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BY EMAIL

Bob Irvine  
Climate Change and Water Industry Directorate  
Water Industry Division  
Victoria Quay  
Edinburgh  
EH6 6QQ

14<sup>th</sup> April 2009

Dear Mr Irvine

### **Surface Water Drainage Charging**

Thank you for your letter of 19<sup>th</sup> March regarding proposed changes to surface water drainage charges.

As you know, FSB Scotland has consistently campaigned for fairer water charges for small businesses in Scotland. Following the major consultations on principles of charging and paying for water services in 2004, we were delighted that the Scottish Executive announced a series of important changes to the charging regime. We particularly welcomed the ministerial statement of February 2005 outlining that surface water drainage and volumetric charges based on rateable value would be phased out, though we did outline our disappointment that businesses would have to wait another five years for a fairer system of charges.

In 2006, when responding to the next Scottish Executive consultation on non-domestic charging, we re-iterated our support for change:

*"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."*

At that time we also indicated our understanding that the transfer to a new system of charging was a work in progress and we looked forward to being involved in discussions about moving to a system of banding for surface water drainage charges.

Accordingly, I am sure you can understand our considerable disappointment that, some three years later, and four years since the original commitment by ministers, we still seem to be some way from the introduction of a fairer system of charging for surface water drainage.

It is understandable that the Scottish Government wants to consider whether the introduction of a new system would present additional costs for business and we have welcomed the open nature of discussions with the Scottish Government on this matter. Nonetheless, consideration of the issue would be more straightforward if we had an actual proposal for the new charging system and could assess the impact on winners and losers.

As it is, there appear to be no statistics or evidence with which to work and so we can only speculate on the outcome of such a change to the current system. In discussing the matter, FSB Scotland has considered the potential impact of increasing charges for some businesses, albeit increases which would be phased in. We also note the number of changes which have taken place for non-domestic customers e.g. metering and competition. It is our understanding that the purpose of these changes was to bring about an overall package of measures that would result in a fairer system of charges for all businesses. It was always clear that some businesses would pay more (and some would pay less) under a new system, but overall the charging regime would be fairer.

We have given careful consideration to the argument that stability is important for businesses and we accept there is some merit in this argument. On the other hand, the current economic climate means that many small businesses would welcome a reduction in water bills now.

FSB Scotland maintains its support for an end to the use of rateable value in small business water charges at the earliest opportunity. At the very least, it is completely unacceptable to expect that the new system of charging be deferred until 2014 – having accepted that the current system was unfair in early 2005, ten years would be far too long for Scottish businesses to wait for a fair system.

We hope the Scottish Government maintains its commitment to introducing a better system of non-domestic water charges and look forward to playing our part in that process.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Andy Willox', written over the typed name and title.

Andy Willox OBE  
Scottish Policy Convener  
FSB