

**WACOSS Submission to
Productivity Commission**

Australia's Urban Water Sector
Productivity Commission Draft Report

June 2011



wacoss

Western Australian
Council of Social Service Inc

*Ways to make
a difference*

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Introduction

The Western Australian Council of Social Service Incorporated (WACOSS or the Council) is the peak body for the community services sector in Western Australia. Since 1956, WACOSS has been developing and strengthening the non-government community services sector's capacity to assist all Western Australians. With over 350 members, WACOSS has strong relationships with the community services sector and seeks to represent their interests, and those of the disadvantaged individuals and families they assist at a service level. Given this relationship, WACOSS is in a unique position to comment on issues in our society that socially impact upon disadvantaged members of the community.

The Council is respected within both government and non-government arenas as being an authoritative voice for consumers with regard to water market reform in Western Australia. WACOSS has undertaken work in the area of essential services policy for a number of years. The Consumer Essentials Program, which began as the Consumer Utilities Project in January 2005, works with consumers and representative organisations to achieve better outcomes in the provision of essential services such as energy and water.

In identifying the needs of consumers, WACOSS has direct access to the issues of disadvantaged consumers who are living on low incomes through ongoing working relationships with representatives from the Emergency Relief sector, Unions, Tenants Advocates, Financial Counsellors and Community Legal Centres. These agencies provide WACOSS with policy information and direction in relation to our work and look to the Council to represent the interests of their clients with regard to utility issues. WACOSS has adopted a central role in advocating in regards to essential service provision in Western Australia due to the level and severity of the utility issues being raised by community agencies and the absence of any other resourced body in Western Australia representing these consumer issues.

WACOSS is pleased to respond to the Productivity Commission's Draft Report on Australia's Urban Water Sector.

Executive Summary

The Productivity Commission's inquiry into the Australian urban water sector provides a unique opportunity to consider future objectives for urban water markets in the face increasing cost of living pressures and challenging future climate scenarios and supply augmentation choices. Given the essentiality of water to basic household functions such as drinking, cooking, bathing and general hygiene, and the negative health and societal implications of restricting water supply to individuals, families and the community, universal access to an essential volume of water must be central to the primary objectives of the inquiry.

In the interest of equity and affordability for all water consumers, any consideration of future tariff and concession reform should be guided by the following affordability and equity principles:

- That universal access to a level of supply that allows for essential, non-discretionary household consumption be assured
- That any reform to tariff and concession (or other equity) frameworks does not leave any low income consumer worse off
- That any reform to tariff frameworks must be approached holistically, including equivalent investigation and reform to concessions, assistance schemes and other equity measures

Assuring best practice and universally accessible consumer protections and assistance is also central to ensuring access to essential water services. Correcting existing anomalies created by gaps in metering infrastructure and the relationship between tenants and water service providers should be a priority.

Finally, the Draft Report's preference for consumer choice in water usage and price orientated demand management (as opposed to conservation measures) fails to quantify the affordability and equity implications of such a strategy. Overall, considerations of affordability, equity and universal access within the Draft Report must be further developed.

Chapter 3: Objectives for the urban water sector

The provision of a reliable supply of potable water and wastewater services are amongst the most essential services delivered to Australian households. Restricting water flow to a household due to an inability to pay can have multiple negative implications on individuals and families, including (but not limited to) health and hygiene issues, social exclusion, and disruption to participation in school or the workplace.

The essentiality of water is such that in 1998 the United Kingdom Government imposed a ban on the restriction of water supply to residential customers, declaring in its consultation paper on water charging:

The Government believes that access to water is essential to the maintenance of general good health and well being. Some of the greatest improvements in general public health have stemmed from every household having access to a constant supply of potable water. Good hygiene and effective sanitation are key elements to the maintenance of good health and each depends on having constant access to water. Where the water supply is disconnected, the maintenance of good health and hygiene can only be put at risk.¹

Given the adverse effects of supply restriction, and the community benefits of universal water supply, the Council has long advocated that universal access to an essential level of affordable water should be a primary objective of Governments in relation to urban water markets.

In relation to the below stated draft recommendation, WACOSS makes the following comments:

Draft Recommendation 3.1

The Australian, State and Territory Governments should articulate a common objective for the urban water sector in relevant policy documents along the following lines:

- *The primary objective of the sector is to provide water, wastewater and stormwater services in an economically efficient manner so as to maximise net benefits to the community.*

Economic efficiency should be defined broadly to include environmental, health and other costs and benefits that might not be priced in markets.

WACOSS acknowledges the importance of economic efficiency within Australia's urban water markets, however contends that universal affordable access must also be a specific and primary objective of the urban water sector. As water is required for the very maintenance of life, as well as other essential health and hygiene functions, ensuring that all Australians are able to access a constant supply of potable water, regardless of their capacity to pay, is crucial to preserving a decent national minimum standard of living.

¹ 'Water charging in England and Wales: A consultation paper, pp 33-34, March 1998' in Research Paper 98/117: Water Industry Bill, Bill 1 1998/99, 10 December 1998, retrieved 16 May 2010 <www.parliament.uk/briefing-papers/RP98-117.pdf>

Considerations such as public health and the long term costs to the community of social exclusion justify the case for universal affordable access to water services from an economic efficiency perspective. However, the Draft Report also identifies that the equity dimensions of providing universal affordable access to water do not necessarily correlate with principals of economic efficiency. As such, it is appropriate that Draft Recommendation 3.1 be amended as follows:

DRAFT RECOMMENDATION 3.1

The Australian, State and Territory Governments should articulate a common objective for the urban water sector in relevant policy documents along the following lines:

- The primary objective of the sector is to provide water, wastewater and stormwater services in an *equitable and* economically efficient manner so as to maximise net benefits to the community *and ensure universal access to essential water services*

Economic efficiency should be defined broadly to include environmental, health and other costs and benefits that might not be priced in markets.

Chapter 7: Pricing of water and wastewater

Efficient and equitable pricing of water and wastewater services is central to ensuring affordable universal access to residential water consumers. As a priority, Australian urban water markets must address the pricing and billing obstacles that currently result in significant inequities between differing categories of consumers. All Australian households should be afforded equal access to existing consumer protections, concessions and rebates, financial assistance schemes, and billing information such as household consumption and relevant tariff pricing.

There appears considerable appetite within the Draft Report for reform of tariff structures and arrangements. The Council asserts that any such reform must also take into consideration complementary concession structures (or other equivalent equity measures) in order to ensure affordability for vulnerable and disadvantaged consumers. In addition, more regular billing cycles should be a priority within residential water markets in the interest of reducing the debt burden associated with large irregular bills, as well as providing more regular price and consumption responsiveness for consumers.

In relation to the below stated draft recommendations and findings, WACOSS makes the following comments:

Draft Recommendation 7.1

Metering technology should be introduced in all new single and multi-unit dwellings. The case for retro-fitting existing single and multi-unit dwellings with separate metering technology should be assessed by utilities.

WACOSS agrees that introducing metering technology to all new single and multi-unit dwellings would empower water consumers to make more informed consumption decisions based on cost. The installation of metering technology would also allow greater transparency in billing for occupants of single and multi-unit dwellings, in turn improving access to the respective assistance schemes and concessions available to them. These benefits also justify the case for investigation into retro-fitting existing non-metered residences.

Draft Recommendation 7.2

Utilities should charge tenants directly for all water charges, both fixed and volumetric, where water is separately metered. Where this does not already occur, State and Territory Governments might need to put in place transitional arrangements to ensure that savings to landlords are passed through to tenants.

WACOSS agrees with the Commission that there is no clear justification for landlords, rather than tenants, paying for water usage in cases where water is separately metered. As the Report suggests, tenants pay bills for other essential services such as electricity, gas and telecommunications, and the case for treating water differently is decidedly unclear. WACOSS also agrees this will enable informed tenants to monitor their usage and be provided with accurate price signals in relation to reducing their water consumption.

In a WA context, individually billing tenants for their water consumption would allow tenants equitable access to consumer protections, concessions and assistance schemes. Currently in WA, only the owner of a property (as opposed to an occupying tenant) can be considered a 'customer' by a water service provider (WSP), resulting in a situation where a consumer is paying water costs passed on by a landlord but does not have access to existing protections or assistance due to the absence of a bill in their name.

Currently in Western Australia, the two separate pieces of legislation with the potential to amend the tenant-billing anomaly, the *Residential Tenancies Act* and the *Water Services Bill*, are simultaneously approaching introduction to parliament. Unfortunately, it appears that there has been a failure to address the issue collaboratively during the individual drafting processes to which these pieces of legislation have been subject. As a result, tenants in WA, at least for the foreseeable future, will continue to be discriminated against in relation to water billing and consumer protection in relation to water services.

Draft Finding 7.3

The volumetric component of two-part tariffs is currently distorted by inclining block tariffs. Inclining block tariffs lead to inefficiencies and inequities. There are substantial efficiency gains to be achieved from moving to a flat volumetric retail pricing structure.

WACOSS asserts that any reform to the volumetric component of water tariffs must also include reform to relevant concessions in order to ensure that no vulnerable or disadvantaged consumers are left worse off under an alternative tariff framework. The current Tariff and Concession Framework Review being conducted by the Western Australian Office of Energy in partnership with WACOSS has identified this relationship between tariffs and concessions as central to its considerations of electricity tariff reform and ensuring affordability of essential energy use for all Western Australians.²

Whilst differences exist between essential utility services (electricity, gas and water) and the application of tariff structures to these services, there are also considerable similarities, particularly in relation to equity and affordability considerations. In light of this, the Council is of the opinion that a holistic approach to tariff and concession frameworks across all essential utility services would result in maximum benefit to the community. Such an approach would also allow greater insight into addressing issues of equity and affordability across all utility services. In doing so the following key principles should be adhered to:

- That universal access to a level of supply that allows for essential, non-discretionary household consumption be assured
- That any reform to tariff and concession (or other equity) frameworks does not leave any low income consumer worse off

² Government of Western Australia, Office of Energy, *Tariff and Concessions Framework Review: Issues Paper*, June 2011

- That any reform to tariff frameworks must be approached holistically, including equivalent investigation and reform to concessions, assistance schemes and other equity measures

Draft Finding 7.4

Charging the same price for water over large geographic areas irrespective of the different costs of servicing individual locations within those boundaries leads to inefficiencies and inequities.

There is scope for efficiency gains in moving to more location-specific pricing, particularly where cost differences within 'postage stamp' areas (uniform pricing) are currently large and easy to quantify. In such cases, the benefits are more likely to outweigh the costs.

In order to ensure ongoing affordability and universal access to water services, a move away from postage stamp pricing to location-specific pricing would require not only quantification of differences in the cost of supply for different areas, but also the impact of this price change on what is considered an affordable cost of supplying essential water services to low income households. If postage stamp pricing is replaced, measures must be put in place to ensure equitable access in areas where prices rise significantly.

The Council also notes the inability of many households, and in particular low income households, to relocate their place of residence. WACOSS is concerned that scenarios may arise in which an individual or family may enter a home in an area currently subject to postage stamp pricing, with no quantification of the cost of supplying water to that household or area available at the time of moving in. Subsequently, this individual or family could be subject to unforeseeable water price increases, with little or no ability to relocate to an area in which the cost of living is lower.

Draft Recommendation 7.3

More consumer choice in urban water tariff offerings should be available. This would:

- *allow consumers to express their preferences on security of supply and price stability*
- *provide an opportunity for water utilities to manage demand better as water availability changes over time.*

Utilities would be required to provide default two-part tariffs with a single volumetric component.

In addressing Draft Recommendation 7.3, please refer to the key principles expressed in response to Draft Finding 7.3.

Chapter 8: Non-price demand management

The *National Performance Report 2009-10: urban water utilities* indicates that in 2009-10 Perth again recorded the highest average consumption of any other Australian capital city, at 276 kL per residential property.³ This was more than 70kL greater per property than the second highest consuming capital, Sydney (205 kL), and almost double that consumed by Brisbane (143 kL) and Melbourne (142 kL).⁴ This high consumption inevitably impacts on affordability, with Perth residents facing the second highest typical residential bill (based on average residential usage and sewage charges), at \$974 per annum.⁵

Whilst locational factors such as climate and residential dwelling characteristics will influence water consumption across jurisdictions, a reduction of over 20% in per person usage in the short period from 2001 to 2009,⁶ and the success of the Water Corporation's recent 'Target 60' campaign,⁷ provides firm evidence of the significant potential for consumption reduction in Western Australia.

In relation to the below stated draft recommendations and findings, WACOSS makes the following comments:

Draft Finding 8.1

Although apparently reasonably well accepted by the community, water restrictions generate costs for households, businesses and the community. They do so by denying consumers the opportunity to choose how to use water in the ways that are most valuable to them. The evidence suggests that the costs of restrictions are significant and can amount to several hundred million dollars per jurisdiction per year where they have been in place.

Draft Recommendation 8.1

The use of water restrictions should be limited to times of emergency where a water shortage arises unexpectedly, or in regional urban areas where there are no viable new water sources available to augment supply and restrictions are needed to avoid running out of water. Consumers should instead be able to exercise choice in their water consumption behaviour through an efficient price mechanism.

Draft Finding 8.3

Although there has been community support for restrictions and water use efficiency and conservation activities, not all consumers share the same preferences for using less water. There is evidence to suggest that many consumers would be willing to pay a higher water bill to avoid being subject to restrictions on their water use.

³ Australian Government, National Water Commission, *National Performance Report 2009-10: urban water utilities*, pp. 320 - 356

⁴ *Ibid*

⁵ *Ibid*

⁶ Water Corporation, *Water Forever: towards climate resilience*, October 2009, p. 32

⁷ Government of Western Australia, B. Marmion, *Ministerial Media Statement: 'Target 60' reached but Perth residents urged to keep saving water*, 20 February 2011

WACOSS is concerned that climate considerations have not been included in the Draft Report's discussion of non-price demand management (namely water efficiency, conservation and restriction measures). Whilst significant emphasis is given to household and other costs within Chapter 8, there is no consideration of the climatic factors likely to influence both the amount of water required to remedy these costs, as well the expense implications of supplying increased levels of water to households into the future.

For example, whilst the Chapter 8 cites various household costs in relation to public and private gardens, the inconvenience of imposed watering times and methods, and the loss of real estate value due to dead or drying gardens, it does not consider the appropriateness, efficiency or sustainability of species selection within Australian public open spaces and private gardens (particularly in relation to introduced European plants and lawns requiring high water consumption).

Furthermore, climate change and future climate scenarios are not mentioned in considerations of supply. The Water Corporation's Climate Resilience Strategy, *Water Forever*, has adopted a future climate scenario which predicts a 20% decline in rainfall by 2030 from the 1990 baseline, and a 40% decline in rainfall by 2060.⁸ This total reduction equates to an average annual rainfall of less than 500mm per year, reducing yields from existing dams and ground water sources to an estimated 55 gigalitres a year; below the level required for these to be a reliable part of Perth's ongoing water supply.⁹ This is supported by key findings of the CSIRO South-West Western Australia Sustainable Yields Project, predicting the following significant declines in runoff in the South-West corner of the state by 2030:¹⁰

- Surface water modelling has indicated that the future yields in the region are likely to be on average 24 percent lower by 2030, with a possible range of 4 to 49 percent lower (key finding 4)
- A median future climate is expected to decrease summer and winter runoff by 20 to 30 per cent and especially affect water dependent ecosystems that depend on high flows (key finding 5)

This shift towards a drier climate with significantly less water supply resources will also occur within the context of an increasing Western Australian population. The Water Corporation predicts demand for water to increase from below 300 gigalitres in 2008 to above 500 gigalitres by 2060.¹¹ These two factors equate to a steadily broadening supply-demand gap over at least the next 50 years. If the Commissions preference for greater consumer choice in discretionary water consumption is heeded within the WA urban water sector this projected supply-demand gap is likely to increase considerably.

⁸ Water Corporation, *Water Forever: towards climate resilience*, October 2009, p. 6

⁹ *Ibid*,

¹⁰ CSIRO, *South-West Western Australia Sustainable Yields Project: Water in South-West Western Australia fact sheet*, December 2009, retrieved 16 May,

<<http://www.clw.csiro.au/publications/waterforahealthycountry/swsy/pdf/SWSY-Factsheet-Overview.pdf>>

¹¹ *Ibid*, p. 7

In addition, non-essential household costs are not valued comparably to the cost of ensuring affordability of essential uses, such as drinking, cooking and food preparation, bathing and hygiene, washing clothes and cleaning. Whilst the costs of discretionary water related activities (the value of which varies according to the household or individual) are offered considerable attention within the Draft Report, the cost impact on tariff prices of prioritising consumer choice in water consumption (over conservation) is not addressed at all. The Council is concerned that whilst consumer choice in relation to water consumption is given primacy in this chapter, the influence of increasing usage and additional supply augmentation on tariff prices, and ultimately affordability, is not discussed.

If the Commission is to recommend dealing with demand management purely through pricing mechanisms, then it must also include within this recommendation that the cost of additional water supply augmentation is met wholly by those customers consciously choosing to consume higher levels of water for non-discretionary purposes. It would be decidedly unjust to recommend a price-orientated demand management strategy which may result in low income households paying an increased amount for drinking and bathing water, in order to allow other households the freedom of choice to partake in water intensive leisure activities. The likely impact that price orientated demand management will have on tariff prices, and how likely tariff increases are to be remedied in supplying an affordable amount of non-discretionary water to all households is not considered.

Chapter 9: Achieving Affordability and Consumer Protection Objectives

WACOSS calculations drawn from affordability statistics published in the *National Performance Report 2009-10: urban water utilities* conclude that during 2009-10, 1727 residential customers within the WA residential urban water sector (covering Aqwest Bunbury and Busselton Water jurisdictions, as well as the Water Corporation's Geraldton, Kalgoorlie-Boulder, Mandurah and Perth jurisdictions) had their water supply restricted.¹² During the same period the number of customer subject to legal actions for non-payment of water bills totalled 1046.¹³ In addition, figures showed that the typical annual residential bill (water usage only) for Perth customers had increased from \$355 in 2006-07 to \$413 in 2009-10.¹⁴ As a result, the Council notes that the overall number and percentage of customers unable to pay their water bills has been increasing across all jurisdictions in recent years. This trend is likely to continue at an ever increasing rate given expected future water price increases unless more effectual affordability and consumer protection measures are investigated and implemented.

In relation to the below stated draft findings and recommendations, WACOSS makes the following comments:

Draft Finding 9.1

Water consumption per capita in Australia is well above generally agreed subsistence requirements. There is no need for an 'essential' volume of water to be determined by governments.

WACOSS is concerned that the Draft Report has failed to comprehend the purpose that quantifying an essential volume of water would serve in relation to affordability and consumer protection objectives. Whilst the Council agrees that per capita average consumption in Australian households is generally above agreed subsistence requirements, the purpose of determining an essential volume of water would be to ensure that households who do not have the financial capacity to consume above non-discretionary levels are able to afford access to water in order to meet basic needs such as bathing and hygiene, washing, cooking and drinking. It is difficult to comprehend how the average consumption behaviour of the general population would influence the merit (or otherwise) of determining an essential volume of water to ensure vulnerable or disadvantaged consumers are able to maintain essential water services.

The Council is aware that individual household circumstances (family size, medical needs, locational and climatic conditions) make a single, uniform essential volume of water per household impossible to quantify. However, in the interest of ensuring a universal minimum standard of living within Australia which includes access to water for essential usage, investigation into what is an acceptable level of non-discretionary water, and how to ensure universal access to this, is necessary.

¹² Australian Government, National Water Commission, *National Performance Report 2009-10: urban water utilities*, pp. 320 - 356

¹³ *Ibid*

¹⁴ *Ibid*

Draft Finding 9.2

Expenditure on water and wastewater services generally represents a small proportion of income, including for low income groups. Price increases in water and wastewater services, although contributing to rising costs of living, are likely to have had less detrimental effect on consumers than price increases of other essential goods and services such as energy and housing, on which expenditure represents a greater share of incomes.

WACOSS agrees that other essential goods and services such as energy and housing have contributed more significantly to cost of living pressures in recent years than water cost increases. However, the Council is concerned in relation to the apparent lack of understanding within the Draft Report in relation to essential service hardship.

The Draft Report consistently separates water costs from the comparative costs of other goods and services in considering affordability. Conversely, the Council asserts that it is the amount of income available to a household that determines the affordability of an essential good or service, rather than the relative cost of that particular good or service in comparison to other costs. If the issue is an overall inability to pay, then the separation of individual costs is purposeless.

For example, consider a household that has \$100 of income remaining after covering other essential costs in a given fortnight. If this household owes a debt of \$250 to their water service provider and \$400 to their electricity retailer (total debt: \$650), then the family's ability to meet these essential costs is -\$550. This figure remains the same regardless of what proportion of the available \$100 income is allocated to each bill.

Mainstream adoption of this more considered approach to financial hardship and essential service affordability is reflected in both the Western Australian *Code of Conduct for the Supply of Electricity to Small Use Customers* and *Compendium of Gas Customer Licence Obligations (Gas Customer Code)*, which define financial hardship in the following terms:

“financial hardship” means a state of more than immediate financial disadvantage which results in a residential customer being unable to pay an outstanding amount as required by a retailer without affecting the ability to meet the basic living needs of the residential customer or a dependant of the residential customer.¹⁵

In Western Australia occupying tenants are not able to be considered customers of a water service provider, with the owner of the property receiving costs that are in the majority of cases passed on to tenants either within the weekly rental charge, or as a direct additional charge. In this context an inability to pay water charges (regardless of their cost comparative to other goods and service) can have significant consequences for low income private or public housing tenants in relation to housing security and the risk of eviction.

¹⁵ Government of Western Australia Economic Regulation Authority, *Code of Conduct for the Supply of Electricity to Small Use Customers*, July 2010; Government of Western Australia Economic Regulation Authority, *Compendium of Gas Customer Licence Obligations (Gas Customer Code)*, October 2010

The Council believes it is important for the Draft Report to consider that all increases to water consumption and other costs will disproportionately impact low income households. Where a household budget is consistently in the negative, any increases (regardless of their source or size) will result in financial hardship. Whilst it is not the remit of urban water markets to address broad economic inequalities, it is however important that the Draft Report presents a more reasoned understanding of affordability and hardship issues.

Draft Finding 9.3

Current state and territory concession arrangements for water and wastewater services are inefficient and inequitable. Efficiency gains can be made by replacing or amending water and wastewater concessions with direct payments to targeted households or rebates on the fixed component of water and wastewater service bills.

Draft Finding 9.4

The affordability of water and wastewater services for low income and disadvantaged households, in addition to the affordability of other essential goods and services, is most efficiently achieved through non concession elements of Australia's tax and transfer payments system.

Draft Recommendation 9.1

COAG should commission a review of concessions on utility services across all levels of government. The review should assess:

- *the appropriateness of existing arrangements for providing concessions, including eligibility criteria*
- *the merit of and scope for abolishing concessions and providing relevant assistance to all low income households via other elements of the tax and transfer payments system.*

WACOSS agrees that current state and territory concession arrangements for water and wastewater services are inefficient and inequitable. At present in Western Australia there is no cohesive policy framework or strategy within which state concessions and rebates are formulated or administered. Currently, concessions are managed and administered across several different government departments and the responsibility for accessing concessions and proving entitlement is placed solely upon the consumer. This process of self-identifying entitlement and applying for concessions in multiple locations is often onerous and difficult for consumers and can be further complicated by the existence of challenges to social participation such as physical and mental health status, lack of access to transport, old age, or language and communication skills.

WACOSS notes reference to Recommendation 107 of the Henry Review of Australia's taxation system within the Draft Report. A comprehensive review of concessions across all levels of government and the provision of recommendations to the Council of Australian Governments (COAG), as recommended by the Henry Review, is an important step in addressing inefficiencies in current concession and rebate frameworks. The Council asserts it is more appropriate that the Draft

Report supports a comprehensive national review of concessions that would table recommendations for reform of water concessions, rather than make specific suggestions such as abolishing concessions systems in favour of assistance through the tax and transfer payment system. It would be appropriate that such a review should consider essential service affordability and equity issues holistically.

WACOSS holds significant reservations in relation to the abolishment of concessions in favour of delivering assistance through other elements of the tax and transfer system. The Council believes it is important that assistance remains directly linked to the essential service cost that it is intended to subsidise. This ensures that the level of assistance provided remains consistent with increases in essential service costs, rather than becoming confused or disguised within more general payments, such as pensions or allowances. WACOSS is also concerned that, considering the cost of living pressures currently being imposed on low income households, the delivery of cash assistance by means of frequent payments (for example, fortnightly) would create significant budgeting issues for low income families given that essential services bills are often large and infrequently issued.

Draft Finding 9.5

Properly designed hardship policies that outline the obligations of water utilities when dealing with customers facing payment difficulties, including the availability of payment extensions or payment plans, are in the interests of consumers. Other measures to alleviate hardship for low income and disadvantaged consumers in exceptional circumstances, such as utility grant schemes, also have merit.

WACOSS agrees that appropriately designed hardship policies outlining the obligations of water utilities when dealing with customers experiencing payment difficulties or financial hardship are in the interest of consumers. However, given the positive experience of Western Australian energy and water markets in recent years, the Council asserts that would be appropriate to conclude that such policies are in the interest of both consumers *and* water service providers. WACOSS has observed genuine improvement in energy hardship policies through mandatory periodic consultation and review led by the state's economic regulator. As part of this process, retailers have identified the mutual benefit of increased communication with customers experiencing hardship and payment difficulties. Properly designed and widely disseminated hardship policies can result in positive solutions to issues of debt management; in which the consumer remains connected to supply, whilst the service provider (or retailer) receives regular payment through a reasonably negotiated payment plan and/or other means of assistance received by the customer.

In relation to other forms of assistance, the WA Hardship Utility Grant Scheme (HUGS) has had considerable success in assisting households experiencing financial hardship or exceptional circumstances avoid disconnection to gas, electricity or water services. The extent of essential service hardship in Western Australian is such that the state government has committed \$6.06 million to the scheme for 2011-12.¹⁶ Such assistance is crucial in addressing essential service poverty

¹⁶ Government of Western Australia, R. McSweeney, *Ministerial Media Statement: 'State Budget 2011-12: Supporting our Community - \$39million increase for child protection services*, 25 May 2011

and ensuring universal access to those utilities essential to life and participation in employment, education and society.

The Council has also identified the importance of assistance schemes designed at increasing energy and water efficiency at the household level in the interest of alleviating hardship through reducing the size of the bill that is received. By applying efficiency measures and engaging in behaviour change strategies designed specifically for low income and disadvantaged households, the burden and frequency of unpayable debt and the requirement for after-the-fact cash assistance schemes will be reduced.

Draft Recommendation 9.2

COAG should develop a set of best practice consumer protection principles for water utilities. These could be included in any new intergovernmental water agreement. At a minimum, the principles should include:

- *access to an independent dispute resolution process, preferably by a specialist utilities industry ombudsman*
- *the establishment of an industry code defining service standards and provisions to assist consumers facing hardship.*

WACOSS strongly agrees that establishment of national best practice consumer protection principles would be in the best interest of water consumers. Any such set of principles would require that no jurisdiction be forced to relinquish any existing consumer protections that remain above the national standard.

DRAFT RECOMMENDATION 9.3

COAG should progress implementation of measures to support consumer advocacy and research consistent with Recommendation 11.3 of the Commission's 2008 Review of Australia's Consumer Policy Framework.

WACOSS strongly supports the recommendation that public funding be provided in order to support consumer advocacy and research in all water jurisdictions. Whilst the Council commends the valuable contribution made to consumer advocacy by the Consumer Advocacy Panel for energy (CAP) as cited in Box 9.4, it is important to note that the CAP model does not currently allow access to funding for all energy markets in all jurisdictions. If measures to support consumer advocacy in water markets is advanced, it is crucial that all jurisdictions (and thus all water consumers) are able to access funding for advocacy equitably.

Conclusion

The Western Australian Council of Social Service has welcomed the opportunity to respond to Productivity Commission's Draft Report on Australia's Urban Water Sector.

If you have any queries regarding the contents of this submission please do not hesitate to contact Rory Ritchie, Policy Officer (Essential Services), on (08) 9420 7222 or at rory@wacoss.org.au.