

4.1. Sewerage (Amendment) Bill 2014 – Third Reading approved

Mr Cannan to move:

That the Sewerage (Amendment) Bill 2014 be read a third time.

The Speaker: Bill for Third Reading, the Sewerage (Amendment) Bill.
I call on the mover, Mr Cannan.

Mr Cannan: Mr Speaker, this Bill is necessary to ensure that the Authority's essential sewerage services can be adequately funded in a more equitable manner than which is currently in place. In that respect, Hon. Members, it is important that we seek to continually improve with both the fairness and the transparency of charging regimes, and as I previously indicated, the Board is committed to a full and comprehensive review of both water and sewerage charging regimes in the very near future.

Mr Speaker, can I thank the Hon. Member for East Douglas, Mrs Cannell, for her support in seconding the Bill and can I also thank the officers of the Manx Utilities Authority, particularly Neil Caine, for their commitment to a successful outcome.

Mr Speaker, I beg to move that the Sewerage (Amendment) Bill be read for a third time.

The Speaker: Mrs Cannell.

Mrs Cannell: Thank you, Mr Speaker.
I beg to second and reserve my remarks.

Mr Watterson: Agreed.

The Speaker: Hon. Member for Onchan, Mr Quirk.

Mr Quirk: Thank you, Mr Speaker.

I still have concerns, which I will express to the Chairman of the Water and Sewerage Authority, and since receiving some information from the Authority my concerns are even more.

But I still wish to ask the Chairman of the Authority if he would consider too that there are no means or mechanism for... or there *is* a means or mechanism for putting water meters in, because in the Bill there was an alternative way of charging, and this could be, as used in other models in the UK, metering.

From the information I have gleaned from the Department, we have installed about 6,500, what we call feral boxes, Talbot boundary boxes over the last 12 years and those could have meters installed there and I would still like the Chairman and his board to consider that, because if we are to have people who are living in on their own who do not consume water and indirectly then if the sewage charge comes on, which is the same mechanism, how can they save or prove that the bill they are getting charged could have been less if they are not given an opportunity to install a water meter?

Only this weekend, I went to a local plumber's merchant in Snugborough, Cu-Plas Callow – I might as well mention them – £40 it cost me. I will be installing a water meter in my house this weekend and if anybody asks if I am not authorised to do it, I am still an authorised plumbing and heating engineer, (*Laughter*) so I am covered.

Mr Cretney: You keep your hand in, son. (*Laughter and interjections*)

Mr Watterson: You never know when you will need it!

Mr Quirk: And I will certainly be open to any other Member to purchase one on their behalf and install it as a test for the future at reasonable rates, I probably would say.

Mr Anderson: Mates' rates.

Mr Watterson: This is all about reasonable rates.

Mr Quirk: Well, that is what I think.

And I do hope and must put on record too that I am concerned that one Government Department is purchasing the Water Board offices down at Tromode and is using that for its deductions on the industrial side, and that may be something for the Public Accounts Committee in the future. I hope Mrs Cannell will be definitely looking at it.

Mrs Cannell: I am not the Chairman.

Mr Watterson: The Chairman cannot look at it.

Mr Quirk: I ask the Treasury Minister as well that we need to move on this issue to make it fair across the Island. It is not fair across this Island. It is not fair for this nation. Mr Cregeen is quite right with his amendment and we should all have voted for it. There is still time to vote against it.

Mr Watterson: We did!

A Member: We did.

Mr Watterson: We did vote for Graham's amendment.

The Speaker: Hon. Member for Douglas West, Mr Thomas.

Mr Thomas: Thank you, Mr Speaker.

I did not speak at the clauses stage and only very briefly at the Second Reading when I voted against the Second Reading, and unfortunately I will have to vote against the Third Reading. (**A Member:** Hear, hear.)

I hope very much that the Hon. Members in another place can take into account some of the points that I am going to raise now (**A Member:** Hear, hear.) because I think they are going to need careful deliberation so we do not end up with another accident, as although intended well, we might end up with a situation that we have to undo again next year.

The first point is that I think we have now got three reviews going on. It is quite clear that the Chair of the Manx Utilities Authority has announced a review of water and sewerage charging and that is a really good thing, but that is different from the Treasury Minister's announced review of domestic rates revaluation.

If we go back to what the Chief Minister actually said in February 2014, when he was persuading us to vote for the sewerage charge, he actually said:

'The best I can say to you, Hon. Members, is please believe me when I say I am absolutely committed to getting some form of mitigation in before we develop the next increase.'

(**Mr Quirk:** Hear, hear.) So mitigation to me sounds like we are talking about rebate scheme and single occupancy discounts, which I do not think is covered in the legislation or in the scope of either of the reviews, unless the Chair can actually advise me otherwise.

Very specifically, schedule 1A, section 2 of the new Bill as it goes to the other place, says:

‘The Sewerage Authority may allow discounts or rebates in consideration [2] of prompt payment ...’

There is not a mention of single occupancy. There is not a mention of means testing and so therefore although there is in the Rates Act, this is now separated from the Rates Act. So I think we need to have the other place investigate to see whether we could actually have the mitigation that the Chief Minister announced we were going to have back in February 2014.

Mr Watterson with his usual wonderful achievements in such a short time put together a charging basis for the water and sewerage rates, but he did that in the clauses stage without public consultation and without the chance to think about it for more than a few days, and we need a profoundly more in-depth detailed inclusive look at that sort of thing.

There are other issues that the other place needs to consider. Under the rates system you actually have a tribunal under section 24 of the Rating and Valuation Act, which people might think that they have got under this system, but as far as I can tell we do not have that. We merely have an appeal to the High Court. So whereas I do not believe the Rent and Rating Appeals Act 1986 will apply and so if people think that the various charges that are introduced are unfair, they cannot do a lot about them other than go to the High Court, which is not a great offer to people.

Moreover, the only thing that you could appeal is actually the decision to exempt for a year because of the absence of a direct or indirect connection to the sewer and that is not the sort of thing you are going to need to appeal – you either have a connection to the sewer or you do not. You cannot appeal the decision not to charge on an alternative basis, clause 10(d) in the proposed Bill, and that might be quite a big thing, because you are either a business or you are not a business. If you are a business you get a 50% discount and if you are not a business you do not, and that is the sort of thing that people will want to appeal, but that is not covered in this legislation, I do not believe, as it leaves this place.

Moreover, as I have said, there is no chance to go and appeal the rateable value, but it is not even really a rateable value, it is now a water and sewerage value. It is separated from the rates system. Moreover, you have the right to know what your neighbours and what other people have as their rateable value under the Rates Act, but you do not have it, as far as I can see, under the new sewerage and water charging system.

Moreover, another point is that we had a couple of legal issues in the Work Permit area, which had to be settled by *Department of Education v. Hedges 2007*, and *Department of Economic Development v. Simmonds 2011*, which basically said that the Work Permit Appeal Tribunal could not lawfully make the decision for another body, and I am worried that the 10B(2) as currently constituted actually constitutes a request to do exactly that. I am not sure that the High Court can actually make the decision as it seems to read me. I think all they can do is refer it back to the original deciding body.

So to me it would be much better back in February 2014 to set-up to task the Economic Review Committee to consider this properly. February 2016 is a perfectly realistic target to have a fair charging system, a fair rating system and a fair taxation system and unfortunately I think this might still fall down because there are still some important issues that the other place has to look at.

Unfortunately I will not be able to support the Third Reading.

The Speaker: Mr Cregeen.

Mr Cregeen: Thank you, Mr Speaker.

I still do have concerns regarding this Bill. I know the Chairman has said that his board is committed to doing this review. I would like a date for this commitment to commence and when they are hoping to complete it, because it is nice for him to think that he is going to be committed to get on with something. **(A Member:** Yes.)

My other concern – no doubt I will be accused of a cheap shot here – is it is amazing how the two Members moving this, without consultation, which will affect every member of the Isle of Man, have criticised the Post Office today on the Post Office not consulting for a smaller amount of money. Hypocrisy or what?

The Speaker: Mr Karran.

Mr Karran: Vainstyr Loayreyder, I would just like to put some points.

When the issue of the 6,300 communication thing was put into the water infrastructure many years ago, I would like the Chairman and the mover of this Bill just to clarify that the situation is that I do not believe that it is a £60 meter. We were led to believe and told, when we were talking about water meters, that it would be something in the region of £400 –

A Member: It certainly was not £60.

Mr Karran: – a unit as far as that is concerned, and I think that was after they had the opportunity of actually having one of these water meter boxes put in, because that was a decision we made on the Water Authority, even though I am fundamentally against metering. I think it is part of our social responsibility as far as children are concerned.

So I think it is important, because we looked at this issue and we just regarded it as uneconomic because it was going to take something like three years' worth of rates just to actually pay for putting people on water meters at the time, and I would be interested to know if the input from our good friend, my colleague from Onchan, is correct as far as that is concerned.

I have to say that I am increasingly worried after listening to the Hon. Member for West Douglas. Whilst other Members might make light that they cannot understand what he says because he is too brainy for them, the situation is he does bring up some really valid points. I am worried because the fact is he is right. Some of us for 10 or 15 years have been expressing concerns that we are going to end up paying more in rates, the average working man, than he is going to be paying in taxes and this looks like it has come to pass. So he is right that unfortunately the situation has been that they have managed to stop that debate that should have happened a lot earlier, because of course it is not just the issues, Vainstyr Loayreyder, as far as the sewerage rate is concerned, there are the issues of what the Minister of Infrastructure is bringing about as far as local government reform is concerned. So I am concerned.

I think in my constituency... whilst I could not afford the premises, I think of one of my constituents who has raised the issue up in Banks Howe... not in Banks Howe, but Manor Park. She is on a fixed income. Admittedly she is in a house that is worth more than £1.5 million, but the situation is that there does need to be some input as far as a deficit as far as a rebate scheme is concerned, because not everybody who lives in a big house, Vainstyr Loayreyder, actually is rich. They might be asset rich, but they are not cash rich.

I think the situation is the Member for West Douglas's points really do need clarity and just because he is not part of the usual way of things just being nodded through, I think he deserves a detailed response by the Chairman as far as his concerns are concerned. I know myself, having suffered it for decades in this House, as far as bringing the pertinent points together.

So I am almost questioning whether we should be supporting the Third Reading of this Bill, allowing for the input from the Member for West Douglas. I think it is very sad, Vainstyr Loayreyder, when we instigated the water renewal. We actually wanted to take the sewerage off the DHPP, or the DHPP at the time, and unfortunately we were not allowed to do that. I feel today that we are between a rock and hard place as an assembly here, with executive Government's problems as far as finance is concerned.

But I am concerned at what the Member for West Douglas has said about the implications, and the fact of the matter is we need to realise that between this Bill and the requirements of the

Department of Infrastructure, the Minister, who actually I agree with, that things should be brought back to the local authorities, which should have done another 10 or 15 years ago when people were just being ridiculed, is going to bring back unfortunately the reality that if we are not careful we are going to end up with a lot of people who are going to have to downsize their property. I do think the issue of a rate rebate scheme really does need to be given extra priority.

Vainstyr Loayreyder, I am also concerned that I do not believe that that review will take place as far as the discounts, which maybe the mover of the Bill does not believe exists, but I can tell him that they do exist. I was there talking to the people who actually did the rate revaluation in 1971 and I did talk to one of the previous Government Valuers who actually did it and he confirmed that that process was going on 15 years ago, but still I cannot talk about today.

So, Hon. Members, please be concerned about what the Hon. Member for West Douglas is saying. You might end up with this implication of ending up with a lot of pensioners... and alright, there are a lot of wealthy pensioners, but there are a lot of not wealthy pensioners. A lot of people ending up paying five times what they are paying in rates than they are paying in taxes and I think you need to realise before voting today.

The Speaker: Hon. Member, Mrs Cannell.

Mrs Cannell: Thank you, Mr Speaker.

I think first of all dealing with this idea of metering, the Bill provides on page 10 at 10D an alternative basis of charging and that is a first for just looking at the Isle of Man Water Authority side of things, because when I was Chairman of the Water Authority we did a fresh study of whether or not a fairer mechanism for charging would be the introduction of meters and we ruled it out. The previous Chairman, Mr Karran, also spoke of it. It was the cost of introducing it, but moreover it was the hygiene implications, because as the Water Authority in the United Kingdom became privatised, and hence meters came in, it led to all sorts of hygiene and disease problems within the United Kingdom, especially for the elderly and people with large households, because they had to pay for the amount of water they used. So it was based on consumption, whereas at the moment ours is not based on consumption, it is free at the point of access, irrespective of how much we use, and I think that is the important principle that Mr Karran is trying to protect and I would agree with him there.

And of course the elderly, rather than flush the loo or have a bath or have a wash, would leave it and as a consequence there were all sorts of old-fashioned diseases that became prevalent in different parts of the United Kingdom. There is quite a lot of research into this and so I would urge caution to Hon. Members about going down that route in the mistaken belief that you are going to be helping the elderly and those with a limited means and also to tackle the single-occupancy problem; it needs a great more deal of thought and perhaps some further research, but nevertheless the Bill provides for it. So the only question I have got for the Chair when he responds to his Bill is 10D, under (2), whether or not Mr Quirk's self-plumbed meter will comply with the standards of the Authority, in terms of whether or not that would be acceptable.

But moving on, it was at the time when I was Chair of Water that was the Petition for Redress that I picked up in another place and it is called the Helen Hyde Petition for Redress, and there we had an elderly lady who had become a widow and was living on her own in a nice house, but you got to the problem of single occupancy. She worked part time, had limited financial means and of course I made the case in Tynwald Court and we struck up a Select Committee to evaluate it. Of course the first thing that happened was they elected me as the Chair and I was then in direct conflict with the Water Authority because I chaired that also. So I was asked to step aside and it was Mr Downie, Member of the Legislative Council, who assumed the Chair. Unfortunately they did not put an awful lot of work into it, other than to make the suggestion that in terms of single occupancy, if an individual is in a property that they cannot afford to run then they should downsize. Well, that is all well and good if the property market is buoyant and you can afford it, but it really did not address the issue.

So I have some sympathy with the Hon. Member for West Douglas when he talks about this does not acknowledge single occupancy, it does not do anything about the rate rebate scheme, which is already Tynwald policy, and there is no form of means testing, but I would suggest to him that it really is not down to this piece of legislation to acknowledge and regulate all of that. What it is down to is that the Council of Ministers moved swiftly in the revaluation of rating with the process of a rate rebate scheme being built into it, which is what should happen. The rate rebate scheme should be aligned to the Rating and Valuation Act, whatever that is likely to be going forward. That is where it should come in.

The Rent and Rating Appeal Tribunal that we currently have is not very good really and I would not want that going forward with a new future for the Isle of Man in terms of this. I would want something more robust. The Rent and Rating Appeal system is only ever sympathetic if, for example, you have a business or you have property and the Department of Infrastructure have had the road up or contractors have had the road up for an inordinate length of time and as a consequence you have suffered or your business has suffered. They might agree to a percentage rate reduction. It might be 5% or might be as much as 10%, but it is meaningless in monetary terms (*Interjection*) in terms of what you have actually lost by that activity going on for an awful length of time. So it is not really appropriate going forward.

I am more or less going to wind-up now, but I would actually say that Members ought to support this. Do not forget it has to go to another place for another reading and I feel sure that the current Chair and the Board, if changes are needed in order to adapt this to the new system that the Treasury Minister is hopefully going to bring in before this House goes into recess finally at the end of its term, this could be amended or it will be aligned to accommodate this as well.

So I would ask Hon. Members to approve it. Clearly there are those who have voted against it from day one and I would expect them to change their vote, but I would ask them to see that it is fit and sent to another place today.

Thank you.

The Speaker: I call on the mover to reply, Mr Cannan.

Mr Cannan: Thank you, Mr Speaker, and clearly a few points there that need to be addressed.

Mr Quirk talked about meters obviously, and the fact he has found a £40 meter and he is going to install it at his property. It sounds like an episode of 'Cowboy Builders' to me. (*Laughter and interjections*) Whether he is entitled to or not, I do not know, but clearly he has gone off to check and good luck to him.

A Member: Is it a pipe dream?

Mr Cannan: But he does talk about metering, as do other people. One of the things... and we have committed to this review and somebody I think has asked when this is going to start. As soon as we can get it underway, we will have it underway. We are drawing up a complete full terms of reference and I can assure Members that the report will be a public document and we expect to have that on Members' desks by June 2016... by 2015 (*Laughter*) at the very latest and that document I hope will be used as a form of consultation to establish a clear way forward.

My good friend, Mr Thomas, who I have a lot of time for, was speaking there about some confusion as to the rates review he saw being undertaken and the review being undertaken by the Water and Sewerage Authority. I do not see any confusion. To me they are two very clear separate reviews. One review is looking at rateable values and the other review is looking at the charging mechanisms for water and sewerage, comparators of how that is being done in neighbouring jurisdictions and from that drawing, I hope, recommendations and conclusions as to how that should best be applied on the Isle of Man, and within that whether any discounts are being applied, depending on occupancy. I think that in a perfect scenario, where he talks about going back and we

should have started this process two years ago and moved forward and ended up with a perfect picture, unfortunately life is not like that. He has to, I am sure, appreciate that things have moved on over the last two or three years and this is a move towards a resolution of getting clear and transparent charging in place.

My fear, if we follow his route, is that we will get bogged down in so much bureaucracy all the time that we will actually never achieve anything, and also if it was all perfect I do not think he would have a job. (**A Member:** Hear, hear.) But we are working toward achieving it. I think we recognise that this is still far from perfect, but we are working towards getting the solution that is right for the people of the Isle of Man, getting it transparent and getting it fair and we will do that and a report will help us achieve that.

Mr Cregeen basically uses the opportunity to accuse me of hypocrisy. Well, this has been an open and transparent process. He has had six weeks to discuss this. (*Interjections*) The public have had six weeks to discuss this and so it has been an open and transparent debate as far as I am concerned.

Again, Mr Karran obviously shares a lot of the concerns that my good friend, Mr Thomas, has alluded to. Whilst clearly every single point I cannot possibly address this afternoon, I hope that we have given him some comfort that we are on track to recognise some of these points and that we are going to do our best to make sure that these issues are addressed – although I do not think that we are going to get to the absolutely perfect solution first time and there will be some debate required to come up with the right solution for the Isle of Man, whether that is metering or whether that is fixed charging or a combination of rateable values and fixed charging, however that comes about, but we will have the facts before Hon. Members in the next few months.

And, again Mrs Cannell makes a number of good points about rate rebates etc, and I think that many of those points have already been incorporated in to a degree in previous discussions. But, again I thank her for her support and the way she has helped me manage this process through this Hon. House.

So with that, Mr Speaker, I beg to move.

The Speaker: Hon. Members, I put the motion that the Sewerage (Amendment) Bill be read for a third time. Those in favour, please say aye; against, no. The ayes have it.

A division was called for and electronic voting resulted as follows:

FOR

Mr Anderson
Mrs Beecroft
Mr Bell
Mr Cannan
Mrs Cannell
Mr Cregeen
Mr Crookall
Mr Gawne
Mr Houghton
Mr Quayle
Mr Robertshaw
Mr Ronan
Mr Skelly
Mr Teare
The Speaker
Mr Watterson

AGAINST

Mr Cretney
Mr Hall
Mr Henderson
Mr Karran
Mr Quirk
Mr Shimmin
Mr Singer
Mr Thomas

The Speaker: With 16 votes for, 8 votes against, the motion therefore carries.