

Opinion & Analysis

Our 'free' supply of drinking water encourages waste



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The opaque way we fund our water supply reinforces misunderstanding about its cost and value

LOOKING FOR a sure-fire way to squander a scarce, expensive resource? Here's an idea: how about giving it away for nothing? No asset is more vital than safe drinking water, yet Ireland, uniquely in the EU and almost everywhere else, doesn't charge domestic users.

In fact, we don't even bother to count how much anyone uses. Recession, what recession? Nationally, our fresh water supply is the equivalent of one giant free bar. Of course, someone picks up the tab, and it's a bill with nine zeros. We now spend more than €1.3 billion annually on water services. Businesses chip in less than €150 million in commercial charges, with the balance funded by our embattled exchequer.

This amounts to about €600 a year for every person in employment in Ireland. Yet the false perception remains that clean drinking water is free and plentiful. It's clearly not free; it's not even cheap. Nor is it particularly abundant.

Globally, water supplies are under strain from a combination of human, industrial and agricultural demands, as well as pollution and global warming. Nor is this some problem that only affects hot countries. Some 24 million people in Britain, for instance, live with access

to less water per capita than Morocco or Egypt.

Ireland appears to believe itself entirely untouched by such concerns, yet a recent report from Forfás revealed that water treatment capacity in major urban centres including Dublin and Galway will be unable to keep up with demand within the next four or five years. What's more, research led by Dr John Sweeney of NUI Maynooth has flagged sharp reductions in Ireland's fresh water supply by mid-century as a result of changing climate patterns in a warming world.

To compound matters, our national system is creaking at the joints, with 43 per cent of all treated drinking water lost before it ever reaches our taps. This compares badly with losses of between a tenth and a quarter for our European neighbours.

The National Development Plan earmarked a massive €4.7 billion investment in modernising our water services. This was of course hatched before we noticed our own economic well had run dry. Back in 1997, the government took the curious step of abolishing all domestic water charges. This cut off an important revenue stream to local authorities. The opaqueness surrounding the funding of our water supply reinforces

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widespread public misunderstanding about its cost and true value.

We pay for every other utility, be it electricity, gas or oil as we use it, therefore we have the clearest possible incentive towards rational usage. Nowhere is price signalling so utterly defective as with drinking water.

Politicians won't touch water charges, fearing reprisals at the ballot box from voters with no intention of paying for something they've been misled to believe is free.

An ESRI survey in 2000 on how to fund water services found by far the most popular option is to charge based on usage. Only 6 per cent actually believed that domestic water should be completely free to users. This

survey suggests the Irish public are less naive and short-sighted on this issue than our politicians may fear.

In the same year, the EU issued its water framework directive on quality and pollution control, requiring that all users pay the actual costs associated with water services. This was far too sensible for the government, which promptly secured a derogation for our domestic users.

Tackling our antiquated and leaky water transmission system is going to be enormously expensive. But where is the money going to come from to pay for this? Grand plans to pipe water from the Shannon to top up supplies in the greater Dublin area are both expensive and politically divisive.

Part of the solution, says the Institute of Engineers in Ireland is to have “a water-charging regime, based on full recovery costs” phased in over a five-year period for domestic customers.

Dr Sue Scott of the ESRI agrees that pricing drinking water at zero is sending the worst possible price signal. “It encourages waste and free riders,” she says. “Why don't we have prices reflecting the truth: why pretend and allow people to think they're getting something for free?”

The beauty of a pay-as-you-use system is that virtue has tangible rewards and profligacy is penalised. The success of pay-by-weight charges for refuse in the Dublin area is a case in point. Financial incentives for the installation of rainwater recovery and grey water systems makes more sense than tax breaks for empty holiday homes.

Between 1975-2000, California's population and economy expanded rapidly, without upping its overall water extraction. Conservation and price signalling, not increased supply, did the trick. Yes, installing water meters in over a million homes is a major undertaking, but one that would create a lot of much-needed new employment, especially if the State took the opportunity to also install smart meters for electricity and improved insulation. We now have legions of architects, engineers and general workers who could be put back to work in a Celtic Green New Deal.

Much of the huge cost would be recouped in permanent savings on our €7.5 billion annual energy and water bill, and in the meantime, thousands of new jobs would be created in every town and village in Ireland.

Here's one recovery plan that might actually hold water.