

Report 99.414

13 July 1999

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Report to the Utility Services Committee
from David Benham, Divisional Manager, Utility Services

Divisional Report

1. Purpose

- To comment on the Utility Services Division's financial performance for the eleven months ended 31 May 1999.
- To outline various other relevant areas of interest or activity.
- To receive the attached activity reports to 30 June 1999 (Attachment 1).

2. Divisional Performance for 11 Months Ended 31 May 1999

The division continues to perform well with an operating surplus in water supply \$2,039,600 ahead of budget. This is also \$490,800 better than at the same stage last year. Savings are being generated from reduced debt servicing costs and operating costs.

Plantation Forestry is \$165,500 behind budget. May was a much better month as we were logging superior trees and we continue to expect to break even for the final quarter which is a pleasing trend.

Capital expenditure is slightly behind schedule. Financially we are \$1,183,000 under budget for water supply and \$98,200 under budget for Plantation Forestry. Forecast position of \$350,000 under budget for water remains the expectation to June 1999.

While our overall position to May already exceeds our forecast position to June, there are likely to be a number of major year-end adjustments. These include, on the plus side, our share of interest savings from Corporate Treasury and overhead savings, and on the minus side, the cost of the debt buy back and the write off of Karori Reservoir assets transferred to WCC at no cost. We therefore have left the forecast position as it is at this stage.

The summarised financial position is as follows:

1997/98		1998/99	1998/99	1998/99	1998/99
Year to Date		Year to Date	Year to Date	Year End	Year End
Actual		Actual	Budget	Outlook	Budget
\$000s		\$000s	\$000s	\$000s	\$000s
Water Supply					
31,541.8	Income	30,491.7	30,016.8	33,218.0	32,745.7
27,617.4	Expenditure	26,076.5	27,641.2	28,933.9	30,127.2
3,924.4	Operating Surplus	4,415.2	2,375.6	4,284.1	2,618.5
	(Operations	481.9	(61.1)	334.9	(69.9)
3,687.1	(Strategy and Assets	922.5	(29.9)	919.5	0
	(Support Services	2,759.6	2,210.0	2,786.2	2,409.4
106.5	Engineering Consultancy	127.6	151.9	115.9	165.6
130.8	Laboratory Services	123.6	104.7	127.6	113.4
3,924.4	Operating Surplus	4,415.2	2,375.6	4,284.1	2,618.5
Plantation Forestry					
871.3	Income	881.0	1,112.2	999.0	1,213.3
1,446.1	Expenditure	1,554.3	1,620.0	1,781.2	1,767.7
(574.8)	Operating Deficit	(673.3)	(507.8)	(782.2)	(554.4)

3. Fluoridation

Councillors McQueen, Allen and Werry, Murray Kennedy and myself attended a special meeting of the Petone Community Board, to discuss fluoridation, on 7 July. The meeting involved a presentation from the officers of Hutt City Council.

Officers will attend meetings on this issue, arranged by Councillor Allen, on 14 July. An update on the fluoridation issue is the subject of a separate paper on this order paper.

4. **Water Pricing**

Please note that the workshop date for this issue is Friday, 30 July 1999.

5. **Communications**

All Divisional Managers have been asked to report on publicity of divisional issue since the last meeting. Attached to the manager's reports are copies of the various news releases in the period.

6. **American Water Works Association Conference**

Dan Roberts and myself attended this conference. The attendance was a record with 14,500 attendees. A CD will be available shortly from the proceedings and I will circulate the table of contents when it arrives.

With a few exceptions, water and waste systems (some 170,000 of them) in America, are owned by various forms of Local Government. It was interesting to note that from the most successful economy in the world that there was little push for privatisation of water supplies. Emphasis seemed to be more for public/private combinations which enabled public ownership to remain but include elements of the private sector in the mix. This was claimed by several speakers to be far better than all public or all private arrangements. That certainly is consistent with our views.

It was also interesting to note that the unions are very strong in this industry and work method changes are very difficult to implement – and become very political.

Various organisations reported that huge future infrastructural expenditure would be required over the next 20-30 years to meet expected growth and renewals. Estimates in the order of \$US30 – 60 billion were quoted.

Our overall impression was that there did not seem to be a great drive for increased efficiency of operation as any changes that might be required would become highly politicised. The future capital expenditure requirements might change that approach together with the fact that generally a referendum is required to increase debt. Certainly changes we have made here a little different from those organisations making changes in America.

A further interesting note was that in 1998 Toronto amalgamated six cities and one regional authority into one large authority – Toronto City – and within that entity was the water and waste department which met the requirements of 2.4 million people. It will be interesting to follow the progress of that entity.

7. Recommendation

That this report be received and contents noted.

DAVID BENHAM

Divisional Manager, Utility Services

Attachment 1: Monthly Reports for Period Ended 30 June 1999

Attachment 2: News Release – Better Bug Detection for Water Supply

Attachment 3: Petone's Water Supply brochure

Attachment 4: Hutt News clipping – Options for Petone's Water supply