



public interest
ADVOCACY CENTRE LTD

**Hunter Water Prices: Submission to IPART
Review of prices for water, stormwater and
recycled water services for Hunter Water
Corporation**

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The Public Interest Advocacy Centre

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit law and policy organisation that seeks to promote a just and democratic society by making strategic interventions on public interest issues.

PIAC identifies public interest issues and, where possible and appropriate, works co-operatively with other organisations to advocate for individuals and groups affected.

In making strategic interventions on public interest issues PIAC seeks to:

- expose & redress unjust or unsafe practices, deficient laws or policies;
- promote accountable, transparent & responsive government;
- encourage, influence & inform public debate on issues affecting legal and democratic rights;
- promote the development of law that reflects the public interest;
- develop and assist community organisations with a public interest focus to pursue the interests of the communities they represent;
- develop models to respond to systemic unmet need; and
- maintain an effective and sustainable organisation.

Established in July 1982 as an initiative of the Law Foundation of New South Wales, with support from the NSW Legal Aid Commission, PIAC was the first, and remains the only, broadly based public interest legal centre in Australia. Financial support for PIAC comes primarily from the NSW Public Purpose Fund and the Commonwealth and State Community Legal Centre Funding Program. PIAC also receives funding from the NSW Government Department of Energy and Water for its work on utilities, and from Allens Arthur Robinson for its Indigenous Justice Program. PIAC also generates income from project and case grants, seminars, consultancy fees, donations and recovery of costs in legal actions.

Energy + Water Consumer Advocacy Program (EWCAP)

This Program was established at PIAC as the Utilities Consumers' Advocacy Program in 1998 with NSW Government funding. The aim of the Program is to develop policy and advocate in the interests of low income and other residential consumers in the NSW energy and water markets. PIAC receives policy input to the Program from a community-based reference group whose members include:

- Council of Social Service of NSW (NCOSS);
- Combined Pensioners and Superannuants Association of NSW (CPSA);
- Park and Village Service;
- Ethnic Communities Council NSW;
- Rural and remote consumers;
- Institute of Sustainable Futures (ISF), University of Technology (UTS);
- Indigenous consumer representative; and
- Western Sydney Community Forum (WSCF).

1. Introduction

PIAC welcomes the opportunity to provide comment on the Independent Pricing and Regulatory Tribunal (IPART) review of prices for water, wastewater, and stormwater services for Hunter Water Corporation.

Hunter Water states that its proposal for the upcoming price determination period would increase the average residential property bill by \$389 or 54 per cent¹. PIAC deems this to be a significant increase and takes this opportunity to express serious concern that the adoption of this price path would lead many low-income and other vulnerable consumers to experience difficulty paying their water bills. PIAC also questions one of the foundations of the proposed increase and proposes a strengthened social support program to assist consumers to ameliorate the adverse outcomes from significantly higher water prices.

2. Impact of price increases

The Hunter is home to a large number of low-income households. Australian Bureau of Statistics data indicates that a markedly greater proportion of local residents are in receipt of the aged pension and disability support pension² than is the case for the rest of New South Wales³ and Australia⁴. So too, the median individual, household and family incomes of Hunter residents⁵ are each less than the median individual, household and family income figures for both New South Wales⁶ and Australia⁷.

A number of recent local studies indicate that many of these households are already experiencing difficulty with their utility bills. The Hunter Region Omnibus Survey in September 2008 asked local residents who were negatively impacted by rising petrol costs whether this would affect their capacity to pay utility bills. Thirteen point eight per cent of respondents suggested it would make paying a utility bill very difficult and a further 8.7 per cent indicated it would make paying a utility bill extremely difficult⁸. The Hunter Valley Research Foundation Wellbeing Watch also reported an increase in the proportion of local residents who were short of money and struggled to pay their utility bills by the due date. In 2007 40.1 per cent of people who were short of money could not pay their utility bill compared with just 31 per cent in 2006⁹.

Notably, Hunter Region Economic Indicators suggest an increase in the proportion of local residents who expect their financial health to deteriorate. Data from September 2008 suggests 18 per cent of Hunter residents expect their financial circumstances to be worse over the next quarter compared to just 12 per cent who thought the same in September 2007¹⁰.

Given the extent of socio-economic disadvantage in the Hunter; indications that some local residents are already experiencing difficulty paying their utility bills; and declining optimism about financial wellbeing, PIAC contends that a 54 per cent increase in the average water bill over the next four years would leave many local residents significantly worse off.

¹ Hunter Water Corporation (2008) *Submission to IPART on Prices to Apply from 1 July 2009*, Hunter Water, Newcastle, 1.

² Australian Bureau of Statistics (2003) *National Regional Profile: Hunter* <abs.gov.au> at 7 November 2008.

³ Australian Bureau of Statistics (2003) *National Regional Profile: New South Wales* <abs.gov.au> at 7 November 2008.

⁴ Australian Bureau of Statistics (2003) *National Regional Profile: Australia* <www.abs.gov.au> at 7 November 2008.

⁵ Australian Bureau of Statistics (2008) *2006 Census QuickStats: Hunter* <www.censusdata.abs.gov.au> at 7 November 2008.

⁶ Australian Bureau of Statistics (2008) *2006 Census QuickStats: New South Wales* <www.censusdata.abs.gov.au> at 7 November 2008.

⁷ Australian Bureau of Statistics (2008) *2006 Census QuickStats: Hunter* <www.censusdata.abs.gov.au> at 7 November 2008.

⁸ Hunter Valley Research Foundation (2008) *Impact of Rising Petrol Prices on Hunter Residents*

<www.hvrf.com.au/pages/design/links/uploaded/PETROLPRICESOmnibus.pdf> a 6 November 2008.

⁹ Hunter Valley Research Foundation (2008) *Wellbeing Watch*

<www.hvrf.com.au/pages/design/links/uploaded/wellbeingwatch2008emailversion_001.pdf> at 6 November 2008.

¹⁰ Conversation with Robin McDonald, Director, Hunter Valley Research Foundation, by telephone, 31 October 2008.

PIAC requests that IPART takes the abovementioned picture into consideration when determining the appropriateness of Hunter Water pricing proposals.

3. Capital expenditure

Hunter Water indicates that growth is the primary driver for the historically high \$1,148 million capital expenditure program proposed for the upcoming determination period¹¹. The magnitude of population and dwelling growth for its catchment area is sourced from the Department of Planning *Lower Hunter Regional Strategy 2006*. This document forecasts population growth of 160,000 by 2031 and the construction of 115,000 new dwellings over this same period¹².

PIAC alerts IPART to the existence of more recent Department of Planning projections that suggest the Hunter may experience smaller population and dwelling growth than indicated by Hunter Water. In October 2008 the *New South Wales State and Regional Population Projections 2006-2036* indicated that the population of Newcastle (identified by the Department of Planning as the same geographical area referred to in the *Lower Hunter Regional Strategy 2006*¹³) is projected to increase from 517,500 in 2006 to 652,600 in 2031¹⁴. That is, the region will experience an increase of 135,100 people rather than the 160,000 that Hunter Water relies upon in its submission. Furthermore, the *New South Wales Household and Dwellings Projections 2006-2036* project that the number of structural dwellings will increase from 213,100 in 2006 to 288,200 in 2031¹⁵. That is, there will be an increase of just 75,100 dwellings rather than the 115,000 on which Hunter Water bases its assessment of capital expenditure requirements.

PIAC submits that this new data may moderate the need for Hunter Water to undertake the largest capital investment program in its history and that this should in turn reduce the need to introduce water price increases to the extent proposed by Hunter Water. PIAC strongly urges IPART consider these more recent figures when determining the appropriateness of Hunter Water revenue and price proposals.

4. Price Path

PIAC understands that the price path proposed by Hunter Water intends to introduce the largest increase to water bills in the first year of the determination, followed by smaller increases over ensuing years¹⁶. PIAC understands that many low-income earners have little discretionary expenditure and few savings and is concerned that a price increase that adds 28.8 per cent to the average water bill in year one will mean many of these households will experience extreme difficulty managing their bills. PIAC requests that IPART require Hunter Water to introduce constant price increases over the period so that consumers experience incremental adjustments in their bills in place of large increases that are likely to generate additional financial stress.

¹¹ Hunter Water Corporation, above n 1, 65.

¹² Hunter Water Corporation, above n 1, 26.

¹³ E-mail from Demography Unit, NSW Department of Planning, to Mark Ludbrooke, Public Interest Advocacy Centre, 27 October 2008

¹⁴ Department of Planning (2008) *New South Wales State and Regional Population Projections 2006-2036 [Excel spreadsheet]* <www.planning.nsw.gov.au/programservices/population.asp> at 10 November 2008.

¹⁵ Department of Planning (2008) *New South Wales Household and Dwelling Projections 2006-2036 [Excel spreadsheet]* <planning.nsw.gov.au/programservices/population.asp> at 10 November 2008.

¹⁶ Hunter Water Corporation, above n 1, 109.

5. Pass throughs

PIAC notes that Hunter Water expects to be able to pass through any costs imposed by the implementation of the Carbon Pollution Reduction Scheme¹⁷. PIAC urges IPART to reject the notion of a complete pass through because it fails to incentivise Hunter Water, as a monopoly water utility, to reduce its 85,000 tonnes of CO₂-e emissions per annum. Instead, PIAC strongly suggests the costs of the scheme should be shared by Hunter Water and consumers.

PIAC also contends that a pass through should be rejected if the Australian Government determines to provide compensation to assist Hunter Water to manage increased costs on account of the Carbon Pollution Reduction Scheme.

6. Financial and other support

Recognising that the price of water will increase as a result of this determination, PIAC believes it is essential that local residents have access to adequate financial and other support to assist them to minimise difficulties paying their bills.

To this end, PIAC urges IPART to recommend a review of the adequacy of programs available for customers of Hunter Water. PIAC notes that IPART recently recommended that the New South Wales Government evaluate Sydney Water's current and proposed social programs to ensure that appropriate measures are in place to assist vulnerable consumers to manage price increases¹⁸.

PIAC also makes the following suggestions in the interests of local residents experiencing financial hardship.

6.1 Payment Assistance Scheme

Hunter Water allocates books of Payment Assistance Scheme (PAS) vouchers to registered local community organisations who then distribute vouchers in \$25 denominations to local residents who are assessed as having difficulty paying their water bills. PIAC has been informed that there is no budgetary cap for the PAS program but is concerned about the adequacy of resources available to meet demand for vouchers for the term of the upcoming price determination.

Staff of local community organisations that distribute PAS vouchers, including Samaritans, St Vincent de Paul, Salvation Army and Maitland Neighbourhood Centre, have each indicated to PIAC that they anticipate greater demand for vouchers in response to an increase in the average water bill. Hunter Water customers already experiencing financial hardship are expected to experience greater difficulty following water price increases and in turn require additional vouchers to assist them to pay their bills. Community organisations also anticipate that some customers currently managing to get by will be forced to seek access to PAS vouchers for the first time. Furthermore, concern was expressed for tenants who, at best, can access a \$25 PAS voucher every quarter. PIAC has also been informed that many caravan park residents are ineligible to access PAS vouchers.

These observations lead PIAC to recommend that IPART seeks assurances from Hunter Water that it will allocate adequate resources to meet the anticipated increase in demand for PAS vouchers. PIAC also requests that

¹⁷ Hunter Water Corporation, above n 1, 58.

¹⁸ Independent Pricing and Regulatory Tribunal (2008) *Review of prices for Sydney Water Corporation's water, sewerage, stormwater and other services from 1 July 2008 Determination and Final Report*, IPART, Sydney, 131.

Hunter Water considers increasing the value of individual vouchers and the maximum amount of vouchers that organisations can distribute without referring to Hunter Water and suggests that this process be undertaken in consultation with local community organisations. Consultations should also be convened with local community and other organisations including the Energy and Water Ombudsman of New South Wales (EWON), the Council of Social Services of New South Wales (NCOSS) and PIAC, to determine policies and procedures to secure access to the PAS program for private tenants and caravan park residents.

6.2 Pensioner Rebates

The Hunter Water submission proposes that customers who have a Pensioner Concession Card or hold certain Veteran Affairs Gold Cards will be eligible for a Pensioner Rebate on their water and sewerage charges of up to \$175 per year over the course of the upcoming determination¹⁹.

PIAC notes that this rebate was the same amount at the beginning of the present determination²⁰. At that time, IPART determined that the water and sewerage bill for Hunter Water customers using 206 kilolitres per annum would increase from \$565 in 2004/05 to \$715 in 2008/09²¹. Hunter Water now proposes a further increase from \$718 in 2008/09 to \$1107 in 2012/13 for consumers using 200 kilolitres each year. That is, between 2004/05 and 2012/13 pensioner households consuming approximately 200 kilolitres of water per annum will have received the same \$175 water and sewerage rebate in spite of having experienced a 95 per cent increase in their water bills. Whilst this rebate may once have been adequate to assist Pension Concession Card and Veteran Affairs Gold Card holders to pay their water bills, PIAC contends that significantly higher water prices mean this is no longer the case.

PIAC also notes that the Hunter Water Pensioner Rebate is considerably smaller than that offered to Sydney Water customers. The Sydney Water Pensioner Rebate is 100 per cent of the \$75 water service charge and 83 per cent of the \$480 sewerage charge. This means the Pensioner Rebate for water and sewerage is \$473 per annum compared to just \$175 for Hunter Water customers. PIAC recommends that Hunter Water adopts the Sydney Water practice of calculating the rebate as 100 per cent of the water service charge and 83 per cent of the sewerage charge to assist pensioners to access water now and in the future.

Beyond the amount of the rebate, PIAC is also concerned that some pensioners are denied access to this vital support on account of their residential status. Specifically, it is understood that pensioners who are private tenants or caravan park residents are not be able to access the rebate. PIAC urges Hunter Water to address this inequity before introducing water price increases. It is recommended that the matter be resolved in consultation with community organisations.

6.3 Kidney Dialysis Rebate

Recognising that customers who are dialysis patients require additional water to maintain their health, Hunter Water offers a Kidney Dialysis Rebate of 125 kilolitres of free water per year²². Whilst this rebate is likely to cover the water use of a considerable majority of dialysis patients, PIAC is concerned that it is unlikely to meet the water needs of all dialysis users, now and in the future.

¹⁹ Hunter Water Corporation, above n 1, 117.

²⁰ Independent Pricing and Regulatory Tribunal, *Sydney Water Corporation, Hunter Water Corporation, Sydney Catchment Authority Prices of Water Supply, Wastewater and Stormwater Services Final Report*, September 2005, 154.

²¹ Independent Pricing and Regulatory Tribunal, above n 20, 152.

²² Hunter Water Corporation, above n 1, 117.

Dialysis technicians and home haemodialysis services have informed PIAC that the process of reverse osmosis that filters water necessary for in-home dialysis can use 1,000 to 1,500 millilitres of water per minute²³. PIAC also understands that some patients can undergo in-home dialysis for up to eight hours per day and for up to six days per week. This suggests that people heavily reliant upon dialysis may be using up to 224 kilolitres of water per year for the process of dialysis. This is approximately 100 kilolitres per year more than the current rebate.

PIAC submits that this is an unreasonable burden for dialysis patients and asks IPART to recommend that Hunter Water increase its rebate to completely cover water consumption for heavy dialysis usage. PIAC notes that Sydney Water provides up to 400 kilolitres of free water per annum²⁴.

6.4 Water Audits

Water audits are a useful tool to assist households to reduce their water use. PIAC believes that Hunter Water should offer customers experiencing difficulty paying their water bill a free audit to assist them to recognise ways to reduce their water consumption. This should include an analysis of the household water bills, a physical assessment of the home, and a discussion about water consumption. Householders should in turn receive a suite of targeted opportunities to reduce their water use including advice about appliances and suggestions for behavioural modification.

6.5 No Interest Loan Scheme (NILS)

No Interest Loans provide funds to low-income earners without savings who would otherwise experience difficulty accessing credit. Loans of between \$600 and \$1200 assist borrowers to purchase household items such as water efficient washing machines or to cope with unexpected expenses such as plumbing repairs. PIAC recommends that Hunter Water fund local community organisations to administer this scheme for eligible Hunter Water customers.

6.6 Centrepay

Hunter Water states that its decision not to offer Centrepay to its customers was informed by the low take up rate by Sydney Water customers. PIAC understands that Centrepay has only been available to Sydney Water customers recently and does not believe the service has been widely promoted. As such, PIAC questions the value of relying on the Sydney Water experience to guide Hunter Water decision about Centrepay.

PIAC believes Centrepay for essential services is a valuable service for customers who experience difficulty managing their finances, including people living with a mental illness and people living with dementia, and asks IPART to urge Hunter Water to reconsider its position.

²³ E-mail from Paul Kelly, Sydney Dialysis Centre, Northern Sydney Central Coast Area Health Service, to Mark Ludbrooke, Public Interest Advocacy Centre, 5 November 2008; e-mail from Rosemary Simmonds, Geelong Hospital Renal Unit, to Mark Ludbrooke, Public Interest Advocacy Centre, 28 October 2008.

²⁴ Sydney Water Corporation, *Is there a rebate for Sydney Water customers who have kidney dialysis?* <www.sydneywater.com.au/AskSydneyWater> at 4 November 2008.

6.7 Training

PIAC welcomes the Hunter Water commitment to extend training to improve staff awareness of hardship issues²⁵. To assist in ensuring this social consciousness becomes part of the Hunter Water culture, PIAC requests that this training is made available to all new staff as part of their induction process.

PIAC also acknowledges the value of inviting representatives of welfare agencies to speak at team meetings to discuss case studies that provide real life examples of hardship. In addition to registered local community organisations, PIAC recommends that Hunter Water extend invitations to both PIAC and EWON to participate in these team meetings.

6.8 Website

PIAC commends Hunter Water for upgrading the information about support for customers in hardship. It is noted that many people experiencing financial difficulty take considerable time to accept that they require support and feel shame and humiliation when endeavouring to access assistance. To minimise the indignity of the experience, PIAC recognises that it is important that information facilitates uncomplicated initial contact between customers and community welfare organisations. With this in mind PIAC requests that Hunter Water regularly reviews the content of its web pages about financial hardship to make sure they are up to date.

²⁵ Hunter Water Corporation, above n 1, 116.