



Tasmanian Council of Social Service Inc.

Submission to Legislative Council inquiry into the benefits, disadvantages and challenges of state government ownership of TasWater

September 2017



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About TasCOSS

TasCOSS is the peak body for the community services sector in Tasmania. Our membership includes individuals and organisations active in the provision of community services to low income, vulnerable and disadvantaged Tasmanians. TasCOSS represents the interests of its members and their clients to government, regulators, the media and the public. Through our advocacy and policy development, we draw attention to the causes of poverty and disadvantage, and promote the adoption of effective solutions to address these issues.

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Introduction

TasCOSS welcomes the opportunity to contribute to the Legislative Council's inquiry into the benefits, disadvantages and challenges associated with the Tasmanian Government's proposal to take control of TasWater under State Government ownership.

As the peak body for the Tasmanian community services sector and advocates for low-income, disadvantaged and vulnerable Tasmanians, TasCOSS has a longstanding interest in Tasmania's water policy. Water and sewerage services are essential for all Tasmanians. The cost of these essential services is an increasing challenge for a growing numbers of low-income and vulnerable Tasmanian households.

The Legislative Council inquiry is considering the benefits, disadvantages and challenges associated with the ownership options for TasWater. The Inquiry provides an opportunity to ensure that TasWater is best placed to serve and respond to the whole Tasmanian community.

TasCOSS has previously expressed concern about a range of issues relating to the pricing, regulatory and service delivery elements of water and sewerage. This includes the structure of water tariffs in Tasmania. The relatively high proportion of fixed to variable costs makes it difficult for households to save money by reducing their water usage. It distorts the price signal to consumers and works against the promotion of water conservation.

The long and continuing series of cost increases for these services for many Tasmanians has put pressure on household budgets – and has contributed to increases in rents and water costs for many private rental tenants.

Having regularly provided input into TasWater consultation issue papers for price and services, we have not seen responsiveness in actions that provide us with any confidence of their understanding of the needs of low income and disadvantaged Tasmanians. It is for this reason TasCOSS welcomed the Tasmanian Government's interest in ensuring costs and services were of a higher priority than we have been experiencing. As an essential service, it is critical that this utility is under closer scrutiny in terms of how it responds to the key issue of affordability.

Many of our comments to this Inquiry are based on the concerns we expressed to TasWater in our most recent submission to TasWater's *Consultation Issues Paper: Price and Service Plan 3* (January 2017) and we refer to this Paper throughout this submission. This is because the Paper represents the most recent documentation on TasWater's perspective and, without any changes, we assume will be the basis for their decision making. As you will see by our input, in terms of affordability and a range of other issues, if TasWater were to proceed as proposed we would have major concerns on the short and longer term impact on Tasmanian households.

As such, regardless of and because of the potential advantages, disadvantages or challenges relating to the ownership options, it is with a range of long standing and emerging issues in mind we provide the following comments.

Priority issues for consideration

Issue 1 – Affordability

Within the context of ownership, we believe that the affordability of services must be identified by TasWater as an explicit and high priority. Not only does the essential nature of water and sewerage services require that affordability of these services is maintained, but also that affordability is prioritised. Our current perspective is that TasWater does not have a first-hand or appropriate understanding of the financial pressures on many Tasmanian household budgets as a result of pricing policy. It is therefore critical that the core issue of affordability is considered in the ownership discussion and decision making.

Based on this, we recommend that the ownership issues be considered within an evidence base approach to ensure TasWater makes the affordability of its services an explicit and high priority. Any impact on affordability, positively or negatively needs to be clearly articulated through a strong evidence base in the case for change of ownership.

TasCOSS does not agree that the TasWater proposed 4.6% annual increase to water and sewerage costs over three years ‘strikes a balance between addressing significant drinking water and environmental challenges and ensuring affordable bills for customers.’¹ We believe these increases are too high, particularly as in the last two years the proposed increase will be compounded. The *Taswater Consultation Paper* does not illustrate the compounding nature of the price rises as it only shows indicative increases in the first year of PSP3. In fact between the previous financial year (2016-17) and the final year of PSP3 (2020-21), we estimate that consumers will be paying around 18% more for their water and sewerage services. This is not affordable and needs to be addressed.

With the national Consumer Price Index sitting below 2% in recent years, and wages growth continuing to be relatively slow in Australia, it is our view that proposed annual increases of 4.6% for water and sewerage services in Tasmania are unreasonable, and unaffordable to many Tasmanian households living on low incomes.

TasCOSS is sure that Tasmanian consumers would like to see ‘improvements to drinking water and the environment’ accelerate. However, given the absence of any other options presented in the *TasWater Consultation Issues Paper* from January 2017, we believe it is inappropriate to include in this *Paper* the questions: ‘Would you be willing to pay more [to see this happen]? And ‘What is the maximum increase you would be prepared to pay for an accelerated program?’ This demonstrates a lack of understanding of current cost of living pressures being

¹ TasWater Consultation Issue Paper – Price and Service Plan 3 (January 2017)

experienced by Tasmanian households, and provides a strong basis for the need for governance and operational knowledge to be well informed by the Tasmanian context.

Issue 2 – Investment to address key challenges

TasCOSS does not have the necessary information or expertise to comment on the current owner's or the Tasmanian Government proposals on the detailed apportioning of spending across priorities, particularly regarding specific projects. We would, however, suggest that an important element in decision making on ownership needs to ensure compliance activities be prioritised over other activities. We suggest this because compliance activities are set by health, environment and safety regulators and involve requirements to ensure public health and safety.

We understand that the other activities that are being discussed as part of a “take over” are important, ‘renewal’ and ‘improvements’ in particular are likely to also contribute to ensuring public health and safety.

Regarding the relative importance of associated priorities, TasCOSS believes that those activities that ensure public health and safety be given high priority, along with affordability. Those priorities are:

- The provision of safe and clean drinking water
- The reduction of environmental impact from water discharged from sewage treatment plants, and
- Ensuring the safety of its dams.

Issue 3 – Customer bills

Decision making relating to ownership needs to consider the additional investment required to upgrade infrastructure. This has been a major discussion point relating to the ownership debate. The current TasWater position based on the January Consultation Issues Paper released by TasWater suggests; ‘One way to fund additional investment required to upgrade infrastructure is to increase water, sewerage and other service charges’ however, the *Paper* does not mention any ‘other ways’ that ‘additional investment’ might be funded.

TasCOSS has long contended that Tasmanian consumers should not be responsible for providing the funding through their household bills to rectify deficiencies in Tasmania's water and sewerage infrastructure. We have, in numerous earlier submissions on water pricing, argued that governments – local, Tasmanian State and Federal – must make significant additional contributions to ensuring that Tasmania's water and sewerage infrastructure meets its regulatory obligations, particularly its public health, environmental and safety obligations.

The current parlous state of this infrastructure in Tasmania is the result of decades of chronic under-investment and possible poor management in some cases. TasCOSS maintains that current consumers should not be required to provide for the significant expenditure required for regulatory compliance.

TasCOSS has previously expressed concern about the structure of water tariffs in Tasmania. The relatively high proportion of fixed to variable costs makes it difficult for households to save money by reducing their water usage. It distorts the price signal to consumers and works against the promotion of water conservation. It appears that this tariff structure is designed primarily to ensure TasWater of a stable and predictable revenue.

Issue 4 - Consumer voice

Services are better when they are focused on people's needs. Under any ownership model, TasWater will benefit from a better understanding of the needs and views of the Tasmanian community. An independent consumer voice dedicated to water and sewerage services and charged with listening to and representing all Tasmanian community members will bring long term benefits to Tasmania. The Legislative Council's Inquiry provides an opportunity to align Tasmania's approach to water services advocacy and consumer engagement with best practice nationally and internationally.

TasCOSS believes that there needs to be legislative protections that ensure the voice of the consumer and particular segments of consumers are heard.

An independent consumer voice for water advocacy is best practice nationally and internationally

Most Australian mainland states fund an independent consumer voice for water policy, research and advocacy, alongside other essential services consumer advocacy.² This practice reflects the importance of an inclusive, participatory approach to water development and management.

According to the UK National Consumer Council (NCC):

² In WA, WACOSS receives state government funding for a water policy officer, in South Australia, SACOSS is funded for water advocacy and research, in Victoria, VCOSS is responsible for water advocacy, and QCOSS is resourced for water advocacy and policy. In NSW, the Public Interest Advocacy Centre coordinates the Utility Consumers Advocacy Program which represents the interests of residential users of electricity, gas and water.

Consumer involvement is a vital component of good policy-making. When it is done well, it makes policy-making processes more open and accountable and so enhances consumer confidence and increases the legitimacy to help government and service providers design and deliver goods and services that meet people's needs, improve standards, identify problem areas, and provide value for money. It helps to improve the quality of services by ensuring they are focused on people's needs.³

Tasmania is yet to develop an effective model of independent consumer advocacy and engagement for essential services and utilities. A limited amount of consumer input into regulatory decision making takes place through the Office of the Tasmanian Economic Regulator Customer Consultative Committee. This would be substantially enriched by a dedicated consumer advocate for water and sewerage services and associated cost impacts.

Benefits of Water and Sewerage Advocacy in Tasmania

Regardless of ownership TasWater needs to listen, understand and respond to the people, communities and businesses it serves. Independent consumer advocacy will support TasWater to deliver the best outcomes for Tasmanians.

Independent consumer advocacy for water and sewerage services in Tasmania will

- Ensure that residential and commercial users of water have their interests effectively and independently presented in policy and regulatory processes;
- Contribute up to date consumer-focused research and evidence to TasWater's policy and regulatory processes;
- Assist in making policy and processes more transparent and accountable;
- Facilitate residential and business consumer engagement with water and sewerage policy and regulation in Tasmania;
- Enrich TasWater's understanding of the community's views and experiences with their water and sewerage services, and enable them to better meet the needs of consumers.

Support for Water & Sewerage Consumer Advocacy Project

TasCOSS, TCCI and the Property Council support the establishment of a joint Water & Sewerage Consumer Advocacy focus, which would engage with Tasmanian small and medium businesses, property developers and residential consumers and represent their interests in water and sewerage policy and regulatory processes. The cost would be approximately \$250,000 - \$300,000 per year. For comparison, TasWater reported a net profit after tax of \$25.3 million in 2015-16.⁴

³ NCC 2002, *Involving consumers: everyone benefits*, NCC, London, www.ncc.org.uk, p.4

⁴ <https://www.taswater.com.au/About-Us/Publications> Accessed 30 August 2017.

Strengthening TasWater's capacity to act in the long term best interests of consumers will benefit Tasmania, regardless of the ownership model. It is timely with this review into the issues associated with TasWater ownership to put the people who depend on water and sewerage services at the centre of TasWater policy, operations and regulatory processes.

TasCOSS urges the Legislative Council to prioritise a strong independent consumer voice for Tasmanians in its recommendations for the future ownership of TasWater.