

5 Finance

5.1 Total capital expenditure: water supply and wastewater—F16

Total capital expenditure (\$000s) on water supply and wastewater (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. They are influenced by several factors, including the:

- age of a utility's infrastructure;
- stage of each asset's lifecycle; and
- 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 wastewater data for all utilities reporting in 2019–20 are presented in Table A5, Appendix A.

5.1.1 Key findings

Table 5.1 presents a summary of total capital expenditure for water and wastewater by utility size group. In real terms, total capital expenditure increased by 5 per cent to \$4.5 billion primarily associated with capital expenditure from the Major utility group. The Large and Small utility groups also reported an increase in capital expenditure from 2018–19 to 2019–20.

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

Table 5.1 Overview of results: Total capital expenditure: water supply and wastewater (\$ million).

Utility group	Range (\$ million)		No. utilities with increase/decrease from 2018–19		Total (\$ million)		Change in total from 2018–19 (%)
	High	Low	Increase	Decrease	2018–19	2019–20	
Major	898	77.4	12	2	3,421	3,639	6
	Sydney Water	Barwon Water					
Large	83	3.7	8	4	391	409	5
	Western Water	Redland City					
Medium	28.4	0	8	14	339	309	-9
	Wannon Water	Dubbo					
Small	25.7	0	9	10	159	178	12
	Multiple utilities	Orange					
All size groups (national)	898	0	37	30	4,310	4,535	5
	Sydney Water	Multiple utilities					

Table note

Total capital expenditure for water and wastewater services in each year is calculated using data from utilities reporting against F14 and F15 in both years.

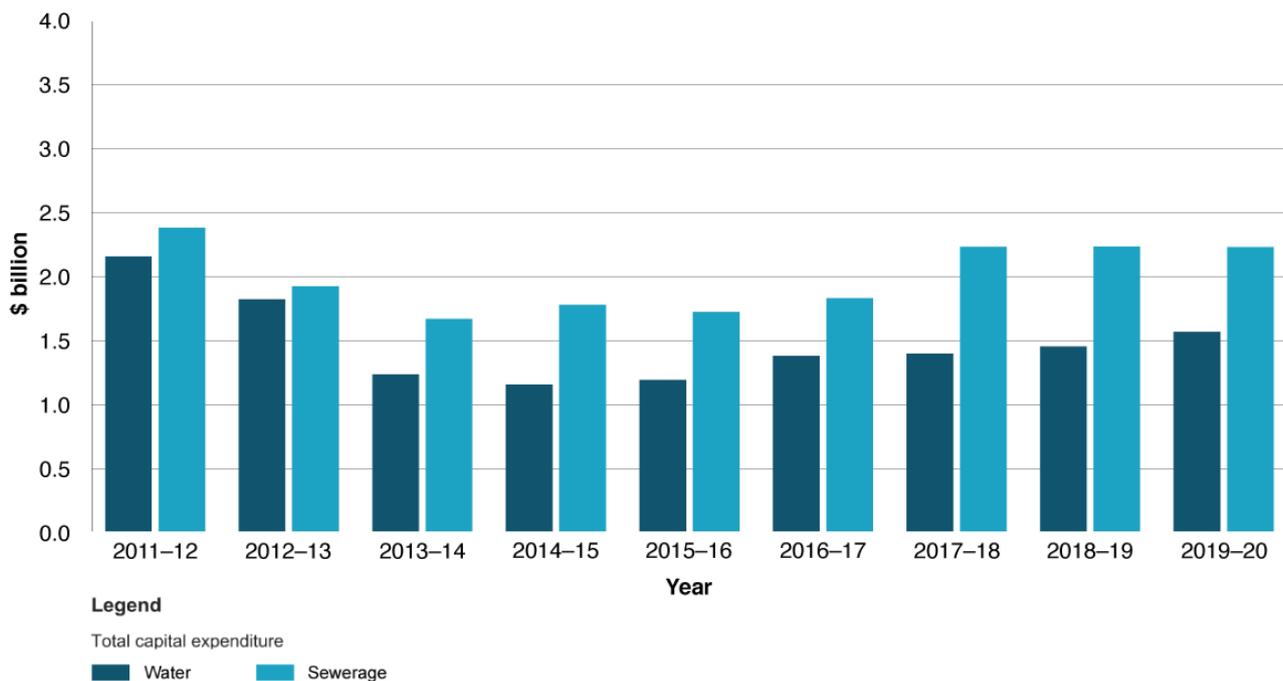


Figure 5.1 Total capital expenditure: water supply and wastewater (\$ billion).^a

^a Total is for utilities that reported all 10 years and excludes bulk water utilities.

5.1.2 Results and analysis—Major utility group

With the exception of Barwon Water and Water Corporation – Perth, all other utilities in the Major utility size group reported increases in capital expenditure across their water and wastewater operations. Barwon Water and Water Corporation – Perth reported decreases of 5.7 per cent and 14.7 per cent, respectively. Barwon Water's decrease follows a large (20.6 per cent) increase in capital expenditure from 2017–18 to 2018–19.

City of Gold Coast had the largest percentage increase (44.1 per cent) followed by Hunter Water Corporation (43.1 per cent).

5.2 Capital expenditure per property: water supply (F28) and wastewater (F29)

Capital expenditure (\$/property) on water supply (F28) and wastewater (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 wastewater services, provided by all utilities reporting in 2019–20 are presented in Tables A6 and A7, Appendix A.

5.2.1 Key findings

Tables 5.2 and 5.3 present a summary of the median capital expenditure of utilities providing water and wastewater services, respectively, by utility size group.

In 2019–20, the national median per property capital expenditure on water services decreased by 2 per cent (Table 5.2).

In 2019–20, the national median per property capital expenditure on wastewater services increased by 3 per cent (Table 5.3). Major and Small utility size groups reported increases; the largest increase (15 per cent) was in the Major utility group.

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

Utility group	Range		No. utilities with increase/decrease from 2018–19		Median		Change from 2019–20 (%)
	High	Low	Increase	Decrease	2018–19	2019–20	
Major	520	77	9	4	160	177	11
	SA Water	South East Water					
Large	333	10	6	6	219	250	14
	Western Water	Redland City					
Medium	664	0	9	13	213	174	-18
	Tamworth	Dubbo					
Small	754	0	11	7	229	257	12
	Cassowary Coast	Orange					
All size groups (national)	754	0	35	30	218	214	-2
	Cassowary Coast	Multiple utilities					

Table note

Median capital expenditure per property: water supply (\$/property) for each year is calculated using data from utilities providing water and wastewater services that reported against F28 in that year.

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

Utility group	Range		No. utilities with increase/decrease from 2018–19		Median		Change from 2018–19 (%)
	High	Low	Increase	Decrease	2018–19	2019–20	
Major	1,003	158	9	5	251	289	15
	Logan	City West Water					
Large	889	55	7	5	244	227	-7
	Western Water	Redland City					
Medium	568	0	8	13	250	183	-27
	South Gippsland Water	Dubbo					
Small	1,296	0	10	10	224	252	3
	Multiple utilities	Orange					
All size groups (national)	1,296	0	34	33	251	259	3
	Western Downs	Multiple utilities					

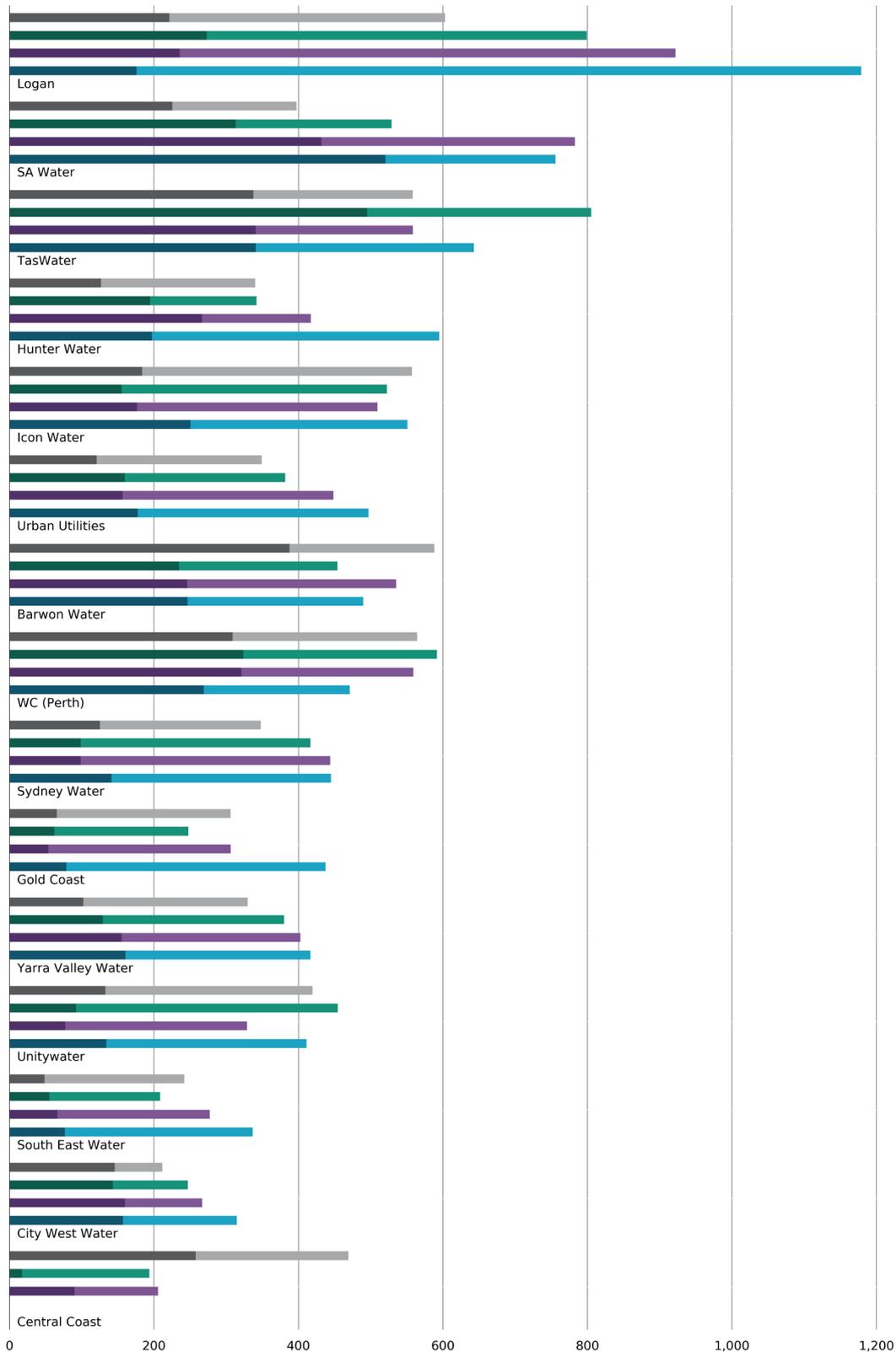
Table note

Median capital expenditure: wastewater (\$/property) in each year is calculated using data from all utilities providing water and wastewater services that reported against F29 in that year.

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 for the Major utility group. The figure shows the water supply (F28) and wastewater (F29) components of the total expenditure and reinforces the year-to-year variation.

The capital expenditure for water increased by 10.6 per cent and expenditure on wastewater increased by 15.1 per cent, each compared to 2018–19. These increases follow increases for both water and wastewater components in 2018–19.



Legend

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

2016-17	Water	█	Wastewater	█
2017-18	Water	█	Wastewater	█
2018-19	Water	█	Wastewater	█
2019-20	Water	█	Wastewater	█

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

Unitywater reported the highest percentage increase in capital expenditure on water (73.1 per cent from 2018–19 to 2019–20). Hunter Water Corporation reported the highest percentage increase of capital expenditure on wastewater services (163.7 per cent) following commencement of upgrades at several wastewater treatment plants in 2019–20.

5.3 Combined operating cost per property: water supply and wastewater—F13

Combined operating costs (\$/property) for water supply and wastewater 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 wastewater) data for all the utilities reporting in 2019–20 are presented in Table A8, Appendix A.

5.3.1 Key findings

Figure 5.3 shows a box-and-whisker plot of combined operating cost (water supply and wastewater) data for all utilities reporting F13 for a given reporting year from 2009–10 to 2019–20. Table 5.4 presents a summary of the median combined operating costs per property by utility size group.

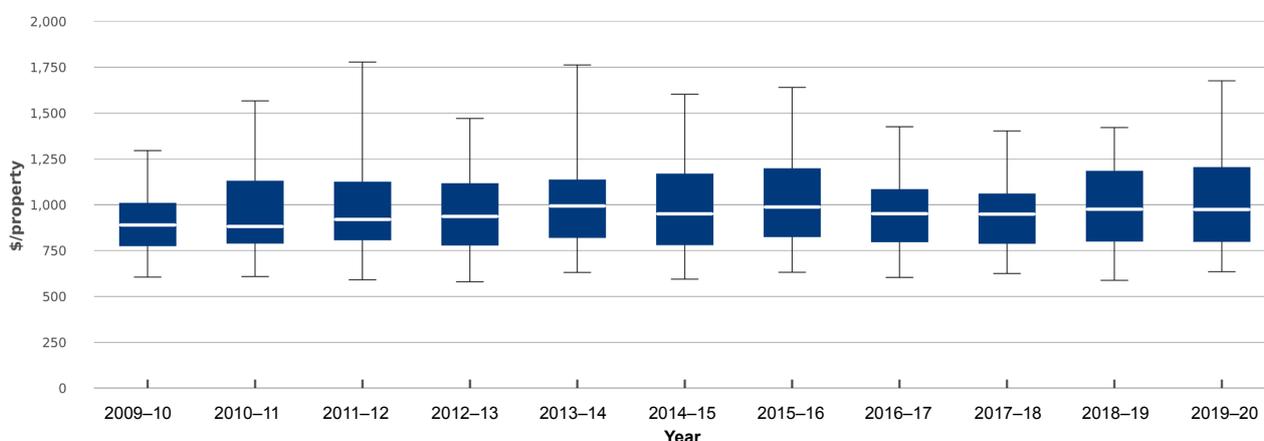


Figure 5.3 Combined operating cost per property: water supply and wastewater (\$/property).

The national 2019–20 median operating cost (on a per property basis for utilities delivering both water and wastewater services) was \$974, almost as same as the previous year (Table 5.4).

The Major, Large and Small utility groups reported increases, whereas the Medium utility group reported a small decrease in median costs. Nationally, 39 utilities across all size groups reported an increase in their operating expenditure per property, while 29 utilities reported a decrease.

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

Utility group	Range		No. utilities with increase/decrease from 2018–19		Median		Change in median from 2018–19 (%)
	High	Low	Increase	Decrease	2018–19	2019–20	
Major	1,273	621	9	5	877	915	4.3
	Urban Utilities	WC (Perth)					
Large	1,379	635	7	5	898	973	8.4
	Townsville	WC (Mandurah)					
Medium	1,300	665	8	14	975	968	-0.7
	Gladstone	Fitzroy River Water					
Small	4,003	554	15	5	1,171	1,196	2.1
	Essential Energy	Gympie					
All size groups (national)	4,003	554	39	29	975	974	-0.1
	Essential Energy	Gympie					

Table note

Table 5.4 is based on F13 (Combined operating cost per property: water supply and wastewater) for the reporting utilities that provide both reticulated water supply and wastewater 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 per connected property for water supply and wastewater services for the Major utility group. The figure shows the component of operating expenditure for water (F11) and wastewater (F12) expenditure for each Major utility from 2015–16 to 2019–20.

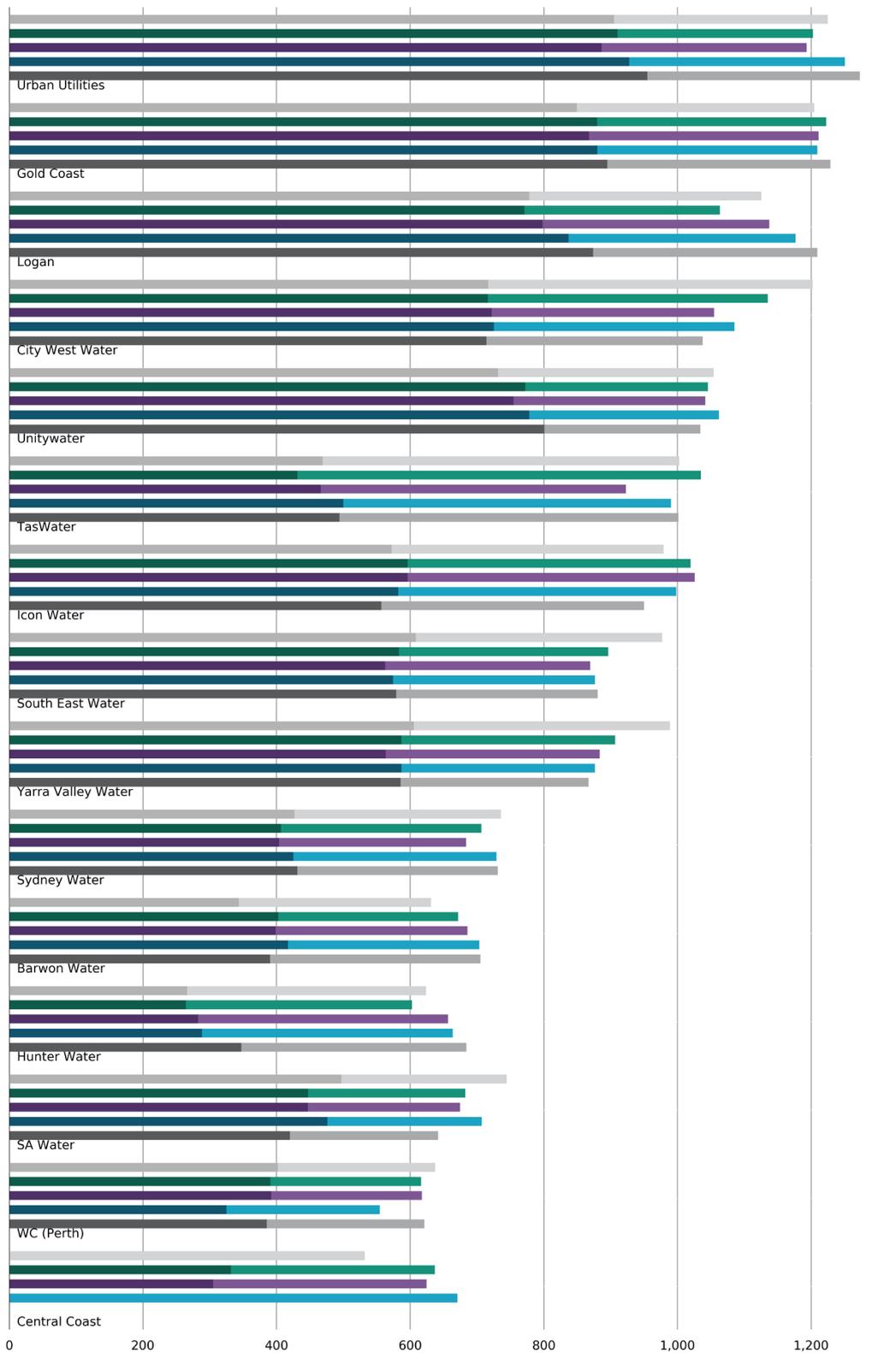
5.4 Community service obligations ratio—F8

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 2019–20 are presented in Table A9, Appendix A.



Legend

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

2015-16	Water	Wastewater
2016-17	Water	Wastewater
2017-18	Water	Wastewater
2018-19	Water	Wastewater
2019-20	Water	Wastewater

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

5.4.1 Key findings

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

In 2019–20, 37 utilities reported increases and 23 utilities reported decreases, in the revenue received from CSOs. This resulted in a 3 per cent increase in the national median revenue from CSOs from 2018–19 to 2019–20.

Table 5.5 Overview of results: Community service obligations ratio (%).

Utility group	Range		No. utilities with increase/decrease from 2018–19		Median		Change in median from 2018–19 (%)
	High	Low	Increase	Decrease	2018–19	2019–20	
Major	11.90	0	7	3	3.38	4.37	29
	SA Water	Multiple utilities					
Large	6.30	-23.44	9	3	2.77	2.91	5
	North East Water	WC (Mandurah)					
Medium	6.78	0.20	12	9	1.00	1.05	5
	GWMWater	Mackay					
Small	13.09	-93.20	9	8	0.80	0.70	-13
	P&W (Alice Springs)	WC (Geraldton)					
All size groups (national)	13.09	-93.20	37	23	1.07	1.10	3
	P&W (Alice Springs)	WC (Geraldton)					

Table notes

Median revenue from community service obligations (%) for each year is calculated using data from all utilities providing data in that year.

In Western Australia, some regional schemes recover adequate revenue to cover the cost of service of the scheme, including the community service obligations, and these schemes partially offset the net loss of other regional services. When reported independently, these schemes will show a negative operating subsidy.

5.4.2 Results and analysis—Major utility group

The Major utility group reported an increase of 29 per cent from 2018–19 in CSO payments.

SA Water Corporation continued to have the highest proportion of revenue from CSOs (11.9 per cent). For this utility, CSO payments are used to subsidise non-profitable water services in order to provide water services in country areas at metropolitan water prices.

Water Corporation – Perth reported the largest percentage decrease in its CSO revenue, from 6.63 per cent to 5.9 per cent in 2019–20.