



WATER SERVICES
ASSOCIATION OF AUSTRALIA



Water utility governance in Australia

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Water Services Association of Australia



WSAA Members



WSAA'S central functions



1. Collaboration

- Between members information sharing and problem solving
- On projects that are too big or expensive to do alone



2. Advocacy

- Representing industry interests
- Influencing policy
- International representation



3. Innovation

- A filtering point for latest technology
- Introducing new ideas from Australia and overseas
- Benchmarking

Three Waters Work Streams

1. **effective oversight, *regulatory settings, and institutional arrangements* relating to three waters**
2. **funding and financing mechanisms, including analysis of a range of options for funding the three waters infrastructure system;**
3. **capacity and capability of decision makers and suppliers (including consideration of the Inquiry's recommendations for the aggregation and licensing of drinking water suppliers); and**
4. **information for transparency, accountability and decision making.**



Utility structures in Australia



National reform

Timeline

1994 COAG Water Reform
Policy framework

1995 COAG adopted National
competition reform package

2004 National Water Initiative

2005 National Water
Commission (NWC)
established

2014 NWC abolished

Key elements

Corporatisation model

Separation of service delivery
from regulation

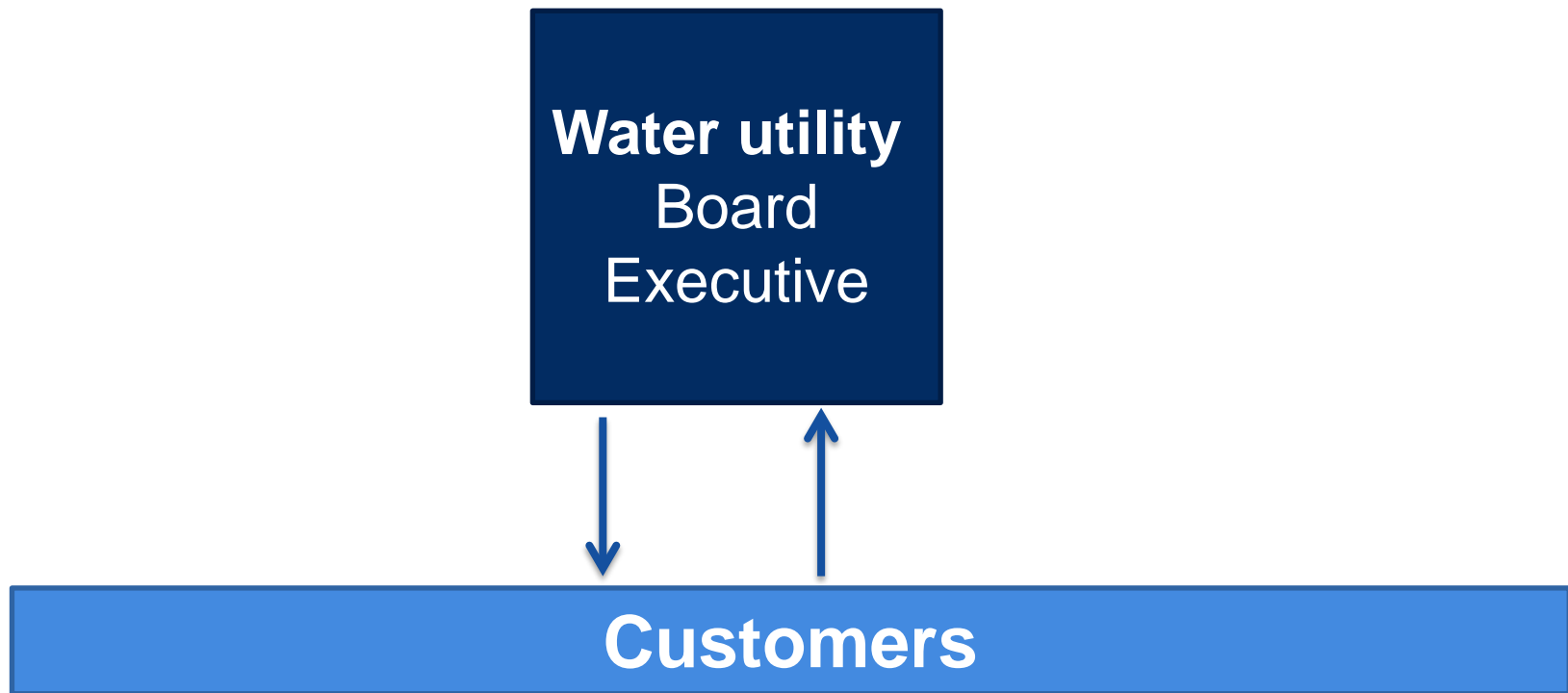
User-pays

Consumption-based pricing

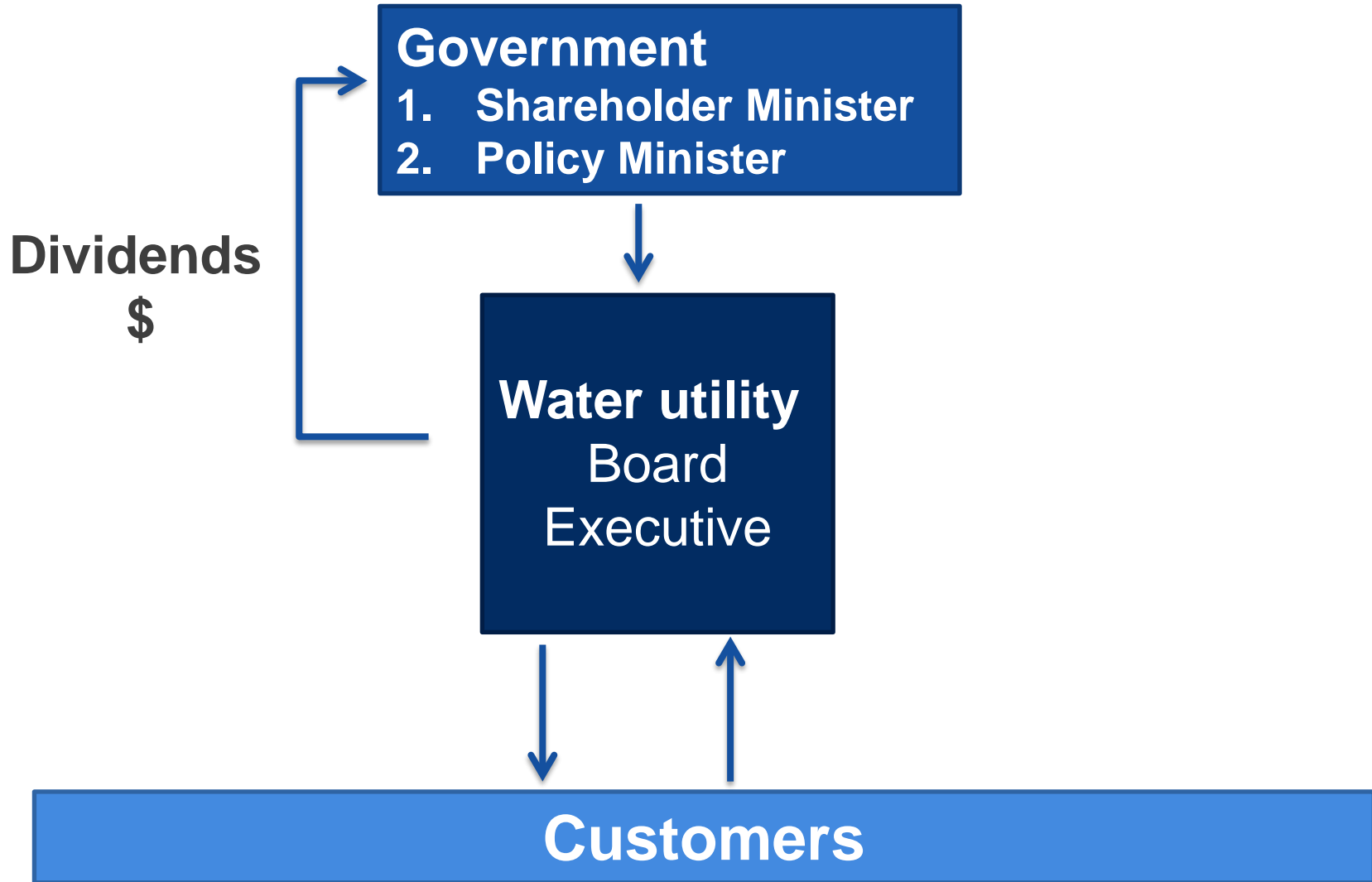
Cost-recovery

Transparent cross-subsidies

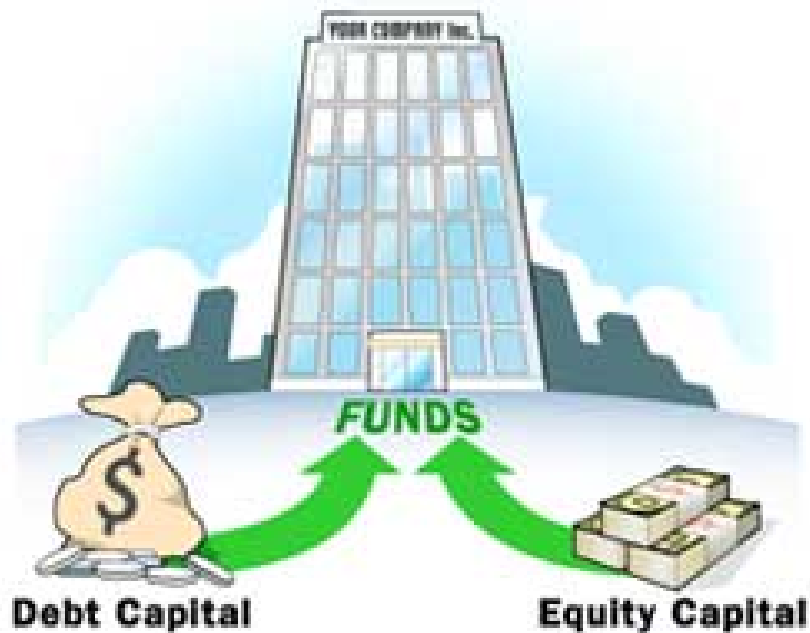
Institutional arrangements



Institutional arrangements

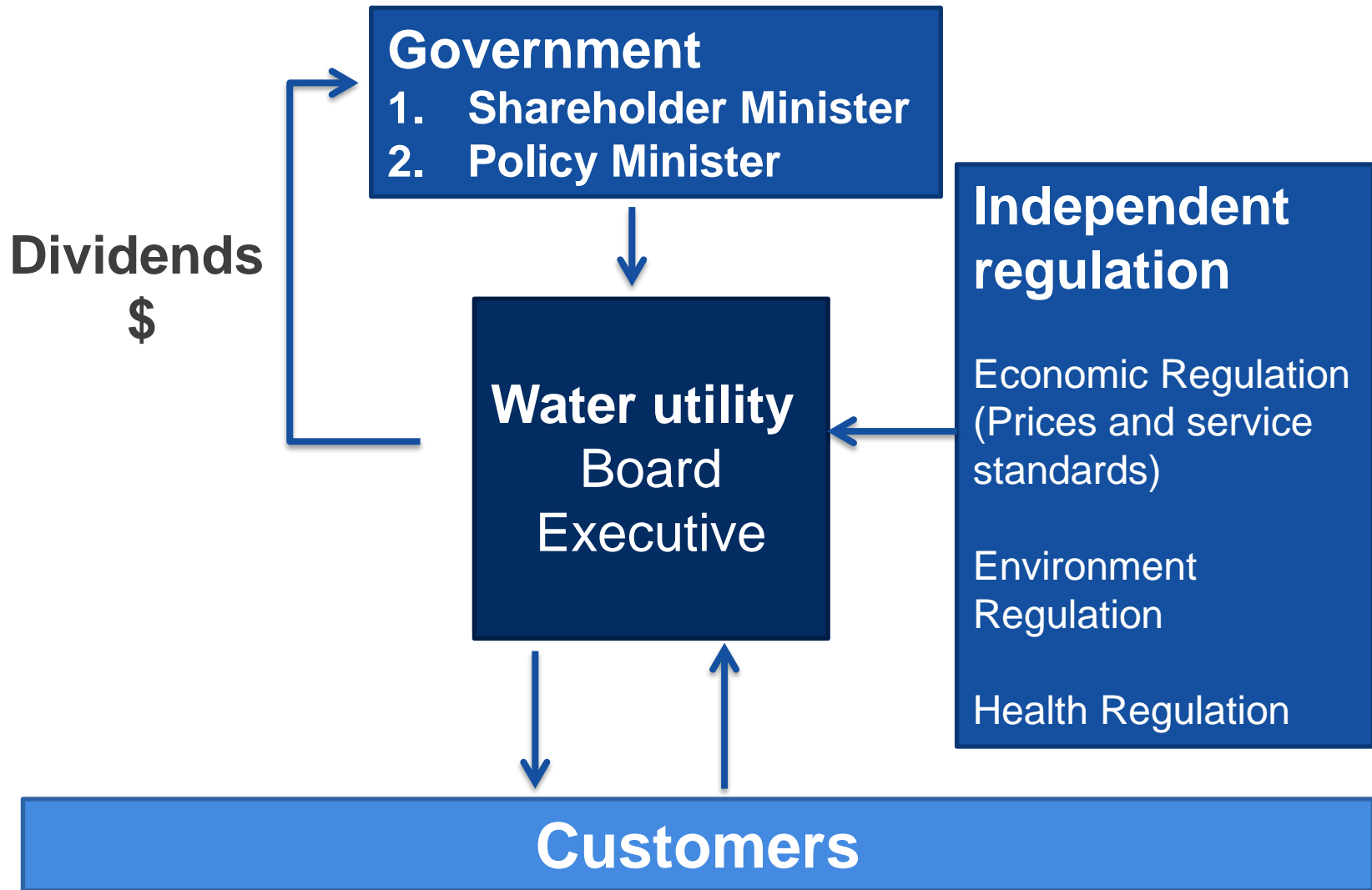


Commercial capital structure



- Revenue is determined through economic regulation process
- Utilities borrow to fund capital expenditure as a normal business would
- Debt levels determined by government guide to maintain investment grade credit rating

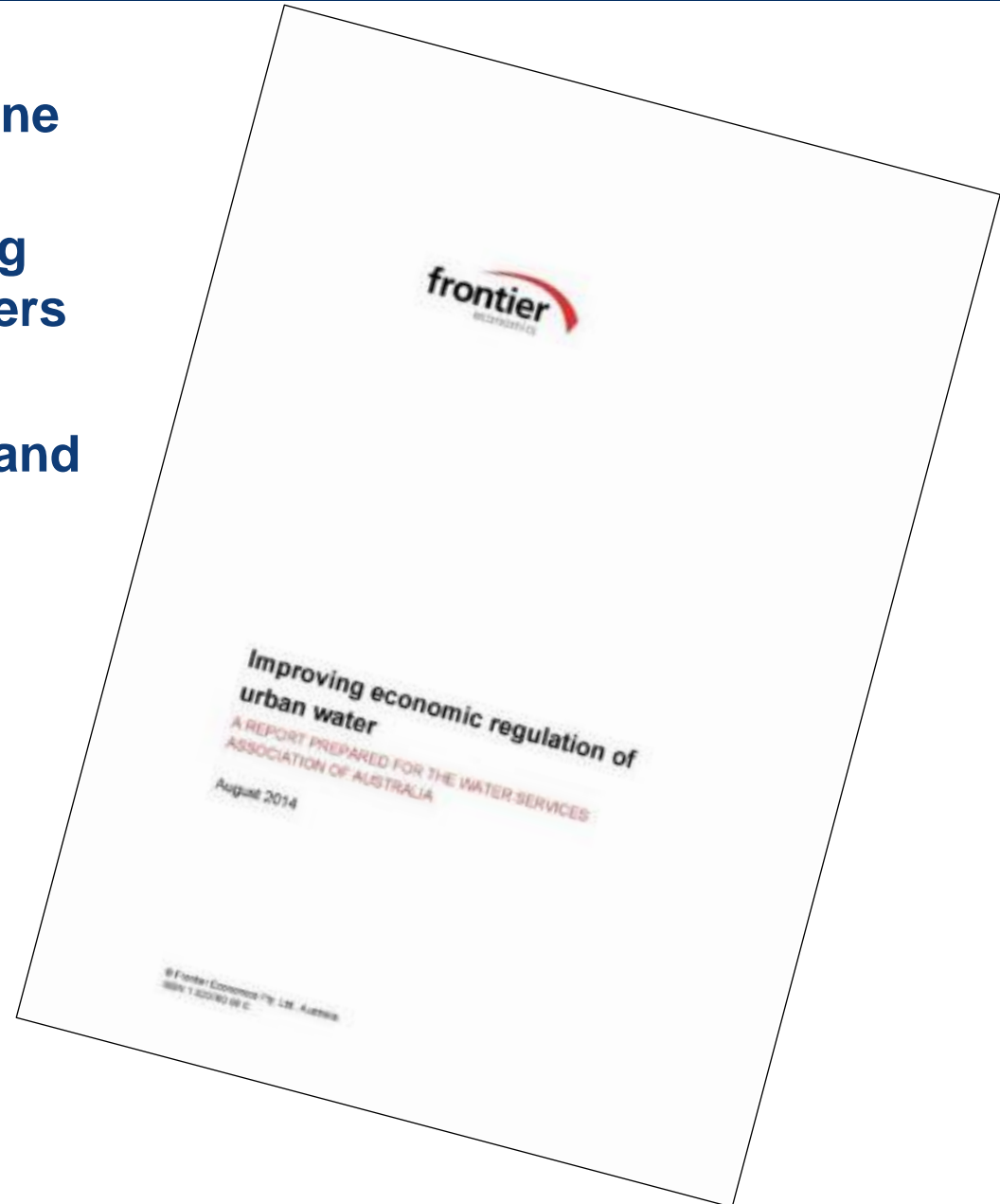
Institutional arrangements



Features of good economic regulation

- Independence to determine revenue
- Objective to promote long term interests of customers
- Customer at the centre
- Incentives for efficiency and productivity
- Financial viability testing
- Merits review

**Some jurisdictions
approaching best
practice**



Water quality management

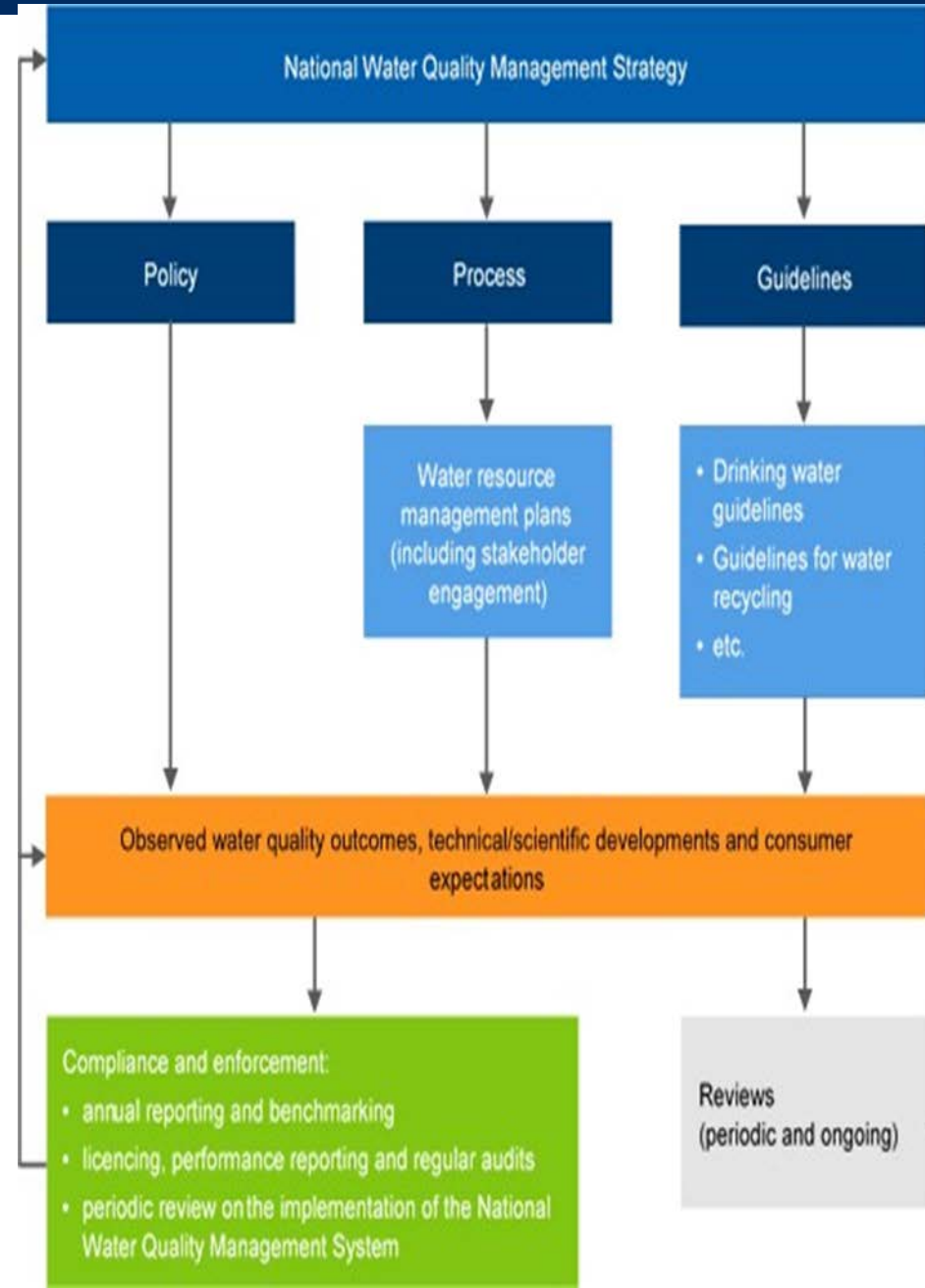
- **Developed in 1992 by the Australian and New Zealand governments and incorporated into the COAG Water Reform Framework in 1994. NWQMS three core elements.**

1. Policy
2. Process
3. Guidelines

nationally agreed, technical guides that provide benchmarks and targets for managing water quality across a range or risk profiles and uses

- **Compliance with NWQMS elements undertaken by independent Australian and state government agencies via:**

- licencing, performance reporting and regular audits of water utilities by independent regulators



Benefits of corporatisation

- **Commercially focused service providers**
- **Financially sustainable**
- **Improved Water Quality, security, productivity**
- **Economies of scale, capability**
- **Ability to Separate policy, regulation and service delivery**
- **Transparency of performance**



APPROACHES TO REGIONAL ISSUES

Transparent Community Service Obligations

- **NWI -- small communities may never be able to provide water services of adequate quality at a price that consumers can afford**
 - Transparent CSO payments to meet the difference between the efficient cost and ability to pay.
- **The Water Corporation of Western Australia provides across its 2.5 million square kilometre operating area.**
 - operating subsidy of around \$500 million for non profitable services in regional and remote communities, and pensioner concessions.
- **Productivity Commission – move away from capital grants, which can be less well targeted than CSOs (rural NSW and Qld)**



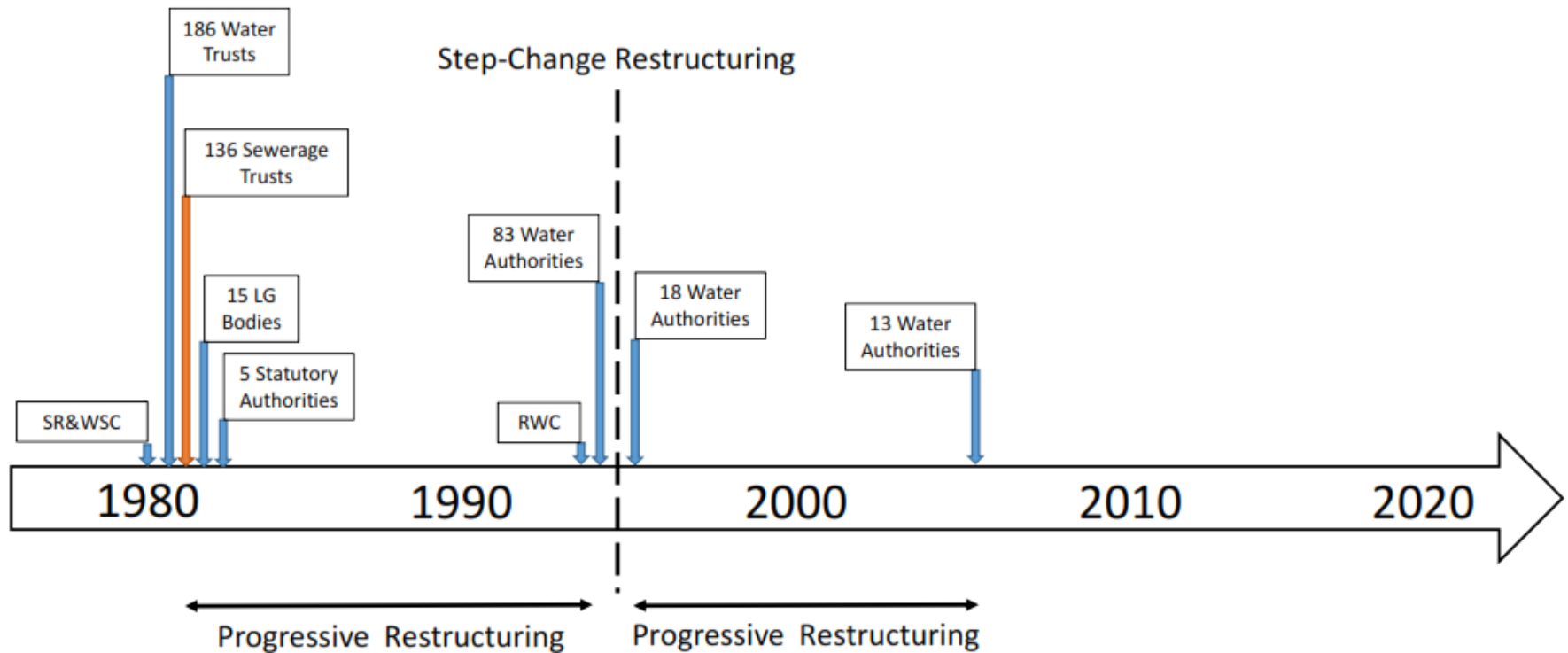
Case study - Victoria

First to reform

- **Over 180 water authorities in the 1980s**
- **2007 – 13 regional utilities and 4 metropolitan utilities**
- **All operate as State-Owned corporations**
- **High levels of financial sustainability**
- **Regionals do not pay dividends**



Victoria - timeline



Case study – South East Queensland

A council ownership model

- **Queensland Urban Utilities – owned by five councils**
- **Unity Water – Owned by three councils**
- **Skills based boards**
- **Commercial dividends paid to owners**
- **Remaining council businesses, but with scale**



Case study - Tasmania

29 Local councils water businesses

(poorly performing, Permanent boil water alerts)



3 Council owned businesses



2012 One council-owned utility for Tasmania

2018 – No boil water alerts!



**taswater**

Conclusions

Australia has faced and, continues to face, many of the same challenges as New Zealand has identified

Several decades of reform in Australia have generated a viable and resilient water sector

A diverse range of operating models is in place underpinned by a common set of principles

Corporatisation was a central element of the reforms:

- commercial focus
- arm's length to government
- clear accountability for outcomes.

Local Government ownership models have provided scale and capability in regional areas.



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