

5 Finance

5.1 F16—Total capital expenditure: water and sewerage (\$'000s)

5.1.1 Introduction

This section presents total capital expenditure in real dollar terms. It provides the total level of capital investment by each utility and an indication of the size of the utility and its capital responsibilities.

It is difficult to compare utilities for total capital expenditure because the figures are not normalised to account for variations due to the size of a utility or its geographic extents. Further analysis for individual utilities is given in [section 5.2](#), which indicates the level of investment by each utility relative to its customer base.

A number of factors influence capital expenditure, many of which also affect operating expenditure (see [section 5.3](#)). In addition, capital expenditure programmes are influenced by the age of the current infrastructure and the stage of the each asset's lifecycle. An individual utility's capital expenditure will be irregular over time, as many projects are occasional and long lasting and can take several years to complete.

Total capital expenditure for water and sewerage for all utilities reporting the F16 indicator in 2014–15 can be found in [Table A7](#).

5.1.2 Key findings

A summary of the data for total capital expenditure for water and sewerage, by utility group, is presented in [Table 5.1](#). In real terms, total capital expenditure decreased by 4 per cent (\$126 million) from 2013–14 expenditure.

[Figure 5.1](#) summarises total capital expenditure from 2007–08 to 2014–15 for utilities from all size groups reporting in all eight years in this period. Expenditure is broken down by expenditure on water (F14) and sewerage (F15).

Table 5.1 Overview of results: F16— Total capital expenditure: water and sewerage (\$ billion)

Size group (connected properties)	Range (\$ million)		Number of utilities with increase/decrease from 2013–14		Total (\$ billion)		Change in the total from 2013–14 %
	High	Low	Increase	Decrease	2013–14	2014–15	
100,000+	628	36	5	9	2.415	2.327	–4
	Sydney Water	Gold Coast					
50,000– 100,000	48	15	6	4	0.301	0.305	1
	Central Gippsland Water	Central Highlands Water					
20,000– 50,000	26	4	3	14	0.295	0.229	–22
	Mackay Water	Albury					
10,000– 20,000	27	0.7	11	8	0.138	0.161	17
	Central Highlands Regional Council	Whitsunday					
All size groups (national)	628	0.7	25	35	3.148	3.022	–4
	Sydney Water	Whitsunday					

Table note

Total capital expenditure: water and sewerage (\$ billion) is calculated using data from all utilities that reported against F14 and F15 in both 2013–14 and 2014–15.

Highest and lowest utilities in each group are expressed as \$ million.

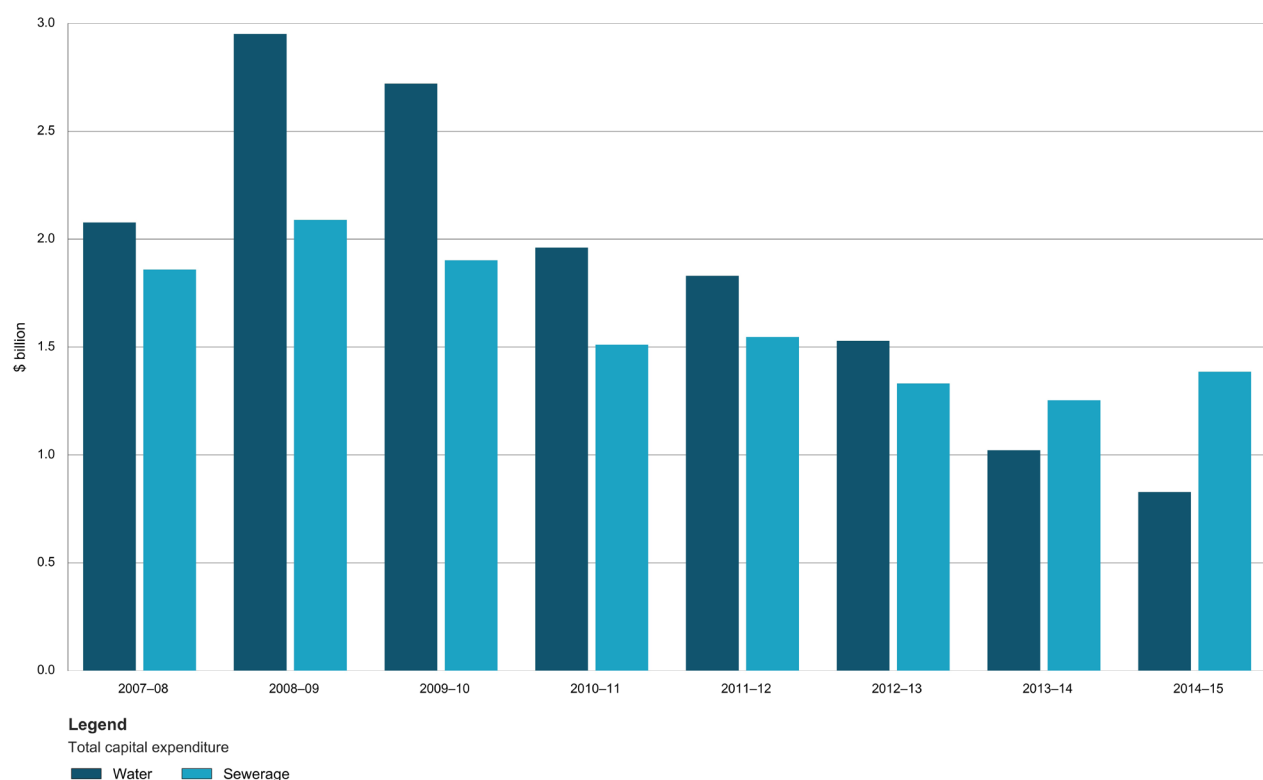


Figure 5.1 Summary of results: F14—Total capital expenditure: water (\$ billion) and F15—Total capital expenditure: sewerage (\$ billion), 2007–08 to 2014–15

Note: Total is for utilities that reported all eight years and excludes bulk water utilities.

5.1.3 Results and analysis—100,000+ group

With the exception of Water Corporation—Perth, Logan City Council, Sydney Water Corporation, and South East Water, all other utilities in the 100,000+ group reported decreases in capital expenditure across their water and sewerage operations. Both Water Corporation—Perth and Logan City Council reported significant increases, while Sydney Water Corporation and South East Water reported a modest increase of 5 per cent and 3 per cent respectively (tables A6–A9).

Water Corporation—Perth recorded an increase of 34 per cent in capital expenditure from 2013–14, heavily influenced by the strong level of housing development activity across the State and also pipeline and pump infrastructure projects. This followed the 48 per cent decrease in capital expenditure between 2012–13 and 2013–14.

Water, sewerage, and reticulation services projects accounted for the 25 per cent increase in capital expenditure recorded by Logan City Council.

In 2014–15, Sydney Water Corporation's total capital expenditure increased 5 per cent from 2013–14 following a decrease of 14 per cent in that year from 2012–13. This was driven by core investment expenditure, such as renewing existing assets and adding new assets for growth areas.

Unitywater recorded the highest percentage decrease in total capital expenditure due to a 53 per cent decrease in sewerage-related capital expenditure. This came as a result of completing the replacement and upgrade of 11 legacy Supervisory Control and Data Acquisition (SCADA) systems to achieve a single sophisticated and networked monitoring-and-control system, leading to fewer sewage overflows and more efficient development of field crews.

City West Water's reduction in capital expenditure was due to decreases in capital expenditure for both water (23 per cent) and sewerage (48 per cent).

5.2 F28—Capital expenditure: water (\$/property) and F29—Capital expenditure: sewerage (\$/property)

5.2.1 Introduction

This indicator reports the utilities' capital expenditure on a per property basis. It provides an indication of the level of investment undertaken by each utility relative to its customer base.

Total capital expenditure for water and sewerage, on a per connected property basis, for all utilities reporting against the F28 and F29 indicators in 2014–15 can be found in [tables A8–A9](#).

5.2.2 Key findings

A summary of the data for water supply and sewerage capital expenditure on a per property basis, by utility group, is presented in Table 5.2 and Table 5.3.

In 2014–15, the national median-per-property capital expenditure on water services decreased by 8 per cent (Table 5.2). This result reflects the decreases reported by 57 per cent of utilities in the reporting year.

In 2014–15, the national median-per-property capital expenditure on sewerage services decreased by 3 per cent (Table 5.3); however, the per property capital expenditure increased in all size groups except the 20,000–50,000 group which decreased by 21 per cent.

Table 5.2 Overview of results: F28—Capital expenditure: water (\$/property)

Size group (connected properties)	Range (\$000)		Number of utilities with increase/decrease from 2013–14		Median		Change in the total from 2013–14 %
	High	Low	Increase	Decrease	2013–14	2014–15	
100,000+	251	62	5	8	146	129	–12
	TasWater	Gold Coast					
50,000– 100,000	426	94	4	6	198	193	–3
	Goulburn Valley Water	Gosford					
20,000– 50,000	435	26	3	15	221	168	–24
	Mackay Water	Redland					
10,000– 20,000	2300	2	15	7	157	212	35
	Central Highlands Regional Council	Whitsunday					
All size groups (national)	2300	2	27	36	177	162	–8
	Central Highlands Regional Council	Whitsunday					

Table note

Median capital expenditure: water (\$/property) is calculated using data from all utilities that reported against F28 in both 2013–14 and 2014–15.

Table 5.3 Overview of results: F29—Capital expenditure: sewerage (\$/property)

Size group (connected properties)	Range (\$000)		Number of utilities with increase/decrease from 2013–14		Median		Change in the total from 2013–14 %
	High	Low	Increase	Decrease	2013–14	2014–15	
100,000+	573	35	7	6	173	195	13
	Logan	City West Water					
50,000– 100,000	649	121	5	5	223	249	12
	Central Gippsland Water	Central Highlands Water					
20,000– 50,000	1,603	72	4	14	242	191	–21
	Clarence	Wide Bay Water					
10,000– 20,000	1,664	14	13	9	231	275	19
	WC(Busselton) (S)	Southern Downs					
All size groups (national)	1,664	14	29	34	221	215	–3
	WC(Busselton) (S)	Southern Downs					

Table note

Median capital expenditure: sewerage (\$/property) is calculated using data from all utilities that reported against F29 in both 2013–14 and 2014–15.

5.2.3 Results and analysis—100,000+ group

A ranked breakdown of capital expenditure on a connected property basis is presented in Figure 5.2. The figure highlights the component of water and sewerage expenditure (F28 and F29 respectively) for each utility in the 100,000+ group from 2011–12 to 2014–15.

Barwon Water had a significant change in capital expenditure for both water and sewerage from 2013–14. Sewerage capital expenditure increased by 54 per cent while water capital expenditure decreased by 54 per cent.

Only four utilities in the 100,000+ group reported increases in their capital expenditure on a per property basis in 2014–15.

Water Corporation—Perth reported the highest increase in total water and sewerage capital expenditure per property (32 per cent). This was primarily driven by increased sewerage capital expenditure which increased by 54 per cent.

The 22 per cent increase recorded by Logan City Council was driven by a 22 per cent growth (\$104 per property) in sewerage-related capital expenditure in addition to a 20 per cent (\$32 per property) growth in capital expenditure on water, resulting in a net increase of \$136 per property.

Unitywater reported the highest percentage decrease in total capital expenditure water and sewerage (43 per cent) which resulted from a significant decrease of 54 per cent in sewerage capital expenditure (equivalent to \$232 per property).

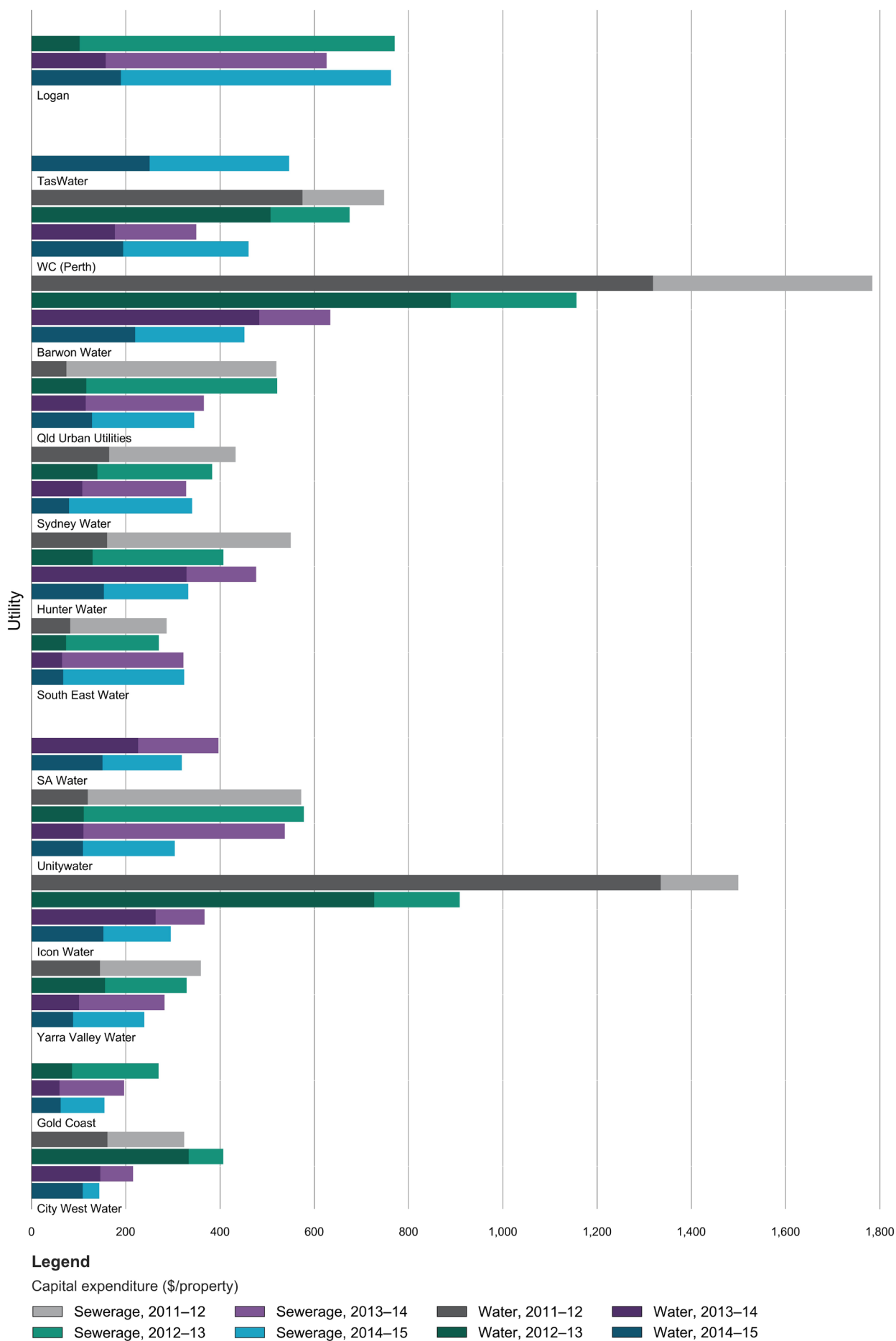


Figure 5.2 F28—capital expenditure: water (\$/property) and F29—capital expenditure: sewerage (\$/property), 2011-12 to 2014-15, for utilities with 100,000+ connected properties

5.3 F13—Combined operating cost: water and sewerage (\$/property)

5.3.1 Introduction

These indicators report the operating costs (for operation, maintenance, and administration) of each water utility in relation to the number of properties serviced. Operating costs are influenced by many factors, including:

- utility size;
- government policy;
- climate and rainfall;
- the distance and way that water is transported (including whether it is required to be piped);
- the sources of water (including whether it is purchased from a bulk utility, and also whether it is sourced from dams or alternative sources, such as desalination plants);
- escalation of input costs (for example, those of fuel, chemicals, and labour);
- the level of water and sewerage treatment required; and
- capital procurement strategies, such as public–private partnerships and build–own–operate–transfer (BOOT) schemes.

Operating expenditure per property has been increasing in recent years, particularly for larger utilities; however, because economies of scale are possible, operating expenditure per property can fall as the size of the utility increases.

Combined operating costs on a per connected property basis for all utilities providing both water and sewerage services can be found in [Table A6](#).

5.3.2 Key findings

A summary of the data for combined operating cost on a per property basis (by utility group) is presented in Table 5.4. Figure 5.3 is a ‘box and whisker’ plot of combined operating cost (water and sewerage) data for all utilities reporting indicator F13 for a given reporting year from 2005–06 to 2014–15.

The national 2014–15 median operating cost (on a per property basis for utilities delivering both water and sewerage services) was \$850 (Table 5.4). This figure represents a decrease of 5 per cent from 2013–14.

All groups recorded declines in their median amounts. Nationally, 44 utilities across all groups reported decreases in their operating expenditure per property, while 15 recorded increases.

5.3.3 Results and analysis—100,000+ group

A ranked breakdown of operating expenditure on a connected property basis is presented in Figure 5.4. The figure highlights the component of water (F11) and sewerage (F12) expenditure for each utility in the 100,000+ group from 2011–12 to 2014–15.

With a median operating cost of \$859 per property for the utilities who reported in both 2013–14 and 2014–15, the 100,000+ size group reported an average decrease of 10 per cent from 2013–14. Additionally, the water component of operating costs was higher than the sewerage component for all utilities except Icon Water, Hunter Water Corporation, and Tasmanian Water and Sewerage Corporation.

The Victorian utilities saw the largest decrease in 2014–15, following the increase they reported in 2013–14. South East Water decreased by 12 per cent while Yarra Valley Water and City West Water decreased by 10 per cent from 2013–14, following corresponding increases of 36 per cent, 33 per cent, and 32 per cent reported in 2013–14 against 2012–13 figures.

Hunter Water Corporation reported the highest percentage increase of in the 100,000+ group, with an 8 per cent growth in combined operating costs. This increase was driven by costs associated with major storm events in April 2015.

Table 5.4 Overview of results: F13—Combined operating cost: water and sewerage (\$/property)

Size group (connected properties)	Range		Number of utilities with increase/decrease from 2013–14		Median		Change in the median from 2013–14 %
	High	Low	Increase	Decrease	2013–14	2014–15	
100,000+	1,149	579	5	8	953	859	–10
	Gold Coast	WC (Perth)					
50,000– 100,000	1,194	655	1	9	800	766	–4
	Central Gippsland Water	Wyong Shire					
20,000– 50,000	2,360	548	4	13	895	850	–5
	Gladstone	WC (Mandurah)					
10,000– 20,000	1,653	286	5	14	964	940	–2
	Central Highlands Regional Council	Gympie					
All size groups (national)	2,360	286	15	44	892	850	–5
	Central Highlands Regional Council	Gympie					

Table note

The combined operating cost: water and sewerage (\$/property) is calculated using F11, F12, and F13 data from utilities that reported in both 2013–14 and 2014–15.

Table 5.4 is based on F13 (Combined operating cost: water and sewerage) for the reporting utilities that provide both reticulated water supply and sewerage services. This is not always a straight addition of F11 and F12, depending on the relative numbers of connected water properties and connected sewerage properties. For this reason, some figures presented in the charts and tables may differ from those based on a summation of F11 and F12.

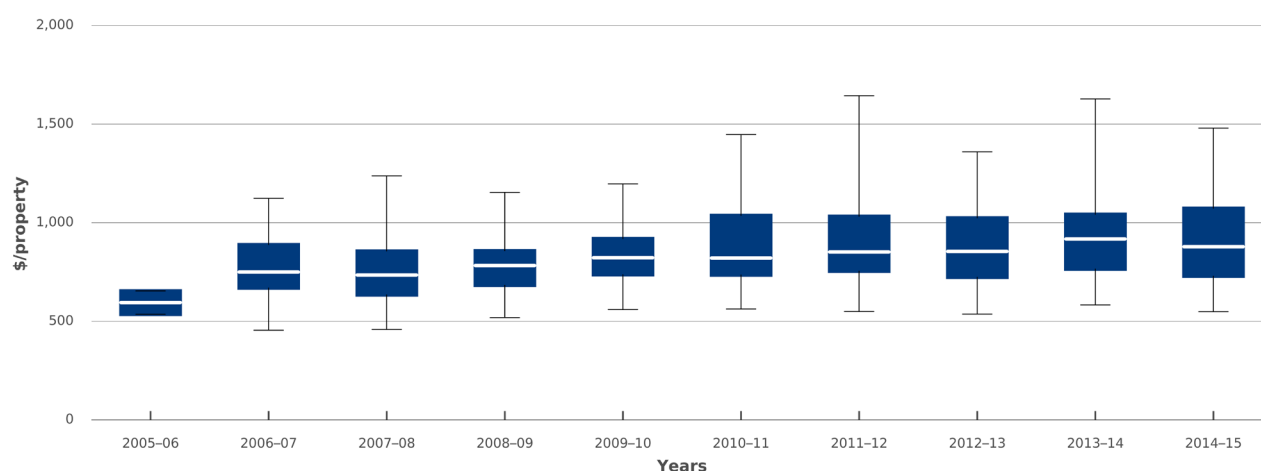


Figure 5.3 Summary of results: F13—Combined operating cost: water and sewerage (\$/property)

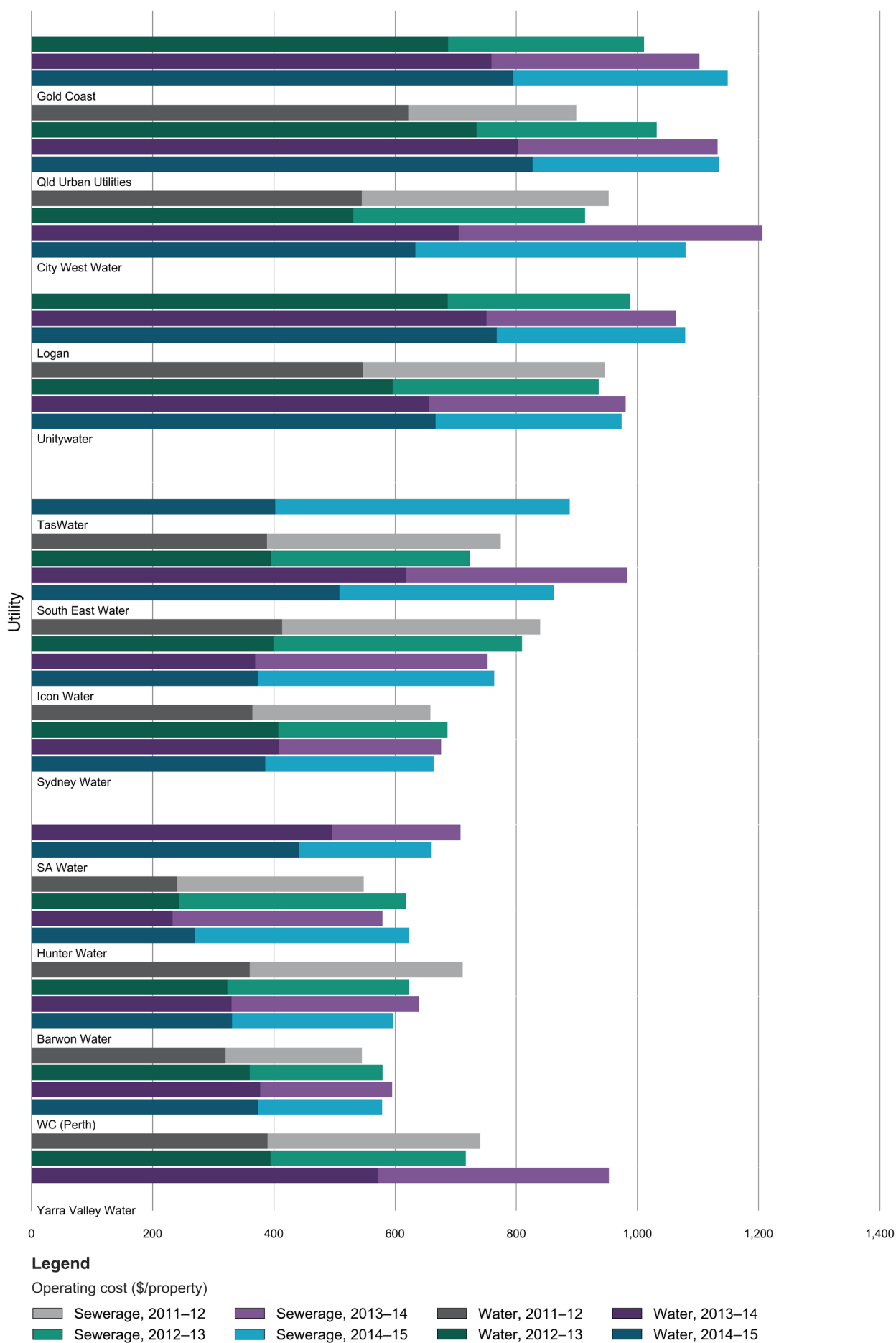


Figure 5.4 F13, Combined operation cost: water and sewerage (\$/property), 2011-12 to 2014-15, for utilities with 100,000+ connected properties

5.4 F8—Revenue from community service obligations (%)

5.4.1 Introduction

Revenue from community service obligations (CSOs) represents payments to a utility by the State or Territory government following a government direction to undertake activities that the utility would not perform on a solely commercial basis. In the water sector, CSOs may be provided to:

- allow reductions on bills to certain disadvantaged customer groups (for example, pensioners);
- allow utilities to charge common tariffs across all their geographical regions despite cost differences;
- ensure the delivery of government policy (for example, by administering rebates); and
- allow utilities to provide services to high-cost areas where full cost recovery would otherwise result in unaffordable bills.

Revenue from CSOs data for all utilities reporting Indicator F8 in 2014–15 can be found in [Table A16](#).

5.4.2 Key findings

A summary of the data for revenue from CSOs, by utility group, is presented in Table 5.5.

In 2014–15, 24 utilities reported increases and 33 reported decreases in revenue received from CSOs. This resulted in a 6 per cent decrease in the national median in 2014–15 from 2013–14 despite an increase in the median in the 100,000+ and 20,000–50,000 size groups.

Table 5.5 Overview of results: F8—Revenue from community service obligations (%)

Size group (connected properties)	Range		Number of utilities with increase/decrease from 2013–14		Median		Change in the median from 2013–14 %
	High	Low	Increase	Decrease	2013–14	2014–15	
100,000+	9.4	0	5	6	4.1	4.2	2
	SA Water	Gold Coast					
50,000– 100,000	5.5	1.3	2	6	3.5	3.5	0
	Goulburn Valley Water	Gosford					
20,000– 50,000	18.3	0	8	9	1.2	1.4	17
	WC (Mandurah)	Gladstone					
10,000– 20,000	59.1	0	9	12	1.2	1.2	0
	WC (Kal–Boulder) (W)	Aqwest–Bunbury (W)					
All size groups (national)	59.1	0	24	33	1.7	1.8	–6
	WC (Kal–Boulder) (W)	Multiple utilities					

Table note

Median percentage of revenue from CSO is calculated for all utilities that reported data for F8 in both 2013–14 and 2014–15.

5.4.3 Results and analysis—100,000+ group

While six utilities in this group reported decreases, the median revenue from CSOs increased. Icon Water reported the largest increase, with its percentage of revenue rising from 3.3 per cent in 2013–14 to 3.7 per cent in 2014–15 (Table 5.5).

Almost all Victorian utilities had an increase in revenue from CSOs in 2014–15 following a significant decrease in 2013–14. The exception was Barwon Water, which recorded a 3 per cent reduction in revenue from 2013–14.

City West Water revenue from CSOs increased by 7 per cent from 2013–14 due to higher provision of concessions to customers and more rebates paid to not-for-profit organisations under the water and sewerage rebate scheme.

Historically, SA Water Corporation and Water Corporation—Perth have had the highest proportions of revenue from CSOs, although both proportions have reduced over time. SA Water Corporation reported the highest percentage decrease of 40 per cent from 15.6 in 2010–11 to 9.4 per cent in 2014–15. Water Corporation—Perth reported the second highest percentage decrease of 31 per cent, given that the percentage dropped from 9 per cent in 2010–11 to 6.2 per cent in 2014–15.