced by tenants. The risk here is that owners may choose not to rent properties to families with children as larger households will inevitably produce more wastewater. Conversely if the wastewater volumetric charge was to be transferred to the tenant of the property it represents a significant increase in expenses for low-income families.

Part 7.1.3: Is the Progressive Tariff Scale Appropriate?

Water Corporation statistics show that in 2002 there were over 70,000 residential households across Western Australia with consumption levels of over 550kl per annum. Alarming, many of the areas of highest demographic disadvantage showed rates of consumption over 550kl. Regional towns such as Geraldton, Karratha and Broome, and first homeowner "mortgage belt" or low-income suburbs such as Thornlie, Canning Vale and Kinross contained the highest number of households with consumption over 550kl. Of great concern to WACOSS is the fact that over 10,000 (14%) of the households that consumed over 550kl were of low-income or disadvantaged consumers with income levels low enough to qualify for a Government Concession Card⁵.

A group particularly susceptible to increased poverty as a result of the progressive tariff scale is that of large low-income families. Water consumption for these families is generally inelastic in relation to price changes; being on a low-income usually ensures that their individual level of consumption is already as low as possible. The consumption level of the entire household however, is likely to be higher than the average household's consumption. Tiered consumption level pricing in particular, inappropriately penalises large low-income families irrespective of any attempts they might make to avoid excess water consumption

The progressive tariff scale denies the reality that different size households require different amounts of water. Whilst concessions and rebates provide much needed assistance for particular low-income and disadvantaged households they are not available to all low-income households, nor do they provide adequate assistance. A more equitable pricing system than that of tiered consumption level pricing should be instigated. This system could perhaps be based on household consumption allowances calculated on the number of individuals in a residence.

⁵ Information provided by the Water Corporation.

Part 7.1.4: Should Water Prices be Charged on a Seasonal Basis?

If the aim of seasonal pricing is primarily to signal to customers the real cost of water supply, including social and environmental costs, then there appears to be significant structural barriers limiting the effectiveness of such strategies. In particular, it is likely that if the current billing and collection cycles remain, customers will not be aware of the price signal until up to four months after the water consumption has occurred. This could result in payment of water consumed in late Winter / Spring being paid for in Summer, and consumption in Summer being paid for in Autumn/ early Winter. This system would appear then to undermine the basic rationale for implementing seasonal water tariffs as a means of conserving water.

Part 7.3: Are There Any Other Matters That the Authority Should Consider in Making Recommendations on Pricing Structures?

As an alternative to using price increases and harsh restrictions on water when it is in short supply, WACOSS recommends the implementation of other strategies such as retro-fitting for low-income households to reduce water consumption. Such schemes have been implemented in many places within Australia and overseas. In particular we draw your attention to sponsored retro-fitting programs, where low-income households have been provided with water saving appliances free of charge. These programs have occurred in the Kalgoorlie-Boulder region, in low-income residential areas of Sydney and are commonplace in the United States. The programs are either sponsored by Government or instituted by the utility providers themselves in recognition that they reduce consumption and thus reduce bills, resulting in a reduction in debt recovery costs for the utility providers⁶.

Retro-fitting programs could be carried out by the Department for Housing and Works in conjunction with the Water Corporation and other water providers. As was mentioned previously, the Department has introduced the establishment of water-wise gardens in new public housing. However, if the Government's commitment to sustainability is to be taken seriously, further action must be taken. The following are a few suggestions.

- Water efficient fittings such as low-flow showerheads and dual flush toilets should be installed in all new public housing properties and when replacement is required. A plan to refit all existing public housing with water efficient fittings should be developed by the Department of Housing and implemented within a specific timeframe.
- Visionary planning by the Department would include the installation of rainwater tanks in all future public housing projects.
- Department of Housing tenancy agreements generally specify that tenants must maintain the garden at the premises. The gardens of existing public housing are inappropriate for the Australian climate and require large quantities of water to maintain to a suitable standard. The Department should renovate existing gardens to ensure water efficiency. During the period of transition the Department should contribute towards the cost of garden maintenance by paying a percentage of the water bill of those properties without water-wise gardens.
- High water consumption bills of public housing tenants should be investigated by the Water Corporation to check for leaking or broken pipes, and repairs should be carried out urgently to reduce waste.

⁶ In partnership with Yarra Valley Water, the Victorian State Government has been conducting the Smart Home Assistance Pilot Program since July 1999. The program assists low-income households by repairing or replacing defective appliances in their homes thus reducing consumption and improving their ability to pay future water bills.

Conclusion

WACOSS supports attempts by Government that seek to reduce excess water consumption. We would like to emphasize however, that basic market driven demand management mechanisms have a regressive social impact upon the most disadvantaged members of society and thus there is need to employ other non-financial mechanisms to achieve a socially just, environmentally and economically sustainable water supply for Western Australia.