

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



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Council of Social Service of NSW (NCOSS)  
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## **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. Much of the Hunter Water submission is predicated on the need to secure the water supply for households and businesses in the Hunter region. NCOSS accepts that this is a high priority. However, NCOSS is not in a position to comment on the best means to achieve water security.

NCOSS recognises that securing the water supply comes at a cost. We urge IPART to carefully consider all the options available to achieve a secure water supply and recommend water prices based on the least cost option available.

NCOSS' main concern is about the impact of future price increases on welfare dependent and other low-income households in the Hunter Water area of operation. Hunter Water has provided some details of their initiatives to support low income customers. NCOSS welcomes these initiatives. However, NCOSS believes that Hunter Water could do more to alleviate hardship in some households.

This submission provides some comments on the impact of proposed prices on low income households and suggests several enhancements to Hunter Water's hardship programs to mitigate the impact of price rises on low income consumers.

### 3. IMPACT ON LOW INCOME CONSUMERS

In considering price increases for water it is important for IPART to understand the extent of vulnerability and disadvantage in the Hunter communities, the significance of the price increase and the likely effect on low income households.

The Hunter includes many areas of disadvantage. The Hunter has relatively high proportions of individuals dependent on a Centrelink pension or benefit (ABS 2003).<sup>1</sup> In the combined local government areas of Cessnock, Dungog, Lake Macquarie, Maitland, Newcastle and Port Stephens the proportion of Centrelink income support recipients in 2003 was 26.0% of the population. (For the whole of NSW the proportion was 22.2% and for the whole of Australia the proportion was 22.7%).

The following table compares the weekly income of a single aged pensioner and a single parent family with one child to the annual water bill. The annual water bill of a single aged pensioner in the Hunter area will rise by 85% in real terms by 2012/13. For a single parent family, the increase will be by 60%. Assuming that there is no real increase in the pension or single parent benefit, a water bill in 2012/13 will represent the equivalent of 2.75 weeks of an aged pensioner's income or over 5% of a pensioner's income.

Household	Weekly income*	Annual water consumption**	Annual Water Bill 2008/2009***	Annual Water Bill 2012/2013***
Single Aged Pensioner	\$281.05	90 kL	\$416.58	\$772.01
Single parent family with one child	\$281.05	130 kL	\$642.38	\$1030.21

\*Maximum payment available not including rent assistance or other allowances as at 30 September 2008

\*\* Based on a reasonably water efficient household

\*\*\* Includes aged pensioner rebate.

While this is a relatively small component of household expenditure (even in single aged pensioner households) the price increases need to be considered in conjunction with the price increases for other essential goods and services such as food, electricity and fuel. The Australian Council of Social Service, in their submission to the Pension Review (ACOSS 2008) showed how the value of the pensions has been eroded as the cost of essential services has risen faster than the pension:

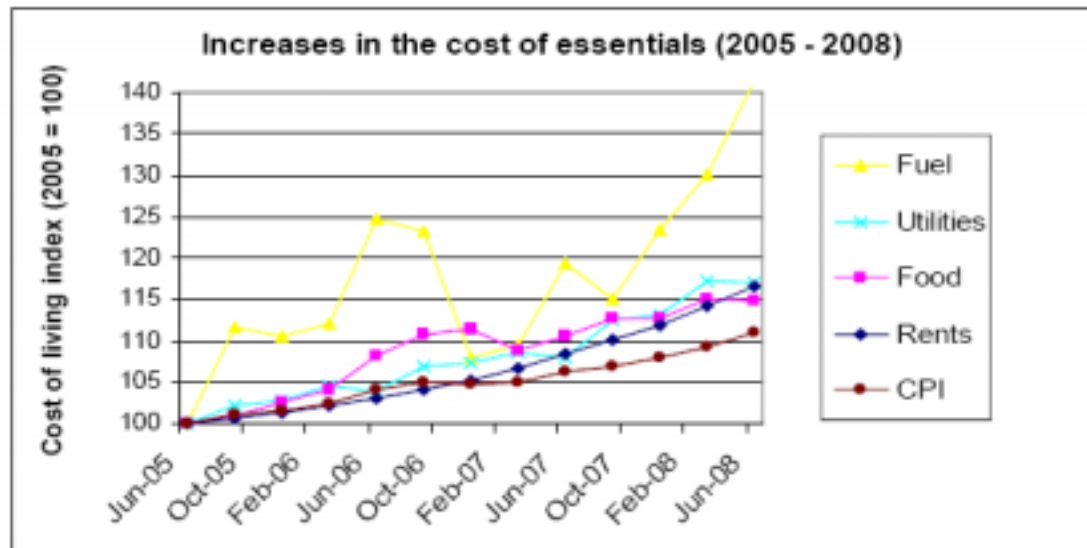
*... since June 2005, the average price of food has risen by 15%, rents have risen by over 17%, household energy bills have risen by 17% and fuel has risen by 41% (see graph 1 below).*

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<sup>1</sup> 2003 are the latest ABS figures available as at 3 October 2008.

*Many social security payments are regularly indexed in line with movements in the Consumer Price Index, which has increased by 11% over this period, well below rises in the cost of essentials.*

Graph 1



Source: ABS Consumer Price Index

In their submission to the Pension Review, ACOSS has proposed substantial reforms to Australia's social security system that will assist social security recipients to maintain their standard of living in the face of future increases in cost of essential services.

Any price increase significantly above the Consumer Price Index, as proposed by Hunter Water, will have a significant impact on water affordability for welfare dependent and other low-income households. While the Commonwealth Government has offered some Centrelink pensioners and beneficiaries a one-off payment in December and may increase some Centrelink payments in the 2009-2010 Commonwealth Government budget, IPART still needs to be aware of the impact on welfare dependent households of a large increase in water prices. IPART should encourage Hunter Water to enhance its practices to better mitigate the impacts of price rises on low income households.

#### **4. MITIGATING IMPACTS ON LOW INCOME CUSTOMERS**

NCOSS believes that major utilities in NSW should offer hardship programs for low income consumers in financial difficulty. Such a hardship program should have a number of features such as:

- payment by installments,
- payment assistance
- pensioner rebates, and
- demand reduction schemes.

##### **Payment by installments**

NCOSS notes the payment plans offered by Hunter Water that assist low and fixed income households pay their water bills on a more regular basis. NCOSS acknowledges that while this system assists low income consumers it costs Hunter Water a small amount to implement.

NCOSS is disappointed that Hunter Water has rejected the option of Centrepay for Centrelink pensioners and beneficiaries on the basis of cost. Hunter Water should not base its decision on Sydney Water's experience as Centrepay has only been offered to Sydney Water customers for a short time. NCOSS suggests that Hunter Water trial the Centrepay scheme to assess its effectiveness.

##### **Payment assistance**

NCOSS notes Hunter Water's payment assistance scheme that is operated through the not-for-profit, non-government human services sector. NCOSS believes that these schemes are an important part of the social safety net. NCOSS believes that the payment assistance scheme's close link with the non-government sector has the ability to link people in financial hardship to other social services.

NCOSS believes that the proposed price rises will require Hunter Water to increase funding for its payment assistance scheme as higher water bills combined with higher prices of other essential services will lead greater levels of financial stress among low income households.

##### **Pensioner rebates**

The maximum pensioner rebate of \$175 per annum offered by Hunter Water is in line with the maximum available water rebates from local government owned water services in NSW. However, this falls well short of the pensioner rebate offered by Sydney Water, which, in 2008-2009) comes to nearly \$500 per annum. The Sydney Water pensioner rebate also increases with price increases as it is a proportion of the fixed service charges. If a similar system was used by Hunter Water at the same proportions of fixed charges then their pensioner rebate would be around \$360 per annum in 2008-2009.

NCOSS recommends that the Hunter Water pensioner rebate should be calculated as a proportion of the fixed service charges at similar proportions to Sydney Water.

NCOSS also believes that pensioner rebates should be extended to other low income consumers including all Centrelink pensioners and beneficiaries as well as 'working poor' households.

### **Demand reduction**

NCOSS notes that Hunter Water has in place a washer replacement scheme. NCOSS welcomes the expansion of this scheme to Payment Assistance Scheme recipients. Further, NCOSS notes that Hunter Water's draft H<sub>2</sub>50 plan (Hunter Water 2008) refers to the development of enhanced residential refit program at a minor cost to the consumer. NCOSS believes that a comprehensive refit program should be established by Hunter Water and that such a program should be offered at no cost to certain low income households (including Centrelink beneficiaries).

Hunter Water should also consider offering rebates for water efficient washing machines. Sydney Water offers a \$150 rebate for four and a half star water efficiency rated washing machines as part of the NSW Government's Climate Change fund.

### **No-interest loans**

For many low income earners, water efficient washing machines are too expensive when considering a new purchase. Cheaper, including second hand, top loader washing machines are more likely to be purchased than the more expensive water efficient front loader models. Similarly, the purchase and installation of rainwater tanks is beyond the capacity of many low income households. No Interest Loan Schemes are a way of bringing these items within reach of low income households. No Interest Loan Schemes (NILS) are community based schemes to help low income people buy essential household items or pay various bills. Many low income households get by week to week, but are completely stuck when they need to buy an expensive appliance. No interest loans usually provide small loans of around \$500 to \$1000 that are usually repaid within one year. NCOSS suggests that Hunter Water fund the capital base of no-interest loans schemes for eligible community organisations in order to permit loans to be granted for water efficient washing machines and rainwater tanks.

## **5. CONCLUSION**

NCOSS believes that the impact of substantial increases in households water bills on low income households, such as proposed by the Hunter Water, need to be carefully considered by IPART.

NCOSS believes that IPART should require Hunter Water to:

- trial Centrepay arrangements for households dependent on Centrelink payments;
- increase funding for its payment assistance scheme;

- develop a new system for pensioner rebates based on proportions of fixed charges;
- development a comprehensive residential refit program, free for low income households; and
- provide capital funding to no-interest loans schemes for water efficient appliances, water saving devices and repairs.

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

## REFERENCES

Australian Bureau of Statistics (2003) *National Regional Profile Cat No. 1379.0.55.001*, ABS, Canberra.

Australian Council of Social Service (2008) *Submission to the Minister for Families, Housing, Community Services and Indigenous Affairs: Pension review*, ACOSS, Sydney.

Hunter Water (2008) *Draft H<sub>2</sub>50 Plan: Securing Our Water Future – a long-term strategy to meet the water needs for the Lower Hunter*, Hunter Water, Newcastle West.