

# Media Release

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## NEW REPORT REVEALS THE STATE OF AUSTRALIA'S WATER SECTOR

**2 November, 2011:** The Australian Water Association (AWA) and professional services firm, Deloitte, will release their first joint *State of the Water Sector Report* at the National Water Leaders Forum in Canberra on Thursday, 3 November 2011.

Deloitte Partner, Paul Liggins, said the report was the culmination of a year's work that began with the *State of the Water Sector Survey*, a national state-based survey of the industry, with water industry CEOs then invited to share their views on the basis of those results.

"While the results of the survey were positive, with 62% of respondents saying they felt the sector is in a sound position, there are some clearly identified themes that could be a focus for improvement."

"For instance, despite 20 years of effort, sector leaders still believe that more needs to be done to improve the efficiency of the sector, the quality of the products it delivers, and ensure that it charges a price for services that fully reflects their cost," Mr Liggins said.

"Undoubtedly, water reform is an area of unfinished business for many in the industry and many felt that the objectives of water reform are not as clear as they should be, particularly in urban areas."

AWA CEO, Tom Mollenkopf, said the insights gathered from Australia's water industry leaders would help reinforce the need to maintain water policy and management issues on the national agenda.

"Even in times like these, when the dam levels are up, it is important that we continue to raise the profile of key national water issues. This survey will help provide evidence to support water policy decisions for the future," Mr Mollenkopf said.

Some of the other key issues identified in the *State of the Water Sector Report* include:

**Sustainability:** "While 42% of respondents identified sustainability as one of the key issues for the sector and 38% said it was a key issue for the next five years, almost three quarters (71%) felt it wasn't being handled well," Mr Mollenkopf said. "Reflecting that trend, most respondents (87%) identified climate change as a key threat to sustainability, but only 58% thought it was being handled well."

"While water leaders agreed that sustainability was a key issue, many believed it was not being handled adequately and that it needed to be more fully embraced and integrated with other urban services such as transport, energy and urban design," he said

Almost two thirds of the survey respondents said co-ordinating across jurisdictions (65%) and a lack of leadership (62%) were the major barriers to creating more 'water-sensitive' cities, with 53% saying cost was also a factor.

**Regulation:** Mr Liggins said the results of the state surveys indicated that, on average, only 41% of respondents felt that economic price regulation was effective in their state and 43% think regulatory oversight of their corporate performance was effective.

“Interviews with sector leaders revealed that some felt economic regulation had benefited the industry because it had imposed a discipline not usually present where monopolies existed.”

“They believe this has led to utilities developing a better understanding of the value and condition of their assets, and how these might best be managed to meet customer needs, and when investments in maintenance or expansion should be made,” Mr Liggins said.

“However, several CEOs suggested that regulators were hesitant to make an allowance in water prices for risks associated with innovation, which could discourage non-traditional approaches to water management (such as demand management) because it was sometimes difficult to get approval for pass-through costs because the return on the investment was difficult to quantify.”

**Skills Shortages:** Mr Liggins said one of the areas where there was consensus between CEOs and the survey results was the skills shortage confronting the sector.

“Competition from other sectors, particularly the resource industries, was identified by 61% of survey respondents as being the key factor contributing to the current skills shortage in the water industry, with engineering skills identified by 55% of respondents as being in shortest supply in the future.”

**Infrastructure and technology:** Mr Mollenkopf said one of the key issues raised by the survey was the disparity between urban and rural water infrastructure, with 60% saying urban infrastructure was well maintained, compared to only 27% for rural infrastructure. However, 57% of respondents believed that capital expenditure would increase over the next three to five years.

“One of the interesting views to emerge in the CEO interviews was that, unlike other countries, Australia doesn’t have a replacement mindset when it comes to asset management but looks to other solutions that would extend the life of ageing assets,” he said.

“There appeared to be a view from some CEOs that effective use of technology could enable authorities to extend the life of ageing assets, by allowing them to accurately predict asset failure, understand what’s going on beneath the surface and monitor the condition of assets more accurately, particularly the critical assets,” Mr Mollenkopf said. “It is perhaps therefore encouraging that 67% of respondents in the *State of the Water Sector Survey* believe the industry adopts new technologies well.”

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