

**Submission to the
Independent Pricing and Regulatory Tribunal
Review of prices of water, sewerage,
stormwater and recycled water services for
Hunter Water Corporation**



October 2012
Council of Social Service of NSW (NCOSS)
66 Albion Street, Surry Hills, 2010
Ph: 02 9211 2599, Fax: 9281 1968, email: info@ncoss.org.au

1. ABOUT NCOSS

The Council of Social Service of NSW (NCOSS) is the peak body for the social and community services sector in New South Wales. NCOSS works with its members on behalf of disadvantaged people and communities towards achieving social justice in NSW.

NCOSS provides an independent voice on welfare policy issues and social and economic reforms. It is the major coordinator for non-government social and community services in NSW.

2. INTRODUCTION

NCOSS welcomes the opportunity to comment on Hunter Water's proposed prices for water, sewerage, storm water and recycled water services to apply from 1 July 2013.

We acknowledge that the price rises proposed by Hunter Water will result in modest overall price increases for the majority of customers.

The significant changes to pricing structures for service and usage charges will, however, expose some households to much greater price rises than others. In addition, households on low fixed incomes may find it difficult to cope with even small price rises, particularly when these are occurring in the context of increased costs for other essential goods and services such as food, electricity and fuel.

This submission therefore focuses on strengthening the effectiveness of measures designed to alleviate hardship and assist low income and welfare dependent households to manage their water bills.

3. LOW INCOME CONSUMERS IN THE HUNTER REGION

Hunter Water recognises that some customers may not be able to afford to pay their bills, and has therefore developed a range of assistance measures to support these customers. Providing adequate safeguards to ensure all people can afford to pay their bills and remain connected to water services is important not only for individuals, but also for the community as a whole.

Compared with NSW, the Hunter Region has a number of demographic characteristics indicating that particular care is needed to support vulnerable and disadvantaged customers. These include:

- A number of areas with very low rankings according to the Socio-Economic Indexes for Areas (SEIFA). For example, Cessnock is ranked as the most disadvantaged local government area in NSW¹, while numerous suburbs and towns across the region (e.g. Woodberry, Telarah, Kurri Kurri, Windale, Booragul) are in the highest decile of disadvantage;
- The fastest growing Aboriginal population in NSW, with a forecast growth rate of 48% by 2021²;
- An ageing population, with most of the expected growth in population to 2036 expected to occur at ages 50 and over³.

¹ ABS (2006) Census of Population and Housing: Socio-Economic Indexes for Areas (SEIFA), Australia - Data only, 2006. Cat. No. 2033.0.55.001.

² Australian Government (2012) Regional Education, Skills and Jobs Plan, New South Wales – Hunter, 2012-2014

³ Department of Planning (2008) New South Wales State and Regional Population Projections, 2006-2036

It is important that both IPART and Hunter Water understand the extent and nature of vulnerability and disadvantage in the Hunter Region, to ensure that the impact of current and future price rises is given appropriate consideration, and effective assistance measures are developed.

4. MITIGATING IMPACTS ON LOW INCOME CUSTOMERS

NCOSS believes that all utility providers in NSW should offer hardship programs to assist low income consumers. This submission comments on several components of Hunter Water's current financial assistance measures including:

- payment options,
- payment assistance,
- plumbing assistance,
- pensioner rebates, and
- water efficiency initiatives.

In addition, we recommend that the Hunter Water develop performance and evaluation measures that will allow for a more meaningful evaluation of the effectiveness of these measures in supporting low income households.

Payment options

NCOSS is disappointed that Hunter Water has again declined to offer Centrepay as an option for Centrelink pensioners and beneficiaries. Centrepay offers a convenient and secure payment method that reduces the likelihood of bill shock. It is being offered as a standard payment option by a growing number of organisations and businesses. While we understand that Centrepay will cost a small amount to implement, we believe the medium to long term benefits will far outweigh the initial start-up costs.

NCOSS therefore suggests that Hunter Water trial the Centrepay scheme to assess its effectiveness.

Payment assistance

Many low income households do not have the ability to set money aside in case of an emergency. In the event of an unexpected expense – such as a medical bill, fine, or car or household repair – such households may experience difficulties paying water and other bills. Similarly, a period of reduced income, which may be linked to illness, death of a family member, or the availability of work, may similarly result in a financial crisis.

Failure to pay can precipitate a cycle of disadvantage that is difficult to break. Effective payment assistance schemes can help avert this cycle by helping people stay connected to essential services and by reducing the stress experienced during a financial crisis.

Forecast changes to the demographic profile of the Hunter Region, together with predicted price increases for essential goods and services mean that the number of people requiring financial assistance is likely to continue to grow. We recommend that Hunter Water should therefore investigate increasing the level of funding for its payment assistance scheme.

We note that the customer engagement process conducted by Hunter Water as part of its 2012 pricing consultation found that the majority of customers were happy to contribute to the program through their bill, with almost one fifth of customers indicating they would support either doubling or tripling the program.⁴

⁴ Hunter Water Corporation (2012) Submission to IPART on prices to apply from 1 July 2013. p. 132.

Plumbing Assistance

Hunter Water should consider further supporting low income households to manage their water bills by providing assistance with urgent plumbing repairs. Many low income households cannot afford to cover the cost of repairing a breakage or leak. Efforts to cover the cost of emergency repairs may lead to significant financial hardship in other areas (such as skipping meals, or choosing to forego heating), while failure to address a problem may lead to escalating water bills.

As part of its suite of financial assistance measures, Sydney Water has introduced a plumbing service for customers experiencing financial difficulty who need essential plumbing work or have a plumbing emergency. Hunter Water should consider developing a similar program as part of its commitment to reducing hardship for low income customers.

We note that Hunter Water currently offers a tap re-washing service to customers who receive a pensioner rebate on their account. In some cases this service is also available to customers who are not pensioners, but who receive assistance through the Payment Assistance Scheme. This service should be maintained, with additional information on who is accessing the service made available (see evaluation and accountability below).

Pensioner rebates

The pensioner rebate offered by Hunter Water to concession card holders has increased from \$175 in 2009-10 to \$258 in 2012-13. NCOSS welcomes the increased rebates available to concession card holders, but note that these are still fall well below the pensioner rebates offered by Sydney Water.

Sydney Water rebates are offered as a proportion of the fixed service charges. Tables 1 and 2 below show the rebates that would be available to Hunter Water customers should the rebate be calculated at the same proportion of fixed service charges.

Table 1: Rebates applicable to Hunter Water customers in freestanding homes if calculated based on Sydney Water concession rates.

Charge	Ave annual bill for freestanding house Hunter Water: 2013-14	Sydney Water concession	Applicable Rebate calculated on Sydney Water Concession rates
Water Service	\$16.69	100%	\$16.69
Sewer / Wastewater Service	\$573.82	83%	\$476.27
Stormwater	\$83.58	50%	\$41.79
		TOTAL	\$534.75

Table 2: Rebates applicable to Hunter Water customers in strata units if calculated based on Sydney Water concession rates.

Charge	Ave annual bill for strata unit Hunter Water: 2013-14	Sydney Water concession	Applicable Rebate calculated on Sydney Water Concession rates
Water Service	\$16.69	100%	\$16.69
Sewer / Wastewater Service	\$387.33	83%	\$321.48
Stormwater	\$30.92	50%	\$15.46
		TOTAL	\$353.63

Currently, the maximum rebate for Hunter Water customers is \$258. Should rebates be calculated using the same system as Sydney Water, customers in freestanding houses (single dwellings or dual occupancies) would be eligible for a rebate of \$534.75, while customers in strata units would be eligible for a rebate of \$353.63.

NCOSS recommends that Hunter Water continue to increase its pensioner rebate in order to bring it into line with the rebate offered by Sydney Water. Calculating the rebate as a proportion of fixed service charges will also mitigate the impact of the proposed price increases for sewer service charges for single strata units over the next five years.

Water efficiency initiatives

Water efficiency schemes can be effective in achieving both sustainability outcomes and in lowering water bills. This is particularly important as usage charges make up a significant proportion of the water component of typical residential bills in the Hunter Region.

Hunter Water's Submission describes a number of water efficiency programs that were offered during the current determination period. These included a tap re-washing service, a residential refit program, a subsidised toilet replacement program and a residential shower head exchange program.

We note that the residential refit program was heavily promoted to landlords and real estate agents in 2011-12 following changes to the residential tenancy regulations which allow the usage component of water bills to be passed on to tenants if the property has water-efficient fittings.

It is not clear, however, what water efficiency initiatives will be offered from 1 July 2013 onwards, and how these initiatives will be specifically targeted to low-income customers.

NCOSS is concerned that people with low incomes are less likely than others to take advantage of efficiency initiatives for reasons including access to information, an inability to cover up-front costs, and difficulties in physically accessing services such as exchange programs. Yet people with low incomes could potentially derive the most benefit from these schemes.

We encourage Hunter Water to further develop its program of water efficiency initiatives to include a comprehensive residential refit program together with strategies to ensure this scheme benefits low income customers. These might include:

- Cost waivers or reductions for low income households (including Centrelink beneficiaries),
- Targeted promotion of initiatives including through the non-government sector,
- Tailored information and advice for customers in Hunter Water's hardship program.

No-interest loans

NCOSS congratulates Hunter Water on the establishment of the Hunter Region No Interest Loans Scheme in 2009. We also encourage Hunter Water's effort to explore mechanisms to ensure greater take up of the loans.

4. EVALUATION AND ACCOUNTABILITY

It is difficult to comment on the effectiveness of many of the financial assistance measures offered by Hunter Water on the basis of the information provided.

We suggest that Hunter Water collect and publically report on data that will allow for a better understanding of the way in which low-income households are accessing assistance measures and benefiting from water efficiency initiatives.

This information would enable Hunter Water and its stakeholders to better ensure that these measures are reaching and benefiting those people in greatest need of assistance. Furthermore, greater transparency around reporting and evaluation would ensure that Hunter Water (and other utilities) are held accountable for the proposals put forward during price determination processes.

5. CONCLUSION

NCOSS believes that there is the potential for Hunter Water to significantly strengthen measures designed to mitigate the impact of any price increase on low-income households, and to improve the assistance it provides to reduce financial hardship.

NCOSS recommends that IPART should require Hunter Water to:

- Trial Centrepay arrangements for households dependent on Centrelink payments,
- Increase funding for its payment assistance scheme,
- Developing a program to provide essential and emergency plumbing assistance to low income households,
- Increase its pensioner rebate to bring it into line with the rebate offered by Sydney Water,
- Further develop its program of water efficiency initiatives to include a comprehensive residential refit program together with strategies to ensure this scheme benefits low income customers,
- Collect and publically report on data that will allow for a better understanding of the way in which low-income households are accessing and benefiting from assistance measures.

These will go some way towards reducing the hardship in low-income households in the Hunter region.

To discuss any of the issues raised in this report in further detail, please contact Rhiannon Cook, Senior Policy Officer, on (02) 9211 2599 ext [REDACTED] or email [REDACTED]