

Apartment Owners' Network

Representing the owners of apartments and houses in managed estates

BY EMAIL: FFDWS@oireachtas.ie

Mr. Tom Sheridan
Clerk to the Joint Committee on the Future Funding of Domestic Water Services
Leinster House
Dublin 2

10 February 2017

Dear Mr. Sheridan,

Re: FFDWS_I_089_2017
Report on the Funding of Domestic Public Water in Ireland
Response of Apartment Owners' Network

Thank you for your letter of 1 February 2017.

I enclose for your attention the response of the Apartment Owners' Network.

You might please confirm safe receipt of this response in time for your deadline of today, 10 February 2017.

Please contact me if you have any queries in relation to the enclosed.

Kind regards,

Yours sincerely,



David Rouse
Director
AON

Encl.

Apartment Owners' Network

Representing the owners of apartments and houses in managed estates

Response

to

**Joint Committee on the
Future Funding of Domestic Water Services**

10 February 2017

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1.0 Introduction

1.1 Executive Summary

This document is the response of the Apartment Owners' Network ("AON" or "the Network") to the letter of 1 February 2017 received from the Oireachtas Joint Committee on the Future Funding of Domestic Water Services ("the Committee").

The AON has also made submissions on domestic water funding to-

- Commission on Energy Regulation ("CER"), and
- Expert Commission on Domestic Public Water Services ("Expert Commission")

For the Committee's reference, these submissions are available on the Network's website- www.apartmentownersnetwork.org

The responses in this document are framed by reference to the questions in the Committee's letter, and the Network's earlier submissions.

Limitations on responses

We would wish clearly to indicate to the Committee that our responses are provided in the context of funding domestic water services for apartments and residential properties in multi-unit developments managed by Owners' Management Companies ("OMC") only.

The Network wishes to note that we have had only very limited time to consider the Committee's questions- seven full working days in total since receipt of the letter. We have not had an opportunity to reflect on the Committee's questions in such a way that would have allowed us to consult with the Network's wider membership in a timely and reasonable manner. Our responses are limited accordingly.

There are some questions to which we have not responded, for reasons including the following-

- We have had insufficient time to give them due consideration;
- They are not relevant to the apartment sector and we have no basis for responses;
- We lack the expertise (legal, technical, etc.) to provide meaningful responses.

While our responses are limited, we would of course be happy to engage further with the Committee to assist its work. In particular, we would welcome the opportunity to engage with the Committee and other appropriate bodies in order to elaborate on the challenges of water management in apartment developments.

Principles guiding AON responses

The Network agrees with the "polluter pays" principle. The Network holds that in paying for water usage apartment owners should pay the same charges as are paid by domestic water service users in other types of residential properties. There should be no discrimination as between the treatment of apartments and "traditional" domestic dwellings.

For example in this regard, recently metered domestic water users did not directly pay the upfront costs of the installation of meters at their properties. These upfront costs were borne

by Irish Water and were to be reflected in recurring water charges. The same treatment should apply to the metering of apartments.

Apartment OMCs should not bear meter installation costs, which would then be passed on to apartment owners through annual apartment management fees. Meter installation and meter management costs for multi-unit developments should be funded by Irish Water.

In order to ensure an equitable treatment across the population, until such time as all residential properties in the country intended to be metered by Irish Water are so metered, the Network is of the view that the currently suspended water charges regime should apply. Once metered, customers should have the option to seek a rebate on the charges, based on metered consumption.

1.2 Apartment numbers

It has been estimated that 500,000 people approximately live in homes in multi-unit developments¹.

There has in the last 10-15 years been a rapid growth in the number of apartment/multi-unit development homes as a component of the national housing stock. According to Census 2011 there were 177,587 occupied apartments in 2011, an increase of 27% on 2006.

Apartments comprised 10.9% of all occupied households in 2011 and accounted for almost one third of all household types in Dublin City². From 2011 to early 2015 an estimated 6,000 further apartments have been constructed in Ireland³. The housing stock results of Census 2016 are to be published in April 2017⁴.

1.3 About the Network

The AON is a volunteer-led, independent, non-political group representing the interests and views of owners, both owner occupiers and investors, of dwellings in managed estates throughout Ireland.

Membership of the Network is diverse and includes owners who are directors of OMC, residents living in estates where the OMC remains controlled by the estate developer, and residents of houses in managed estates.

As of the date of this submission, residents of 300 estates approximately are recorded as being engaged with the AON. Many more estates engage with the Network on an ad hoc or informal basis.

The AON has working relationships with various national and local government agencies, including the ODCE, the Law Reform Commission, the Department of Justice and Equality, the Property Services Regulatory Authority and Dublin City Council ("DCC"). The Network played a central role in securing the formulation and enactment of the Multi-Unit Developments Act 2011 ("the MUD Act").

¹ Presentation to AON by Paul Mooney, Benchmark Property, 14 January 2016

² Census 2011 Profile 4 The Roof over our Heads - Housing in Ireland

<http://www.cso.ie/en/media/csoie/census/documents/census2011profile4/Profile,4,The,Roof,over,our,Heads,Full,doc,sig,amend,ed.pdf>

³ "An Analysis of the Impact of the Multi-Unit Developments Act 2011 on New Multi-Unit Developments", speech Paul Mooney, Director Benchmark Property delivered to the SCSl on 03/07/2015 <http://www.benchmarkproperty.ie/blog/an-analysis-of-the-of-the-impact-of-the-multi-unit-developments-act-2011-on-new-multi-unit-developments/>

⁴ <http://census.ie/how-we-do-it/publishing-the-data/>

The AON meets in open forum usually once a month at DCC Civic Offices, Wood Quay, Dublin 8. Meetings and activities are currently facilitated by funding from DCC, and by the involvement of volunteer members.

The Network incorporated as a Company Limited by Guarantee (No. 592683) on 10 November 2016, and is establishing formal structures as a representative organisation.

Further information about the Network's activities is available at-
www.apartmentownersnetwork.org.

1.4 Context to submission

Brief overview of apartment management

An OMC comprises a board of volunteer directors, typically civic-minded residents or owners in the estate. The directors are elected by the membership of the company, i.e. the wider body of unit owners. The unpaid directors are charged with the primary responsibility of managing the estate, in particular the common areas and shared services, and of ensuring adherence to the principles of good estate management. Effective stewardship of the OMC is vital to ensuring the upkeep of the estate and that the estate is a good community in which to live.

A management agent is appointed by the OMC to attend to the operational running of the estate- common area maintenance and upkeep, block insurance, domestic waste disposal, landscaping, etc. The OMC levies an annual service charge on each unit owner. This annual management charge pays for the aforementioned services, and is also required by law to include a contribution to a long-term sinking fund for non-recurring/capital expenditure (e.g. lift replacement).

Each individual apartment owner pays for the utility supplies to his property, e.g. electricity, gas, telephone, cable or satellite TV, broadband, etc. Other than facilitating building access for providers, and allowing services to run through common areas, the OMC has no other role between the utility provider and the consumer. The provision of the utility is a matter of private contract between the utility company (e.g. Electric Ireland, eir, Vodafone, etc.) and the consumer/apartment owner.

The AON submits that the normal utility model should apply to the operation of water charging for apartments, i.e. a contract between Irish Water and the apartment owner, with charges calculated based on the metered consumption of the individual apartment.

Service charge recovery

Service charge debt recovery is widely accepted as the most significant financial challenge facing OMCs. Many OMCs are faced with current fee recovery rates of less than 70%. Aged debtors can run to five or more years, and cumulatively can represent in excess of 100% of the OMC annual budget. Sinking Fund provision is in many cases tied up in debtors, with the priority given by the OMC to meeting the day-to-day costs of maintaining core estate services.

The AON has submitted to the CER and the Expert Commission that OMCs, led by volunteer directors, are not equipped to deal with the administration of water charges. OMCs cannot take on the burden of water charge collection, or suffer the adverse financial effects of the accumulation of further unpaid service charges.

Apartments & water usage

The Network submits that apartment occupants and owners should be charged in an equitable manner for water services, on the same basis as applies to occupants of other types of residential properties. The building configuration of an apartment block, or the management of a multi-unit development by an OMC should not result in a level of water charges for an apartment owner that is higher than that charged to a different type of residential property with the same level of water consumption. In other words, the increasing proportion of the population living in apartments should not be penalised or be put at a price disadvantage with regard to water charges because of the nature of the property: consumption should determine water charges.

Apartment metering pilot project

In December 2015 a request for expressions of interest in relation to a Pilot Technology Trials of Water Metering Systems for Multi-Unit Developments was issued by Ervia/Irish Water⁵. This process resulted in the issuing of tender documentation to interested parties (metering providers and OMCs) regarding the commencement of a funded pilot scheme to meter units within multi-unit developments. We understand that pilot testing of a number of multi-unit developments was undertaken during 2016. The Network is not aware of further developments following the pilot project.

⁵ https://irl.eu-supply.com/app/rfq/publicpurchase_frameset.asp?PID=94247&B=&PS=1&PP=transactions.asp

2.0 Details of Responses

These responses follow the format in the letter from Mr. Tom Sheridan, Clerk to the Committee, i.e. under the following headings-

1. Metering Programme
2. Equity & Fairness
3. Conservation Measures

Responses

1. Metering Programme

Based on figures presented in the report, it would appear that some 527,000 households have yet to have meters installed. What is your view regarding completion of the metering programme? Is it necessary? What would be the benefits or drawbacks of completing the programme?

Network Response-

The Network agrees that the metering programme should be completed.

It is necessary to ensure the equitable treatment of apartment/multi-unit residential dwellings and traditional houses.

If the programme is not completed its absence could potentially lead to the inequitable treatment of different types of homes, because there will be no benchmark of typical water consumption levels in different types of dwellings.

If the metering programme is to be completed, how might this be done in a way that gives consideration to “an approach that is more in keeping with the recommended scheme with a focus metering of buildings in the case of multi occupancy or metering of households on request”?

Network Response-

We note and endorse the following comments by the Expert Commission in Chapter 5.4 of its Report-

“If it is decided that the metering programme should proceed, consideration should be given to an approach that is more in keeping with the recommended scheme with a focus metering of buildings in the case of multi-occupancy or metering of households on request. Irish Water should complete a comprehensive programme of district metering to identify system-wide leakage and manage the network.”

and

“However, it is recognised that metering may be challenging with some multi-occupancy buildings, such as apartment blocks and flats. For households that cannot be metered for technical reasons, under the proposed new arrangement it is reasonable and fair to assume that such households do not consume water above the level of allowance to be funded by the exchequer, not least because excessive or

wasteful usage is less likely in households without individual gardens or opportunities for outdoor use of water.”

The Network highlights to the Committee that an apartment does not have features/facilities such as the following that generate increased water consumption in households-

- Individual private gardens
- Outdoor taps
- Car-washing facilities
- Outdoor water-based leisure facilities (e.g. pools)

In this regard, any new basic consumption allowance level and tariff scheme should not result in a level of water charges for an apartment owner that is higher than that charged to a different type of residential property with the same level of water consumption. As articulated earlier, the rising proportion of the population living in apartments should not be penalised or at a price disadvantage with regard to water charges on account of the nature of the property: consumption should determine water charges.

The Network is clear that the cost of metering infrastructure should not be borne by apartment OMCs and their members, being the apartment owners paying OMC service charges. This approach ensures the same treatment as applied to “traditional” dwelling types, where Irish Water paid for the supply and fit of the water meters.

How could “excessive use” of water be identified in the absence of meters in all households? Is it possible to identify households with significant use by means other than a water meter?

Network Response-

The Network supports the completion of the metering programme, and considers that this is a matter for experts in the area of water consumption.

The report notes that water meters have proved to be “highly effective in detecting leakages in the water system and a means of collecting valuable data concerning patterns of water usage”. How can water leaks be identified in the absence water meters?

Network Response-

The Network supports the completion of the metering programme, and considers that this is a matter for experts in the area of water consumption.

What would be the cost of completing the metering programme? In the long run, would this cost exceed any potential savings from using water meters to identify water leaks?

Network Response-

The Network considers that this is a matter for experts in the area of water consumption.

Relationship between proposed funding model and water conservation

Can you elaborate on how district meters and other new technologies have been shown to be helpful in disaggregating consumption data? How might this be used in terms of water conservation?

Network Response-

The Network considers that this is in principle a matter for experts in the area of water consumption. However, Irish Water could pay for and install bulk water meters at the entrances to apartment developments, in order to disaggregate and compare consumption data across such estates.

At a crude/basic level, the total estate consumption could be divided by the number of apartments. This would go some way to establishing benchmark levels of consumption in apartments.

This approach could also be of assistance with the identification of leaks and/or excessive consumption levels. It should not, however, be the method of determining water charges for individual units; this should be established by metering each apartment. As stated elsewhere, the costs of metering individual apartments should be borne by Irish Water, as was the case for “traditional” housing types in the initial metering programme.

What is your view of the report’s statement that “the approach proposed above is consistent with the principle of funding domestic water through taxation and also respects the need to monitor consumption levels in Ireland on an ongoing basis so as to maintain consumption levels within the norms of other water-conserving EU countries” (see paragraph 5.4.3 opposite)?

Network Response-

Whether the funding of water services for normal domestic and personal use from taxation adheres to the fullest to the “polluter pays” principle is a matter for consideration by the Committee.

The Network agrees with the proposal that the volume of water necessary to meet the normal domestic and personal needs of citizens should be independently assessed through an open and transparent process. As stated earlier, any new basic consumption allowance level and tariff scheme should not result in a level of water charges for an apartment owner higher than that charged to a different type of residential property with the same level of water consumption. Apartments should not be at a disadvantage with regard to water charges on account of the configuration of the building: consumption of water should determine water charges.

The provision by the national water utility of “...sufficient water to all citizens to cover...domestic and personal needs...” should adhere to the equitable treatment of occupants of apartments and “traditional” residential dwellings.

With regard to the proposal that “Excessive or wasteful use of water should be paid for directly by the user at tariffs determined by CER.” such “excessive use” tariffs should take account of accurate measures of water consumption levels in apartments, as explained later in this response. We suggest that the Committee consider international comparatives in this regard.

Are there other approaches which might ensure that consumption levels are within the norms of other water-conserving EU countries?

Network Response-

In principle, the Network considers that this is a matter for experts in the area of water consumption. With regard to apartment dwellings, any consumption data available at an EU level should be given due consideration.

2. Equity & Fairness

Q4. Overall approach of the Expert Commission

Can you elaborate on the Expert Commission's belief that its overall package of measures, when taken together, represents a fair and equitable approach to addressing the funding of domestic water services in Ireland? [question for the Expert Commission]

Do you agree or disagree with the view of the Expert Commission expressed in paragraph 5.8.1 (see opposite)? What do you base your assessment on?

Network Response-

The Network considers that this is a matter for experts in the area of water consumption.

Are there any ways in which the overall package of measures could be altered to bring about a fairer and more equitable approach to addressing the funding of domestic water services in Ireland than what is currently proposed?

Network Response-

As noted above, any tariff/charging regime above predetermined "standard" consumption allowances should not result in a level of water charges for an apartment owner that is higher than that charged to a different type of residential property, e.g. the "traditional" house, with the same level of water consumption. Consumption levels should determine water charges.

If yes, are there any obstacles to this? What costs might be involved?

Network Response-

The Network considers that this is a matter for experts in the area of water consumption.

How have other countries made funding of domestic water services fair and equitable? What has worked and what has not?

Network Response-

In principle, the Network considers that this is a matter for experts in the area of water consumption. With regard to apartment dwellings, any consumption data available and charging methods employed at an international level should be given due consideration.

Q5. Group Water Schemes and private wells

Network Response-

No basis.

Q6. Treatment of those who paid water bills and those who did not

Network Response-

A refundable credit, perhaps through the tax system or otherwise, based on evidence of payment may be the best approach to refunding those who have paid, however the fundamental point of equitable treatment should be adhered to.

3. Conservation Measures

Q.1 Promoting domestic water conservation

Network Response-

Alternative metering methods

The Network considers that this is a matter for experts in the area of water consumption.

Consult with Management Agents

The Network submits that in relation to the detail of the proposed metering of apartments and the on-going pilot metering project the Committee, Ervia and Irish Water should consult extensively with representatives of the property management agent sector. This will allow the Committee and the water authorities to obtain a complete understanding of the construction technical, management and legal complexities of the facilitation of apartment metering.

Matters such as tendering due diligence, contractor insurances and indemnities, on-going operation, equipment guarantees, etc. require further detailed exploration.

Q.2 Potential role of Irish Water

Network Response-

In principle the Network considers that these matters are for experts in the area of water consumption.

We note proposals in relation to domestic water conservation devices. We would note that apartment dwellings, not having individual private gardens or individual roofs, typically have no or only very limited access (e.g. balconies, albeit leases typically prevent structures on balconies) for the deployment of such devices.

Q.3 Consideration of potential further measures

Network Response-

In principle, the Network considers that these matters are for experts in the area of water consumption.

However, we would suggest that new build apartment development builds be fitted with water meters, in anticipation of completion of the metering programme. Many apartment blocks have water infrastructure configurations that make straightforward the isolation of supplies to, and therefore the metering of individual units.

With regard to apartment dwellings, conservation measures employed at an international level should be given due consideration.

3.0 Conclusion

While noting the limitations on our responses, the Network wishes to thank the Committee for the opportunity to engage on this matter. We trust that the views expressed will be given due consideration in the Committee's deliberations. We would be glad to engage further with the Committee to assist its work.