



**Northern Ireland
Assembly**

**COMMITTEE FOR
REGIONAL DEVELOPMENT**

**OFFICIAL REPORT
(Hansard)**

**Water and Sewerage Services
(Amendment) Bill**

14 October 2009

NORTHERN IRELAND ASSEMBLY

COMMITTEE FOR REGIONAL DEVELOPMENT

Water and Sewerage Services (Amendment) Bill

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Members present for all or part of the proceedings:

Miss Michelle McIlveen (Deputy Chairperson)

Mr Cathal Boylan

Mr Allan Bresland

Mr Tommy Gallagher

Mr Danny Kinahan

Mr Raymond McCartney

Mr Ian McCrea

Mr George Robinson

Mr Brian Wilson

Witnesses:

Ms Kathy Graham

)

Ms Antoinette McKeown

)

Consumer Council

Mr Graham Smith

)

Mr Mark Ellesmere

)

Mr Pat McParland

)

Northern Ireland Water

Mr Michael Mulholland

)

The Deputy Chairperson (Miss McIlveen):

We move into our evidence session on the Water and Sewerage Services (Amendment) Bill, which will be recorded by Hansard. Our first witnesses are from the Consumer Council, and they have provided a written submission. I remind everyone that since the meeting is being recorded by Hansard, mobile phones must be switched off completely. I welcome Antoinette McKeown, Kathy Graham and Graham Smith. You have 10 minutes in which to make a presentation, after

which members will ask questions.

Ms Antoinette McKeown (Consumer Council):

Thank you, Chairperson, for this opportunity to express our views on the deferral of water charges. The Consumer Council has no vested interest in the issue; its concern is to get the fairest deal possible for consumers, particularly in these hard times.

The council welcomed the temporary deferral of water charges, given the hardships faced by consumers during the recession; however, we are conscious that deferral has implications. We want to be clear, and we want consumers to be clear, of the effect on wider public services of any future deferral or any decision not to charge for water.

The PC10 process is vital to the deferral debate. The timescales for the deferral of domestic charges are such that we could not get billing and charging systems in place by April 2010. We should support the Bill. However, we should use the time wisely to have an open debate on the implications of introducing or not introducing additional household charges. The council needs clarity from Northern Ireland Water for consumers on that issue.

The discussion is timely, and the Consumer Council welcomed the debate in the Assembly on social tariffs some weeks ago. It is also favourable, since our research this year — the figures from which we have provided to the Committee — shows us that satisfaction with Northern Ireland Water is high. However, consumer expectations are much higher when they are asked to pay more. Therefore we want to be clear that consumer confidence continues at its present level, and, indeed, that it grows.

Whatever the Executive and the Assembly's decision may be, it must be taken sooner rather than later. If charging is implemented, Northern Ireland Water must have time to introduce robust systems for billing, and the council wants those systems improved. More time would also enable consumers to prepare. If the Assembly decides not to ask domestic households to pay for water, there must be time to consider the implications for other public services.

We have given you information, which you may already have, on the Utility Regulator's draft determination, and we are aware that the regulator will give evidence to the Committee on that issue. The preparation period for a final decision is vital, and the PC10 draft determination is a

critical element of it.

The Consumer Council continues to call for a water service that is fair, affordable and sustainable, and we would like a full and open debate with consumers on what is meant by fair and affordable. We are clear from our research what that means, and the environment is very different from what it was even a few years ago. We want to understand the costs to a household of possible water charges and to get consumers' views of what is tolerable and what is not.

We also want to have a debate with consumers about the cost to Northern Ireland of continuing to subsidise water, as that will have implications for other public services. There is a discussion on whether we top-slice from our schools and hospitals, since the most vulnerable need access to good-quality healthcare and education. The Committee knows that, and so do we.

We want to hear from consumers about the range of options that they think can be included in social and affordability tariffs. The council made a suggestion on affordability tariffs, but that is only one element; it is not the full answer. Therefore a wider debate is necessary.

That is one of the reasons that we set up community panels across Northern Ireland, which we will take forward later this month and in early November. We want to hear consumers' views on how the recession is affecting their households; we want to build on our recent research and to augment it with further questions that we have for consumers; we want to test the fairness and affordability of water charges as well as look at fuel poverty, which I know is exercising many of us at present; and we want to find out where water charges sit in the wider context of fuel poverty and sustainability.

We want anonymity for the participants, most of whom will be private householders, as they will be most affected by the introduction of water charges. Therefore, it is vital that their voices be heard and that they feel comfortable about talking openly to us.

We have no choice but to support the deferral of water charges because of the timescales involved. However, an early decision is vital to planning either for the implementation of water charges or for what the alternative would mean for consumers and the public purse. We must listen to consumers' views on their confidence in the quality and sustainability of water services, as well as consider how to meet the needs of people now and in the future. That is why we are

developing the community panels.

Mr Boylan:

Thank you for your presentation. The Bill is principally about funding; however, I wish to raise the issue of rural connectivity. I welcome the introduction of community panels, and I hope that they will establish what is going on in isolated areas in particular.

The extension on subsidies that the Bill proposes and the question that it raises about funding give us an opportunity to address the issue of infrastructure. Has there been any feedback on infrastructure? If not, will you ensure that that is addressed through the community panels?

Ms McKeown:

We were careful to set up a mix of rural and urban community panels so that we hear all voices; the community panels will discuss affordability and fairness. However, the issue of infrastructure is tied up in our consideration of the Utility Regulator's draft determination on PC10, which we are working through at present. There is a range of very complex issues, including the Utility Regulator's view and Northern Ireland Water's view, so we cannot give the Committee our view today. However, are happy to come back at a later stage to do so.

Mr I McCrea:

Thank you for your presentation. The debate on when the implementation of charging should happen is one that some people wish to have at a later date. It is, therefore, interesting to hear your request that a decision be taken sooner rather than later.

Metering has vexed people for some time. Many claim that a system based on the value of one's home rather than on how much water one uses is unfair, and, to some extent, I agree. Have you held discussions with Northern Ireland Water or with focus groups on the need to implement metering across the board rather than have people pay a fee to use whatever amount of water they want without its being capped?

Ms McKeown:

Regardless of the system that is implemented, an integral element of any decision that the Executive take on charging for water must be a social affordability tariff to protect the most vulnerable, who simply cannot afford to pay. Capping links into the sustainability debate: we

want to see the responsible consumption of water and we want to play a role in that.

Ms Kathy Graham (Consumer Council):

For some time, we have been calling for an open and public debate on metering. Metering is seen as the fairest way to pay for water because people will be paying for their usage. However, we have observed that quite a high proportion of a metered bill is based on a standing charge. If the standing charge is so high that no matter how much water usage is controlled it makes very little difference to the amount billed, that is not a fair system. The metering issue is very complex, and it is those complexities that need to be ironed out; we need to delve into it in much greater depth. The situation is not as straightforward as people perceive it to be.

Mr McCartney:

You mentioned community panels. Will any work be done on the two documents that the independent water review panel presented in December 2007 and January 2008? Because of the deferral of water charges, much of the panel's work has been left hanging. Will the Consumer Council examine the issues that the panel brought to public attention, particularly given the recession? Although the report was presented more than 18 months ago, will the Consumer Council use it in its research to build for the future?

Ms McKeown:

We will use all the information available to us to inform our discussions on consumer panels. Community panels provide an opportunity for consumers to tell us what they think is fair, affordable and sustainable; they enable us to facilitate a more informed debate about what water charges may mean for consumers, and, equally, to discuss what the decision not to implement water charges would mean for the public purse.

We are in listening mode, and we will use the information available to us, including information from the independent panel. We are happy to report to the Committee on what the participants in the community panels are telling us about water charges.

Mr McCartney:

Will you rely on what consumers tell you about the effect of deferral on public services, or will you carry out independent research?

Ms McKeown:

We do not intend to do research into the implications that the deferral of water charges would have on public services; the Consumer Council does not have access to that information. That is an issue for the Government or for those Departments that will lose some of their budget if the Assembly makes that decision; it is up to them to do that work. We will be interested in getting access to such research and ensuring that consumers understand the issues.

Mr B Wilson:

Thank you for your presentation. You might not have done much research into it, but have you any information on the cost of metering? A couple of years ago, Welsh Water addressed the Committee on the cost of billing, and it was very concerned about the cost of appeals and of monitoring meters. It felt that the cost of billing was disproportionate to the money that it brought in.

If metering reduced the use of water, would the cost be reduced by the same proportion? For example, cutting water use by 50% would not reduce its cost by 50%.

For the past two years, water has been subsidised while other services have been cut or resourced less fully than we would have liked. Has the Consumer Council conducted any research on that and on likely future costs?

Ms McKeown:

To answer the last question first: no; we do not have the access to the departmental budgets that would enable us to do that. We are asking for that work to be undertaken so that consumers can have an informed debate about the implications of any decision that the Assembly takes.

The question on metering is one for Northern Ireland Water, but Kathy may want to respond.

Ms Graham:

The independent water review panel reported that metering would add £40 to £50 to household bills. As part of the public debate on metering, the council wants to ask whether people are willing — should the Executive so decide — to pay that amount every year in order to be charged for a measured amount of water.

As Antoinette said, the question is one for Northern Ireland Water. However, Mr Wilson is right: the reduction brought about by metering would be disproportionate to the reduction in costs.

Mr Gallagher:

The witnesses raised some interesting points, including the important issues of metering and the standing charge. It is important to feed into that discussion the likelihood of a standing charge being implemented, regardless of how consumption charges are levied. It will not automatically follow that the absence of metering means that there will be no standing charge. I thank the council for raising that important issue.

I welcome the council's community panels, and consumers' views were mentioned earlier. What range of consumers was contacted during the council's research? Was the business community included? Were views sought from community organisations that are responsible for community halls? Have churches' views been obtained and included in the section "Tapping into Consumer Views" in the council's submission?

Billing was mentioned. Is there a concern that Northern Ireland Water could turn off the taps of people who were under financial pressure? Are there other concerns?

Mr Graham Smith (The Consumer Council):

In the "Tapping into Consumer Views" research, we spoke to 1,000 households; it is their views that are represented. We also spoke to non-domestic and business water consumers from a range of sectors in rural and urban settings and of different sizes to get their views on the services that they receive from Northern Ireland Water and on areas in which improvements could and should be made.

Those views were included in the research report that was fed into the ministerial guidance, which is then provided to the regulator and we start the PC10 process. However, we want to do more with non-domestic consumers. The plan is to speak to householders about their budgets and about the possible effects on the affordability of utility bills, that is, energy and water. Therefore our focus at present is on the household budget.

That is not to say that we do not talk to a variety of consumers; we talk to people daily and

ascertain information from household and non-domestic complaints. We use all that information when we talk to the company, the regulator and Department about what consumers say needs to be done to improve the services that they receive.

If we rushed into domestic billing now, the concern is that the present systems and data would not be robust enough to provide us with a satisfactory level of billing. Northern Ireland Water shares that concern about the data that it holds. It is not Northern Ireland Water's data — it relies on others for data — but it needs to be improved.

Ms McKeown:

There is a no-disconnection policy for customers who do not pay: Northern Ireland Water cannot simply turn off the taps of consumers who do not pay.

Mr Gallagher:

Can it threaten to do so?

Mr Smith:

It is against the law to disconnect a domestic customer.

Ms McKeown:

We want to avoid that situation through a proactive implementation of affordability social tariffs if it is decided to charge for water, regardless of whether that is a standing charge or a consumption charge.

The Deputy Chairperson:

The Committee welcomes your clarification on that point.

Mr Kinahan:

I congratulate the Consumer Council on a very good report, and I look forward to finding out what it hears from everyone because that is vital for all future decisions. In the past, meters were installed on the properties of some people who lived in the countryside. The meters were installed on the outside of farms, which created a cost for the farms for all the piping, the water and getting it to the house. It is not just the cost of a meter; sometimes, it is the cost of completely redoing everything that feeds water to a house. That should be kept in mind because

it could be a huge cost for farmers who do not have the necessary money.

I am intrigued to find out how we know the estimate of the overall cost because that is the figure that we will have to share out. I look forward to hearing from you.

Mr G Robinson:

My question is brief and perhaps a wee bit hypothetical. From the consultation with various community groups, what is the picture from people who know that, sooner or later, they will probably have to pay for water because of the poor infrastructure? The Executive cannot defer water charging for ever. Has there been hostility to the prospect of water charging, or has there been common sense and a realisation that consumers will probably have to pay sooner or later?

Ms McKeown:

In a nutshell, respondents, by and large, accepted that they may have to pay water charges, but they wanted them to be fair, affordable and sustainable. That is why we are going, in a new environment, to test what “fair and affordable” means to consumers so that we are clear when we represent their views. There is an acceptance that water charges may be coming. However, as I said, we want to test that.

The Deputy Chairperson:

Thank you for your presentation and for answering such a broad range of questions. Do you want to propose any amendments to the Bill?

Ms McKeown:

No.

The Deputy Chairperson:

Thank you very much for attending today.

Our next evidence session is with Northern Ireland Water, and I refer members to the written submission. I welcome Mark Ellesmere, Michael Mulholland and Pat McParland. Gentlemen, you have 10 minutes in which to make a presentation.

Mr Mark Ellesmere (Northern Ireland Water):

We have not prepared a presentation because we do not have much to add to the comments in our letter. We regard the deferral of water charges as a policy issue and, therefore, not one for the company. We will abide by the Assembly's decision on the Bill. However, at present, in the absence of domestic charging, the company relies on subsidy from Government.

The Deputy Chairperson:

Do you have anything further to add?

Mr Ellesmere:

We are happy to take questions. We sit in the middle; we do not have a position one way or the other, other than to say that the company is dependent on subsidy at the minute.

The Deputy Chairperson:

The Committee understands that, particularly the fact that it is a technical amendment to the Bill.

Mr I McCrea:

Is it fair to say that if the Bill is not passed, there will be no body to provide water to our homes? What would happen if the Government did not provide a subsidy to Northern Ireland Water?

Mr Ellesmere:

In simple terms — Michael will correct me if I am wrong — the company would not be able to continue to trade; it would be insolvent. In addition, it would be in breach of its operating licence. It could not provide water and sewerage services to the people of Northern Ireland.

Mr Kinahan:

I am fairly new to the Committee and am therefore unsure whether my question has been answered before. Do we have a system to work out how much it will cost us to introduce charging? Is that your role? Are you making estimates?

Mr Ellesmere:

I will give an initial answer and then ask Michael from the financial side to step in. The Committee has heard the Consumer Council and our representatives talk about the price control process, PC10. In theory, that will set our budget for the next three years, from April 2010 to

2013. In that budget, a capital works programme will build the infrastructure that will be needed in Northern Ireland.

Mr Kinahan:

Do you have an estimate of the cost from 2013 onwards?

Mr Ellesmere:

It is based on the system in GB. Three years is a relatively short time; it is usually a five-year programme. We envisage using a five-year plan from 2013.

Mr Kinahan:

Do you have figures?

Mr Michael Mulholland (Northern Ireland Water):

We have. However, it is important to note that the plan that we submitted for PC10, which covers the three years from 2011 onwards, does not include any of the costs associated with domestic billing. Metering would incur a cost, and there would be a bad-debt charge arising from non-payments. Those costs are not included in the current plan.

Mr Pat McParland (Northern Ireland Water):

This approach was taken on the advice of the Department.

Mr Kinahan:

Do you have figures that exclude those costs?

Mr Mulholland:

The figures are included in our business plan, which was published and provided to the regulator. The regulator responded in his draft determination, so those figures are being reviewed and will be agreed by December.

Mr Gallagher:

You referred to the concerns expressed by the Consumer Council, and the issue of costs arose. Many of my constituents live in the countryside and replace their homes or build new ones when they receive clearance to do so. Normally, water connexion costs about £300 or £400. The road

has to be opened, but that is sorted out with Roads Service.

I have been told that Northern Ireland Water's policy has changed and that it now costs a minimum of £1,700 to get a water connexion to a new or renovated house. A builder with a digger on site is no longer allowed to strip the water main, as was the practice under the Water Service. Someone with a digger might do damage; however, that is the exception rather than the rule. Why has there been a change in policy by Northern Ireland Water? That change places a heavy financial burden on people who are building or repairing a house and who are trying to get a water connexion.

Mr Mulholland:

I am not aware of a change in policy. The charge for Northern Ireland Water making a connexion from a house to the main is approximately £200; there is also an infrastructure charge of about £250, which is a requirement of our licence. Additional costs would be incurred if a main has to be requisitioned for houses in rural areas that are not served by a main. That is charged on a full cost-recovery basis.

Mr Gallagher:

I am not talking about the charge for that service; I am talking about prices that were quoted by Northern Ireland Water where there was an existing main. I was made aware of two examples last week in which the charges were of the order of £1,700 and £1,800. Those people were told that they must not strip the water main because that is now done by Northern Ireland Water.

The Deputy Chairperson:

That is a specific issue. Can you deal with it at a later date?

Mr Mulholland:

Yes.

Mr Gallagher:

I would like the matter resolved. However, the issue is not specific, as I have been made aware of a couple of examples. I am concerned that there is an expensive new policy.

Mr McParland:

We are happy to pick that issue up separately and clarify the policy.

The Deputy Chairperson:

If there is an issue with the policy, it could be brought back to the Committee as it has been highlighted here. Are members content with that?

Members indicated assent.

Mr Bresland:

I want to back Tommy Gallagher up on that: the policy has changed in the past few months.

Mr McParland:

We will issue clarity on the policy to the Chairperson for distribution to members.

The Deputy Chairperson:

That would be helpful. Thank you very much.

Mr Boylan:

The Bill provides for continued subsidy to NI Water. How far down the road are we with the infrastructure projects, and how far are we from a proper fit-for-purpose service?

Mr McParland:

We are coming to the end of the strategic business plan period, and we have achieved good capital efficiency and performance on the plans identified in it. The answer depends on the outcome of the regulator's determination process. We set out in the business plan the capital priorities for the coming three years based on the research that the Committee heard about earlier from the Consumer Council and on the social and environmental guidance from the Department. The priorities have been identified and are being examined by the regulator. We will know by mid-December which of the priorities have been accepted and the funding that the regulator recommends being made available for them.

The consultation period is open, and we encourage all those with an interest in water reform to become involved and make their views known.

The Deputy Chairperson:

Do you have an estimate of the cost of the system for domestic billing and how long it will take for it to be in place? Is your data for domestic users still current?

Mr Mulholland:

Costs include bad debt and metering; I do not have those costs to hand but they can be estimated. The data, which came from Land and Property Services, is not current; it was last refreshed in 2006-07 in preparation for the introduction of domestic billing and has not been refreshed since. Legislation was enacted that allowed data to be shared between various organisations and Northern Ireland Water. The legislation lapsed on 31 March 2007.

The Deputy Chairperson:

Therefore it will have to be revisited.

Mr McParland:

It will. We discussed the matter previously with the Committee. The current data is not of a quality to allow us to introduce reliable domestic billing. Another transfer of that data will require further legislation.

The Deputy Chairperson:

How long would it be likely to take?

Mr McParland:

The timeframe that we talked about in the past was a minimum of seven months. However, as the Consumer Council said earlier, the longer we have, the better.

The Deputy Chairperson:

Although you stated that you had very little to say specifically about the Bill, I must ask you whether you have any amendments to propose to it.

Mr Ellesmere:

No.

The Deputy Chairperson:

Thank you very much for fielding questions.