

19 October 2017



Professor Jane Doolan  
Commissioner  
National Water Reform inquiry  
Productivity Commission  
By email

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Dear Commissioners,

**RE: Productivity Commission 2017, National Water Reform, Draft Report**

The South Australian Council of Social Service (SACOSS) is the peak body for the community services sector in South Australia, with a long-standing interest in the efficient delivery of essential services. We thank the Commission for the opportunity to provide input into the draft inquiry report for National Water Reform.

In line with our mission of 'justice, opportunity and shared wealth for all South Australians', SACOSS has a keen interest in advocating for those who are vulnerable in our society. As outlined in the *Water Industry Act 2012*<sup>1</sup>, SACOSS receives funding from and provides advice on the Consumer Advocacy and Research Fund (CARF), which is used to support research or advocacy that promotes the interests of consumers with a disability, low-income consumers, or consumers who are located within a regional area of South Australia.

Under CARF, SACOSS is funded by the Department of Communities and Social Inclusion (DCSI) to consult with key consumer groups to identify and recommend to DCSI projects to be funded with the objective to ensure that SA water consumers are effectively represented in water regulatory determinations, policy making and market monitoring/development.

SACOSS would like to share the following key findings from the CARF research to inform the Draft Report from the perspective of vulnerable water consumers:

*JFA Purple Orange Water Consumers Research Project*

JFA Purple Orange conducted face-to-face interviews and an online survey of 129 South Australian residential water customers living with a disability (or have a family member living with a disability) to understand issues faced in terms of use of water, cost and quality of access to water.<sup>2</sup>

The research found that those households with a person living with a disability tended to consume extra water due to additional needs such as extra laundry due to incontinence, longer bathing needs, pain relief showers, and the need to sterilize medical equipment. There were also issues related to water supply such as when supply disruptions impacted the ability to maintain personal hygiene and manage health conditions.

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<sup>1</sup> Specified within Section 87 (5) (a) of the Water Industry Act 2012

<sup>2</sup> JFA Purple Orange, Water Consumers Research Project: A consultation for the South Australian Department of Communities and Social Inclusion, June 2017 [unpublished]

Other issues raised which were common across all consumer groups, included issues relating to tenancy and equitable sharing of water bills, accessibility of information, and knowledge and awareness of hardship programs and support.

*Findings from the South Australian Financial Counsellors Association minor and intermediate retailers advocacy project*

The South Australian Financial Counsellors Association (SAFCA) was contracted by DCSI to undertake a survey of customers of minor and intermediate water and sewerage retailers (MIRs) to better understand their experiences with their MIRs. In South Australia, 14 entities are licensed to provide drinking water services to approximately 5,700 customers (10 which are council run, and 4 private firms) and 52 entities are licensed to provide sewerage services to around 89,000 customers (49 council run, and 3 private companies).<sup>3</sup>

Out of a survey sample of 200 residential home owners receiving water and sewerage from MIRs, the majority were satisfied or very satisfied with their sewerage service (94%) and drinking water service (85%). In terms of hardship provisions and concessions, 20% of water customers and 12% of sewer customers reported to financial difficulty paying a bill.<sup>4</sup>

As a result of this research, SACOSS wrote to DCSI recommending a review of water concessions and other complimentary measures to address those facing difficulty paying their water bills, particularly for private MIR customers, tenants and consumers with a disability.

*Cost-benefits of regional service improvements and willingness to pay*

SACOSS has also actively worked in issues related to urban water and sewerage supply and services, retail water pricing and economic regulation.

One issue SACOSS would like to see addressed in the follow-up to the National Water Initiative is the cost-benefits related to regional standards improvements. Acknowledging that infrastructure investments in regions have high capital costs, there needs to be more innovative and robust ways to conduct cost-benefit analyses of proposed infrastructure improvements, particularly in the regions.

In the last regulatory determination process for SA Water's Regulatory Business Proposal 2016 – 2020 (RDP16), a water quality project was proposed to address issues of water hardness and salinity in Orroroo. In its submission to the RBP16, SACOSS raised concerns about this process citing a "...overreliance on the qualitative responses and the willingness-to-pay responses to justify expenditure. Among the issues identified, these responses may not be representative of the underlying customer base because of their weighting towards regional areas and the possibility that regional responses are not representative of SA Water's total customer base."<sup>5</sup>

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<sup>3</sup> ESCOSA 2016, Minor and intermediate retailers regulatory performance report July 2015 to 30 June 2016, [http://www.escosa.sa.gov.au/ArticleDocuments/547/20170407-Water-MinorIntermediateRetailers-RegulatoryPerformanceReport\\_2015-16.pdf.aspx?Embed=Y](http://www.escosa.sa.gov.au/ArticleDocuments/547/20170407-Water-MinorIntermediateRetailers-RegulatoryPerformanceReport_2015-16.pdf.aspx?Embed=Y)

<sup>4</sup> SAFCA 2016, Minor and intermediate retailers research and advocacy project report, <http://www.safca.org.au/wp-content/uploads/2016/06/MINOR-AND-INTERMEDIATE-WATER-AND-SEWERAGE-RETAILERS-RESEARCH-AND-ADVOCACY-PROJECT-REPORT.pdf>

<sup>5</sup> SACOSS 2015, Submission to the Essential Services Commission of South Australia on SA Water's Regulatory Business Proposal 2016-2020, October 2015, p.19 [https://www.sacoss.org.au/sites/default/files/public/151015\\_SACOSS%20Submission%20to%20ESCOSA%20on%20SA%20Water%20Regulatory%20Business%20Proposal.pdf](https://www.sacoss.org.au/sites/default/files/public/151015_SACOSS%20Submission%20to%20ESCOSA%20on%20SA%20Water%20Regulatory%20Business%20Proposal.pdf)

In early 2017, SACOSS commissioned Mint Research to undertake a survey of 600 South Australian residential water customers to understand the consumer issues, challenges and perspectives.<sup>6</sup>

In terms of general attitudes to water, lowering water bills was rated as the most important priority (42%) when asked to choose from a list including water conservation, improved water quality, water reliability, or environmental health. Further, in relation to the hypothetical willingness to pay for a range of different outcomes:

- 43% of water bill payers reported that they were willing to pay more for their water bills if they could guarantee more South Australian jobs and economic development;
- 41% were willing to pay more for their water bills to guarantee better environmental outcomes; and
- 40% were willing to pay more for their water bills to guarantee a better standard of water quality and reliability

Importantly, there were differences in willingness to pay between those from mid-high income households to those from low income households, and a greater willingness to pay from metropolitan customers compared to regional customers. However, there are limitations in using the above type of findings for the purposes of justifying high cost infrastructure projects.

SACOSS supports moves by the Essential Services Commission of SA to take a long term approach to business planning in the provision of water services. SACOSS believes this will enhance the opportunities to improve regional water quality, as projects will be able to be allocated across and over several regulatory periods.

We thank you in advance for consideration of our comments. If you have any questions relating to the above, please contact SACOSS Senior Policy Officer, Jo De Siva

Yours sincerely,

Ross Womersley  
Chief Executive Officer

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<sup>6</sup> Mint Research, Quantitative Study of South Australian Residential Water Consumers, January 2017 [unpublished]