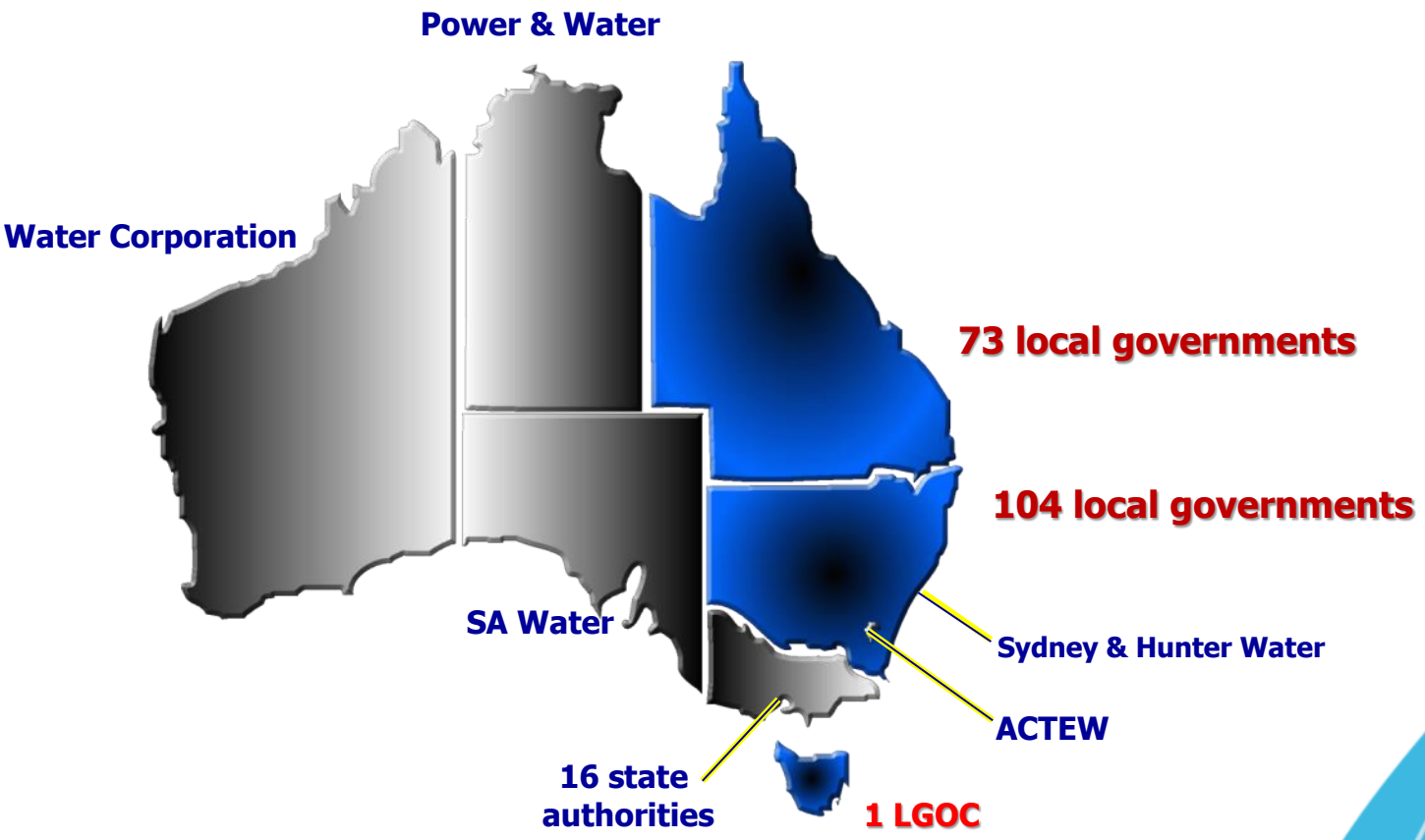
The cost of efficiency for water and sewerage service providers

Cairns May 2015

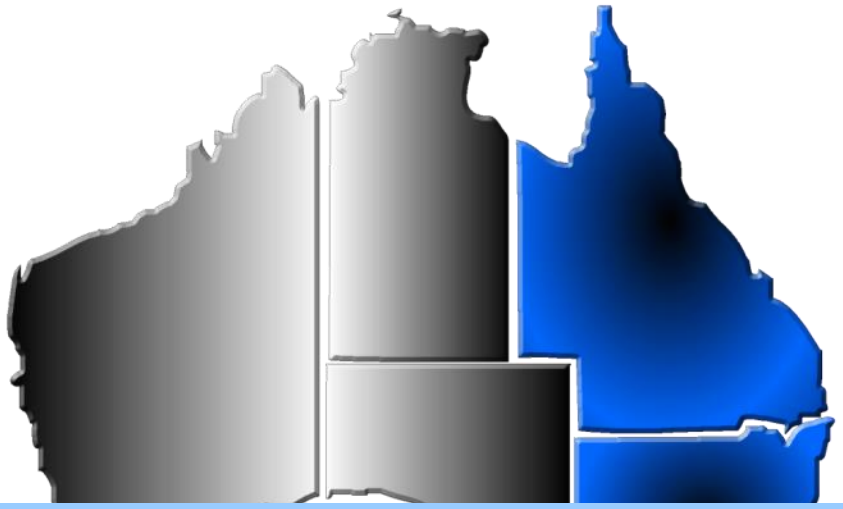
Industry drivers and pressures….

Australian Urban Water Industry



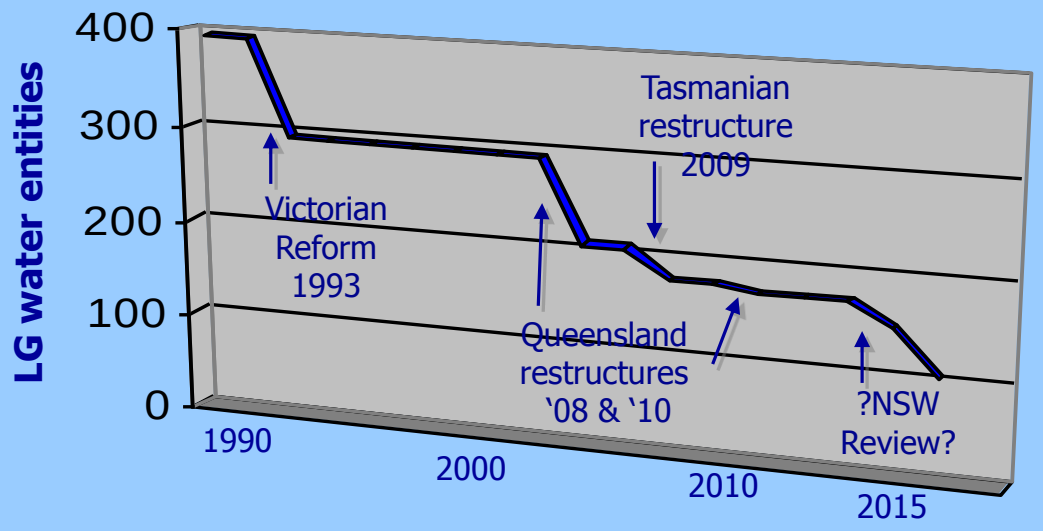
State-owned authorities

local government utilities



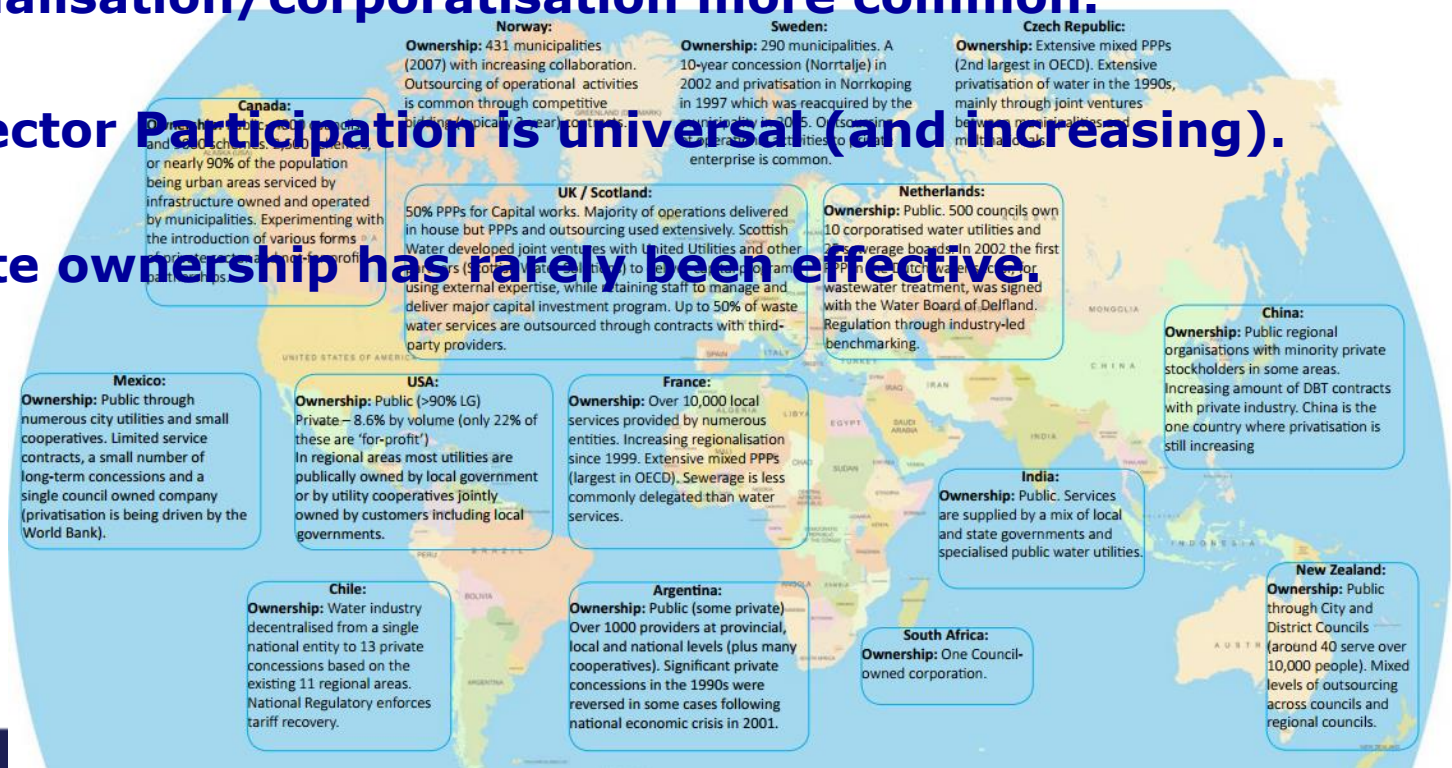
Institutional change

Numbers of Local government water entities are decreasing.



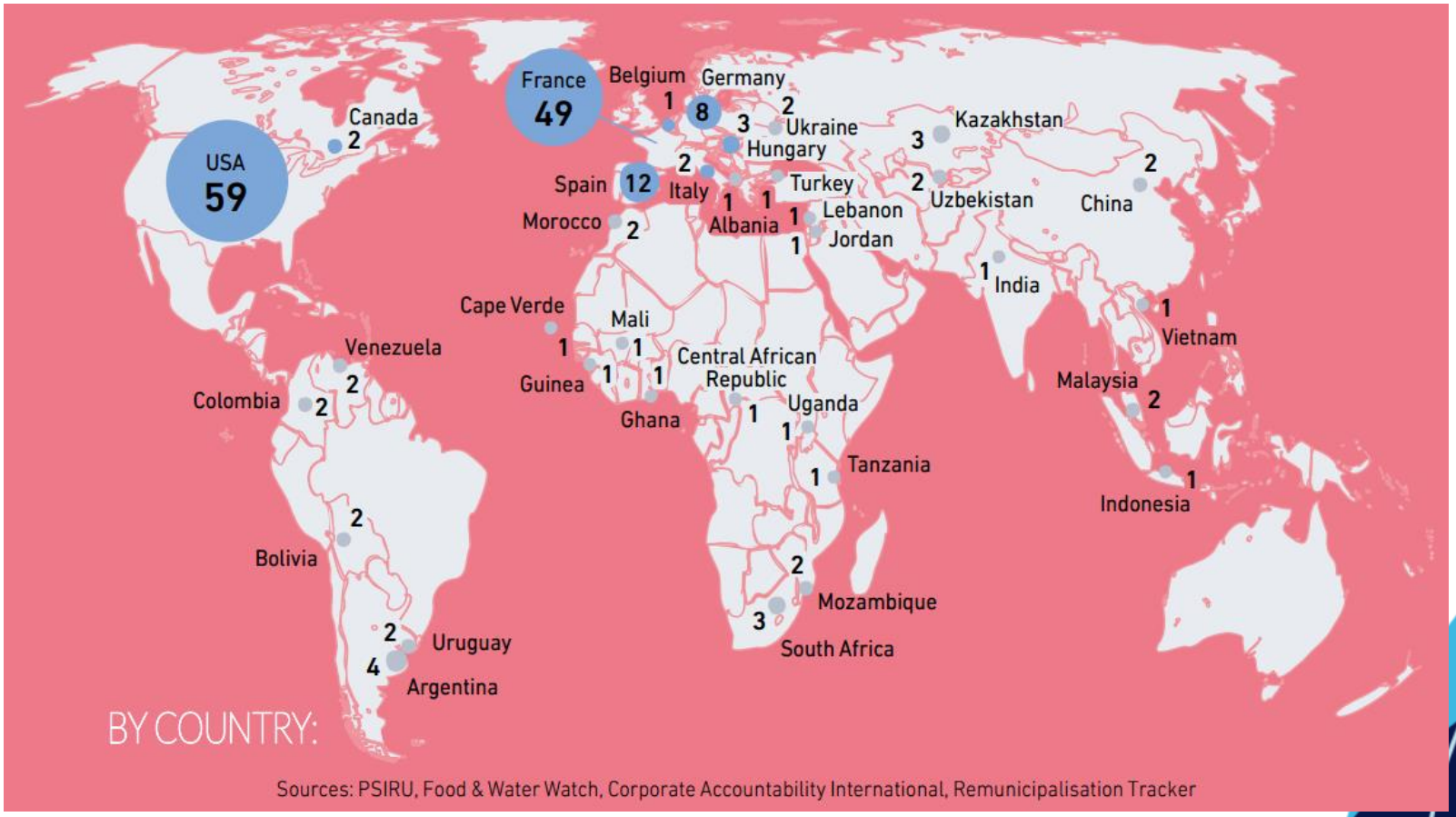
International Trends

- **Numerous studies on efficiency of institutional models.**
- **General Findings:**
  - **Regionalisation of LG services is increasing (scale economies).**
  - **Commercialisation/corporatisation more common.**
  - **Private Sector Participation is universal (and increasing).**
  - **Full private ownership has rarely been effective.**



International Trends

"Remunicipalisation"

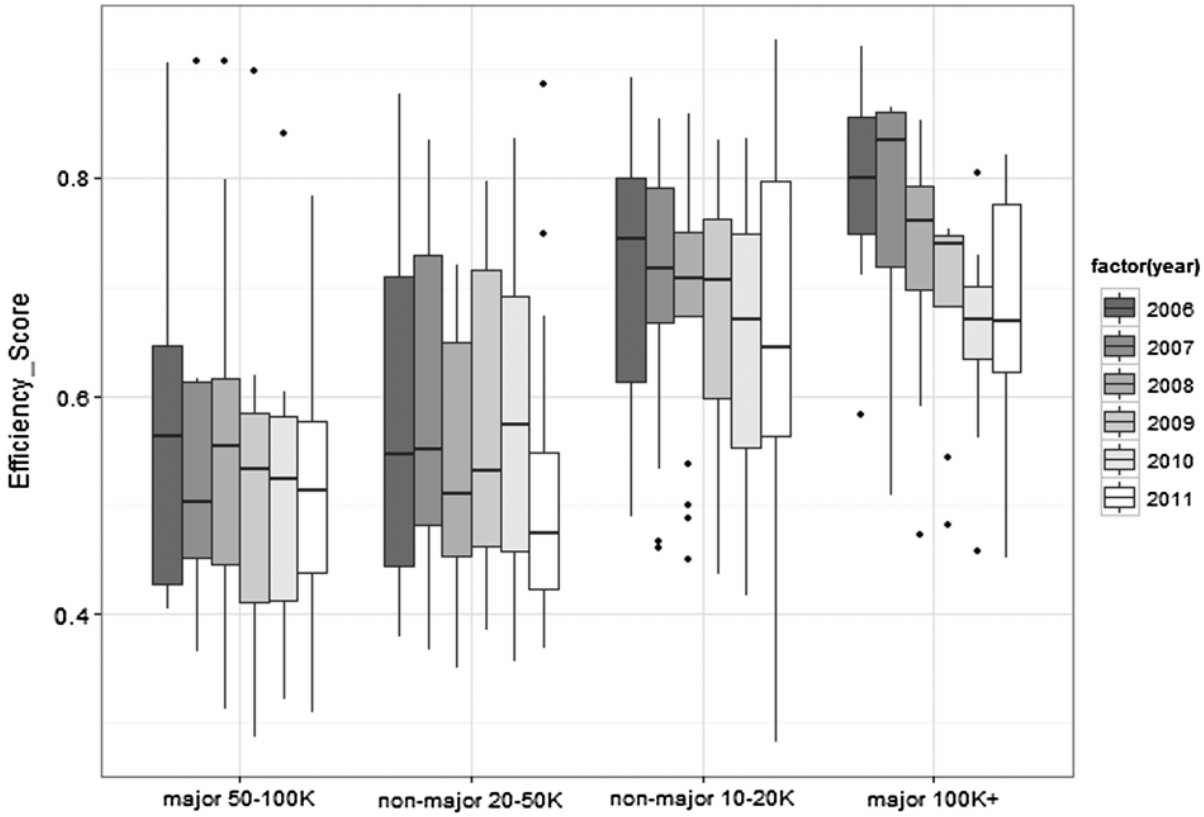


International Trends

Efficiency benchmarking

M. Walter et al. / Utilities Policy 17 (2009) 225–232

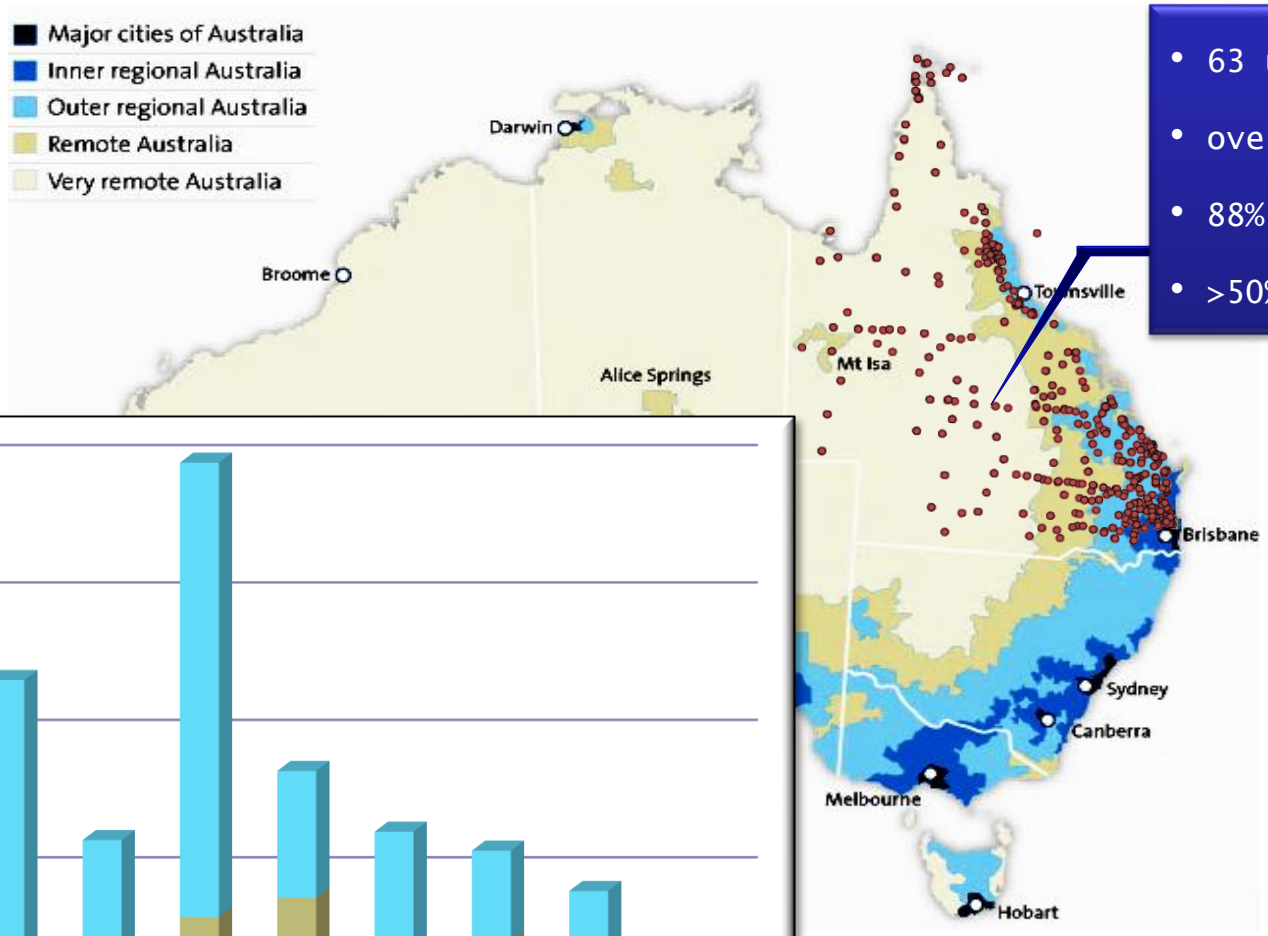
Efficiency Analysis



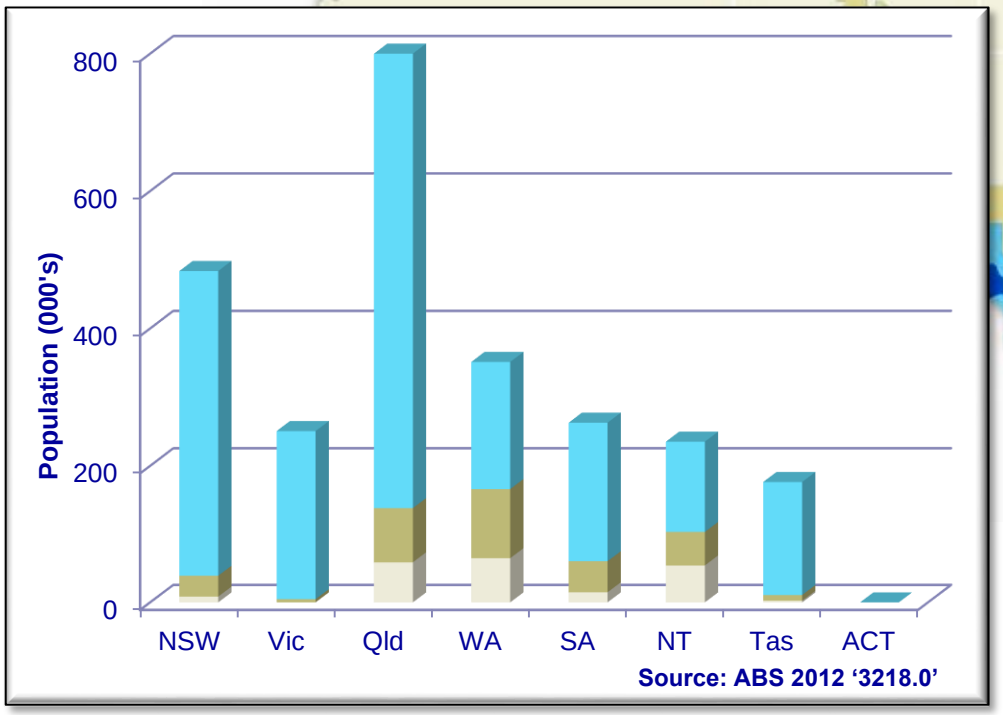
"This paper empirically analyses the efficiency of urban water utilities using state-of-the-art methodology combining data envelopment analysis (DEA) and a two-stage double bootstrap procedure." (Source: Ananda, 2015)

Why Queensland is different.

Regional Queensland



- 63 utilities
- over 370 towns
- 88% potable supplies
- >50% have <500 people



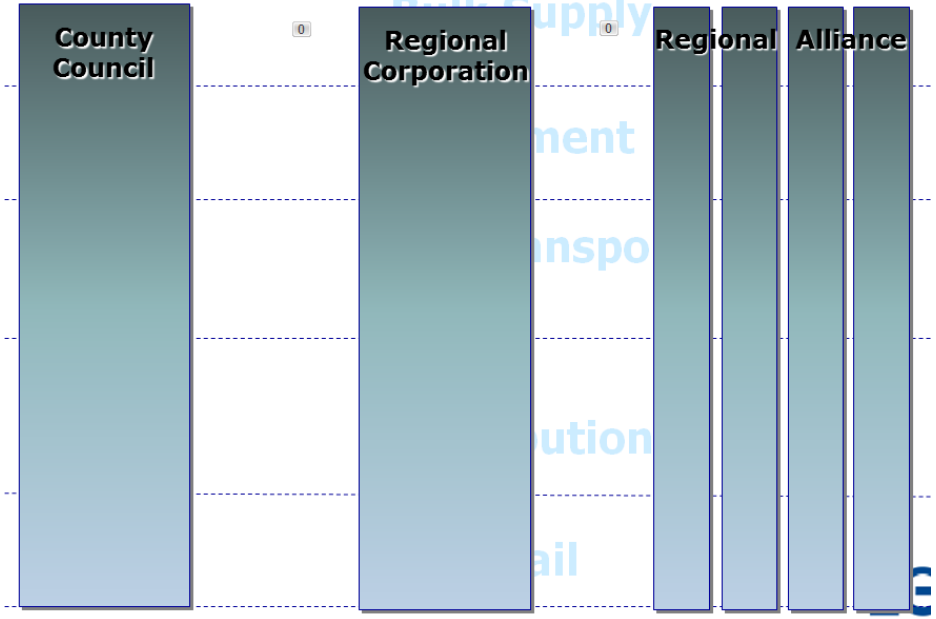
Small Communities

- Fit-for-purpose solutions.
- Capacity to pay vs levels of service.
- Additional needs of indigenous communities.
- Management of compliance costs.

Queensland
Water Regional Alliance Program

- Created by LGAQ and ***qldwater*** with funding from DEWS and matching funding from participating councils.
- Addresses three national reviews that were critical of Qld's water industry.
- Four pilot regions
- Requires participants invest, and 'consider' three alternative models

Option 1 **Option 2** **Alternative**

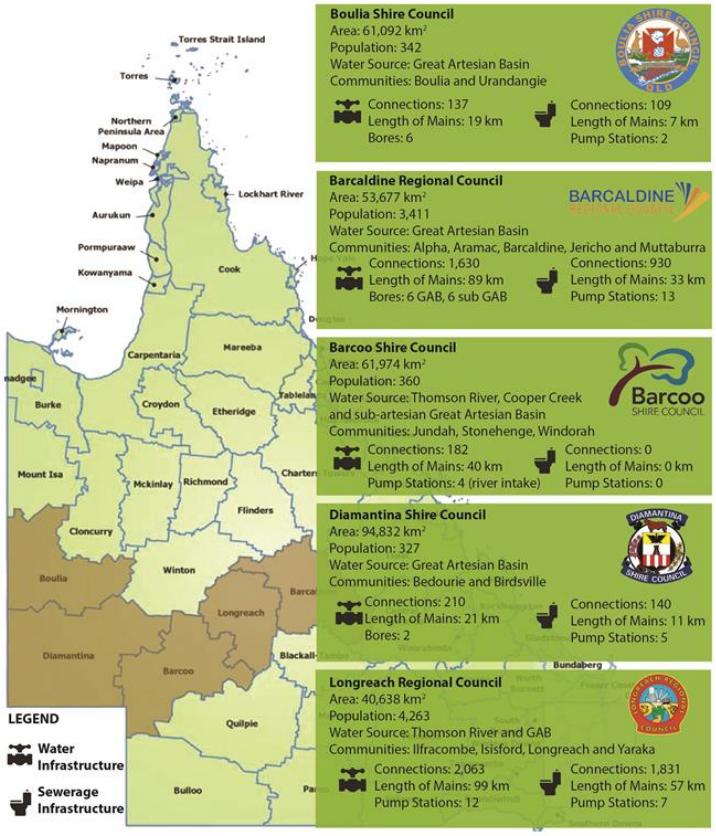


LOCAL GOVERNMENT ASSOCIATION OF QUEENSLAND

RAPAD

- Before QWRAP:
  - Strong regional body but no water focus
- After QWRAP:
  - Political and technical water groups
  - Alliance with regional coordinator
  - Collaborative projects underway

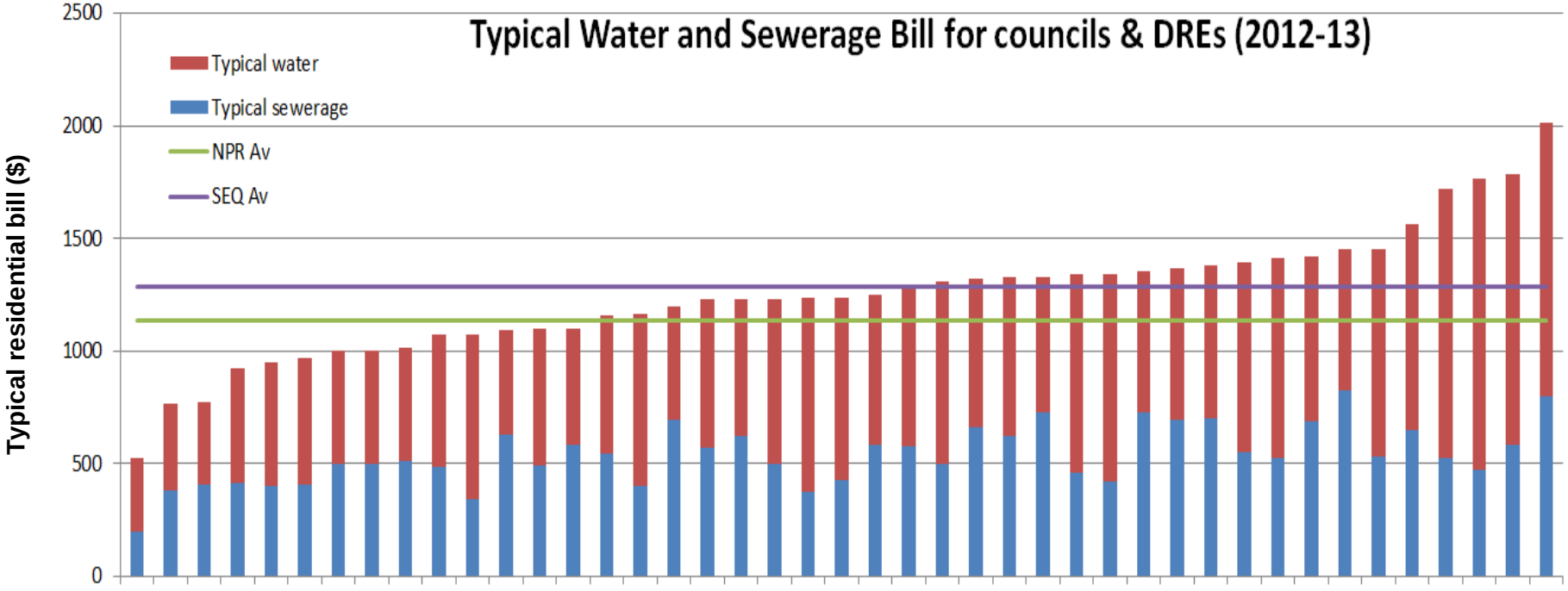
The Outback Alliance



LGAQ
LOCAL GOVERNMENT ASSOCIATION OF QUEENSLAND

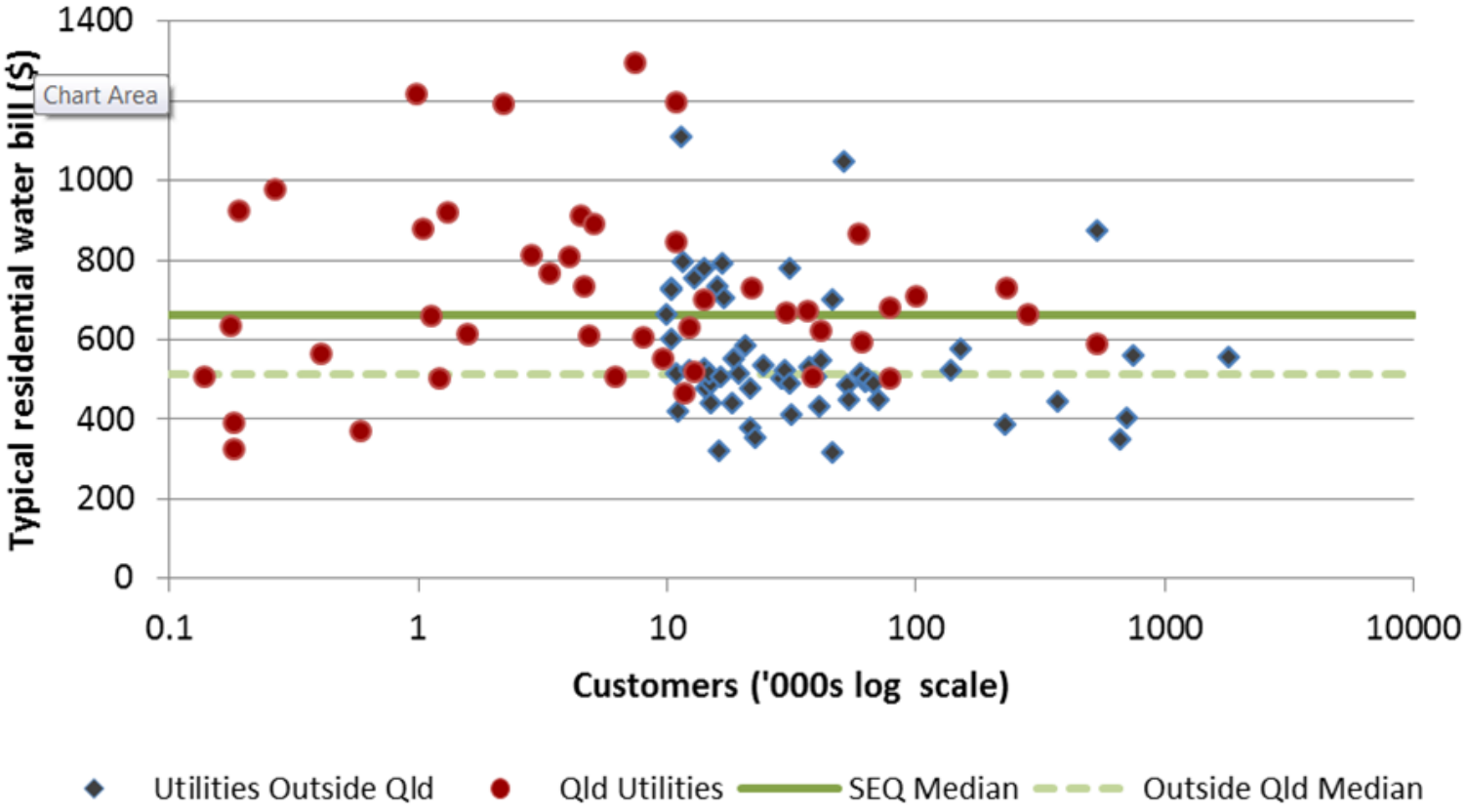
Efficiency Indicators.

Bills – Pricing – Cost Recovery

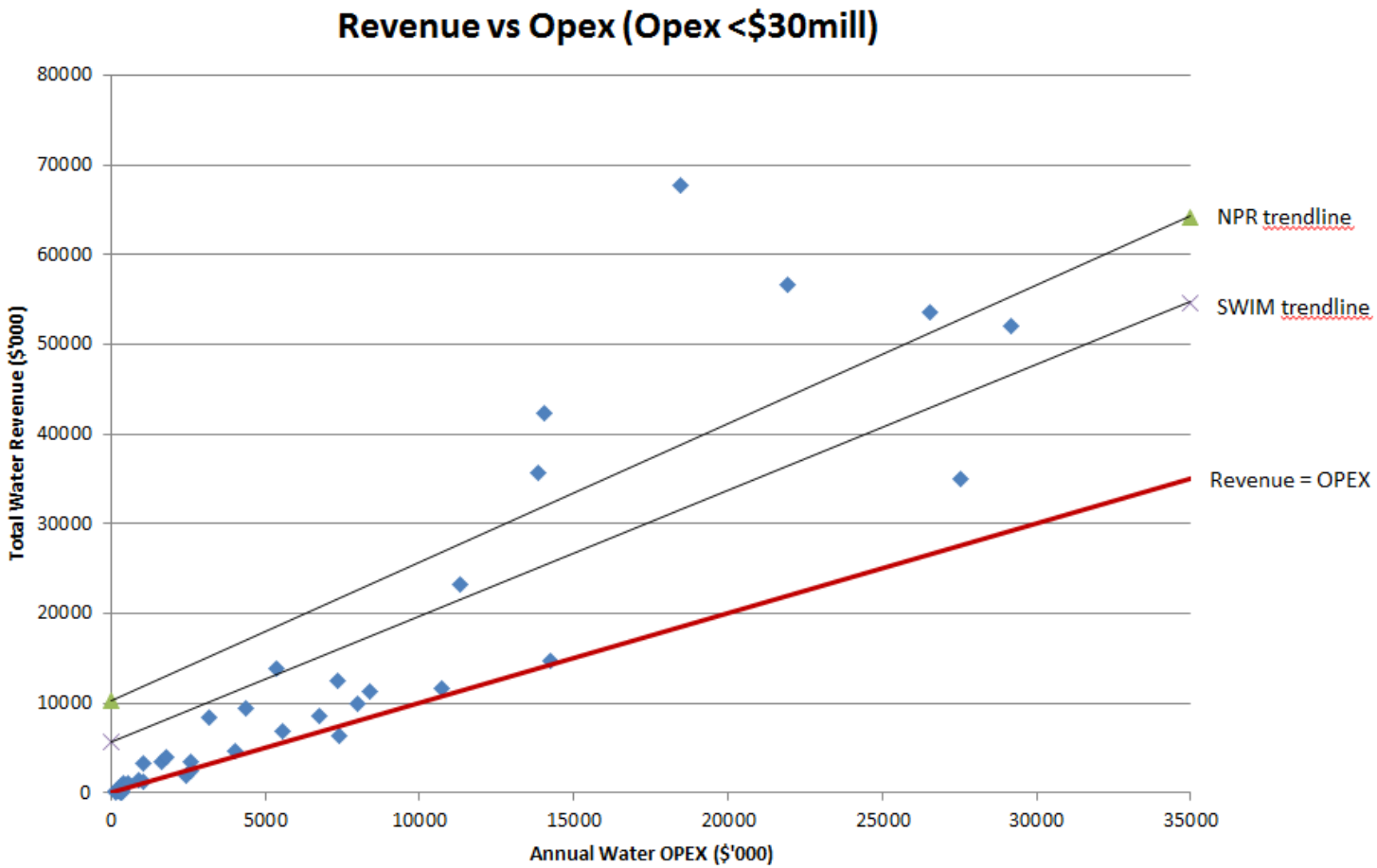


- 40% Qld communities > SEQ
- 60% > national average

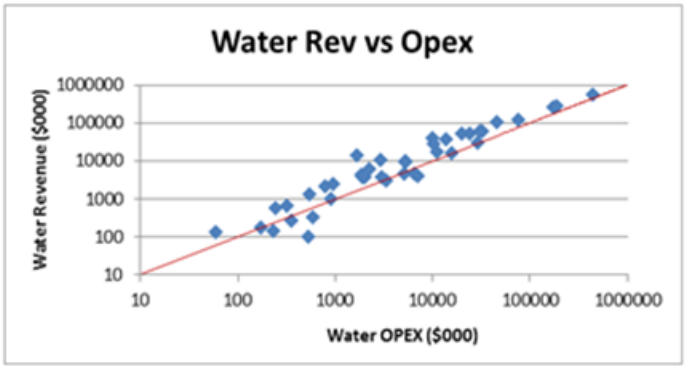
Bills – Pricing – Cost Recovery

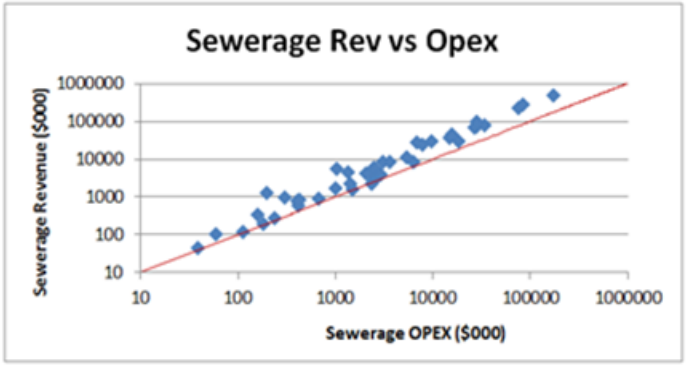


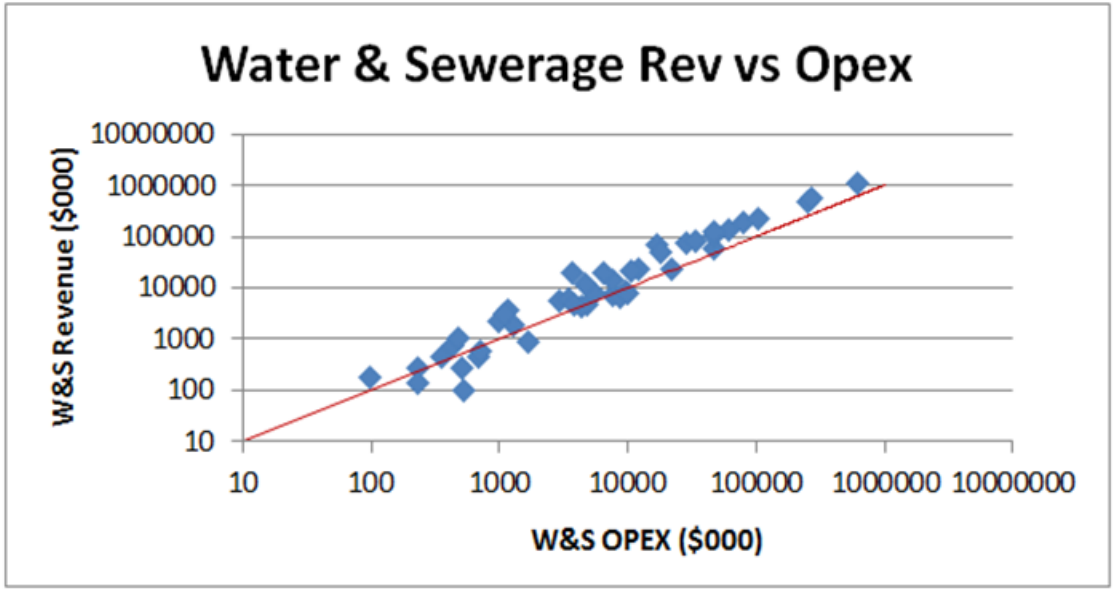
Bills – Pricing – Cost Recovery



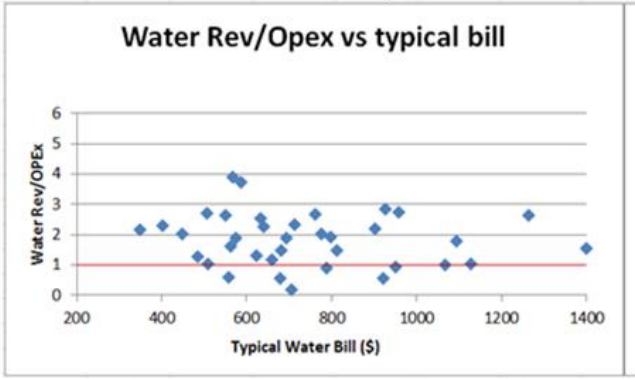
Bills – Pricing – Cost Recovery

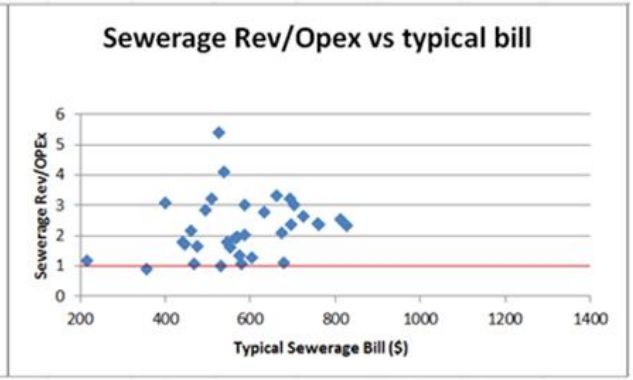


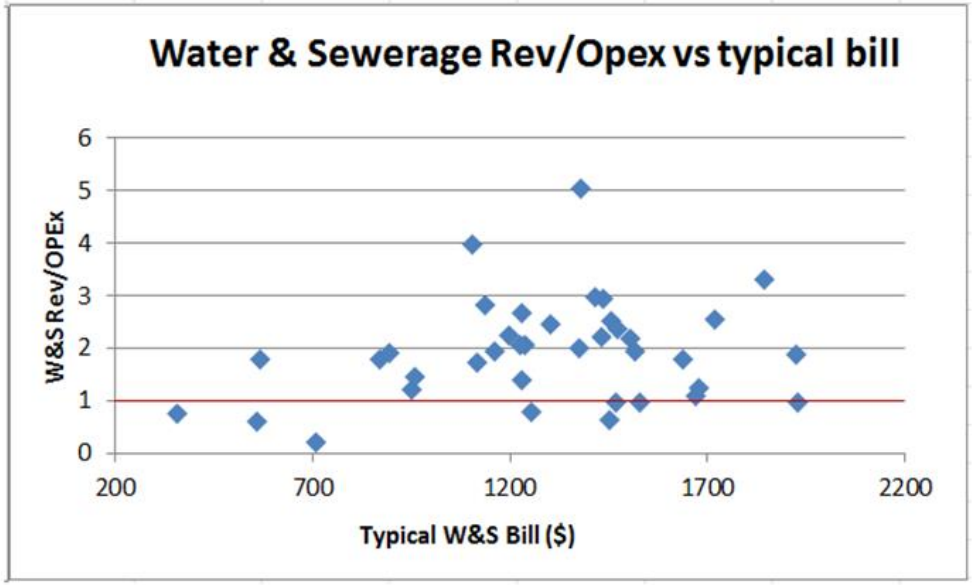




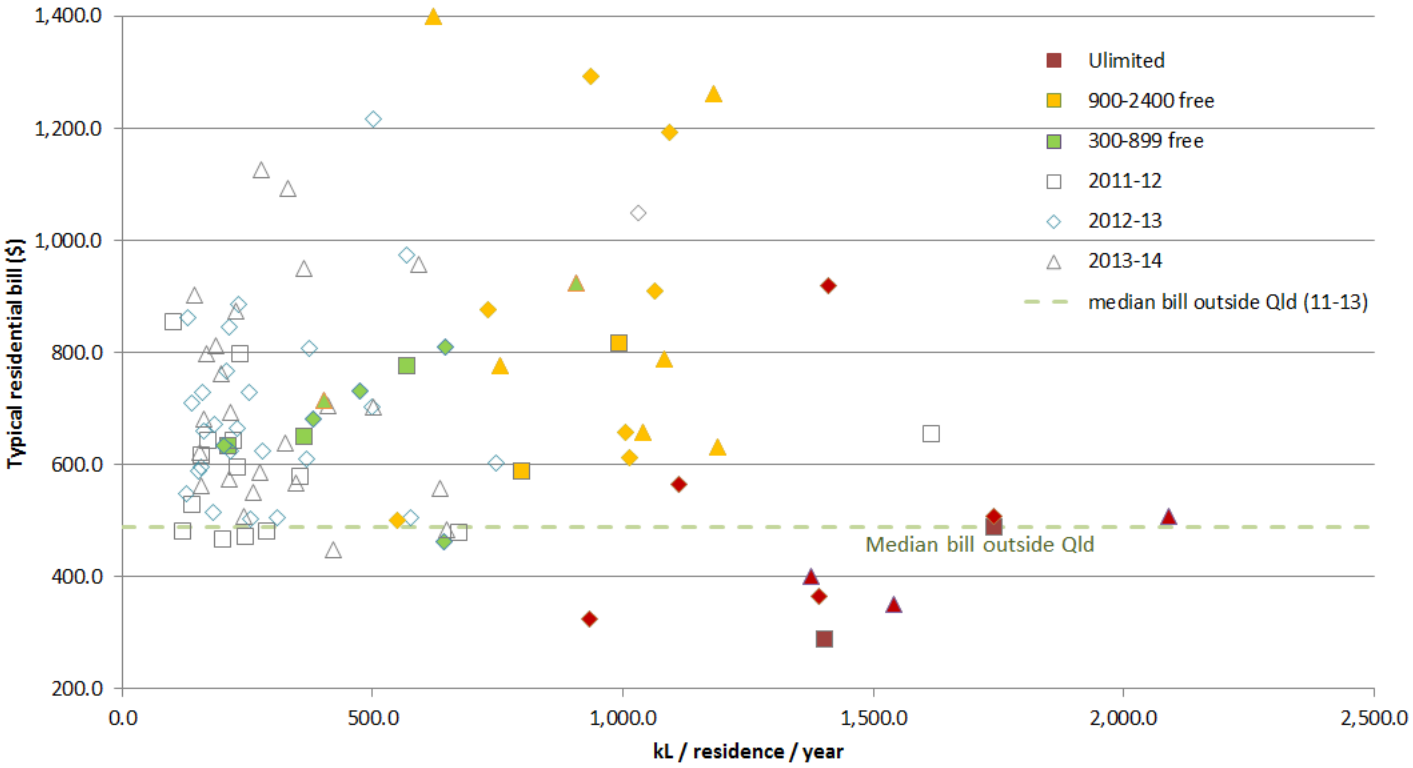
Bills – Pricing – Cost Recovery





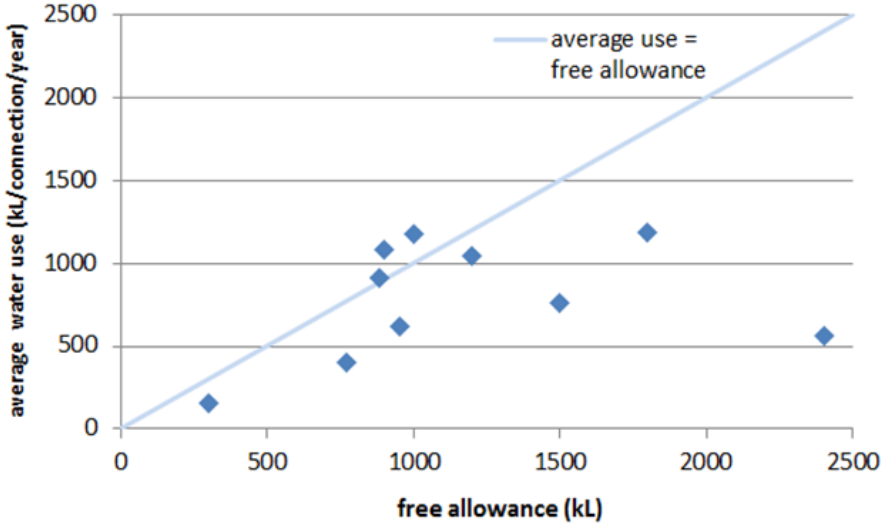


Bills – Pricing – Cost Recovery

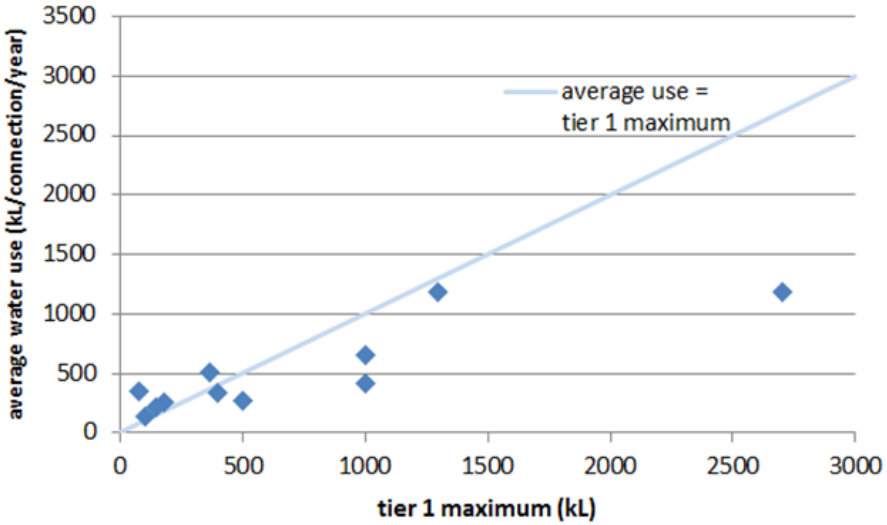


Bills – Pricing – Cost Recovery

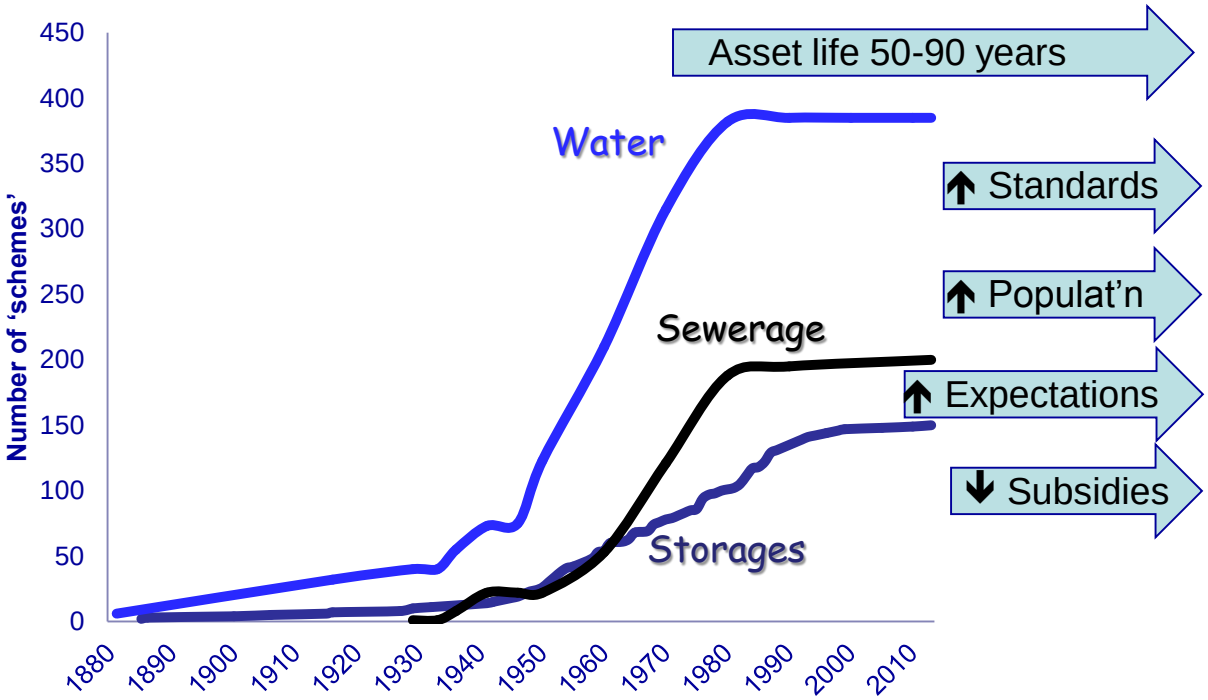
i. Average residential use versus size of free allowance.



ii. Average residential use versus the volume where tier two charges commence.



Ageing Queensland Assets



Infrastructure Cliff

qldwater is an initiative of:

Institute of Public Works Engineering Australia Qld Division Inc

LGAQ LOCAL GOVERNMENT ASSOCIATION OF QUEENSLAND

AWA australian water association

LGMA

Rob Fearon

rfearon@qldwater.com.au
0428 300 208
www.qldwater.com.au