

INDEPENDENT PRICING AND REGULATORY TRIBUNAL

REVIEW OF LATE PAYMENT FEE AND DISHONOURED OR DECLINED
PAYMENT FEES - SYDNEY WATER AND HUNTER WATER

Tribunal Members

Dr Peter Boxall AO, Chairman
Ms Catherine Jones and Mr Ed Willett, Members

Members of the Secretariat

Mr Hugo Harmstorf, CEO, Mr Matthew Edgerton,
Ms Anita Payne and Ms Elina Gilbourd

At the offices of IPART
Level 15, 2-24 Rawson Place, Sydney

On Monday, 11 April 2016, at 2.00pm .11/04/20161
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1 OPENING REMARKS

2

3 THE CHAIRMAN: Good afternoon, and thank you all very
4 much for coming.

5

6 I would like to welcome you to this public hearing and
7 begin by acknowledging that we are meeting on the
8 traditional land of the Gadigal people of the Eora Nation
9 and wish to pay my respects to the traditional landowners
10 both past and present.

11

12 My name is Peter Boxall and I am Chair of the
13 Independent Pricing and Regulatory Tribunal (IPART). I am
14 joined today by my fellow tribunal, members Catherine Jones
15 and Ed Willett.

16

17 In December 2015, IPART received terms of reference
18 from the government:

19 To specify a maximum late payment fee for Sydney Water
20 and the terms and conditions to apply to the charging of
21 this fee; and

22 To specify maximum dishonoured or declined payment
23 fees for Sydney Water and Hunter Water.

24

25 This public hearing is an important part of our
26 consultation process. In making our final decisions on
27 late payment fees and dishonoured or declined payment fees,
28 we will consider the views you provide today on our draft
29 recommendation in addition to the views expressed in the
30 written submissions.

31

32 We are conducting this review at the same time as the
33 reviews to determine the maximum prices that Sydney Water
34 and Hunter Water can charge their customers for water,
35 sewerage, stormwater and other monopoly services from
36 1 July 2016.

37

38 We released the draft reports and draft determinations for
39 these reviews on 22 March. These draft reports include our
40 draft recommendations on Sydney Water's late payment fee
41 and Sydney Water's and Hunter Water's dishonoured or
42 declined payment fees.

43

44 Our draft reports and the related documents are
45 available to the public on our website. Submissions to
46 these draft reports are due by 18 April, a week from today.
47 We will release our final reports and determinations in

1 mid-June 2016.

2

3 Before we commence proceedings today, I would like to
4 say a few words about the process for this hearing. The
5 hearing will be divided into two sessions.

6

7 The first session will consider dishonoured or
8 declined payment fees for Sydney Water and Hunter Water.
9 The second session will consider Sydney Water's late
10 payment fee. Each session will begin with a brief
11 presentation by the IPART secretariat followed by a short
12 response from the utilities. I will then invite
13 participants in the room to provide comment or ask
14 questions.

15

16 Today's hearings will be recorded by our transcriber.
17 To assist the transcriber, I ask that, on each occasion you
18 speak, please identify yourself and, where applicable, your
19 organisation before speaking.

20

21 Assisting the tribunal today are IPART secretariat
22 members Hugo Harmstorf, who is IPART's Chief Executive
23 Officer, Matthew Edgerton, Anita Payne and Elina Gilbourd.

24

25 For the first session, I will call on Elina to outline
26 our draft position on dishonoured or declined payment fees.

27

28 SESSION 1: Dishonoured or declined payment fees

29

30 MS GILBOURD: Thank you, Mr Chairman. I will begin by
31 describing the current arrangements. Both Sydney Water and
32 Hunter Water have provisions in their customer contracts
33 to charge dishonoured or declined payment fees and both do
34 currently charge these fees. We didn't receive any
35 submissions to our issues papers in relation to either of
36 these fees for Sydney Water or Hunter Water.

37

38 In terms of what they propose, Sydney Water has
39 proposed to maintain its fee in real terms at \$12.27. We
40 considered this to be a reasonable proposal as the fee
41 appears to remain cost reflective and shows similar
42 calculations to the previous determinations. However, for
43 Sydney Water's miscellaneous charges, we found in general
44 that they were not including an allocation for corporate
45 costs and their costs weren't quite cost reflective, so we
46 added a small adjustment of 1.9 per cent to reflect the
47 corporate costs involved.

1
2 With Hunter Water, it reviewed all of its
3 miscellaneous charges and proposed a number of changes but
4 did not propose a big change to its dishonoured and
5 declined payment fees.
6
7 Unlike Sydney Water, Hunter Water charges three
8 separate fees depending on the type of declined payment and
9 it has only proposed minor changes of a few cents to each
10 of these. Similar to Sydney Water, we thought that this
11 seemed reasonable and our draft recommendation was to
12 accept Hunter Water's proposal.
13
14 Looking at what the prices are based on, we found that
15 they appeared to be cost reflective and they did not need
16 to be adjusted for corporate costs because Hunter Water
17 already includes corporate costs in their calculations.
18
19 We did note in our draft report, however, that Hunter
20 Water's dishonoured or declined payment fees are much
21 higher than Sydney Water's - they are at around \$20 to \$40
22 as opposed to \$12.27 - but we concluded that that on its
23 own was not enough reason to reject Hunter Water's proposal
24 because it appeared to reflect the processes that it has in
25 place.
26
27 However, if you have a look at this table, it shows
28 the determinations over time and the disparity seems to
29 have increased over time so that may be something worth
30 discussing today.
31
32 For this session, we would like to consider whether
33 our draft recommendations seem reasonable; why there is a
34 gap between Sydney Water's and Hunter Water's fees; and
35 whether there is a reason to bring them in line. Also,
36 we would like to consider whether the single structure of
37 Sydney Water - where they have one price for all
38 dishonoured and declined fees - is preferable to Hunter
39 Water's three-part structure, or the other way, thank you.
40
41 THE CHAIRMAN: Thank you Elina. Sydney Water, Paul?
42
43 MR FREEMAN: Paul Freeman, General Manager Business
44 Strategy and Resilience at Sydney Water. I think I'd like
45 to first start out, Chairman, by supporting the increased
46 corporate overheads that IPART has recommended, so we
47 have no challenge there.

1
2 In terms of the vexing question with regard to some of
3 the differences in fees, our fee is cost reflective of our
4 processing costs for a dishonoured or declined payment.
5
6 When we look at our arrangements with suppliers, such
7 as Australia Post or our banking institution, the nature of
8 our contract means they are not currently charging us any
9 fees, so there is therefore no need for Sydney Water to
10 pass through that cost to customers. We wait to hear from
11 Hunter Water, but that may be the primary reason for the
12 difference. That would depend in the future - if our
13 agency wanted to do that, we may have to come back at some
14 future determination to pass through those fees, but we
15 would always be trying to make these fees cost reflective
16 of what it costs Sydney Water.
17
18 MS MURAS: Heidi Muras, Sydney Water. Could I add to
19 that, please?
20
21 THE CHAIRMAN: Yes, of course.
22
23 MS MURAS: There is one instance where, if we have a
24 declined Australia Post cheque, there is an additional \$8
25 charged to Sydney Water and we then pass that on to the
26 customer in addition to our declined or dishonoured payment
27 fee. In our response to IPART we will be clarifying that,
28 and we would request that you do note that, in your final
29 report, for transparency. Our fees are just on our
30 administration costs only and then any additional fees -
31 and that is the only one we can find at this point in
32 time - that we incur, we pass on to the customer.
33
34 THE CHAIRMAN: Thank you very much, Heidi. Hunter
35 Water? Fiona?
36
37 MS CUSHING: Fiona Cushing, Hunter Water. We have gone
38 through and looked particularly with reference to one of
39 the points that you have identified whereby there is a
40 distinct difference between our fees and Sydney Water's
41 fees. Our fee includes our labour costs, including our
42 employee on-costs as well as an overhead rate and it also
43 includes any pass-through of the external agency fees.
44
45 As an example of that, for Australia Post if a cheque
46 is dishonoured, the charge that has been set in a new
47 contract with Australia Post from 1 January this year will

1 actually be \$25 per dishonoured cheque. At the time we
2 lodged our submission, it was \$15, so that was the amount
3 that was included in our submission for these charges.
4
5 Our costs are basically reflective of the
6 administration time that is required to actually process
7 everything through our existing billing system. One of our
8 expenditure items in our capital expenditure submission was
9 an upgrade to that system that is currently over 10 years
10 old. We have identified that a number of fee charges and
11 processes as such within our system are quite manual and
12 labour intensive. We will be looking, quite possibly at
13 the next price reset point, to have a different fee
14 reflecting, hopefully, the efficiencies in those costs.
15
16 The other thing I would like to note is that we would
17 be quite supportive of moving to a single fee as opposed to
18 the three multiple fees that we have. The main reasoning
19 behind that is that, over the last 12 months, we have had
20 around 1,058 dishonoured or declined payments. Of that,
21 981 - so the vast majority - actually relate to direct
22 debit dishonours. That is the lowest charge that we have
23 in the price submission in terms of miscellaneous fees and
24 charges. Given the volume, being 23 and 54 occurrences,
25 for either Commonwealth Banking declined cheques or
26 Australia Post declined cheques respectively, we would be
27 very comfortable to move to that lower rate - which, in our
28 proposal, was \$28.45 - for the direct debit dishonours to
29 be applied to all dishonoured payments irrespective of the
30 agency through which that is done.
31
32 THE CHAIRMAN: Are you planning to put in a submission
33 to that effect?
34
35 MS CUSHING: Yes, we will be planning to propose that in
36 our response to the draft determination to both simplify
37 the process in an administrative sense for ourselves and
38 also reduce the number of miscellaneous charges.
39
40 THE CHAIRMAN: Just to clarify, is your \$25 cost for
41 Australia Post the equivalent to Sydney Water's \$8?
42
43 MS CUSHING: That's correct.
44
45 THE CHAIRMAN: Thank you very much, Fiona. Any
46 comments from around the table? Janine?
47

1 MS YOUNG: Janine Young, Energy and Water Ombudsman.
2 It is good to hear that Hunter Water proposes a single rate,
3 that being a lower one, because the fees do seem very high
4 and the people who are most likely to incur these fees are
5 probably those experiencing financial hardship.
6
7 My only question is: if your new billing system comes
8 into being between now and the next price reset, could you
9 look at that separately and look at passing on any savings
10 or putting in processes so that those most vulnerable don't
11 incur those fees? I am guessing it's not deliberate when
12 they would incur them.
13
14 MS CUSHING: In terms of customers in financial hardship,
15 if they contact us and we have a record of that being the
16 case, we waive those fees for those customers. Therefore,
17 those dishonoured and declined fees are not charged to
18 customers who are experiencing financial hardship. When we
19 are levying those fees, we try to ensure that they are
20 levied on the customers who choose not to pay as opposed to
21 the customers who are unable to pay.
22
23 THE CHAIRMAN: Thanks, Fiona. Janine?
24
25 MS YOUNG: Just in response to that, where you know that a
26 customer is in financial hardship because they may have
27 used one of your payment assistance options previously,
28 would you waive them proactively?
29
30 MS CUSHING: No, in that instance, generally we wait until
31 the customer contacts us. So the fee may well be levied on
32 their account and they then contact us. Similarly if a
33 customer is on a payment plan, then we will liaise with
34 that customer directly, if they are on an agreed payment
35 plan, to understand the reason behind that decline.
36
37 MS YOUNG: Thank you.
38
39 MS MURAS: If I could clarify that?
40
41 THE CHAIRMAN: Sure.
42
43 MS MURAS: We have a similar approach for customers in
44 hardship, but we assess it on a case-by-case basis. The
45 late payment has a separate exclusion, but at the moment
46 with the dishonoured fees at Sydney Water, we assess that
47 on a case-by-case basis and are happy to waive it if we

1 think that the reasons for their being declined are related
2 to hardship. So we have a similar approach.
3
4 THE CHAIRMAN: Thank you, Heidi. Next, Kristal?
5
6 MS BURRY: Kristal Burry from the Public Interest Advocacy
7 Centre. Just to clarify that, there are customers who have
8 a record of being on hardship, but what if you don't have
9 that record but you are facing that short-term hardship, Is
10 that the same case? Would you waive it for them or is it
11 kind of depending on whether they can prove their hardship
12 status?
13
14 MS CUSHING: It is done on a case-by-case basis,
15 effectively. Provided a customer does get in contact with
16 us and explain their situation, then our case management
17 team would take that on board and go through the normal
18 processes that they do for customers who are in long-term
19 financial hardship.
20
21 MS MURAS: And it was not a prescriptive view that you can
22 only have a fee waived if you are on hardship. Also Sydney
23 Water only has about 350 incidences per year where we
24 charge this fee. It does not apply to customers in
25 hardship because they are usually on a payment plan to
26 avoid these types of things happening. They are using a
27 mechanism like Centrepay and things like that. It wouldn't
28 happen in that instance, I believe.
29
30 THE CHAIRMAN: Thanks very much, Heidi. Is that it,
31 Kristal?
32
33 MS BURRY: Hunter Water's fee is \$25, but Sydney Water's
34 is \$8. How come Australia Post can charge a different fee
35 for the same service?
36
37 MS CUSHING: I can't necessarily speak for Australia Post,
38 but my understanding would probably be the likelihood of
39 economies of scale. In terms of Hunter Water and the
40 contract that we have with Australia Post, we have a much
41 smaller customer base, being around 238,000 customers, so
42 our ability to negotiate and the power we have to negotiate
43 with Australia Post, who effectively to a large extent
44 provide a monopoly service in terms of agency services in a
45 number of locations, is perhaps more limited than it would
46 be for Sydney Water. That is just my assumption.
47

1 THE CHAIRMAN: And we don't regulate Australia Post.
2
3 MS BURRY: I am not suggesting you do. Can you negotiate
4 together?
5
6 MS MURAS: I believe that the issue has been brought to
7 light because of this public hearing, actually, and it was
8 not something that either party was aware of.
9
10 MS CUSHING: Yes.
11
12 MS MURAS: I think we have also established that there are
13 slightly different rates applied per transaction and
14 different things like that, which again I think is related
15 to customer numbers. It's something, I suppose, we could
16 look at in the future.
17
18 Steve, did you have any other comments?
19
20 MR CRAMER: Steve Cramer, Sydney Water. Our price was
21 struck some time ago as well, so ours may come back on the
22 table for renewal by Australia Post.
23
24 THE CHAIRMAN: Thanks, Steve. Michael from NCOSS?
25
26 MR BAILEY: Mike Bailey, NCOSS. If I can just follow up
27 on that question. So presumably your contract with
28 Australia Post contains a number of different service-type
29 agreements within that.
30
31 MS CUSHING: Yes.
32
33 MR BAILEY: So would you know whether that was even on
34 the table or whether it was something that could have been
35 negotiated? In the toing-and-froing of negotiations, was
36 this something that was looked at?
37
38 MS CUSHING: It was not something we looked at
39 specifically in those negotiations, to my understanding,
40 the reason being that that totals 54 transactions for us
41 generally in the 12-month period versus the thousands of
42 transactions that actually occur through Australia Post as
43 a normal matter of business. There are a multitude of
44 different transactions that may get processed, but it is
45 not particularly high on the radar in terms of the
46 negotiations.
47

1 MR BAILEY: What about your other agencies?
2
3 MS CUSHING: The only other agency that we have where we
4 have the dishonoured fees coming through is the
5 Commonwealth Bank and the external charge for that is
6 \$2.50. That is by direct debit because, if it is a cheque
7 dishonoured through an external bank, that gets passed
8 directly to the customer as opposed to Hunter Water. So
9 the direct debit dishonours are the lower fee, the \$28.45,
10 which is what we are proposing would be the standard fee
11 across everything. The bulk of that is all of the internal
12 labour and overhead costs of the processing.
13
14 MR BAILEY: But, sorry, so the fee that you get charged by
15 the Commonwealth Bank is \$2.50, did you say?
16
17 MS CUSHING: Correct.
18
19 MR BAILEY: So why is it so high?
20
21 MS CUSHING: The reason for that is the internal labour
22 costs. For example, with a direct debit dishonour,
23 basically we have to go through and identify the property
24 type. We then need to go through and reverse the actual
25 payment that has been applied to that account. Then we
26 have to adjust and apply the charge to that account, send
27 out a letter and there are other processes. As I said, the
28 way the system currently works within our business, it is
29 quite a manually intensive process and we are looking to
30 see if we can streamline that. It takes approximately
31 20 minutes per transaction.
32
33 MR BAILEY: Is that the same for an Australia Post
34 dishonoured cheque?
35
36 MS CUSHING: The Australia Post dishonoured cheque is
37 slightly more intensive because, with a cheque, there is
38 not a specific account identifier on it, so it takes
39 slightly longer to identify the property that that
40 dishonoured cheque directly relates to.
41
42 MR BAILEY: So if it's more intensive, why are the
43 administration costs lower?
44
45 MS CUSHING: The Australia Post charge was actually set at
46 less than the \$25 originally in our submission because
47 that's the new price that has come in from 1 January. So

1 if we were to lodge our submissions now and do it on an
2 exactly cost-reflective basis the Australia Post dishonoured
3 charge would be over \$50.
4
5 MR BAILEY: Sydney Water, can I double-check this: if
6 someone is already on a hardship plan, in most cases, they
7 are not going to incur a fee for a dishonoured cheque or a
8 decline; is that right?
9
10 MR FREEMAN: That's correct.
11
12 MR BAILEY: Okay, so for those who are not - and I suppose
13 this applies to Hunter Water too - how is it assessed
14 whether or not they are financially vulnerable?
15
16 MR FREEMAN: So all our customers who may fall into that
17 category are assessed by professional social workers that
18 we employ through our BillAssist team. So they are trained
19 to ascertain the parameters surrounding each case on a
20 case-by-case basis and determine what is the appropriate
21 treatment for that customer in terms of hardship or
22 otherwise.
23
24 MR BAILEY: So it's the same process as the hardship --
25
26 MR FREEMAN: Yes, it is the same sort of process. But we
27 are not saying just anyone does this. These people are
28 properly trained to do that.
29
30 MR BAILEY: Sure, yes.
31
32 MR FREEMAN: We also take advice and we train a lot of
33 social agencies in being able to recognise early people who
34 may be moving into hardship and to contact us so we can
35 more proactively treat and deal with those customers.
36
37 MR BAILEY: Okay, thanks.
38
39 THE CHAIRMAN: Thank you very much, Mike. Would
40 anybody from the floor like to make any comments or ask any
41 questions? Yes, Matt?
42
43 MR EDGERTON: Matt Edgerton from the IPART secretariat.
44 Sorry, Paul, I might have misunderstood your opening
45 statement, but you have one flat fee for dishonoured client
46 payments. How does that relate to different types of
47 payment and the costs involved there?

1
2 MR FREEMAN: Because what we have assessed is that is
3 our administrative cost. Possibly different from Hunter
4 Water, we have done, if you like, the time and motion
5 studies to evaluate what is our administrative cost to
6 process those payments. Because we don't have to reflect,
7 other than that Australia Post cheque charge,
8 any on-costs from the bank and the like, that then
9 just reflects one single payment.
10
11 As I heard, Hunter Water, for their own administrative
12 simplicity is looking to propose moving to a single charge
13 as well, albeit a higher one, that reflects a recognition
14 of the on-charges that they have to deal with plus their
15 administrative charge.
16
17 MR EDGERTON: So you don't incur any other costs, say,
18 from the Commonwealth Bank?
19
20 MR FREEMAN: No. It is just the nature of our contract,
21 which I might say is commercial in confidence so I can't
22 disclose the terms on that; but, no, at this stage we don't
23 incur any charges.
24
25 THE CHAIRMAN: Thank you Matt. Thank you, Paul.
26 Anybody else? No? Let's move on to the second part. I call
27 on Elina to introduce the discussion on the late payment fee
28 proposed by Sydney Water.
29
30 SESSION 2: Late payment fee for Sydney Water
31
32 MS GILBOURD: Thanks again, Peter. Sydney Water's
33 customer contract allows for it to charge a late payment
34 fee if IPART has set a maximum late payment fee. It has
35 not been charging one to date. Sydney Water can also
36 charge interest on overdue account balances, but it will
37 waive that interest for customers who have entered a
38 payment agreement.
39
40 In this determination, Sydney Water has proposed to
41 introduce a late payment fee of \$4.10 or the interest,
42 whichever of those charges is greater.
43
44 In their proposal, Sydney Water outlined that the
45 interest is not really a deterrent to people paying late,
46 so around 15 per cent of customers allow their bills to
47 become more than seven days overdue.

1
2 Sydney Water also said they have costs imposed on them
3 when customers pay their bills late, so the fee would be
4 simply to recover those costs in addition to the interest.
5 Their bills are currently due in 21 days and the fee would
6 be charged seven days after that - so once the bill is at
7 28 days.
8
9 Sydney Water has proposed some exemptions for customers;
10 namely, where a matter is being considered by the
11 Ombudsman; where the customer has a payment arrangement
12 in place; where the customer is identified as being in
13 hardship or paying by direct debit.
14
15 In this case we had some responses to our issues
16 paper from stakeholders who are in the room. Most
17 respondents were pretty happy with Sydney Water imposing
18 that fee on customers but commented that there could be
19 some further exemptions. EWON suggested the exemption be
20 extended to pensioners and PIAC noted that the fee should
21 not negatively impact on those who are facing financial
22 hardship.
23
24 We thought that the fee of \$4.10 seemed reasonable,
25 particularly when compared to other utilities' late payment
26 fees. As with the dishonoured or declined fee, we added a
27 1.9 per cent adjustment for corporate costs and we also
28 added to their terms and conditions some notice provisions
29 so that the fee cannot be levied on customers unless they
30 receive advance notice and that the fee would not be
31 charged until at least seven days after the bill is due.
32
33 In this session, we would like to discuss whether our
34 draft recommendation is reasonable and whether there are
35 any further exemptions or conditions that should be
36 imposed.
37
38 THE CHAIRMAN: Thank you, Elina. Sydney Water - Paul?
39
40 MR FREEMAN: I think overall Sydney Water is very
41 supportive of the approach by IPART. We have only sought
42 to ensure that we recover our costs, and that is where we
43 have come out with an administrative charge around \$4.10,
44 plus the overhead costs as recommended by IPART.
45
46 There is one thing, though, that is a bit of an anomaly
47 for us. IPART has recommended seven business days.

1 Our billing cycle and system works on calendar days;
2 therefore, we ask - and this will be included in our
3 submission - that that be amended to seven calendar days.
4 That is just a bit of a technical anomaly in relation to
5 our system, but it would be very costly for us to change it
6 to accommodate seven business days.
7
8 We think what we propose is fair and reasonable. We
9 offer payment options that are available to customer 24/7
10 and we are totally supportive of making sure that this fee
11 does not apply to vulnerable customers and people who have
12 already entered into arrangements with us in that regard.
13
14 I am not quite sure with regard to the comment on the
15 extension of the exemption to pensioners, so I might look
16 to my brains trust in the audience as to whether there has
17 been any thought in that respect at this point.
18
19 MR CRAMER: We have thought about the impacts, and
20 pensioners traditionally, contrary to opinion, get a very
21 big concession with their pensioner rebate and most of them
22 are very good payers.
23
24 THE CHAIRMAN: Thanks, Steve. Is there anything else,
25 Paul?
26
27 MR FREEMAN: Nothing, thank you.
28
29 THE CHAIRMAN: Heidi?
30
31 MS MURAS: No, thank you.
32
33 THE CHAIRMAN: Fiona?
34
35 THE CHAIRMAN: From Hunter Water's perspective, at this
36 stage, our customer contract does not have any provisions
37 for us to charge a late payment fee. We will obviously
38 have a look at it as part of our customer contract review,
39 which is upcoming, but at this stage we are not thinking of
40 putting that in our customer contract.
41
42 THE CHAIRMAN: Thank you very much, Fiona. Across the
43 table, Janine?
44
45 MS YOUNG: I think in our paper we actually might have
46 said "rebates" and recommended the use of the term
47 "rebates" more broadly rather than "pensioners".

1
2 I take on board the feedback that many pensioners do
3 pay on time. They are good budgeters, generally, but
4 I guess there is still the case that something could go
5 wrong and they might be late. If your system was able to
6 identify them, because they have received rebates within
7 the last 12 months, I think it is something that you might
8 want to give some further thought to.
9
10 MR FREEMAN: Sure.
11
12 MS MURAS: Pensioners receive a rebate on their bill as a
13 matter of course, so that is the rebate that we were
14 referring to. They already get a large discount on their
15 actual bill and they don't generally tend to fall in the
16 category of people who pay late, so we thought it was
17 appropriate for the exemptions not to include them. I
18 suppose I am just clarifying that that is our current
19 position.
20
21 MS YOUNG: So it may be something that you have a
22 provision for that is not called upon, but it could be that
23 some of them, for whatever reason --
24
25 MR FREEMAN: It still doesn't mean that they cannot
26 qualify for the hardship provisions and enter into payment
27 plans, et cetera. So they are still caught, if they are in
28 financial difficulty, in that safety net as well.
29
30 THE CHAIRMAN: Thank you, Janine. Kristal?
31
32 MS BURRY: No, I really don't have anything much to say
33 other than if you did consider that change worthwhile, we
34 would be supportive of that extra protection for
35 pensioners.
36
37 THE CHAIRMAN: Thanks, Kristal. Mike?
38
39 MR BAILEY: Just one question about interest on overdue
40 account balances because you have the option, right; it's
41 whichever is the greater? How often does that happen?
42 Instead of charging a late fee, how often do you actually
43 recover interest over the account?
44
45 MR CRAMER: A lot of our industrial and commercial
46 customers go into above \$4 whenever they have particularly
47 large outstanding debts.

1
2 MR BAILEY: And any residential customers?
3
4 MR CRAMER: Yes, residential customers can.
5
6 MR BAILEY: Do you know how many?
7
8 MR CRAMER: No, but I can take that question on notice and
9 come back to you.
10
11 MR BAILEY: Okay, thank you. That would be interesting to
12 know.
13
14 MR CRAMER: That's something we have not been asked.
15
16 MR BAILEY: Thanks for that.
17
18 Regarding pensioners, if I could make a comment rather
19 than ask a question, you mentioned that they would still
20 be eligible for pursuing, I suppose, a hardship option if
21 they were late in payment of fees. I guess it's fair to
22 note that pensioners, especially older age pensioners, are
23 reluctant to be regarded as being in hardship, even though
24 often they are. I wonder if that is a good reason for
25 taking on the proposal that the Ombudsman suggested,
26 especially if that is something that could be automated
27 against them already having their access to those rebates.
28
29 Sure, most customers will pay, but financial
30 difficulty might be encountered. You might find that
31 pensioners are unwilling to seek to be classified as in
32 hardship for the sake of the late fee, so it might be
33 easier just to refer it back to the rebates.
34
35 MR FREEMAN: We will take that on board.
36
37 MR BAILEY: Thank you.
38
39 THE CHAIRMAN: Thanks, Mike. Catherine?
40
41 MS JONES: I was looking at the way you came up with the
42 fee and the operating costs. I just wondered, as the
43 technology evolves and more and more people are moving to
44 get bills on direct debit and via email, and Australia Post
45 is increasing its postage prices, are you looking at how
46 you can send out reminders by email rather than posting
47 them or do you have to --

1
2 MR FREEMAN: Well, there is not only email, but SMS as
3 well. At the moment, our costs are quite high, and they
4 have just gone up. Again, similarly, Australia Post has
5 struck a new deal resulting in a 38 per cent increase in
6 postage costs from January. So every bill or every
7 reminder notice we send out costs us 95 cents. It's a
8 significant cost burden on the business. Over the next
9 five years, Sydney Water's costs will increase by
10 \$5.5 million in postage alone. We are looking at
11 initiatives such as our new billing system - through
12 e-billing, through SMS reminders - to completely absorb
13 that cost by the next determination.
14
15 As to how successful we are, we will see how we go,
16 but I think you will find that our administrative costs
17 through the adoption of technology or following this up
18 will continue to plateau and will hopefully reduce. That
19 is a great point, and that is certainly what we would be
20 seeking to do.
21
22 THE CHAIRMAN: Do you send bills out now by email?
23
24 MR FREEMAN: We do send some, but it is a very small
25 proportion of our base. We are looking to achieve probably
26 in the order of 30 to 40 per cent penetration by the end of
27 the determination period.
28
29 MS JONES: And that service that Australia Post offers,
30 the MyPost mailbox, are any of your customers using that
31 yet?
32
33 MR FREEMAN: The digital mailbox?
34
35 MS JONES: Yes.
36
37 MR FREEMAN: Very few are using it, but it's still very
38 early days. I'll ask Steve to comment.
39
40 MR CRAMER: About 17,000 we have on --
41
42 MS JONES: That's not many.
43
44 MR CRAMER: It is not many, no. It was very effective
45 for the first year that it was introduced. There are as
46 many people coming on as going off, so it has stayed at the
47 17,000.

1
2 We also have BPAY View. We have about 25,000 through
3 that service, and now we are in the process of implementing
4 an e-billing system to offer to customers.
5
6 THE CHAIRMAN: Is this a major undertaking? Just
7 following on from Catherine's question, is this a major
8 undertaking? For instance, I had cause to connect a
9 property in Victoria to electricity and the whole thing
10 just went through on email completely. I don't think that
11 I received any paperwork from them or that I had to send
12 any paperwork to them.
13
14 MR FREEMAN: Certainly, I am aware of some of our
15 Victorian peers who have very good online processing
16 capability. Sydney Water does not currently have that
17 same level of sophistication but we are moving towards it,
18 and that is what we hope to do. We need a modern billing
19 platform to underpin everything so that we can make sure
20 the back end connects properly to that digital front end.
21
22 THE CHAIRMAN: Thanks. Sorry, did you want to say
23 something, Heidi?
24
25 MS MURAS: I was going to note that we have taken into
26 account an estimated change in behaviour as a result of the
27 introduction of a late payment fee. We have estimated that
28 the costs that we would need to recover over the course of
29 the next determination should decrease due to the
30 introduction of that fee and that, hopefully, it will
31 encourage on-time payment.
32
33 THE CHAIRMAN: Thanks, Heidi. Janine?
34
35 MS YOUNG: In the light of this discussion and moving to
36 non-paper bills, two letters from consumers - two
37 handwritten letters; some people still go about their
38 business that way - hit my desk this morning complaining
39 because Origin Energy are now charging \$1.75 per printed
40 bill.
41
42 We were talking about pensioners before, but there is a whole
43 group of people for whom perhaps having a computer
44 and having access to a computer is not their choice or it
45 is not within their capability, so that should be noted.
46
47 MR FREEMAN: Yes, we recognise that.

1
2 MS YOUNG: Not everyone does.
3
4 THE CHAIRMAN: The percentage of those people is getting
5 smaller.
6
7 MS YOUNG: It is getting smaller, but I think there will
8 always be that vulnerable group.
9
10 MS BURRY: And the CALD community are not necessarily
11 always online as well, so that's another group that gets
12 caught out by that.
13
14 THE CHAIRMAN: Thanks, Janine and Kristal. Are there any
15 other questions or comments? Matt?
16
17 MR EDGERTON: I was just wondering if Sydney Water
18 could talk us through the costs underpinning the \$4. You
19 mentioned administrative costs, but could you talk us
20 through the process involved in late payment fees?
21
22 MR FREEMAN: I'll just refer to a document I have here.
23 We have reminder notices and there are printing costs
24 issues. Currently, that cost is about \$0.8 million a year.
25 Interest costs, at our credit rate of 4.5 per cent, come to
26 about \$1.6 million per year. Disconnection notices issued,
27 when we get to that point, involve postage, printing and
28 staff costs and that comes to about \$300,000 a year, making
29 our total costs, in 2016-2017 dollars, \$2.7 million a year.
30 They are the main, if you like, administrative costs.
31
32 As Heidi said, in 2019-2020, at the end of the
33 determination, we believe that will move down to about
34 \$2 million a year in today's dollars. We have done a bit
35 of behavioural crystal-ball gazing to see what influence we
36 believe we can have on it, and that would be about a
37 \$700,000 reduction in nominal terms in 2019-2020 over the
38 determination period.
39
40 MR EDGERTON: Thank you. You mentioned before that
41 you don't necessarily have the exact figures in terms of who
42 would be subject to the fee versus who would be subject
43 to the interest charge because you have the option of
44 levying whichever is higher. Would a typical residential
45 customer typically be subject to the late payment fee
46 or would --.
47

1 MS MURAS: I will have to get confirmation on that one.
2 Steve?
3
4 MR CRAMER: Because it is linked to the reminder notice,
5 there is a minimum of \$130 - and this is our current
6 parameter - outstanding before we even issue the notice, so
7 you have to owe us at least that amount or more.
8
9 MS MURAS: I think to answer your question more simply,
10 for most residential customers, we would envisage that they
11 would get the late payment fee.
12
13 MR CRAMER: Yes.
14
15 MS MURAS: Not the overdue interest.
16
17 MR FREEMAN: At \$130, or even if it was \$200, at 4.5 per
18 cent per annum or even if we were to charge a statutory
19 rate of 10 per cent, it will still not, on a quarterly
20 basis, add up to \$4.10. They would, therefore, need a
21 pretty substantial debt to get to \$4.10 being the
22 outstanding interest charge.
23
24 THE CHAIRMAN: Good, thank you very much, Paul. Are
25 there any other questions or comments? Mike?
26
27 MR BAILEY: Can I double-check something? You said that
28 part of the cost calculation was 4.5 per cent; your credit
29 costs, was it 4.5 per cent that you said?
30
31 MR FREEMAN: There is our interest and our credit rate
32 costs --
33
34 MR BAILEY: So that is the figure that is used, because
35 I note that when you --
36
37 MR FREEMAN: No, it is the figure we use in our costs -
38 so the costs to us - so that we are not claiming a higher
39 cost to us. That is what our capital cost is at this point
40 in time.
41
42 MR BAILEY: So it is that rate that is used in the
43 calculation rather than the --
44
45 MR FREEMAN: Well, for our costs.
46
47 MR BAILEY: Yes, rather than the statutory rate.

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1
2 MR FREEMAN: I can ask Steve. What rate do we actually
3 use?
4
5 MR CRAMER: The current rate is 6 per cent flat.
6
7 MR FREEMAN: 6 per cent flat, so that is the rate we would
8 charge a customer.
9
10 MR BAILEY: Okay, that makes sense. Thanks.
11
12 CLOSING REMARKS
13
14 THE CHAIRMAN: Thank you very much for your
15 participation in today's proceedings.
16
17 A transcript of the proceedings will be available on
18 our website in a few days. We will, of course, consider
19 the comments made today and the contributions today, as
20 well as contributions and comments we get in
21 submissions, when we finalise our decisions on late payment
22 fees and dishonoured or declined payment fees.
23
24 As I previously mentioned, final reports and
25 determinations for prices to apply to Sydney Water's and
26 Hunter Water's monopoly services from 1 July will be
27 released in mid-June 2016. These final reports will also
28 specify our findings and recommendations on Sydney Water's
29 late payment fee and Sydney Water's and Hunter Water's
30 dishonoured or declined payment fees.
31
32 Thank you very much and have a great afternoon.
33
34 AT 2.45PM, THE HEARING WAS ADJOURNED
35 ACCORDINGLY
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