

Benefitting from Australian Water Reforms

Rebuilding Nations 2020
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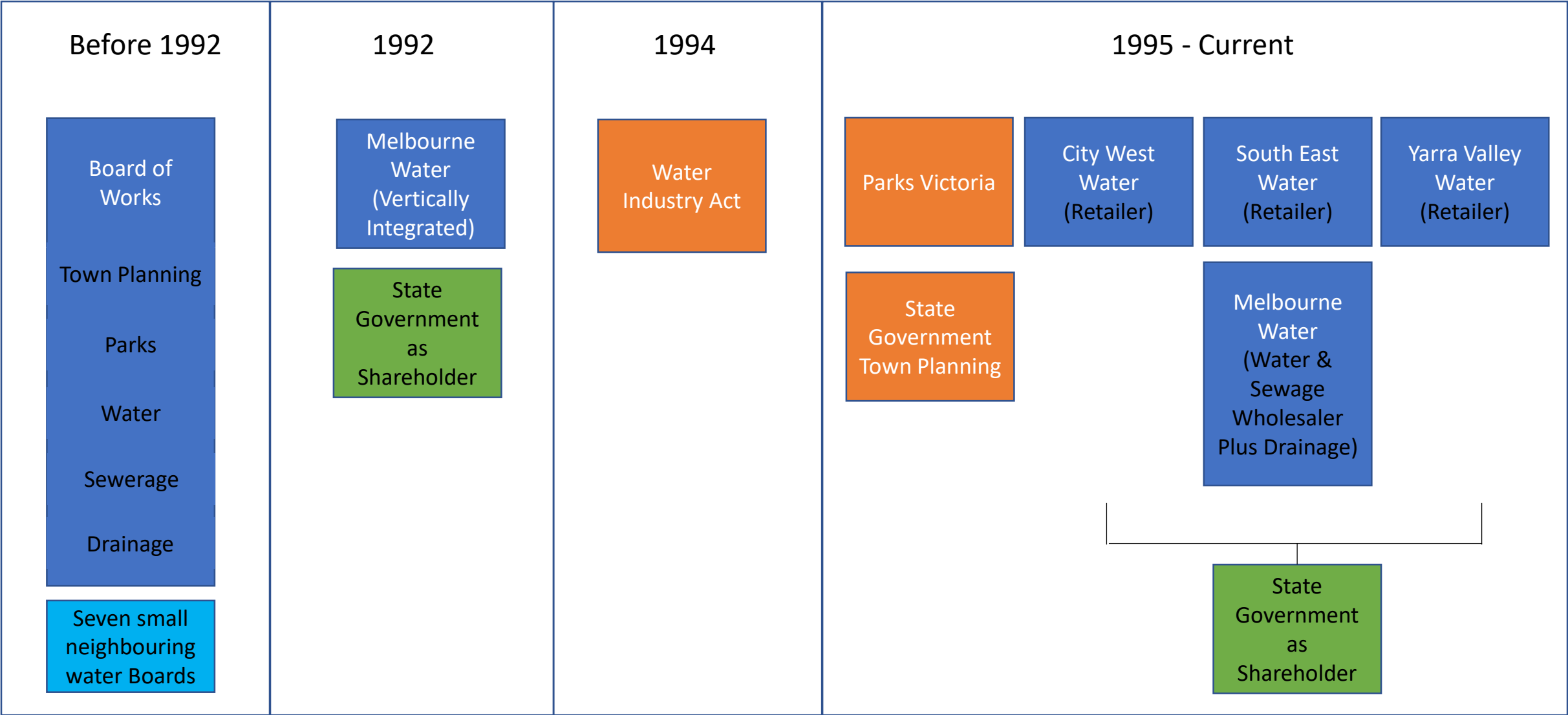
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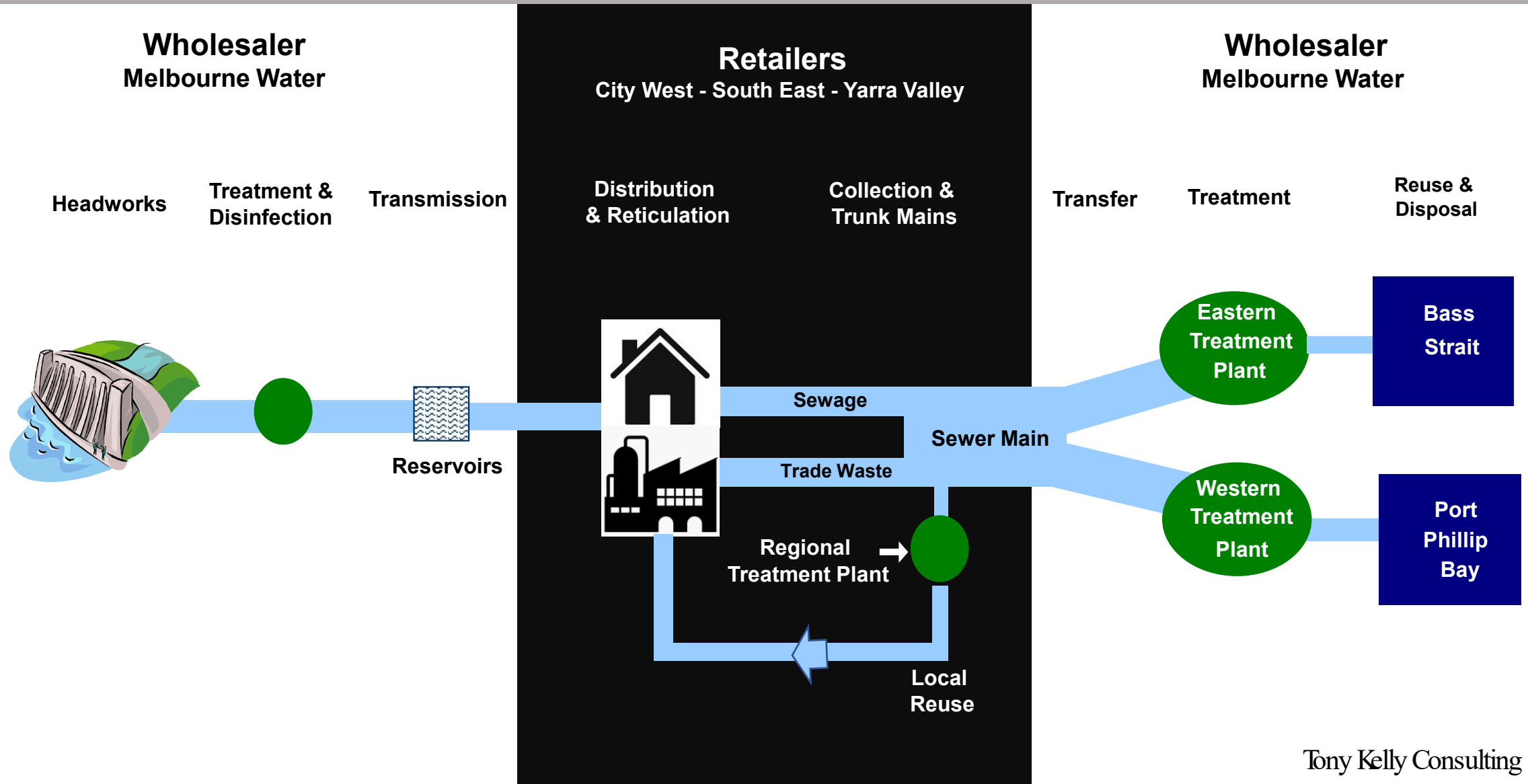
Content

- Melbourne Model
- Tasmanian Model
- My Personal Views

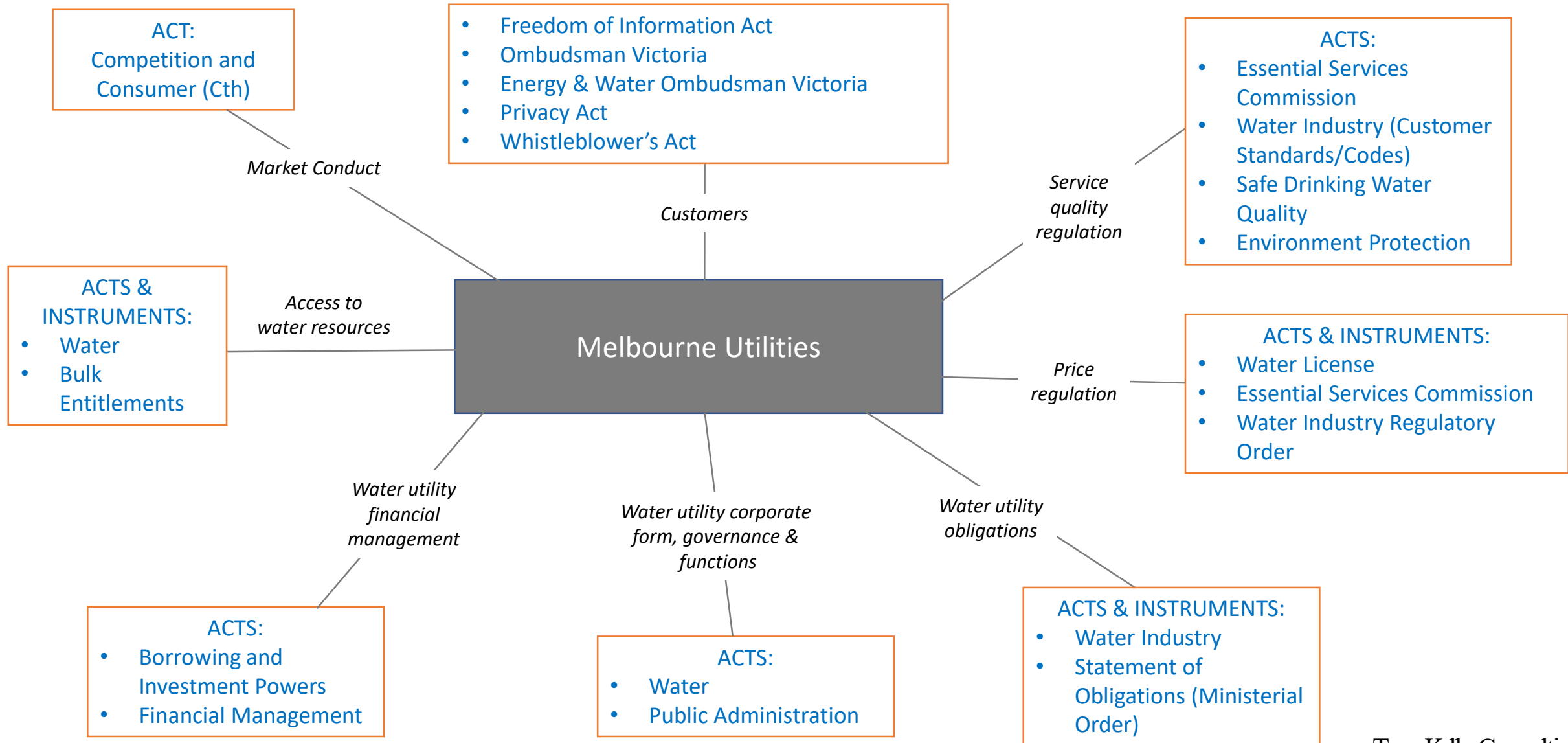
Melbourne's History



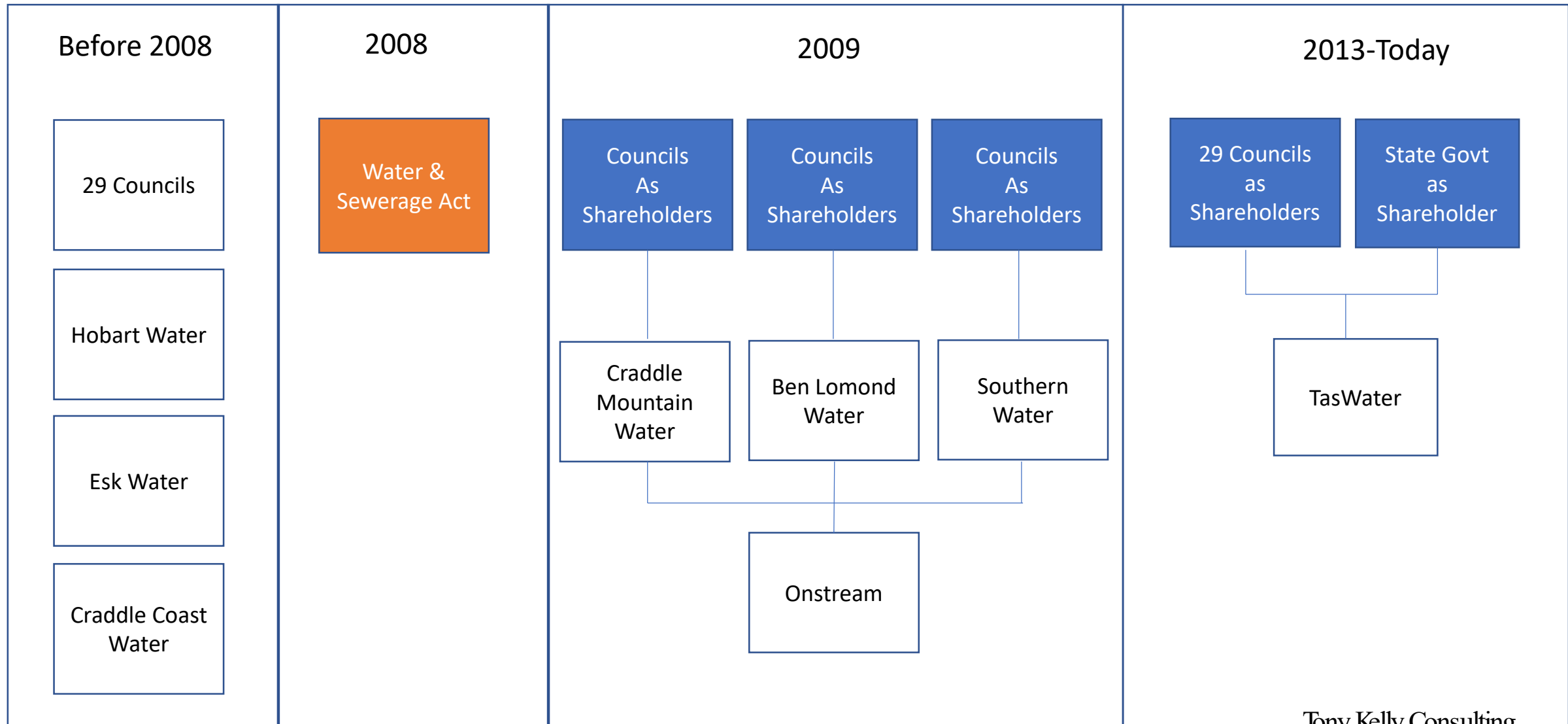
Melbourne's Wholesale-Retail Structure



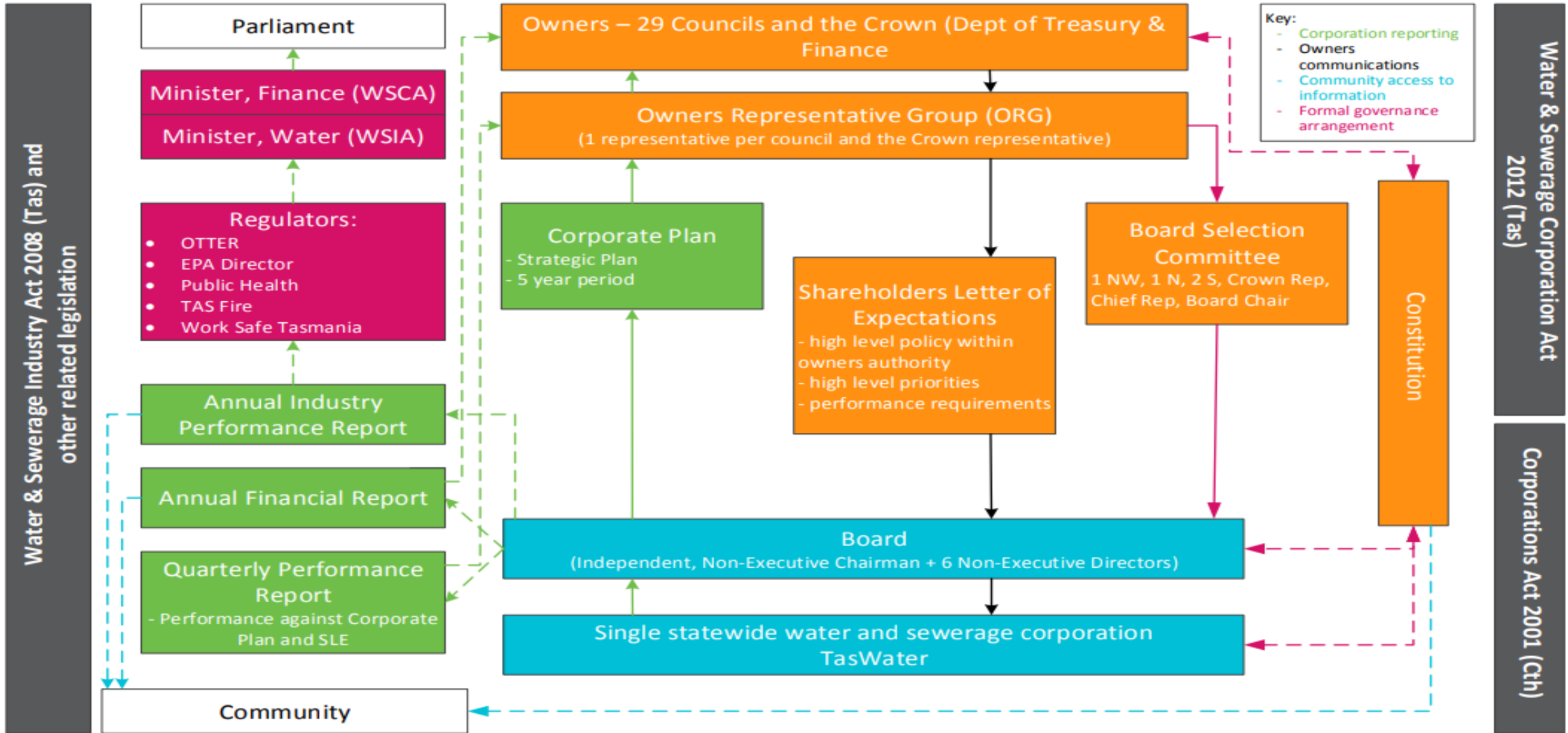
Melbourne's Regulatory and Governance Framework



Tasmanian History



Tasmanian Water & Sewerage Industry Model



Recent TasWater Events

- Shareholders (29 Councils) initially received \$30M pa dividend (independent of profits)
- 2017-18 Increased capex required to remove all Boil Water Notices – Dividends reduced to \$20m pa
- State Government proposed to take over Taswater in last State election - Councils opposed the take-over
- Post election State Government became 10% shareholder in exchange for equity injection + cap on prices + acceleration of Capex program
- Taswater not charging maximum allowable price which has resulted in large asset write downs
- Asset Write downs plus COVID resulted in 50% cut in dividends in 2019-20 and forecast zero dividends in 2020-21

Common Features of Australian Models

- Corporatisation
- Skill based independent Boards
- Utility pays dividends to shareholders
- Politics still has a big influence
- Independent Price setting
- Active regulation of drinking water, environment and dam safety
- Levels of service have improved, environmental impacts reduced
- The scale of change described above, takes time and lots of give and take

My Personal Views

- Government needs to be very clear on the strategic intent of reforms and this should be reflected in a utility “licence”
- Strategic intent then drives active water industry policy and operational priorities
- The corporatized model is a great commercial discipline for the utility and the shareholder
- Shareholders should receive Dividends based on a percentage of profits
- Shareholders need to understand the governance and price setting process
- I would recommend more than one shareholder for each Utility
- Utility Boards need to be skills based NOT representative
- Independent price setting is also a great discipline and increases transparency and accountability

My Personal Views

- I strongly support Comparative Competition and a National League Table
- Well resourced regulators with teeth are an essential ingredient
- Utility needs to have sufficient scale and balance sheet to deliver services, support growth, subsidise remote communities and attract good staff
- Utilities should own bulk water entitlements
- Utilities should have some control over land use in water supply catchments
- If you decide to separate wholesale and retail then ideally each retailer should be serviced by more than one wholesaler
- Invest in communications – no one else will tell your story

Thank You

“Reform is a journey not an event - but start with the final destination in mind”