



EUROPEAN ASSOCIATION  
OF PUBLIC WATER OPERATORS

# APE report on affordability in Europe

Public operators' views and approaches on tackling  
water poverty

**Cédric Prevedello**  
Coordinator of APE Tariffs WG

Seminar « Water affordability in Europe – Challenges, approaches, solutions. »  
Brussels, 20th October 2016





EUROPEAN ASSOCIATION  
OF PUBLIC WATER OPERATORS

# Context: why affordability matters

- ❖ Access to water is a human right, of which affordability is an essential component.
- ❖ Water in Europe is affordable for the vast majority of the population. However, water poverty still exists, due to:
  - economic stagnation → increasing poverty
  - reduction in cross-subsidization
  - increasing investment needs
  - decreasing drinking water consumption
- ❖ From an **operator's perspective**, affordability:
  - can affect efficiency
  - must be considered when designing water policy.





EUROPEAN ASSOCIATION  
OF PUBLIC WATER OPERATORS

# Objectives and scope of the publication

Our publication contributes to the affordability debate by highlighting public operators' experiences. The report explores:

- the implementation of a variety of affordability measures
- the pros and cons of each approach
- the ongoing debates and experimental processes around the affordability issue

The report focuses on:

- certain European countries
- affordability for households
- the issue of (physical) accessibility is not addressed



# Methodology

This report is based on a questionnaire sent to members at the beginning of 2016 and direct interviews with operator directors.

The questionnaire and interviews aimed to assess:

- the structure of the waste/water industry
- cost recovery tariffing mechanisms
- affordability assessment methodologies(if any) and legal frameworks
- measures for improving affordability and monitoring the policies and results
- legal frameworks on water supply disconnections and on flow limiters





EUROPEAN ASSOCIATION  
OF PUBLIC WATER OPERATORS

# General considerations on affordability

Although water affordability is a problem for a very small part of the population, we still need measures to address the issue in a *systematic and effective* way (case-by-case responses are inefficient).

The following issues complicate the affordability issue:

- methodological and practical difficulties to define and measure affordability
- “tension” among different water policies objectives (cost-recovery, environmental sustainability, affordability)
- low-tariffs are not a solution but high tariffs may generate a pernicious circle
- trade-off between the ease of implementing (transaction costs) affordability measures and their effectiveness (capacity to address people really in need)



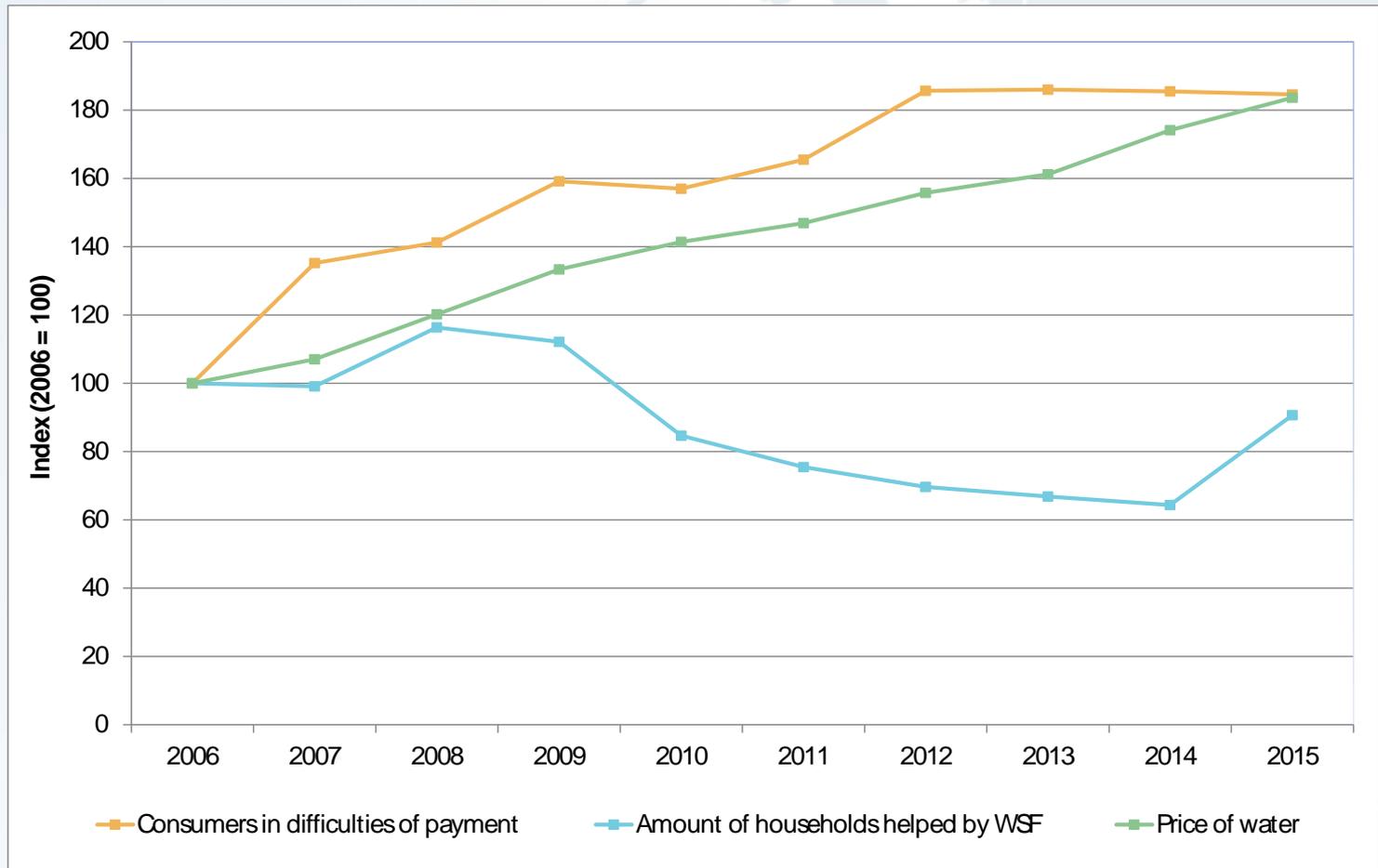
# Some examples based on our survey outcomes

- ❖ Two main methods are employed by APE members to measure affordability :
  - share of income devoted to pay the water bill;
  - payment difficulties (reminders, % of unpaid bills, ...);
- ❖ Calculating and assessing affordability can vary significantly:

Share of income devoted to the water bill	payment difficulties
<ul style="list-style-type: none"> <li>- can include/exclude sanitation</li> <li>- can be based on household income or household expenses</li> <li>- Income data can vary significantly between sources</li> <li>- can be calculated based on averages or per deciles;</li> <li>- with a threshold of generally 2% or 3%.</li> </ul>	<ul style="list-style-type: none"> <li>- % of unpaid bills, in amount of money or number of bills ?</li> <li>- after how much time is it considered unpaid ?</li> <li>- difficult to determine those who are genuinely in need</li> <li>- depends on accounting principles chosen</li> </ul>

# Some examples based on our survey outcomes

## ❖ Example (Wallonia – BE)



# Different ways of tackling affordability issues

## ❖ The main approaches are:

1. tariff-based
2. monetary
3. non-monetary

## ❖ Tariff-based approaches:

- increasing block-tariffs (IBTs are widely used).
- geographical subsidization (rural vs urban).
- based on the assumption that poorer households tend to consume less water and;
- the principle that water for essential needs must cost less than water for other needs.



# Different ways of tackling affordability issues

## ❖ Specific monetary approaches

- **Preventive** : automatic discount on the bill based on a pre-defined categorization of users that have a higher probability of payment difficulties. Ex : Scotland, Flanders, Spain, Paris, Turin, Puglia, ...
- **Remedial** : reduced water charge for the indebted HH. Ex : social fund in Wallonia and Brussels, housing solidarity fund in France, fund for unintentional arrears in Lodi Province, ...
- **Income support** : transfers from general budget to support those facing financial difficulties. Ex : Germany, Switzerland.



# Different ways of tackling affordability issues

## ❖ Non-monetary approaches

- affordability problems can be linked to overconsumption and this, in turn, to housing conditions and/or behavior.
- this overconsumption can be supported through support, awareness raising or indoor leakage reductions.
- awareness raising can also entail promoting tap water over bottled water.
- E.g. Lodi, Wallonia, Paris, Puglia, Besançon, ...



# Disconnections and flow limiters

- ❖ Normally a court decision is needed (in some countries forbidden, e.g. France)
- ❖ Operational (transactions) costs can be very
- ❖ The issue of affordability is not addressed.
- ❖ In some context it is possible to resort to flow limitation, to reduce the number of « bad payers ».



# Affordability approaches – Pros and Cons (from operators perspective)

	Efficacy	Ease of implementing	Incentivizing
Tariff-based approaches	- (depending on criteria...)	++	+
Income support	+	++	-
Solidarity Fund	++	-	(uncertain)
Preventive discount	+ (depending on criteria)	+	-
Non-monetary measures	++	-	++



# Some conclusions

- ❖ **Efficient** and **systematic** approaches to ensure the right to water for all are needed.
- ❖ Lack of standard affordability **measurement**
- ❖ as a consequence, no (or little) profiling exists, which may negatively affect the efficacy of affordability instruments.
- ❖ In almost all studied countries, affordability mechanisms have been put in place and political debate/experimental measures are ongoing.
- ❖ Stakeholder discussion comparing different approaches and experiences and assessing pros and cons, is key.
- ❖ We, as public operators, are committed to ensure affordability through the improvement of performance and the full reinvestment of revenues in the water cycle, but also by cooperating with other authorities to find effective instruments and viable solutions.

