

Water and Waste Water in Tasmania

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I've been asked by CEDA to give a bit of a story of the Hunter Water story and I suspect I've been asked to give that story because we are one of those single entities covering a number of local government areas.

I want to start by saying don't see me giving the Hunter Water story as saying it's readily transferable to Tasmania. You're going to make your own path on that over the next three to five years but it is our story.

So established 1895, that's a long time ago. The councils in that area decided that the only way that water and sewer was going to go ahead in our area was by regional body. Five local government areas as we said. You'll see some similarities here, 520,000 persons over a wide geographic area, I think the same area as Sydney Water but a ninth of the population so we spread out.

In 1980, I'll cut to the chase, in 1980 the following is evident. We had property based charging in place, inefficient work practices, there's no doubt about that. We had a backlog sewerage of 20,000 houses without sewerage, I think yours is 15,000. We didn't have accurate asset and cost data, in fact we probably weren't sure what our assets were worth. We didn't do very good condition assessment.

In 1980 Dr John Patterson came into Hunter Water, the first economist. People might be aware of Dr John Patterson, he was a small person, he only stayed with us for two years and revolutionised our business. He wanted to change from property based charging to user pays. I think at the time the organisation said they'd do some pilot testing and it would take three to four years to do some further studies and then it would happen and Patterson said he wanted it done in six months and he pushed his way forward. People were marching in the streets. They were public meetings against Dr Patterson, a famous one in the Town Hall where he was on the stage and I think people were yelling out stand up and he kept saying I am standing up and they were critical, there was a famous lady business person that ran a boutique hotel, she stood up and really got stuck into Dr Patterson and she said do you know what it's going to mean to my business Dr Patterson if I have to pay for all the water that I use and this is on the fly Patterson said yes Madam it means you'll have to stop putting water in your beer so take that.

He revolutionised our charging in no time flat and then he went overseas and he visited some best practice organisations around the world, he came back, thought about the issues, he was interviewed by our press and they asked him what do you think of Hunter Water and he said it is a country club and if it doesn't reform and become efficient it doesn't deserve to serve the people of our area; that was quoted in the paper, I think the workforce and the union movement was quite upset by that so there was a meeting organised with Dr Patterson, they were all there, they were expecting that he had been

misquoted and he came into the room and said I just wanted to bring you all today to tell you that I was quoted 100% verbatim, thanks for your time and he moved on so you can understand why he was only in our business for eighteen months. He had a new business focus for our organisation, a customer focus, he said we're serving customers.

1991 we became the first state owned corporation in Australia and on commercial business principles with a skill based board of typically ex CEO's driving change through the organisation. A few things that they focused on, they wanted to cut the sewerage backlog from 20,000 houses back to next to nothing, they wanted to set customer standards which they did; for the first time in Australia customer standards for water quality, water pressure, sewer overflows and wastewater treatment performance with new guidelines coming in, new guidelines that meant that if we didn't meet the standards on an independent audit we'd either get a letter of rebuke from the government, a fine of \$5m and if we continued to perform poorly the managing director of the company and the board gets sacked and I can tell you that focuses our attention and as I say to my management team if I'm going down you're coming with me, very, very strong focus on customer service standards.

Moved to the same charges for businesses and households rather than a cross subsidy that was at the time and implement developer charging model. They wanted a fair process because growth is so important to our business, to find money for where new developer areas were occurring on an equitable basis and they wanted to make a profit from all new investment from that time, they wanted to make a profit and start paying dividend and they wanted to do all that and they didn't want to impact too much on customers so that's a fair ask for the organisation.

That was all achieved. In fact prices in real terms during that period either stabilised or went down while they were making significant investments and unashamedly there was a cumulative real reduction in operating costs per property in our area and for the water industry, generally for the major metropolitans that went down 20% over that period in Hunter Water's case it went 40 to 45% real operating costs reduction and that was instead of having regionalised focus or business across our area we centralised, we looked at all of our purchases to buy better and smarter; we put in centralised computerised asset maintenance systems, bundled our contracts together and as a performance organisation we measured the performance of the organisation and tried to drive against other organisations to better practice.

We're highly regulated as I said. We've got licenses in place on how much water we can draw from the environment and have water available for the environment. We've got licenses for our wastewater treatment plants, for clean beaches and to protect the environment and the waterways. We have financial reporting back to the government who are our shareholders and we have to maintain an investment grade even with debt that we carried we must always have a credit rating of investment grade.

We've got IPART that set our prices and they drive a hard wedge in our organisation on continuous improvement. I think even after 45% reduction in operating costs they were keen to continue that trend forward and the point I made at the time is if we continue this trend forward for another ten years we'll be running this business for a dollar because you can't get 100% reduction in operating costs so it started to trend off as you can see. They also have an independent auditor go through our organisation every year. If you look on the IPART website that comments on how we went against our customer standards and where we've got major improvements we need to make and they set our operating license every five years and the new license is coming out and standards are always going up.

That's my story. I thought the customer survey, we've been asking these questions to our customers since 1988. I thought I'd share with you some of the most recent results. All these charts will be low in the beginning when change was occurring but our last result, 93% of customers think we're doing a

good job which is the highest ever. I put this one in, performance of management, you can see that it went up and when the changes occurred in '91 the view of management dipped considerably for about seven or eight years and it's on the rise again going up. People weren't happy with the change although if you ask the people of our area at the moment or the councils they'll look back with pride of what occurred at that time even though they saw it was tumultuous during that period.

The proportion of our customers feel Hunter Water services are better value and continuing to grow, it's continuing to skyrocket up. Water quality continues to be highly regarded, 93% of customers believe our water quality is safe to drink and is good value.

Offering value for money services continues to grow over that time period with the change. The charging system is fair. When we had property based 35% of our customers considered it was unfair. Now we've got 69% of our customers believe that volumetric charging is the fair way forward. 30% don't agree and that's based on, it's still a belief in the community that water is an essential resource, it should be available for free although that's diminishing year by year.

I don't want to give you the opinion that Hunter Water considers that we've achieved a real lot and there's not much more to do. In fact if you talk to our organisation we'd say there's almost Everest for us that we see ahead in terms of improved performance in our organisation and a lot more operating costs and capital efficiency that we can drive. We'd like to do more on higher customer standards. We know for every one of our customers, every complaint they make, every minute that they're out of water or whether they have a low pressure event it's all electronic nowadays, all covered, but there's no doubt there's a lot more that we can do. We see great challenges on skills. We're thankful that we're big enough that when we lose three or four engineers that we can bolster that and still survive. If we were smaller that would be a major change. We see climate change coming on and questions about tackling this as a future. The future won't be the past and we'll need to be very flexible and adaptable and fast moving.

We've got questions on expansion of area. We've got a number of councils that are coming to us at the moment in discussions about whether we would expand our area over there area and that's because the reality of life is that they have a number of backlog areas or operations and if we don't expand over their area some things just will never happen, schemes will never get backlog sewerage. We see high technology plants coming in and that raises major issues on the critical size of an organisation to handle the new technology and the sophistication.

And if that isn't everything in two months time the New South Wales government has got legislation going through which allows the private sector to compete with Hunter Water and Sydney Water for our customers so in two months time private sector can take out a retail licence or a wholesale licence so it's just like Optus and Telstra, the private sector can either take wastewater, recycle it and sell it to industry and pay us for transport of sewerage along our pipes or they can have a water source and pay Hunter Water to transport their water to their customers so that's two months time, I think one of the greatest changes that could occur in the industry but a very confident organisation that's gone through a lot of change and if you come up and meet with our organisation, I welcome people that want to do that, you'll find the organisation says bring it on, in fact we're ready for competition, we've gone through a lot of hard yards, a lot of major changes over a decade and we would welcome the chance to compete with private sector and to be honest if private sector can do the job of meeting our customers needs for lower costs than Hunter Water well I think that would be the right outcome but don't make a mistake, we'll be in there competing as hard as we possibly can and we see a strong future for Hunter Water.

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