



# Non-household Water Charges Consultation

## January 2007

### Introduction

The Federation of Small Businesses is Scotland's largest direct-member business organisation, representing over 18,000 members. The FSB campaigns for an economic and social environment which allows small businesses to prosper.

FSB Scotland has taken a close interest in non-domestic water charges and, following our contribution to the consultations in 2004, we welcomed many of the proposals outlined in the Ministerial statement of February 2005.

We were disappointed that businesses would have to wait another five years to see a fairer system of charges but we now look forward to discussing the detail of new charges with the Scottish Executive and Scottish Water<sup>1</sup>.

### Metering

FSB Scotland supports the move towards a metered water supply for all business premises as the only fair way to calculate bills. While we fully support the installation work currently being carried out by Scottish Water we are concerned that a significant number of businesses will be left without a meter. We are keen to ensure that businesses that have opted not to have a meter installed (for whatever reason) do not lose out in the longer term. In other words, businesses that subsequently change their mind, after installation in their area has been completed, should still have an opportunity to have a meter installed in the period up to 2010.

It is possible that this may have some impact on Scottish Water's meter installation project budget however we believe that in the longer term it is surely beneficial to have as many businesses as possible using this system of charges.

For those premises where it has not proved possible to install a meter, we are open to the proposal from the Scottish Executive i.e. to introduce a system of bandings.

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<sup>1</sup> While we note the introduction of retail competition to the non-domestic water market in 2008, in this response we refer simply to 'Scottish Water' rather than separate references to the wholesale or retail arm.

## Phased Introduction of Charges

We support the proposal to move towards a phased introduction of metered charges, recognising that although this may result in confusion and changes to water bills for business customers in coming years, it will allow a fairer balance between those who will see either benefits or increased costs. We would be interested to know how charges will be phased and how this will tie in with the Minister's statement on stable charges over the period.

## Surface Drainage

In our response to 'Paying for Water Services' we outlined our opposition to the use of rateable value in relation to water charges:

*"The Federation has long argued that basing charges on rateable value is inherently unfair and would not be in accordance with the principle of harmonisation – why should a business in the centre of a city pay more in their bill for drainage than a similarly-sized business in a small rural town? We therefore welcome a move towards a charge based on property size, which would more accurately reflect the surface area affected by surface water."*

This remains the position of FSB Scotland and we therefore welcome the proposal for a new system of surface water drainage charges from the Scottish Executive. Clearly this is a work-in-progress and we would welcome ongoing discussion with the Scottish Executive and Scottish Water about the banding system to be used, the definition of surface area, exemptions (for soak-aways etc) and communication with customers. We are particularly concerned about the possibility of continuing to use rateable value as the determining factor for deciding the share of surface area in shared premises e.g. office blocks. Lastly, we would welcome discussion about an appeals mechanism for businesses who wish to query their banding allocation.

## Roads/Highway Drainage

In line with our comments above, we see no place for the continued use of rateable value in determining water charges.

With rateable value no longer used to determine any other charges, it would not be unreasonable to suggest that updating (we are currently using RVs as at 2000) and maintaining information on rateable values would become a more expensive administrative task for Scottish Water – an extra cost that would be passed on to customers.

We recognise that this is a difficult issue and ultimately we believe that highway authorities should pay for water draining off their roads, just as businesses pay for water draining off their premises. Nonetheless, there is obviously no easy way to relate charges to the burden placed on infrastructure, therefore an alternative, workable system is required.

We understand that water companies in England use a variety of different methods for charging for roads drainage. This suggests that there are clearly alternatives to using rateable value. We would therefore encourage the Scottish Executive to examine these schemes in more detail and to consult further with the WIC and Ofwat, regarding best practice. On balance, we are

minded to suggest that this since this charge relates to general surface drainage, there is some merit in a charge tied to the proposed banding system for surface drainage, finally breaking the link with rateable value for non-domestic water charges.

FSB Scotland remains committed to the introduction of fairer water charges for all small businesses and we welcome this latest step towards an improved system of charges. We recognise, however, that there is still much work to be done and so we look forward to ongoing discussions with the Scottish Executive, the WIC and Scottish Water to ensure effective implementation of the Scottish Executive's proposals.

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