

April 2021

Improving Water Security in Regional and Remote SA

Background

Water is one of the most fundamental basic human needs and is critical for our social, economic and cultural wellbeing. South Australians who live in the greater metropolitan Adelaide or are customers of SA Water's network are fortunate to have access to very reliable, safe and relatively affordable drinking water. However, the same cannot be said for some across the state – particularly for communities and townships outside of SA Water's network, who are serviced by smaller providers (local councils or private providers) or those who are part of SA Water's remote communities scheme.¹

Regional and remote communities face specific issues and challenges when it comes to the provision of water services, including small economies of scale, poor quality water sources, inadequate infrastructure, high operating costs, and fragmented arrangements for service delivery. Policies and reforms to date have largely remained silent on addressing the gap in standards of service delivery for drinking water services in smaller regional and remote communities, where full cost recovery is difficult. This largely reflects prioritisation from State Government on establishing appropriate arrangements for larger service providers, and a lack of visibility of the challenges and identification of appropriate solutions. As a result, some communities are receiving poor (sometimes unsafe), unreliable and high-cost water services.

The SA Government's state-wide pricing policy means that most customers pay the same price per kilolitre of water in all metropolitan and regional areas in the SA Water network. SA Water receives funding from the State Government in the form of Community Service Obligation (CSO) payments to meet the under-recovery of costs associated with providing water and sewerage services in remote and regional areas. While the provision exists for government to extend CSO payments to small providers, it currently does not — meaning that communities reliant on those providers are often either paying more than the state-wide price for water or are receiving substandard services. Coober Pedy is a well-known example, with residents paying two to three times more for water than SA Water customers.³

Water Security Plan 1

SACOSS (2020) <u>Scoping Study on Water Issues in Remote Aboriginal Communities</u>, Adelaide.

Productivity Commission (2021) <u>National Water Reform 2020, Draft Report</u>, Canberra; Willis et al (2015) <u>Water supply and governance options for outback towns in remote South Australia</u>, Goyder Institute for Water Research Technical Report Series No. 15/7, Adelaide.

https://www.abc.net.au/news/2019-03-06/coober-pedy-water-supply-concerns-opal-capital/10867894

In a state as prosperous as South Australia, it is simply unacceptable that some people and communities do not have access to safe, secure and affordable drinking water. While smaller providers only service 1 per cent of the state's population, the *essentiality* of water for basic human survival demands that we prioritise getting the policy, legislative and regulatory framework in place to make material improvements for those currently being left behind. There is currently a lack of policy imperative by the South Australian government to address the long-standing issues in a holistic manner, including greater transparency around how the CSOs operate.

Policy Response

In 2020, SACOSS engaged water policy consultants, Aither to identify practical recommendations and actions to improve drinking water services for those living in regional and remote South Australia. Our policy response is guided by this work.⁴ Foremost, there is an urgent need for the State Government to undertake a state-wide stocktake of South Australian regional and remote communities water services to better understand the extent and magnitude of the issues, root causes, any systemic challenges, and the level of investment required to address the issues. A greater sense of the collective problem would help to establish priorities and underpin a strategic, long-term and co-ordinated response.

Further, the development of a basic level of service would outline a standard of service the State Government commits to not to falling below and would provide a clear state-wide basis and direction for policy decisions. If the costs of delivering this basic level of service is prohibitive for a particular community, then the State Government would need to consider how best to offset these costs through subsidies and concessions, including by potentially extending the use of CSO payments to all service providers, beyond SA Water.

SACOSS Proposal

SACOSS seeks commitment from all parties that, in the next term of government, concrete steps are taken to fix drinking water supply to regional and remote South Australia, by:

- Undertaking a state-wide stocktake of current water supply arrangements to townships and communities (including remote indigenous communities). This stocktake should consider drinking water security of supply, quality, governance and service delivery arrangements and costs, and look at delivery from the source to the household.
- 2. Developing a **policy that outlines a basic level of safe and reliable water services** for all South Australian towns and communities (basic level of service).
- 3. Undertaking water security planning in regional and remote communities.
- 4. Conducting a public review investigating the merits of **broadening the application of the Community Service Obligations (CSOs)** to all water service providers.

Water Security Plan 2

⁴ Aither (2021) Falling through the gaps: A practical approach to improving drinking water services for regional and remote communities in South Australia, forthcoming

Appendix A.

LEADERSHIP & STRATEGY

Includes establishing clear roles and responsibilities, a strategy with a vision, objectives and principles

KNOWLEDGE

UNDERSTAND CURRENT SITUATION

Undertake stock take of water supply services to townships/communities including, adequacy of supply, quality, assets, pricing, governance and servicing.

LEVEL OF SERVICE

BASIC LEVEL OF SERVICE

Develop state wide agreed minimum (basic) level of service for all South Australian towns and communities.

FUNDING

COMMUNITY SERVICE OBLIGATION

Broaden the application of the community service obligation (CSO) to all water service providers. This CSO is to meet the gap of cost of provision of service against the basic level of service.

LONG TERM PLANNING

WATER SECURITY PLANNING FOR REGIONAL AND REMOTE COMMUNITIES

Planning should include developing agreed levels of service, identification of options for delivery, understanding of costs and benefits determining most appropriate response arrangements.

Figure 1. Summary of recommendations for improving water services to regional and remote communities

Water Security Plan 3



February 2021

SA Water – Ministerial Directions

Background

Currently, the Minister for Environment and Water can direct SA Water to undertake particular expenditures, and those costs are recovered in full from SA Water's customers through water bills. The Treasurer's Pricing Orders work to ensure these monies are not subject to the independent scrutiny or consumer input of other expenditure proposals in the regulatory process. The costs of complying with these Directions are simply mandatory, and have to be recovered in full from SA Water customers.

The Essential Services Commission of South Australia (the Commission) is the independent economic regulator of SA Water. The Commission's Regulatory Determination for 2020-2024 included over \$461 million in unscrutinised SA Water expenditure directed by the Minister, which will be recovered from SA Water customers through their water bills in the next four years. The expenditure includes costs the Commission may otherwise have deemed not to be prudent and/or efficient, but we don't know, as those expenditures are not subject to the scrutiny or efficiency targets imposed on other expenditure in the Determination.

In 2018 the Marshal Liberal Government made a commitment to establish an independent inquiry into water pricing to improve the pricing of water in South Australia 'ensuring that consumers are not ripped off by a State Government'. Whilst the goal of the inquiry was to report on cost reflective pricing, the scope of the inquiry established by the Treasurer **specifically excluded** from consideration the costs of meeting Ministerial Directions issued by the Minister for Environment and Water.²

Policy Response

The primary objective of the independent economic regulation of SA Water (as provided for under the *Essential Services Commission Act 2002* and the *Water Industry Act 2012*) is to protect the long-term interests of South Australian water consumers with respect to price, quality and reliability of water and sewerage retail services. The operation of the Treasurer's

Direction to SA Water pursuant to section 6 of the *Public Corporations Act 1993*, 28 May 2020. The Directions issued to SA Water by the Minister for Environment and Water on 28 May 2020 amount to \$173,097,000 in operating expenditure and \$287,992,000 in capital expenditure for the regulatory period 2020-2024. See link: https://www.escosa.sa.gov.au/ArticleDocuments/21489/20200611-Water-DirectionsUnderSection6PublicCorporationsAct1993-GazetteNotice.pdf.aspx?Embed=Y

Owens, Lewis, *Inquiry into Water Pricing in SA - A Cautious Conclusion*, December 2018, p.3 https://www.treasury.sa.gov.au/ data/assets/pdf file/0010/93646/2018-12-A-Cautious-Conclusion-report.pdf

Pricing Orders was initially intended to be a transitional measure during the move to a new regulatory regime in 2013,³ but together with the Ministerial Directions, has become a tool for government to increase SA Water's revenue outside of the independent regulatory process.

Funding the costs of Ministerial Directions through Regulatory Determinations is not in the long-term interests of consumers - it results in costs that are not publicly scrutinised, hidden in customers' bills and sends distorted price signals to water users. The Commission has cautioned against this practice, previously stating 'the costs of meeting any Ministerial Directions should be transparently determined, and funded by direct, transparent community service obligation payments, and not by water consumers'.⁴

The timing of the most recent Ministerial Directions and Pricing Order (two weeks before the final Determination) undermined the extensive consumer engagement and input which took place during the 18 months before the Commission's Final Determination, leading to uncertainty and distrust of the regulatory process. Also, this practice does not comply with the *National Water Initiative (NWI) Pricing Principles* agreed to by COAG in 1994. Under the NWI Pricing Principles, Governments agreed that 'if a decision was made not to apply these principles in a particular case, the reasons for this would be tabled in parliament'. To our knowledge the various programs and projects which make up the \$461m in expenditure have not been tested for cost-effectiveness, and the reasons for this have not been tabled in parliament.

Best practice regulation depends on certainty, transparency and community benefit. Consumers should pay no more for water than is allowed by the Commission exercising its independent, statutory decision-making powers.

SACOSS Proposal

That the government legislate for, or commit to, all Ministerial Directions for SA
 Water expenditure to be either funded directly from Treasury, or at least included in
 the regulatory review of SA Water expenditure by the Essential Services Commission
 of South Australia.

Essential Services Commission of South Australia, SA Water's Water And Sewerage Revenues 2013/14

-2015/16Final Determination, Statement of Reasons, May 2013, p.1

https://www.escosa.sa.gov.au/ArticleDocuments/488/130527-SAWater-Water-SewerageRevenu.pdf.aspx?Embed=Y

Essential Services Commission of South Australia, SA Water's Water And Sewerage Revenues 2013/14

-2015/16Final Determination, Statement of Reasons, May 2013, p.127-128

https://www.escosa.sa.gov.au/ArticleDocuments/488/130527-SAWater-Water-SewerageRevenu.pdf.aspx?Embed=Y

National Water Initiative Pricing Principles, p.3
https://www.agriculture.gov.au/sites/default/files/sitecollectiondocuments/water/national-water-initiative-pricing-principles.pdf



March 2021

Anti-Poverty Measures

Background

SACOSS' core mission is the prevention and alleviation of poverty. As such all the policies pursued by SACOSS are directed to this end. While in many instances, this requires large-scale policy changes, SACOSS has also sought to identify smaller changes required to a range government policies and practices which create poverty premiums, poverty traps or contain barriers to accessing services to assist people in hardship. These three concepts are different, but related:

- Poverty Premiums are extra costs which accrue to someone on very low income
 precisely because they are on that low income they are costs on those that are
 living in poverty that others with higher income or more resources can buy their way
 out of, avoid or minimise.
- Poverty Traps are mechanisms that make it very difficult for people to escape poverty - they create situations where people become more vulnerable and poverty premiums are more likely to be incurred.
- Barriers to accessing services can be eligibility requirements, practices or assumptions which prevent vulnerable and disadvantaged people from accessing services designed to support them.

In developing policies to address the above premiums and barriers, SACOSS is not proposing big changes to the programs identified – many of which provide valuable support to people in need. Generally, only small changes to eligibility or policies are required to reduce the poverty premiums, traps and barriers to services.

This is an ongoing project so more poverty premiums, traps and barriers to service may be identified over the course of this year.

Policy Proposals

Poverty Premiums

- Remove the \$20.90 charge imposed on payment plans for state government fines
- Remove the Victims of Crime Levy on expiation notices for those in receipt of Centrelink payments or an SA government concession
- Extend motor vehicle registration and driver's licence concession currently available to pensioners to other income support recipients
- Extend the current ambulance cover concession available to pensioners to other income support recipients
- Increase the Cost of Living Concession for renters to the level provided to home owners

Poverty Traps

- Revise legislation governing water supply changes for renters to align with other states and make landlords responsible for water supply
- Review stamp duty on insurance with a view to making insurance cheaper and more accessible to low-income South Australians
- Legislate to void any requirement for mandatory gas connections in new residential developments

Barriers to Access

- Expand the eligibility criteria for SA energy concessions to include all families on Health Care Cards who are receiving full Family Tax Benefit Part A payments
- Review eligibility criteria for EEPS with a view to raising the debt cap and ensuring those on hardship programs are not prevented from eligibility or referral
- Recognise a broad range of concession cards as proof of eligibility for public transport concessions and provide the ability to waive concession-related transport fines after issue if person can show that they were eligible for a concession (but just did not have documentation)
- Review the impact on service access and use of the imposition of fees for the Communication Partner Service in police interviews and court hearings

Explanation of SACOSS Proposals

Remove the \$20.90 charge imposed on payment plans for state government fines

If someone can't pay a South Australian fine when it is due, they are able to apply to go on
to a payment plan. However, the Fines Unit imposes a charge of \$20.90 on the application
for a payment plan.¹ This is an impost on people who were unable to pay a fine and a
potential barrier to paying the fine, thus risking further enforcement action. It would cause
outrage if similar practices were adopted by energy or telecommunications companies
when they customers need payment plans. It is a poverty premium as it imposes an extra
charge on those too poor to pay, while offenders with higher incomes are more likely to be
able fines when due.

Remove the Victims of Crime Levy on expiation notices for those in receipt of Centrelink payments or an SA government concession

SACOSS has long called for income-based fines because, unlike the current system of flat-rate fines, they provide an equal disincentive to wrong-doing and do not impose a poverty premium and hardship for those on low incomes for whom fines are often a massive proportion of income. While this remains SACOSS' preferred approach, we recognise the practical difficulties of identifying income (particularly for a state government when the Commonwealth controls income tax). However, the proposal to remove the Victims of Crime levy on expiation notices for those on Centrelink payments (or with an SA government concession) overcomes these barriers and would be a step toward a fairer fines system. Essentially the fine could be issued with the levy, but with a notice to apply for a waiver for those on income support or concessions. It is only proposed that this be applied to expiation notices, not to the levy attached to more serious offences.

Extend motor vehicle registration and driver's licence concession currently available to pensioners to other income support recipients

The South Australia government currently offers a range of motor vehicle and licence concessions to pensioners and incapacitated people. For pensioners the concession is a 50% reduction on vehicle registration and driver's licence and an exemption from stamp duty on compulsory third party insurance. While these concessions are welcome, given that the age pension is paid at a significantly higher rate than allowances such as JobSeeker, Parenting Payment and Youth Allowance (excluding temporary COVID payments), it seems perverse that those on lower incomes should not also be able to access these concessions. As flatrate charges, these fees are already a poverty premium impacting disproportionately on those on the lowest incomes, but it is a double premium when they are paying more than concession-holders on higher incomes. People on JobSeeker, Parenting Payment and Youth Allowance are eligible for public transport concessions and the same criteria should be applied to concessions for private transport. Unlike many of the proposals in SACOSS' Anti-Poverty package, this proposal would come at some cost of government, but it would be fairer and would remove a poverty premium for those on the lowest incomes.

Govt of South Australia, <u>Fines Enforcement and Recovery Unit: Payment Arrangements</u>, website accessed 4 February 2020.

² SA Government, <u>Concessions for Registration and Driver's Licence</u>, website viewed 4 February 2020.

Extend the current ambulance cover concession available to pensioners to other income support recipients

Ambulance fees are set by regulation and are flat rate fees depending on the type of service. At over \$1,000 for an emergency response with transport to hospital,³ such flat rate fees are regressive (accounting for a higher proportion of income for low-income households) and cause financial hardship at (by definition) a time of household stress. SACOSS has previously called for free emergency ambulance services in South Australia.⁴ This remains SACOSS' preferred policy position, but in terms of the existing government program, the concessions available for ambulance insurance cover contain a poverty premium. As with the driver's licence and motor registration concessions, the ambulance cover concession of \$35 (equating to 40% of the annual fee) for a single person is available for age pensioners, but not for those on lower income support payments such as JobSeeker, Parenting Payment, Youth Allowance. To remove this poverty premium, the concessions available to age pensioners should be extended to those on lower income support payments.

Increase the Cost of Living Concession for renters to the level provided to home owners

According to the government concessions website, the Cost of Living Concession replaced the council rate concession [in 2015] "to help those on low or fixed incomes with *all of their cost of living expenses*, eg council rates, energy and medical bills".⁵ However, the amount of the concession still reflects its historical background as renters receive \$107.50 less than the rates applying for homeowner-occupiers.⁶ Given that on average, renters have lower incomes and more financial stress in relation to those on similar incomes who own their homes mortgage-free, the differential concession rates create a poverty premium where renters pay more than homeowners with similar low incomes. This is not warranted if the Cost of Living Concession is really to address *all* cost of living expenses. Further, while Council rates are a significant extra cost on homeowners, in reality landlords incorporate (at least a significant proportion of) such costs into the rent to get their investment return. Therefore renters indirectly also bear the cost of council rates. Accordingly, the poverty premium on renters should be removed by raising the payment for renters to that paid to homeowner-occupiers.

Revise legislation governing water supply changes for renters to align with other states and make landlords responsible for water supply

Water is an essential service and, as a regressive expenditure, it is a particular impost on the budgets of low-income households. One simple way to reduce this cost for tenants, who

SAAS (2021) "Ambulance Fees" South Australian Ambulance Service website: http://saambulance.com.au/ProductsServices/Ambulancefees.aspx

SACOSS (2020) Submission to the South Australian Government's 2020-21 Budget, South Australian Council of Social Service. https://www.sacoss.org.au/sacoss-state-budget-2020-2021

Government of SA (2021) "Cost of Living Concession", website at https://www.sa.gov.au/topics/care-and-support/concessions-and-grants/concessions/cost-of-living-concessions

The base payment is \$215.10 for homeowner-occupiers \$107.60 for tenants, while for those on JobSeeker the concession rates are \$715.10 and \$607.60 respectively.

tend to have lower incomes, would be to make landlords responsible for water supply charges. In a modern country, a house without water supply is not habitable, so the water supply should be the landlord's responsibility. This was the case prior to March 2014 when legislation was changed (without much discussion or explanation) to make tenants responsible for the supply charges by default (as well as usage). South Australia is the only state in Australia where the costs of water supply are charged to the tenant.

Review stamp duty on insurance with a view to making insurance cheaper and more accessible to low-income South Australians

Insurance is an important buffer against natural disasters and other calamities, but the cost of insurance is significant for many households and has been increasing over time. ⁷ It is clear that many low-income households are under-insured. This leaves more vulnerable and more likely to be thrown into poverty if something happens to them. The state government stamp duty of 11% on insurance premiums (on top of GST) adds to the price of insurance and potentially discourages people taking out insurance. The Henry Tax Review called for the abolition of state duties on insurance, and (unsurprisingly) so has the insurance industry. However, SACOSS is also concerned about the impact of any cut to state revenue, so we are calling for a review to look at the impact of stamp duties on under-insurance and the possibility of some form of rebate for low-income households to make insurance more affordable.

Legislate to void any requirement for mandatory gas connections in new residential developments

There is now clear evidence that for new houses, all-electric households are cheaper to run compared to households with gas and electricity in the medium term-long term. The Grattan Institute suggests that for running a new Adelaide house on all-electric would save up to \$2,183 over 10 years if they switched from gas cooking and hot water, and up to \$5,556 over 10 years if they switched from gas cooking, hot water and space heating.⁸

However, developers of new residential estates are often including terms in sales contracts mandating gas connection. This deprives new owners of choice and locks in more expensive energy provision for those households. Legislation along the lines proposed here was introduced into parliament by Mark Parnell MLC in 2018 but did not pass. ⁹ The issue should now be addressed by governing parties.

SACOSS (2020) <u>Cost of Living Update No. 41, December Quarter 2019</u>, South Australian Council of Social Service, Adelaide.

Wood, T. & Dundas, G. (2020) <u>Flame Out: The Future of Natural Gas</u>, Grattan Institute, Melbourne. See also, ATA (2018) <u>Household Fuel of Choice in the National Energy Market</u>, Alternative Energy Association, Melbourne.

Parnell, M (2018) "<u>Planning, Development and Infrastructure (Gas Infrastructure) Amendment Bill</u> 2018", Second Reading Speech, Legislative Council Hansard, 24 October 2018.

Expand the eligibility criteria for SA energy concessions to include all families on Health Care Cards who are receiving full Family Tax Benefit Part A payments

The rationale for this is more fully set out in SACOSS' report on waged poverty and energy affordability, ¹⁰ but essentially the current energy concession eligibility requirement does not recognise the Health Care Card that is issued automatically with FTB eligibility, but instead requires a Low Income Health Care Card. This then requires an extra application before going back to apply for the energy concession, which creates an unnecessary bureaucratic barrier to accessing the concession. The income thresholds for both cards are broadly similar.

Change the eligibility criteria for EEPS to raising the debt cap and ensure those on hardship programs and embedded network customers are not prevented from eligibility or referral

The Emergency Electricity Payment Scheme (EEPS) provides assistance to households in a financial crisis who are unable to pay their electricity debt. Currently, the assistance is a \$400 payment, once every three years – on application from a financial counsellor. However, to be eligible, customers must be the account holder, must not have an energy debt greater than \$2,000, and must be disconnected or at risk of disconnection. These eligibility criteria exclude customers of embedded networks (e.g. in caravan parks, apartment blocks), most customers with long-term energy debt (because the data shows most long-term debts are more than \$2000¹¹), and customers on payment plans or hardship programs (who are not, in theory, 'at risk of disconnection').

In 2019/20 only 817 customers in SA accessed EEPS,¹² and during the same period 6,988 residential customers were disconnected for non-payment (down from 10,317 in the previous year due to the COVID moratorium on disconnections).¹³ The EEPS eligibility criteria needs to be changed to remove these barriers to access. The Victorian Utility Relief Grants Scheme provides a good benchmark with much broader eligibility criteria and greater support: \$650 for each utility (water, electricity, gas) every two years, or \$1300 if customer only has one form of energy (e.g. electricity) every two years.¹⁴

Recognise a broad range of concession cards as proof of eligibility for public transport concessions and provide the ability to waive concession-related transport fines after issue if person can show that they were eligible for a concession

To travel on public transport with a concession ticket currently requires a state government specific Transport Concession Card and that this card be carried in transit. The

Law, R & Ogle, G. (2019) Working to Make Ends Meet: Low-income Workers and Energy Bill Stress, South Australian Council of Social Service, Adelaide.

¹¹ Australian Energy Regulator, <u>Annual Retail Markets Report 2019-20</u>, November 2020, p. 71-72

Government of South Australia, Department of Human Services, <u>Annual Report 2019-20</u>, Administered Financial Statements, Emergency Electricity Payments, p.13

Australian Energy Regulator, <u>Annual Retail Markets Report 2019-20</u>, November 2020, p. 91 and <u>Schedule 3</u>, <u>Q4 2019-20 Retail Performance Data</u>

Victoria State Government, Department of Health and Human Services website, Concessions and benefits, <u>Utility Relief Grant Scheme</u> and <u>Utility Relief Grant Scheme</u> (non mains)

Commissioner for Children and Young People (CCYP) has noted a range of problems for students and young people waiting to be issued cards or forgetting cards, resulting in fines, harassment and the unnecessary and stressful engagement of young people with enforcement systems. The same probably applies to other eligible passengers. In many cases these people are entitled to a concession, carrying other concession cards (e.g. Health Care Card, student identification), and as the CCYP notes, sometimes travelling in school uniform. The CCYP recommended accepting other forms of identification to prove eligibility (e.g. student cards issued by education institutions). SACOSS applies this principle more broadly in calling for a range of adult concession cards (e.g. FTB Health Care Card) to be recognized as proof of eligibility to travel with a concession ticket. Further, if a passenger can't produce proof of eligibility and is issued with a fine, there should be an ability to waive concession-related transport fines after-issue if person can show that they were eligible for a concession (but were not in possession of the card).

Review the impact on service access and use of the imposition of fees for the Communication Partner Service in police interviews and court hearings

The Communication Partner Service assists people with complex communication needs to provide an accurate and coherent account of their experiences in police interviews and court proceedings. In March 2020 a new service model was introduced with the professionals providing the service being engaged on a fee-for-service basis. Some disability advocates have raised concerns with SACOSS that the new model provides barriers to accessing the service. In any case, given it is a new model, it would be good practice to review the changes after two years anyway. Accordingly, SACOSS is calling for a review of the service model changes to ensure there has been no loss of access and that the service is providing the support needed for people with complex communication needs.

¹⁵ CCYP (2019) <u>Pubic Transport – It's Not Fine</u>, Commissioner for Children and Young People, South Australia.