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9<sup>th</sup> November 2007

Dear Commissioners,

### **RE: WATER TARIFF STRUCTURES REVIEW ISSUES PAPER**

The Tenants Union of Victoria (TUV) welcomes the opportunity to comment on the *Water Tariff Structures Review Issues Paper*. Our submission focuses on the experience of tenants as water consumers and how the legal relationship between landlord and tenant can make it more difficult for renters to control their consumption and their financial liability.

We endorse submissions made to you by Consumer Action Law Centre, the Society of St Vincent de Paul and the Victorian Council of Social Service (VCOSS).

The Tenants Union of Victoria was established in 1975 as an advocacy organisation and specialist community legal centre, providing information and advice to residential tenants, rooming house and caravan park residents across the state. We assist about 20,000 private and public renters in Victoria every year. Our commitment is to improving the status, rights and conditions of all tenants in Victoria. We represent the interests of tenants in law and policy making by lobbying government and businesses to achieve better outcomes for tenants, and by promoting realistic and equitable alternatives to the present forms of rental housing and financial assistance provided to low-income households.

#### **The rental sector context**

More than 380,000 households reside in the private rental market in Victoria.

The private rental market is where most low income and disadvantaged households are housed. Almost 200,000 Victorians receive Commonwealth Rent Assistance (CRA) – a statutory income supplement intended to ameliorate the cost of housing in the non-government sector. Even when in receipt of CRA, almost 70,000 households still pay 30% or more of their income for housing, a proportion that is generally recognised as a key indicator of poverty. There are 85,186 households in the private rental market whose weekly income is less than \$500.

The cost of rent is a direct cause of the poverty experienced by many low-income households in Victoria, whereby households direct such a large proportion of their

income towards rent that they have insufficient remaining to meet the other essential costs of living, such as their water bills.

While we appreciate that a comprehensive analysis of the causes of poverty is not the purpose of Review, we nonetheless believe that the Committee, the State Government and water retailers need to understand the context in which low income renters live, and the effect that the cost of rent alone has on the amount of disposable income available to meet the other living expenses, such as necessities such as water.

For low-income renter households, consumption and therefore their financial liability is increased by the poor standard of water-using appliances and fixtures in rental properties. Poor showerheads, toilets and taps in rental properties also mean that it is more difficult for tenant households to be more conservative in their water usage in line with water restrictions and environmental considerations. In addition, tenants often experience significant difficulty and delays when seeking repairs to water consumer fittings and fixtures

Both low- income households in the private rental sector and the 62, 645 households in public housing in Victoria are potentially affected by the poor quality housing stock available. These households have limited choices in the housing market, and that the decision to rent one property over another is based on price rather than any features or the quality of the property.

There are no minimum standards for water efficiency applying to the bulk of housing in the private rental market. While the Building Code of Victoria requires dwellings to meet certain water efficiency standards, it only applies to dwellings constructed after July 2005. Most of the stock in the private rental market is substantially older.

The Tenants Union believes the optimum way to improve water consumption in the private rental market is by instituting minimum standards addressing the water efficiency of housing in the sector in both the public and private rental markets, and undertaking a comprehensive retrofitting program to ensure that all properties comply with these standards.

Water is an essential service – it maintains life, and is also a public health issue. At the same time, water consumers should be encouraged to be thoughtful and moderate with their water use, to conserve this increasingly scarce resource.

Pricing is one way to encourage more sustainable water use practices. However, it is not the only way, and nor is it a way that clearly reduces demand. We direct your attention to CALC's submission on this point. Furthermore, it will impact on low income tenants particularly harshly. Pricing structures should be designed to ensure that all Victorians have access to and can afford to pay for water sufficient to their needs.

Tenants exert less control over their water usage than other household types, because of the split incentive between themselves and their landlords. Tenants can control their consumption behaviour, for example by having shorter showers, but cannot control consumption caused by inefficient appliances and fixtures, such as showerheads and toilets, in their rented homes.

The *Residential Tenancies Act 1997* actively discourages tenants from making any modifications to their rented premises by prohibiting any renovations and then requiring

tenants to return premises to their original condition on expiry of the tenancy or compensate the landlord for this cost.

Furthermore, tenants are less likely to make investments in a home that they are likely to leave reap no long-term benefit from. Tenants are a mobile population, moving house on average every 18 months.

In the current rental market, demand for housing outstrips supply and the general vacancy rate in Melbourne is less than 1.5%. Owners have little to no incentive to invest in improving the environmental efficiency of their homes in order to attract tenants.

Furthermore, low-income households have less choice in the rental market, and tend to choose housing on the basis of the cost of rent alone, rather than considering the operating costs of inefficient water appliances.

Below is a table identifying the barriers to water usage change for tenants:

<b>Water saving measure</b>	<b>Average savings per annum per household*</b>	<b>Barrier to change</b>
Reduce shower time from 7 minutes to 4 minutes	85 kl	None. General education. Link to audit program to inform and educate.
Fix leaking toilet	50 kl	LL responsibility; REA practice; t vulnerability to rent increase/eviction.
Replace single flush with 6/3 dual flush toilet	35 kl	LL responsibility; REA practice; t vulnerability to rent increase/eviction.
Fix dripping tap	20 kl	LL responsibility; REA practice; t vulnerability to rent increase/eviction.
Install drip irrigation system	20 kl	LL responsibility. Cost and diminished return for T.
Replace top loading with front loading washing machine	16 kl	Limited disposable income. Link to DHS capital program and audit
Install rainwater tank (2.25kl)	16 kl	LL responsibility. Cost and diminished return for T.
Install low flow shower head	13 kl	LL responsibility; T required to reinstate at end.
Install soil moisture sensor for irrigation system	7 kl	LL responsibility. Cost and diminished return for T.

\* family of four

One way to assist tenant households to be more conservative in their water consumption is to require that all housing available to rent in the private rental market conform to minimum standards of water efficiency ie fitted with low-flow showerheads, dual flush toilets, and is plumbed so that there are no drips or leaks. TUV has campaigned for some years now for the establishment of minimum standards for private rental housing, to ensure that utilities costs don't financially disadvantage occupants and that the residential rental sector is environmentally efficient.

As an interim measure before the introduction of these minimum standards for water efficiency, we suggest that the *Residential Tenancies Act 1997* be amended to permit tenants to modify fixtures and appliances in their rented homes to be more efficient, and that they do not have to restore premise to original condition nor compensate landlord for the cost of restoration. Frankly, any tenant who invests in water saving devices for their rented

home is making a welcome improvement to the property that ultimately benefits the owner.

TUV has no objection to the introduction of the fourth block tariff for metropolitan Melbourne. However, we hope that the fourth block provides an opportunity for better relativities to be established between the tariffs. In particular we think the lower tariffs blocks should be set at a rate that allows for affordable minimum consumption for all households.

The ESC should ensure that the block tariff system does not penalise larger households even when their consumption is at the minimum necessary for basic health and living standards. The capacity of vulnerable households to access water could be guaranteed the imposition of a minimum allowance of water or a social tariff that mitigates the operation of the general tariff system for households in need or whose consumption is higher because of circumstances beyond their control (eg – large households, tenants households, low-income households). The ESC should investigate ways of ensuring that vulnerable households are not financially disadvantaged by water tariffs, and have access to the amount of water sufficient to their needs as a matter of urgency.

Please do not hesitate to contact me on (03) 9411 1410 if you wish to discuss this submission further.

Yours sincerely,

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Tenants Union of Victoria