Australian Government
Australian Research Council

EI 2018 ENGAGEMENT AND IMPACT

Engagement and Impact 2018

University of Technology Sydney

UTS16 (SS) - Impact

Overview

Title

(Title of the impact study)

Using social research to improve government policy and regulatory decision-making

Unit of Assessment

16 - Studies In Human Society

Additional FoR codes

(Identify up to two additional two-digit FoRs that relate to the overall content of the impact study.)

Socio-Economic Objective (SEO) Codes

(Choose from the list of two-digit SEO codes that are relevant to the impact study.)

94 - Law, Politics and Community Services

Australian and New Zealand Standard Industrial Classification (ANZSIC) Codes

(Choose from the list of two-digit ANZSIC codes that are relevant to the impact study.)

28 - Water Supply, Sewerage and Drainage Services

Keywords

(List up to 10 keywords related to the impact described in Part A.)

Policy studies

Sydney Water

Utilities

Social research

Public Policy and Governance

Government services

NSW Independent Pricing and Regulatory Tribunal

Sensitivities

Commercially sensitive

No

Culturally sensitive

No

Sensitivities description

(Please describe any sensitivities in relation to the impact study that need to be considered, including any particular instructions for ARC staff or assessors, or for the impact study to be made publicly available after EI 2018.)

Aboriginal and Torres Strait Islander research flag

(Is this impact study associated with Aboriginal and Torres Strait Islander content?
NOTE - institutions may identify impact studies where the impact, associated research and/or approach to impact relates to Aboriginal and Torres Strait Islander peoples, nations, communities, language, place, culture and knowledges and/or is undertaken with Aboriginal and Torres Strait Islander peoples, nations, and/or communities.)

No

Science and Research Priorities

(Does this impact study fall within one or more of the Science and Research Priorities?)

No

Impact

Summary of the impact

(Briefly describe the specific impact in simple, clear English. This will enable the general community to understand the impact of the research.)

The UTS Institute for Public Policy & Governance conducted research to assist Sydney Water in addressing the policy problem of determining the price consumers should pay for water. The institute's social research expertise enabled consumer views to be brought into the decision-making process for the first time. The research findings contributed to Sydney Water's decision to recommend a reduction in the price of water– a first for a NSW utility company. The NSW Independent Pricing & Regulatory Tribunal accepted the recommendation, delivering savings of $720M over 4 years to 1.8M households and businesses across Sydney and the Illawarra. The research also enabled government agencies dominated by economics and engineering to develop new capabilities for engaging with the citizens they serve.

Beneficiaries

(List up to 10 beneficiaries related to the impact study)

1.Sydney Water (NSW Government-owned corporation)

2.NSW Independent Pricing and Regulatory Tribunal (IPART)

3.Residents in approximately 1.8 million households in the Sydney and Illawarra regions

4.Non-residential water-consumers (e.g. industry, hospitals) in the Sydney and Illawarra regions

Countries in which the impact occurred

(Search the list of countries and add as many as relate to the location of the impact)

Australia

Details of the impact

(Provide a narrative that clearly outlines the research impact. The narrative should explain the relationship between the associated research and the impact. It should also identify the contribution the research has made beyond academia, including:
- who or what has benefitted from the results of the research (this should identify relevant research end-users, or beneficiaries from industry, the community, government, wider public etc.)
- the nature or type of impact and how the research made a social, economic, cultural, and/or environmental impact
- the extent of the impact (with specific references to appropriate evidence, such as cost-benefit-analysis, quantity of those affected, reported benefits etc.)
- the dates and time period in which the impact occurred.

NOTE - the narrative must describe only impact that has occurred within the reference period, and must not make aspirational claims.)

The provision of water is one of the most essential government services, but also one of the most expensive. Setting the price of water is therefore a key policy and regulatory issue for governments everywhere. In 2014, the UTS Institute for Public Policy & Governance (UTS IPPG, under its earlier name of the Centre for Local

Government) conducted research in partnership with Sydney Water to identify the optimal retail price for water, in preparation for Sydney Water's new pricing submission to the NSW Independent Pricing & Regulatory Tribunal (IPART).

Responsible for servicing 1.8 million households plus non-residential consumers in the Sydney and Illawarra regions, Sydney Water was faced with significantly increasing long-run marginal costs for water supply. As a state-owned corporation, it was expected to contribute to NSW Government objectives to reduce costs of living. Sydney Water had also found substantial organisational savings as part of an efficiency drive over the previous few years. At the same time, Sydney Water was implementing a new strategy to give consumers' stronger voice and influence in the organisation's decision-making. The use of social research was recognised as critical to achieving these objectives.

In these circumstances the economic models typically employed in pricing deliberations, which use nominal values for consumers' willingness to pay for water, were inadequate. Sydney Water needed, for the first time, to find out from consumers themselves what they were willing to pay for water. It also wanted to determine consumers' preferences in regard to pricing structures; this would inform the pricing submission to IPART as well as Sydney Water's long-term network and business planning. UTS IPPG's reputation for rigorous, high quality social research, as well as its extensive prior work with Sydney Water, made it the ideal partner to deliver the robust data necessary to meet IPART's requirements.

The research established consumer preferences for the retail water price that Sydney Water then recommended in its submission to IPART in June 2015 (Our plan for the future: Sydney Water's prices for 2016-20). The recommendation was to lower the price of water by 13.5% for residential consumers and by 10-39% (depending on scale of water-usage) for non-residential consumers. This amounted to total cost-savings to consumers of $720m over the four-year period 2016-20, meaning that 1.8 million households would each save an average of $105 per year (savings were enabled by 'significant efficiency gains forecast over 2012-16, and a combination of external factors' of which 'the current reduction in interest rates is the single most important factor', submission, p iii). This was the first time a utility company in NSW had recommended a pricing decrease to the regulator.

IPART accepted the recommendation in June 2016, citing the findings of the UTS IPPG research in its final determination (Review of prices for Sydney Water Corporation, from 01/07/16 to 30/06/20: Water – Final Report, June 2016). The price reduction took effect on 1 July 2016. IPART also accepted a recommendation to change some of the terminology on consumers' water bills (pp 220-21), based on the UTS IPPG research that revealed consumers found existing terminology confusing.

Both Sydney Water's recommendation in June 2015 and IPART's final determination a year later made headlines, emphasising the public significance of this issue. The extensive media coverage included Network Ten's national evening news, The Sydney Morning Herald, and News Limited's news.com.au. The Australian Water Association announced 'NSW water prices now cheapest in Australia' (AWA website, 20/06/16).

The success of social research methods deployed in the project contributed to Sydney Water's strategy to reposition itself as a public service provider that is interested in and values the views of consumers.

More profoundly, it helped transform the modus operandi of a policy and regulatory environment dominated by engineering and economics. Indeed, Sydney Water's submission to IPART noted: 'By understanding our customers' preferred pricing structures, we believe we can avoid any large changes to the tariff structure from simply following economic theory that is unsupported by customers' (p xxii). By showing these organisations how social research methods can elicit robust demand-side insights as evidence to inform important decisions, the project earned social research newfound credibility in this environment. Sydney Water consequently adopted social research, with UTS IPPG's support. For instance, UTS IPPG was invited to develop a 4-year customer research strategy to expand the use and value of social research across Sydney Water. By the end of 2016, Sydney Water had integrated social research into projects on stormwater pricing, biosolids reuse, and the impact of local government and planning system reform. Further, IPART incorporated social research findings into its determinations about local council rates.

In its submission to IPART, Sydney Water said 'our approach to setting the proposed tariffs, which has used substantial customer engagement, is a major innovation in the way usage prices and service charges are set by water utilities' (p52). This was echoed by IPART itself. At a dedicated briefing with IPART following the water-pricing project, IPART praised the research as leading practice for a NSW utility provider, and stated that it would urge other utilities such as gas and electricity to adopt social research approaches.

In conclusion, UTS IPPG's application of social research to address a significant policy problem led to economic benefits for around 2 million residential and non-residential consumers. It also helped government agencies

develop new capabilities to become more engaged with and responsive to the citizens they serve, by making consumer preferences evident using social research in their policy processes.

Associated research

(Briefly describe the research that led to the impact presented for the UoA. The research must meet the definition of research in Section 1.9 of the EI 2018 Submission Guidelines. The description should include details of:
- what was researched
- when the research occurred
- who conducted the research and what is the association with the institution)

Conventional modelling of consumer 'willingness-to-pay' uses nominal values that do not take into account the values and preferences of consumers themselves. To address this, UTS IPPG conducted focus groups of consumers across metropolitan Sydney to identify their appetite for risk (e.g. 'bill shock') and their views and preferences regarding tariff structures and the use of pricing mechanisms to incentivise water saving.

The focus groups also revealed consumers did not fully understand how tariff structure, water usage and water price interacted. To help them, IPPG developed an interactive tool, embedded in an online survey, that let participants model the impact of water usage and tariff structure choices (higher price per litre + lower annual service charge, and vice versa) on their own water bill. By moving a 'slider', respondents could see their water bill being re-calculated in response to their preferences, and could then decide on an optimal position. Of the 1,750 respondents, one third changed their tariff structure preference once shown the financial impact of their choice.

With these methods, the researchers established: the optimal real dollar (as opposed to nominal) value consumers were willing to pay for water; the tariff structure consumers preferred; and the variables influencing these willingness-to-pay and tariff structure preferences.

This research was conducted in 2014-15 by academics at IPPG under its earlier name of the Centre for Local Government

FoR of associated research

(Up to three two-digit FoRs that best describe the associated research)

16 - Studies in Human Society

References (up to 10 references, 350 characters per reference)

(This section should include a list of up to 10 of the most relevant research outputs associated with the impact)

1.Lawrie, A., Ryan, R., Storey, M. (2016). Beyond Economics: Social Research in Water Pricing. Paper for the 56th Annual Australian Water Association Conference, Melbourne 6th October

2.Ryan, R.(2014), 'Innovative Citizen Involvement for Creating Public Value in Local Government', Journal of African & Asian Local Government Studies, vol. 3, no. 1, pp. 35-51.

3.Ryan, R and.Hastings, C.(2015), 'Missed opportunities for democratic engagement: the adoption of community indicators in local government', The Asia Pacific Journal of Public Administration, vol. 37, no. 1, pp. 33-43 DOI: 10.1080/23276665.2015.1018376

4.Ryan, R., Hastings, C., Grant, B., Lawrie, A., Ní Shé, É. & Wortley, L. 2016, 'The Australian Experience of Municipal Amalgamation: Asking the Citizenry and Exploring the Implications', Australian Journal of Public Administration, vol. 75, no. 3, pp. 373-390. DOI: 10.1111/1467-8500.12182

5.Ryan, R., Wortley, L. and Lawrie, A. (2016). Sentiment towards biosolids reuse: Survey instrument and baseline data. Sydney Water, Institute for Public Policy and Governance, University of Technology Sydney, Sydney.

6.Ryan, R., and Lawrie, A. (2016). Sydney Water Corporation Customer Social Research Strategy, Institute for Public Policy and Governance, University of Technology Sydney, Sydney

7.Ryan, R., Molloy, L. and Lawrie, A. (2015). Community Engagement and Local Government Services, Gwydir Shire Council, Institute for Public Policy and Governance, University of Technology Sydney, Sydney.

8.Grant, B.J., Tan, S.-.F., Ryan, R. & Nesbitt, R. Australian Centre of Excellence for Local Government 2014, Public Value Background Summary Paper, pp. i-24

9.Dollery, B., Kortt, M. & Grant, B.J. 2014, 'Fools rush in: The case against radical water and wastewater restructuring in regional New South Wales', International Journal of Public Administration, vol. 37, no. 1, pp. 1-9.DOI: 10.1080/01900692.2013.809587

10.Grant, B.J., Dollery, B. & Blackwell, B. 2012, 'A survey of community engagement in Australian local government', Journal of African and Asian Local Government Studies, vol. 1, no. 4, pp. 1-29. DOI: 10.1016/j.jenvman.2012.07.012

Additional impact indicator information

Additional impact indicator information

(Provide information about any indicators not captured above that are relevant to the impact study, for example return on investment, jobs created, improvements in quality of life years (QALYs). Additional indicators should be quantitative in nature and include:
- name of indicator (100 characters)
- data for indicator (200 characters)
- brief description of indicator and how it is calculated (300 characters).)