

Wendy Craik  
Presiding Commissioner  
Urban Water Inquiry  
The Productivity Commission  
LB 2 Collins Street East  
MELBOURNE VICTORIA 3165



30 June 2011

Dear Commissioner Craik

### **Australia's Urban Water Sector Draft Report**

The Public Interest Advocacy Centre (PIAC) thanks the Productivity Commission (the Commission) for the opportunity to comment on the Draft Report, *Australia's Urban Water Sector*. This submission will focus on the Productivity Commission's Draft Recommendation 3.1.

PIAC is an independent, non-profit, law and policy organisation that works for a just and democratic society by taking strategic action on public interest issues. PIAC has, as a key area of work, energy and water policy. The Energy + Water Consumers' Advocacy Program (EWCAP) represents the interests of low-income and other residential consumers of electricity, gas and water, including social housing residents.

The Productivity Commission's Draft Recommendation 3.1 recommends that all levels of government 'should articulate a common objective for the urban water sector in the relevant policy documents'.<sup>1</sup> The suggested outline for this objective is as follows:

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.<sup>2</sup>

The Commission also provides direction for the definition of economic efficiency in the context of the above objective, namely that:

Economic efficiency should be defined broadly to include environmental, health and other costs and benefits that might not be priced in the markets.<sup>3</sup>

PIAC understands that the Commission gives economic efficiency a prominent place in the proposed common objective as it provides a mechanism for weighing up the costs and benefits of different proposals in aiming for net public benefits.<sup>4</sup> The Commission acknowledges that while 'universal and affordable access' to water is a valid objective of the urban water sector, the equity aspect of universal and affordable access is not easily housed under an overarching objective for economic efficiency.<sup>5</sup>

In this context, the Commission explains equity as 'how costs and benefits are distributed across different groups'.<sup>6</sup> In answer to the inherent tension between equity and economic

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<sup>1</sup> The Productivity Commission 'Australia's Urban Water Sector: Draft Report' 2011, 74.

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid 73.

<sup>5</sup> Ibid 74.

<sup>6</sup> Ibid.

efficiency, the Commission proposes that mechanisms outside the urban water sector, such as the taxation and social security systems, may be best placed to deal with 'distributional issues'.<sup>7</sup>

PIAC has concerns that if adopted as proposed, the common objective of the urban water sector will include no acknowledgement that the provision of water is an essential service. Without this acknowledgement, the aim to maximise net public benefits through economic efficiencies could lead to a situation where negative outcomes for some consumer groups are not effectively addressed. PIAC sees this risk as particularly heightened if mechanisms external to the urban water sector, such as the tax and social security systems, be identified as the principal source of remedial action for any inequitable outcomes that may arise. Under this scenario, PIAC would have specific concerns for vulnerable water consumers.

Dealing with equity issues outside of the sector has not worked particularly well for NSW electricity consumers. In April 2011, the Independent Pricing and Regulatory Tribunal (IPART) made a draft decision on retail electricity prices for NSW. Taking these price rises into account, IPART calculated that an indicative annual bill will rise by approximately \$228, \$230 and \$316 on 1 July 2011 for customers in Integral, Energy Australia and Country Energy supply areas respectively.<sup>8</sup> Concurrently, the primary NSW rebate paid to eligible energy customers will increase by \$39 on 1 July 2011.<sup>9</sup> This rebate is applied uniformly across the state, providing no additional support to customers in Country Energy's supply area who are facing rises that are over \$80 higher than those in Integral or Energy Australia supply areas.

PIAC's previous submission to the Commission's inquiry into the Urban Water Sector noted that Australia has responsibilities as a State Party to international human rights treaties, including the *International Covenant on Economic Social and Cultural Rights (ICESCR)*.<sup>10</sup> In particular, PIAC noted the United Nation's recognition of the importance of water in a human rights sense:

The treaty body for ICESCR, the United Nations Committee on Economic, Social and Cultural Rights, in its General Comment No 15 of 2002, observed:

1. ... The human right to water is indispensable for leading a life of human dignity. It is a prerequisite for the realization of other human rights ...
2. The human right to water entitles everyone to sufficient, safe, acceptable, physically accessible and affordable water for personal and domestic use.<sup>11</sup>

Given Australia's human rights obligations under the ICESCR, PIAC takes the view that it is appropriate that the common objective of Australia's urban water sector acknowledge that no residential consumer be denied access to an adequate supply of water because of an inability to pay. Accordingly, PIAC recommends that the common objective for the urban water sector be amended as follows:

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<sup>7</sup> Ibid.

<sup>8</sup> Independent Pricing and Regulatory Tribunal, *Changes in regulated electricity retail prices from 1 July 2011: Draft Report* (2011) 4.

<sup>9</sup> Please note: the NSW Energy Rebate will be known as the Low Income Household Rebate as of 1 July 2011. The NSW Energy Rebate was to be paid at a rate of \$161 on 1 July 2011 but has been increased to \$200 per annum under the new government.

<sup>10</sup> *International Covenant on Economic, Social and Cultural Rights*, opened for signature 16 December 1966, 993 UNTS 3 (entered into force 3 January 1976) ratified by Australia on 10 December 1975 (entered into force for Australia on 10 March 1976).

<sup>11</sup> Louis Schetzer & Carolyn Hodge 'A Rights Approach: Submission to the Productivity Commission inquiry into Australia's Urban Water Sector' 2010 *Public Interest Advocacy Centre*

The primary objective of the sector is to provide water, wastewater and stormwater services in an economically efficient manner so as to maximise benefits to the community, while taking all steps necessary to ensure that no residential consumer is denied access to an adequate supply of water because of an inability to pay.

Should you require any further information, please contact Carolyn Hodge, Senior Policy Officer on 02 8898 6520.

Yours sincerely

A handwritten signature in cursive script that reads "Edward Santow".

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