

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
- 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 2020–21 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 decreased slightly by 2% to \$4.6 billion with the majority of this decrease associated with the capital expenditure from the Major utility group. This follows a significant increase in capital expenditure from the Major utility group in the previous year. The Large and Medium utility groups reported an increase in capital expenditure from 2019–20 to 2020–21.

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 and wastewater (\$000s)

Utility group	Range (\$ million)		No. utilities with increase/decrease from 2019–20		Total (\$ million)		Change in total from 2019–20 (%)
	High	Low	Increase	Decrease	2019–20	2020–21	
Major	922,079	65,846	5	9	3,811,675	3,656,923	-4
	Sydney Water	Barwon Water					
Large	86,946	9,777	9	4	440,239	475,357	8
	Western Water	Redland City					
Medium	30,347	70	11	8	275,163	300,440	9
	Fraser Coast	Dubbo					
Small	14,348	0	10	10	188,706	166,468	-12
	WC (Geraldton)	Armidale					
All size groups (national)	922,079	0	35	31	4,715,783	4,599,188	-2
	Sydney Water	Armidale					

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.

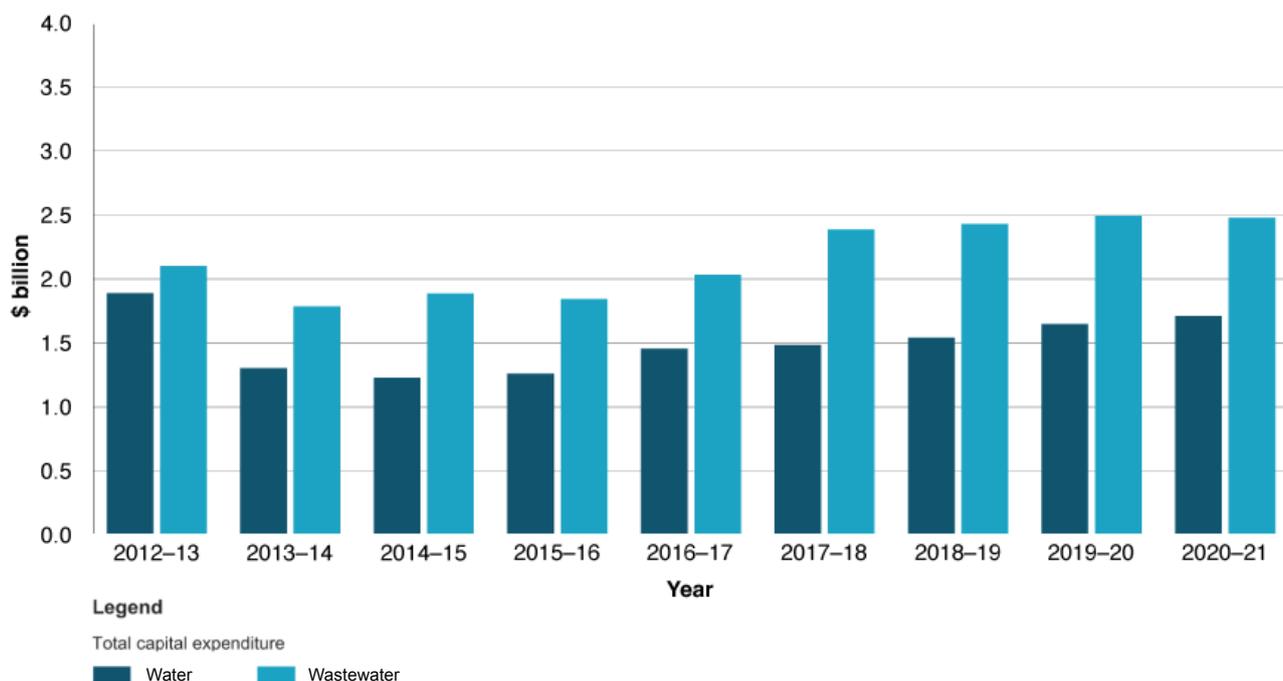


Figure 5.1 Total capital expenditure: water supply and wastewater (\$ billion) for utilities that reported all 9 years (excluding bulk water utilities)

5.1.2 Results and analysis – Major utility group

Nine of the 14 utilities in the Major utility group reported decreases in capital expenditure across their water and wastewater operations. Logan City Council reported the largest decrease of 36.4%. This decrease follows a large (30.5%) increase in capital expenditure from 2019–20 to 2020–21.

TasWater had the largest percentage increase (26.3%) followed by City of Gold Coast (22.6%).

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, for all utilities reporting in 2020–21 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.

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

Utility group	Range		No. utilities with increase/decrease from 2019–20		Median		Change in median from 2019–20 (%)
	High	Low	Increase	Decrease	2019–20	2020–21	
Major	488	77	4	10	179	166	-7
	TasWater	Gold Coast					
Large	576	16	7	6	250	216	-14
	Toowoomba	Redland City					
Medium	835	0	12	6	180	240	33
	Tamworth	Dubbo					
Small	763	0	10	10	223	348	56
	Essential Energy	Armidale					
All size groups (national)	835	0	33	32	218	240	10
	Tamworth	Multiple utilities					

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 2019–20		Median		Change in median from 2019–20 (%)
	High	Low	Increase	Decrease	2019–20	2020–21	
Major	571	144	5	9	293	270	-8
	Logan	City West Water					
Large	854	147	6	7	264	225	-15
	Western Water	P&W (Darwin)					
Medium	845	4	11	8	163	218	34
	Eurobodalla	Dubbo					
Small	537	0	10	10	256	249	-3
	Goulburn Mulwaree	Multiple utilities					
All size groups (national)	854	0	32	34	264	234	-11
	Western Water	Orange					

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.

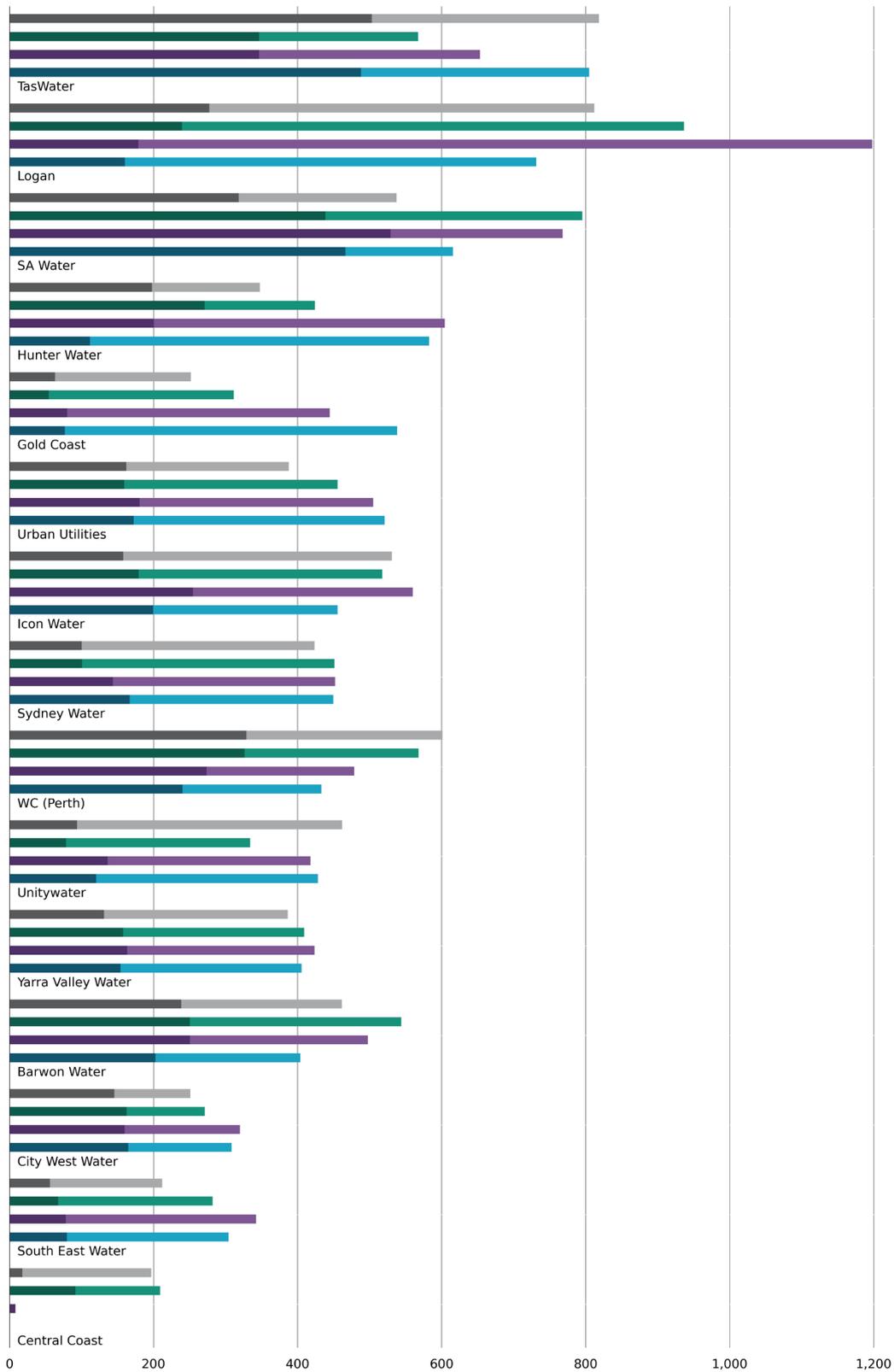
In 2020–21, the national median per property capital expenditure on water services increased by 10%. Utilities in the Small size group had the highest percentage increase in median per property capital expenditure on water supply (56%) (Table 5.2).

In contrast, the national median per property capital expenditure on wastewater services decreased by 11% from 2019–20 to 2020–21 (Table 5.3). Major and Large utility groups reported decreases for both water and wastewater services, while the Medium utility group reported increases of 33% and 34% for median per property expenditure on water services and wastewater services, respectively.

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 on water and wastewater services combined decreased by 8% compared to 2019–20. These decreases follow increases for both water and wastewater components in 2019–20.



Legend

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

2017-18	Water	█	Wastewater	█
2018-19	Water	█	Wastewater	█
2019-20	Water	█	Wastewater	█
2020-21	Water	█	Wastewater	█

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

TasWater reported the highest percentage increases in capital expenditure on water supply (40.8%) from 2019–20 to 2020–21, which was directly linked to an acceleration of TasWater’s capital expenditure. Hunter Water Corporation reported the largest percentage decrease of capital expenditure on water services (44.3%), which was offset by a 16.6% increase in capital expenditure on wastewater services.

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
- 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 utilities reporting in 2020–21 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 2010–11 to 2020–21. Table 5.4 presents a summary of the median combined operating costs per property by utility size group.

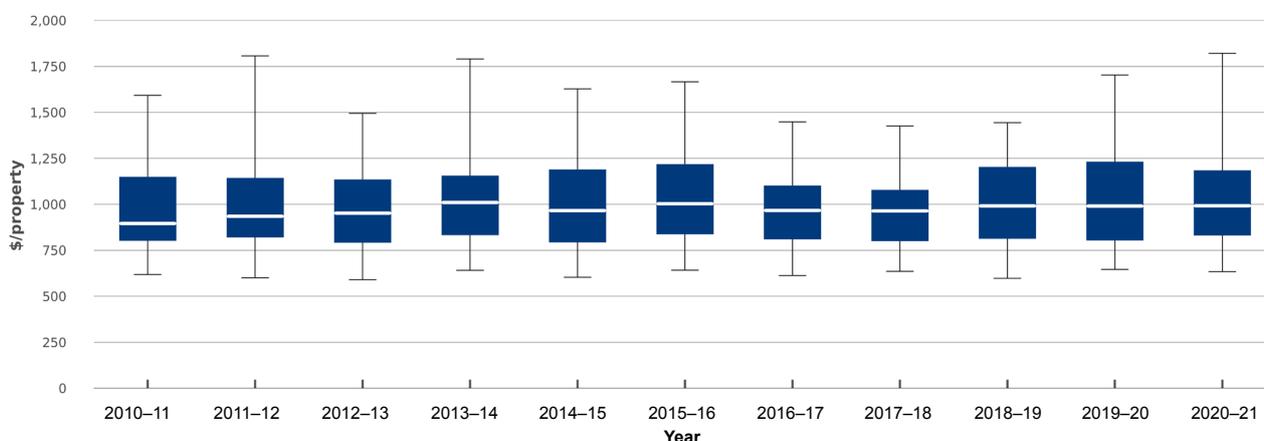


Figure 5.3 Combined operating cost per property: water supply and wastewater (\$/property)

The national 2020–21 median operating cost (on a per property basis for utilities delivering both water and wastewater services) was \$982, with a decrease of 1% from 2019–20. (Table 5.4).

In a direct reversal from the previous year's results, the Major, Large and Small utility groups reported decreases, whereas the Medium utility group reported an increase in median costs. Nationally, 24 utilities across all size groups reported increases in their operating expenditure per property, while 44 utilities reported decreases.

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

Utility group	Range		No. utilities with increase/decrease from 2019–20		Median		Change in median from 2019–20 (%)
	High	Low	Increase	Decrease	2019–20	2020–21	
Major	1,256	603	2	12	895	867	-3
	Gold Coast	WC (Perth)					
Large	1,281	598	2	11	990	958	-3
	Townsville	WC (Mandurah)					
Medium	1,997	681	11	8	978	1,020	4
	Gladstone	Fitzroy River Water					
Small	1,854	662	9	13	1,223	1,123	-8
	Byron	WC (Australind/Eaton)					
All size groups (national)	1,997	598	24	44	1,000	982	-1
	Gladstone	WC (Mandurah)					

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 2016–17 to 2020–21.

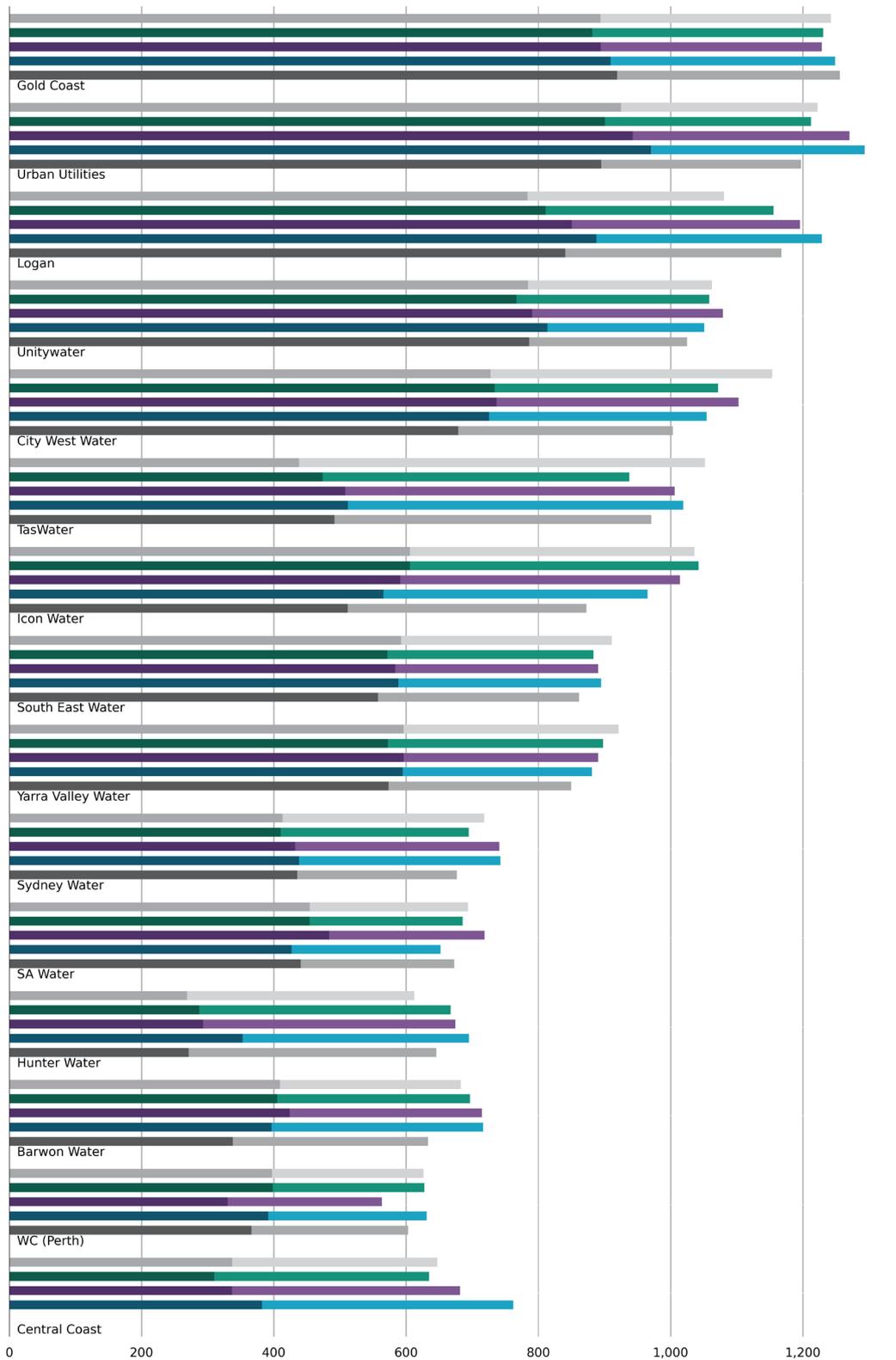
5.4 Community service obligations ratio – F8

Revenue from community service obligations (CSOs) as a ratio 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)
- 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 2020–21 are presented in Table A9, Appendix A.



Legend

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

2016-17	Water	Wastewater
2017-18	Water	Wastewater
2018-19	Water	Wastewater
2019-20	Water	Wastewater
2020-21	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 2020–21, the number of utilities that reported a decrease (27) was greater than the number of utilities that reported an increase (22), and 13 utilities reported no change in the revenue received from CSOs. This resulted in a 9% decrease in the national median revenue from CSOs from 2019–20 to 2020–21.

Table 5.5 Overview of results: Community service obligations ratio

Utility group	Range		No. utilities with increase/decrease from 2019–20		Median		Change in median from 2019–20 (%)
	High	Low	Increase	Decrease	2019–20	2020–21	
Major	0.1103 SA Water	0 Multiple utilities	6	4	0.0435	0.0397	-9
Large	0.0626 North East Water	-0.1405 WC (Mandurah)	5	8	0.025	0.022	-12
Medium	0.0721 GWMWater	0.002 Mackay	5	5	0.01	0.01	0
Small	0.1581 P&W (Alice Springs)	-1.0678 WC (Geraldton)	6	10	0.0075	0.007	-7
All size groups (national)	0.1581 P&W (Alice Springs)	-1.0678 WC (Geraldton)	22	27	0.011	0.01	-9

Notes:

Median revenue from community service obligations ratio 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 a decrease in median CSO payments of 9% from 2019–20.

SA Water Corporation continued to have the highest proportions of revenue from CSOs with 11.0%. For this utility, CSO payments are used to subsidise non-profitable water services, to provide water services in country areas at metropolitan water prices.

Icon Water reported the largest percentage increase, with its CSO revenue increasing from 1.7% to 2.5% in 2020–21. TasWater reported the largest decrease, with a 57.6% reduction in the ratio of revenue coming from CSO.