



Water and the Consumer: Driving for a Fair Deal

A Research Report by
the Consumer Council into
Consumer Views of Water Reform
June 2007





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Introduction

The reform of our water and sewerage services is one of the biggest issues facing consumers and the restored Assembly as it will impact on every household and business now and in the future. Consumers support the need to increase investment in our public services and infrastructure including water and sewerage services. Our research demonstrates that consumers are reasonable and responsible in their attitude to water and sewerage services. Consumers understand that if we are to have improved water and sewerage services then we have to find the fairest and most affordable way to pay for them.

Undoubtedly public trust and confidence has been eroded in the water reform process to date due to a lack of openness and transparency. There is a strong belief that the proposed new water charge is not fair resulting in a significant reduction in consumer support for and buy-in to the current proposals. There is considerable concern that increases in the total household bill caused by an additional water charge will lead to increases in financial hardship, poverty and debt. Consumers do not feel that they have been properly or meaningfully engaged and informed throughout this debate. They do not support the privatisation of their water and sewerage services, nor do they believe that water should be bought and sold for profit.

Consumers are very aware of the environmental aspects relating to water. They pinpoint water quality as a key standard to be achieved and maintained and aspire to conserve their water. However consumers are unhappy with the proposal to charge for water on the basis of the value of the home rather than the amount used. Metering is preferred as a fairer way of paying although there is immense confusion about the current policy. Consumers also see metering as having the potential to address affordability and sustainability considerations by encouraging people to save water. Consumers also view the water company's high water leakage levels as indicative of waste and poor management. Both these issues combine to form a very strong disincentive in consumers' minds to conserving water.

Building Public Trust and Confidence

The good news is that there is a strong sense of public and personal ownership of water and consumers are clearly expressing their wish to participate fully in helping to shape and contribute to the development of a quality water and sewerage service and infrastructure that they can value and be proud of.

There is a unique opportunity for the Assembly to harness this public support and desire for engagement in decisions about the future of our water and sewerage services and infrastructure. The Consumer Council welcomes the deferment of domestic water charges by the Assembly for 2007 to 2008 and fully supports the Independent Review into the funding and management of our water and sewerage services announced by the Minister for Regional Development, Conor Murphy.

These two key decisions send out a very strong message to the public that they want to get water reform right for the present and future generations. A full, open and independent review can go a long way to securing public trust, understanding and buy-in to finding an agreed way forward. The Consumer Council is committed to working positively and proactively on behalf of consumers in order to get a fair deal for all within a well-managed, efficient and innovative water and sewerage service.

About This Research

Consumers' views must be centre stage as the Assembly determines the future direction of funding and managing our water and sewerage services. It is our hope that this unique research will provide valuable evidence that ensures the consumer voice is heard and counts at this critical time as the Independent Review Panel commences its work.

This research represents the only comprehensive, robust and up-to-date snapshot of consumer views on water. It was conducted in January and February 2007. Importantly, it is the third piece of research conducted by the Consumer Council which, together with our similar research conducted in 2002 and 2004, contributes to a five-year history of consumer attitudes towards water reform.

This research captures the current views of consumers and key stakeholders on a wide range of subjects including fairness, affordability, debt, investment, water conservation, ownership and governance of our water and sewerage services. There were three strands of quantitative and qualitative research undertaken:

1. Independent omnibus research carried out by Ipsos MORI in February 2007;
2. Focus groups carried out by Milward Brown Ulster and the Consumer Council with members of our Utility Consumer Panels in February 2007; and
3. Quantitative and qualitative research and interviews carried out by Anderson Spratt Group with key partners, public representatives and the public in January and February 2007.

About this Report

The report consists of two sections:

- Section 1. Summary of Key Findings and Policy Recommendations
- Section 2. Main Findings

Acknowledgement and Thanks

The Consumer Council has a statutory duty to represent and safeguard the interests of all consumers. We take this responsibility seriously and, in doing so, rely on a quality, relevant and robust evidence-base in order to develop and promote our policies and messages to consumers and decision-makers alike.

We would like to extend our sincere thanks and appreciation to the many consumers and partner organisations who have given so generously of their time and views in order to help shape this report and its recommendations. Participants in this research did so with enthusiasm and responsibility. In return, we have given our commitment to everyone who has participated that we will ensure that their voice is heard and that it counts in the shaping of our future water reform policy.

This engagement is not a one-off event, but a process of continuous listening, debating and feedback. Anyone who wishes to comment on this report or the issue of water reform in general is invited to do so by contacting:

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Section 1: Summary of Key Findings and Policy Recommendations

1. Key Findings

The summary of consumers' views set out the key findings of the research. These are contained under the headings of openness and transparency, fairness, affordability and sustainability.

Openness and Transparency

- Public trust and confidence has been eroded in the water reform process to date.
- Consumers want to be involved in the debate on water reform.
- Consumers do not believe that they have been properly or meaningfully engaged. There is a sense of powerlessness and inevitability about the imposition of charges and the privatisation of the service.

Fairness

- Consumers recognise the need to pay for improved water and sewerage services and infrastructure but believe it must be fair and affordable in order for it to be acceptable to them.
- Three quarters of consumers do not believe that the current proposals are fair. Consumer buy-in and confidence in the current proposals has fallen by half since 2002.

The main reasons for the sense of unfairness are:

- Consumers already pay through the rating system and are now being asked to pay twice;
 - Consumers are being charged for years of underinvestment; and
 - The charge should not be based on capital value.
- Eight out of ten people believe the fairest way to be charged is on the amount of water used, with those who use the most paying the most.
 - Seventy per cent of consumers would like to have a water meter.
 - There is widespread confusion over the current metering policy and a potential 'rush to meter' based on consumer perception that it will provide a lower bill or cut cost. Only 28 per cent wanted a water meter to help them to conserve water.
 - Consumers are confused about the extent to which costs can be reduced through metering.
 - Consumers are used to metering as it is how they pay for other utilities such as electricity and gas.

Affordability

- Consumers do not understand how the proposed charge is calculated.
- Seventy per cent of consumers are concerned that bills are going to rise causing great financial hardship.
- Due to soaring house prices there is fear about the impact of revaluation of the capital value of homes which consumers do not have control of. They believe there will be an upward re-evaluation that will lead to higher bills and push more people into financial hardship and debt.
- Three quarters of consumers believe that those who can least afford to pay should pay less with general agreement that allowances should be provided for those who need them especially older people, people with medical conditions and low income families.
- There is low awareness of the Affordability Tariff. The majority agreed that it should continue after 2010 and be funded centrally rather than by other consumers through higher bills.
- There is concern about the impact of an additional water charge on "near-benefits" groups who would not currently qualify for the proposed Affordability Tariff and are on low and often fixed incomes.
- Metering has the capacity to address water affordability issues through the provision of a water allowance.
- Everyone should pay even a nominal amount towards water.

Sustainability

- Consumers aspire to make responsible choices about the use of their water but the vast majority do not believe they have the necessary water conservation information available or incentives in place to do so.
- The proposed water charging scheme is not believed to encourage people to save water.
- Alarmingly, capital value based charges are a real disincentive to consumers to save water and an incentive to use or even waste it.
- Consumers view leakage as indicative of wastage, inefficiency and poor management. They do not want to have to pay for the water company's leakage.
- Consumers are resistant to taking action to conserve water whilst the water company allows unacceptably high levels of leakage.
- People have strong feelings of ownership towards water in a way they do not about other utilities.

- Ninety two per cent of people are opposed to the privatisation of water and sewerage services. They also believe that water should not be bought and sold for profit.
- Consumers are very aware of the environmental concerns surrounding water. In particular, consumers expressed concerns over the quality and safety of drinking water, the treatment of sewage, pollution of the water environment, water lost through leakage and future water scarcity.
- Governance of the water company is of great importance to the public. They want public ownership, with a strongly regulated, well run water company being managed in the public best interest and fully accountable to them.
- Measurable and monitored quality and standards of service are identified as essential.
- Ninety three per cent stated drinking water quality as the most important service standard.
- Two thirds of consumers believe the quality of their drinking water is very good.
- The water company should face penalties if it fails to meet specified standards.



2. Policy Recommendations

The Consumer Council has contributed to the debate on water reform since 2002 on behalf of all consumers with a view to securing a system which is fair, affordable and sustainable and based on the principles of openness, transparency and value for money. The policies of the Consumer Council are shaped by the views of consumers and key stakeholders as well as our research and analysis of best practice and policies here and further afield.

This section of the report contains recommendations on the best way forward in the context of the Independent Review of the water reform process to date.

Openness and Transparency

1. The Independent Review must have full access to all documentation to inform its work.
2. An ongoing, informed and open dialogue and engagement is required between the Assembly and the public in order to build their trust, confidence and buy-in to water reform.
3. There must be clarity on the Assembly's position on privatisation as an option for our water and sewerage services as the public are overwhelmingly opposed to it and have great concerns about it. The Independent Review should examine all elements of water reform including legislation, business model, financial model, efficiencies, contracts and governance from this starting point.
4. The provider of our water and sewerage services must be given challenging and measurable objectives to deliver value for money through the highest quality service at the highest level of efficiency and at the lowest possible cost.
5. The water and sewerage services provider must be accountable to the public for its management and performance. All reports on progress against financial, environmental, operational, quality and management targets must be public.
6. Consumers need to understand how any new water charge is calculated in order to understand the cost of water and how that relates to their bill.

Fairness

7. The amount already paid for water through the rates should be deducted if a new water charge is to be introduced in order to overcome the belief that they are being made to pay this money twice. The Consumer Council calculates the amount to be between £160 and £165 per household in 2007¹.

¹ £160 to £165 figure based on £127 per annum contribution to Water Service in 1998-1999 (DoE). £160 extrapolated from yearly inflation rises; £165 based on average 3 per cent inflation.

8. All other unfair elements of any new water charge must be removed with the explicit intention of lowering consumer bills in an open and verifiable way. Roads drainage should not be part of the water bill but a cost to road users. The Consumer Council calculates that this will save around £33 on the proposed average household bill².
9. The Assembly should continue to press the Chancellor of the Exchequer for a financial package to cover the cost of past underinvestment which the Consumer Council estimates at £1.4 billion.
10. Land disposal and surpluses should be managed in the best public interest.
11. The financial model must ensure that efficiency savings and surpluses gained from land disposal are used for reinvestment in services and infrastructure and reduction in household bills.
12. The independent review must examine whether a separate water bill is necessary or represents value for money.
13. Charging separately for water and paying for it on the basis of capital value of homes should be considered within the context of the recently announced rating review by the Minister for Finance and Personnel, Peter Robinson.
14. A clear statement is required from the Minister for Regional Development on the current metering policy in light of the deferment of water charges for 2007 to 2008 and the Independent Review.
15. The development of water reform policies including metering and debt management should be the responsibility for the Minister for Regional Development and the Assembly in consultation with the public and other key stakeholders.
16. The Minister for Regional Development must ensure that the public and their representatives are engaged in an informed and open debate on metering to ascertain the principles and objectives that should underpin it. This debate should take place within the context of establishing a fair and affordable price.

Affordability

17. Any new water charge must be phased in to allow consumers adequate transitional time to adjust to an additional burden on household income.
18. Research should be carried out into the impact of the total household bill on ability to pay, financial hardship, poverty and debt in the context of the Anti-Poverty strategy.
19. Those who can least afford to pay must be given protection through an income-based Affordability Tariff.

² Joseph Rowntree Foundation: Social Policy Research 115 – Paying for Household Water Services. Roads drainage is estimated to make up between 10 to 15 per cent of the household bill. £33 base on 10 per cent of £334 average domestic bill.

20. The proposed Affordability Tariff should be considered in terms of its scope. In particular consideration should be given to extending it to other groups including those who would not currently qualify such as low income groups often referred to as the “near benefits”.
21. Clear targets must be set for uptake of the Affordability Tariff among those eligible.
22. The Assembly must set challenging targets for increasing benefit uptake. Consideration should be given to implementation of “opt-out” rather than “opt-in” schemes.
23. There is a need for an awareness campaign relating to the Affordability Tariff.
24. The Minister for Regional Development must ensure that a full and open public consultation is conducted into the development of a relevant, effective and sensitive debt management and recovery policy. This policy must be subject to a full equality impact assessment.

Sustainability

25. Any new charge needs to be fair in order to effectively engage the public in conserving water.
26. The link between paying for water and the capital value of the home should be broken if water conservation is to be successfully achieved.
27. Clear information needs to be made available to the public on how they can conserve their water.
28. A public and informed debate needs to take place, concentrating particularly on metering and its role in promoting water efficiency and sustainability.
29. The Minister for Regional Development must be responsible for setting the policy on metering (rather than the water company) in consultation with the public, their representatives, key stakeholders and the water industry.
30. Building regulations should be updated to provide incentives to developers and householders to build and maintain water efficient homes. Water efficient appliances should be promoted.
31. Consumers should not pay to clean up water polluted by others, nor should they pay for new development which puts further pressure and cost on the current infrastructure. The principles of polluter and developer pays must be fully applied to protect the consumer from rising bills.
32. The Independent Review should examine the proposed economic level of leakage to be achieved to ensure it is stretching enough in the context of the amount of investment being provided in order to overcome the public disquiet regarding the water company's level of leakage.
33. An independent, open and transparent report needs to be produced to clearly identify how leakage reductions are being achieved in order to allay consumer concerns that there is a link between reduced leakage and reduced water pressure.

Moving Forward

The Consumer Council has identified a clear, positive and pragmatic consumer agenda to be considered within the debate on the future funding, management and accountability of our water and sewerage services.

We support the open and transparent approach to water reform. We are energised by the establishment of an Independent Review and view it as a real opportunity to build consumer trust and confidence.

The Consumer Council has a strong track record in informing and contributing to the water reform agenda and we are committed to continuing to work closely with consumers, their representatives and the Government to drive for a fair deal now and in the future.



Section 2: Main Findings

1. Methodology

The research addresses a wide range of subjects including ownership of water and sewerage services, paying for water, investment in our infrastructure, water conservation, affordability, debt, accountability and consists of three elements:

1. Omnibus Survey

Ipsos MORI was commissioned to conduct an Omnibus survey on water reform. There were 1,010 face-to-face interviews conducted in February 2007.

Interviews took place across 50 sampling points chosen at random from 285 electoral wards throughout Northern Ireland.

Representative quotas were set for gender, age, social class, religion and location based on Census data and mid-year population estimate from the Northern Ireland Statistics and Research Agency.

2. Consumer Panels

Milward Brown Ulster was commissioned in February 2007 to recruit volunteers for the Consumer Council's Utilities Consumer Panels. Fifty four members were recruited to discuss the wide range of issues relating to water reform. A robust method of recruitment was used to ensure representation from a cross-section of consumers.

To avoid influencing the discussions at each meeting, volunteers were not given any information about the Consumer Council's position on water or the water reform proposals. A general statement was provided at the start of each group discussion to stimulate debate. Free-flowing discussions followed with the facilitator giving guidance where necessary in order to gain both initial attitudes and to draw out consumers' underlying feelings, beliefs and perceptions about water reform.

The panels were consensually recorded and verbatim transcripts were produced. Quotations provided in this report have been taken directly from these transcripts.

3. Stakeholder and Consumer Awareness Research

Anderson Spratt Group was commissioned between January and February 2007 to undertake research with 31 stakeholder groups identified by the Consumer Council. These spanned groups including social partners, media, business leaders, non-payment campaigners and statutory partners involved in water reform and delivery. A full list of stakeholder participants can be found in Annex A of this report.

Primarily, the research was conducted to gauge knowledge of Consumer Council involvement in water reform – our role, objectives, approach, performance and suggested future priorities. Participants were also questioned about a number of the water reform proposals in order to ascertain their views and perspectives. Stakeholder comments contained within this report are unattributed.

Face to face interviews were also conducted with 120 consumers looking at both the levels of understanding of the Consumer Council's role in the water reform debate, and consumers' views of water and sewerage services and the proposed changes to be introduced.

2. Main findings

People are passionate about water and how it is used and managed on behalf of present and future generations. Throughout our research the Consumer Council has been continuously struck by the highly emotive responses to discussions about water. The public have a strong sense of ownership of water. There is overriding public opinion that water should not be bought and sold for profit nor should the water service be privatised. People look upon water as something owned by everyone with special life-giving and life-maintaining qualities. While the public see and will discuss water as a utility on one level, they also identify it as very different from other utilities such as gas and electricity. They point to the special nature of water as something that gives and maintains life, health and hygiene.

Openness and Transparency

Our research found that water is very much on the public's mind and they are keen to be involved in the debate. However, consumers do not feel that they have been properly or meaningfully engaged to date leading to an erosion of trust and confidence and a sharp reduction in support for the current proposals. They speak of an inevitability of charges being imposed and a sense of powerlessness in having their voice heard. Consumers do not feel that they had been provided with the information or opportunity to allow full participation in shaping a quality service to meet their needs and those of generations to come.

"If anything is going to change that involves more money coming out of my wallet, I should be consulted about it".

"So with the best will in the world what we talk about here is not going to do an awful lot of difference".

"We are told that there is going to be all this consultation and up until tonight I don't think that anyone here has been consulted on water".

"I definitely agree with everybody so far that we haven't been consulted in any way, but it's not a big surprise to me because it doesn't happen with anything".

Summary

- Public trust and confidence has been eroded in the water reform process to date.
- Consumers want to be involved in the debate on water reform.
- Consumers do not believe that they have been properly or meaningfully engaged. There is a sense of powerlessness and inevitability about the imposition of charges and the privatisation of the service.

Fairness

Consumers attach great importance to the concept of fairness in water reform. Any new water charge must be seen to be fair if it is to be acceptable to consumers.

“The world we live in I don’t think anyone would begrudge paying for water at a fair and reasonable rate”

“I think largely we are going to have to bite the bullet to a greater or lesser extent and I think I wouldn’t mind paying what I consider a fair charge for it”

The big issue arising from this research which needs to be addressed by the Assembly is the widespread feeling of unfairness amongst consumers. Consumer buy-in to the current proposals has fallen by almost half from 79 per cent in 2002 to 41 per cent in the 2007 omnibus survey.

Almost three quarters of consumers responding to the public awareness interviews do not believe that the new proposed charge is fair. The perceived unfairness relates to three broad areas: namely the belief that consumers are being made to pay twice; will have to pick up the cost of past underinvestment in water and sewerage infrastructure; and will be charged on the basis of capital value.

Paying Twice

There is a widespread belief among consumers that they are being asked to pay twice for water as they are already paying for it through their domestic rates. Consumers believe that the amount they have already paid for water through their rates should be deducted if any new water charge is introduced. Many consumers feel that the wool has been pulled over their eyes and express a lack of trust and confidence in the proposals to date as a result.

“The general consensus of opinion is that we are already paying for it [water] ... if the departments and councils were honest enough to give out the breakdown of the rates people might look at it differently ... but the present source is shrouded in mystery, the rates - what are they for? Who gets what?”

“Where did that [investment] come from? And if it was coming through our rates, then if we are being charged for water are our rates going to be reduced?”

Consumers also believe that they should not have to pay for the water and sewerage infrastructure twice – they have already paid for the pipes, reservoirs and sewerage works and should not be expected to pay for them again as proposed in the new water charge.

“We have paid for the infrastructure to begin with and our parents have paid for it.”

Basis for Charging

Ninety two per cent of the consumers in the public awareness interviews believed that capital value should not form the basis of any part of the water charge. Consumers clearly articulate their reasons for not wishing to link water charges to the capital value of the property. Firstly, capital value does not reflect the ability to pay and secondly, it takes no account of the amount of water consumed and, as a result, it fails to encourage householders to conserve water in line with the spirit and premise of the EU Water Framework Directive.

"It's not a water tax, it's a property tax ... it's a misnomer".

"... the way ours is linked to our rating system, to the value of your house regardless of how many people are living in it, it is not a very fair system that they are talking about introducing here".

"I noticed that when I got out the sample bill it was somewhere around £168 to start. I know a person who lives not too far away. She lives on her own and hers is only £45, but next door to her in the same house is a husband, wife and five children. They are also £45. I'm going to pay £168 for 2 people. I can't see that that can be right".

A flat fixed charge for all households has been consistently unpopular. In 2002 61 per cent disagreed with this as a method of charging. This grew to 73 per cent in 2004 and remains stable at 71 per cent in 2007.

Whilst 41 per cent agreed that charges should be based on the number of people living in the house (increasing from 12 per cent in 2004), consumers are very aware of the differing levels of water consumed not only by the number of people in each property but also depending on the different demographics of the occupants.

"It's a strange one because young people, teenagers and that nowadays, shower, shower, shower, shower the whole way where an older person would have a bath. That wouldn't even be fair for those two people to pay the same amount."

Consumers also commented on other disadvantages of charging per person in the household.

"Well you're into the Poll Tax situation there aren't you".

"How would you police that?"

Consumers believe the fairest way of paying is on the basis of the amount of water used, with 77 per cent of consumers agreeing to this in our omnibus survey. This is consistent with the 75 per cent of respondents who agreed that those who use the most water should pay the most, a similar figure to 2004 (77 per cent).

Consumers also distinguished between domestic³ and non-essential use when charging for

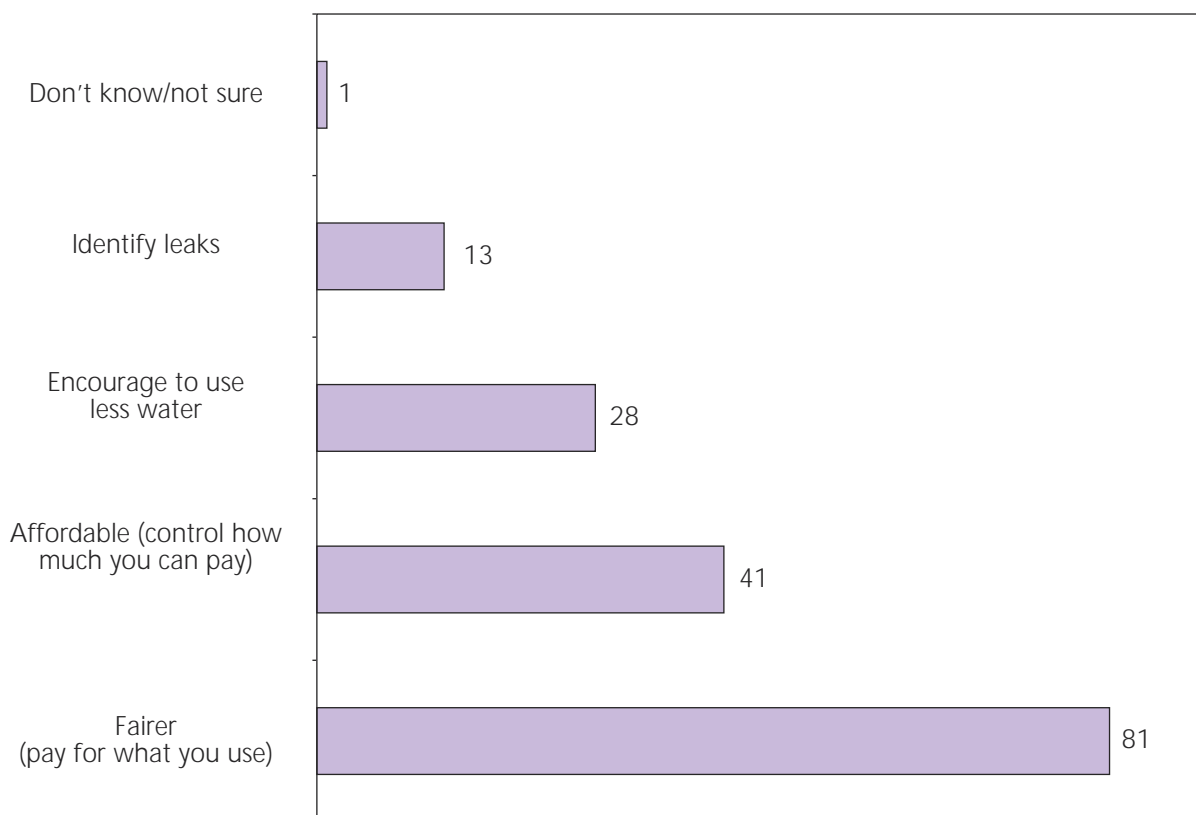
³ For the purpose of charging in England and Wales domestic use has been defined as water supplied on any premises for drinking, washing, cooking, central heating and sanitation. It also includes water used for washing the car and watering the garden but only if this water is drawn from an internal tap without using a hosepipe or similar apparatus.

water. Consumers considered the possibility of higher charges for households using abnormally high amounts of non-essential water. Seventy three per cent of omnibus respondents agreed that more should be paid for watering large gardens. While non-essential use is not necessarily easy to determine, this viewpoint was reinforced by the 85 per cent who agreed that extra should be paid by those who have private swimming pools. Interestingly, only 45 per cent agreed with paying extra for washing the car which gives an indication of consumers' access and prioritisation of water use on the basis for charging.

Metering

Seventy per cent of omnibus respondents said that they would like a water meter. Eight out of ten stated fairness as their primary reason for wanting a meter, with 41 per cent believing that it makes the charge more affordable as they can control how much they have to pay. At present there is relatively little consideration by consumers about the benefit metering could bring to conserve water and regulate use (see figure 1 below).

Figure 1: Reasons for a water meter (percentage)



It is evident that the proposed metering policy is confusing for consumers and their representatives and they do not feel that they have the information to make an informed choice. Consumers are unclear about the benefits of metering.

Sixty five per cent of our stakeholder organisations believe that there is widespread public support for metering although there is concern that people's 'rush to meter', similar to the behaviour of panic buying, may be borne out of misconception or misinformation.

"Are there any figures to suggest that having a meter is going to make it cheaper or is it just a bluff ... no one has come forward with figures yet, say that two people living in the one house if they have a meter it will cost them 25 per cent or 50 per cent less."

"Oh God! if you get a water meter is it going to be cheaper?"

"I haven't seen a figure for that, maybe others have around the room but I haven't and I'm puzzled."

"...doesn't come across very loud and clear on all documentation."

During the consumer panels some concerns were aired.

"It's probably seen as the lesser of two evils."

"People don't know enough yet."

"It is a form of self-rationing."

When automatic cost-saving assumptions were challenged during the consumer panel discussions some participants shifted towards indifference.

"If you're going to pay the same then what is the point in having a meter."

Our stakeholder organisations also explained the need for more information.

"There should be a PR campaign saying why we have to pay for water and get the conservation message across as well as paying for it – the Consumer Council and the Government have a responsibility on this."

"If they are ill-informed there is a risk they will use more."

Discussions of metering brought up some misunderstandings and confusion about the process involved in having a meter fitted and who is eligible.

"Yeah they are talking about, first of all 12 months ago, they weren't going to give out water meters, and they said they couldn't get them. Now they are going to give them out."

“How much was the meter? You don’t expect me to pay for a meter. The electricity board didn’t expect me to pay for a meter.”

“Considering all new builds are going to have meters. What’s wrong with the rest of us?”

However, one thing is clear, consumers are used to metering as it is how they pay for other utilities such as electricity and gas.

“It’s the way you pay for everything else, your gas, electricity and oil.”

“That’s the best way to go because you can control it.”

“It brings more equity into how it’s charged.”

Summary

- Consumers recognise the need to pay for improved water and sewerage services and infrastructure but believe it must be fair and affordable in order for it to be acceptable to them.
- Three quarters of consumers do not believe that the current proposals are fair. Consumer buy-in and confidence in the current proposals has fallen by half since 2002.
- The main reasons for the sense of unfairness are:
 - Consumers already pay through the rating system and are now being asked to pay twice;
 - Consumers are being charged for years of underinvestment; and
 - The charge should not be based on capital value.
- Eight out of ten people believe the fairest way to be charged is on the amount of water used, with those who use the most paying the most.
- Seventy per cent of consumers would like to have a water meter.
- There is widespread confusion over the current metering policy and a potential ‘rush to meter’ based on consumer perception that it will provide a lower bill or cut cost. Only 28 per cent wanted a water meter to help them to conserve water.
- Consumers are confused about the extent to which costs can be reduced through metering.
- Consumers are used to metering as it is how they pay for other utilities such as electricity and gas.

Affordability

An affordable charge is one that should not cause hardship. The high and rising level of water debt in England and Wales⁴ shows that the affordability of water is a growing concern. An Organisation for Economic Co-operation and Development (OECD) report in 2003 found that in about half of the world's richest countries water affordability is a problem or will become a problem if suitable measures are not taken⁵.

A separate water bill is an extra cost to all households on top of the sharply rising rates bills, and the combined overall real impact that this will have on the total household bill (see Annex B for illustrative figures). As water bills arrive there will be reductions in the amount of disposable income that households can spend on other items and services. There is growing concern that householders will have to make further difficult choices about heating and eating, and now washing and drinking.

Whilst the proposed charge will be pegged to the average England and Wales bill until 2010, it must be considered that household incomes are much lower in Northern Ireland – in 2004-05 total household income was 16.7 per cent below the UK average; Northern Ireland households had an income of £478 per week compared with £574 per week for the UK as a whole⁶. There is also greater reliance on benefits – in 2002-03 an average 19 per cent of Northern Ireland household income came from benefits compared with 12 per cent in the UK⁷.

Seven out of ten consumers cited the fear of rising water bills as the key concern in the omnibus survey. There was also concern about the impact of the bill on certain groups particularly older people, those with medical conditions and those on low or fixed incomes. Three quarters of respondents agreed that those who can least afford to pay should pay less. There was agreement that everyone should contribute even a nominal amount or minimum payment for water.

Affordability Tariff

The basis of the proposed Affordability Tariff is that no household should spend more than three per cent of disposable income on water charges. The Affordability Tariff will assist around 200,000 households in its current form. It is an income-based⁸ reduced tariff with no standing charge and no variable charge.

There is confusion over the existence, name and eligibility criteria of the tariff. Only one third of respondents were spontaneously aware of the Affordability Tariff. This increased to 47 per cent when prompted. Currently the Affordability Tariff will be funded by Government subsidy until

⁴ Whilst Ofwat acknowledges the inconsistencies in companies' reporting methodologies, the level of unpaid bills in England and Wales under 12 months old in 2005-06 was £446 million, older debt (outstanding for more than 12 months) totalled £490 million, £30 million more than in 2004-05. In 2004-05 4.4 million households had water debt. Domestic water debt written off has risen to £114 million since 1999.

⁵ OECD (2003) Social Issues in the Provision and Pricing of Water Services.

⁶ Family Spending 2004-05, Office for National Statistics

⁷ Family Spending 2002-03, Office for National Statistics. Excluding housing benefit and council tax benefit or rates rebates in Northern Ireland

⁸ The tariff is set each year with reference to the level of the single person's pension credit. The rates are set each year so that the top rate water and sewerage charge is equal to three per cent of the single person's pension credit expressed on an annual basis.

2010. Seventy two per cent of omnibus respondents thought the Affordability Tariff should continue after 2010.

Ninety seven per cent of consumers in the omnibus survey believe that they should not bear the cost of paying for those who cannot afford to. The majority believe that it should be centrally funded by Government.

Consumers and their representatives pointed out the concern about those who have low income or great need who never seem to be eligible for assistance with bills.

During the panel discussions there was some awkwardness about discussing issues of affordability. The conversation tended to divert back to 'safer' areas such as the fairness of the charges or the need to conserve water. There was great concern that the phasing in of water charges was to trap people into paying rather than help them to adjust to an additional cost on the household bill:

"That's easy we will all find the £100, £200, £300 or whatever's next year. People have to look forward ... and we have been kidded into the system. 'Ah it's only £100 this year'."

Calculation of Bills

There is confusion about how the proposed charges are calculated and anxiety about the impact of rising house prices in Northern Ireland⁹. Many fear that a recalculation of the capital value of homes will push more people into financial hardship and debt.

"My estimate is currently almost £200, £190 something pounds. Now that's a third of what they have told us it's going to be in two years. So in two years' time it's going to be £600. If they reassess the value of your property on its current market value considering the way house prices have gone, my house and the current valuation is about a third of what I would get for it on the open market."

"They rated people's houses using the retail price index for 2005. And let's face facts we were all, at least I was surprised with the lower valuation of mine. I was pleased because I saw the bill was a bit down ... and in 3 years' time they will rate them at the rate of 2010, thus the thing will go out of this room. It will be three times."

"Bricks and mortar has gone up say 30% and water is going to go up the same."

Fifty seven per cent of respondents in the consumer awareness interviews answered that they were not aware of how bills will be calculated. Fears that a water charge linked to property value could escalate brought discussions back to metering as the preferred option to address financial hardship and debt issues. However, within the consumer panel discussions there was an unprompted understanding that metering alone will not alleviate the problems of affordability.

⁹ From February 2006 to February 2007 house prices in Northern Ireland increased by on average 59.7 per cent (BBC)

“They did a thing in England about the difference between having a meter and not having a meter and it made £40 difference. £40 and I’m looking at a what, £450 bill in three years time.”

Consumers also viewed metering as a potential way to address affordability with the provision of a free water allowance.

“ ... you then hit the problem where you have a low income family who raise three or four kids in the house. If you’re going to put a meter on you’re going to have to turn around and say that there is so much of an allocation free for kids.”

“If you talk about intelligent tariffs there are different ways that you can operate intelligent tariffs. Single parent with children who obviously needs to bathe them, gets a larger allowance.”

Summary

- Consumers do not understand how the proposed charge is calculated.
- Seventy per cent of consumers are concerned that bills are going to rise causing great financial hardship.
- Due to soaring house prices there is fear about the impact of revaluation of the capital value of homes which consumers do not have control of. They believe there will be an upward re-evaluation that will lead to higher bills and push more people into financial hardship and debt.
- Three quarters of consumers believe that those who can least afford to pay should pay less with general agreement that allowances should be provided for those who need them especially older people, people with medical conditions and low income families.
- There is low awareness of the Affordability Tariff. The majority agreed that it should continue after 2010 and be funded centrally rather than by other consumers through higher bills.
- There is concern about the impact of an additional water charge on “near-benefits” groups who would not currently qualify for the proposed Affordability Tariff and are on low and often fixed incomes.
- Metering has the capacity to address water affordability issues through the provision of a water allowance.
- Everyone should pay even a nominal amount towards water.

Sustainability

Sustainability is currently high on the public and political agenda, with many of us aware of the debate around climate change and issues surrounding our carbon footprint. It is a term that the public aspire to but struggle to grasp or understand in the context of their day to day lives. Consumers are becoming increasingly aware that their choices today will have an impact on future generations. Our research indicated that consumers understood and related to the concept of sustainability even if they did not identify with the term explicitly when they talked about the need to develop and maintain quality water and sewerage services, and to conserve water now and in the future.

Water Conservation

Consumers want to make responsible choices about their use of water. Participants were aware of the need to conserve water but 85 per cent agreed that there is a need for more information about how they can save water in the home¹⁰.

However, it is alarming to note that consumers identify being charged on the value of the property as a strong disincentive to conserve water with several shocking behavioural statements.

“I will use all of the water I can until there is no water left as far as I’m concerned cause I’m paying for it.”

“I’m going to milk it dry.”

“It’s going to an eat all you can eat restaurant – you stuff your face.”

Our stakeholder organisations repeated these concerns.

“I can use as much as I want.”

“We are amazed at the number of intelligent people ... saying the opposite – that they will use more.”

“You can’t conserve water if your bill doesn’t relate to usage.”

Forty two per cent were concerned about future scarcity of water. The need to conserve water was a recurring theme.

“The topic the gentleman’s talking about is sustainability which is what we’re meant to be promoting this day and age to save the environment. We are going to be paying for the water, just letting the tap run. Now, is that sustainability? It’s going reverse cycle.”

¹⁰ CCWater’s Using Water Wisely research recently showed that consumers feel there is a gap in the provision of information about water conservation and a need for consistent, independent and trustworthy communications.

“People should be more careful with what we have got in the world today, especially water.”

Concern was expressed that the proposed water charging scheme does not support sustainability nor does it encourage people to conserve their water.

Most people want meters because they believe they produce a more fair and affordable charge. Only 28 per cent of respondents wished to install a meter for conservation purposes in order to reduce water use compared to 81 per cent who felt it would be a fairer way to pay.

“I think metering is the way to do it because it will bring in conservation.”

“It has to be metered. My gas is metered therefore I don’t have the heat on while I’m at work. I conserve as much because the gas bill is through the roof. If my water bill was metered then I would adopt the same approach.”

Leakage

Consumers view leakage from the water company’s pipes as being indicative of a poorly run and wasteful organisation. Consumers are resistant to taking action to conserve water whilst the water company appears to flout this principle, allowing leaks and letting precious water run away into the ground.

“Water is flowing out of drains and flowing out of broken pipes. There’s millions upon millions of gallons.”

“The Water Service needs to be working, with all the leaks sorted out.”

“They’re not stopping leaks.”

“I think the biggest problem is leaks. There is a major problem fix it and then come back and tell people it’s costing this to run the business.”

Fifty two per cent of omnibus respondents were concerned with the amount of leakage with 64 per cent stating that the speed with which leaks are repaired must be an important standard for any water company to deliver.

“If you have a water leak and report it as I have done in the past year. I have seen them taking four days to come out before they would look at it.”

“Their response time to fixing leaks should be quicker.”

“I’ve seen leaks in the street for weeks, pouring water out and nobody coming out.”

Ownership and Governance

Sustainability was also expressed in terms of the setting up of a publicly-owned, stable and responsible water company which would be required to be accountable for the provision of

quality water and sewerage services in the short and long term. Consumers placed great importance on getting it right.

Throughout this research there was a very strong sense of the public's feeling of a culture of ownership and attachment to water. Participants felt strongly that water was something that they all owned and over which they all presided. Water is seen as unique and special amongst all other utilities in this respect. This cannot be overlooked as the review investigates the best way forward for water reform that creates a sense of public confidence, trust and continued shared ownership.

The language used during panel discussions is revealing of people's deeply held personal associations to water.

"our tap ... our meter."

"If we privatise our water companies."

"around our beaches."

"consider the way our water is supplied."

"Lough Erne is our reservoir."

"Our water is pumped."

"paying for your water."

"for my water."

This sense of ownership causes great and heightened suspicions when changes are proposed without open and transparent engagement and explanation.

"I think there is a basic mistrust. Well I certainly feel like that. You have very high expectations and then you're let down."

Privatisation

Only eight per cent of consumers support the privatisation of water and sewerage services, of which only two per cent 'strongly' supported such a move in the omnibus survey. Privatisation was widely seen as a negative, risky business for consumers. Many referred to past privatisation exercises here and elsewhere.

"The privatisation thing, look at the railways in England. Privatisation has ruined it."

"Privatisation is all about a private company making money. Private companies will 'up' their profits by decreasing their expenditure. So if they decrease their expenditure the system... won't be up to standard. They will be cutting corners here, there and everywhere."

“Private owners who want to make as much money as they possibly can and do it at the expense of the people they are caring for and that’s what happens in privatisation. Regardless of what it is. That’s the exact same worry as the water.”

“As far as privatisation is concerned, we are between a rock and a hard place.”

“I would be against privatisation because in general you only pay the shareholders. They are not going to get more customers in because it’s just Northern Ireland. They are going to have to increase the revenue by increasing charges. Customers are going to pay more.”

“If we privatise our water companies, are we going to get cleaner beaches? Are we going to get cleaner rivers? I don’t think so.”

A recurring theme from discussions with consumers and stakeholders is that privatisation is an inevitability and the current reforms are merely setting the company up to be sold.

“I think that part of the long term plan on all of this is to ultimately do what they have done across the water is to privatise the whole lot and I think this is the first step.”

“I just think it’s inevitable. I think privatisation will happen.”

Consumers believe that water and sewerage services should not be bought and sold for profit. Indeed there is a strong view that all profit and surplus gained from efficiencies and land disposal should be kept within Northern Ireland and used to reinvest and to lower bills.

“One hundred per cent of all profits needs to be pumped back into the system. And if it gets pumped back into the system ‘no pun intended’ then that should see bills being brought down, because the service is at a workable level and the profits are being put back in for maintenance. Which means the bills should in theory, come down. The Government’s not there to operate a firm for profit are they?”

Water Quality and Standards of Service

Consumers are demanding rigorous monitoring of the water company on their behalf. They wish to see it being held to account in an open and transparent way if it is to operate effectively and provide value for money.

“We don’t want a pretty well run company, we want a well run company. And we will pay for what we consider to be an efficient service.”

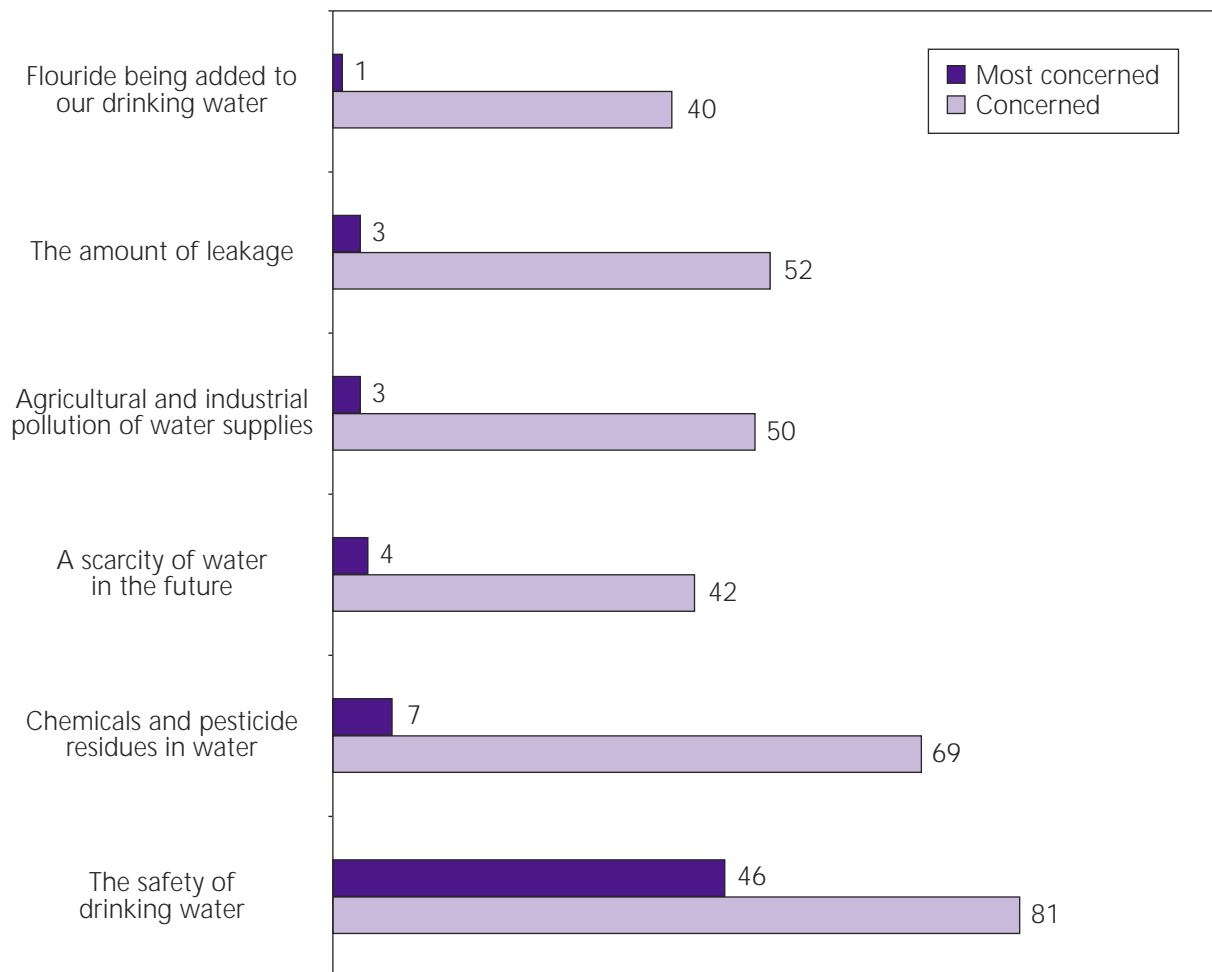
“The regulation has to be put in place.”

Eighty one per cent of consumers were concerned with the safety of drinking water. The need to maintain and improve this high level is reflected by the 93 per cent of omnibus respondents who stated that drinking water quality is an important standard for any water service provider to uphold. However, sixty-four per cent agreed that the quality of drinking water in Northern Ireland is very good.

“Most of us wouldn’t have any real problems with the quality of the water or even the provision of water to our homes.”

“It’s as clean as anything you’ll get in a bottle.”

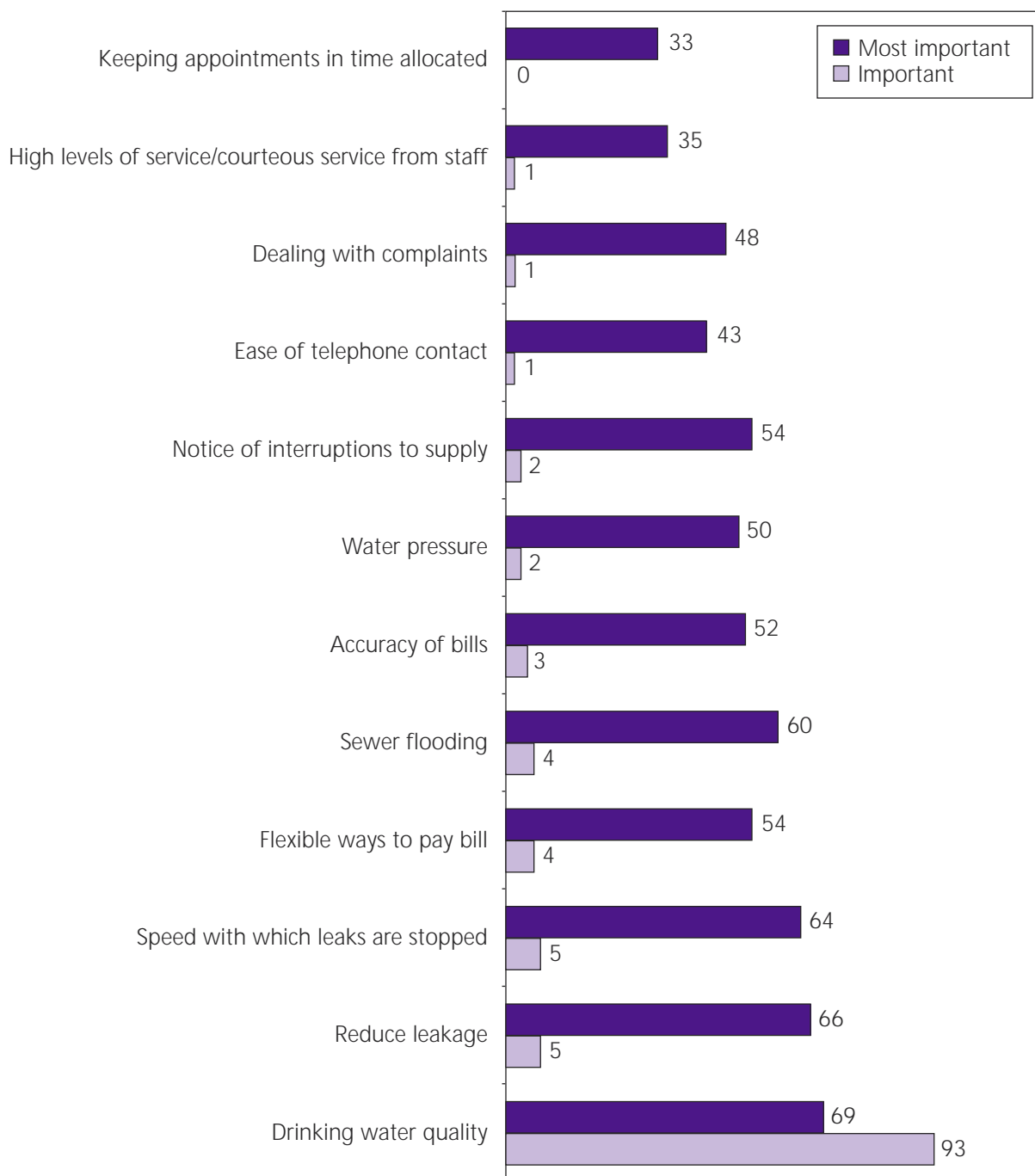
Figure 2: Concerns about water-related issues (percentage)



Consumers are very aware of the environmental concerns surrounding water. In particular, consumers expressed concerns over the quality and safety of drinking water, the treatment of sewage, pollution of the water environment, water lost through leakage and future water scarcity as can be seen from figure 2.

The water company must have clearly defined quality and standards of service established. Drinking water quality is seen as the most important standard by consumers. Figure 3 shows the other standards that are important to consumers.

Figure 3: Importance of Water Service standards (percentage)



If best standards are not met penalties should apply. The imposition of penalties on the water company is supported by 88 per cent of respondents where the water company fails to meet a specified standard. The cost of financing these should not be passed through to the customer in their view. Consumers were annoyed at the prospect of any costs for failures being passed through to them without the company, and specifically the senior management, being penalised.

“They are still going to get their monies and they will still get their bonuses and they will still get their increase every year.”

“I might get £30 back for that one spill but they will charge me £60 next year to make up for it.”

“It’s been siphoned off by massive salaries and bonuses at the end of the year. Reading the figures these people are getting whether here or in England; it’s an absolute crime. And yet we are asked to pick up the bill on it.”

Summary

- Consumers aspire to make responsible choices about the use of their water but the vast majority do not believe they have the necessary water conservation information available or incentives in place to do so.
- The proposed water charging scheme is not believed to encourage people to save water.
- Alarmingly, capital value based charges are a real disincentive to consumers to save water and an incentive to use or even waste it.
- Consumers view leakage as indicative of wastage, inefficiency and poor management. They do not want to have to pay for the water company’s leakage.
- Consumers are resistant to taking action to conserve water whilst the water company allows unacceptably high levels of leakage.
- People have strong feelings of ownership towards water in a way they do not about other utilities.
- Ninety two per cent of people do not support the privatisation of water and sewerage services. They also believe that water should not be bought and sold for profit.
- Consumers are very aware of the environmental concerns surrounding water. In particular, consumers expressed concerns over the quality and safety of drinking water, the treatment of sewage, pollution of the water environment, water lost through leakage and future water scarcity.
- Governance of the water company is of great importance to the public. They want public ownership, with a strongly regulated, well run water company being managed in the public best interest and fully accountable to them.
- Measurable and monitored quality and standards of service are identified as essential.
- Ninety three per cent stated drinking water quality as the most important service standard.
- Two thirds of consumers believe the quality of their drinking water is very good.
- The water company should face penalties if it fails to meet specified standards.



3. Moving Forward

The Consumer Council has identified a clear, positive and pragmatic consumer agenda to be considered within the debate on the future funding, management and accountability of our water and sewerage services.

We support the open and transparent approach to water reform. We are energised by the establishment of an Independent Review and view it as a real opportunity to build consumer trust and confidence.

The Consumer Council has a strong track record in informing and contributing to the water reform agenda and we are committed to continuing to work closely with consumers, their representatives and the Government to drive for a fair deal now and in the future.



Annex A

Stakeholder List – Total 31 respondents in full

Irish Congress of Trade Unions
Northern Ireland Chamber of Commerce and Industry
Ulster Farmers' Union
Voluntary Service Bureau
Northern Ireland Local Government Association
Friends of the Earth
The Irish News
BBC
Ulster Unionist Party
Institute of Directors
Age Concern
Northern Ireland Council for Voluntary Action
NI Environment Link
Confederation of British Industry
Amicus
Help the Aged
Advice NI
Federation of Small Businesses
Sinn Féin
Citizens Advice Bureau
Alliance Party
NI Anti-Poverty Network
News Letter
Belfast Telegraph
Socialist Democratic and Labour Party
Won't Pay Campaign
Press Association
Democratic Unionist Party
UTV
Northern Ireland Public Service Alliance (comments only, no quantitative responses)
Transport and General Workers' Union
Northern Ireland Water Service



Annex B

The importance of taking the time to get it right, and the need for water reform to take account of the reform of domestic rates is illustrated by the combined real impact of rates and water charges on the overall household bill shown below.

Impact of new rates and water charges

	House Value (1 January 2005)	Rates Bill 2004-2005	New Rates Bill 2009-2010 (est) ¹¹	Water Charge 2009-2010 (full) ¹²	Total household bill 2009-2010 (Rates and water)	Increase on household bill from 2005 to 2010
Terrace Belfast	£65,000	£292	£392	£221	£708	£416 = 142%
Semi Londonderry	£86,000	£610	£599	£260	£895	£285 = 46%
Semi Magherafelt	£105,000	£540	£611	£294	£942	£402 = 74%
Detached South Belfast	£220,000	£886	£1,326	£502	£1909	£1023 = 115%
Terrace Holywood	£340,000	£675	£1,986	£719	£2826	£2151 = 319%

¹¹ Amounts calculated from figures on Land and Property Services website. Figures provided are before the application of transitional relief. This means that if your bill has increased by more than 33 per cent above the amount you would have paid in rates for this property under the old NAV system, transitional relief will be provided automatically over a three-year period from 1 April 2007 to 31 March 2010. In the first year (1 April 2007 to 31 March 2008), transitional relief will be provided on the full amount over the 33 per cent threshold. In the second year (1 April 2008 to 31 March 2009) relief will be provided on two-thirds of the amount over the 33 per cent threshold. In the third year, (1 April 2009 to 31 March 2010) relief will be provided on one-third of the amount over the 33 per cent threshold. From 1 April 2010, ratepayers will have to pay the full amount of rates. An estimate of the Rates Bill for 2009-10 is used based on the Rates Bill in 2007-08 plus the average increase in the RPI (3 per cent pa) (Office for National Statistics) over the two year period.

¹² Water charges calculated based on published charges scheme for 2007/08.



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