

Speech by Minister Alan Kelly T.D.

Minister for the Environment, Community & Local Government

On the Government's Motion on Irish Water,

Dail Eireann

Wednesday 19th November 2014

Ceann Comhairle,

I formally move the Government Motion.

This is a significant moment for the country.... We as a Government have made mistakes but now we face a critical choice. Put simply, we now have a choice that is based on either short-term emotion and anger or long-term prudence and common-sense.

Anger is never a good starting point for a key decision. The issue of future water provision in this country needs a more sober and considered look and unlike some in this house, I want my legacy to be one of achievement, not destruction. We can either create the only company capable of delivering water infrastructure for our citizens or we can ignore the problems of future generations and let water shortages become a reality for our children. We as a Government needed time to listen and take stock and have done that.

I am pleased to have the opportunity this afternoon to set out the package of decisions made by the Government in relation to a revised approach to water.

I also want to set out for the House our renewed vision for Irish Water and to outline the essential role it will play in the future in delivering and managing world class water services to our people.

The key measures we will introduce and legislate for are as follows:

- We are setting new capped annual charges. The capped charges will be €160 for single adult households and €260 for all other households until 1 January 2019. There will be specific legislative provision to allow for capped charges to continue to be set from 2019 onwards.
- All eligible households will receive a Water Conservation Grant of €100 per year; This means that the net cost to single adult households will be €60; For other households it will be no more than €160.
- Households with either a water supply only or sewage only service will pay 50% of the new rates;
- Metered usage can bring charges below the relevant cap. The children's allowance remains at 21,000 litres per annum and will apply to all persons resident in a property aged under 18 (irrespective of whether the child qualifies for Child Benefit), meaning children will continue to go free;

- For metered bills, the charge for water in/out is reduced to €3.70 per 1,000 litres (almost 25% lower than the previous subsidised rate);
- The system is based on self-declaration and appropriate audit. PPS Numbers will not be required for registration.
- The starting date for domestic water charging is being pushed back to 1 January 2015, with first bills to issue from the first week of April 2015;
- In cases where water is unfit for human consumption, the affected customers will receive a 100% discount on the costs of their drinking water supply for the duration of the restriction. Therefore, customers will only be required to pay for the sewage treatment.

The revised package of measures I am announcing has significant benefits for consumers and I would like to outline these for Deputies:

- **Certainty:** Every household will know what their capped bills will be until the end of 2018.
- **Simplicity:** There are now only three numbers that are relevant - the two charging structures and the conservation grant.
- **Affordability:** The absolute maximum net cost is now just over €3 per week. For single households, it will be approximately €1.15 per week - Much less than one per cent of most people's incomes or benefits and puts water bills among the lowest in Europe.
- **Conservation:** With a meter, households will have the opportunity to pay less than the capped bill and they can use the Water Conservation Grant to make changes to avail of lower charges.

Under these provisions, households that do not have a meter installed on 1 January 2015 will commence paying the relevant capped charge. If after moving to a meter, their consumption for the first year is less than the relevant capped charge, the household will be due a once-off rebate on the amount they paid before moving to a meter. This will be automatically calculated by Irish Water and normally applied as a once-off credit to the customer's account. This means, colleagues, that a meter can only save a household money.

We estimate that if metered households can reduce their water consumption by between ten and fifteen per cent, then approximately half of Irish households will be able to 'beat the cap' and have bills lower than the amounts outlined. In fact, some people will be able to get their bills below €100 and when taken with the water conservation grant - they will likely be slightly better off because of the introduction of water charges and meters.

When we examine water charges and take into account last month's budget, every household will be better off in 2015 than they were in 2014.

Let me repeat that, a meter can only save a household money. I am tired of the opposition persistently declaring they would fix the leaks before metering. Given that many leaks are invisible, how would you find the leaks without the meters?

Fresh opportunity to Register

Households now have a fresh opportunity to register with Irish Water. If a household fails to register, they will receive a default bill for €260 per annum per dwelling. In addition, such households will not be entitled to the €100 Water Conservation Grant.

For now, there is no need for customers who have already responded to do anything. Some households may need to amend their details in order to take account of the fact that all children under the age of 18 will now qualify for the child allowance, rather than just those children under 18 in receipt of Child Benefit. In January 2015, Irish Water will give them an opportunity to amend their application, where necessary.

To implement the changed charging regime, and to provide those households who have yet to register with an opportunity to respond to the Irish Water customer registration campaign, so that they may avail of the new benefits and to receive accurate bills, it will be important to register by February 2nd. Households, who have not previously responded, can register with Irish Water:

- Online from today at www.water.ie
- By returning the revised application form which will be available to download from www.water.ie to the address on the form
- By phone from Monday, 24 November 2014

'First Fix Free' Scheme

As part of the transition phase, through funding provided by the Government, Irish Water will have a 'First Fix Free' Scheme to fix customer leaks from their front gate to as close as possible to the dwelling. Irish Water will be concentrating on their core role and services into the future. So there will be no call-out service or charge. If householders have an internal leak they will do what they always did - call a plumber.

Water Conservation Grant

The Water Conservation Grant replaces the tax rebate and social protection measures previously announced, as it is a more straightforward means of addressing water issues for all households on equal terms and will reduce households' outlay on water services both now and in the future.

The Department of Social Protection will administer the scheme on behalf of the Department of the Environment, Community and Local Government. The detailed arrangements for its operation are being developed by the Departments with an expectation of it being operational from September 2015.

To be eligible for the grant, householders - with any element of public water/sewage water supply or on group water schemes or with private supplies - must have completed a valid response to the Irish Water registration campaign.

PPS Numbers

The mandatory provision of PPS numbers to Irish Water by customers has been a source of particular concern to many people. In response, the Government has decided to discontinue this requirement. The new arrangements are based on self-declaration and appropriate audit. PPS Numbers will not be required for registration.

An individual household may be asked to provide evidence in support of their occupancy declaration as part of the audit regime. The provisions in the Social Protection Acts which allowed for exchange of PPS information will be repealed.

Irish Water will delete any PPS data already collected during the customer registration process. Irish Water is agreeing a protocol with the Data Protection Commissioner in relation to this and the process will be subject to independent verification.

Easy Pay options

The overall package of measures being put in place is designed to make water charges more affordable. A range of easy pay options will be in place, including direct debits, Electronic Funds Transfer, payment by cash at any retail outlet with a paypoint or payzone sign or at a Post Office where a bill can be paid in full or in part payments of a minimum of €5.

I intend to legislate to remove the power to cut off or reduce the supply of water to premises where water charges remain wholly or partly unpaid. Instead, unless the customer enters into a payment plan, late payment penalties of €30 for a single adult household and €60 for other households will be added to bills 3 months following a year of non-payment.

Mixed domestic and non-domestic use

Just to clarify the situation for some mixed-use customers that are both domestic customers and non-domestic customers of Irish Water. For example, an apartment over a shop or a house on a farm. These households are billed separately for both uses with separate accounts.

The charging regime for non-domestic use will remain the same as applied under the relevant local authority until the regime is reviewed by the Commission on Energy Regulation. Local authorities are continuing to bill these customers as agents of Irish Water until a new regime is put in place.

An allowance is applied for domestic usage and deducted from the metered usage of the premises, so that no payment is made on the non-domestic account for domestic usage.

The charge on the domestic usage account will be subject to the relevant capped charge for domestic customers depending on the household type. Where the consumption through the meter would lead to a lesser domestic charge than the capped domestic charge, then the customer will be due a rebate on the same terms as other domestic customers.

Group water schemes

Group water schemes set their own charges and are not regulated by the Commission for Energy Regulation. Group schemes include:

- private schemes, which have no interaction with Irish Water, and
- public schemes, which receive their water in bulk from public supplies, but manage their own networks and set charges for their customers. These schemes will remain as non-domestic customers of Irish Water for the bulk purchase of water. The current tariff arrangements, as applied by local authorities prior to 1 January 2014, will continue until non-domestic charges are reviewed by the CER.

The Department of the Environment, Community and Local Government will work with the group water sector to produce a new investment programme lasting until the end of 2018 and to revise subsidy arrangements so they are aligned as far as possible with the approach to subsidy for public water schemes, but tailored to the particular circumstances of the group water sector.

Households in the group water sector who respond to the Irish Water customer registration campaign will be eligible for the €100 Water Conservation Grant.

Occupier pays the bill

To avoid any doubt, I want to be clear that it is the occupier of a premises who pays the bill. Legislation states that the owner is the occupier unless the contrary is proven. Irish Water is providing landlords with the opportunity to prove that they are not the occupier by providing the tenant's name. This will allow Irish Water to contact the tenant to complete the registration and to bill the tenant. A tenant must register with Irish Water to avail of the Water Conservation Grant, to be billed accurately, and to avoid the default capped charge.

I will be introducing legislation in this house allowing landlords to deduct unpaid water charges from their tenant's deposits if necessary. Prior to this, I will be asking my Department and Irish Water to consult with property owner representatives.

Provision will also be made for the automatic creation of a statutory charge on a dwelling in respect of unpaid water charges.

I accept there are many people in financial difficulty and as Minister, I will be insisting that Irish Water distinguishes between those who want to pay, but can't, as opposed to those who refuse to pay. Those who want to pay but are in financial difficulty, as I already mentioned, will have the potential to avail of easy-pay options, instalment plans and to enter pay agreements just like any other utility.

Those who don't register and don't pay, will not be able to avail of the water conservation grant and can be pursued by Irish Water. As indicated earlier, Irish Water will have the ability to apply the charge to a property in the event of non-payment following the passage of legislation.

- Period to the end of 2018
- As I outlined at the start of my remarks, the new capped charges for single adult households and for all other households will apply until the end of 2018.

- This will allow sufficient time for the metering of all properties where it is technically feasible to do so
- In fact, only this morning I learned that the number of installed meters hit 500,000.
- A second short regulatory period will apply in 2017 and 2018, in respect of which Irish Water will submit its costs and capital plans in order for the CER to set the overall allowed revenue, approve capital investment levels and set the tariffs for non-domestic customers. It will be open to the CER to reduce the per unit price of €3.70 per 1,000 litres after 2016, in the context of determining the allowed revenue and efficiency challenges for 2017 and 2018.
- During the period to the end of 2018, better data on consumption patterns for different household types will be gathered to inform future pricing arrangements and further cost efficiencies will have been secured. The Government is determined that charges will always remain affordable.
- Average charges will continue to be kept low through on-going subvention to Irish Water. The legislation which I will be bringing forward will ensure that charges post 2018 can be capped.

Public ownership

The Government has consistently stated that water services will remain in public ownership. This principle was enshrined in the 2007 Water Services Act and reaffirmed in the Water Services (No. 2) Act 2013.

The 2013 Act prohibits the shareholders of Irish Water - the Minister for the Environment, Community and Local Government, and the Minister for Finance, and the board of Irish Water - from disposing of their shares.

The Government believes that public ownership of water services is the will of the Irish people and I propose to legislate to ensure that if any future government sought to change this position, it would be required to put the matter before the people in a plebiscite.

New board

Working closely with my colleague, the Minister for Communications, Energy and Natural Resources, Alex White, I will shortly move to put in place a unitary board combining Irish Water with its parent company, Ervia. The new board will provide for stronger governance and improved setting of strategic objectives. Tomorrow, there will be an advertisement to this effect on the website stateboards.ie. The Government will be establishing a new public/bill-payers Forum to advise Irish Water on service expectations and provide valuable feedback on investment priorities. I want Irish Water to be a totally customer focussed and customer friendly organisation. On that basis, I welcome the decision of the board not to proceed with their Performance Related Award mechanism for 2013 and 2014. A pay model review will be the Number One priority for the new Board which this Government will put in place.

Why we need Irish Water

The previous system of providing water services through local authorities was not working properly, despite their best efforts. Local authorities were restricted in their ability to borrow so they could not invest adequately in the system. Deciding to invest was slow, bureaucratic and inefficient. Planning for new water

services largely stopped at the county boundary so there was little opportunity to achieve economies of scale on a regional or national basis.

We see the results in almost every city, town and county. There are major issues around the quality of water supply and the capacity of the existing system to supply treated water in the quantities needed by households, business and industry.

For example:

- More than 20,000 people on 'boil water' notices and almost a million more depend on drinking water supplies that are at risk of failing the required standards.
- Almost half the water treated - at significant cost - runs off in leaks and is unaccounted for.
- In Dublin, more than 800 kilometres of pipe is over 100 years old.
- There is insufficient supply for the Greater Dublin Area. Most major European cities have a spare capacity of 15% to 20%. Dublin has a surplus capacity of only 1% to 4%.
- Forty-two towns where raw sewage literally runs into our rivers and seas untreated - including Arklow, Cobh, Youghal and Bundoran. This will lead to swimming bans on some of our beaches during the tourist season.
- By way of example, there are 22 households that are cumulative leaking over one million litres a day into their driveways. That is enough to serve the needs in one day in the town of Gorey. These leaks would only have been found using the meters the opposition think we don't need.

Investment by Irish Water

To address these legacy issues, to invest for the future and to provide consistent customer service across the country, Irish Water needs to invest around €600 million every year. It has to be able to do this itself, independently of the Government - so that it is not in the same queue as hospitals, schools and welfare benefits for funds.

Throughout our deliberations we have been careful to ensure that Irish Water's cost base, revenue and Government subventions are structured so that it continues to qualify under EU rules as a 'stand-alone' Market Corporation.

If we failed to achieve that, the enormous annual cost of the investment needed in our water services would fall back on the Exchequer. We will achieve this by exempting Irish Water from local authority commercial rates. This will reduce the subvention required and more than compensate for the loss of income because of the new charges. Local authorities will be compensated directly by my Department for the loss in rates revenue.

Because of the strategic approach we are taking, the CER has approved Irish Water's capital spending programme to the end of 2016 and the company is working on a five year investment plan and a twenty-five year plan. Priorities include:

- Water for the Midlands and the Greater Dublin Area. A major project to secure future supply for the majority of our population or else literally this city runs out of water. It is my aim to announce the details of this project in the first half of next year.
- Addressing 'boil water' notices. In the very near future, for the first time in many years, people in Roscommon will be able to drink water from their tap.
- Ringsend Treatment Facility upgrade. In this one project, Irish Water will save the full costs of its establishment - that's a saving of €170million

Very few people can or would buy or build a house without a mortgage - paying for each brick out of your monthly pay-cheque. Investment runs on finance, especially when it comes to water which requires huge capital.

1. Just to give some other examples of borrowing by our state utilities. The ESB borrowed €7 billion over seven years and invested in our electricity infrastructure. That is the same infrastructure that allows the running of data centres and other key multi-national employment centres and we have some of Europe's best infrastructure for electricity. Similarly, Bord Gais, inherited the outdated infrastructure of Cork Gas, Limerick Gas and Dublin Gas - by creating a national utility that could borrow and invest in the infrastructure. Now we have a modern and efficient gas system.

A new beginning

I have previously acknowledged that we made mistakes. I have also acknowledged that Irish Water itself made mistakes. To date, the Government and Irish Water have been operating to demanding timelines that underestimated the scale of the endeavour in moving from delivery by local government to a fully regulated public utility in such a short space of time - we tried to do in three years what other countries did in five to ten years.

In advance of the completion of the metering programme, the charging regime was overly complex, it was not well understood by the public and it had created uncertainty for customers regarding their bills in 2015 and beyond.

However, the package I am announcing today corrects those mistakes. It gives every citizen of goodwill, every customer of Irish Water, a firm, fair and affordable basis on which to move forward to a better future - where we will have a national water utility that will be a world leader in its field and that we can be proud of.

I believe that this Package will be seen as fair by the vast majority of our people. It will be accepted as fair by the many people who have borne a burden of austerity but who aspire to a better life for themselves and their families and, indeed, a better Ireland.

This is a new beginning for Irish Water but, above all, for their customers and potential customers. The key principles we are delivering on today are: Certainty, Simplicity and Affordability.

I have listened carefully. Lessons have been learned. Now, we must move forward and resume our focus on the real challenges that remain - jobs for our young people, sharing the benefits of the recovery fairly

and across all regions of the country, providing more social housing and developing a fairer taxation system that supports jobs and enterprise.

Unlike some in this house and as I stated earlier, I want my legacy to be one of achievement and not destruction, to take decisions that are defined by the long term needs of the country and the needs of future generations and not by the electoral cycle. The country got into an economic mess because Governments did little else but focus on the next election. This Government has been focussed on getting the country out of that mess. We have made mistakes as a Government, but establishing Irish Water was certainly not one of them. I ask the people to give this package a fair hearing and to examine it in the context of last month's budget.

Much of these measures will be underpinned by legislation that will be progressed and brought to the house before year-end. Time will be set aside for a full debate.

Ceann Comhairle, I commend these measures to the House.