

Rick Banyard

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Re Major deficiencies in Issues Paper

Review of Metropolitan Water Agency Prices

Dear Sir

I was very interested in the issues paper however I am again very concerned that a large proportion of the report fails to address the key fundamental issues.

This is because it fails to recognise

1. That there is a major difference between **consumers** and **customers**.
2. That the user Pays principle is impossible under the current regime
3. That water meters are not present for all supplies.
4. Incentives and discounts are not available to the people they are intended for.
5. Third Party Suppliers.

May I raise these issues in more detail?

That there is a major difference between CONSUMERS and customers

The issues paper incorrectly uses the terms synonymously as it considers the water users to be both customers and consumers.

This is not correct.

A **consumer** is a person who uses the water. That is they consume it but rarely pay for it.

A **customer** is a person identified under the water authorities Customer Contract as the person responsible for receiving from and paying for the supply from the authority.

If one deducts the number of customers the water authorities have from the number of people (consumers) in the Sydney region only about **15% of the population are customers.**

On a per household basis customers only represent 40% of households.

Given that it is the customer who pays for the water can you explain how your issues paper can claim to identify the issues given that it fails to consider the issue of water use and pricing for 85% of the population and 40% of the households?

That the user Pays principle is impossible under the current regime

Fundamental to any pricing policy and any strategy of conserving water is to make all retail households financially responsible for water consumed. Users must be made responsible consumers by making them directly responsible for the total cost of their water.

To achieve this steps are simple.

1. Amend the water legislation to make households qualify as customers of the Water Authorities.
2. Set a water pricing structure based 100% on quantity used.
3. Establish a pricing structure that provides a basic water supply at a realistic level scaling up in a series of steps to a top scale with charges appropriate for luxury use.
4. Regulate demand by adjusting the upper price levels.

A strategy as above would

1. Eliminate the need for water restrictions.
2. Allow all consumers to take advantage of concessions (currently most are excluded because they are not customers).
3. Reduce the costs to landlords thereby keeping rental prices low
4. Apply the user pays principle.
5. Provide extra funds to water authorities to build infrastructure capable of meeting the demand.

6. The system would be fair and reasonable. (no one would have any grounds to complain as the volume of water used would be the choice of the consumer).
7. There would be no need for the expensive water restriction policing.

That water meters are not present for all supplies.

Due to gross inefficiencies, poor planning and a failure to adopt new technologies 1% of properties (from Sydney Water) do not have water meters. It is understood that as high as 15% of households do not have water meters.

Surely there can be nothing more fundamental than the issue of how to measure the consumption of consumers. Surely this is a major issue and must be included in the issue paper.

Water meters are an essential tool in limiting water consumption. The cost of water to a households was identified in the household survey as one of the key factors in reducing water consumption and waste.

Incentives and discounts are not available to the people they are intended for.

The government, corporations and private bodies provide a range of discounts, incentives and concessions to various groups with our community.

Surely the effectiveness and assurance that the intended beneficiaries gain the benefits is fundamental to the issue of how to measure the consumption and price of that consumption to consumers. Surely this is a major issue and must be included in the issues paper.

Third Party Suppliers.

Currently residential tenants are billed for their water usage by landlords in accordance with the provisions of the Residential Tenancies Act.

This makes landlords "retailers" and water Authorities "wholesalers". Under the current situation landlords carry the costs of billing, collection, bad debts etc and are excluded from any of the credit collection procedures of the water authorities.

For this the landlord gets no payment and have to bear considerable costs.

The issues paper clearly needs to address

- How 40% of households pay for their water.
- The price landlords can charge their tenants
- Discounts or commissions payable by water authorities to landlords
- The cost incurred by landlords.

Conclusion And Recommendation

The issues paper as distributed is very scant and it clearly fails to understand the reality of the situation. The issues paper because it fails to identify key issues will also fail to stimulate debate about the issues.

Surely the issues paper is intended to raise the issues.

As a minimum the document must have a glossary of terms.

I recommend that the Issues Paper is retracted and a revised issues paper be issued with a document that raises the real issues.

If IPART is not prepared to do this then a supplementary issues paper needs to be issued.

Rick Banyard