

Rick Banyard

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Hunter Water Pricing Review

IPART

Sydney

ipart@ipart.nsw.gov.au

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“Hunter Water price setting”

I would like to point out that there are seven major groups of households.

They are:-

- owner occupiers
- Tenants in private rental properties
- Tenants in public rental properties
- Occupiers of other accommodation
- Granny flats
- Van villages
- Boarders

The current charging arrangements are grossly unfair as the structure fails to recognise six of the seven types of common occupancy as these groups do not pay Hunter Water for the supply of water, sewage or drainage. They also do not contribute towards “environmental improvement”

Hunter Water also has not considered other laws and regulations that exist in the community. For example residential tenants are not permitted to be charged for any item on Hunter Waters bill other than water use.(and then only under limited circumstances)

Tenants and non property owners are not permitted to hold a Hunter Water Customer Contracts. Without a Customer Contract Hunter Water is unable to issue accounts for water use, sewage or drainage.

The IPART examination of the issue of “Customer Contracts” was flawed due largely to ignorance about the subject within the community and needs to be revisited as a matter of urgency.

Tenants of private rental properties may be required to reimburse the landlord for water use provided the landlord has complied with the requirements of the Residential Tenancies Act and supporting Regulations. A key factor is that the service provided to the tenant by the landlord is individually metered and complies with energy efficiency standards. Hunter Water only services one meter per property.

Tenants of public housing have to reimburse the Housing Authority of water use on an estimated basis if the authority chooses. It seems that they do not have to comply with water efficiency standards. Housing tenants do not pay any of the other charges on the normal residential account.

Van and mobile home dwellers are not billed by Hunter Water and normally pay in accordance with the site manager’s terms.

Occupiers of other accommodation frequently make no contribution for the water used due largely to the significant difficulties the property owner encounters in rebilling and getting the money from the end users.

In the case of sewage and storm water charges (and any other levies) tenants pay absolutely nothing.

The suggestion that tenants pay water and sewage charges as "part of their rent" can not be supported. For example there is no evidence to suggest that rents vary according to the tenants obligations in relation to water use or other charges listed on the Hunter Water Account.

The Residential Tenancies Act also makes it unlawful for the Landlord to pass on to the tenant rises in taxes and levies.

Whilst it is true that the tenants rent takes into account the landlords overheads it must be remembered that this can only be done at the commencement of the lease.

Where landlords collect water usage monies from tenants the financial hardship assistance measures offered by Hunter Water do not apply to either the owner or the tenant. There is no commission (discount or other remuneration) paid to the landlord for the services provided in water billing. There is no acknowledgement that the financial risks associated with debt collection, bad debts and collection costs are totally born by the Landlord.

IPART needs to note that where the collection of water use charges are handled on behalf of a Landlord by an agent the agent charges fees and debt collection costs for the service. To compound the issue Hunter Water will not limit the flow of water to the property however is keen to restrict the flow of water to the landlords own residence.

It is totally unreasonable for IPART to allow Hunter Water to act in this manner.

The setting of water, sewer and drainage charges by Hunter Water is clearly grossly unfair on landlords and positively discriminates between property owners, landlords, tenants and occupants.

IPART need to be aware that a huge number of water users gave accounts with very low water use.

Following is an example where if the household stopped using water completely their maximum saving would only be \$11.42.

PREV BAL	RECEIVED	BALANCE
\$242.37	\$242.37 CR	\$0.00

SUMMARY OF NEW CHARGES

Water Service	\$6.38
Sewer Service	\$187.11
Drainage	\$29.12
Environment Improvement	\$12.09
Water Usage	\$11.42



ADJUSTMENTS OR CREDITS

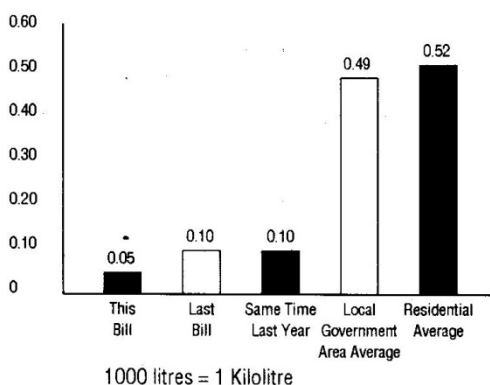
Other	\$1.35
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Total Due **\$247.47**

Please pay your account by the due date to avoid interest charges

Land Title Owner -

Your Average daily Water Usage in Kilolitres



Meter Type	Meter No	Size	SDF	Date Read	Reading	Usage kL	Days	Daily Avg kL
Water	<input type="text"/>	020	50%	03 07 2012	1448	6	124	0.05

It is also understood that Hunter Water does not charge all users equally.

If unequal pricing is to be practiced then IPART should in an open and transparent manner determine the price of water and services for ALL clients including water transfers to Gosford Wyong.

It would seem reasonable to me that IPART should send Hunter Water “back to the drawing board” as all of the factors raised above were known to Hunter Water at the time they prepared the submission.

The second aspect of major concern to me and I believe the community served by Hunter Water is the issue of the impact of the pricing structure on the environment and the water conservation strategies.

In simple terms if a person makes no contribution to the cost of the water they consume, the sewage they create and the drainage they require then they will not act as responsibly in the handling of the product as a person who pays.

This has major implication for water conservation, the material placed down the sewer and a host of other government initiatives and program outcomes.

Inflating the demand by having considerable non paying users for Hunter Waters’ services also increases the need for water storages, treatment plants and other infrastructure both in terms of capital and operating costs.

The pressure from within Hunter Water to increase water supply capability is very unhealthy and fosters its empire building desire.

I and I am sure the community believe that the price structure should be based on meter readings for water, sewage and drainage.

There should be no fixed charges of any type included on the customers' periodic bills.

All occupancies should have individual meters with sewage discharge, drainage and water consumption being measured.

Modern technology is capable of wirelessly providing this facility very cheaply to a central control room.

The cost of the meter should be Hunter Waters' responsibility. When you buy petrol from a service station you do not take your own meter with you.

A 100% user pays pricing strategy rewards those that actively try to conserve water and encourages investment in water saving devices. Those that waste water and or wish to use water hungry items (like pools) clearly will pay more.

For industry a 100% user price based on the full water cost value will expedite investment in water saving technology and processors.

A 100% user pays water pricing strategy would help boost the "smart city" concept and drive invention.

A 100% user pays water pricing strategy will also drive competition in water delivery.

I believe that the cost of the meters could be recovered in efficiency gains due to the technological benefits of digital meters as replacements to mechanical meters. There would be no need for meter readers and billing could be far more frequent (even monthly or weekly)

A 100% user pays policy coupled with electronic metering would allow "pre paid" billing.

Where multi occupancy residential buildings have common property then the land owner should be billed for that usage.

Hunter Water should be responsible for all costs associated for installation and maintenance up to the meter. The fee included in the proposed charges in this review needs to reflect this.

It is currently the property owner's responsibility to arrange the plumbing from the metering point. This arrangement should continue.

In the transition phase property owners should lodge a request to have the metering adjusted. An application fee of \$50 should apply. This fee should be incorporated in the fees and charges.

All new properties applying for connection would have to be presented in a complying state to the agreed metering point just as the current rules are.

Where Hunter Water elects to change a property to the new system there would be no fee charged.

There are major advantages of a user pays system with individual metering to each and every household.

These advantages include:-

- Total fairness to all water consumers.
- Every household pays for what it uses
- There are very positive water conservation messages
- The need for wasteful capital expenditure is reduced
- The scarce resource of water is greatly extended
- Households have a financial incentive to invest in water saving strategies and products.
- It positively enforces to each household and its members the need to respect the environment.
- The need for rebates (eg water tanks) and giveaways (eg shower heads) would be eliminated.

Households when purchasing and operating a car consider fuel efficiency, fuel type, price of fuel etc along with the ability to meet their needs. Having made the choice they are 100% financially responsible for their decision. Car makers, sale yards and fuel suppliers live comfortably with this 100% user pays arrangement. Why should water not be the same?

The weak link in the conservation and environmentally responsible strategy is the fixed charges for water use.

IPART could address this by rejecting Hunter Water's price proposal and instructing them to use the identified revenue pool (generated from customer bills) for services on a 100% user pays basis with each charging unit being of equal value for all users.

The third issue I wish to raise is the need for Hunter Water to act responsibly.

Costs can be cut when carrying out works and whilst this can be positive it is only positive where result of works is of an appropriate standard.

My I illustrate my point by drawing to the Tribunal Hunter Water's care and maintenance of Throsby Creek.

Throsby is a major drainage catchment with the final section being a tidal section leading into Newcastle Harbour.

The creek had a very negative history of pollution and flooding. Work commenced in 1925 with an 18,000 pound grant to build a concrete drain. In 1931 the Throsby Creek Stormwater Drainage Act was assented to by State Parliament and this included an allocation of 650,000 pounds. Due to the depression and the need to create meaningful work stone pavers were laid in place of concrete as the paver method had a higher labour content. The Throsby Creek Drainage scheme with a value of 739,000 pounds became the sole responsibility of Hunter Water in 1936. In 1938 the Hunter District Water Supply and Drainage Act granted autonomy to the Board.

Since that time Hunter Water has largely neglected to care for that critical infrastructure and has failed to carry out the required maintenance dredging, has allowed vegetation to grow on the banks and failed to prevent litter and debris from entering the system.

Over the last 12 month Hunter Water has spent some relatively minor funds on bank works. These works have not be carried out in a responsible manner as they have not controlled the vegetation (which continues to break up the concrete) and has dumped rocks along the banks to replace damaged sections of pavers. These rocks have removed the self cleaning characteristics of the smooth sided drain and now made it into a rubbish trap to host litter, vermin and to encourage the drain to silt up.

The shabby works have also totally destroyed an item of major historical significance.

It should be noted that some of the works is already being dislodged.

When carrying out this work Hunter Water have failed to reduce the increased flood risk (due to allowing additional drainage upstream into the drain, failure to consider Newcastle Council's flood management strategy and the predictions of climate change) or to preserve history.

Photographic evidence and supporting documentation is available on request. Whilst to do the works in a “workman like manner” the cost would have been greater the quality of the infrastructure management would have been greatly superior, have a lower operational cost and a far longer life.

The reporting process to IPART does not seem to indicate the quality of the works undertaken.

The fourth issue IPART needs to note is that when Hunter Water has lost large customers it has not pruned the organisation proportionally. Following the closure of the aluminium smelter, the delay of major projects, the abandoning of Tillegra Dam and the breaking of the drought there is little evidence of staff reductions,

Finally IPART needs to consider the rebate of about \$35m paid by Hunter Water to the State Government. The pricing determination may be an appropriate time to signal that this tax on the Hunter is inappropriate and that these funds should be retained by Hunter Water.

In conclusion this submission has tried to highlight that

- Hunter Waters expenditure is not always justified and or prudent
- Hunter Water is pre occupied with “empire building”
- Hunter Waters planning is based on supply capacity increased and gives little consideration to demand management
- The pricing structure is based on financial security for the organisation
- The ability of users to pay is of little importance
- The use of fixed charges is not only unfair but sends the wrong conservation / environmental signal to water users.
- All users should pay the same rate per unit as the product is identical.
- Individual meters are fundamental to a realistic pricing structure
- Competition in water sales to consumers will be stimulated.

As a product of raising the issues the writer believes that IPART should be convinced that the fixed charge inequitable proposal presented be rejected and that pricing for the next period needs to be 100% user pays with the same unit price payable by every user.

I request the opportunity to make an oral presentation at the public meeting.

Rick Banyard,