



**The South Australian Council of Social Service (SACOSS)
Submission to the Legislative Council Select Committee Enquiry
on SA Water**

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ISBN 978-0-908293-67-4

First published in August 2009 by the
South Australian Council of Social Service

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Scope of Interest

SACOSS is the peak body for social services in South Australia, and is an independent non-government organisation with a proud sixty-year history of advocating for disadvantaged and vulnerable South Australians. SACOSS is a not-for-profit independent organisation whose members represent a wide range of interests in social welfare, health and community services. SACOSS is part of a national network assisting low income and disadvantaged people, and shares with its members the vision of *justice, opportunity and shared wealth for all South Australians*.

In its role as a peak body for community services in South Australia SACOSS covers a broad range of policy areas including the impacts of disadvantage on the most vulnerable South Australians. In recent years SACOSS has led or participated in debate and advocacy in the areas of consumer credit, electricity and gas, telecommunications, financial counselling, payday lenders, food security and gambling.

SACOSS welcomes the opportunity to provide a submission to the Select Committee Enquiry into SA Water. The SACOSS submission to this inquiry is based upon the needs of low income and vulnerable consumers in South Australia in relation to access to water for health and wellbeing.

Executive Summary

This submission has been prepared in accordance with the Select Committee's Terms of Reference, with a particular focus on methodologies to ensure access to water for people on low incomes, and water pricing, sections (h) and (e, no. i) respectively.

SACOSS holds that all South Australians should have affordable access to a basic level of water service, with increased usage meaning an increase in cost. This is essential given the strong links between unavailability of good quality water, poverty and poor health, particularly in relation to vulnerable and disadvantaged South Australians. In line with this, SACOSS provides the following recommendations regarding the function and operations of SA Water.

Recommendation 1

That SA Water and the South Australian Government recognise the inextricable link between access to water and a person's health and wellbeing, and act accordingly to ensure that all South Australians have affordable access to a basic level of water service, regardless of income.

Recommendation 2

That SA Water maintain the current inclining block tariff system of water charges with appropriate rigor and accountability, with increased usage above requirements for health and wellbeing incurring an increase in cost.

Recommendation 3

That SA Water replace the current pricing review mechanisms with a price-setting body external to the government, with an obligation to recommend price structures and levels only after an open, accountable and extensive public consultation process.

Recommendation 4

That SA Water and the South Australian Government invest more heavily in alternative strategies for saving and recycling water, with a particular focus on capturing and reusing waste water.

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Water as a human right

In 2002, the United Nations Committee on Economic, Social and Cultural Rights labelled water as a “limited natural resource and a public good fundamental for life and health.” (UNCESCR, 2003, p.1) Drawing on a range of international treaties, UNCESCR declared that “the right to water [is] clearly...essential for securing an adequate standard of living, particularly since it is one of the most fundamental conditions for survival.” (World Health Organisation, 2003, p. 8) Hence, access to sufficient, safe, acceptable, physically accessible and affordable water for personal and domestic uses was recognised as an independent and universal human right (UNCESCR, 2003).

Although the United Nations understandably has a focus on the more than 1 billion people worldwide who have no access to safe, clean water (WHO, 2003), the principles of the General Comment outlined above hold true for developed countries as well, including Australia. For example, the United Nations also agreed that the right to water includes the right to “a system of water supply and management that provides equality of opportunity for people to enjoy the right to water.” (UNCESCR, 2003, p. 4)

In a South Australian context, this means that no vulnerable or disadvantaged South Australian should be denied the social, economic and health benefits of access to water. SACOSS asserts that this right should underpin any changes in the operation or function of SA Water.

Equitable access & health outcomes

The World Health Organisation states that “poor families without access to safe water frequently find themselves even poorer as a result of ill-health caused by [that] lack.” (2003, p.24) In Australia, this is particularly true for rural and remote Aboriginal and Torres Strait Islander communities:

“...many people living in remote Indigenous communities in Australia do not have easy access to adequate supplies of water or safe sanitation systems – services accepted as basic rights and taken for granted by the vast majority of Australians. Given the widely accepted importance of water and sanitation to health...poor environmental conditions are a major cause of poor health in Indigenous communities.” (Bailie, Carson & McDonald, 2004, p.411)

A lack of good quality water also affects low income and disadvantaged families in less direct ways, such as increasing the cost of nutritious food. A nutritious and varied diet is a key social determinant of health — without one, individuals face a decreased life expectancy, and an increased chance of developing deficiency diseases. This problem is exacerbated as rental prices, fuel, utilities and other cost of living expenses steadily increase over time (Cannon, 2007).

The affordability of a nutritious diet is dependent on farmers having access to a secure and sustainable water supply, as without one the cost of farming and agriculture increases, meaning overall food production decreases, leading to an increase in the cost of basic food items (Gregson, 2008). While this issue is not directly related to potable water supplies, it remains a contributing factor to the health — or ill-health — of many vulnerable and disadvantaged South Australians, who will come under increased pressure to maintain a nutritious diet should the cost of food increase.

Essentially, SACOSS views access to water as inextricably linked to all other aspects of a person’s health and wellbeing, and we urge SA Water and the South Australian Government to recognise this link in all policy and price setting processes. We support the World Health Organisation’s assertion that vulnerable members of society should have this access protected “even in times of

severe resource constraints” (WHO, 2003, p.25), and that all South Australians, regardless of income, should have access to a basic level of water which meets all of their essential needs.

Equitable pricing

Currently, South Australians pay a state-wide price for water, whereby every customer pays the same price per 1000 litres (one kilolitre, or kL) regardless of their geographical location and the cost of getting the water to their home. SA Water also charges customers an annual supply fee and an additional cost per kilolitre, based on the amount of water used (SA Water, 2009).

This method of pricing water usage is known as an inclining block tariff, or IBT. Crase, O’Keefe and Burston (2007, p. 69) define IBT pricing as “an increase in the volumetric or per unit charge once a predetermined threshold of consumption is exceeded.” Though SA Water does not explicitly label South Australia’s water fees as an IBT, in practice it operates in the same way: “The first 'block' of water is sold at a low rate and as consumption moves into higher blocks [the] water usage charge increases.” (Cruse, O’Keefe and Burston, 2007, p. 69)

From 1 July 2009 South Australian residential consumers will pay for water in three tiers: \$0.97 per kilolitre for the first 120 kL used in the year, \$1.88 per kL for any consumption above 120 kL a year, and \$2.26 per kL for consumption above 520 kL a year. This is in addition to a fixed residential supply charge, which is set at \$137.60 per year (\$34.40 per quarter). These usage prices represent an increase from 2008/09 levels, but a decrease in the residential supply charge, from \$157.40 in 08/09 (SA Water, 2009).

While SACOSS recognises the inherent costs in providing water to consumers, we argue strongly that it is not the responsibility of consumers to carry the entire weight of these costs. Rather, consumers should contribute fairly to SA Water’s recouping of this cost, by paying a fair price for any water usage above the minimum required to sustain a good quality of life. We believe that any system of water charges in South Australia should be aimed at meeting the basic water needs of the South Australian population, without placing undue pressure on those individuals, families and communities who are least able to bear the cost.

A key mechanism for alleviating this pressure is the use of concessions. SACOSS welcomes the increase in the water concession rate provided in the 2009/10 State Budget, as well as the extension of these water concessions – initially applying only to pensioners – to include Commonwealth Low Income Health Care Card holders (SA Water, 2009). However, we note that these concessions are underpinned by a state-wide system that is “often ill-directed, lacking in clarity, and most significantly, lacking in both horizontal and vertical equity. While certain concessions are available to some people on medium or high incomes, these concessions are not available to some people on lower incomes.” (Stead, 2009)

In general terms, SACOSS believes that all South Australians should have affordable access to a basic level of water service, with increased usage leading to an increase in cost. SACOSS accepts, therefore, that the inclining block tariff system currently in place, underpinned by a robust concession scheme and effective measures to assist consumers facing financial difficulties, is a fair and equitable method of charging for water use in South Australia. We encourage SA Water to maintain the current IBT system with appropriate rigor and accountability, holding as its fundamental underpinning affordability for vulnerable and disadvantaged consumers.

SA Water's transparency and accountability

Accountability to both the government and the public is a key attribute for any government department or body, and it is especially important when that body holds a monopoly in a particular area. While SACOSS accepts that supplying water "can be seen as a 'natural monopoly' given the extensive and expensive infrastructure necessary to deliver effective, efficient and safe services," (TasCOSS, 2008, p.1) we strongly agree with the Tasmanian Council of Social Service when they say "robust independent regulation is essential to prevent monopoly behaviour and to protect consumers." (TasCOSS, 2008, p.1) Unfortunately, the South Australian public does not benefit from robust independent regulation when it comes to water, particularly in the setting of water prices.

Under the *Waterworks Act 1932 (SA)*, the Minister responsible for overseeing SA Water determines *all* water rates, as well as the fixed supply charge. In practice, there are two ministers responsible for SA Water – the Minister for the River Murray and Water Security, who oversees the operational aspects of SA Water, and the Treasurer, who monitors SA Water's financial standing. This in turn means that the Minister ultimately in charge of setting water prices in SA is the Treasurer.

Since the 2005-06 financial year, the Essential Services Commission of South Australia (ESCOSA) – an independent statutory body responsible for regulating the essential services industry – has reviewed the water price-setting process in South Australia. In undertaking this annual review, ESCOSA relies on the Transparency Statement released by the Treasurer, which is developed following consultation with the government's Office of Water Security, the Department of Premier and Cabinet, the Department of Water, Land and Biodiversity Conservation, and finally, SA Water (SA Government, 2009).

The people who will eventually pay the prices – the public – are nowhere to be found during this "consultation" process. ESCOSA does call for public submissions, but only *after* they have completed their review of the price-setting process each year, and the prices have already been set and agreed to by the government. There is no opportunity for consumers to contribute to this process.

In 2007, the Total Environment Centre (TEC) – an independent, non-profit advocacy group that campaigns on environmental issues in Australia – released a report which contrasted ESCOSA's price-setting processes in Adelaide with that of similar bodies in other capital cities. The report found that ESCOSA's arrangements for public consultation were "significantly inferior" to those found in other capital cities and that "the issuing of a Transparency Statement and public review of price-setting processes after the determination of prices obviously weakens the opportunity for the public and stakeholders to influence the pricing process." (TEC, 2007, p. 17)

SACOSS strongly recommends that the current system of price-setting be scrapped, in favour of a process which is open, accountable, and gives consumers the chance to contribute. In essence, SACOSS advocates the creation of a price-setting body external to the government, with an obligation to recommend price structures and levels only after extensive public consultation. SACOSS would be pleased to see ESCOSA fill this role.

Sustainability

South Australia depends heavily on relatively few sources of water – Adelaide Hills catchment areas, groundwater, and the River Murray. As such, we are in a uniquely vulnerable position, relying on only three sources of water for drinking, urban use, and agricultural purposes (Government of South Australia, 2005). However, it is heartening to see the South Australian Government has recognised that this state of affairs represents a serious and ongoing challenge to South Australia, admitting that:

“The long term future is not without some unknowns, particularly in relation to the impacts of climate change. Prolonged drought in the Mount Lofty Ranges could lead to a demand for water that exceeds the current amount allocated. Similarly prolonged drought across the Murray-Darling Basin could potentially lead to reduced water allocations from the River.” (Government of South Australia, 2005, p.44)

In other words, unless drastic measures are taken in the very near future, South Australia faces a future without a sustainable water supply. The environmental implications of this fact are significant, especially in regard to the River Murray, which will face decreased water flow, increased salinity, wildlife deaths, the “Coorong becoming like the Dead Sea” – essentially, the Murray will cease to exist as a viable water resource for the state (Cullen, 2007).

SACOSS is pleased to note the release of South Australia’s *Water for Good* plan, which will provide an important starting point for discussions and planning around the best way to manage South Australia’s water supply into the future. However, while SACOSS welcomes the Government’s stated aim that South Australia “will be capable of harvesting 20 GL/a [of waste water] for non-drinking purposes in Greater Adelaide” by 2013 (Government of South Australia, 2009, p.20) we are concerned at the overweening emphasis placed on the Port Stanvac desalination plant, and the centralised response this represents.

SACOSS notes that at present, SA Water is dealing with the issue of too little water by purchasing water allocations from sources such as other state governments and irrigators “upstream” on the Murray River. In fact, this practice forms part of the *Waterproofing Adelaide* plan: “SA Water is planning to purchase up to 25,000 ML of water licences and land...for social, environmental and economic purposes. The use of this water will be determined in the future.” (Government of South Australia, 2005, p. 21)

SACOSS contends that while purchasing water may satisfy South Australia’s demand for water in the short term, it is self evidently an unsustainable option, as South Australia’s population continues to grow and the availability of appropriate water from other sources decreases. Instead, SACOSS calls upon SA Water and the South Australian Government to invest further in alternative measures, with a particular emphasis on capturing waste water.

Conclusion & Recommendations

Water is vital to the entire South Australian community. Without access to safe, clean, accessible water for agriculture, business and personal use, South Australians will suffer enormous negative impacts on their health and wellbeing, particularly low income and disadvantaged communities.

Accordingly, SACOSS believes that the organisation responsible for managing this precious resource – SA Water – should be held to the highest standards of responsibility and accountability. In light of this, SACOSS provides the following recommendations, which should serve to underpin any changes in the function or operations of SA Water.

Recommendation 1

That SA Water and the South Australian Government recognise the inextricable link between access to water and a person's health and wellbeing, and act accordingly to ensure that all South Australians have affordable access to a basic level of water service, regardless of income.

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Recommendation 4

That SA Water and the South Australian Government invest more heavily in alternative strategies for saving and recycling water, with a particular focus on capturing and reusing waste water.

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