INDEPENDENT PRICING AND REGULATORY TRIBUNAL

REVIEW OF LATE PAYMENT FEE AND DISHONOURED OR DECLINED PAYMENT FEES - SYDNEY WATER AND HUNTER WATER

Tribunal Members
Dr Peter Boxall AO, Chairman
Ms Catherine Jones and Mr Ed Willett, Members

Members of the Secretariat
Mr Hugo Harmstorf, CEO, Mr Matthew Edgerton,
Ms Anita Payne and Ms Elina Gilbourd

At the offices of IPART
Level 15, 2-24 Rawson Place, Sydney

On Monday, 11 April 2016, at 2.00pm .11/04/20161
Transcript produced by DTI
OPENING REMARKS

THE CHAIRMAN: Good afternoon, and thank you all very much for coming.

I would like to welcome you to this public hearing and begin by acknowledging that we are meeting on the traditional land of the Gadigal people of the Eora Nation and wish to pay my respects to the traditional landowners both past and present.

My name is Peter Boxall and I am Chair of the Independent Pricing and Regulatory Tribunal (IPART). I am joined today by my fellow tribunal members Catherine Jones and Ed Willett.

In December 2015, IPART received terms of reference from the government:

To specify a maximum late payment fee for Sydney Water and the terms and conditions to apply to the charging of this fee; and

To specify maximum dishonoured or declined payment fees for Sydney Water and Hunter Water.

This public hearing is an important part of our consultation process. In making our final decisions on late payment fees and dishonoured or declined payment fees, we will consider the views you provide today on our draft recommendation in addition to the views expressed in the written submissions.

We are conducting this review at the same time as the reviews to determine the maximum prices that Sydney Water and Hunter Water can charge their customers for water, sewerage, stormwater and other monopoly services from 1 July 2016.

We released the draft reports and draft determinations for these reviews on 22 March. These draft reports include our draft recommendations on Sydney Water’s late payment fee and Sydney Water’s and Hunter Water’s dishonoured or declined payment fees.

Our draft reports and the related documents are available to the public on our website. Submissions to these draft reports are due by 18 April, a week from today. We will release our final reports and determinations in mid-June 2016.

Before we commence proceedings today, I would like to say a few words about the process for this hearing. The hearing will be divided into two sessions.

The first session will consider dishonoured or declined payment fees for Sydney Water and Hunter Water. The second session will consider Sydney Water’s late payment fee. Each session will begin with a brief presentation by the IPART secretariat followed by a short response from the utilities. I will then invite participants in the room to provide comment or ask questions.

Today’s hearings will be recorded by our transcriber. To assist the transcriber, I ask that, on each occasion you speak, please identify yourself and, where applicable, your organisation before speaking.

Assisting the tribunal today are IPART secretariat members Hugo Harmstorf, who is IPART’s Chief Executive Officer, Matthew Edgerton, Anita Payne and Elina Gilbourd.

For the first session, I will call on Elina to outline our draft position on dishonoured or declined payment fees.

SESSION 1: Dishonoured or declined payment fees

MS GILBOURD: Thank you, Mr Chairman. I will begin by describing the current arrangements. Both Sydney Water and Hunter Water have provisions in their customer contracts to charge customers for water, sewerage, stormwater and other monopoly services if they dishonour or decline to pay the charges.

In terms of what they propose, Sydney Water has proposed to maintain its fee in real terms at $12.27. We considered this to be a reasonable proposal as the fee appears to remain cost reflective and shows similar calculations to the previous determinations. However, for Sydney Water’s miscellaneous charges, we found in general that they were not including an allocation for corporate costs and their costs weren’t quite cost reflective, so we added a small adjustment of 1.9 per cent to reflect the corporate costs involved.

We will now consider Hunter Water’s proposal. Hunter Water has proposed to maintain its fee in real terms at $15.60. We considered this to be a reasonable proposal as the fee appears to remain cost reflective and shows similar calculations to the previous determinations. However, for Hunter Water’s miscellaneous charges, we found in general that they were not including an allocation for corporate costs and their costs weren’t quite cost reflective, so we added a small adjustment of 1.9 per cent to reflect the corporate costs involved.

I would now like to open up the floor for questions and comments.
With Hunter Water, it reviewed all of its miscellaneous charges and proposed a number of changes but did not propose a big change to its dishonoured and declined payment fees.

Unlike Sydney Water, Hunter Water charges three separate fees depending on the type of declined payment and it has only proposed minor changes of a few cents to each of these. Similar to Sydney Water, we thought that this seemed reasonable and our draft recommendation was to accept Hunter Water’s proposal.

Looking at what the prices are based on, we found that they appeared to be cost reflective and they did not need to be adjusted for corporate costs because Hunter Water already includes corporate costs in their calculations.

We did note in our draft report, however, that Hunter Water’s dishonoured or declined payment fees are much higher than Sydney Water’s - they are at around $20 to $40 as opposed to $12.27 - but we concluded that that on its own was not enough reason to reject Hunter Water’s proposal because it appeared to reflect the processes that it has in place.

However, if you have a look at this table, it shows the determinations over time and the disparity seems to have increased over time so that may be something worth discussing today.

For this session, we would like to consider whether our draft recommendations seem reasonable; why there is a gap between Sydney Water’s and Hunter Water’s fees; and whether there is a reason to bring them in line. Also, we would like to consider whether the single structure of Sydney Water - where they have one price for all dishonoured and declined fees - is preferable to Hunter Water’s three-part structure, or the other way.

The Chairman: Thank you Elina. Sydney Water, Paul?

Mr Freeman: Paul Freeman, General Manager Business Strategy and Resilience at Sydney Water. I think I’d like to first start out, Chairman, by supporting the increased corporate overheads that IPART has recommended, so we have no challenge there.

In terms of the vexing question with regard to some of the differences in fees, our fee is cost reflective of our processing costs for a dishonoured or declined payment.

When we look at our arrangements with suppliers, such as Australia Post or our banking institution, the nature of our contract means they are not currently charging us any fees, so there is therefore no need for Sydney Water to pass through that cost to customers. We wait to hear from Hunter Water, but that may be the primary reason for the difference. That would depend in the future - if our agency wanted to do that, we may have to come back at some future determination to pass through those fees, but we would always be trying to make these fees cost reflective of what it costs Sydney Water.

Ms Muras: Heidi Muras, Sydney Water. Could I add to that, please?

The Chairman: Yes, of course.

Ms Muras: There is one instance where, if we have a declined Australia Post cheque, there is an additional $8 charged to Sydney Water and we then pass that on to the customer in addition to our declined or dishonoured payment fee. In our response to IPART we will be clarifying that, and we would request that you do note that, in your final report, for transparency. Our fees are just on our administration costs only and then any additional fees - and that is the only one we can find at this point in time - that we incur, we pass on to the customer.

The Chairman: Thank you very much, Heidi. Hunter Water? Fiona?

Ms Cushing: Fiona Cushing, Hunter Water. We have gone through and looked particularly with reference to one of the points that you have identified whereby there is a distinct difference between our fees and Sydney Water’s fees. Our fee includes our labour costs, including our employee on-costs as well as an overhead rate and it also includes any pass-through of the external agency fees.

As an example of that, for Australia Post if a cheque is dishonoured, the charge that has been set in a new contract with Australia Post from 1 January this year will...
actually be $25 per dishonoured cheque. At the time we lodged our submission, it was $15, so that was the amount that was included in our submission for these charges.

Our costs are basically reflective of the administration time that is required to actually process everything through our existing billing system. One of our expenditure items in our capital expenditure submission was an upgrade to that system that is currently over 10 years old. We have identified that a number of fee charges and processes as such within our system are quite manual and labour intensive. We will be looking, quite possibly at the next price reset point, to have a different fee reflecting, hopefully, the efficiencies in those costs.

The other thing I would like to note is that we would be quite supportive of moving to a single fee as opposed to the three multiple fees that we have. The main reasoning behind that is that, over the last 12 months, we have had around 1,058 dishonoured or declined payments. Of that, 981 - so the vast majority - actually relate to direct debit dishonours. That is the lowest charge that we have in the price submission in terms of miscellaneous fees and charges. Given the volume, being 23 and 54 occurrences, for either Commonwealth Banking declined cheques or Australia Post declined cheques respectively, we would be very comfortable to move to that lower rate - which, in our proposal, was $28.45 - for the direct debit dishonours to be applied to all dishonoured payments irrespective of the agency through which that is done.

THE CHAIRMAN: Are you planning to put in a submission to that effect?

MS CUSHING: Yes, we will be planning to propose that in our response to the draft determination to both simplify the process in an administrative sense for ourselves and also reduce the number of miscellaneous charges.

THE CHAIRMAN: Just to clarify, is your $25 cost for Australia Post the equivalent to Sydney Water's $8?

MS CUSHING: That's correct.

THE CHAIRMAN: Thank you very much, Fiona. Any comments from around the table? Janine?

MS YOUNG: It is good to hear that Hunter Water proposes a single rate, that being a lower one, because the fees do seem very high and the people who are most likely to incur these fees are probably those experiencing financial hardship.

My only question is: if your new billing system comes into being between now and the next price reset, could you look at that separately and look at passing on any savings or putting in processes so that those most vulnerable don't incur those fees? I am guessing it's not deliberate when they would incur them.

MS CUSHING: In terms of customers in financial hardship, if they contact us and we have a record of that being the case, we waive those fees for those customers. Therefore, those dishonoured and declined fees are not charged to customers who are experiencing financial hardship. When we are levying those fees, we try to ensure that they are levied on the customers who choose not to pay as opposed to the customers who are unable to pay.

THE CHAIRMAN: Thanks, Fiona. Janine?

MS YOUNG: Just in response to that, where you know that a customer is in financial hardship because they may have used one of your payment assistance options previously, would you waive them proactively?

MS CUSHING: No, in that instance, generally we wait until the customer contacts us. So the fee may well be levied on their account and they then contact us. Similarly if a customer is on a payment plan, then we will liaise with that customer directly, if they are on an agreed payment plan, to understand the reason behind that decline.

MS YOUNG: Thank you.

MS MURAS: If I could clarify that?

THE CHAIRMAN: Sure.

MS MURAS: We have a similar approach for customers in hardship, but we assess it on a case-by-case basis. The late payment has a separate exclusion, but at the moment with the dishonoured fees at Sydney Water, we assess that on a case-by-case basis and are happy to waive it if we
think that the reasons for their being declined are related
to hardship. So we have a similar approach.

THE CHAIRMAN: Thank you, Heidi. Next, Kristal?

MS BURRY: Kristal Burry from the Public Interest Advocacy
Centre. Just to clarify that, there are customers who have
a record of being on hardship, but what if you don't have
that record but you are facing that short-term hardship, Is
that the same case? Would you waive it for them or is it
kind of depending on whether they can prove their hardship
status?

MS CUSHING: It is done on a case-by-case basis,
effectively. Provided a customer does get in contact with
us and explain their situation, then our case management
team would take that on board and go through the normal
processes that they do for customers who are in long-term
financial hardship.

MS MURAS: And it was not a prescriptive view that you can
only have a fee waived if you are on hardship. Also Sydney
Water only has about 350 incidents per year where we
charge this fee. It does not apply to customers in
hardship because they are usually on a payment plan to
avoid these types of things happening. They are using a
mechanism like Centrepay and things like that. It wouldn't
happen in that instance, I believe.

THE CHAIRMAN: And we don't regulate Australia Post.

MS BURRY: I am not suggesting you do. Can you negotiate
together?

MS MURAS: I believe that the issue has been brought to
light because of this public hearing, actually, and it was
not something that either party was aware of.

MS CUSHING: Yes.

MS MURAS: I think we have also established that there are
slightly different rates applied per transaction and
different things like that, which again I think is related
to customer numbers. It's something, I suppose, we could
look at in the future.

Steve, did you have any other comments?

MR CRAMER: Steve Cramer, Sydney Water. Our price was
struck some time ago as well, so ours may come back on the
table for renewal by Australia Post.

THE CHAIRMAN: Thanks, Steve. Michael from NCOSS?

MR BAILEY: Mike Bailey, NCOSS. If I can just follow up
on that question. So presumably your contract with
Australia Post contains a number of different service-type
agreements within that.

MS CUSHING: Yes.

MR BAILEY: So would you know whether that was even on
the table or whether it was something that could have been
negotiated? In the toing-and-froing of negotiations, was
this something that was looked at?

MS CUSHING: It was not something we looked at
specifically in those negotiations, to my understanding,
the reason being that that totals 54 transactions for us
generally in the 12-month period versus the thousands of
transactions that actually occur through Australia Post as
a normal matter of business. There are a multitude of
different transactions that may get processed, but it is
not particularly high on the radar in terms of the
negotiations.
MR BAILEY: What about your other agencies?

MS CUSHING: The only other agency that we have where we have the dishonoured fees coming through is the Commonwealth Bank and the external charge for that is $2.50. That is by direct debit because, if it is a cheque dishonoured through an external bank, that gets passed directly to the customer as opposed to Hunter Water. So the direct debit dishounours are the lower fee, the $28.45, which is what we are proposing would be the standard fee across everything. The bulk of that is all of the internal labour and overhead costs of the processing.

MR BAILEY: But, sorry, so the fee that you get charged by the Commonwealth Bank is $2.50, did you say?

MS CUSHING: Correct.

MR BAILEY: So why is it so high?

MS CUSHING: The reason for that is the internal labour costs. For example, with a direct debit dishonour, basically we have to go through and identify the property type. We then need to go through and reverse the actual payment that has been applied to that account. Then we have to adjust and apply the charge to that account, send out a letter and there are other processes. As I said, the way the system currently works within our business, it is quite a manually intensive process and we are looking to see if we can streamline that. It takes approximately 20 minutes per transaction.

MR BAILEY: Is that the same for an Australia Post dishonoured cheque?

MS CUSHING: The Australia Post dishonoured cheque is slightly more intensive because, with a cheque, there is not a specific account identifier on it, so it takes slightly longer to identify the property that that dishonoured cheque directly relates to.

MR BAILEY: So if it's more intensive, why are the administration costs lower?

MS CUSHING: The Australia Post charge was actually set at less than the $25 originally in our submission because that's the new price that has come in from 1 January. So if we were to lodge our submissions now and do it on an exactly cost-reflective basis the Australia Post dishonoured charge would be over $50.

MR BAILEY: Sydney Water, can I double-check this: if someone is already on a hardship plan, in most cases, they are not going to incur a fee for a dishonoured cheque or a decline; is that right?

MR FREEMAN: That's correct.

MR BAILEY: Okay, so for those who are not - and I suppose this applies to Hunter Water too - how is it assessed whether or not they are financially vulnerable?

MR FREEMAN: So all our customers who may fall into that category are assessed by professional social workers that we employ through our BillAssist team. So they are trained to ascertain the parameters surrounding each case on a case-by-case basis and determine what is the appropriate treatment for that customer in terms of hardship or otherwise.

MR BAILEY: So it's the same process as the hardship --

MR FREEMAN: Yes, it is the same sort of process. But we are not saying just anyone does this. These people are properly trained to do that.

MR BAILEY: Sure, yes.

MR FREEMAN: We also take advice and we train a lot of social agencies in being able to recognise early people who may be moving into hardship and to contact us so we can more proactively treat and deal with those customers.

MR BAILEY: Okay, thanks.

THE CHAIRMAN: Thank you very much, Mike. Would anybody from the floor like to make any comments or ask any questions? Yes, Matt?

MR EDGERTON: Matt Edgerton from the IPART secretariat. Sorry, Paul, I might have misunderstood your opening statement, but you have one flat fee for dishonoured client payments. How does that relate to different types of payment and the costs involved there?
MR FREEMAN: Because what we have assessed is that is our administrative cost. Possibly different from Hunter Water, we have done, if you like, the time and motion studies to evaluate what is our administrative cost to process those payments. Because we don’t have to reflect, other than that Australia Post cheque charge, any on-costs from the bank and the like, that then just reflects one single payment.

As I heard, Hunter Water, for their own administrative simplicity is looking to propose moving to a single charge as well, albeit a higher one, that reflects a recognition of the on-charges that they have to deal with plus their administrative charge.

MR EDGERTON: So you don’t incur any other costs, say, from the Commonwealth Bank?

MR FREEMAN: No. It is just the nature of our contract, which I might say is commercial in confidence so I can’t disclose the terms on that; but, no, at this stage we don’t incur any charges.

THE CHAIRMAN: Thank you Matt. Thank you, Paul.

Anybody else? No? Let’s move on to the second part. I call on Elina to introduce the discussion on the late payment fee proposed by Sydney Water.

SESSION 2: Late payment fee for Sydney Water

MS GILBOURD: Thanks again, Peter. Sydney Water’s customer contract allows for it to charge a late payment fee if IPART has set a maximum late payment fee. It has not been charging one to date. Sydney Water can also charge interest on overdue account balances, but it will waive that interest for customers who have entered a payment agreement.

In this determination, Sydney Water has proposed to introduce a late payment fee of $4.10 or the interest, whichever of those charges is greater.

In their proposal, Sydney Water outlined that the interest is not really a deterrent to people paying late, so around 15 per cent of customers allow their bills to become more than seven days overdue.

Sydney Water also said they have costs imposed on them when customers pay their bills late, so the fee would be simply to recover those costs in addition to the interest.

Their bills are currently due in 21 days and the fee would be charged seven days after that - so once the bill is at 28 days.

Sydney Water has proposed some exemptions for customers; namely, where a matter is being considered by the Ombudsman; where the customer has a payment arrangement in place; where the customer is identified as being in hardship or paying by direct debit.

In this case we had some responses to our issues paper from stakeholders who are in the room. Most respondents were pretty happy with Sydney Water imposing that fee on customers but commented that there could be some further exemptions. EWON suggested the exemption be extended to pensioners and PIAC noted that the fee should not negatively impact on those who are facing financial hardship.

We thought that the fee of $4.10 seemed reasonable, particularly when compared to other utilities’ late payment fees. As with the dishonoured or declined fee, we added a 1.9 per cent adjustment for corporate costs and we also added to their terms and conditions some notice provisions so that the fee cannot be levied on customers unless they receive advance notice and that the fee would not be charged until at least seven days after the bill is due.

In this session, we would like to discuss whether our draft recommendation is reasonable and whether there are any further exemptions or conditions that should be imposed.

THE CHAIRMAN: Thank you, Elina. Sydney Water - Paul?

MR FREEMAN: I think overall Sydney Water is very supportive of the approach by IPART. We have only sought to ensure that we recover our costs, and that is where we have come out with an administrative charge around $4.10, plus the overhead costs as recommended by IPART.

There is one thing, though, that is a bit of an anomaly for us. IPART has recommended seven business days.
Our billing cycle and system works on calendar days; therefore, we ask - and this will be included in our submission - that that be amended to seven calendar days. That is just a bit of a technical anomaly in relation to our system, but it would be very costly for us to change it to accommodate seven business days.

We think what we propose is fair and reasonable. We offer payment options that are available to customer 24/7 and we are totally supportive of making sure that this fee does not apply to vulnerable customers and people who have already entered into arrangements with us in that regard.

I am not quite sure with regard to the comment on the extension of the exemption to pensioners, so I might look to my brains trust in the audience as to whether there has been any thought in that respect at this point.

MR CRAMER: We have thought about the impacts, and pensioners traditionally, contrary to opinion, get a very big concession with their pensioner rebate and most of them are very good payers.

MS MURAS: Pensioners receive a rebate on their bill as a matter of course, so that is the rebate that we were referring to. They already get a large discount on their actual bill and they don't generally tend to fall in the category of people who pay late, so we thought it was appropriate for the exemptions not to include them. I suppose I am just clarifying that that is our current position.

MS YOUNG: So it may be something that you have a provision for that is not called upon, but it could be that some of them, for whatever reason --

MR FREEMAN: It still doesn't mean that they cannot qualify for the hardship provisions and enter into payment plans, et cetera. So they are still caught, if they are in financial difficulty, in that safety net as well.

THE CHAIRMAN: Thank you, Janine. Kristal?

MS BURRY: No, I really don't have anything much to say other than if you did consider that change worthwhile, we would be supportive of that extra protection for pensioners.

THE CHAIRMAN: Thanks, Kristal. Mike?

MR BAILEY: Just one question about interest on overdue account balances because you have the option, right; it's whichever is the greater? How often does that happen? Instead of charging a late fee, how often do you actually recover interest over the account?

MR CRAMER: A lot of our industrial and commercial customers go into above $4 whenever they have particularly large outstanding debts.
MR BAILEY: And any residential customers?

MR CRAMER: Yes, residential customers can.

MR BAILEY: Do you know how many?

MR CRAMER: No, but I can take that question on notice and come back to you.

MR BAILEY: Okay, thank you. That would be interesting to know.

MR CRAMER: That's something we have not been asked.

MR BAILEY: Thanks for that.

Regarding pensioners, if I could make a comment rather than ask a question, you mentioned that they would still be eligible for pursuing, I suppose, a hardship option if they were late in payment of fees. I guess it's fair to note that pensioners, especially older age pensioners, are reluctant to be regarded as being in hardship, even though often they are. I wonder if that is a good reason for taking on the proposal that the Ombudsman suggested, especially if that is something that could be automated against them already having their access to those rebates.

Sure, most customers will pay, but financial difficulty might be encountered. You might find that pensioners are unwilling to seek to be classified as in hardship for the sake of the late fee, so it might be easier just to refer it back to the rebates.

MR FREEMAN: We will take that on board.

MR BAILEY: Thank you.

THE CHAIRMAN: Thanks, Mike. Catherine?

MR FREEMAN: Well, there is not only email, but SMS as well. At the moment, our costs are quite high, and they have just gone up. Again, similarly, Australia Post has struck a new deal resulting in a 38 per cent increase in postage costs from January. So every bill or every reminder notice we send out costs us 95 cents. It's a significant cost burden on the business. Over the next five years, Sydney Water's costs will increase by $5.5 million in postage alone. We are looking at initiatives such as our new billing system - through e-billing, through SMS reminders - to completely absorb that cost by the next determination.

As to how successful we are, we will see how we go, but I think you will find that our administrative costs through the adoption of technology or following this up will continue to plateau and will hopefully reduce. That is a great point, and that is certainly what we would be seeking to do.

THE CHAIRMAN: Do you send bills out now by email?

MR FREEMAN: We do send some, but it is a very small proportion of our base. We are looking to achieve probably in the order of 30 to 40 per cent penetration by the end of the determination period.

MS JONES: And that service that Australia Post offers, the MyPost mailbox, are any of your customers using that yet?

MR FREEMAN: The digital mailbox?

MS JONES: Yes.

MR FREEMAN: Very few are using it, but it's a very small proportion of our base. We are looking to achieve probably in the order of 30 to 40 per cent penetration by the end of the determination period.

MR CRAMER: About 17,000 we have on --

MS JONES: That's not many.

MR CRAMER: It is not many, no. It was very effective for the first year that it was introduced. There are as many people coming on as going off, so it has stayed at the 17,000.
We also have BPAY View. We have about 25,000 through that service, and now we are in the process of implementing an e-billing system to offer to customers.

THE CHAIRMAN: Is this a major undertaking? Just following on from Catherine's question, is this a major undertaking? For instance, I had cause to connect a property in Victoria to electricity and the whole thing just went through on email completely. I don't think that I received any paperwork from them or that I had to send any paperwork to them.

MR FREEMAN: Certainly, I am aware of some of our Victorian peers who have very good online processing capability. Sydney Water does not currently have that same level of sophistication but we are moving towards it, and that is what we hope to do. We need a modern billing platform to underpin everything so that we can make sure the back end connects properly to that digital front end.

THE CHAIRMAN: Thanks. Sorry, did you want to say something, Heidi?

MS MURAS: I was going to note that we have taken into account an estimated change in behaviour as a result of the introduction of a late payment fee. We have estimated that the costs that we would need to recover over the course of the next determination should decrease due to the introduction of that fee and that, hopefully, it will encourage on-time payment.

THE CHAIRMAN: Thanks, Heidi. Janine?

MS YOUNG: In the light of this discussion and moving to non-paper bills, two letters from consumers - two handwritten letters; some people still go about their business that way - hit my desk this morning complaining because Origin Energy are now charging $1.75 per printed bill.

We were talking about pensioners before, but there is a whole group of people for whom perhaps having a computer and having access to a computer is not their choice or it is not within their capability, so that should be noted.

MR FREEMAN: Yes, we recognise that.

MS YOUNG: Not everyone does.

THE CHAIRMAN: The percentage of those people is getting smaller.

MS YOUNG: It is getting smaller, but I think there will always be that vulnerable group.

MS BURRY: And the CALD community are not necessarily always online as well, so that's another group that gets caught out by that.

THE CHAIRMAN: Thanks, Janine and Kristal. Are there any other questions or comments? Matt?

MR EDGERTON: I was just wondering if Sydney Water could talk us through the costs underpinning the $4. You mentioned administrative costs, but could you talk us through the process involved in late payment fees?

MR FREEMAN: I'll just refer to a document I have here. We have reminder notices and there are printing costs issues. Currently, that cost is about $0.8 million a year. Interest costs, at our credit rate of 4.5 per cent, come to about $1.6 million per year. Disconnection notices issued, when we get to that point, involve postage, printing and staff costs and that comes to about $300,000 a year, making our total costs, in 2016-2017 dollars, $2.7 million a year. They are the main, if you like, administrative costs.

As Heidi said, in 2019-2020, at the end of the determination, we believe that will move down to about $2 million a year in today's dollars. We have done a bit of behavioural crystal-ball gazing to see what influence we believe we can have on it, and that would be about a $700,000 reduction in nominal terms in 2019-2020 over the determination period.

MR EDGERTON: Thank you. You mentioned before that you don't necessarily have the exact figures in terms of who would be subject to the fee versus who would be subject to the interest charge because you have the option of levying whichever is higher. Would a typical residential customer typically be subject to the late payment fee or would --.
MS MURAS: I will have to get confirmation on that one. Steve?

MR CRAMER: Because it is linked to the reminder notice, there is a minimum of $130 - and this is our current parameter - outstanding before we even issue the notice, so you have to owe us at least that amount or more.

MS MURAS: I think to answer your question more simply, for most residential customers, we would envisage that they would get the late payment fee.

MR CRAMER: Yes.

MS MURAS: Not the overdue interest.

MR FREEMAN: At $130, or even if it was $200, at 4.5 per cent per annum or even if we were to charge a statutory rate of 10 per cent, it will still not, on a quarterly basis, add up to $4.10. They would, therefore, need a pretty substantial debt to get to $4.10 being the outstanding interest charge.

THE CHAIRMAN: Good, thank you very much, Paul. Are there any other questions or comments? Mike?

MR BAILEY: Can I double-check something? You said that part of the cost calculation was 4.5 per cent; your credit costs, was it 4.5 per cent that you said?

MR FREEMAN: There is our interest and our credit rate costs --

MR BAILEY: So that is the figure that is used, because I note that when you --

MR FREEMAN: No, it is the figure we use in our costs - so the costs to us - so that we are not claiming a higher cost to us. That is what our capital cost is at this point in time.

MR BAILEY: So it is that rate that is used in the calculation rather than the --

MR FREEMAN: Well, for our costs.

MR BAILEY: Yes, rather than the statutory rate.

CLOSING REMARKS

THE CHAIRMAN: Thank you very much for your participation in today's proceedings.

A transcript of the proceedings will be available on our website in a few days. We will, of course, consider the comments made today and the contributions today, as well as contributions and comments we get in submissions, when we finalise our decisions on late payment fees and dishonoured or declined payment fees.

As I previously mentioned, final reports and determinations for prices to apply to Sydney Water's and Hunter Water's monopoly services from 1 July will be released in mid-June 2016. These final reports will also specify our findings and recommendations on Sydney Water's late payment fee and Sydney Water's and Hunter Water's dishonoured or declined payment fees.

Thank you very much and have a great afternoon.

AT 2.45PM, THE HEARING WAS ADJOURNED ACCORDINGLY