

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. 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 (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 against the F16 indicator in 2015–16 can be found in Table A7 in Appendix A. Historical values have been adjusted using consumer price index (CPI) data to facilitate comparison in real terms.

5.1.2 Key findings

A summary of the data for total capital expenditure for water and sewerage, by utility size group, is presented in Table 5.1. In real terms, total capital expenditure increased by 1 per cent (\$41 million) from 2014–15 but when compared against the previous three years (2013–14 to 2015–16), capital expenditure has remained steady, recording an increase of \$9.2 million. Total capital expenditure for the 2013–14, 2014–15, and 2015–16 was \$3.111 billion, \$3.079 billion, and \$3.120 billion respectively.

Figure 5.1 summarises total capital expenditure from 2007–08 to 2015–16 for utilities reporting in all nine years. Expenditure is broken down by expenditure on water (F14) and sewerage (F15).

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

Size group (connected properties)	Range (\$ million)		Number of utilities with increase/decrease from 2014–15		Total (\$ million)		Change in the median from 2014–15
	High	Low	Increase	Decrease	2014–15	2015–16	%
100,000+	648.2	46.0	11	3	2,359	2,461	4
	Sydney Water	Logan					
50,000–100,000	52.0	9.0	3	5	245	230	-6
	Townsville	Central Highlands Water					
20,000–50,000	21.7	5.5	11	9	280	266	-5
	Shoalhaven	Coffs Harbour					
10,000–20,000	14.4	0.9	9	13	194	163	-16
	Essential Energy	Central Highlands					
All size groups (national)	648.2	0.9	34	30	3,079	3,120	1
	Sydney Water	Central Highlands					

Table note

Total capital expenditure: water and sewerage is calculated using data from all utilities that reported against F14 and F15 in both 2014–15 and 2015–16.

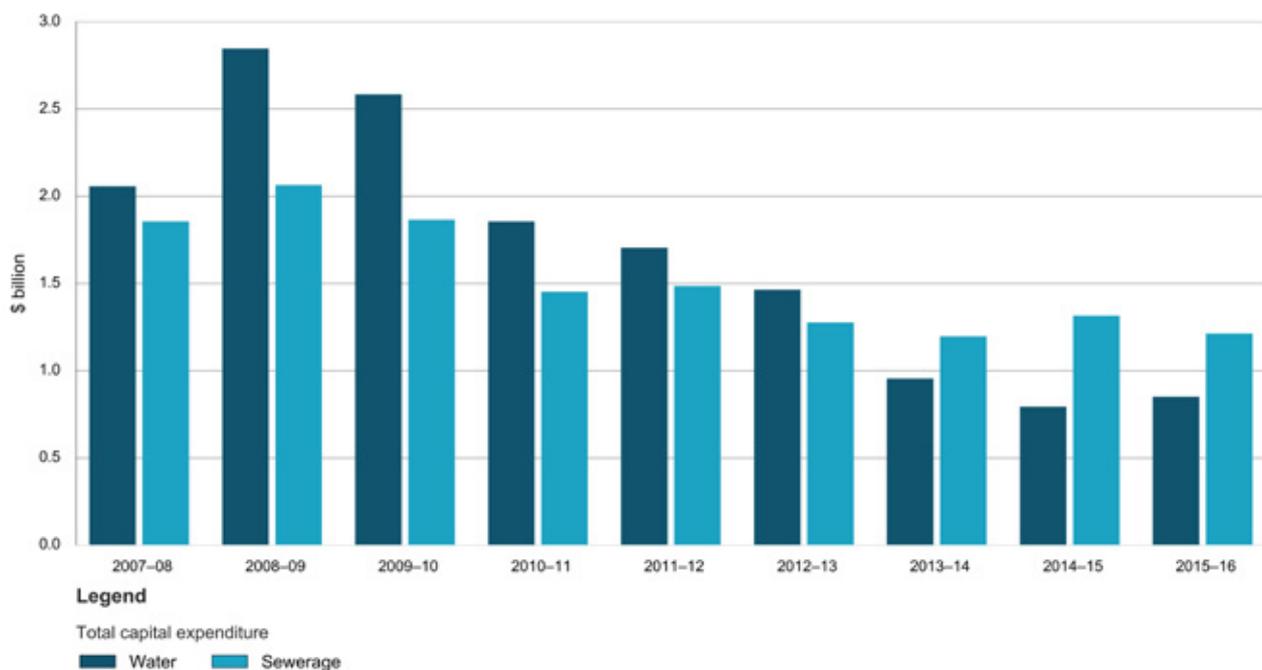


Figure 5.1 F14—Summary of results: Total capital expenditure: water (\$ billion) and F15—Total capital expenditure: sewerage (\$ billion), 2008–09 to 2015–16*

* Total is for utilities that reported in all nine years and excludes bulk water utilities.

5.1.3 Results and analysis—100,000+ size group

With the exception of Water Corporation—Perth, South East Water, and Logan City Council, all other utilities in the 100,000+ size group reported increases in capital expenditure across their water and sewerage operations. Both Logan City Council and South East Water reported significant decreases of 39 and 36 per cent respectively while Water Corporation—Perth reported a moderate decrease of 18 per cent (Tables A7).

Icon Water reported an increase of 69 per cent in capital expenditure from 2014–15, heavily influenced by an increase in expansion and renewal of water and sewerage supply networks (Icon 2015). This followed an 18 per cent decrease in capital expenditure between 2013–14 and 2014–15.

Yarra Valley Water and Gold Coast City Council reported an increase in total capital expenditure of 49 per cent and 42 per cent respectively. This was likely due to an increase in capital expenditure on the sewerage networks for both utilities.

Logan City Council recorded the highest percentage decrease in total capital expenditure of 39 per cent. This was due to decreases in capital expenditure for both water (6 per cent) and sewerage (54 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 2015–16 can be found in tables A8–A9 in Appendix A. Historical values have been adjusted using CPI data to facilitate comparison in real terms.

5.2.2 Key findings

A summary of the data for water supply and sewage capital expenditure on a per-property basis, by utility size group, is presented in tables 5.2–5.3.

In 2015–16, the national median per property capital expenditure on water services increased by 16 per cent (Table 5.2). This result reflects the increases reported by 37 utilities in the reporting year.

In 2015–16, the national median per property capital expenditure on sewerage services remained consistent with 2014–15, increasing by only 1 per cent (Table 5.3) despite the 11 per cent increase in capital expenditure per property in the 100,000+ size group. The 20,000–50,000 and 10,000–20,000 size groups both reported a decrease in capital expenditure of 3 per cent and 7 per cent respectively.

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

Size group (connected properties)	Range (\$000)		Number of utilities with increase/decrease from 2014–15		Median		Change in the total from 2014–15 %
	High	Low	Increase	Decrease	2014–15	2015–16	
100,000+	347	44	8	6	142	126	-11
	TasWater	South East Water					
50,000–100,000	617	53	4	4	196	178	-9
	P&W (Darwin)	Cairns					
20,000–50,000	1,104	12	13	8	148	184	24
	Riverina Water (W)	Redland City					
10,000–20,000	1,218	34	12	14	248	252	2
	Essential Energy	Central Highlands					
All size groups (national)	1,218	12	37	32	166	192	16
	Essential Energy	Redland City					

Table note

Median capital expenditure: water (\$/property) is calculated using data from all utilities that reported against F28 in both 2014–15 and 2015–16.

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

Size group (connected properties)	Range (\$000)		Number of utilities with increase/decrease from 2014–15		Median		Change in the total from 2014–15 %
	High	Low	Increase	Decrease	2014–15	2015–16	
100,000+	328	50	9	5	209	232	11
	TasWater	City West Water					
50,000–100,000	618	1	3	5	252	251	0
	Toowoomba	Central Highlands Water					
20,000–50,000	1,024	53	10	11	208	201	-3
	Clarence Valley	Lower Murray Water					
10,000–20,000	1,390	10	12	13	273	255	-7
	WC (Busselton) (S)	Kal–Boulder (S)					
All size groups (national)	1,390	1	34	34	220	222	1
	WC (Busselton) (S)	Central Highlands Water					

Table note

Median capital expenditure: sewerage (\$/property) is calculated using data from all utilities that reported against F29 in both 2014–15 and 2015–16.

5.2.3 Results and analysis—100,000+ size 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+ size group from 2012–13 to 2015–16.

Gold Coast City Council and Icon Water recorded significant capital expenditure for sewerage from 2014–15 when compared to other utilities. Sewerage capital expenditure increased by 80 and 78 per cent respectively.

Yarra Valley Water had a significant capital expenditure increase for both water and sewerage from 2014–15 when compared with other utilities. Its water capital expenditure increased by 16 per cent and sewerage capital expenditure by 64 per cent.

Icon Water reported the highest increase in total water and sewerage capital expenditure per property (64 per cent). This was due to an increase in the supply networks and water and sewerage mains renewal programs initiated in this period (Icon 2015).

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)
- input costs (for example, those of fuel, chemicals, and labour)
- the level of water and sewage treatment required
- 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 in Appendix A.

5.3.2 Key findings

A summary of the data for combined operating cost on a per property basis (by utility size 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 F13 for a given reporting year from 2006–07 to 2015–16.

The national 2015–16 median operating cost (on a per property basis for utilities delivering both water and sewerage services) was \$920 (Table 5.4). This figure represents an increase of 3 per cent from 2014–15.

All size groups recorded increases in their median costs. Nationally, 30 utilities across all size groups reported increases in their operating expenditure per property, while 34 recorded decreases.

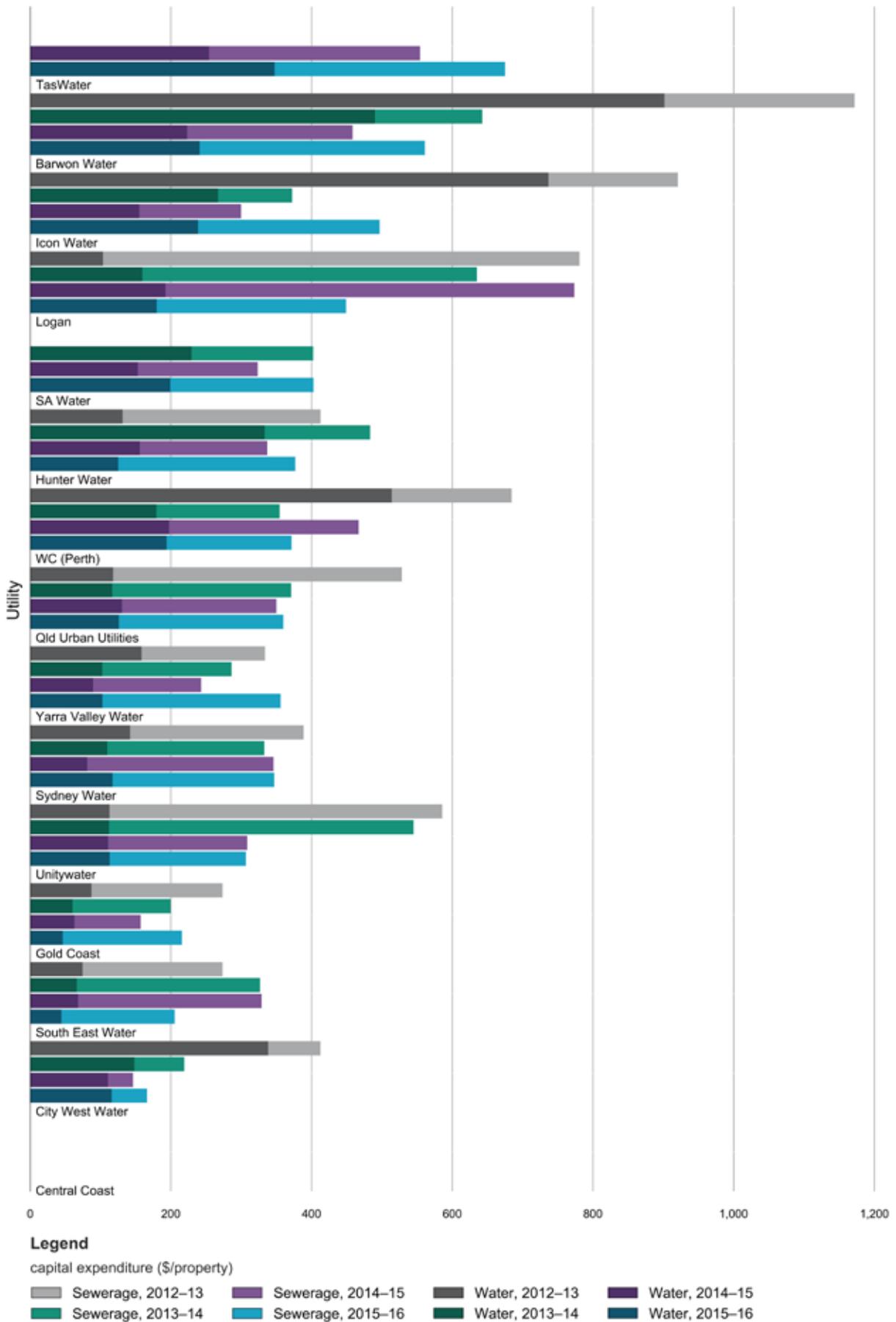


Figure 5.2 F28—Capital expenditure: water (\$/property) and F29—Capital expenditure: sewerage (\$/property), 2012-13 to 2015-16, for utilities with 100,000+ connected properties

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

Size group (connected properties)	Range		Number of utilities with increase/decrease from 2014–15		Median		Change in the median from 2014–15 %
	High	Low	Increase	Decrease	2014–15	2015–16	
100,000+	1,147	584	8	6	873	922	6
	Qld Urban Utilities	Hunter Water					
50,000–100,000	1,168	649	4	4	797	834	5
	Gippsland Water	Cairns					
20,000–50,000	1,420	655	8	12	868	878	1
	Gladstone RC	WC (Mandurah)					
10,000–20,000	1,787	641	10	12	1,024	1,033	1
	P&W (Alice)	WC (Geraldton)					
All size groups (national)	1,787	584	30	34	896	920	3
	P&W (Alice)	Hunter Water					

Table note

The combined operating cost: water and sewerage (\$/property) is calculated using F11, F12, and F13 data from utilities that reported in both 2014–15 and 2015–16.

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 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.

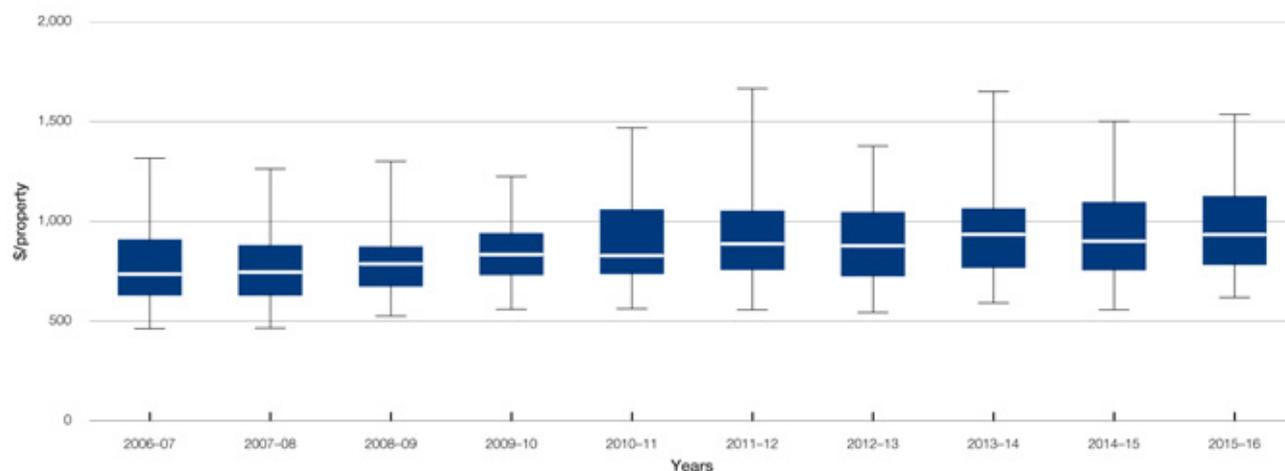


Figure 5.3 F13—Summary of results: Combined operating cost: water and sewerage (\$/property)

5.3.3 Results and analysis—100,000+ size 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 100,000+ size group from 2012–13 to 2015–16.

With a median operating cost of \$922 per property for the utilities that reported in both 2014–15 and 2015–16, the 100,000+ size group reported an average increase of 6 per cent from 2014–15. Additionally, the water component of operating costs was higher than the sewerage component for all utilities except Hunter Water Corporation and Tasmanian Water and Sewerage Corporation.

All utilities reported increases in combined operating costs in 2014–15 except for Hunter Water Corporation, Logan City Council, Gold Coast City Council, and Barwon Water, which reported decreases of 7 per cent, 4 per cent, 3 per cent, and 2 per cent respectively.

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 F8 in 2015–16 can be found in Table A5 in Appendix A.

5.4.2 Key findings

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

In 2015–16, 20 utilities reported increases and 43 reported decreases in revenue received from CSOs. This resulted in a 7 per cent decrease in the national median between 2014–15 and 2015–16.

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

Size group (connected properties)	Range		Number of utilities with increase/decrease from 2014–15		Median		Change in the median from 2014–15 %
	High	Low	Increase	Decrease	2014–15	2015–16	
100,000+	9.1	0	0	13	4.6	4.4	-4
	SA Water	Gold Coast					
50,000–100,000	5.6	0	2	4	4.3	4	-7
	Goulburn Valley Water	Central Highlands Water					
20,000–50,000	6.6	0	9	12	1.3	1.1	-15
	GWMWater	Gladstone RC					
10,000–20,000	62.2	0	8	16	1.2	1.2	0
	WC (Kal–Boulder) (W)	Multiple utilities					
All size groups (national)	62.2	0	19	45	1.5	1.4	-7
	WC (Kal–Boulder) (W)	Multiple utilities					

Table note

Median percentage of revenue from CSOs is calculated for all utilities that reported data for F8 in both 2014–15 and 2015–16.

5.4.3 Results and analysis—100,000+ size group

There were no utilities reporting an increase in the percentage of revenue from CSOs in the 2015–16 period.

The median percentage revenue from CSOs decreased with 11 utilities reporting decreases in percentage of revenue from 2014–15. Icon Water reported the highest decrease, with its percentage decreasing from 3.7 per cent in 2014–15 to 3.2 per cent in 2015–16.

SA Water Corporation and Water Corporation—Perth continued to have the highest proportions of revenue from CSOs with 9.1 per cent and 6.2 per cent respectively. For these utilities, CSO payments were used to subsidise non-profitable water services, including providing water services in country areas at metropolitan water prices (SA Water Corporation 2016 and Water Corporation of WA 2006).

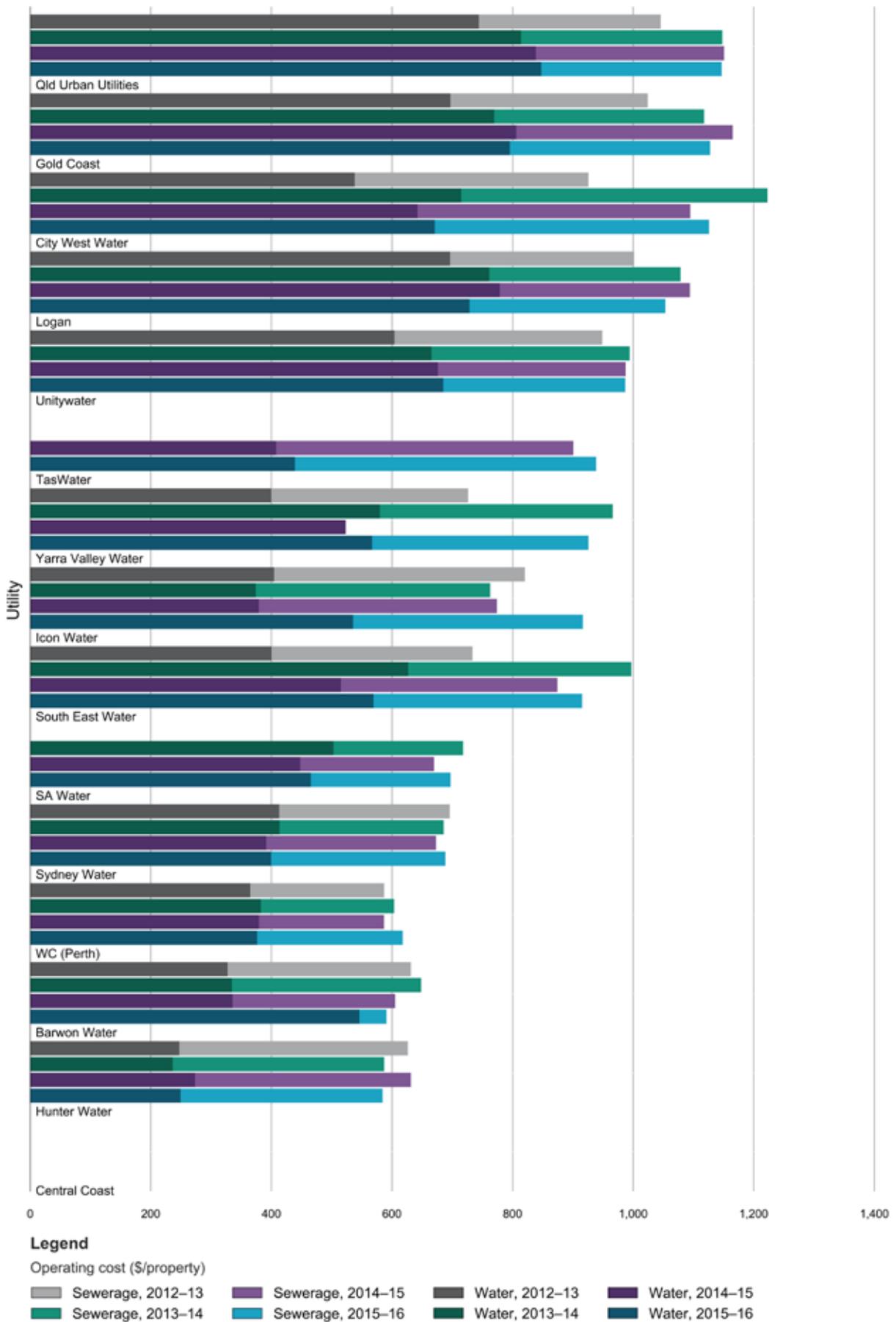


Figure 5.4 F13—Combined operating cost: water and sewerage (\$/property) for utilities with 100,000+ connected properties, 2012-13 to 2015-16