

## Who can afford to pay for water ?

In a report published today (November 12<sup>th</sup> 2002) by the Scottish Economic Policy Network (scotecon),<sup>1</sup> on the affordability of water and sewerage in Great Britain, authors Dr John Sawkins and Valerie Dickie<sup>2</sup> said:

‘Historically, charges for water and sewerage services across Great Britain have been at levels too low to finance an adequate level of system maintenance and investment. During the last decade this situation has changed and low income households operating within very tight budgets have seen the proportion of their income devoted to these services rise sharply. ‘

### Key findings

- In recent years there has been a sharp rise in the proportion of household income spent on water and sewerage services. Low income households on tight budgets have found this change particularly difficult to manage.
- The level of social security payments in the form of Income Support could be raised to cover the actual cost of water and sewerage bills. (at present allowances are insufficient to meet the cost in full)
- Scottish Water (like the English and Welsh water companies) could offer customers more choice in the way in which they pay for water and sewerage services. Specifically, more options on the frequency, method and location of bill payment, a debt counselling service and the establishment of a national water trust fund to provide targetted financial assistance to customers experiencing difficulties meeting water and sewerage bills.
- A more vigorous policy of selective domestic metering could be introduced by Scottish Water. In the medium to long run this would help with the design and targetting of special tariffs for low income households.

### Policy implications

1. There remains a lack of clarity at the heart of Government policy over whether charging systems for water and sewerage services should be regarded explicitly as an instrument of social policy or not. If they decide that it is, they thereby legitimise their more active participation in the economic regulation of water companies.
2. In the short run the gap between the Income Support allowance for water and sewerage and the actual level of charges should be closed, with the effects of regional variation being taken into account. Severely budget constrained households on benefit are hardly likely

to prioritise the payment of water and sewerage charges in the knowledge that they will not be disconnected from the system if they default.

3. Experience from England and Wales suggests that with careful management and monitoring, levels of domestic debt and non-payment may be reduced to the benefit of customers and supplier alike.
4. The policy of selective domestic metering should be pursued with more vigour across the country. At present domestic meter penetration is lamentably low in Scotland, but increasing steadily in England and Wales. In the medium to long term widespread domestic metering would facilitate the design, delivery and better targetting of tariffs for low income or other vulnerable households.

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**Notes for editors:**

1. scotecon is a network of economists based in Scotland's universities, which aims to stimulate academic research on the Scottish economy, particularly in those areas of interest and concern to the Scottish Parliament. scotecon is funded by a Research Development Grant from the Scottish Higher Education Funding Council.
2. School of Management, Heriot Watt University.
3. Copies of this report entitled 'Affordability of Water and Sewerage Services In Great Britain' are available to the press from scotecon, University of Stirling, FK9 4LA (e-mail: [Wilma.ellis@scotecon.net](mailto:Wilma.ellis@scotecon.net)). A full version of the report will be available in PDF format on our website ([www.scotecon.net](http://www.scotecon.net)) from Friday November 15<sup>th</sup> 2002.