Expert Commission Report on Water Charges:

Community Solidarity North-Kildare response and proposals. 3 December 2016.

The recommendation by the water charge commission that water for domestic consumption should be funded from general taxation (5.2.2) is a victory for the movement against the water charges. The Report acknowledges the political reality that a majority do not support water charges (4.7). Mass mobilisation and non-payment were central to this – and the unacknowledged reality that massive numbers of non-payers could not be brought to court to be forced to pay: they were the key to victory.

No new water taxes!

While this is a victory, it is only temporary if the charges are not completely abolished. The Report suggests new, additional taxes to fund water services (p.1). The recently reported FF discussion, with FG agreement, on a joint LPT-water tax from 2019 shows the direction of establishment thinking.

We oppose any new taxes to fund water services – other than proper taxation of big business (the €13 billion owed by Apple would fund infrastructure) and taxes on the rich and their wealth.

No rationale that metering and charging is effective in reducing consumption or waste

The Report says that 'allowances' for 'normal' consumption should be funded from general taxation but proposes that 'wasteful use' should incur charges (5.2.2 and 5.2.3). Metering is the only way this can be monitored. But it also says that any 'generous' initial 'allowance' could be changed in the future (5.4.3).

It says 'wasteful use' is small (2.3.5); and that domestic consumption in Ireland is at the lower end of European consumption (2.3.6) – where metering is widespread. The evidence in Britain is that metering makes little difference in average domestic consumption. http://www.heednet.info/metering-defraHEEDnet.pdf (p.4) So there is no rationale in the Report for metering to reduce consumption.

The evidence in the Report is that the annual costs of metering and billing (operating costs of IW, p.34) is far greater than any charges that could be recouped from households – less than 7% – for supposedly 'wasteful use' (see example below). Yet only half of commercial water charges are collected (2.4.22). Water used for business generates profits which are privately appropriated – while the costs of the water are socialised.

Nor does the Report give evidence that the money spent on metering and billing would conserve more water than equivalent spending on conservation measures: while metering might save at best 6% (2.3.8), other measures might save up to 25% (harvesting for outdoor use; grey water for flushing; p.60).

The proposal for metered 'allowances' and charges to stop 'wasteful use' is actually cover for a perspective of reducing these 'allowances' and charging in the future – justified by the false argument that charges significantly reduce consumption.

Any regime that includes universal domestic metering will inevitably lead to water charges – initially to pay the annual cost of metering and billing people who supposedly use water 'wastefully'. Consistent excess-use can be identified through district metering and such users characterized as commercial users (if appropriate) and charged accordingly. To argue for charges to stop 'wasteful use' is a sham argument to justify domestic metering; the only rationale for domestic metering is domestic water charges at a later date. We oppose them.

<u>Political demands:</u>

Abolish domestic water charges completely.

Abolish IW and set up a national water authority to co-ordinate and rationalize the operation of the water service in conjunction with the Local Councils.

Referendum to prevent privatization of Ireland's water services

No new taxes: fund investment in water infrastructure through tax on big business and the rich

Fianna Fáil and Independents must be forced to oppose Fine Gael plans for domestic water charges

Agitational proposals:

Scrap the meters. Take out your meter and return it to your local Council – the main contractor for IW.

Boycott IW – don't respond to requests for household information to determine allowances, etc.

Protest: mobilise for a mass demonstration before the Dáil vote in March 2017

'Wasteful use' – metering costs much more than 'savings'

The data from IW shows that domestic consumption in Ireland is at the lower range of European consumption (2.3.6), where metering is widespread – so there is little to gain from it here. It says there is little evidence of actual 'wasteful usage' (2.3.5). At present only 7% of metered households use significantly (six times) more water than the average and IW admits this is mostly from leaks.

The Report gives no evidence to support the installation and maintenance of 1.4 million meters to try to impose charges to reduce a small amount of supposed 'wasteful usage'.

For example: if a four-person household uses six times the 'normal' amount of water – which IW estimates at about 129m^3/yr – and are charged for the extra 645m^3 that they use, they would pay about €2385 at current IW rates of €3.7 per m^3.

If 5% (after leaks are eliminated) of the 1.4 million metered households do this, the income to IW would be about €167 million. This would probably fall after the first year as 'wasteful users' reduce what they use.

But the annual operating costs of IW is €794 million for 2015 and €779 million in 2014 (p.34), with more than half a million meters yet to be installed – meaning increased operating costs down the line.

Money recouped from 'wasteful use' charges will come nowhere near the cost of the metering and billing system. But in order not to undermine its own proposal, the Report gives no cost comparison. The British evidence is that most of the supposedly excessive consumption is leak-related. Leak-related consumption can be traced by means of district metering.

It is notable that the Report says Local Councils only manage to collect about half of the water charges to commercial users (2.4.22): businesses use water for private profit – while the cost of the water is paid by all.

Metering is a pointless expense unless it is used to charge for water. The Report says that any initial 'generous' consumption allowance could be changed in the future (5.4.3) once metering is established. Stopping waste is a cover argument to justify metering – for universal water charges in the future.

'Conservation' – no evidence that metering is more effective

IW has claimed up to 10% reduced domestic consumption due to metering. The evidence in Britain however, is that metering makes little difference in average domestic consumption once leaks are fixed (see below). The Report says IW estimates a maximum reduction of 6% from metering (2.3.8).

Domestic consumption in Ireland is about 41% of total consumption. So domestic metering might reduce overall consumption by a max of 2.5% (6% of 41%).

Meanwhile the Report admits that losses from the network are a minimum 20% and rise to nearly 50% of treated water – requiring investment of between €5 and €13 billion (2.4.26). District metering is more effective for conserving water because it can identify leaks from the network and because it is much cheaper than the costs of installation, maintenance and replacement of individual meters – up to 1.4 million of them at an initial installation cost of at least €540 million.

We fully support water conservation, which would also reduce the energy used for water treatment. While water harvesting is mentioned in the Report, it was not included by FG-Labour in the recently revised building regulations and could significantly reduce the 5% of domestic water for 'outdoor use' (p.60).

Nor does this Report mention the re-use of 'grey' water (from hand-basins, showers, baths) for toilet flushing, which accounts for 21.6% of domestic consumption (p.60).

The Report does not compare the cost of metering and billing, which might reduce domestic consumption by 6%, to the cost of water harvesting and use of grey water for flushing – which together could reduce domestic consumption by up to 25% (p.60).

The money proposed for metering and billing every year (operating costs of IW) would bring far greater reductions in consumption if spent on conservation measures. But conservation is not what this is about. Water metering is only rational as preparation for universal water charges at a later stage.

Allowances and waivers – remember the bin charges

The Report proposes that the Commission for Energy Regulation (CER) would be responsible for setting the size of the personal allowance and for setting the charge rates. (5.2.5 and 5.2.6) An 'allowances' system needs metering to make sure people don't use more – but metering for excess-use costs more than it can recoup.

The Report however, reveals its true intentions when it says that any 'generous' initial allowance could be changed in the future (5.4.3) – to supposedly reduce consumption.

So the proposals for metered 'allowances' to stop 'wasteful use' are actually cover for a perspective of reduced 'allowances' and increased charges in the future – justified by the false argument that charges reduce consumption.

The bin charges show what is likely to happen: allowances would start high and fall steadily, while charges would start low and rise steadily.

Even prior to deregulation of energy pricing, the CER has consistently allowed gas and electricity charges to rise above the rate of inflation and the Consumer Price Index. (see Bonkers.ie) If PPP or other 'off-balance-sheet' private funding is to be used to pay for water infrastructure and the private companies want increased prices, there will be pressure to reduce 'allowances' and increase charges. CER won't stop this.

CER sets the very significant subsidies to private wind energy producers – paid from the PSO electricity / gas levy. The 'renewables' levy ensures profitability for the wind-farm operators – over and above the cost of producing wind energy. There is no reason CER would not do the same for water / waste-water treatment by private companies with future PPP contracts.

Waivers should not be believed: waivers for bin charges have disappeared and it is not clear if any bin charge waivers will apply for people with special needs (carers who use nappies and have heavy bins, etc) if/when pay-by-weight is introduced.

Constitutional impediment to privatisation of water system

A commitment in the constitution not to privatise Ireland's water services would be welcome. We support a referendum for this. But it should not become a substitute for demanding the abolition of charges, the dismantling of IW and action to stop the imposition of domestic water charges in any form.

Opposition to privatisation is based on support for access to water, irrespective of income; and concerns about price increases – and where the profits would go. In the context of the existing system, a constitutional commitment to public ownership would have little real meaning unless it excluded future PPP's or equivalent long-term contracts for maintenance and operation of the system – apart from initial construction.

There is already significant part-privatisation: NERI (2013) cites 66 water treatment plants as being PPP. All new water treatment plants are DFBO (Design, Finance, Build, Operate) by private companies on long-term contracts. The enquiries operation for IW has been outsourced to Abtran – a private multinational. So the Irish state, through bypassing local Councils as the direct builders / maintenance organisations, has already part privatised the system by contracting out the construction and operation of water / waste-water treatment plants to private multinationals and guaranteed them a profitable revenue stream.

Operation of the network has not been contracted out – because it is not profitable and in need of big investment. But the existing 12-year SLA's (Service Level Agreements), whereby the Councils do the repair and maintenance work for IW, are unlikely to be renewed when they come to an end. There will probably be a process of EU-wide tendering for the contracts – which would go to the lowest bidder, rather like the way

Sierra and K&N do most of the work on the gas service that was previously done by Bord Gáis employees.

Even if IW – as the utility which had overall responsibility for water services – could not be privatised, the revenue it would get from charging the state for domestic water services would be diverted to private contractors through outsourcing. This needs to be considered along with opposition to privatisation.

Charges – pay for bank bailout and tax cuts for big business & the rich

The underlying rationale for water charges is to raise revenue to continue state-funding of the bank bailout while simultaneously tax-cutting for big business and the rich.

By the end of 2014, IBRC (Anglo Irish and others) had been the biggest financial drain on the State with a net cost of €36.1 billion. Interest on bank debt alone is between €1 billion to €1.7 billion per year (Julien Mercille, Broadsheet 5 Oct 2015; Irish Times 30-9-2015). Successive FF and FG-Labour governments agreed to pay the equivalent of 25% of GDP between 2007-2011 to bail out the banks (Michael Taft).

The miniscule tax paid by the likes of Cerberus shows the tax breaks that FF and FG give to big business.

The cost of water services is about €1 billion per year – less than the interest on the bank debt.

The decision by FF and FG-Labour that the Irish state should borrow money to pay the speculator debts of the banks, and the interest on those borrowings, is why there is a lack of investment to deal with the crisis in the water infrastructure – and why they want to impose water charges. There should be a moratorium on payment of bank-related debt and an audit of that debt with a view to repudiating it.

How to fund water infrastructure

Between €5 billion and €13 billion investment is required (2.4.26). Tax the multinationals / tax wealth: see AAA – PBPA budget submission.

Notes:

Do Water Meters Reduce Domestic Consumption? a summary of available literature. 2011."Thus, on the UK evidence, the true impact of metering needs to be seen in terms of better leak detection, reduced peak consumption and **little difference in average consumption** in exchange for higher cost and complexity in customer billing and management."(p.4)
http://www.heednet.info/metering-defraHEEDnet.pdf

2.3.5 Irish Water presented consumption data to the Expert Commission based on metered consumption to date, which indicated that domestic consumption is relatively low in Ireland with average consumption of 123 liters per capita (compared, for example, to 140 liters per capita in the UK). This metered data also indicated that 7% of households are using six times more water than the average household, although Irish Water indicated this level of consumption is likely to decline as customer-side leaks are fixed.

2.3.8 In Ireland, the reduced domestic consumption due to charges was originally projected to be 6%, but Irish Water subsequently indicated that this estimate would have to be modified downwards in the light of the introduction of a cap on charges.

2.4.22 "... the collection rate for commercial water charges was much worse than for other charges with almost half of water charges being unpaid across all local authorities." (2012:22)

5.2.2 A distinction must, however, be made between a right to water for normal domestic and personal purposes and wasteful usage. The former can reasonably be regarded as a public service that should be funded out of taxation and which the State should provide for all citizens. Where water is used at a level above those normal requirements, that principle is no longer applicable and the user should pay for this use through tariffs.

5.2.3 Each household that is connected to the public water supply receives an allowance of water and a corresponding allowance of wastewater that corresponds to the accepted level of usage required for domestic and personal needs without any direct charge being levied. This allowance should be related to the number of persons resident in the household and adjusted for special conditions.

5.4.3 .... The allowance to households should be periodically reviewed in an open and transparent way as further consumption data is gathered and with a view to ensure that consumption levels are maintained at levels that are aligned with best practice in water conservation.