

## 5 Finance

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

Total capital expenditure on water and sewerage (F16) provides a measure of the total level of capital investment by each utility and the size of the utility and its capital responsibilities.

Capital expenditure programmes often affect operational expenditure, and are influenced by a number of factors:

- the age of a utility's infrastructure
- the stage of each asset's lifecycle
- the time and duration of a project.

Capital expenditure data is indexed using the consumer price index (CPI) to facilitate comparison in real terms. Total capital expenditure for water and sewerage data for all utilities reporting in 2016–17 is in Table A5, Appendix A.

#### 5.1.1 Key findings

A summary of the data for total capital expenditure for water and sewerage, by utility group, is shown in Table 5.1.

**Table 5.1 Overview of results: Total capital expenditure: water and sewerage (\$ million)**

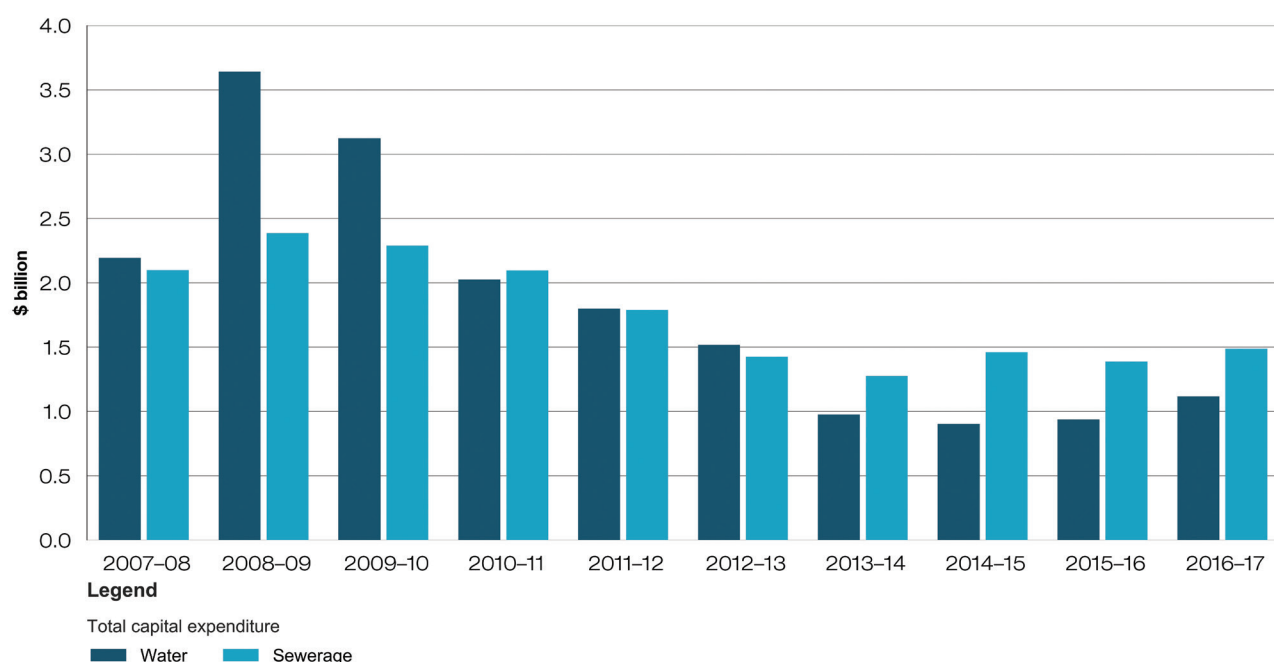
Utility group	Range (\$ million)		No. utilities with increase/decrease 2015–16		Total		Change from 2015–16 %
	High	Low	Increase	Decrease	2015–16	2016–17	
Major	632	60	9	5	2,503	2,651	6
	Sydney Water	Logan					
Large	70	9	4	7	325	334	3
	Western Water	North East Water					
Medium	59	3	11	7	232	297	28
	Shoalhaven	Clarence Valley					
Small	16	2	14	7	147	173	17
	Eurobodalla	Bega Valley					
<b>All utility groups (national)</b>	632	2	38	26	3,207	3,454	8
	Sydney Water	Bega Valley					

#### Table notes

Total capital expenditure: water and sewerage is calculated using data from all utilities that reported against F14 and F15 in both 2015–16 and 2016–17.

In real terms, total capital expenditure across all utility groups increased by 8 per cent (\$247 million) from 2015–16. This increase was driven by investment in the Major and Medium utility groups, together contributing 86 per cent of the total increase in expenditure.

Figure 5.1 summarises the total capital expenditure from 2007–08 to 2016–17 for utilities reporting in all 10 years. Expenditure is broken down by expenditure on water (F14) and sewerage (F15).



**Figure 5.1 Total capital expenditure: water and sewerage (\$ billion)\***

\* Total is for utilities that reported all ten years and excludes bulk water utilities

### 5.1.2 Results and analysis—Major utility group

Investment in asset renewal, and wastewater treatment plant upgrades, drove significant increases in capital investment for many of the Major utilities.

Water Corporation—Perth reported the most significant increase (46 per cent) in capital expenditure from 2015–16. The increase was heavily influenced by major projects, including its meter renewal program and renewal of water supply networks.

City of Gold Coast Council reported the second most significant increase of 35 per cent in capital expenditure, primarily associated with maintenance of the water and sewerage network, and pump station.

Unitywater reported an increase of 31 per cent in capital expenditure driven in part by investment in the construction of sewerage pipeline assets—particularly in the Caloundra area.

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

Capital expenditure on water supply (F28) and sewerage (F29), on a per connected property basis, provides a measure of capital investment by each utility relative to its customer base. The normalisation on a per connected property basis facilitates a comparison between utilities.

Capital expenditure data is indexed using the consumer price index (CPI) to facilitate comparison in real terms.

Per connected property capital expenditure data, for water and sewerage services provided by all utilities reporting in 2016–17 is in Table A6 and A7, Appendix A.

### 5.2.1 Key findings

Tables 5.2 and 5.3 summarise the median capital expenditure of utilities providing water and wastewater services.

Nationally the median total capital expenditure per connected property, increased for both water (12 per cent) and sewerage (10 per cent), reflecting the observed trend in total capital investment (F16).

Notable increases in the Small utility group for both water (9 per cent) and sewerage (40 per cent) reflect the increased capital expenditure within the year, and highlight the increased costs of developing and maintaining the supply and treatment systems for small service providers.

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

Utility group	Range (\$000)		No. utilities with increase/decrease 2015–16		Median		Change from 2015–16 %
	High	Low	Increase	Decrease	2015–16	2016–17	
Major	369	46	8	6	128	124	–3
	Barwon Water	South East Water					
Large	430	21	7	4	195	203	4
	Western Water	Redland City					
Medium	438	50	11	7	162	204	26
	Fraser Coast	Coffs Harbour					
Small	1391	51	13	7	230	250	9
	Western Downs	Byron					
<b>All utility groups (national)</b>	1391	21	39	24	177	199	12
	Western Downs	Redland City					

**Table note**

Median capital expenditure: water (\$/property) is calculated using data from all utilities that reported against F28 in both 2015–16 and 2016–17.

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

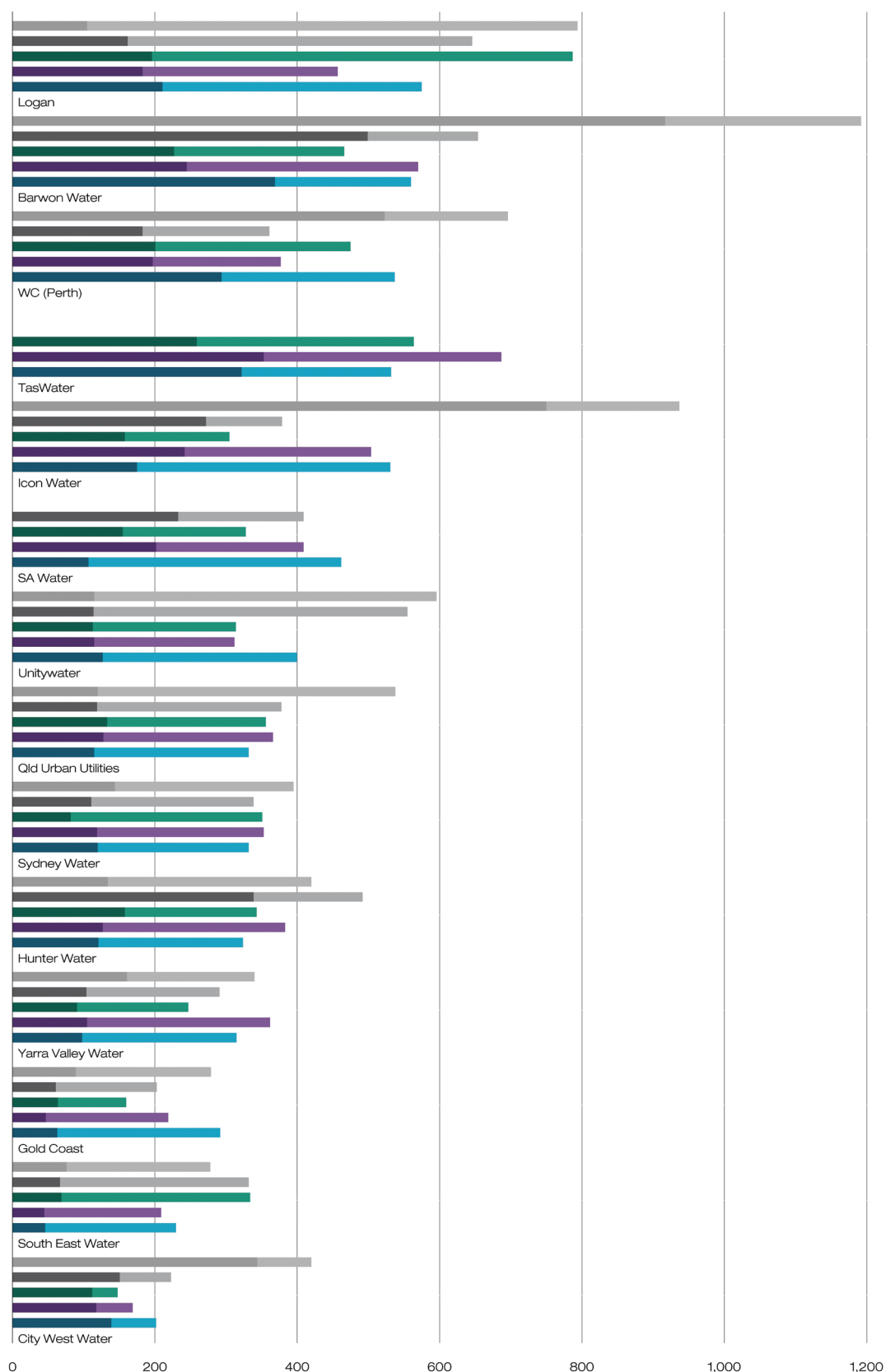
Utility group	Range (\$000)		No. utilities with increase/decrease 2015–16		Median		Change from 2015–16 %
	High	Low	Increase	Decrease	2015–16	2016–17	
Major	364	63	8	6	236	217	–8
	Logan	City West Water					
Large	760	51	3	8	216	255	18
	Western Water	North East Water					
Medium	1103	78	10	8	212	196	–8
	Bundaberg	Lower Murray Water					
Small	707	21	12	8	226	316	40
	Eurobodalla	Western Downs					
<b>All utility groups (national)</b>	1103	21	33	30	218	239	10
	Bundaberg	Western Downs					

**Table note**

Median capital expenditure: sewerage (\$/property) is calculated using data from all utilities that reported against F29 in both 2015–16 and 2016–17.

### 5.2.2 Results and analysis—Major utility group

A ranked breakdown of capital expenditure on a per connected-property basis is shown in Figure 5.2. The figure highlights the water (F28) and sewerage (F29) components of the total expenditure and reinforces the year to year variation.



### Legend

Total capital expenditure: water and wastewater (\$/property)

Water 2012-13	Water 2016-17	Sewerage 2014-15
Water 2013-14	Sewerage 2012-13	Sewerage 2015-16
Water 2014-15	Sewerage 2013-14	Sewerage 2016-17
Water 2015-16		

Figure 5.2 Capital expenditure: water and sewerage (\$/property)—Major utility group

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

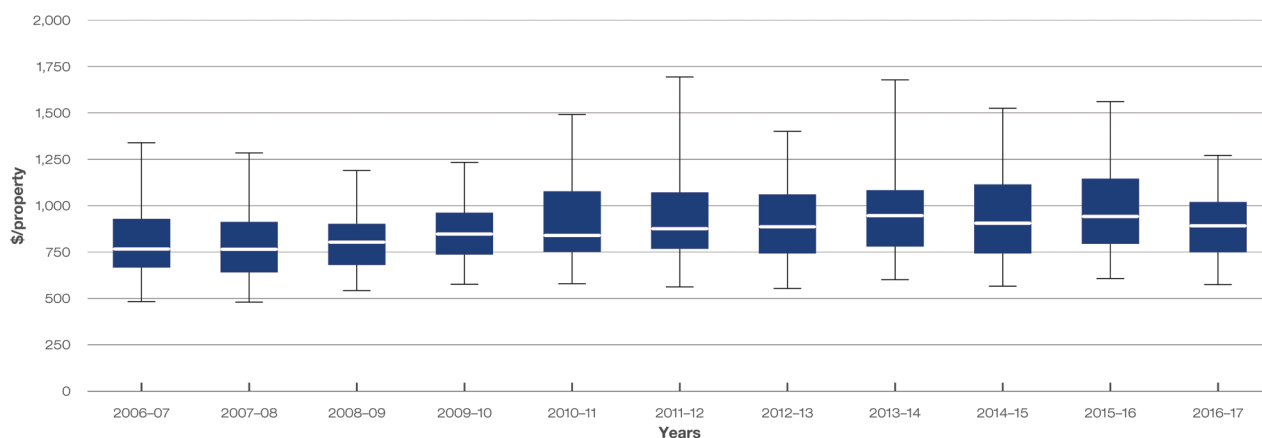
Combined operating costs for water and sewerage on a per property basis (F13) provides a measure of a utility operation, maintenance, and administration costs in relation to the number of properties serviced. Operating costs are influenced by:

- utility size
- government policy
- climate and rainfall
- distance and method by which water is transported (e.g. piped)
- sources of water (e.g. purchased from a bulk utility, or sourced from dams, or alternative sources—desalination plants)
- input costs (e.g. fuel, chemicals, and labour)
- level of water and sewage treatment required
- capital procurement strategies (e.g. public–private partnerships, or build–own–operate–transfer (BOOT) schemes).

Operating cost data is indexed using the consumer price index (CPI) to facilitate comparison in real terms. Combined operating cost (water and sewerage) data for all utilities reporting in 2016–17 is in Table A8, Appendix A.

#### 5.3.1 Key findings

Figure 5.3 is a box-and-whisker plot of combined operating cost (water and sewerage) data for all utilities reporting F13 for a given reporting year from 2006–07 to 2016–17. A summary of the median combined operating costs on a per property basis is shown in Table 5.4.



**Figure 5.3 Combined operating cost: water and sewerage (\$/property)**

In 2016–17, the national median operating cost was \$892, down 5 per cent from \$940 in 2015–16. Figure 5.3 highlights the decrease in the median and also shows a reduction in the variance of the operating costs across utilities. While the result in isolation does not represent a new trend in operating costs, it does curb the existing trend of historical increases.

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

Utility group	Range		No. utilities with increase/decrease from 2015–16		Median		Change from 2015–16 %
	High	Low	Increase	Decrease	2015–16	2016–17	
Major	1,164	574	4	10	937	917	–2
	Gold Coast	Hunter Water					
Large	1,143	608	4	7	860	870	1
	Gippsland Water	Toowoomba					
Medium	1039	590	4	14	910	908	0
	East Gippsland Water	WC (Mandurah)					
Small	1,749	401	5	16	1,064	962	–10
	Livingstone	Gympie					
<b>All utility groups (national)</b>	1,749	401	17	47	940	892	–5
	Livingstone	Gympie					

**Table notes**

The combined operating cost: water and sewerage (\$/property) is calculated using F11, F12, and F13 data from utilities that reported in both 2015–16 and 2016–17. Table 5.4 is based on F13 (i.e. 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 and depends 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.

### 5.3.2 Results and analysis—Major utility 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 (F12) and sewerage (F11) expenditure for each utility in the Major utility group from 2012–13 to 2016–17.

## 5.4 Revenue from community service obligations (%)—F8

Revenue from community service obligations (CSOs) as a percentage of a utilities total income (F8) is a measure of the extent to which activities undertaken by a utility are subsidised.

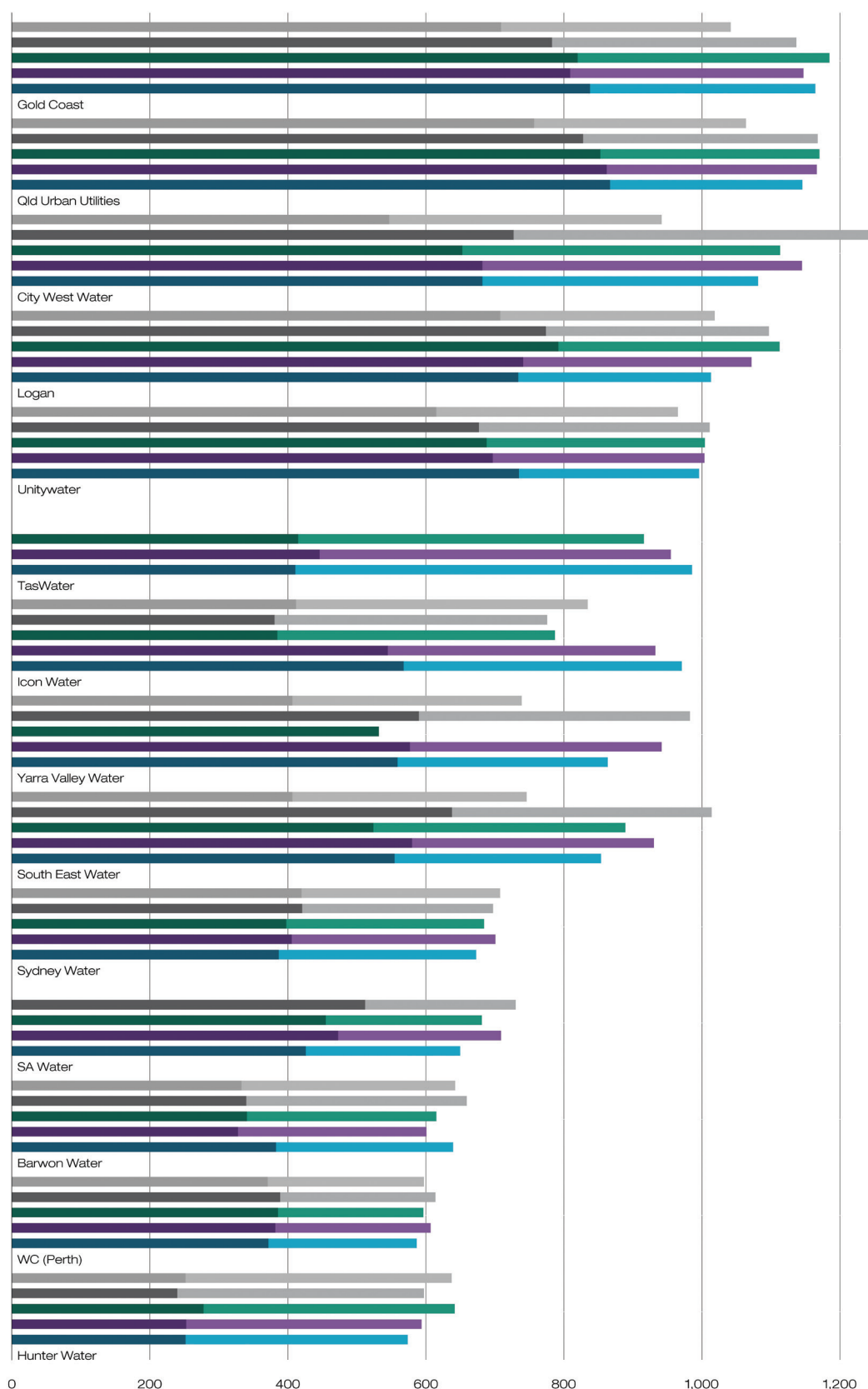
Payments for CSOs (F25) to a utility by a State or Territory government are made when a utility is directed to undertake activities that they would not perform on a solely commercial basis. CSOs in the water sector may be provided to:

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

CSO data for all utilities reporting in 2016–17 is in Table A9, Appendix A.

### 5.4.1 Key findings

A summary of data for the median percentage of total revenue derived from CSOs, by utility group, is in Table 5.5. Nationally, the median percentage of revenue from CSOs remained steady decreasing from 1.7 per cent in 2015–16 to 1.4 per cent in 2016–17.



### Legend

Operating cost (\$/property)

Wastewater 2012-13	Wastewater 2016-17	Water 2014-15
Wastewater 2013-14	Water 2012-13	Water 2015-16
Wastewater 2014-15	Water 2013-14	Water 2016-17
Wastewater 2015-16		

Figure 5.4 Combined operating cost: water and sewerage (\$/property)—Major utility group

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

Utility group	Range		No. utilities with increase/ decrease from 2015–16		Median		Change from 2015–16 %
	High	Low	Increase	Decrease	2015–16	2016–17	
Major	10.5	0	7	4	4	3.9	–3
	SA Water	Multiple utilities					
Large	6.5	0	5	5	3.9	4.2	8
	North East Water	Toowoomba					
Medium	10.4	0	8	4	1.2	1.2	0
	WC (Mandurah)	Gladstone					
Small	14.3	–65.3	7	8	1	0.9	–10
	P&W (Alice Springs)	WC (Geraldton)					
<b>All utility groups (national)</b>	14.3	–65.3	27	21	1.7	1.4	–18
	P&W (Alice Springs)	WC (Geraldton)					

**Table note**

Median percentage of revenue from CSOs is calculated for all utilities reporting data in both 2015–16 and 2016–17.

### 5.4.2 Results and analysis—Major utility group

Despite increases in CSO payments for many utilities in the Major utility group, the median remained steady. SA Water Corporation and Water Corporation—Perth continued to have the highest proportions of revenue from CSOs with 10.5 per cent and 6.5 per cent respectively. For these utilities, CSO payments are used to subsidise non-profitable water services, to provide water services in country areas at metropolitan water prices.

Water Corporation reported negative revenue from CSOs values for its Geraldton, Australind/Eaton, and Albany regions. These figures were a result of a new model for calculating the Country Loss component of CSOs. The new model came into effect in 2016–17.

Queensland Urban Utilities reported a 100 per cent decrease in their revenue from CSO. This was a result of the end to payments made to Queensland Urban Utilities by Brisbane City Council to support pensioner remissions.