

Water – plugging the funding gap in Ireland

The restructure of water services in Ireland may be under way, but there are still questions about how the country will meet its obligations. Independent engineer, Kevin Murray shares his views

The people of Ireland appear to be on the verge of a radical reorganisation of both the funding model and the delivery structure for drinking water and wastewater services. In March 2011, the new programme for government committed to a "fair funding model to deliver clean and reliable water" and "a state owned water utility company". The programme also expressed an objective "to install water meters in every household and move to a charging system based on use above a free allowance".

As *WWT* went to press, the Irish government was considering an independent consultants' report on the future organisational model for water services. So what are the funding challenges that have to be addressed? How deep and wide are the funding gaps and whom do they affect?

In truth, practically every stakeholder in Ireland has been affected by a funding gap in water services; an inevitable consequence of a dysfunctional funding model that has broken the direct financial link between the consumer and the service provider. Domestic consumers (on public supplies) get their drinking water for free; and get wastewater treated for free. Local authorities provide these services, funded largely from block grants from central government.

Perhaps we can consider some of these funding gaps and the consequences. Looking back to 2008, water authorities in Ireland were spending €1.6B (£1.4B) annually on water services; by 2011 it is widely expected that figure has fallen to less than €1.2B (£1B). The contraction has been wholly on capital investment, which has fallen by about 50% or more, resulting in a severe contraction of employment in the supply chain of perhaps 5,000 jobs.

The rapid contraction was inevitable as Ireland struggled to come to terms with an unprecedented economic collapse that diverted state capital away from infrastructure and into a failed banking system. However, would water services have been so exposed if consumers had been paying directly for water services? No; there may have been a rise in bad debt,



but the overall revenue stream would have held up. The impact on the consumer has been insidious; the absence of a direct link between service and payment has created a dependency culture. Many Irish water consumers, largely urban dwellers, have lost any sense of personal responsibility for water services on their property; for many it was the cold weather of December 2010 that brought this home with burst pipes and disruptions to supply.

If you are not paying for water you are inevitably going to cast a blind eye at the dripping tap, or the leaking garden hose, and there is a growing body of evidence that customer-side leakage in Ireland is at least as significant as leakage on the public mains.

If Irish domestic consumers had been

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paying for the water they consumed, then a market would have emerged for water efficiency products in the home. Irish consumers and their properties would be far better prepared for efficient water management.

Consumers have a funding gap when it comes to water efficiency refit; no less than the funding gap for energy efficiency refit that is met by existing grant aid programmes. As water efficiency is little more than a proxy for energy efficiency, it appears logical that water efficiency refit grants should be available to domestic customers.

Perhaps another aspect of the funding gap is the way that Ireland has failed to put a value on the raw water in the aquatic environment. In most OECD countries there is a small abstraction charge of around 4c/m³ that provides revenue for catchment management.

However, in Ireland there is no such abstraction charge for water authorities yet; probably because the local authorities are responsible both for the management of the aquatic environment and the production of drinking water. This is a clear conflict of responsibilities and a challenge for corporate governance in any management structure.

It must be acknowledged that Ireland has made enormous strides in water management over the last decade. The treatment of urban wastewater has been the star performer, where Ireland has gone from 15% of wastewaters receiving "EU-compliant" treatment, to 85% in ten years. Similarly, the work of the EPA and local authorities in dealing with water treatment plant shortcomings through the Remedial Action List has to be commended. Yet, there are so many costly challenges that remain to be faced.

Ireland is spending over €100M (£87M) per annum on mains replacement, yet only renewing 1% of a network that has 47% unaccounted for water. Some estimates suggest that Ireland will have to find €700m to €1,000m (£612M to £874M) per annum for the next 15 years to meet the objectives of the EU Water Framework Directive. This capital investment funding gap has to be met somehow; and private finance and capital debt markets have to be a part of the solution in the current financial situation.

So what of the future? Universal water metering has a projected minimum price tag of €0.5 (£0.4B); is it a sound investment that will be of benefit to the consumer? Possibly – if it is targeted and helps to resolve customer-side



leakage. However, this is a business case that needs to be examined independently by a water regulator to determine the appropriate scope and timescale for the investment. It

should not be an entirely political decision. It should not cost the average consumer more than the reasonable savings that would be made on consumption. Ireland needs a water regulator, and a water services sector organised for regulation.

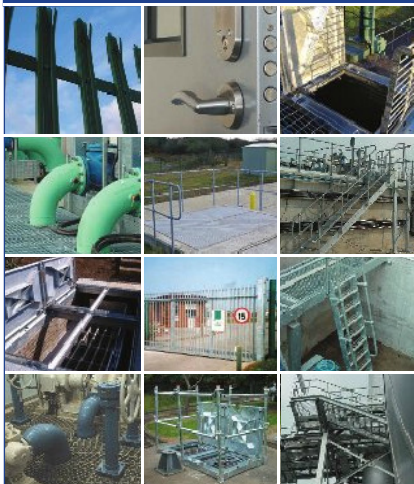
Then there is the proposal to grant a free allocation of water to everybody. This is well intentioned, but misguided. It will be costly and impractical to implement.

A free allocation of water is to water conservation what happy hour is to temperance. Indeed, in a world where so many women are forced to walk miles to collect water, for Irish people to expect a free allocation of water is morally obscene.

Perhaps when the Irish consumer receives his or her bill there should actually be a tick-box to give a voluntary contribution of €2 to Water Aid (or similar charity) to acknowledge how lucky we are to live in a country where there is an abundance of fresh water? ■■■

Kevin Murray is an independent chartered civil & structural engineer. He recently participated in a report into the future of Irish water services by a joint committee of the Irish Academy of Engineering and Engineers Ireland. All views expressed are personal

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