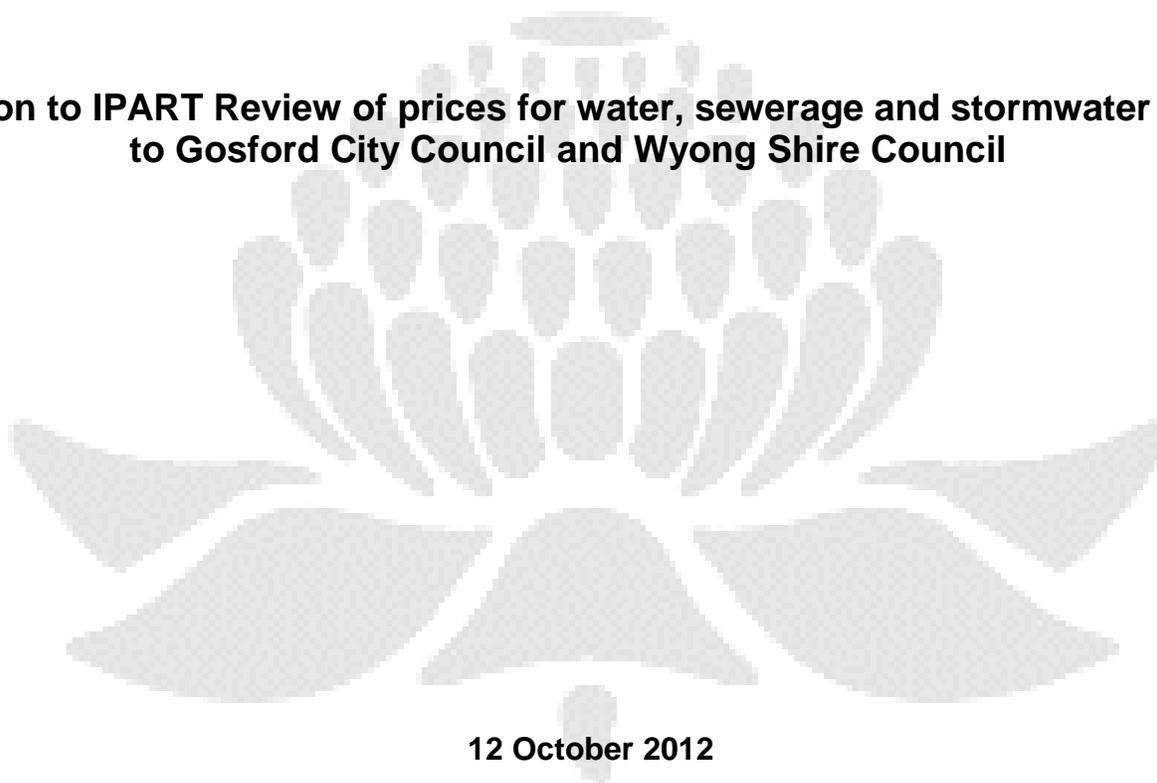


Combined Pensioners & Superannuants Association

OF NEW SOUTH WALES INC



**Submission to IPART Review of prices for water, sewerage and stormwater services
to Gosford City Council and Wyong Shire Council**



12 October 2012

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Page 1 of 9

Combined Pensioners & Superannuants Association of NSW Inc (CPSA)

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Recommendations

1. The NSW Government apply uniform water rebates across NSW, including for Gosford and Wyong pensioner and other low-income householders, which are structured in the same way as the Sydney Water rebate.
2. Hardship provisions, including payment plans, be equally accessible to pensioners and others on low incomes.
3. Due consideration be given to the personal costs that the proposed price increases will have on low income households.
4. Infrastructure upgrades be closely scrutinised to ensure that they are appropriate to meet community needs to ensure that 'gold plating' does not occur.
5. The NSW Government extend the water rebate to pensioners living in residential parks and manufactured home estates and all low-income health care card holders.

CPSA was founded in 1931 in response to pension cuts. CPSA is a non-profit, non-party-political membership association which serves pensioners of all ages, superannuants and low-income retirees. The aim of CPSA is to improve the standard of living and well-being of its members and constituents. CPSA has approximately 140 Branches and affiliated organisations with a combined membership of over 29,000 people living in all parts of NSW.

CPSA welcomes the opportunity to make a submission to the Independent Pricing and Regulatory Tribunal (IPART) Review into prices for water, sewerage and stormwater services to Gosford City Council and Wyong Shire Council.

The proposed price increases are significant, and will disproportionately affect pensioners and other people on low incomes. The single rate of Age Pension is currently just over \$20,087 per annum while the combined couples pension is \$30,284.80 per annum. Most pensioners are in receipt of the full rate pension, which CPSA considers an inadequate income to sustain a modest standard of living. Newstart payment rates are significantly lower, currently \$12,807.60 per annum for a single person. The Central Coast is home to a higher number of low income residents than the NSW average – a total of 26.6 per cent of residents receive a Centrelink Pension or Allowance, with 14.8 per cent of residents on the Age Pension.¹ This number is particularly significant given that a substantial portion of the population will be subject to a large price rise without compensation.

Both Councils note in their submissions that they have hardship provisions to assist households unable to pay. For example, Wyong Council notes that pensioners who demonstrate financial hardship can go on a 24 month payment plan, while non-pensioners may be able to access a 12 month payment plan. While such initiatives are important, the proposed price increases will stretch payment assistance services. Furthermore payments still need to be made, just over a longer period of time. Anecdotal evidence suggests pensioner households place much importance on paying bills on time, even if it means sacrificing other areas of essential expenditure, such as food, transport and health care. Therefore, any suggestion that pensioner households are meeting their bill repayments ignores the financial hardship experienced as a result.

Importantly, such a payment plan framework disadvantages people who are not on the pension but facing financial hardship. CPSA proposes that the extended 24 month payment plan be offered to all people with a Low Income Health Care Card. This is particularly important given that people on Allowances are not eligible for water rebates and Allowances are set at substantially lower rates than pensions (Newstart is currently \$140 less per week than the Age Pension).

¹ Australian Bureau of Statistics, *National Regional Profile: Central Coast*, released 22 November 2010, Available: <http://www.abs.gov.au/ausstats/abs@nrp.nsf/Previousproducts/LGA60810Economy12005-2009?opendocument&tabname=Summary&prodno=LGA60810&issue=2005-2009&num=&view=> and <http://www.abs.gov.au/ausstats/abs@nrp.nsf/Previousproducts/LGA60810Population/People12005-2009?opendocument&tabname=Summary&prodno=LGA60810&issue=2005-2009&num=&view=> (accessed 10 October 2012).

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Gosford City Council

78kL per capita per annum*

150kL per couple per annum^

Costs in 2012/13 Dollars

	2012/13	2013/14	2014/15	2015/16	2016/17
Water Service Charge	\$99.28	\$157.95	\$176.90	\$203.52	\$238.04
Water Usage Charge/kL	\$2.12	\$2.35	\$2.50	\$2.60	\$2.70
Sewerage Service Charge	\$534.82	\$609.89	\$681.11	\$751.44	\$819.39
Stormwater Service Charge	\$82.52	\$106.56	\$122.60	\$137.93	\$152.74

Single person Household (78kL p.a.)

	2012/13	2013/14	2014/15	2015/16	2016/17
Water Usage Charge/kL	\$165.36	\$183.30	\$195.00	\$202.80	\$210.60
Water Service Charge	\$99.28	\$157.95	\$176.90	\$203.52	\$238.04
Sewerage Service Charge	\$534.82	\$609.89	\$681.11	\$751.44	\$819.39
Stormwater Service Charge	\$82.52	\$106.56	\$122.60	\$137.93	\$152.74
Total	\$881.98	\$1,057.70	\$1,175.61	\$1,295.69	\$1,420.77
Single Pensioner w/ REBATE	\$706.98	\$882.70	\$1,000.61	\$1,120.69	\$1,245.77

Couples Household (78kL p.a.)

	2012/13	2013/14	2014/15	2015/16	2016/17
Water Usage Charge/kL	\$318.00	\$352.50	\$375.00	\$390.00	\$405.00
Water Service Charge	\$99.28	\$157.95	\$176.90	\$203.52	\$238.04
Sewerage Service Charge	\$534.82	\$609.89	\$681.11	\$751.44	\$819.39
Stormwater Service Charge	\$82.52	\$106.56	\$122.60	\$137.93	\$152.74
Total	\$1,034.62	\$1,226.90	\$1,355.61	\$1,482.89	\$1,615.17
Couple Pensioners w/ REBATE	\$859.62	\$1,051.90	\$1,180.61	\$1,307.89	\$1,440.17

* Based on per capita household water consumption NSW 2009-10²

^ 150kL uses average per capita and takes off a few kL because of reduced usage for things like washing dishes, clothes etc

² - Australian Bureau of Statistics, *State and Territory Statistical Indicators*, released 27 January 2012, Available: <http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by+Subject/1367.0~2012~Main+Features~Water+Use~2.37> (accessed 9 October 2012).

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Wyong Shire Council

78kL per capita per annum*
150kL per couple per annum

Costs in 2012/13 Dollars

	2012/13	2013/14	2014/15	2015/16	2016/17
Water Service Charge	\$167.35	\$175.05	\$195.00	\$215.50	\$238.00
Water Usage Charge/kL	\$2.12	\$2.35	\$2.50	\$2.60	\$2.70
Sewerage Service Charge	\$463.44	\$515.81	\$577.00	\$656.50	\$745.00
Stormwater Service Charge	\$89.77	\$99.20	\$109.61	\$121.12	\$133.84

Single person Household (78kL p.a.)

	2012/13	2013/14	2014/15	2015/16	2016/17
Water Usage Charge/kL	165.36	183.30	195.00	202.80	210.60
Water Service Charge	\$167.35	\$175.05	\$195.00	\$215.50	\$238.00
Sewerage Service Charge	\$463.44	\$515.81	\$577.00	\$656.50	\$745.00
Stormwater Service Charge	\$89.77	\$99.20	\$109.61	\$121.12	\$133.84
Total	\$885.92	\$973.36	\$1,076.61	\$1,195.92	\$1,327.44
Single Pensioner w/ REBATE	\$710.92	\$798.36	\$901.61	\$1,020.92	\$1,152.44

Couples Household (150kL p.a.)

	2012/13	2013/14	2014/15	2015/16	2016/17
Water Usage Charge/kL	\$318.00	\$352.50	\$375.00	\$390.00	\$405.00
Water Service Charge	\$167.35	\$175.05	\$195.00	\$215.50	\$238.00
Sewerage Service Charge	\$463.44	\$515.81	\$577.00	\$656.50	\$745.00
Stormwater Service Charge	\$89.77	\$99.20	\$109.61	\$121.12	\$133.84
Total	\$1,038.56	\$1,142.56	\$1,256.61	\$1,383.12	\$1,521.84
Couple Pensioners w/ REBATE	\$863.56	\$967.56	\$1,081.61	\$1,208.12	\$1,346.84

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*Based on per capita household water consumption NSW 2009-10³

As can be seen in the figures, there are moves to have uniform water pricing under Central Coast Water from separate council pricing structures. Both councils propose essentially the same water charges by 2016-17 for residential customers. Yet sewerage costs will still differ. Gosford Council residents will face steeper water charge increases as they currently have lower charges, however, their higher sewerage and stormwater charges see them with higher bills. For example, single pensioners in Gosford will be paying 8 per cent more than those living in the Wyong Shire Council area by 2016/17, despite paying a slightly lower amount than those living in Wyong presently.

It is well established that low income households have low discretionary utility usage and cannot navigate such price hikes by reducing consumption. The only way in which it is likely for households to be able to reduce consumption is through the replacement of high consuming household goods with more efficient, newer alternatives; however the large upfront expense of doing this makes this unaffordable for most low income households despite the long term benefits of doing so. Ultimately, low income households are not able to respond to such price signals and change their consumption accordingly.

A review conducted by Pricewaterhouse Coopers for Infrastructure Australia in 2010 noted that there were significant instances of 'gold plating' of water infrastructure capacity occurring across Australia.⁴ The review found that there was a tendency for water providers, with the support of Governments, to select expensive infrastructure options over least cost solutions. The report notes that there is a current assumption in the sector that customers have homogenous needs and value water supply reliability, quality and other service levels equally. In actuality it is likely that customers have different values for these service attributes. The lack of competition means that there is no strong commercial incentive to differentiate services on offer. In light of the number of projects and upgrades that these proposed substantial price increases are funding, CPSA calls on IPART to ensure that they are appropriate and that the standard of service and infrastructure required is reflective of community needs and doesn't unnecessarily exceed what is required for adequate and reliable services.

³ Australian Bureau of Statistics, *State and Territory Statistical Indicators*, released 27 January 2012, Available: <http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by+Subject/1367.0~2012~Main+Features~Water+Use~2.37> (accessed 9 October 2012).

⁴ Pricewaterhouse Coopers (May 2010), *Infrastructure Australia: Review of Urban Water Security Strategies*, Available: <http://www.infrastructureaustralia.gov.au/water/files/UrbanWaterSecurityReportForInfrastructureAustralia.pdf> (accessed 10 October 2012).

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Bills as a proportion of the pension (in 2012-13)

Pension (per annum)*	\$20,087.00	\$20,087.00	\$20,087.00	\$20,087.00	\$20,087.00
Gosford w/ REBATE	\$706.98	\$882.70	\$1,000.61	\$1,120.69	\$1,245.77
Gosford bill as % of Pension	3.5%	4.4%	5.0%	5.6%	6.2%
Wyong w/REBATE	\$710.92	\$798.36	\$901.61	\$1,020.92	\$1,152.44
Wyong bill as % of Pension	3.5%	4.0%	4.5%	5.1%	5.7%
Couple Pensioners	2012/13	2013/14	2014/15	2015/16	2016/17
Pension (per annum)*	\$30,284.80	\$30,284.80	\$30,284.80	\$30,284.80	\$30,284.80
Gosford w/ REBATE	\$859.62	\$1,051.90	\$1,180.61	\$1,307.89	\$1,440.17
Gosford bill as % of Pension	2.8%	3.5%	3.9%	4.3%	4.7%
Wyong w/REBATE	\$863.56	\$967.56	\$1,081.61	\$1,208.12	\$1,346.84
Wyong bill as % of Pension	2.8%	3.2%	3.6%	4.0%	4.4%

*Based on current Pension rate set 20 September 2012.

CPSA maintains that everyone should be entitled to essential services such as water access and sewerage at a cost that does not bring undue hardship and that no households should receive a restriction in such services due to an inability to pay. The significant increases proposed as a proportion of a pensioner income from 3.5 per cent to 5.7 per cent for singles in Wyong and from 3.5 to 6.2 per cent for singles in Gosford will cause significant financial hardship. CPSA recommends that due consideration be given to the personal costs that will be experienced by households brought about by these significant increases to water and sewerage service bills.

Fixed Charges as Proportion of Bill

	2012/13	2013/14	2014/15	2015/16	2016/17
Gosford (Single Person)	81.3%	82.7%	83.4%	84.3%	85.2%
Wyong (Single Person)	81.3%	81.2%	81.9%	83.0%	84.1%
Gosford (Couple)	69.3%	71.3%	72.3%	73.7%	74.9%
Wyong (Couple)	69.4%	69.1%	70.2%	71.8%	73.4%

*Based on current Pension rate set 20 September 2012.

This pricing structure and the proposed increases to fixed charges discourages the reduction of discretionary water consumption and penalises smaller, low consuming and low-income households by being so heavily weighted to fixed charges. CPSA cannot see the rationality in afflicting water wise customers disproportionately to high water users. These are already significantly high at 81.3 per cent for single person households in both council areas and will worsen in coming years to 85.2 per cent and 84.1 per cent for Gosford and Wyong single person households respectively.

This is particularly problematic for pensioners due to the way rebates are determined in this region as they do not guard against price rises. Despite price increases, the maximum amount of pensioner rebate has remained at \$175 since it was set in legislation in 1993. Consequently, pensioners are more and more out of pocket due to the erosion of the value of the water rebate. CPSA proposes that the rebate be similar to that of Sydney Water, which is set at a percentage of the total charge rather than a flat rate. It covers 100 per cent of the water service charge; 50 per cent of the stormwater drainage charge; and 83 per cent of the sewerage charge. As a result, the Pensioner Rebate for Sydney Water customers is generally hundreds of dollars higher than the flat rate of \$175 as provided by Wyong and Gosford Councils.

While recognising that it's not within IPART's area of responsibility, CPSA argues that the best way to ensure affordability for pensioners and other low income households is to make rebates more equitable across the state and reflective of cost increases. CPSA recognises that the different charges imposed on households reflect the varying costs of providing water services in markedly divergent geographical locations. However, it is because of this that CPSA believes the current rebate is inequitable for most pensioners living across NSW, particularly disadvantaging people living in Gosford and Wyong Council areas.

CPSA proposes that the NSW Government align the rebate provided to pensioners serviced by Local Government Water Utilities and Hunter Water with that provided to pensioners serviced by Sydney Water. As the cost of providing these services increases, pensioners will be shielded from 'price shocks' as their rebate will increase proportionally.

Residential Parks

CPSA is very concerned by the fact that pensioner residential park residents and people living in retirement villages are not eligible for the rebate and calls for such residents to be able to access the rebate, along with those on Allowances and using Low Income Health Care Cards, as a matter of urgency. Expanding rebate eligibility would provide enormous relief to those struggling to get by on low incomes.

Both the Gosford and Wyong local government areas are home to a significant number of residential parks, which typically accommodate low income pensioner households. Those households are not eligible for the water rebate.

While CPSA understand the technical obstacles for rebates being granted, park owners are able to recoup service charges for water and sewerage through park service charges, unlike landlords leasing property under the Residential Tenancies Act. As a result, these low income households pay the full, unrebated charges on their water and sewerage rates. It is a situation that clearly needs to be reviewed.

Recommendations

1. The NSW Government apply uniform water rebates across NSW, including for Gosford and Wyong pensioner and other low-income householders, which are structured in the same way as the Sydney Water rebate.
2. Hardship provisions, including payment plans, be equally accessible to pensioners and others on low incomes.
3. Due consideration be given to the personal costs that the proposed price increases will have on low income households.
4. Infrastructure upgrades be closely scrutinised to ensure that they are appropriate to meet community needs to ensure that 'gold plating' does not occur.
5. The NSW Government extend the water rebate to pensioners living in residential parks and manufactured home estates and all low-income health care card holders.