

## **WATER REFORM: REVIEW OF WATER AND SEWERAGE**

### **Northern Ireland Environment Link**

1 July 2007

Northern Ireland Environment Link is the networking and forum body for non-statutory organisations concerned with the environment of Northern Ireland. Its 48 Full Members represent over 90,000 individuals, 255 subsidiary groups, have an annual turnover of £44 million and manage over 230,000 acres of land. Members are involved in environmental issues of all types and at all levels from the local community to the global environment.

These comments are based on previous submissions agreed by full members but members may also wish to submit independent comments at a later date. At this point I would like to commend the work of the Consumer Council, which has engaged and informed a wide range of stakeholders, including Northern Ireland Environment Link, on the issues surrounding Water and Sewerage Reform.

We welcome the Assembly's fresh approach to Water Reform and in particular the commitment to establish an independent and comprehensive review with an ethos of openness and transparency. We hope that the review team is given full access to all the relevant documentation needed to inform its work.

The Executive sub-committee rightly identified that a key aim of the review should be to *make sure that there is public trust and confidence in the arrangements for financing and delivering water and sewerage services*. Both the Judicial Review and more recent research by the Consumer Council have shown that there is little or no faith in the process, policy and legislation to date. However, in addition to this aim Northern Ireland Environment Link would also call on the Executive sub-committee and the DRD Committee to give the review a remit which ensures environmental aspects are given full consideration in future policy decisions.

Consumer Council research has shown that there is a public acceptance that public services, including water and sewerage services, must be paid for and that for improved infrastructure consumers may, and we believe will, have to pay more than they do currently. Northern Ireland Environmental Link believes that infrastructure must improve and supports itemised charging, because:

- There is a legacy of under-investment in water and sewerage infrastructure that must be addressed.
- Poor infrastructure leads to pollution.
- Northern Ireland has already faced infraction procedures from the EU for breaches of the European Urban Waste Water Treatment Directive.
- The recently published *Valuing Our Environment* report concluded that the environment and heritage of Northern Ireland supports over 30,000 jobs and contributes £573 million into the economy, but this is contingent on environmental quality being maintained and improved.
- The Water Framework Directive requires member states to promote the efficient use of water by their customers.
- Charging for services increases their perceived value.
- Water is a finite and valuable resource, especially as climate is changing at an unprecedented rate.
- Climate change will put additional strain on infrastructure and may lead to periods of water shortage or flooding.
- Water provision and treatment could become less energy demanding.

Strand 1 of the review will investigate the real cost of providing water and sewerage services and establish the costs of rectifying the legacy of under investment. Upgrading Sewage Treatment Works to acceptable standards is seen as a priority by NI Water and the Environment and Heritage Service and is subject to a detailed programme. Future Northern Ireland Water budgets should be calculated on the basis that investment in infrastructure is essential if we are to meet European legislation and to protect our natural resources as they should be.

We believe that the infrastructure deficit should in part be covered by capital from central funds but we also support moves towards a self-financing system. It is generally accepted that people already pay a contribution for water, the Consumer Council estimate £164 per household, but this is much less than what is being paid in the rest of the UK and only half of the proposed average full bill for households after charging is introduced. Although some funding is coming to Northern Ireland from special Treasury allocations, this is unlikely to continue at a sufficiently high rate to attain and maintain all necessary improvements. Costs to consumers must be justified on the basis that this payment is required to allow the necessary investment.

Strand 1 will also look at how ongoing costs are met. We believe that the proposed capital valuation charging system does not encourage the efficient use of water, rather it promotes the attitude *I have paid for it therefore I should use it*. Metering is essential if we are to encourage water conservation and have people accept that they are paying for the service they receive. The Consumer Council research has shown that the public are more comfortable with a usage based charging system; 86% of respondents agreeing that charges should be based on something other than the value of the house and 77% agreeing that charges should be based on the amount of water used. While it is obvious that it will take some time to introduce universal metering, this should be a visible, time bound and major goal. Pricing for both water and sewerage services should be closely related to water consumption, with only a small percentage of the total bill being a 'standing charge' unrelated to consumption. This will maximise the stimulus for conservation.

In addition to improving our Sewage Treatment Works it is also necessary to address the pollution issues arising from the large number of houses served by septic tanks. Many of the septic tanks do not function effectively and are not emptied with adequate frequency. Charging and mechanisms for maintaining septic tanks should encourage their proper maintenance. One possibility is for a small charge to be imposed on properties serviced by septic tanks; this would need to cover the costs of an annual inspection. If this reveals that the tank should be emptied or requires maintenance then the property owner will be legally required to obtain that service.

Provisions to protect those who genuinely cannot pay must be ensured. These provisions should promote water efficiency, but allow public health to be maintained; for example, water efficient technologies could be subsidised for low income families or multiple occupancy households. Most households, 85% of respondents to Consumer Council research, would benefit from more information about how to save water. Water should also remain affordable for the majority and people must be satisfied that they are getting what they pay for. Therefore, we feel the review should reconsider whether road drainage should be financed via water rates?

If customers are to accept Water and Sewerage Charges and embrace a culture of water efficiency they must be confident that the service provider is as cost effective and resource efficient as possible.

NI Water has set a target of a reduction in leakage of 50% by 2010 compared with 2001. This sounds impressive but it still means that the company will be losing 21% of the

water it has treated. This has obvious negative environmental and economic impacts given the cost in pounds and carbon of treating and distributing water but probably the largest negative aspect is the public relations impacts. We feel that, while there is obviously a leakage level which must be tolerated, for example, given our aging pipes in many areas, efforts should be made to tackle this to demonstrate the fundamental principle that 'water is precious and valuable'. Other European countries regularly achieve a leakage rate of 10-15%.

The administrative efficiencies predicted for Northern Ireland Water are also being downgraded and this will have an impact on the bills that customers are likely to face. These efficiencies are essential in developing public trust. The efficiency gains should be invested in upgrading infrastructure and reducing the cost of services to customers. The Consumer Council has suggested that £26 million could be saved by forgoing a separate billing system for water charges – the Scottish water and rates charging systems are combined and still allow metering. Further research into possible efficiencies should be a priority for Northern Ireland Water, with internally generated data and analysis made available for scrutiny to the review team, this committee and to the three regulators.

There are also major concerns regarding the governance structure chosen for Northern Ireland Water. We welcome the Minister's statement that privatisation of the Go-Co is not on the agenda and encourage a more fundamental reassessment of the structures and business plan under Strand 2 of the review. Northern Ireland Water should work for its customers to ensure environmental quality, acceptable standards of service and value for money. We believe the public ownership model has been shown to deliver these criteria in Scotland and Wales.

Northern Ireland Water has 'inherited' large amounts of land which might be of great value for development, and hence provide a valuable asset which could be seen as a way to finance other aspects of the work. We believe that disposal of the land should be a decision for the Assembly not the company. While these lands may in some instances be appropriate for social housing or other uses, the value of these areas for wildlife, public recreation, landscape and ecosystem services must also be taken into account. Such areas should only be disposed of after full and detailed environmental impact assessments and sustainability assessments have shown that the long term benefits justify their disposal. In principle, we believe these lands should be retained or used to provide social and environmental benefits, but if they are to be sold the full market value should be received.

We feel that as the largest electricity user in Northern Ireland and a significant user of building materials and other resources, Northern Ireland Water should set and achieve extremely high standards of sustainable procurement and management of resources. It should set an example and demonstrate sustainability in all areas of its action, including producing a substantial proportion of its electrical needs from their own resources (for example, by anaerobic digestion of sewage). Northern Ireland Water should also significantly reduce its carbon footprint; therefore, technologies that are more expensive in the short term but more sustainable in the long term should be encouraged by the environmental and economic regulators.

The tensions among the three regulators (economic, environmental and consumer) are intentional and in theory beneficial. However, there will be times when the environmental arguments are so strong (e.g. compliance with EU legislation) that they must take precedence. Ensuring that all three regulators are allowed to protect their various constituencies while delivering the best overall result will require careful monitoring.

**In summary, Northern Ireland Environment Link:**

- **Welcomes the fresh approach to the reform agenda.**
- **Believes that investment in infrastructure is essential.**
- **Would like to see a greater commitment to environmental best practice.**
- **Believes that metering is the best way to encourage water conservation.**
- **Welcomes the review of the proposed Northern Ireland Water governance structure.**
- **Would like to see sustainability obligations applied to Northern Ireland Water.**

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