

# 5 Finance

## 5.1 F14—Total water supply capital expenditure (\$000s), F15—Total sewerage capital expenditure (\$000s), and F16—Total capital expenditure for water and sewerage (\$000s)

### 5.1.1 Introduction

This chapter 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. Further analysis for individual utilities is 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 'lumpy' over time, as many projects are 'one-off' and can take several years to complete.

In 2013–14, total water and sewerage capital expenditure declined for the fifth consecutive year to \$2.5 billion, falling from a peak of \$8 billion in 2008–09 (Figure 5.1). Of the 60 utilities reporting capital expenditure in 2012–13 and 2013–14, 44 utilities reported a decrease (Table 5.1). These reductions translated into a \$910 million decrease. This reflects the winding down and completion of a number of major water and sewerage construction and development projects.

**Table 5.1 Overview of results: F16, 2012–13 and 2013–14 (\$000)<sup>1</sup>**

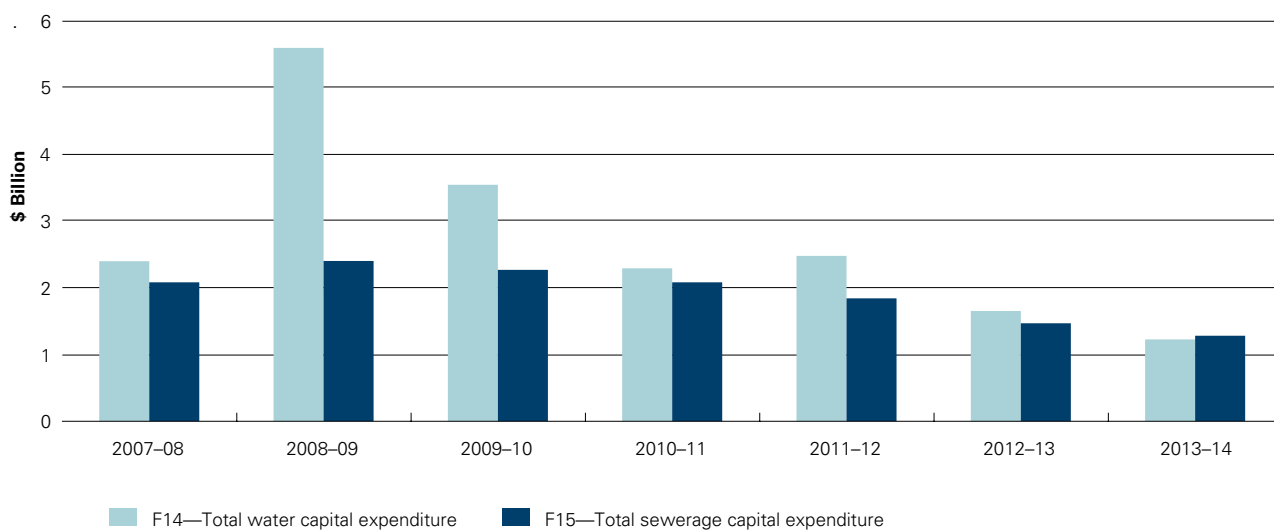
Size group	Range (\$000)		Number of utilities with increase/decrease from 2012–13		Total (\$000)		% change in the total from 2012–13
	High	Low	Increase	Decrease	2012–13	2013–14	
100,000+ connected properties	586,511	43,916	2	11	3,154,971 <sup>†,‡</sup>	2,374,300 <sup>†,‡</sup>	-25%
	Sydney Water	Gold Coast Water					
50,000–100,000 connected properties	44,955	14,100	3	8	397,197	321,293	-19%
	Gippsland Water	Central Highlands Water					
20,000–50,000 connected properties	47,086	5,745	6	11	318,331	289,611	-9%
	Mackay Water	Albury					
10,000–20,000 connected properties	28,117	1,951	5	14	163,397	138,967	-15%
	Orange	Byron					
All size groups (national)	586,511	1,951	16	44	4,033,897 <sup>†,‡</sup>	3,124,017 <sup>†,‡</sup>	-23%
	Sydney Water	Byron					

#### Table notes

<sup>1</sup> Total water and sewerage capital expenditure (\$000) is calculated using for all utilities who reported data for F14 and F15 in both 2012–13 and 2013–14.

<sup>†</sup> As a result of the amalgamation of the previous regional corporations to form TasWater, the 2012–13 total water and sewerage capital expenditure (\$000) uses combined data for Southern Water, Ben Lomond Water, and Cradle Mountain Water while the 2013–14 figure uses whole of TasWater data.

<sup>‡</sup> As a result of changes to reporting boundaries for SA Water, the 2012–13 total water and sewerage capital expenditure (\$000) uses data for metropolitan Adelaide and country SA while the 2013–14 figure uses whole of SA Water data.



**Figure 5.1 Summary of results: F14 and F15 capital expenditure, 2008–09 to 2013–14**

Note: Total is for utilities that reported all seven years

## 5.1.2 Results and analysis

### 100,000+ group

Capital expenditure in 2013–14 within this group decreased for the third consecutive year following the peaks of 2008–09 and 2009–10. As a result, expenditure has more than halved from these peaks, with the 2013–14 results being the lowest in the entire National Performance Report time series.

With the exception of South East Water, Hunter Water, and Unitywater, all utilities in the 100,000+ group reported significant decreases in capital expenditure across their water and sewerage businesses. Both South East Water and Hunter Water reported increases (22% and 21% respectively), while Unitywater reported a modest 5% decrease (Table 5.2).

Completion of a number of major projects, including the enlarged Cotter Dam and the Murrumbidgee–Googong Water Transfer project, has seen a second significant fall in ACTEW's capital expenditure. It decreased 59% in 2013–14 off the back of a 39% decrease in 2012–13. In Western Australia, completion of works associated with the Southern Seawater Desalination Plant has seen a 48% reduction in the Water Corporation's capital expenditure for 2013–14. In Victoria, completion of pipe construction and storage tanks associated with the West Werribee Dual Water Supply Scheme have contributed to a 45% decrease in City West Water's capital expenditure (City West Water 2014: 22).

South East Water's construction of one of Australia's largest pressure sewer systems along with upgrades to its existing water and sewer mains are the key drivers of its reported 22% increase in capital expenditure (South East Water 2014: 3).

Strong investment in water supply by Hunter Water saw a reported 21% growth in its total water and sewerage capital expenditure. This was despite a 46% decrease in sewerage-related capital expenditure following the completion of a number of major projects (including the Newcastle wet weather system upgrade, Williamstown/Tomago wastewater transfer system, and two wastewater treatment plants).

**Table 5.2 F16, 2009–10 to 2013–14 (\$000), for utilities with 100,000+ connected properties**

Utility	2009–10	2010–11	2011–12	2012–13	2013–14	% change from 2012–13
South East Water	156,319	207,035	182,372	174,005	212,542	22%
Hunter Water	177,208	172,087	120,289	90,091	108,904	21%
Unitywater		156,437	144,793	148,857	141,298	-5%
TasWater				80,193 <sup>†</sup>	74,161 <sup>†</sup>	-8%
Yarra Valley Water	303,260	235,200	242,444	226,762	197,020	-13%
Sydney Water	1,391,482	762,776	757,916	683,289	586,511	-14%
Logan	59,797			69,943	58,699	-16%
Gold Coast Water	141,867			60,883	43,916	-28%
Queensland Urban Utilities		211,205	272,430	272,275	195,371	-28%
SA Water				398,004 <sup>‡</sup>	265,771 <sup>‡</sup>	-33%
Barwon Water	103,965	190,553	238,994	158,225	88,221	-44%
City West Water	127,642	122,373	120,290	155,576	85,345	-45%
WC (Perth)	912,813	688,815	540,938	495,975	258,141	-48%
ACTEW	201,625	252,441	226,951	140,896	58,400	-59%

**Table notes**

<sup>†</sup> As a result of the amalgamation of the previous regional corporations to form TasWater, the 2012–13 total water and sewerage capital expenditure (\$ 000) uses combined data for Southern Water, Ben Lomond Water, and Cradle Mountain Water, while the 2013–14 figure uses whole of TasWater data.

<sup>‡</sup> As a result of changes to reporting boundaries for SA Water, the 2012–13 total water and sewerage capital expenditure (\$000) uses data for metropolitan Adelaide and country SA while the 2013–14 figure uses whole of SA Water data.

**50,000–100,000 group**

Nationally, this group saw an average 8% reduction in total capital expenditure in 2013–14. Seven utilities reported significant reductions, three reported increases, and one (Wyang Council) remained largely constant (Table 5.3).

Power and Water (Darwin), Toowoomba, and Townsville reported the largest percentage decreases, recording reductions of 60%, 55%, and 41% respectively. While these reductions are largely associated with the completion of major asset construction, upgrade, and renewal projects, Power and Water's review of its capital investment programme saw a number of projects deferred where current capacity and future demand allowed (Power and Water 2013: 12). Major capital investment projects completed included Townsville's 41ML water reservoir at Douglas and Toowoomba's expansion of its Wetalla sewerage scheme.

Western Water's investment in a number of major infrastructure projects saw it record the most significant increase of the group. The Gisborne Recycled Water Scheme, completion of the Rosslynne Water Filtration Plant upgrade, and the construction of the Romsey–Lancefield water supply interconnection were key drivers of the reported 56% increase.

**Table 5.3 F16, 2009–10 to 2013–14 (\$000), for utilities with 50,000–100,000 connected properties**

Utility	2009–10	2010–11	2011–12	2012–13	2013–14	% change from 2012–13
Western Water	34,126	28,412	17,561	16,738	26,153	56%
Cairns	64,818	27,464	43,432	29,058	35,967	24%
Goulburn Valley Water	34,108	20,433	25,851	18,679	22,219	19%
Wyong	68,237	38,746	93,415	26,369	26,359	0%
Coliban Water	39,741	27,991	23,391	14,317	14,100	-2%
Central Highlands Water	30,035	38,427	39,110	42,292	41,378	-2%
Gosford	64,650	73,495	45,149	46,890	40,543	-14%
Gippsland Water	37,876	53,356	38,748	53,104	44,955	-15%
Townsville			52,129	41,787	24,704	-41%
Toowoomba				44,291	19,743	-55%
P&W (Darwin)	63,837	51,122	57,102	63,673	25,172	-60%

### 20,000–50,000 group

Despite significant variation in the results for this group, the average capital expenditure in real terms remained consistent with 2012–13 (Table 5.4) while the median was down 9%.

Of the eight utilities reporting reductions in 2013–14, MidCoast Water again recorded the largest decrease in expenditure, with a reduction of 49% off the back of a 74% reduction in 2012–13. This decrease was driven in part by the completion of a \$22 million recycled water programme to deliver water to Hawks Nest, Tuncurry, Bulahdelah, and Harrington (MidCoast Water 2014: 5).

Completion of reticulated sewer systems servicing the townships of Tungamah, Milawa, Oxley, and Glenrowan drove a 47% decrease in North East Water's capital expenditure (North East Water 2014: 18). This drop comes after a 162% increase in 2012–13.

Of the utilities reporting growth in expenditure, Tamworth and East Gippsland Water reported the largest increases in this group. A 59% increase for Tamworth was driven by upgrade works at the Westdale Wastewater Treatment Plant and the renewal and replacement of infrastructure associated with pumping stations (Tamworth 2014: 67). The 49% increase reported by East Gippsland Water was attributed to the completion of a major upgrade to a key section of its water supply pipeline into Bairnsdale (East Gippsland Water 2014: 2) and Stage 1 of an upgrade to the Metung Wastewater Treatment Plant (East Gippsland Water 2014: 3).

Despite a 47% reduction in water supply capital expenditure resulting from the completion of the Southern Seawater Desalination Plant, a 92% increase in sewerage expenditure saw Water Corporation (Mandurah) report a modest 5% reduction in total expenditure for the year.

**Table 5.4 F16, 2009–10 to 2013–14 (\$000), for utilities with 20,000–50,000 connected properties**

Utility	2009–10	2010–11	2011–12	2012–13	2013–14	% change from 2012–13
Tamworth	57,923	32,575	10,612	13,003	20,631	59%
East Gippsland Water	23,897	12,818	11,157	6,650	9,889	49%
Wagga Wagga (S)	12,641	5,918	6,479	3,696	4,720	28%
Coffs Harbour	21,617	9,462	6,936	8,711	10,306	18%
GWMWater	6,447	9,488	16,284	14,130	15,876	12%
Shoalhaven	46,914	18,519	27,592	21,523	23,675	10%
Riverina Water (W)	7,379	9,228	6,282	5,674	6,180	9%
Lower Murray Water	45,516	12,655	10,804	9,410	9,587	2%
Mackay Water	40,748	50,209	45,437	47,173	47,086	0%
Wide Bay Water		16,891	27,109	18,144	17,705	-2%
Albury		4,677	2,569	5,941	5,745	-3%
Tweed	102,041	8,547	38,527	13,643	13,080	-4%
WC (Mandurah)	46,968	39,587	27,630	23,383	22,261	-5%
Fitzroy River Water	57,049	42,434	36,794	30,220	28,591	-5%
Clarence Valley	28,771	12,840	31,333	12,057	10,846	-10%
Wannon Water	35,229	12,144	28,309	22,069	14,814	-33%
Port Macquarie Hastings	23,122	19,162	13,487	13,889	8,906	-36%
North East Water	11,191	11,141	13,925	36,466	19,328	-47%
MidCoast Water	45,814	27,540	83,646	21,919	11,284	-49%

### 10,000–20,000 group

This group reported the largest variations in net change in capital expenditure. Across the group an average 34% (33% excluding single service utilities) growth in capital expenditure was reported. This average is, however, dominated by three very large increases reported by Queanbeyan, Water Corporation (Kal–Boulder), and Orange (Table 5.5).

Queanbeyan's increase in capital expenditure was driven by a major sewage treatment plant upgrade (Queanbeyan 2014: 59) and repairs to the Morisset St pump station (Queanbeyan 2014: 63). The significant cost of these works and a 2012–13 capital expenditure that was almost one quarter of the long-term average for the council, combined to yield a 687% increase.

Like Queanbeyan, a 269% increase in Orange's expenditure resulted from a combination of below long-term average expenditure in 2012–13 and increased expenditure on projects such as the Macquarie River pipeline (Orange 2014: 20).

Water Corporation (Kal–Boulder) reported the largest net change in expenditure of the single service utilities. Its 331% increase in expenditure was attributed to expenditure relating to the Mundaring Water Treatment Plant.

**Table 5.5 F16, 2009–10 to 2013–14 (\$000), for utilities with 10,000–20,000 connected properties<sup>1</sup>**

Utility	2009–10	2010–11	2011–12	2012–13	2013–14	% change from 2012–13
Queanbeyan	1,881	1,089	2,315	902	7,092	687%
WC (Kal–Boulder) (W)	47,299	39,678	24,288	20,325	87,504	331%
Orange	4,947	5,389	4,493	7,621	28,117	269%
Bega Valley	5,446	23,634	6,989	4,427	8,166	84%
WC (Albany)	6,147	12,622	10,218	6,068	8,029	32%
South Gippsland Water	13,602	9,451	12,682	7,544	9,843	30%
Eurobodalla	26,674	19,867	17,426	6,805	6,742	–1%
Bathurst	3,476	3,672	6,032	6,833	6,621	–3%
Busselton (W)	2,331	3,582	6,319	1,634	1,577	–3%
Kempsey	12,427	6,781	3,831	6,950	6,507	–6%
WC (Bunbury) (S)	7,676	4,212	5,326	10,169	9,029	–11%
Goulburn Mulwaree	6,556	35,254	13,683	4,417	3,843	–13%
P&W (Alice Springs)	12,131	9,061	10,245	11,727	9,692	–17%
Byron	31,432	6,198	1,450	2,518	1,951	–23%
WC (Busselton) (S)				23,215	17,939	–23%
Essential Energy	30,237	7,634	4,316	5,484	4,105	–25%
Aqwest–Bunbury (W)	7,459	3,650	4,136	3,877	2,819	–27%
WC (Geraldton)	21,371 <sup>1</sup>	13,712	8,697	12,954	8,216	–37%
Dubbo	7,651	6,222	5,694	7,544	4,474	–41%
Lismore	7,942	6,560	12,223	9,032	4,946	–45%
WC (Australind–Eaton)			29,603	6,961	3,398	–51%
Kal–Boulder (S)	198	2,582	1,789	1,604	764	–52%
Ballina	8,932	16,554	32,161	28,393	10,894	–62%
Westernport Water	3,332	5,141	12,125	13,065	3,413	–74%
Wingecarribee	17,781	7,291	18,430	14,150	2,918	–79%
Gympie					6,458	

**Table notes**

<sup>1</sup> In 2010–11, Water Corporation (Geraldton) began providing both water and sewerage services; prior to 2010–11 it provided only water services.

## 5.2 F28—Water supply capital expenditure (\$/property) and F29—Sewerage capital expenditure (\$/property)

### 5.2.1 Introduction

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

In 2013–14, the national median per property capital expenditure on water and sewerage services decreased by 19% (Table 5.6). This result reflects the percentage decreases reported by over two thirds of the utilities in the reporting year.

**Table 5.6 Overview of results: F28 and F29 (\$/property)<sup>1</sup>**

Size group	Range		Number of utilities with increase/decrease from 2012–13		Median		% change in the median from 2012–13
	High	Low	Increase	Decrease	2012–13	2013–14	
100,000+ connected properties	623 Barwon Water	193 Gold Coast Water	2	11	512 <sup>†</sup>	360 <sup>†</sup>	-30%
50,000–100,000 connected properties	764 Gippsland Water	235 Central Highlands Water	3	8	557	478	-14%
20,000–50,000 connected properties	1,181 Mackay Water	254 Albury	6	11	561	482	-14%
10,000–20,000 connected properties	1,638 Orange	178 Wingecarribee	5	14	477	427	-10%
All size groups (national)	1,638 Orange	178 Wingecarribee	16	44	525 <sup>†</sup>	427 <sup>†</sup>	-19%

**Table notes**

<sup>1</sup> Total water and sewerage capital expenditure (\$/property) is calculated using all utilities who reported data for F28 and F29 in both 2012–13 and 2013–14.

<sup>†</sup> As a result of changes to reporting boundaries for SA Water, the 2012–13 total water and sewerage capital expenditure (\$/property) uses data for metropolitan Adelaide and country SA, while the 2013–14 figure uses whole of SA Water data.

## 5.2.2 Results and analysis

### 100,000+ group

Repeating the trend of 2012–13, only two utilities in this group reported increases in their capital expenditure on a per property basis in 2013–14. A 19% increase by South East Water was driven by a 31% growth (\$60 per property) in sewerage-related capital expenditure but offset by an 11% (\$8 per property) reduction in water capital expenditure, resulting in a net increase of \$52 per property (Table 5.7).

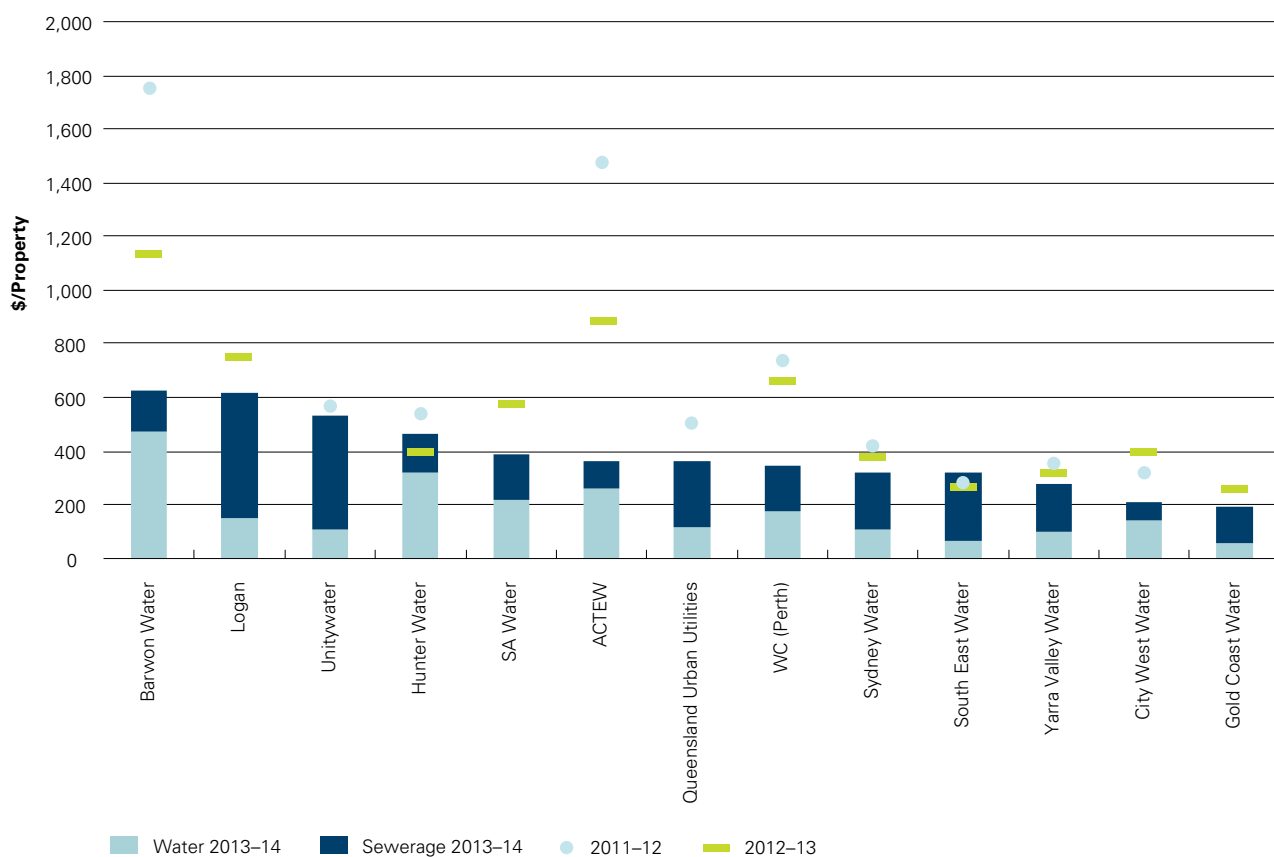
ACTEW reported the largest percentage (60%) and dollar (\$532) decreases per property, followed, on a percentage basis, by Water Corporation (Perth) (48%) and City West Water (47%). The decreases reported by ACTEW and Water Corporation (Perth) were the result of decreases in both water supply and sewerage capital expenditure, while City West Water's decrease was due to a 56% decrease in water capital expenditure.

**Table 5.7 F28 and F29, 2009–10 to 2013–14 (\$/property), for utilities with 100,000+ connected properties**

Utility	2009–10	2010–11	2011–12	2012–13	2013–14	% change from 2012–13
South East Water	251	326	282	265	317	19%
Hunter Water	817	790	541	400	469	17%
Unitywater		626	563	568	529	-7%
Sydney Water	465	353	354	324	278	-14%
Yarra Valley Water	793	432	426	377	323	-14%
Logan	651			757	616	-19%
Gold Coast Water	645			265	193	-27%
Queensland Urban Utilities		406	511	512	360	-30%
SA Water				576 <sup>†</sup>	390 <sup>†</sup>	-32%
Barwon Water	799	1,433	1,754	1,136	623	-45%
City West Water	359	333	319	400	212	-47%
WC (Perth)	1,310	952	736	664	344	-48%
ACTEW	1,382	1,684	1,475	893	361	-60%

**Table notes**

<sup>†</sup> As a result of changes to reporting boundaries for SA Water the 2012–13 total water and sewerage capital expenditure (\$/property) uses data for metropolitan Adelaide and country SA while the 2013–14 figure uses whole of SA Water data.



**Figure 5.2 F28 and F29, 2011–12 to 2013–14 (\$/property), for utilities with 100,000+ connected properties**



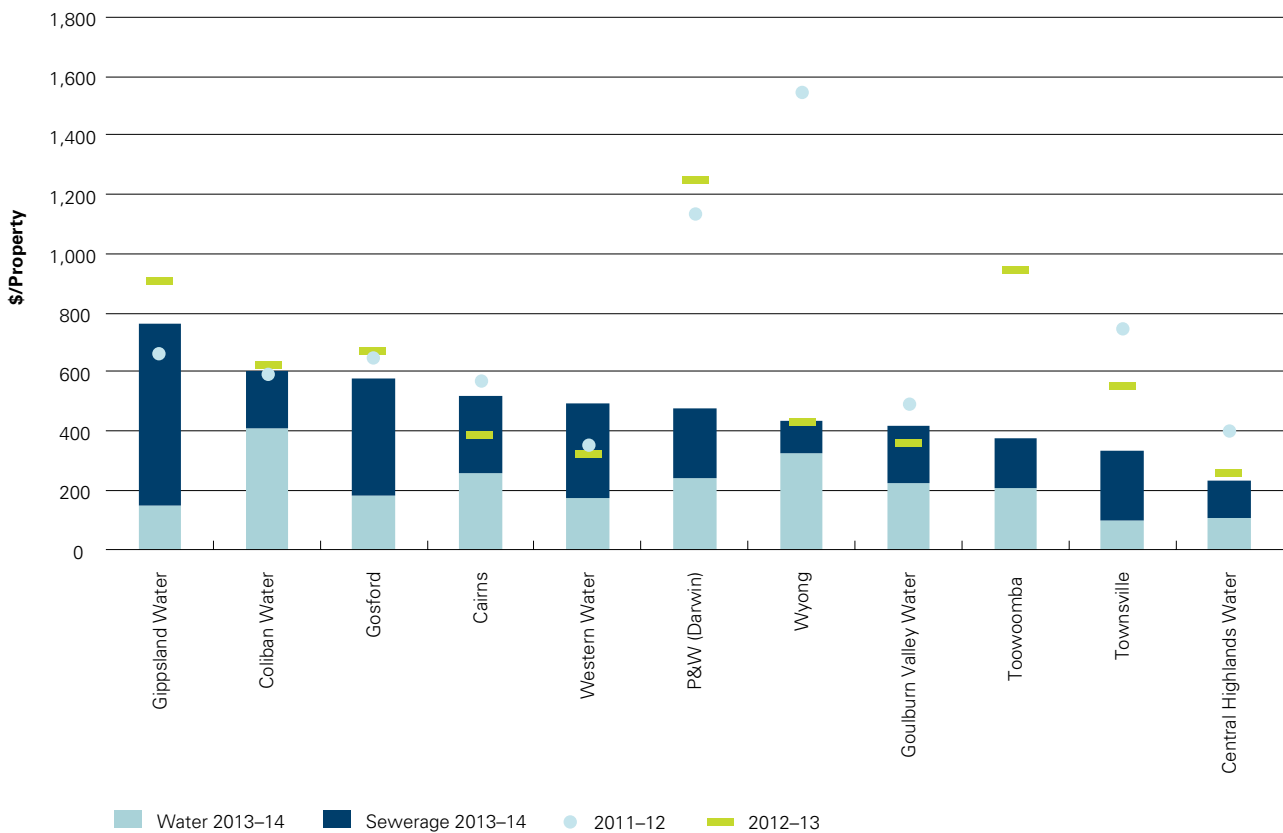
## 50,000–100,000 group

In this group, eight utilities reported decreased capital expenditure. Power and Water (Darwin) reported the largest decrease on a percentage and dollar basis, recording a \$778 reduction per property as a result of a significant decrease in water supply and sewerage capital expenditure (Table 5.8).

Three utilities reported increases in capital expenditure on a per property basis; the largest was reported by Western Water, which recorded a 51% growth due to increases in both water supply and sewerage capital expenditure.

**Table 5.8 F28 and F29, 2009–10 to 2013–14 (\$/property), for utilities with 50,000–100,000 connected properties**

Utility	2009–10	2010–11	2011–12	2012–13	2013–14	% change from 2012–13
Western Water	732	579	348	327	492	51%
Cairns	872	375	569	382	521	37%
Goulburn Valley Water	669	395	491	359	422	17%
Wyong	1,143	644	1,544	439	431	-2%
Coliban Water	471	615	595	622	603	-3%
Central Highlands Water	667	490	404	254	235	-8%
Gosford	926	1,054	652	675	576	-15%
Gippsland Water	665	954	664	910	764	-16%
Townsville			744	557	335	-40%
Toowoomba				952	376	-61%
P&W (Darwin)	1,312	1,064	1,138	1,256	478	-62%



**Figure 5.3 F28 and F29, 2011–12 to 2013–14 (\$/property), for utilities with 50,000–100,000 connected properties**

## 20,000–50,000 group

In this group, eight utilities (six excluding single service providers) reported an increase in their capital expenditure in 2013–14. Tamworth reported the largest increase of \$387 per property. This increase was driven by a 59% growth in water supply expenditure and an even more significant 309% increase in sewerage capital expenditure on a property basis. As noted in Chapter 5, section 1.2, this was as a result of upgrade works and replacement of infrastructure (Table 5.9).

Of the remaining utilities in this size group ten decreased their capital expenditure on a per property basis; while Lower Murray Water remained unchanged at \$314 per property. North East Water and MidCoast Water reported the largest percentage decreases, both recording a 49% reduction.

**Table 5.9 F28 and F29, 2009–10 to 2013–14 (\$/property), for utilities with 20,000–50,000 connected properties**

Utility	2009–10	2010–11	2011–12	2012–13	2013–14	% change from 2012–13
Tamworth	3,091	1,714	528	624	1,011	62%
East Gippsland Water	1,165	659	573	329	482	47%
Fitzroy River Water		1,042	722	589	749	27%
Wagga Wagga (S)	503	234	256	142	180	27%
Coffs Harbour	935	396	294	365	434	19%
Riverina Water (W)	258	316	214	193	209	8%
GWMWater	228	348	593	488	525	8%
Shoalhaven	1,107	2,353	659	510	537	5%
Lower Murray Water	1,671	448	365	314	314	0%
Mackay Water	1,085	1,267	1,168	1,183	1,181	0%
WC (Mandurah)	1,465	1,045	962	753	735	-2%
Albury		214	112	263	254	-3%
Tweed	3,295	272	1,240	446	418	-6%
Wide Bay Water		477	779	561	524	-7%
Clarence Valley	1,930	776	2,100	770	694	-10%
Port Macquarie Hastings	862	689	472	490	317	-35%
Wannon Water	927	322	764	606	388	-36%
North East Water	255	249	306	830	422	-49%
MidCoast Water	1,292	787	2,279	599	303	-49%

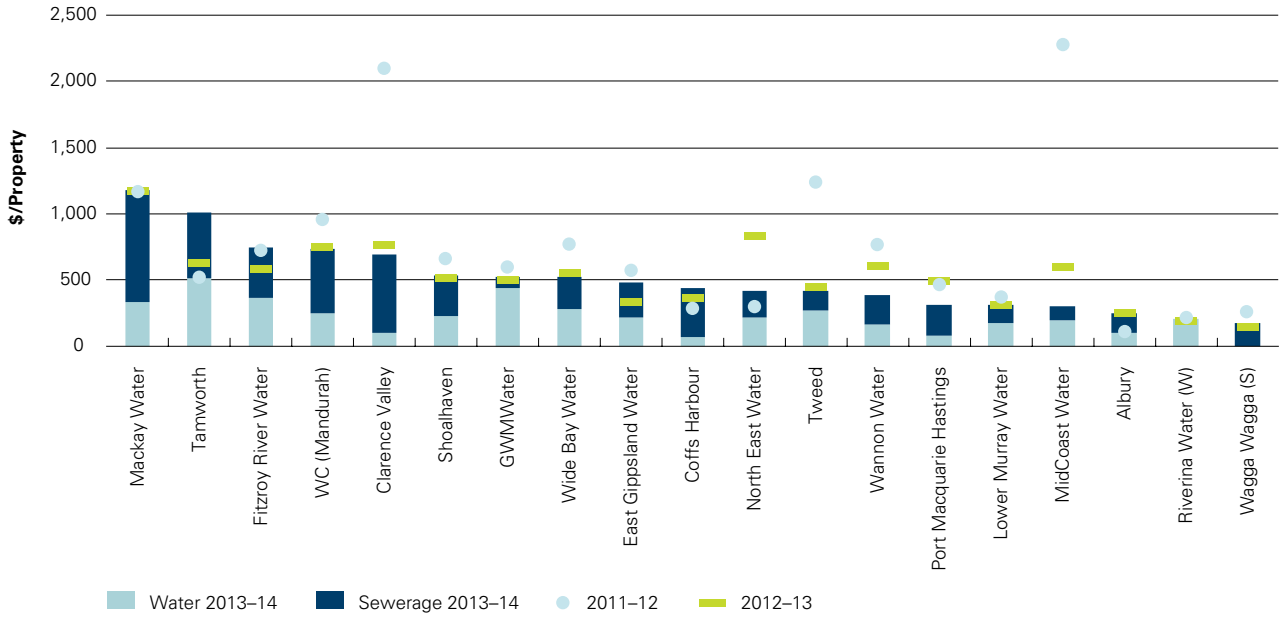


Figure 5.4 F28 and F29, 2011-12 to 2013-14 (\$/property), for utilities with 20,000-50,000 connected properties

## 10,000–20,000 group

In the 10,000–20,000 connected properties group, Water Corporation (Kal–Boulder) reported the highest increase in capital expenditure of \$4,637, equal to a 325% increase since 2012–13 (Table 5.10). The large increase from the previous year is due to commissioning of works associated with the Mundaring Water Treatment Plant. This was also the most significant dollar change in capital expenditure across all size groups. In percentage terms, however, Queanbeyan reported the largest increase of all utility groups with a reported growth in expenditure of 672%, equal to \$372 per property.

**Table 5.10 F28 and F29, 2009–10 to 2013–14 (\$/property), for utilities with 10,000–20,000 connected properties**

Utility	2009–10	2010–11	2011–12	2012–13	2013–14	% change from 2012–13
Queanbeyan	117	68	145	55	427	672%
WC (Kal–Boulder) (W)	3,399	2,825	1,721	1,428	6,065	325%
Orange	309	331	271	452	1,638	262%
Bega Valley	401	1,718	510	339	637	88%
South Gippsland Water	808	557	746	432	577	34%
WC (Albany)	473	1,075	872	477	636	33%
Eurobodalla	1,412	1,077	957	368	364	–1%
Bathurst	236	245	400	451	427	–5%
Busselton (W)	216	324	556	141	131	–7%
Kempsey	1,194	598	359	616	554	–10%
WC (Bunbury) (S)	502	267	328	613	536	–12%
P&W (Alice Springs)	1,077	803	909	1,059	877	–17%
Goulburn Mulwaree	654	3,323	1,277	450	368	–18%
Byron	3,100	593	138	236	183	–23%
WC (Busselton) (S)				2,200	1,653	–25%
Essential Energy	2,895	744	421	538	398	–26%
Aqwest–Bunbury (W)	466	228	258	234	169	–28%
WC (Geraldton)	1,290	826	545	792	558	–30%
Dubbo	468	393	355	458	272	–41%
Lismore	625	505	954	695	368	–47%
Kal–Boulder (S)	14	175	119	96	48	–50%
WC (Australind–Eaton)			2,895	816	367	–55%
Ballina	679	1,210	2,399	2,064	773	–63%
Westernport Water	234	355	846	843	228	–73%
Wingecarribee	1,184	465	1,217	926	178	–81%
Gympie					546	

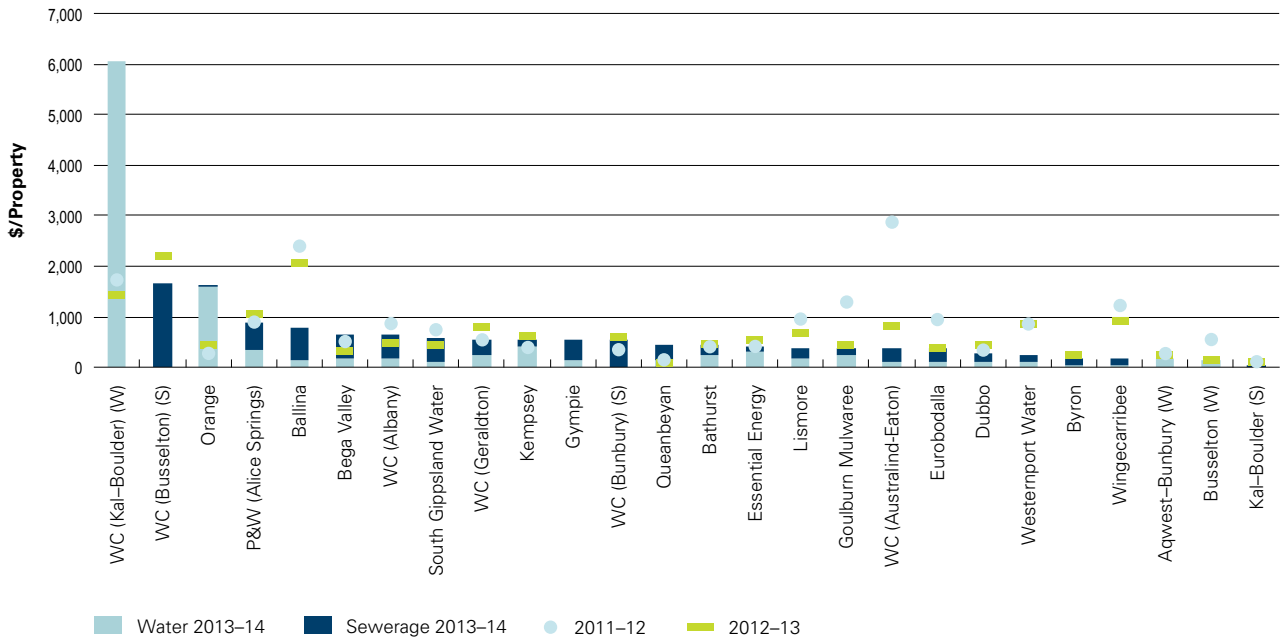


Figure 5.5 F28 and F29, 2011–12 to 2013–14 (\$/property), for utilities with 10,000–20,000 connected properties

### 5.3 F11—Operating cost—water (\$/property), F12—Operating cost—sewerage (\$/property), and 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);
- input cost escalation (for example, the costs of fuel, chemical, 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.

This chapter includes charts with 9-year time series and tables with 5-year time series. The charts show the total water operating cost per property (Indicator F11) and the total sewerage operating cost per property (F12); that is, they show straight additions of the two indicators. The tables (including the overview of results) are based on F13 (combined operating cost for the reporting utilities that provide both reticulated water supply and sewerage services), which is sometimes not 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.

Because economies of scale are possible, operating expenditure per property usually falls as the size of the utility increases, but has been increasing in recent years, particularly for larger utilities.

The national 2013–14 median operating expenditure (on a per property basis for utilities delivering both water and sewerage services) was \$891 (Table 5.11; Figure 5.6). This figure equates to an increase of less than 1% in real terms and is less than a quarter of the National Performance Report long-term (9 years) data observed average growth in the median, which sits at 4%.

In a reversal of the 2012–13 results, the 100,000+ connected properties group was the only group to report an increase in median operating expenditure. All other groups recorded decreases in their medians. Nationally, 32 utilities across all groups reported decreases in their median operating expenditure per property, while 28 recorded increases. Westernport Water had the lowest operating costs of all reporting utilities while Power and Water (Alice Springs) had the highest.

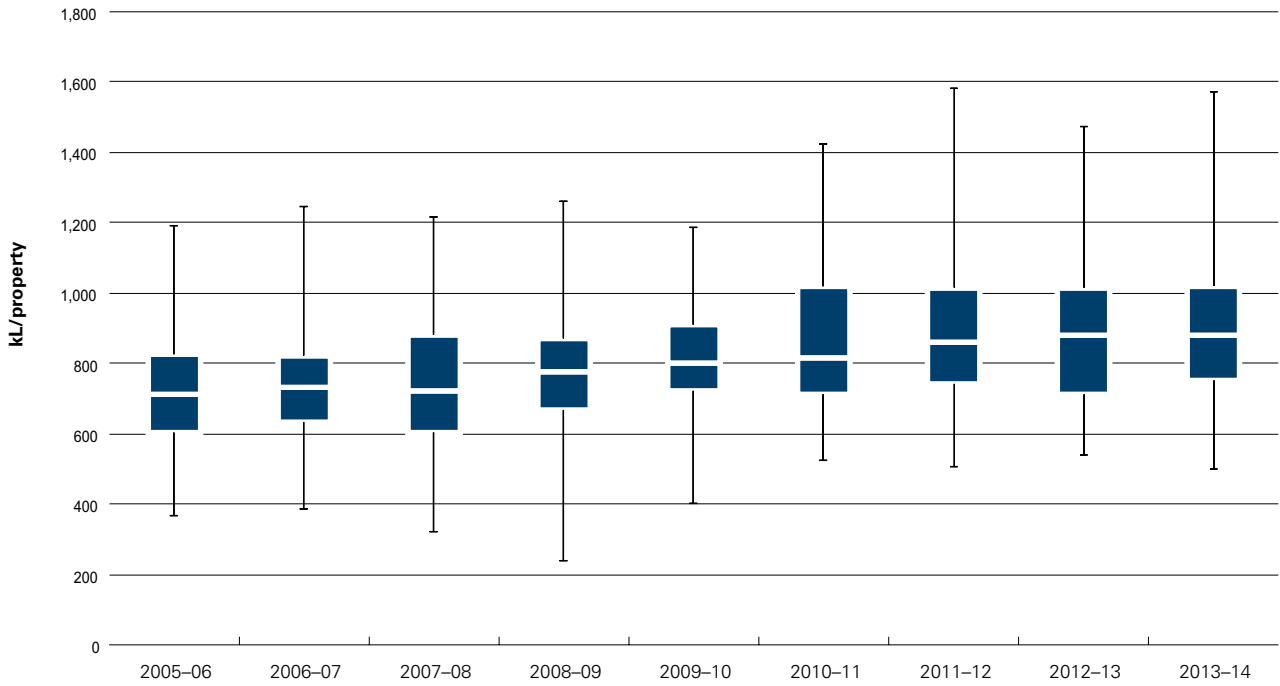
**Table 5.11 Overview of results: F13—Combined operating cost—water and sewerage (\$/property)<sup>1</sup>**

Size group	Range		Number of utilities with increase/decrease from 2012–13		Median		% change in the median from 2012–13
	High	Low	Increase	Decrease	2012–13	2013–14	
100,000+ connected properties	1,186 City West Water	570 Hunter Water	9	4	713 <sup>†</sup>	937 <sup>†</sup>	31%
50,000–100,000 connected properties	1,204 Gippsland Water	636 Toowoomba	3	8	819	790	–4%
20,000–50,000 connected properties	1,475 Mackay Water	564 Fitzroy River Water	9	8	893	880	–2%
10,000–20,000 connected properties	1,699 P&W (Alice Springs)	471 Westernport Water	7	12	1,060	988	–7%
All size groups (national)	1,699 P&W (Alice Springs)	471 Westernport Water	28	32	887 <sup>†</sup>	891 <sup>†</sup>	0%

**Table notes**

<sup>1</sup> Combined operating cost—water and sewerage (\$/property) is calculated using F11, F12, and F13 data from utilities who reported in both 2012–13 and 2013–14.

<sup>†</sup> As a result of changes to reporting boundaries for SA Water the 2012–13, operating costs for water and sewerage on a \$/property basis uses data for metropolitan Adelaide and country SA while the 2013–14 figure uses whole of SA Water data.



**Figure 5.6 Summary of results: F13—Combined operating cost—water and sewerage (\$/property)**

## 5.3.2 Results and analysis

### 100,000+ group

With a median operating cost of \$937 per property, this group reported an average increase of 9% from 2012–13. Additionally, across this group the water component of operating costs was higher than the sewerage component for all utilities, comprising on average almost two thirds of the combined costs (Table 5.12).

The increase was driven by large operating cost increases for the three Victorian major metropolitan utilities (South East Water, Yarra Valley Water, and City West Water). Bulk water charges paid to Melbourne Water by the metropolitan retailers represent the most significant component of their operating cost. Significant increases in bulk water prices, primarily associated with the cost of Victoria’s desalination plant and the impact of the 2012–13 bulk water price freeze imposed on Melbourne Water by the Victorian Government, has driven the reported increases.

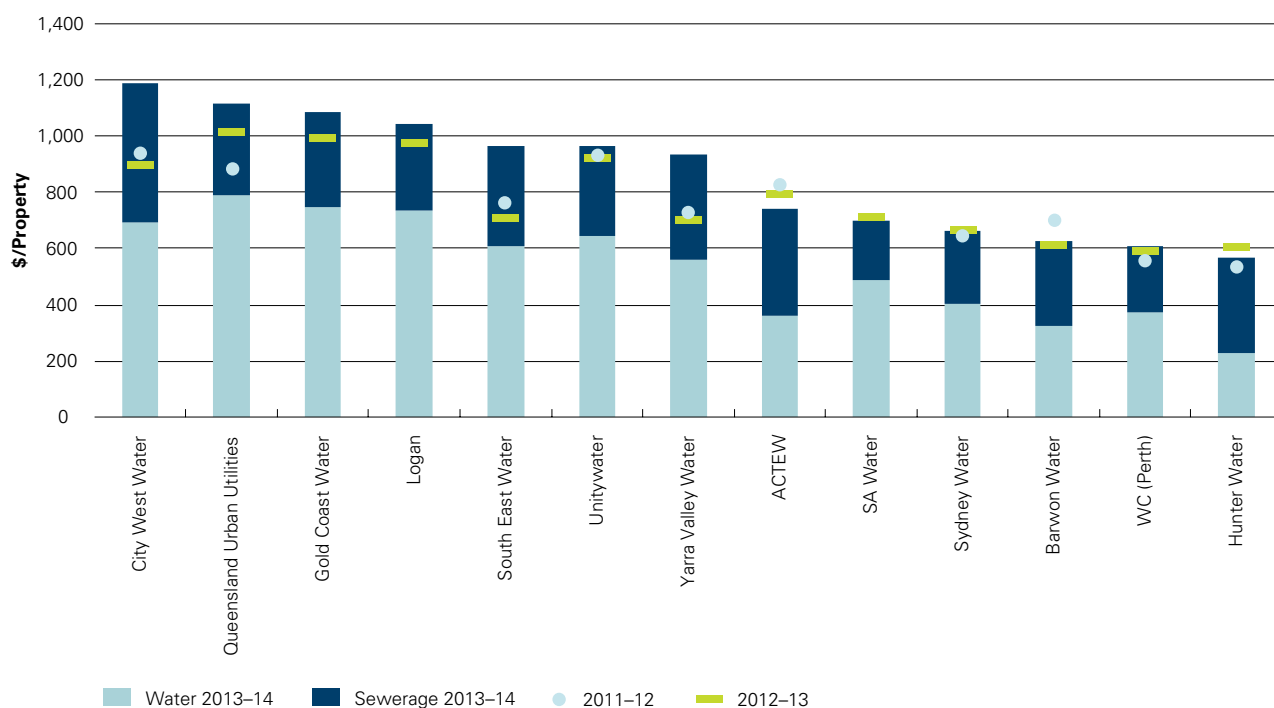
South East Water and Yarra Valley Water each reported a 36% and a 33% increase respectively in operating costs, despite achieving significant reductions against their 2013–14 operating budgets (South East Water 2014: 9; Yarra Valley Water 2014: 4). City West Water reported the highest operating cost in this size group (\$1,186) and attributed its increase of 32% to increases in the bulk water price and higher-than-forecast bulk water purchases and sewage transfers (City West Water 2014: 14).

**Table 5.12 F13, 2009–10 to 2013–14 (\$/property), for utilities with 100,000+ connected properties**

Utility	2009–10	2010–11	2011–12	2012–13	2013–14	% change from 2012–13
South East Water	605	653	761	711	967	36%
Yarra Valley Water	620	598	728	705	937	33%
City West Water	746	797	937	898	1,186	32%
Queensland Urban Utilities		778	884	1,014	1,113	10%
Gold Coast Water	930			993	1,084	9%
Logan	825			971	1,046	8%
Unitywater		856	930	920	964	5%
WC (Perth)	530	520	557	590	585	-1%
Barwon Water	664	644	700	612	629	3%
Sydney Water	616	622	646	675	665	-1%
SA Water				713 <sup>†</sup>	696 <sup>†</sup>	-2%
Hunter Water	549	552	539	608	570	-6%
ACTEW	786	756	825	796	740	-7%

**Table note**

<sup>†</sup> As a result of changes to reporting boundaries for SA Water the 2012–13, operating costs for water and sewerage on a \$/property basis uses data for metropolitan Adelaide and country SA, while the 2013–14 figure uses whole of SA Water data.



**Figure 5.7 F13, 2011–12 to 2013–14 (\$/property), for utilities with 100,000+ connected properties**



## 50,000–100,000 group

Despite an average 1% decrease in median operating costs for this group, Townsville and Toowoomba both reported significant increases in operating costs (Table 5.13, Figure 5.8).

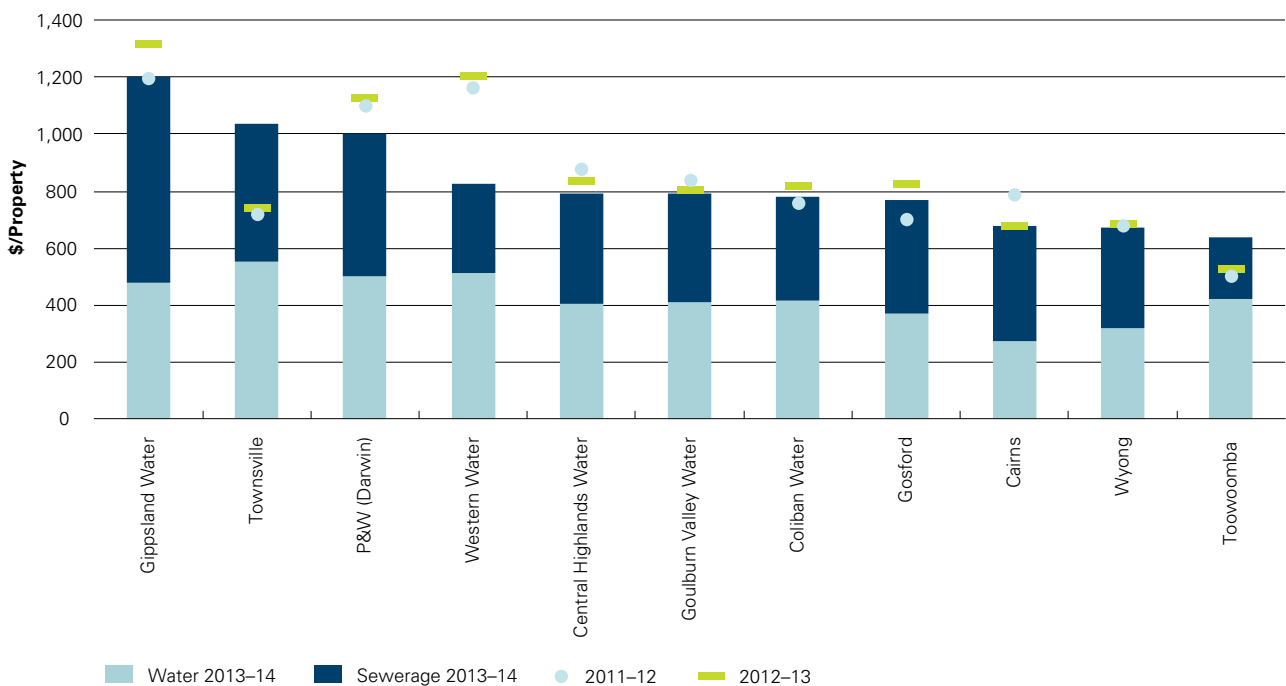
A 39% increase in operating cost for Townsville was attributed to increased electricity and insurance charges (Townsville 2014: 78), while Toowoomba's 21% increase was a result of a \$4.3 million increase in the Wivenhoe bulk water access charges, as well as increases in electricity and chemical costs (Toowoomba 2014: 73).

Reporting the largest percentage decrease of the group, Western Water's 32% (or \$109 per property) reduction in operating costs was primarily attributed to a decrease in the volume of bulk water purchased from Melbourne Water (Western Water 2014: 39).

While still leading the group on absolute costs, Gippsland Water achieved a 9% reduction in 2013–14, following two successive years of increases.

**Table 5.13 F13, 2009–10 to 2013–14 (\$/property), for utilities with 50,000–100,000 connected properties**

Utility	2009–10	2010–11	2011–12	2012–13	2013–14	% change from 2012–13
Townsville			718	743	1,034	39%
Toowoomba			501	527	636	21%
Cairns	720	765	783	677	679	0%
Wyong	796	804	679	682	673	-1%
Goulburn Valley Water	768	770	835	803	790	-2%
Coliban Water	753	647	756	819	783	-4%
Central Highlands Water	808	545	875	838	794	-5%
Gosford	738	642	703	827	771	-7%
Gippsland Water	874	1,423	1,194	1,318	1,204	-9%
P&W (Darwin)	958	1,033	1,100	1,127	1,005	-11%
Western Water	1,014	1,078	1,162	1,208	826	-32%



**Figure 5.8 F13, 2010–11 to 2013–14 (\$/property), for utilities with 50,000–100,000 connected properties**

## 20,000–50,000 group

This group recorded the smallest change in median combined operational costs per property (2%) across all groups. The group also reported an average reduction across the group of just under 2%.

As a result of a successful process of ongoing continuous improvement, Wide Bay Water reported its second year-on-year reduction in operational costs. Combined costs on a per property basis were down by 26% to \$305 (Table 5.14; Figure 5.9).

Mackay Water reported the largest increase in operating costs. A 14% increase after a year of little growth in 2012–13 placed it well above the national median of \$902.

**Table 5.14 F13, 2009–10 to 2013–14 (\$/property), for utilities with 20,000–50,000 connected properties**

Utility	2009–10	2010–11	2011–12	2012–13	2013–14	% change from 2012–13
Mackay Water	911	1,101	1,231	1,297	1,475	14%
East Gippsland Water	763	988	837	881	931	6%
North East Water	777	786	861	754	796	6%
WC (Mandurah)	621	646	628	612	646	5%
GWMWater	902	899	892	893	937	5%
Tamworth	869	840	960	972	1,007	4%
Port Macquarie Hastings	748	731	741	850	880	3%
Tweed	894	876	862	913	928	2%
Coffs Harbour	870	883	897	998	1,006	1%
Lower Murray Water	632	779	742	612	602	-2%
Wagga Wagga (S)	278	313	386	424	417	-2%
Shoalhaven	777	790	768	766	752	-2%
Wannon Water	978	1,018	1,094	983	961	-2%
MidCoast Water	811	872	1,015	947	902	-5%
Clarence Valley	746	811	861	928	875	-6%
Albury	726	746	775	786	735	-6%
Fitzroy River Water	662	595	678	649	564	-13%
Riverina Water (W)	349	359	335	397	342	-14%
Wide Bay Water		1,019	1,362	1,177	872	-26%

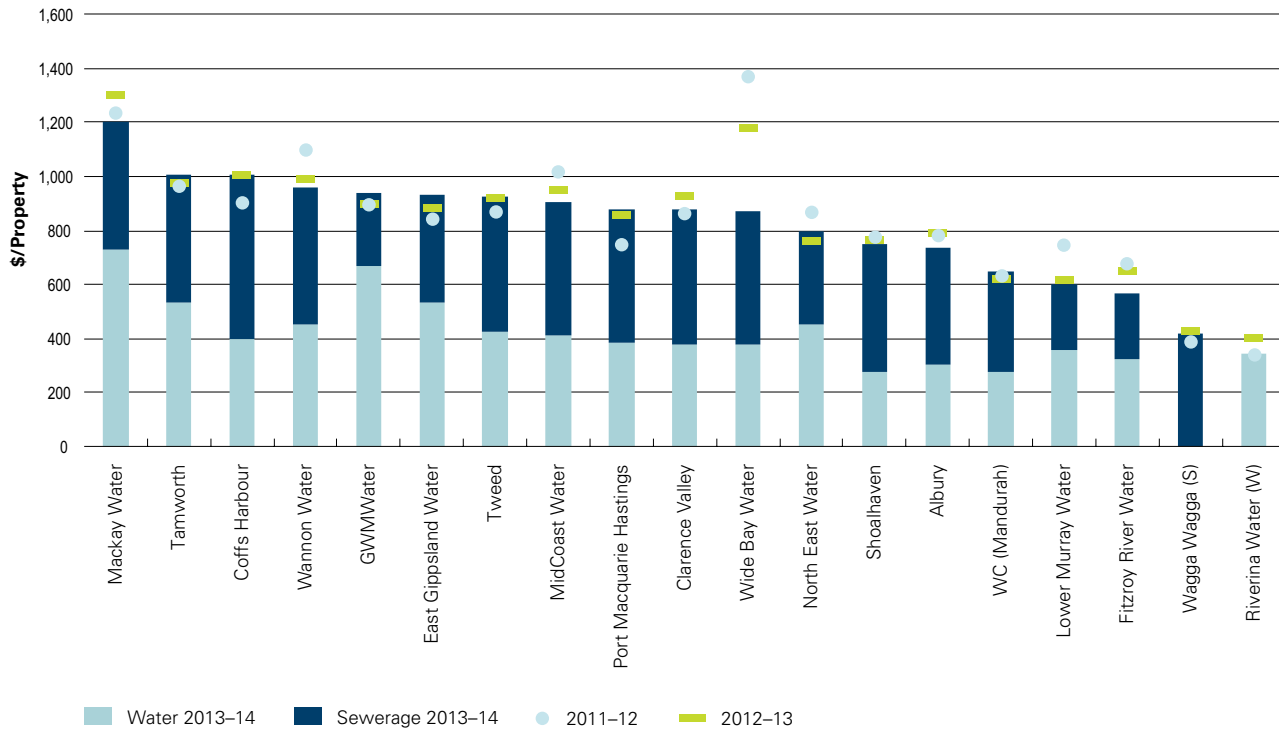


Figure 5.9 F13, 2010-11 to 2013-14 (\$/property), for utilities with 20,000-50,000 connected properties

## 10,000–20,000 group

With a 7% decrease in the median, this group reported a 3% average reduction in combined operating costs (analysis excludes single service utilities and Gympie, which reported for the first time in 2013–14).

While once again reporting the highest combined operating costs on a per property basis across all groups, Power and Water (Alice Springs) achieved a \$367 reduction in real terms, translating to a significant 18% decrease (Table 5.15; Figure 5.10). Higher operating costs for Power and Water (Alice Springs) are driven by the geographical isolation of the communities it serves, the climatic extremes in which it operates, and the high demand placed on its services by its customers.

**Table 5.15 F13, 2009–10 to 2013–14 (\$/property), for utilities with 10,000–20,000 connected properties**

Utility	2009–10	2010–11	2011–12	2012–13	2013–14	% change from 2012–13
WC (Busselton) (S)				634	796	26%
Wingecarribee	748	696	771	793	906	14%
WC (Kal–Boulder) (W)	1,445	1,201	1,255	1,318	1,436	9%
Queanbeyan	1,145	1,207	1,244	1,243	1,331	7%
Orange	644	814	676	710	757	7%
Essential Energy	1,186	1,500	1,761	1,508	1,600	6%
Eurobodalla	865	919	1,014	939	988	5%
Dubbo	883	883	784	838	853	2%
Byron	1,155	1,121	1,169	1,247	1,254	1%
WC (Bunbury) (S)	418	475	457	418	420	0%
Bathurst	859	902	874	958	948	–1%
Lismore	946	1,023	1,084	1,094	1,082	–1%
Bega Valley	1,177	1,244	1,312	1,261	1,240	–2%
Kempsey	892	1,027	973	1,060	1,024	–3%
Goldenfields Water (R)	465	567	559	665	642	–4%
Ballina	1,153	1,158	1,225	1,335	1,285	–4%
South Gippsland Water	1,155	1,045	1,155	1,069	1,025	–4%
Goulburn Mulwaree	848	762	818	828	786	–5%
WC (Geraldton)	394	886	815	926	686	–26%
WC (Albany)	970	907	938	852	665	–22%
Kal–Boulder (S)	225	246	250	236	217	–8%
Aqwest–Bunbury (W)	350	392	383	510	438	–14%
Busselton (W)	415	387	437	523	440	–16%
P&W (Alice Springs)	1,384	1,398	1,615	2,066	1,699	–18%
WC (Australind–Eaton)			867	1,159	771	–33%
Westernport Water	643	627	654	678	471	–31%
Gympie					877	

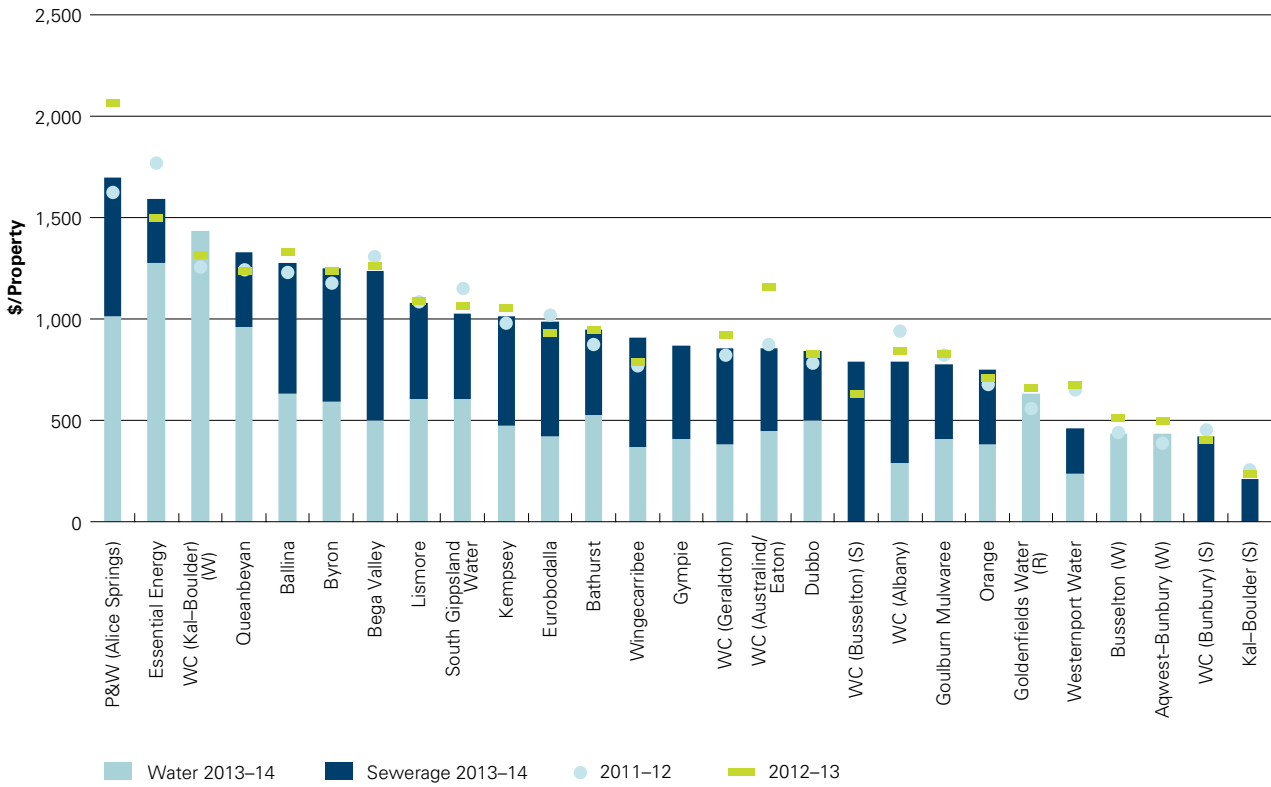


Figure 5.10 F13, 2010-11 to 2013-14 (\$/property), for utilities with 10,000-20,000 properties

## 5.4 F24—Net profit after tax (\$000) and F30—NPAT ratio

### 5.4.1 Introduction

A utility's net profit after tax (NPAT) is simply the NPAT disclosed in its annual financial statements. Net profit is driven by the factors that contribute to a utility's revenue and expenditure, including pricing structures, water restrictions, Government policy, asset condition, climate, and utility size. As with income, NPAT indicators can be highly sensitive to movements in capital grants and contributions, which are treated as income and can change significantly from year to year. NPAT also reflects depreciation but not dividend payments. Because of these factors, it can vary significantly between years and utilities.

The NPAT ratio has been included here to indicate how large a utility's profit is compared with its income, to make it easier to compare utilities. The NPAT ratio is defined as NPAT (Indicator F24) divided by total income for the utility (F3). It can be considered as the utility's net profit margin after tax.

Nationally, the total NPAT for the 60 utilities reporting data for 2012-13 and 2013-14 was up 18%, equating to just under \$336 million (Table 5.16; Table 5.17). The most significant changes to NPAT was in the 10,000-20,000 group, which reported a 730% increase.

**Table 5.16 Overview of results: F24 (\$000)<sup>1,2</sup>**

Size group	Range		Number of utilities with increase/decrease from 2012–13		Total		% change in the total from 2012–13
	High	Low	Increase	Decrease	2012–13	2013–14	
100,000+ connected properties	677,763 WC (Perth)	8,123 Barwon Water	9	4	1,668,917	1,903,566	14%
50,000– 100,000 connected properties	69,637 P&W (Darwin)	–5,219 Wyong	6	4	113,301	122,657	8%
20,000– 50,000 connected properties	40,271 Mackay Water	–10,454 GWMWater	10	7	72,500	120,986	67%
10,000–20,000 connected properties	9,307 Orange	–4,596 Kempsey	15	5	5,930	49,219	730%
All size groups (national)	677,763 WC (Perth)	–10,454 GWMWater	40	20	1,860,647	2,196,428	18%

**Table notes**

<sup>1</sup> NPAT totals are calculated using data from all utilities, (dual and single service providers) that have reported NPAT (F24) in both 2012–13 and 2013–14 and therefore excludes TasWater, Toowoomba, Wide Bay and Gympie.

<sup>2</sup> SA Water have always reported indicator F24 at the whole of utility scale.

**Table 5.17 Overview of results: F30 (%)<sup>1,2</sup>**

Size group	Range		Number of utilities with increase/decrease from 2012–13		Total		% change in the total from 2012–13
	High	Low	Increase	Decrease	2012–13	2013–14	
100,000+ connected properties	27 WC (Perth)	4 Barwon Water	8	5	10	13	35%
50,000–100,000 connected properties	39 P&W (Darwin)	–7 Wyong	7	3	3	2	–20%
20,000–50,000 connected properties	44 Fitzroy River Water	–25 GWMWater	10	7	9	8	–1%
10,000–20,000 connected properties	34 Orange	–27 Kempsey	15	5	> –1	10	7,943%
All size groups (national)	44 Fitzroy River Water	–27 Kempsey	40	20	7	9	29%

**Table notes**

<sup>1</sup> NPAT ratios are calculated using data from all utilities (dual and single service providers) that reported NPAT (F24) and Total Revenue (F3) in both 2012–13 and 2013–14 and therefore exclude TasWater, Toowoomba Wide Bay Water and Gympie.

<sup>2</sup> SA Water have always reported Indicator F30 at the whole of utility scale.

## 5.4.2 Results and analysis

### 100,000+ group

Total NPAT for utilities in this group was up by just over 14%. This equated to an increase of almost \$235 million.

Within the group, Hunter Water reported the largest percentage increase in NPAT, with growth of 93% to \$50.3 million (Table 5.18). This result, yielding a NPAT ratio of 17%, was attributed to lower-than-expected depreciation as a result of valuation write downs in the previous year, and lower finance expenses due to favourable interest rates (New South Wales Auditor-General 2014: 65).

South East Water and ACTEW also reported significant increases in their NPAT, recording growth of 66% and 56% respectively (Table 5.18). South East Water's increase was driven by rising retail water sales, developer income, and reduced expenditure on items such as finance charges (South East Water 2014: 8).

ACTEW's 56% increase in NPAT was a result of decreased capital expenditure and operating costs. It should be noted that WC (Perth) reported NPAT on the basis of its entire operation in 2013–14.

**Table 5.18 F24 and F30, 2011–12 to 2012–13, for utilities with 100,000+ connected properties**

Utility	F24 Net profit after tax (\$000)			F30 NPAT ratio (%)		
	2011–12	2012–13	2013–14	2011–12	2012–13	2013–14
WC (Perth)	554,122	520,274	677,763	26%	23%	27%
Logan		40,901	57,597		21%	27%
Sydney Water	385,796	426,389	464,493	14%	17%	18%
Hunter Water	34,844	26,045	50,327	13%	9%	17%
Unitywater	66,901	69,781	86,012	13%	13%	16%
SA Water	233,441	270,844	199,912	17%	18%	15%
ACTEW	29,181	24,835	38,742	10%	8%	13%
Queensland Urban Utilities	138,518	105,879	134,755	15%	11%	13%
TasWater			27,236			10%
South East Water	95,031	56,207	93,123	12%	8%	10%
Yarra Valley Water	63,863	48,736	45,600	8%	6%	5%
Gold Coast Water		20,820	22,041		5%	5%
City West Water	53,173	38,141	25,078	10%	8%	4%
Barwon Water	37,196	20,066	8,123	16%	10%	4%

### 50,000–100,000 group

Townsville, Western Water, and Goulburn Valley Water were the only utilities in this group to report reductions in NPAT (Table 5.19). Power and Water (Darwin) reported the largest increase of 113% (\$39.8 million), which was attributed to the reversal of asset impairment adjustments as well as an increase in water and sewerage revenue resulting from a combination of increased sales and tariff increases (P&W 2014a: 55).

Other notable increases in NPAT were reported by Coliban Water and Gosford. These service providers recorded an \$11.1 million and \$5.8 million increase in NPAT respectively. Coliban Water's increase was driven by an increase in water consumption and temporary water sales as well as reductions in operational expenses, in particular maintenance (Coliban Water 2014: 44).

Townsville reported the largest decrease in NPAT, recording a 69% reduction from 2012–13, which equates to \$49.9 million. This result was driven by a significant 39% increase in operational costs for this utility. On a percentage basis, Western Water reported a 62% decrease in NPAT; however, in dollar terms, this translated to a \$1.8 million decrease for Western Water, which was driven by a 51% increase in combined capital expenditure for its water and water sewerage businesses.

**Table 5.19 F24 (\$000) and F30 (%), 2011–12 to 2013–14, for utilities with 50,000–100,000 connected properties**

Utility	F24 Net profit after tax (\$000)			F30 NPAT ratio (%)		
	2011–12	2012–13	2013–14	2011–12	2012–13	2013–14
P&W (Darwin)	18,237	29,879	69,637	16%	23%	39%
Cairns	25,194	29,440	29,397	20%	22%	24%
Townsville	81,413	72,134	22,238	46%	40%	12%
Central Highlands Water	-4,478	3,967	7,221	-5%	4%	8%
Toowoomba			4,500			5%
Gippsland Water	-4,384	3,230	3,293	-3%	2%	3%
Goulburn Valley Water	-5,002	1,843	1,717	-7%	2%	2%
Western Water	3,874	2,939	1,105	5%	3%	1%
Gosford	-10,503	-7,782	-2,032	-14%	-9%	-2%
Coliban Water	-14,801	-14,056	-4,700	-16%	-14%	-4%
Wyong	-15,926	-8,294	-5,219	-22%	-11%	-7%

### 20,000–50,000 group

Of the 17 utilities in this group, ten reported increases in NPAT and seven reported decreases (Table 5.20). The largest increases were \$15.9 million for Tweed (920%) and \$11.1 million for Port Macquarie Hastings (445%). Tweed's increase was driven by a large increase in developer contributions and a decrease in capital expenditure, while Port Macquarie Hastings in reporting this figure attributed its result primarily to a 36% decrease in capital expenditure.

Other notable increases in NPAT were reported by Clarence Valley (144%) and Albury (104%). These results were both driven by decreases in capital expenditure and operational costs.

The largest percentage decrease in NPAT within the group was reported by Wannon Water, which recorded a 79% reduction (\$5.4 million). This was driven by a decrease in revenue and an increase in total expenditure in 2013–14 (Wannon Water 2014: 10).

In dollar terms, the largest decrease was reported by Mackay Water, for which NPAT decreased just over \$158 million from 2012–13. Mackay Water's decrease was attributed to a 14% increase in operational costs.



**Table 5.20 F24 (\$000) and F30 (%), 2011–12 to 2013–14, for utilities with 20,000–50,000 connected properties**

Utility	F24 Net profit after tax (\$000)			F30 NPAT ratio (%)		
	2011–12	2012–13	2013–14	2011–12	2012–13	2013–14
Fitzroy River Water	19,208	18,636	29,141	26%	24%	44%
Mackay Water	27,219	56,096	40,271	27%	49%	31%
Albury	-1,667	5,228	10,684	-7%	16%	29%
Tamworth	7,152	6,084	11,637	18%	16%	27%
Riverina Water (W)	375	3,862	6,931	2%	15%	26%
Tweed	-478	-1,732	14,196	-1%	-4%	21%
Shoalhaven	11,435	13,116	12,650	19%	20%	20%
Port Macquarie Hastings	3,913	-2,489	8,590	9%	-6%	14%
East Gippsland Water	2,723	2,860	2,818	8%	9%	8%
Wide Bay Water	-553		6,011	-1%		8%
North East Water	-1,759	5,668	3,824	-3%	9%	6%
Clarence Valley	-2,822	-3,874	1,706	-10%	-13%	6%
Wannon Water	3,932	6,800	1,448	5%	9%	2%
Coffs Harbour	1,514	-2,214	-3,197	3%	-5%	-7%
MidCoast Water	27,855	-6,814	-5,351	27%	-10%	-8%
Wagga Wagga (S)	-161	-847	-1,343	-1%	-5%	-8%
GWMWater	-6,388	-24,700	-10,454	-17%	-59%	-25%

### 10,000–20,000 group

This group recorded the most significant year on variation and change in NPAT (Table 5.21) across the four utility groups. Total NPAT for the group increased significantly (730%), equal to a \$4.3 million increase since the 2012–13 year.

The single largest increase in percentage terms across all groups was reported by Wingecarribee, which recorded a 2,198% jump in NPAT as a result of an 81% decrease in capital expenditure. Busselton (W) also posted a significant year-on-year NPAT increase, recording a 432% rise (\$2.3 million) as a result of increased revenue from a number of large developments, increased water consumption in response to a drier year, staff vacancies, and asset revaluation and depreciation.

Essential Energy reported the largest percentage decrease in NPAT within the group, recording an 86% (\$2.57 million) reduction, while Kempsey recorded a 38% drop (\$1.26 million). Both utilities reported that these decreases were a result of increases in capital expenditure and reductions in revenue.

**Table 5.21 F24 (\$000) and F30 (%), 2011–12 to 2013–14, for utilities with 10,000–20,000 connected properties**

Utility	F24 Net profit after tax (\$000)			F30 NPAT ratio (%)		
	2011–12	2012–13	2013–14	2011–12	2012–13	2013–14
Orange	5,112	9,330	9,307	22%	35%	34%
Goldenfields Water (R)	0	2,297	4,069	0%	19%	30%
Goulburn Mulwaree	3,264	5,576	5,972	17%	27%	28%
Busselton (W)	1,209	530	2,821	14%	6%	26%
Dubbo	2,596	6,264	7,340	12%	21%	24%
Gympie			4,543			22%
Kal–Boulder (S)	1,486	1,204	1,599	22%	16%	19%
Bathurst	818	1,996	4,718	4%	9%	18%
Wingecarribee	–3,041	201	4,626	–13%	1%	16%
Queanbeyan	–4,228	–4,092	4,718	–21%	–18%	15%
P&W (Alice Springs)	2,381	–3,803	4,490	9%	–10%	11%
Byron	–534	–3,263	2,036	–3%	–15%	9%
Westernport Water	3,182	1,268	924	14%	6%	5%
Eurobodalla	1,608	–2,341	1,674	5%	–8%	5%
Aqwest–Bunbury (W)	–139	–2,059	361	–1%	–22%	3%
Essential Energy		2,989	420		13%	2%
Ballina	–1,882	–2,760	–54	–8%	–12%	0%
Lismore	–3,039	–535	–151	–15%	–3%	–1%
South Gippsland Water	–1,177	–301	–352	–4%	–1%	–1%
Bega Valley	2,032	–3,240	–702	8%	–13%	–3%
Kempsey	–4,274	–3,333	–4,596	–26%	–19%	–27%

## 5.5 F20—Dividend (\$000) and F21—Dividend payout ratio (%)

### 5.5.1 Introduction

This indicator reports the dividend payable by a utility for the reporting year (not the dividend paid during the year, which relates to the previous year), and the dividend payout ratio (that is, dividend payable divided by NPAT). It gives an indication of the level of funds returned to the Government (as shareholder) or retained by the utility for reinvestment in the business.

The dividend payable by a utility reflects Government dividend policy, pricing policies, the profitability of the utility, and its future cash requirements. It is possible to have a dividend payout ratio of more than 100%, since dividends can be paid from prior years' retained earnings (or even borrowings). Dividend policies are generally set by Government and are usually outside of the utilities' control.

In general, only the larger retail and bulk utilities are required to make dividend payments, and only five utilities with fewer than 100,000 connected properties paid a dividend in 2013–14. Total dividends increased for 2013–14 by \$57.5 million (5%) from 2012–13 (Table 5.22).

**Table 5.22 Overview of results: F20 (\$000)<sup>1,2</sup>**

Size group	Range		Number of utilities with increase/decrease from 2012–13		Total		% change in the total from 2012–13
	High	Low	Increase	Decrease	2012–13	2013–14	
100,000+ connected properties	491,264 WC (Perth)	0 Barwon Water	6	7	1,163,335 <sup>†</sup>	1,218,801 <sup>†</sup>	5%
50,000–100,000 connected properties	23,794 Cairns	0 Multiple utilities	1	0	22,087	23,794	8%
20,000–50,000 connected properties	10,125 Fitzroy River Water	0 Multiple utilities	1	1	12,961	13,738	6%
10,000–20,000 connected properties	2,200 Gympie	0 Multiple utilities	0	1	543	133	–76%
All size groups (national)	491,264 WC (Perth)	0 Multiple utilities	7	9	1,198,925 <sup>†</sup>	1,256,465 <sup>†</sup>	5%

**Table notes**

<sup>1</sup> Dividend (\$000) calculated for all utilities that reported data for F20 in both 2012–13 and 2013–14.

<sup>2</sup> SA Water have always reported Indicator F20 at the whole of utility scale.

<sup>†</sup> As a result the amalgamation of the previous regional corporations to form TasWater, the 2012–13 total water and sewerage capital expenditure (\$000) uses combined data for Southern Water, Ben Lomond Water, and Cradle Mountain Water, while the 2013–14 figure uses whole of TasWater data.

**Table 5.23 Overview of results: F21 (%)<sup>1</sup>**

Size group	Range		Number of utilities with increase/decrease from 2012–13		Total		% change in the total from 2012–13
	High	Low	Increase	Decrease	2012–13	2013–14	
100,000+ connected properties	100 ACTEW	0 Barwon Water	5	7	57 <sup>†</sup>	53 <sup>†</sup>	–6%
50,000–100,000 connected properties	81 Cairns	0 Multiple utilities	1	0	0	0	0%
20,000–50,000 connected properties	35 Fitzroy River Water	0 Multiple utilities	1	1	0	0	0%
10,000–20,000 connected properties	48 Gympie	0 Multiple utilities	0	1	0	0	0%
All size groups (national)	100 ACTEW	0 Multiple utilities	7	9	0 <sup>†</sup>	0 <sup>†</sup>	0%

**Table notes**

<sup>1</sup> Dividend pay ratios are calculated for all utilities that reported data for F20 in both 2012–13 and 2013–14.

<sup>†</sup> As a result the amalgamation of the previous regional corporations to form TasWater, the 2012–13 dividend payout ratio (%) utilises the average of data for Southern Water, Ben Lomond Water and Cradle Mountain Water, while the 2013–14 figure utilises whole of TasWater data.

## 5.5.2 Results and analysis

### 100,000+ group

Of the 13 utilities in this group that have reported data for both the 2012–13 and 2013–14 years, five utilities recorded an increase in dividend payments while seven reported decreases.

Hunter Water recorded the largest percentage increase in dividend payments (127%), followed by TasWater (78%), and Queensland Urban Utilities (77%). Gold Coast Water had the largest percentage of decrease (97%), followed by South East Water (46%) and SA Water (19%).

**Table 5.24 F20 (\$000) and F21 (%), 2011–12 to 2013–14, for with 100,000+ connected properties**

Utility	F20 Dividend (\$000)			F21 Dividend payout ratio (%)		
	2011–12	2012–13	2013–14	2011–12	2012–13	2013–14
WC (Perth)	411,523	390,109	491,264	74%	75%	72%
Sydney Water	254,342	298,472	252,000	66%	70%	54%
SA Water	229,166	242,141	196,717	98%	89%	98%
Queensland Urban Utilities	78,996	40,105	70,954	57%	38%	53%
Unitywater	49,905	48,830	48,274	75%	70%	56%
ACTEW	29,181	24,835	38,742	100%	100%	100%
Hunter Water	21,882	16,021	36,300	63%	62%	72%
Yarra Valley Water	58,961	22,799	19,200	92%	47%	42%
Logan		14,687	18,902		36%	33%
TasWater <sup>1</sup>		10,493	18,647		42%	68%
South East Water	52,550	29,372	16,000	55%	52%	17%
City West Water	18,918	11,811	11,400	36%	31%	45%
Gold Coast Water		13,659	400		66%	2%
Barwon Water	0	0	0	0%	0%	0%

**Table notes**

<sup>1</sup> As a result the amalgamation of the previous regional corporations to form TasWater, the 2012–13 dividend payout ratio (%) utilises the average of data for Southern Water, Ben Lomond Water, and Cradle Mountain Water, while the 2013–14 figure utilises whole of TasWater data.

## 50,000–100,000 group

Cairns was the only utility in this group to make a dividend payment. The utility's payment of \$23.79 million was up 7.7% from 2012–13 (Table 5.25).

**Table 5.25 F20 (\$000) and F21 (%), 2011–12 to 2013–14, for with 50,000–100,000 connected properties**

Utility	F20 Dividend (\$000)			F21 Dividend payout ratio (%)		
	2011–12	2012–13	2013–14	2011–12	2012–13	2013–14
Cairns	20,450	22,087	23,794	81	75	81
Townsville		0	0		0	0
Gosford	0	0	0	0	0	0
Coliban Water	0	0	0	0	0	0
Gippsland Water	0	0	0	0	0	0
Central Highlands Water	0	0	0	0	0	0
Wyong	0	0	0	0	0	0
Western Water	0	0	0	0	0	0
Goulburn Valley Water	0	0	0	0	0	0
P&W (Darwin)	0	0	0	0	0	0

## 20,000–50,000 group

In 2013–14, only three utilities in this group reported dividends (Table 5.26). Shoalhaven and Fitzroy River Water's payments were consistent with previous years, while Port Macquarie Hastings returned a dividend after not doing so in 2012–13.

**Table 5.26 F20 (\$000) and F21 (%), 2011–12 to 2013–14, for utilities with 20,000–50,000 connected properties**

Utility	F20 Dividend (\$000)			F21 Dividend payout ratio (%)		
	2011–12	2012–13	2013–14	2011–12	2012–13	2013–14
Fitzroy River Water	12,824	10,292	10,125	67	55	35
Shoalhaven	2,723	2,669	2,673	24	20	21
Port Macquarie Hastings	1,683	0	940	43	0	11
North East Water	0	0	0	0	0	0
Mackay Water	0	0	0	0	0	0
Wannon Water	0	0	0	0	0	0
MidCoast Water	0	0	0	0	0	0
Wide Bay Water	0		0	0		0
Lower Murray Water	0	0	0	0	0	0
Tweed	0	0	0	0	0	0
GWMWater	0	0	0	0	0	0
Riverina Water (W)	0	0	0	0	0	0
Wagga Wagga (S)	0	0	0	0	0	0
Coffs Harbour	0	0	0	0	0	0
Albury	0	0	0	0	0	0
East Gippsland Water	0	0	0	0	0	0
Clarence Valley	0	0	0	0	0	0
Tamworth	0	0	0	0	0	0

## 10,000–20,000 group

In 2013–14, only two utilities in this group reported dividends, one of which (Gympie) reported data for this indicator for the first time in 2013–14 (Table 5.27). Eurobodalla reported a 75% decrease from 2012–13.

**Table 5.27 F20 (\$000) and F21 (%), 2011–12 to 2013–14, for utilities with 10,000–20,000 connected properties**

Utility	F20 Dividend (\$000)			F21 Dividend payout ratio (%)		
	2011–12	2012–13	2013–14	2011–12	2012–13	2013–14
Eurobodalla	788	543	133	49	23	8
Gympie			2,200			48
South Gippsland Water	0	0	0	0	0	0
Wingecarribee	0	0	0	0	0	0
Dubbo	0	0	0	0	0	0
Orange	0	0	0	0	0	0
Aqwest–Bunbury (W)		0	0		0	0
Queanbeyan	0	0	0	0	0	0
Westernport Water	0	0	0	0	0	0
Bathurst	0	0	0	0	0	0
Kal–Boulder (S)	0	0	0	0	0	0
Bega Valley	0	0	0	0	0	0
Lismore	0	0	0	0	0	0
Ballina	0	0	0	0	0	0
Kempsey	0	0	0	0	0	0
Busselton (W)	0	0	0	0	0	0
P&W (Alice Springs)	0	0	0	0	0	0
Byron	0	0	0	0	0	0
Essential Energy			0			0
Goulburn Mulwaree	0	0	0	0	0	0
Goldenfields Water (R)	0	0	0	0	0	0

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

### 5.6.1 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);
- to allow utilities to charge common tariffs across all their geographical regions despite cost differences;
- to ensure the delivery of Government policy (for example, by administering rebates); and/or
- to allow utilities to provide services to high-cost areas where full cost recovery would otherwise result in unaffordable bills.

In 2012–13, 19 utilities reported increases and 37 reported decreases in revenue received from CSOs. This resulted in a decrease in the national median of 8%. The 20,000–50,000 size group was responsible for the largest reduction in the median value, which decreased by 28% from 2012–13 (Table 5.28).

**Table 5.28 F8—Overview of results: F8 (%)1-2**

Size group	Range		Number of utilities with increase/decrease from 2012–13		Median		% change in the median from 2012–13
	High	Low	Increase	Decrease	2012–13	2013–14	
100,000+ connected properties	10 SA Water <sup>2</sup>	0 Multiple utilities	3	9	5.1 <sup>†</sup>	4.1 <sup>†</sup>	-21%
50,000–100,000 connected properties	6 Goulburn Valley Water	0 Central Highlands Water	5	4	2.0	3.1	55%
20,000–50,000 connected properties	20 WC (Mandurah)	0 Mackay Water	5	10	1.6	1.2	-28%
10,000–20,000 connected properties	59 WC (KaI–Boulder) (W)	0 Multiple utilities	6	15	1.3	1.2	-11%
All size groups (national)	59 WC (KaI–Boulder) (W)	0 Multiple utilities	19	38	1.7 <sup>†</sup>	1.6 <sup>†</sup>	-8%

**Table notes**

<sup>1</sup> Dividend (\$000) calculated for all utilities that reported data for F8 in both 2012–13 and 2013–14.

<sup>2</sup> SA Water have always reported Indicator F8 at the whole of utility scale.

<sup>†</sup> As a result of the amalgamation of the previous regional corporations to form TasWater, the 2012–13 total water and sewerage capital expenditure (\$000) uses combined data for Southern Water, Ben Lomond Water, and Cradle Mountain Water, while the 2013–14 figure uses whole of TasWater data.

## 5.6.2 Results and analysis

### 100,000+ group

In this group, three reported increases in the percentage of revenue raised from CSOs, while nine reported decreases. SA Water reported the largest increase, with its percentage of revenue rising from 7.4% in 2012–13 to 9.7% in 2013–14 (Table 5.29).

Following a significant increase in revenue from CSO in 2012–13, Queensland Urban Utilities reported receiving just 2% of its revenue from CSOs in the 2013–14 year—a figure in keeping with historic values.

Unitywater also reported a significant decrease in revenue raised from CSOs, which fell from 9.4% in 2011–12 to 1% in 2013–14.

Historically, SA Water and Water Corporation (Perth) have had the highest proportions of revenue from CSOs, although both proportions have reduced over time. In the case of SA Water, CSOs compensate for the under-recovery of the costs of providing country water and sewerage services due to statewide pricing, as well as concessions to customers such as charities, churches, and schools. Water Corporation (Perth) receives CSOs to compensate for the provision of non-profitable services and concessions to customers (Water Corporation 2014: 15).

**Table 5.29 F8, 2009–10 to 2013–14 (%), for utilities with 100,000+ connected properties**

Utility	2009–10	2010–11	2011–12	2012–13	2013–14
SA Water	18.6	15.6	12.1	7.4	9.7
WC (Perth)	10.0	9.0	8.3	7.9	7.9
Sydney Water	6.0	7.0	6.0	6.3	6.0
Barwon Water	5.5	5.2	4.0	4.6	5.0
Yarra Valley Water	6.4	6.0	5.6	6.1	4.8
Hunter Water	4.8	4.9	4.8	4.7	4.6
South East Water	5.9	5.8	5.3	5.7	4.6
City West Water	4.2	4.1	4.0	4.3	3.6
ACTEW	3.8	3.7	3.7	3.9	3.3
TasWater				4.0 <sup>†</sup>	2.8 <sup>†</sup>
Queensland Urban Utilities		1.9	2.4	6.3	2.0
Unitywater		5.5	5.6	9.4	1.0
Gold Coast Water	0.0			0.0	0.0
Logan	0.0			0.0	0.0

**Table notes**

<sup>†</sup> As a result of the amalgamation of the previous regional corporations to form uses, the 2012–13 total water and sewerage capital expenditure (\$000) utilises combined data for Southern Water, Ben Lomond Water, and Cradle Mountain Water, while the 2013–14 figure uses whole of TasWater data.

**50,000–100,000 group**

In this group, 11 utilities reported increases and five reported decreases in the revenue raised from CSOs in 2013–14.

Townsville reported the largest increase, from less than 1% to 1.7%. Coliban Water reported the largest decrease with a dip from 5.1% to 4% (Table 5.30).

**Table 5.30 F8, 2009–10 to 2013–14 (%), for utilities with 50,000–100,000 connected properties**

Utility	2009–10	2010–11	2011–12	2012–13	2013–14
Goulburn Valley Water	5.5	5.9	6.0	5.7	5.6
Western Water	3.5	3.7	3.9	4.0	4.6
Coliban Water	5.8	7.4	5.4	5.1	4.0
Gippsland Water	3.4	3.9	4.0	3.9	4.0
P&W (Darwin)	4.0	9.0	3.0	2.0	3.3
Cairns	2.9	2.8	2.8	2.8	3.1
Townsville			0.0	0.0	1.7
Wyong	0.9	1.9	2.0	1.8	1.7
Gosford	0.8	0.8	0.8	1.4	1.4
Toowoomba				0.8	0.8
Central Highlands Water		0.0	0.0	0.0	0.0



## 20,000–50,000 group

In this group, ten utilities reported decreases in revenue raised from CSOs in 2013–14. The most significant decrease from was reported by Wide Bay Water; its revenue fell from 1.7% in 2012–13 to less than 1% in 2013–14 (Table 5.31).

Wannon Water reported the largest increase with a 13% rise from 3.9% to 4.4%.

**Table 5.31 F8, 2009–10 to 2013–14 (%), for utilities with 20,000–50,000 connected properties**

Utility	2009–10	2010–11	2011–12	2012–13	2013–14
WC (Mandurah)	30.4	30	32.2	19.3	19.9
GWMWater	8.1	9	8.6	7.4	7.1
North East Water	6	6.3	6.7	5.7	6.1
Lower Murray Water	4.8	5.4	6.3	6	5.9
East Gippsland Water	5.1	5	0	0	5.2
Wannon Water	5.1	4.5	3.6	3.9	4.4
Shoalhaven	1.9	1.8	1.8	1.6	1.6
MidCoast Water	1.6	1.6	0.9	1.5	1.4
Clarence Valley	1.8	2	1.7	1.6	1.4
Port Macquarie Hastings	1.3	2.1	1.7	1.7	1.2
Tweed	1.6	2	1.6	1.5	1.1
Coffs Harbour	0.8	1.1	1.1	1.1	1.1
Wagga Wagga (S)	1.4	1.2	0.9	0.9	1
Albury	1.3	1.3	1.2	1	0.9
Tamworth	1	1.1	1	1.1	0.9
Riverina Water (W)	1	1.4	1.2	0.8	0.8
Fitzroy River Water	0.4	1.6	1.5	1.7	0.7
Wide Bay Water		0.3	1.8	1.7	0.4
Mackay Water	0.5	0.4	0.1	0	0.1

## 10,000–20,000 group

In this group, six utilities reported an increase and 15 reported a decrease in CSO funding as a percentage of revenue. The results for the five remaining utilities remained unchanged from the previous year (Table 5.32).

**Table 5.32 F8, 2009–10 to 2013–14 (%), for utilities with 10,000–20,000 connected properties**

Utility	2009–10	2010–11	2011–12	2012–13	2013–14
WC (Kal–Boulder) (W)	64	61	52.8	47.9	58.7
WC (Albany)	33.1	34.4	27.2	20.8	36.5
WC (Australind–Eaton)			27.7	29.2	25.1
WC (Bunbury) (S)	22.8	28.8	7.1	23.1	22.9
WC (Busselton) (S)				23	17.6
WC (Geraldton)	3.2	17.4	15.7	14.1	14.5
P&W (Alice Springs)	9	8	13	12	7.5
South Gippsland Water	3.4	5	5	5.2	5.3
Gympie					4.4
Westernport Water	3.2	3.2	2.6	3.6	4.3
Essential Energy	1.5	1.8	1.3	1.1	1.7
Kempsey	1.7	1.6	1.6	1.5	1.5
Eurobodalla	1.4	1.3	1.3	1.4	1.2
Wingecarribee	1.4	1.5	1.4	1.3	1.2
Lismore	1.5	1.7	1.3	1.4	1.2
Ballina	1.6	1.2	1.4	1.4	1.1
Bega Valley	1.1	1.2	1	1.1	1
Orange	1.4	1.3	1.1	1	0.9
Goulburn Mulwaree	1.1	1.1	1	0.9	0.9
Bathurst	1.1	1.2	1.1	0.9	0.8
Goldenfields Water (R)	1.5	1.3	1	0.9	0.7
Dubbo	0.9	0.8	0.9	0.6	0.6
Byron	0.8	0.8	0.8	0.7	0.6
Queanbeyan	1.1	1	0.9	0.7	0.5
Busselton (W)	0.1	0.1	0.1	0.1	0.1
Aqwest–Bunbury (W)	0	0		0	0
Kal–Boulder (S)	0	0	0	0	0