



# Northern Ireland Anti-Poverty Network

APRIL 2004

## Where are we now with Water Reform?

It's all gone very quiet on this issue, the Anti Water Tax Coalition (Communities Against the Water Tax, Northern Ireland Anti-Poverty Network and the Irish Congress of Trade Unions) is waiting for an announcement from the Minister on what happens next. The most recent report issued following the Department of Regional Development's Water and Sewerage Review, reaffirmed the Government's Commitment to:

Effective protection for those on low incomes; Fair payment from those who can afford to pay; a Self financing service from 2006 and an admission that the Regional rate does pay toward water provision but the Government says it's not enough.

The report also stated that:

Lower housing costs offset the differences in lower level income and the higher cost of living for Northern Ireland inhabitants (Pearson 2003). Tax raising powers have been ruled out for the Northern Ireland Assembly, due to the legislative framework of the Belfast Agreement. The introduction of a water charge will equal a reduction in the Northern Ireland Rates Bill.

In relation to Charging the report stated that there will be: No flat rate introduced. That Meters are being reconsidered in a combined or hybrid charging option, with the possibility of charge determined by consumption levels. There will be No rebate under Housing Benefit and Charges are to be phased in gradually.

In Jan 2004 the Minister announced that a major Public Private Partnership programme is being taken forward over the next five years in conjunction with the Strategic Investment Board totalling over £270 million.

This means that the assets will remain in public ownership but with aspects of the management and delivery of services outsourced to the private sector.

Another well known example of a local Public Private Partnership is the Royal Hospitals car park in Belfast which this year made a profit of half a million pounds. It was an Audit Office study that highlighted that the Royal and Queens University can expect just £15,000 out of the £564,000 profits and ironically over the last two years the RVH itself has paid £2.2 million to cover the cost of staff parking.

This case highlights how little if anything has been learned about the effective management of Public Finance Initiatives (PFI) /Public Private Partnerships (PPP) /Reinvestment and Reform Initiatives (RRI) within Northern Ireland. It also highlights the massive potential profits that exist for the service-provider most often at the expense of the general public.

We all know the private sector works on the basis of profit. NIAPN's main concern is that such arrangements will cost the average householder more not less.

PPP/PFI/RRI whatever you call them also raise a number of other concerns and questions especially in relation to transparency and accountability; for example how will the public know that private tenders and contract services are really value for money? How would pricing be regulated? What is to stop such a consortium, operating within a private market framework to simply raise prices as they wish? The recently proposed 20% increase in prices from Phoenix Natural Gas- Centrica shows us what the future could be like with private companies in charge of water.

The report also stated that Government was looking closely at 'relief' as practiced within the Scottish Executive. This is very worrying as Scotland had huge disparities in payment for and quality of water; plus, from April 2004 all households will pay the same water and sewerage charge. According to the Scottish Water Commissioner, "to date the interests of the poorest people in Scotland have not been protected (Nov 2003)."

In England there is a 25% reduction for pensioner and single occupant households however price increases vary across region and water companies, and this lack of consistency in pricing is apparent even within streets. In reality charges are continuing to increase but domestic dissatisfaction continues with provision of services. One major weakness of the system in England is that there is no adequate protection for low income households and though illegal, disconnections still occur.

A number of groups have been identified for potential financial relief in the Department of Regional Development's consultation but as yet there are no details on how such relief will be ensured. The Public Consultation Report on Water Reform has stated the most likely approach to protection of vulnerable groups will be the Capping of charges.

Whatever the proposals are they will need to be more effective, accessible and targeted than those provided within England and Scotland.

NIAPN are concerned about where NEW TSN (New Targeting of Social Need) fits into to this policy proposal and would like to remind us all of the commitment expressed by the currently suspended Northern Ireland Executive within the Programme for Government, which states:

"We recognise the inequalities in the life experiences of our citizens in terms of poverty, health, housing, educational and economic opportunity and disability and we are determined to tackle them." (2001, para 1.3)

At NIAPNs' recent AGM our members spoke of the increases in household rates, alongside water charges as placing unfair burdens on the average Northern Ireland household. It was felt that many would struggle to pay the new water charges with debt and poverty inevitable outcomes.

NIAPN members considered the fairest system for generating revenue toward a crumbling water and sewerage infrastructure to be the introduction of an Income Tax on the basis of ability to pay.

Some suggested that European Funding should be diverted toward infrastructure development possibly as a result of Peace III monies.

According to David Hall, Director, Public Services International Research Unit (PSIRU) if the Green Dowry\* was provided to Northern Ireland as it was to England and Wales in 1989, when water services were privatised then, it would be worth about £500m plus.

This would cover nearly all, of the identified deficit in the provision of Water and Sewerage services for Northern Ireland.

NIAPN members spoke of special circumstances for Northern Ireland, from wage differences and higher levels of child and family poverty to higher levels of inequality, disability and illness.

The idea that lower housing costs can be offset against lower wages and our higher cost of living was rejected as nonsense. House prices and private rents have risen significantly across Northern Ireland and many people find themselves caught in a poverty trap trying to keep a roof over their head, bills paid and food on the table. Having to pay another bill will cause severe hardship for many and will mean doing without something else, be it heat or food.

NIAPN members stated clearly and definitively at our AGM that water should **not** be treated like any other utility such as coal or gas.

Water like the air you breathe, is a basic human need. It was clearly felt that responsibility for provision of this critical service lies fair and square with Government.

**\* England and Wales 1989 privatisation**

- Thatcher's £8billion government injection
  - £5billion debt write-off
  - £1.6billion "green dowry"
  - 22% price discount
  - All financed by UK taxpayers
- Equivalent for NI?
  - £300m pro rata population

**Privatisation Contd:**

- Uprated to 2003 prices = £500m+
- Extra inv over next 20 years = £35m pa x 20 = £700m
- So missing dowry would cover nearly all

(Source, David Hall PRISU, Paying for water and privatisation, June 2003)

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