

Summary of Public Hearings Inquiry into LPG Affordability for Households in Western Australia

Background

During December 2006, public hearings for the LPG Affordability Inquiry were held across the greater South West region of Western Australia in Merredin, Northam (4 December), Mundaring, Mandurah (5 December), Albany, Katanning (7 December), Collie, Busselton, Margaret River (8 December), Geraldton (12 December), Kalgoorlie and Esperance (13 December).

In April 2007, a series of public hearings was held in the North West in Kununurra (2 April), Broome (3 April), Fitzroy Crossing, Bidyadanga (4 April), and One Arm Point (5 April). Public hearings planned for Port Hedland and Karratha were cancelled due to cyclonic weather conditions and for Derby due to a timing miscalculation resulting from the end of the daylight saving period.

Introduction

At each public hearing the Inquiry members provided members of the public with the background of the Inquiry and key issues under investigation. The members' presentation included the following information:

- The LPG Affordability Inquiry was a result of Max Trenorden MLA and Mick Murray MLA approaching the Minister for Energy Francis Logan MLA to jointly investigate and write a report to the Minister to help determine the extent that LPG price increases are impacting on household budgets and potential options to address this.
- LPG is a preferred energy source for many people, especially for cooking, and in many regional areas gas is viewed as an essential service. Power reliability is a significant issue for many people in regional areas making gas an important source of energy when power is unavailable.
- The price of wood per tonne for room heating has also increased significantly and become a much more scarce resource to collect privately. Wood also presents problems for older people who can find it difficult to cart and chop for firewood. These issues create a reliance on gas for cooking and space and water heating.
- Prices of bottled LPG vary around the State from \$75 in the Hills region of Perth to as high as \$200 in the Pilbara region, coincidentally where the majority of the State's LPG originates from.
- Historically, LPG was much more affordable and on an energy equivalent basis was cheaper than electricity as an energy source. However, in the past three years (2004-2006) the retail price of bottled LPG increased significantly to the point where the price of a 45kg bottle (including rental and delivery) averages above \$100 and has lost its cost competitiveness with electricity.

- As LPG has increased in cost, people have turned to other sources of energy to heat their homes, particularly reverse cycle air conditioning. This has implications for the capacity of the network at times of peak electricity demand in rural areas and for the system as a whole.
- The cost to the State of providing generation and network capacity to meet peak demands is very expensive. There are potential savings to be made by Western Power and the State if use of gas is encouraged.
- Some lower income families are unable to convert to a different energy source due to the costs involved in buying a new appliance. In colder regions like Collie and Northam, pensioners that are unable to afford LPG for heating are going to bed earlier and using extra blankets to keep warm.
- People would prefer connection to the reticulated natural gas system if it was available as the cost of gas is lower and it is much more convenient. However, there are upfront costs of connection presenting affordability issues.
- The natural gas reticulation network has not been extended in some areas close to the pipeline due to decisions made by land developers.
- Rural households on lower incomes are more likely to be in areas where natural gas reticulation is not available.
- Alinta advises it is difficult to recover costs of reticulation if a household is not using gas for water or space heating.
- In Victoria, a Government funded roll out of gas reticulation to selected rural towns demonstrated benefits to the economy that exceeded the money contributed by the Government.
- The distribution of 45kg LPG bottles by trucks is an antiquated delivery system. In the United States of America and the United Kingdom a bulk delivery system by bobcat trucks to larger tanks is used.
- There is potential for a bulk delivery system to be implemented in Western Australia with reticulation of between four and one hundred households in some regional areas from a single large tank.
- In the future, natural gas will be used in the heavy transport industry on a regular basis to fuel vehicles.
 - There is the likelihood of gas bullets (large gas cylinders) operating in some rural towns on transport routes to fuel trucks. LNG storage tanks for power stations in regional communities and for mining projects are already planned or being built in WA, e.g. EDL's plant at Broome.
 - There is the potential to reticulate gas from these bullets to businesses and houses in the local town.

Key Issues Arising

- There is a definite public preference for use of gas in regional areas, particularly for cooking.
 - In some areas gas is considered to be an essential service especially where houses are not connected to the network
 - Regular power outages are a significant issue in regional areas.
- The main issue is that bottled LPG has become too expensive and is unaffordable to many low income earners:
 - The price of a 45kg LPG bottle has increased every month for the past two years.
 - The upfront lump sum payment can be very difficult to afford and budget for.
 - Cost of bottle rental (average around \$40 to \$50 per bottle per year) on top of other costs adds to affordability problems.
 - Where possible and affordable, some households are switching to alternative energy sources.

Comments made at public hearings –

Merriden - “to pay \$100 or more in one go is a lot of money to save up for a bottle when you are on a pension like me.”

Collie - “I know of many single mothers on welfare payments who pay for LPG and sometimes this means that the kids are going without breakfast and new clothes.”

Kalgoorlie - “Because of the cost of LPG, I changed my water heater over to electricity and use the microwave a lot. Another old guy I know uses his electric fry pan for cooking mostly now.”

Geraldton – “In some houses, people will go without hot showers for weeks and weeks or they go to a neighbours or friend’s place for a shower if they still have gas.”

Margaret River – “Some of my customers can’t pay there bills immediately (because of the high prices) so I let them they pay the following month or when they next get paid. Otherwise some of them go down to the local recreation centre and having hot showers there instead.”

Broome – “On my salary as a teacher I can’t afford to live in town because of the high rent. I live about 20km outside town and use LPG but it costs \$145 to have a bottle delivered out here. On top of all the other costs of living up here it makes it difficult for people like me to stay.

Katanning – “I’m retired and I only use wood for heating the home because I can get access to it. Others I know are converting to electric systems.”

- Affordability is even more of an issue in colder areas in winter when LPG use increases for heating needs and more bottles are used (2-3 per month).
 - In some regions, night time temperatures go below zero in winter and there are lots of poorly insulated old fibro houses.
 - Many of these households are occupied by lower income families that are renting and do not have a choice over the appliances used in the house.
 - This combination results in more LPG being used to heat a home in winter and no ability to switch to a more affordable energy source.

Comments made at public hearings –

Katanning – “The people most affected in colder inland areas are the lower income families and pensioners who still use LPG for heating but can’t afford to change to something else because of the cost of a new appliance is too much”.

- “For me, heating my home with LPG is my only option. I don’t have a choice”

- Some retailers allow payments to be spread out over time but this practice is not widespread (and is an additional expense to retailers on tight margins).
- Some retailers offer a lifetime lease arrangement for the bottles to help defray costs or have very low charges for bottle rental and/or delivery.
- There is widespread community support for payments to be spread out rather than lump sum through bill smoothing or monthly instalments.
- At some public hearings there was support for introduction of pre-payment cards for LPG (and electricity) in regional areas.

Comments made at public hearings –

Albany – “As a local business I provide help to some people who need assistance with their LPG bills when they can’t pay them and contribute as a local business should to the community but this has become more difficult to do as my margins have been squeezed tight and I increasingly have to absorb higher costs.”

Collie - “A pre-payment card should be made available for people to buy LPG in amounts ranging from \$10 to \$50. It would be easy to pop down to the local post office and buy a card to put in a meter. This would make it much more affordable.”

Katanning – “As a retailer, the \$5 delivery fee doesn’t even cover the business costs of putting a guy out on the road delivering bottles. Yet customers want me to be able to deliver the moment they run out at any time of day or night. My business margins for LPG are so small sometimes it is difficult to justify offering it as a service.”

Esperance – “Electricity retailers offer a payment plan for people who have difficulty paying bills. Why isn’t this available for LPG as well?”

- Cultural issues can also present affordability issues:
 - Aboriginal households can have large families living together in one house (such as elderly grandparents and other relatives).
 - Aboriginal households can have obligations to extended family members who visit or stay for funerals and other cultural activities.
 - The large numbers can dramatically increase the use and cost of gas.
- People wanted to know why bottled LPG was much more expensive than Autogas (for example, in the south west the gas in a \$100 bottle is 112c/L while LPG Autogas cost 56c/L).
 - Some people are filling their residential gas bottles at Autogas bowsers, despite the significant safety risks involved.
- Delivery of bottles can be very inconvenient:
 - Delivery schedules are often not flexible and customers may have to wait for days without gas before a new delivery is made.
 - Customers are sometimes not sure if a bottle is totally empty.
 - People sometimes have to change over to the second bottle at inconvenient times.

Comment made at public hearing –

Mundaring - "I can't tell you the number of times I have had the hot water run out while I'm taking a shower and had to go outside and change over the bottle while I'm standing in the freezing cold, dripping wet with just a towel wrapped around me."

- Customer pick-up of bottles (if it is available) can also be very inconvenient:
 - Customers must have a truck or ute that can keep the bottle upright and secure.
 - Physically picking up and moving a gas bottle can be a health risk as the full bottles are very heavy.
 - There are safety risks also for customers picking up their own bottles as they have to connect them up as well.
 - Some customers (such as the elderly) rely on a neighbour, relative or friend to pick-up, deliver and connect bottles for them.