

# Submission to the Queensland Competition Authority's South East Queensland bulk water price review 2018–21

## Introduction

QCOSS welcomes the opportunity to make this submission to the Queensland Competition Authority (QCA) in regards to the *South East Queensland bulk water price review 2018–21*. We understand the QCA will undertake an investigation into the pricing practices of Seqwater and recommend bulk water prices for the period 1 July 2018 to 30 June 2021. Our interest in this review stems from the fact that the bulk price has contributed to recent price increases for many SEQ households, including low income and vulnerable households who are disproportionately impacted by increases in the costs of essential services such as water.

While the current consultation is regarding the relationship between Seqwater and the utilities, the costs are transferred directly through to consumers via the utilities. Water is such an essential part of everyday life that it is important that access and affordability arrangements reflect the reality of water as an essential service, rather than as a commodity. As water is supplied by monopoly entities, effective regulation is critical to ensuring its ongoing affordability and accessibility. QCOSS's view is the impacts of prices on vulnerable consumers should be a key consideration for the QCA in recommending bulk water prices for 2018-2021.

## Consideration of consumer impacts

The QCA must consider the impacts on all consumers when making its recommendation regarding bulk water prices for 2018-2021, but particularly the impacts on low income and vulnerable consumers. Low income households often rent their home, and in these instances the retail account is held by the landlord. Tenants are impacted by increases in the bulk water prices as these are passed on as volumetric charges, which is the component of the bill which landlords are permitted to pass onto their tenants.

Consideration of renters as water users is important given the proportion of Australian households who rent is trending upwards. Queensland is at the forefront of this national trend, with 35.6 per cent of Queensland households renting their home. Rates of social housing are on the decline, and most Queensland renters (84.3 per cent) are in the private market.<sup>i</sup> The demographics of renter households is also changing, with families with dependent children representing 58.9 per cent of all private rental households in Queensland.<sup>ii</sup> Families with dependent children often have high essential usage of utilities such as energy and water, due to having more people in the home – and also often being on low incomes, as is the case for many single parent families.

The impact of water costs on renters must also be considered in the context of renter's capacity to change their behavior to reduce their costs. Under the Residential Tenancy and Rooming Accommodation (RTRA) Act 2008, there is currently no time limit for landlords to pass the utility bills onto their tenants. As such, tenants often do not receive timely information about their water usage to inform behavior change which may help to reduce their costs. Additionally, because they do not own the property, they do not have full control of water use as it is often dependent on the water efficiency of the property and its fixed appliances. Further, as tenants are not direct customers of the water utility, they are excluded from many of the assistance programs that are available to water customers who are on low incomes or who may be experiencing financial hardship. For example, tenants are not eligible to receive any Queensland Government concessions, such as the Pensioner Water Subsidy, and do not have access to payment plans and hardship programs which water utilities are required to offer to their customers who are experiencing financial hardship.

Increases in volumetric charges therefore have negative impacts on renters. We understand the Treasurer's Direction to the QCA has specified that bulk water prices are to be recovered as part of the volumetric charges, rather than fixed charges. However, as Seqwater point out, under the price path debt, volumetric charging is

highly sensitive to the revenue impacts of reduced demand. It also disproportionately affects low income households who rent. QCOSS considers that the QCA must consider the disproportionate impact that increases in water usage charges have on low income households who rent in this review.

QCOSS does not believe encouraging residents to use more water resources is an appropriate response to repay the Price Path Debt. This only adds further costs to the very consumers who are already struggling to afford it. Households on low incomes are most at risk to cost of living pressures because of increases to essential items, such as utilities. The Australian Bureau of Statistics' national data also reveals that average household incomes have fallen over the past two years.

Over the last number of years, QCOSS has made several recommendations to the Queensland Government on actions that could help to alleviate the impact of rising water usage charges on renters. These include:

- Extending eligibility for concession to renters who pay for water costs;
- Improving the protections for tenants who pay for water costs by requiring landlords to pass water bills onto tenants within 30 days of receiving the bill from the water utility;
- Reinstating requirements on water utilities to provide tenants with water consumption information to occupiers in tenanted properties to inform them about their water use and help to track and facilitate behavior change to reduce costs where possible.

As part of its investigations, we encourage the QCA to investigate the impacts of increases in the bulk water price on all consumers, including renters, and consider options for how the bulk water price increases can be alleviated for the most vulnerable households.

## Community Engagement

It is important that the voices of Queensland water consumers are represented in this consultation and, given that water supply is an essential service, especially the voice of those experiencing poverty and disadvantage. While this review is in relation to what Seqwater charges its own customers, the SEQ water utilities, it is these utilities that supply water to the end users (e.g. residential and commercial customers). The ultimate customers, however, do not see Seqwater in the context of potential price rises, consumer pass through and consumer protections. Many of the issues are also technical in nature, making it difficult for consumers to participate. As such, there is a disconnect between Seqwater and the ultimate residential consumers in relation to the costs of water supplied, consumer prices and consumer protections.

What's missing is adequate engagement with final consumers, as occurred with the Water Security Plan. We would like to see more community engagement in the water sector to both give the opportunity for Seqwater to ensure it has fairness and equity for consumers in mind, as well as to ensure consumers and consumer advocacy organisations understand the role of Seqwater in setting prices and the process used. If consumers and consumer advocates do not understand the process Seqwater are using, they cannot be confident it's a fair process.

There is also growing recognition amongst governments and regulators that protecting the long-term interests of consumers requires input from consumers. There are examples from the energy sector of not just increased consumer engagement, but requirements that entities must demonstrate how they are considering the views of their consumers. For example, the Australian Energy Regulator (AER) considers the engagement undertaken by distribution businesses when reviewing their network revenues and prices. Importantly, also in the energy sector there is recognition of the necessity to fund consumer groups so they can engage effectively with energy entities. Consumer engagement plays an important role in economic regulation. It assists with greater transparency and information on the impact of entities' business decisions and prices on water users; it improves asymmetry of information and helps consumers make better choices; it reduces the potential for discriminatory behaviour by monopoly entities; and can counter abuses of market power such as gold plating

or rent seeking. The addition of consumer engagement into the review process will be an important input to the Authority's process and will enhance the long term economic regulatory framework.

Acknowledging the technical nature of the review process, and the lack of connection between Seqwater and end-users, we further recommend the consideration of establishing a body such as a Seqwater Customer Council, that may include representatives from the utilities, local government and consumer advocacy groups. We also recommend the QCA extend the Terms of Reference of its Customer Advisory Committee to include consultation and discussion of water issues, as well as energy.

In November 2017, QCOSS will roll out several Water Literacy Workshops for the community sector. The key purpose of these workshops will inform community workers about changes to the SEQ Customer Water and Wastewater Code. However, the workshops will also include discussion to collect information that may provide evidence of the impact of water prices on vulnerable consumers. Such evidence will be used in future QCOSS submissions regarding water.

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<sup>i</sup> Australian Bureau of Statistics (2015). *Housing Occupancy and Costs, 2013-14*. Retrieved from <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/4130.02013-14?OpenDocument>

<sup>ii</sup> ABS, 2015. Ibid.