



Tasmanian Council of Social Service

TasCOSS submission on *Draft Water & Sewerage Price Determination*

February 2015

About TasCOSS

TasCOSS is the peak body for the Tasmanian community services sector. Its membership comprises 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

The Tasmanian Council of Social Service (TasCOSS) welcomes the opportunity to comment on the Tasmanian Economic Regulator's *Draft Report and Draft Water & Sewerage Price Determination* for the period 2015-2018.

TasCOSS recognises that the water and sewerage reform process continues and that this determination is made in the context of a transition to a fully reformed industry that is compliant with all of its regulatory obligations, and has stable pricing and service standards. In the meantime, we are concerned that rising water and sewerage costs continue to contribute to cost of living pressures on low-income and disadvantaged households.

Water and sewerage services are essential for most Tasmanian households and as essential services, must be affordable. It is with this in mind we provide the following comments.

Prices

This determination continues the price path to target tariffs for those paying below water and/or sewerage fixed cost tariffs with a 10% or \$100 increase once again (although we note that it is combined in this determination). TasCOSS is concerned that this will be another significant increase for many households with little capacity to afford it.

We welcome and strongly support the Regulator's decision to reduce prices for those currently paying above the target tariffs to the revised target tariff immediately the new determination period begins on 1 July 2015. In the interests of equity, TasCOSS has argued in the past for those paying above target tariffs to be granted reductions in costs to meet the target tariffs. We welcomed the reduction granted in 2014-15 and further welcome this decision, in particular for the relief it will provide low-income households.

We note that the target tariff for fixed sewerage charges will be indexed at 6% for the duration of the determination. We see this as a high rate of indexation for these services. We also note the Regulator's proposal to provide stability for the fixed water target tariff over the three year determination period. This latter proposal appears to be a reasonable and sensible rationalisation of the varying target tariffs of the former three regional water companies. We welcome the CPI-only indexation for variable water charges, and look forward to a time when all water and sewerage costs are stable or rise only by maximum of CPI.

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. This structure

appears to be designed primarily to ensure TasWater of a stable and predictable revenue.

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. TasCOSS is concerned that the concession provided by the State Government for water and sewerage services has been inequitable throughout this long transition period. While we understand that concession policy is not within the purview of the Regulator, we nonetheless take this opportunity to make the point that a percentage-based, rather than a flat-rate concession would provide the same proportion of assistance to all eligible households, regardless of the costs incurred. Given the wide variation in costs across the State, a percentage-based concession would be fairer and more equitable.

TasWater profit and dividend forecast

TasCOSS is concerned to read in the *Draft Report* the forecast dividends that TasWater proposes to pass on to its owners from this price determination – and the estimated cost of these per customer. According to our calculations, at \$166 per customer (in 2015-16), water and sewerage customers will be paying 15% of total costs (based on target tariffs and 200 kilolitres consumption per annum) to the company's owners in dividends and other distributions.

While we understand that the Economic Regulator has no control over the level of dividends that TasWater will pay their shareholders, we take this opportunity to express our strong contention that any and all profits resulting from the prices paid by consumers must be earmarked for infrastructure improvements necessary to TasWater meeting its health and environmental obligations.

TasCOSS contends that it is imperative, in the interests of consumers' health and wellbeing and of Tasmania's environment, that TasWater prioritises its health, safety and environmental obligations and does not return its Net Profit After Tax to its owners.

Service provision and policies

TasCOSS is particularly concerned to note in the *Draft Report* that the Regulator has found some TasWater customer service policies do not fully comply with either the *Customer Service Code* or *Customer Service Regulations*. Worryingly these non-compliant policies are "Customer complaints, disputes and enquiries" and "Financial hardship" policies, both providing significant consumer protections.

While we are confident that the non-compliance will be rectified as a result of this Determination, TasCOSS is disappointed that these policies in particular were found wanting. Customers need the protection of sound, compliant and legally effective

policies to both help them to maintain access to essential services and protect them from disadvantage in relation to those services. This is particularly important regarding the “Financial hardship” policy that is critical for providing genuine assistance and support to customers experiencing financial hardship to maintain services and to manage debt and ongoing fixed and consumption costs.

Service standards

TasCOSS welcomes and supports the Regulator’s recognition that there is merit in the Government considering the introduction of a Guaranteed Service Level (GSL) scheme to both provide TasWater with incentives to meet its minimum service standards and to compensate customers for its failure to do so.

Tasmanian water and sewerage customers pay ever-increasing prices for the services they receive and deserve adequate services in return, as well as the guarantee of minimum service levels, or adequate compensation, that a GSL scheme provides.

We hope our comments assist in the preparation of the final *Water & Sewerage Price Determination* for 2015-18.