

5 Finance

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

Total capital expenditure on water supply 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 programs often affect operational expenditure, and are influenced by several factors, including:

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

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

Total capital expenditure for water supply and sewerage data for all utilities reporting in 2018–19 are presented in Table A5, Appendix A.

5.1.1 Key findings

Table 5.1 presents a summary of the data for total capital expenditure for water and sewerage, by utility size group. In real terms, total capital expenditure increased by 5 per cent to \$4.3 billion with the majority of this associated with the capital expenditure from the Major utility group. The Large, Medium, and Small utility groups all reported a decrease in capital expenditure from 2017–18.

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 from 2017–18 | | Total (\$ million) | | Change in total from 2017–18 (%) |
|-----------------------------------|--------------------|--------------|---|----------|--------------------|---------|----------------------------------|
| | High | Low | Increase | Decrease | 2017–18 | 2018–19 | |
| Major | 869 | 77 | 10 | 4 | 3,104 | 3,452 | 11 |
| | Sydney Water | Gold Coast | | | | | |
| Large | 70 | 2.3 | 5 | 5 | 365 | 355 | -3 |
| | Western Water | Redland City | | | | | |
| Medium | 40 | 7.8 | 11 | 9 | 409 | 316 | -23 |
| | Shoalhaven | Tamworth | | | | | |
| Small | 18 | 1.9 | 7 | 16 | 258 | 201 | -22 |
| | Ballina | Orange | | | | | |
| All size groups (national) | 869 | 1.9 | 33 | 34 | 4,137 | 4,325 | 5 |
| | Sydney Water | Orange | | | | | |

Table note

Total capital expenditure for water and sewerage services is calculated using data from all utilities reporting against F14 and F15.

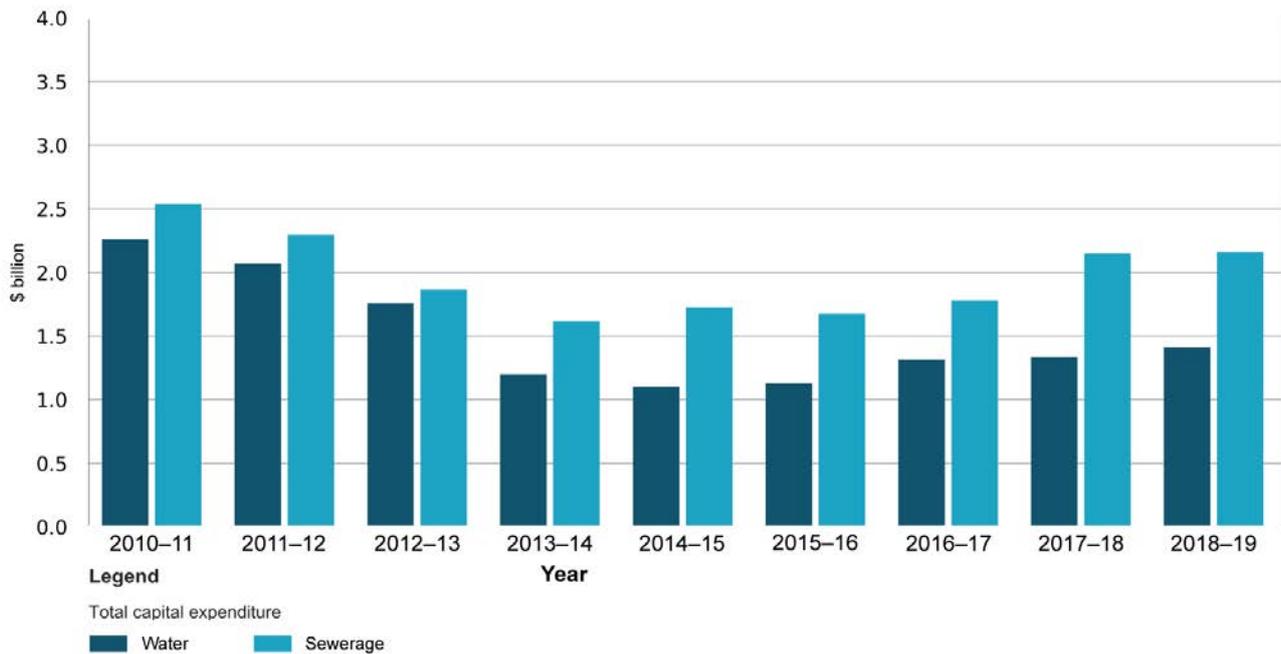


Figure 5.1 Total capital expenditure: water supply and sewerage (\$ billion).^a

^a Total is for utilities that reported all ten years and excludes bulk water utilities.

5.1.2 Results and analysis—Major utility group

With the exception of Icon Water Limited, Water Corporation – Perth, Unitywater, and Tasmanian Water and Sewerage Corporation, all other utilities in the Major utility size group reported increases in capital expenditure across their water and sewerage operations. Icon Water Limited and Water Corporation – Perth reported moderate decreases, at 1.3 per cent and 4.1 per cent, respectively. Unitywater and Tasmanian Water and Sewerage Corporation reported the highest percentage decreases in their total capital expenditure at 26.0 and 29.9 per cent, respectively. TasWater's decrease follows a large increase in capital expenditure in 2017–18 of 45.9 per cent.

SA Water Corporation had the largest percentage increase of 47.8 per cent followed by South East Water with 35.7 per cent.

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 are indexed using the consumer price index (CPI) to facilitate comparison in real terms.

Capital expenditure data per connected property, for water and sewerage services, provided by all utilities reporting in 2018–19 are presented in Tables 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 sewerage services, respectively.

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

| Utility group | Range | | No. utilities with increase/decrease from 2017–18 | | Median | | Change from 2017–18 (%) |
|-----------------------------------|----------------|--------------|---|----------|---------|---------|-------------------------|
| | High | Low | Increase | Decrease | 2017–18 | 2018–19 | |
| Major | 426 | 53 | 8 | 6 | 156 | 166 | 6 |
| | SA Water | Gold Coast | | | | | |
| Large | 387 | 10 | 4 | 6 | 249 | 237 | -5 |
| | Western Water | Redland City | | | | | |
| Medium | 690 | 76 | 9 | 11 | 217 | 200 | -8 |
| | Shoalhaven | Queanbeyan | | | | | |
| Small | 637 | 69 | 8 | 15 | 297 | 243 | -18 |
| | Southern Downs | Orange | | | | | |
| All size groups (national) | 690s | 10 | 29 | 38 | 245 | 213 | -13 |
| | Shoalhaven | Redland City | | | | | |

Table note

Median capital expenditure: water (\$/property) is calculated using data from utilities providing water and sewerage services that reported against F28 in both 2017–18 and 2018–19.

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

| Utility group | Range | | No. utilities with increase/decrease from 2017–18 | | Median | | Change from 2017–18 (%) |
|-----------------------------------|-------------------------|-----------------|---|----------|---------|---------|-------------------------|
| | High | Low | Increase | Decrease | 2017–18 | 2018–19 | |
| Major | 677 | 105 | 9 | 5 | 234 | 249 | 6 |
| | Logan | City West Water | | | | | |
| Large | 704 | 30 | 5 | 5 | 210 | 291 | 39 |
| | Western Water | Redland City | | | | | |
| Medium | 646 | 122 | 12 | 8 | 186 | 221 | 19 |
| | Port Macquarie Hastings | WC (Mandurah) | | | | | |
| Small | 1,170 | 38 | 12 | 11 | 217 | 287 | 32 |
| | Livingstone | Orange | | | | | |
| All size groups (national) | 1,170 | 30 | 38 | 29 | 217 | 247 | 14 |
| | Livingstone | Redland City | | | | | |

Table note

Median capital expenditure: sewerage (\$/property) is calculated using data from all utilities providing water and sewerage services that reported against F29 in both 2017–18 and 2018–19.

In 2018–19, the national median per property capital expenditure on water services decreased by 13 per cent (Table 5.2). This result reflects the decreases reported by 38 utilities in the reporting year.

In 2018–19, the national median per property capital expenditure on sewerage services increased by 14 per cent, (Table 5.3). All size groups reported increases, with the largest increase (39 per cent) in the Large utility group. This is a reversal from the previous year when the Large, Medium, and Small utility groups reported significant decreases.

5.2.2 Results and analysis—Major utility group

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

The capital expenditure in both the water and sewerage components increased by 6 per cent each compared to 2017–18.

SA Water reported high increases in capital expenditure on both water (37.9 per cent) and sewerage services (62.4 per cent) from 2017–18 to 2018–19 compared to other utilities.

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

Combined operating costs for water supply and sewerage on a per property basis (F13) provides a measure of a utility's 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 (for example, piped);
- sources of water (for example, purchased from a bulk utility, or sourced from dams, or alternative sources such as desalination plants);
- input costs (for example, fuel, chemicals, and labour);
- level of water and sewage treatment required; and
- capital procurement strategies (for example, public–private partnerships or build–own–operate–transfer [BOOT] schemes).

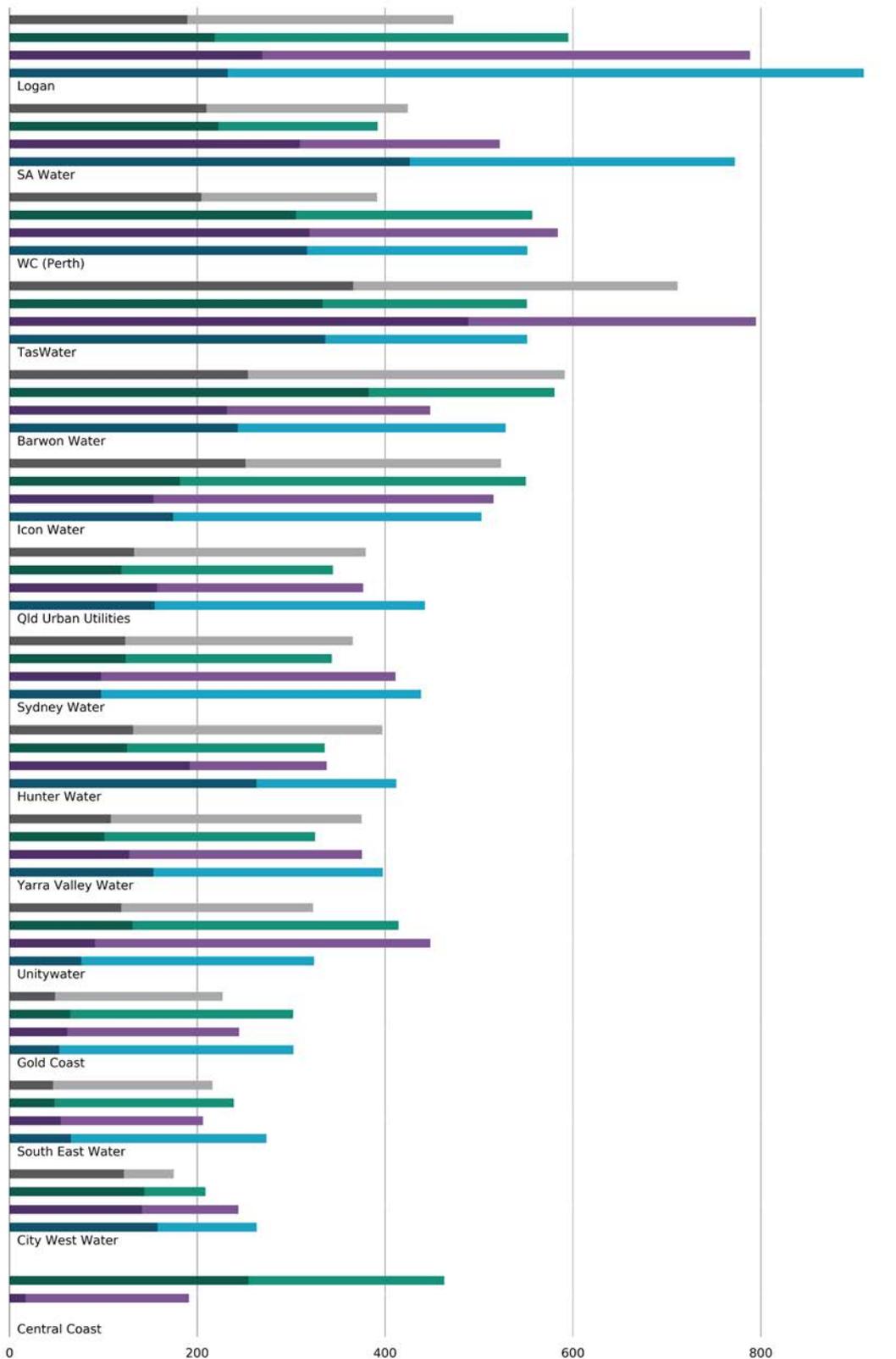
Operating costs are increasing, particularly for larger utilities; however, operating costs per property can fall as the size of the utility increases, due to economies of scale.

Operating cost data are indexed using the consumer price index (CPI) to facilitate comparison in real terms.

Combined operating cost (water supply and sewerage) data for all the utilities reporting in 2018–19 are presented in Table A8, Appendix A.

5.3.1 Key findings

Figure 5.3 is a box-and-whisker plot of combined operating cost (water supply and sewerage) data for all utilities reporting F13 for a given reporting year from 2008–09 to 2018–19. A summary of the median combined operating costs on a per property basis is shown in Table 5.4.



Legend

Capital expenditure: water supply and sewerage (\$/property)

| | | | | |
|---------|-------|---|------------|---|
| 2015-16 | Water | █ | Wastewater | █ |
| 2016-17 | Water | █ | Wastewater | █ |
| 2017-18 | Water | █ | Wastewater | █ |
| 2018-19 | Water | █ | Wastewater | █ |

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

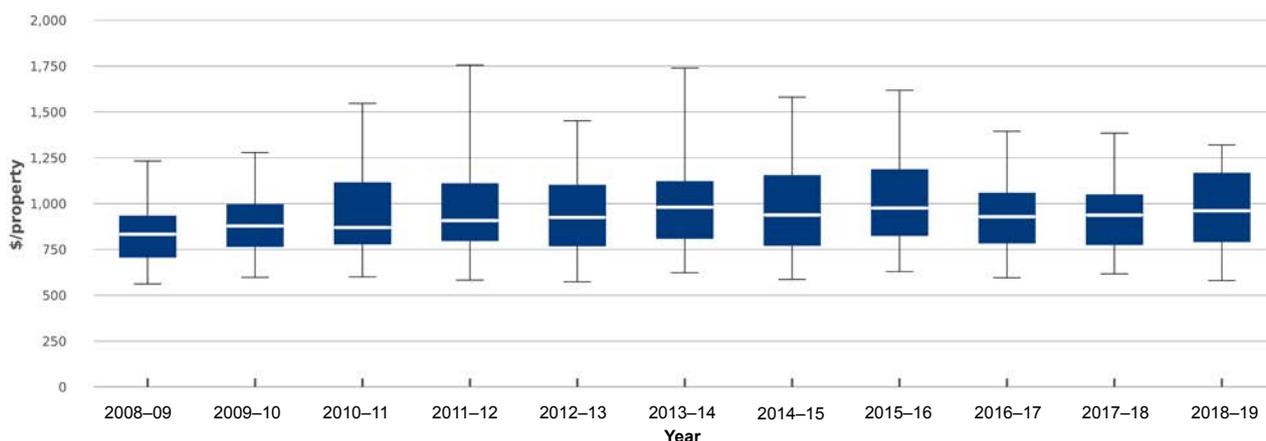


Figure 5.3 Combined operating cost: water and sewerage (\$/property).

The national 2018–19 median operating cost (on a per property basis for utilities delivering both water and sewerage services) was \$961, an increase of 3 per cent (Table 5.4).

The Large and Medium utility groups reported decreases, whereas the Major and Small utility groups reported increases in their median costs. Nationally, 39 utilities across all size groups reported increases in their operating expenditure per property, while 28 utilities reported decreases.

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

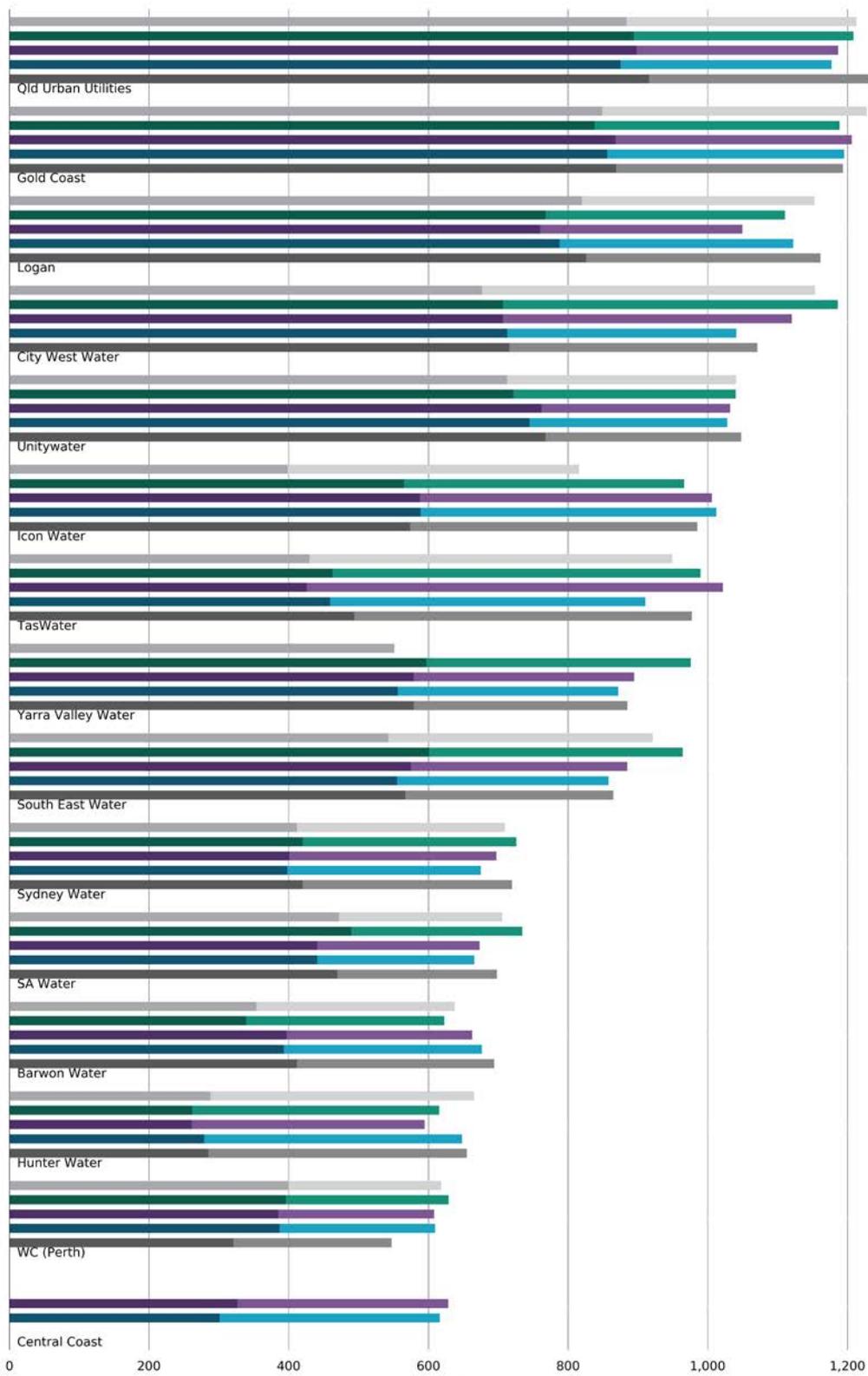
| Utility group | Range | | No. utilities with increase/decrease from 2017–18 | | Median | | Change in median from 2017–18 (%) |
|-----------------------------------|---------------------|---------------|---|----------|---------|---------|-----------------------------------|
| | High | Low | Increase | Decrease | 2017–18 | 2018–19 | |
| Major | 1,234 | 547 | 11 | 3 | 891 | 931 | 4 |
| | Qld Urban Utilities | WC (Perth) | | | | | |
| Large | 1,249 | 703 | 8 | 2 | 918 | 890 | -3 |
| | Gippsland Water | Cairns | | | | | |
| Medium | 1,273 | 580 | 6 | 14 | 980 | 906 | -8 |
| | Gladstone | WC (Mandurah) | | | | | |
| Small | 1,726 | 269 | 14 | 9 | 1,016 | 1,082 | 6 |
| | Byron | Gympie | | | | | |
| All size groups (national) | 1,726 | 269 | 39 | 28 | 937 | 961 | 3 |
| | Byron | Gympie | | | | | |

Table note

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.

5.3.2 Results and analysis—Major utility group

Figure 5.4 presents a ranked breakdown of operating expenditure for water supply and sewerage services on a connected property basis. The figure highlights the contribution of operating expenditure for water (F11) and sewerage (F12) expenditure for each utility in the Major utility group from 2014–15 to 2018–19.



Legend

Combined operating cost per property: water supply and sewerage (\$/property)

| | | | | |
|---------|-------|---|------------|---|
| 2014-15 | Water | █ | Wastewater | █ |
| 2015-16 | Water | █ | Wastewater | █ |
| 2016-17 | Water | █ | Wastewater | █ |
| 2017-18 | Water | █ | Wastewater | █ |
| 2018-19 | Water | █ | Wastewater | █ |

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

5.4 Revenue from community service obligations (%)—F8

Revenue from community service obligations (CSOs) as a percentage of a utility's 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 (for example, 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); and
- 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 2018–19 are presented in Table A9, Appendix A.

5.4.1 Key findings

Table 5.5 presents a summary of the data for revenue from CSOs, by utility size group.

In 2018–19, 19 utilities reported increases and 36 utilities reported decreases in the revenue received from CSOs. This resulted in a 9 per cent decrease in the national median from the last reporting period, with the majority of this decrease coming from the Large utility group.

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

| Utility group | Range | | No. utilities with increase/decrease from 2017–18 | | Median | | Change in median from 2017–18 (%) |
|-----------------------------------|-----------------------|--------------------|---|----------|---------|---------|-----------------------------------|
| | High | Low | Increase | Decrease | 2017–18 | 2018–19 | |
| Major | 9.29 | 0 | 3 | 8 | 2.95 | 3.74 | 27 |
| | SA Water | Multiple utilities | | | | | |
| Large | 5.33 | 0 | 3 | 6 | 3.19 | 2.77 | -13 |
| | Goulburn Valley Water | Toowoomba | | | | | |
| Medium | 6.5 | -12.63 | 8 | 10 | 1.04 | 1 | -4 |
| | GWMWater | WC (Mandurah) | | | | | |
| Small | 13.88 | -136.87 | 9 | 9 | 0.91 | 0.8 | 12 |
| | P&W (Alice Springs) | WC (Geraldton) | | | | | |
| All size groups (national) | 13.88 | -136.87 | 23 | 33 | 1.14 | 1.04 | -9 |
| | P&W (Alice Springs) | WC (Geraldton) | | | | | |

5.4.2 Results and analysis—Major utility group

The Major size utility group was the only group to report an increase in CSO payments, reporting a 26 per cent increase in contrast to the increase of 3 per cent reported in the 2018 Urban NPR.

SA Water Corporation and Water Corporation – Perth continued to have the highest proportions of revenue from CSOs with 9.3 per cent and 6.6 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.

Icon Water again reported the highest decrease, with its CSO revenue decreasing from 2.0 per cent to 1.6 per cent in 2018–19.