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The Hon Michael Aird MLC
Treasurer
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Dear Treasurer

REVISED INTERIM PRICING ANALYSIS FOR THE TASMANIAN WATER AND SEWERAGE SECTOR

I refer to your letter of 6 February 2009 in which you requested that I revise the analysis presented in the Interim Pricing Inquiry Report, which I provided to you and the Minister for Primary Industries and Water, the Hon David Llewellyn MP, on 28 November 2008.

As you point out, the analysis contained in the Interim Pricing Inquiry Report required the adoption of a number of assumptions to attempt to overcome the various data limitations that were encountered during the Inquiry. You have requested that I revisit this analysis based on the water and sewerage data that is now available as a result of the Government's due diligence analysis and the additional information you provided in your letter in relation to expected levels of capital expenditure and the quantum of returns to councils.

I note that you have requested that I assess the impacts of the updated information in relation to the two transitional revenue paths that were recommended in the Interim Pricing Inquiry Report, being the:

- Transition Return scenario with a seven per cent real (10 per cent nominal) cap; and
- Transition Return scenario with a 12 per cent real (15 per cent nominal) cap.

Subsequent discussions with Treasury officers have allowed some aspects of the revised analysis to be further clarified and refined. While some detailed assumptions have been altered to accommodate the new information, the overall assessment methodology is the same as that presented in the Interim Pricing Inquiry Report and should be considered in line with the detailed description of that approach contained within the Inquiry Report.

In summary, the key findings of this revised analysis include the following:

- the revised due diligence data has increased the level of revenue required to achieve full cost recovery in the southern region (largely through increases to asset valuations), decreased the amount in the north western region, with full cost recovery revenue largely remaining unchanged in the northern region;

- there has been little impact upon the recommended revenue transition paths as a result of the new information because, as highlighted in the Interim Pricing Inquiry Report, these revenue paths are constrained by the associated caps in average price movements, rather than being driven by overall asset valuations and costs;

- there is little change in the time required for the regional corporations to achieve cost recovery under either optional transition scenarios, with all corporations likely to be at full cost recovery during the first pricing determination under the Transition Scenario with a 15 per cent nominal cap or achieving full cost recovery during the second price determination under the same scenario but with a 10 per cent nominal cap;

- the revised data has provided reductions in the estimated cash requirements on the regional corporations in relation to meeting debt servicing costs, funding assumed capital expenditure and funding returns to councils; and

- the reduction in estimated cash obligations upon the regional corporations is projected to place them in a better financial position than was estimated at the time of the Interim Pricing Inquiry Report, with all the regional corporations projected to maintain a strong operating position throughout the transition under either assessed scenario.

For more detail on the revised analysis and results, please find attached the following:

- Attachment 1 – Summary of the approach and assumptions adopted for the revised analysis;

- Attachment 2 – Key results and revised analysis of water and sewerage Interim pricing; and

- Attachment 3 – Detailed results of revised analysis of water and sewerage Interim pricing.

In conducting this revised analysis, a number of issues have arisen which I have raised below for further consideration by the Government.

While the due diligence has provided updates or revisions for some data, there are still significant issues with the completeness and robustness of data available for the Tasmanian water and sewerage sector. This has required the continued use of a number of assumptions and projected estimates. Therefore, the outcomes of this revised analysis should be considered in the same context as those contained within the original Interim Pricing Inquiry Report.

In addition, the revised capital expenditure profile for the sector, being $50 million per annum, results in annual reductions in the asset values for all three regional corporations over the transition period. This is because capital expenditure at this level is not sufficient to cover depreciation. Given the initial capabilities of the new corporations, this level of capital expenditure may be appropriate in the initial year of operation. However, consideration may need to be given to stepping up capital expenditure over the period as falling asset values for the sector seems inconsistent with the Government's expectations of the water and sewerage reform process.

Finally, it should be noted that the revised analysis is based on the same assumed Weighted Average Cost of Capital (WACC) that was used for the Interim Pricing Inquiry Report, which was seven per cent real pre-tax. The level of full cost recovery for each regional corporation is sensitive to the assumed WACC. Also, the revenue transitions scenarios are also likely to be affected by changes to the WACC.

I hope this additional information assists the Government in its consideration of this matter.

Yours sincerely

Glenn Appleyard
REGULATOR

18 February 2009

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ATTACHMENT 1 – APPROACH TO REVISED INTERIM PRICING ANALYSIS

In his letter of 6 February 2009, the Treasurer requested that the Regulator re-examine the water and sewerage interim pricing arrangements recommended in the Interim Pricing Inquiry Report (November 2008), based on information obtained through the due diligence process conducted by the Government as well as additional assumptions advised by the Treasurer.

The Treasurer has requested that revised analysis only be undertaken in relation to the two recommended revenue transition paths, being the:

- Constrained Transition Return scenario with a 12 per cent real (15 per cent nominal) cap; or
- Constrained Transition Return scenario with a seven per cent real (10 per cent nominal) cap.

This section outlines the key additional or updated information that has been used to undertake this revised analysis.

Where possible, the same approach and assumptions have been adopted as for the original Interim Pricing Inquiry Report. However, new or additional approaches and assumptions have been required in some instances to accommodate the updated information now available. This section also outlines where changes to the analysis approach or underlying assumptions have been required, relative to the original Interim Pricing Inquiry Report.

1.1 Additional and Revised Information

In his letter of 6 February 2009, the Treasurer provided both revised and additional information from the due diligence process conducted by the Government and also provided additional advice in relation to some aspects of this information. Following is a summary of the key new or updated information that is used to revise the interim pricing analysis for the Tasmanian water and sewerage sector.

The due diligence process has provided the following data for each municipal area and Bulk Water Authority (BWA):

- updated valuations of total water and sewerage assets as at 30 June 2008;
- detailed water and sewerage operating costs for 2007-08 (including depreciation);
- actual water and sewerage revenue for 2007-08;
- the closing debt/equity positions for each council as at 30 June 2008, in relation to water and sewerage activities; and

- a revised indicative capital expenditure program.

The due diligence also provides details on the allocation of BWA assets across member councils.

In addition to this information, the Treasurer also provided additional advice to assist in the revised interim pricing analysis.

In relation to the future capital program, the Interim Pricing Inquiry Report assumed annual capital expenditure across the sector of $80.7 million, although it was acknowledged that there was significant uncertainty in relation to this estimate. The Treasurer has subsequently requested that annual capital expenditure of $50 million per annum be assumed across the sector for the first three years of operations of the regional corporations. This assumed profile takes into account historical capital expenditure and the Government's views on the likely capacity of the regional corporations in the initial years of operation to undertake the work. Subsequent advice from the Department of Treasury and Finance indicated that capital expenditure of $50 million should also be assumed for the sector in 2007-08.

In relation to the estimates of the level of returns from the corporations, the Inquiry Report estimated that returns equivalent to three per cent of equity were necessary to ensure that councils would be no worse off as a result of the reforms. The Treasurer has subsequently advised that the 'standardised average net profit figures' contained in the due diligence report be used for this purpose. Additional advice from Treasury indicated that the correct due diligence figures to refer to in this regard were the 'indicative sustainable earnings amounts'.

The Treasurer indicated that the "councils should not be financially disadvantaged if they made a sustainable return from the water and sewerage services". The 'indicative sustainable earnings amounts' are an adjusted estimate of positive profit outcomes from the sector for each municipal area (notional losses have been removed). The amounts are considered by the Government to represent the level of returns to councils that would see them no worse off as a result of the reforms. Therefore, the Treasurer has requested that these amounts be assumed to represent the annual cash provision that the regional corporations would have to make to at least maintain returns to owners.

As for the Interim Pricing Inquiry Report, in estimating returns to owners no distinction has been made between dividends, income tax equivalents and retained earnings.

1.2 Approach and Assumptions

This section outlines the approach taken to the revision of the interim pricing analysis in relation to each of the components for which revised or updated information was available.

1.2.1 Asset Values

The same overall approach is adopted to estimating asset values over the transitional period, ie an opening asset value is determined, which is then increased by the amount of capital expenditure in each year, less the corresponding amount of depreciation to determine a closing balance. The average of the opening and closing balance is the average asset value for the year. The closing balance is then used to determine the opening balance in the subsequent financial year and the valuation process rolls forward on this basis.

The Interim Pricing Inquiry Report determined a 2008-09 opening asset value by rolling forward 2006-07 asset values, taking into account estimated depreciation and capital expenditure and indexed for inflation. However, the due diligence data provides an estimate for the 2007-08 closing balance of asset values for each municipal area and BWA (as at 30 June 2008).

The due diligence asset values used in this revised analysis are the implied property, plant and equipment component of the ‘standardised net asset transfer value’ plus working capital for each municipal area and BWA. The values of other assets were removed where they did not relate to regulatory asset valuation requirements, such as cash provisions. For the purposes of this analysis, these asset valuations were assumed to represent the opening balance for the 2008-09 financial year.

However, the due diligence data did not separately identify water and sewerage assets, which was the basis of the analysis undertaken in the Interim Pricing Inquiry Report, in line with the requirements of that Inquiry’s terms of reference. Therefore, it has been necessary to split the asset valuation data from the due diligence into separate water and sewerage amounts. This has been done on the basis of the same proportionate splits between these services that were estimated as part of the Interim Pricing Inquiry Report.

In the Interim Pricing Inquiry Report, BWA assets were allocated to member municipal areas on the basis of estimated and projected water purchases by each municipal area. However, the due diligence included direct allocations of BWA assets to member municipal areas. However, this allocation was based on total asset values, rather then regulatory assets. Therefore, for the purposes of this revised analysis, the regulatory asset values for the BWAs were allocated to the water asset values of member municipal areas on the same proportionate splits used in the due diligence to allocate total BWA assets.

The effect of this revised asset data has varied across municipal areas and regions relative to the data used in the Interim Pricing Inquiry Report. However, overall, the new data has resulted in an increase in the initial estimated asset values across the sector.

1.2.2 Capital Expenditure

As discussed previously, an annual provision of $50 million has been assumed across the sector for 2008-09 and each of the first three years of operations by the regional corporations. This amount has been allocated across water and sewerage services in each municipal area on the basis of the same proportions used in the Interim Pricing Inquiry Report, which were informed from advice provided to the Department of Treasury and Finance by Pitt & Sherry.

The effect of this revised assumption, relative to the analysis in the Interim Pricing Inquiry report, is to reduce the cash provision that each regional corporation will need to fully fund its assumed capital expenditure.

1.2.3 Operations and Maintenance Costs

Previously, operations and maintenance (O&M) costs were determined in 2008-09 by indexing 2006-07 O&M costs to take account of inflation, connections growth and labour costs. O&M costs from 2008-09 onwards were then indexed by connections growth and labour costs. BWA assets were indexed by labour costs only. It is not intended to change the approach to indexation of O&M costs from 2008-09 onwards. However, a new 2008-09 estimate has been determined using the due diligence data.

The due diligence data provides estimates of O&M costs for 2007-08 for each council and BWA. For the purpose of this revised analysis, O&M costs are assumed to equate to the total of the 'material & service', 'administration', 'employee' and 'other' cost components from the due diligence data. This estimate is then indexed to take account of inflation and to account for connections and labour cost growth. This provided an estimate for 2008-09.

It should be noted that the percentage of O&M costs for which labour cost indexation is applied has changed since the Interim Pricing Inquiry Report. It was originally assumed that 70 per cent of O&M costs were labour related. However, analysis of due diligence data, including both employee and administration costs, indicates that the percentage of O&M costs attributed to labour is 43 per cent across the sector. Therefore, this revised labour/non-labour split has been used as the basis for indexing total O&M to account for increasing labour costs.

The O&M data for each council is then split between water and sewerage services based on the proportionate splits between these services represented in the actual 2006-07 data used in the Interim Pricing Inquiry Report. The estimated O&M costs of the BWAs are allocated to the water related O&M costs of the member municipal areas, based on the proportions used in the due diligence, to allocate total BWA assets.

The impact of these changes is varied across the regions, but does result in a relatively small increase across the sector relative to the data used in the Interim Pricing Inquiry Report.

1.2.4 Depreciation

In the Interim Pricing Inquiry Report, assumed rates of depreciation were adopted, being three per cent of established assets and 1.3 per cent of new assets. These assumptions were tested against the 2007-08 actual depreciation data from the due diligence report and were found to still be valid. Therefore, these assumptions have not been adjusted for the purpose of this revised analysis.

1.2.5 Opening Debt/Equity Position

In the Interim Pricing Inquiry Report, the opening debt equity position of the regional corporations was assumed to be 25 per cent debt and 75 per cent equity. The due diligence information contains estimates of council and BWA debt associated with water and sewerage activities for 2007-08. These amounts can be totalled to determine regional water and sewerage debt for 2007-08. This amount is then divided by regional assets in that year to determine a revised debt/equity split for each region. This revised split is then applied to asset values in each year to determine the level of debt and debt servicing costs. The debt servicing costs are based on the same assumptions about the cost of debt that were adopted for the Interim Pricing Inquiry Report. On this basis, the previously assumed debt/equity position of 25 per cent debt to 75 per cent equity is replaced with the following regional splits:

- Southern Regional Corporation – 5.68 per cent debt / 94.32 per cent equity
- Northern Regional Corporation – 1.89 per cent debt / 98.11 per cent equity
- North Western Regional Corporation – 12.04 per cent debt / 87.96 per cent equity

As the levels of debt and debt servicing costs are lower, relative to the analysis in the Interim Pricing Inquiry Report, these changes will result in the regional corporations needing to make a smaller cash provision to meet debt servicing costs.

1.2.6 Cash Provision for Returns to Owners

As described previously, the Treasurer has advised that the ‘indicative sustainable earnings amounts’ for each region from the due diligence data should be used as the measure of the level of returns to councils that would see them no worse off as a result of the reforms. These amounts are for 2007-08 and are assumed to be maintained at that level, in real terms, throughout the transitional period.

The ‘indicative sustainable earnings amounts’ are well below the amounts assumed in the initial analysis (three per cent of equity). Therefore, the impact of these changes, relative to the analysis in the Interim Pricing Inquiry Report, is that the regional corporations will need to make a smaller cash provision to meet the cost of maintaining returns to owners.

1.2.7 Estimate of 2008-09 Revenue

The initial estimate of revenue for each region in 2008-09, which is then used as a basis of comparison against 2009-10 revenue estimates, was initially determined by indexing 2006-07 actual revenue by assumed real increases in revenue. The rate of increases in revenue for this purpose was assumed to be 1.9 per cent per annum (real). The due diligence data provides an actual revenue for 2007-08. This is then indexed into 2008-09 dollars and increased by the assumed real rate of revenue growth to determine revised 2008-09 regional revenue estimates. However, the due diligence provides updated historical revenue data which has been reassessed and shows that average real increases in revenue for the sector over recent times has been 3.26 per cent per annum. This revised real rate of increase in revenue has been used as the basis of indexing the 2007-08 regional actual revenue to achieve a regional estimate of revenue for 2008-09.

The impact of this change, relative to the data in the Interim Pricing Inquiry Report, is varied across regions, but results in a marginal increase in total estimated revenue across the sector in 2008-09.

1.2.8 Summary of Assumptions Adopted for Revised Interim Pricing Analysis

The key assumptions adopted for the revised interim pricing analysis are summarised in the table below. Assumptions that have changed since the Interim Pricing Inquiry Report are shaded, all other assumptions have remained the same.

Table 1.1: Key Assumptions Used in the Revised Interim Pricing Analysis

	Base Model Assumptions
Assets	
Opening asset base	Base values determined from adjusted 2009 due diligence analysis Asset values rolled forward and adjusted for depreciation and capital expenditure.
Working capital	Included in asset values in line with due diligence data
Depreciation	Declining balance 3% per annum on established assets Declining balance 1.3% per annum on new assets
Capital expenditure	$50 million per annum for the sector: • $26.0 million p.a. – southern region • $13.4 million p.a. – northern region • $10.6 million p.a. – north western region
Operations and Maintenance (O&M)	
O&M costs	2007-08 due diligence actuals indexed by the rate of connections growth
Additional indexation of labour costs	Labour costs assumed at 43% of indexed O&M 1.7% per annum (real) labour indexation (2.7% real labour cost annual increase minus 1% annual productivity saving)
Economies of scale	No economies of scale assumed for transition period
Restructuring costs	A decreasing proportion of O&M costs (5% in 2009-10, 2.5% in 2010-11, 1% in 2011-12)
Cost of regulation	No regulatory costs in 2009-10 $1.9 million in 2010-11 & $1.6 million in 2011-12 Split equally between regions
Weighted Average Cost of	7.0% real pre-tax

	Base Model Assumptions
Capital at full cost recovery	
Headworks charges	$2 200 per water and sewerage connection
External capital contributions	External capital contributions via the headworks charges only – no other sources of external capital funding
Allocation of charges of BWAs	Adjusted BWA assets and costs (including return on assets) allocated to municipal areas based on due diligence data
Connections growth	Projections based on data prepared for Treasury by Pitt & Sherry Approximately 0.8% per annum
Real annual revenue growth to 2008-09	3.26 per cent per annum (real) based on historical changes in total water and sewerage revenue
Assumed inflation for 2009-10 onwards	3.0 per cent per annum
Cash flow analysis	
Minimum cash flow requirements	Sufficient cash for regional corporations to meet annual costs associated with O&M, debt servicing, capital expenditure and notional dividends, without incurring additional debt
Initial debt position	Southern Corporation - 5.68% debt / 94.32% equity Northern Corporation - 1.89% debt / 98.11% equity North Western Corporation - 12.04% debt / 87.96% equity
Debt servicing costs	5.04% per annum (real), based on 10 year bond rate plus risk rating for BBB rated companies (as at 30 September 2008)
Notional dividend payments	Equal to ‘indicative sustainable earnings amounts’ for each region from the due diligence data No distinction has been made between dividends, income tax equivalents or retained earnings

ATTACHMENT 2 – REVISED INTERIM PRICING ANALYSIS AND KEY OUTCOMES

Attachment 1 outlined the key changes to the approach and assumptions necessary to accommodate the updated data provided in the Government's due diligence analysis and the additional advice provided by the Treasurer in his letter of 6 February 2009.

This section outlines the approach to the revised analysis and identifies the key outcomes.

2.1 Analysis and Assessment Framework

Some changes have been required to underlying assumptions and the treatment of modelling inputs to accommodate the updated data, as outlined in Attachment 1. However, relative to the initial Interim Pricing Analysis Report, there has been no change to the overall assessment framework used in this analysis. This approach is summarised below.

The same 'building block approach' has been used, consistent with the Agriculture and Resource Management Council of Australia and New Zealand (ARMCANZ) Guidelines for Water Pricing. This approach is used to determine levels of revenue that would achieve full cost recovery (upper limit revenue). This acts as the target level of revenue against which to compare 2008-09 estimated revenue and transitional revenue path options.

In addition to full cost recovery revenue, cash flow analysis is also adopted to determine the minimum level of revenue required by each of the regional corporations to meet the cash requirements of each business. The annual cash requirements included in this analysis include the following items:

- operations and maintenance costs;
- debt servicing costs;
- capital expenditure; and
- dividend payments.

The minimum level of revenue required to meet the above cash obligations represents a 'lower limit' revenue target. This lower limit, together with the upper limit based on full cost recovery, determined the boundaries within which to assess alternative revenue transition paths.

The minimum cash requirement does not represent a long term sustainable position for the regional corporation as it does not provide for a return on capital or a return of capital (depreciation). Nor does it imply that all these cash costs will actually be met or that the businesses will be profitable. Rather, it shows the amount of revenue needed to meet the businesses' annual cash obligations without incurring additional debt.

What the cash flow analysis establishes is a benchmark minimum level of revenue, based on the adopted assumptions, against which to test the impacts of the optional revenue transition paths.

In addition to assessing whether each regional corporation has sufficient cash to meet dividend payments, an assessment needs to be made as to whether it is in a profit position because, under Corporations Law, the corporations can only pay dividends to owners when they are in a profit position or have sufficient retained profits to fund a dividend payment.

Therefore, to complement the minimum cash flow analysis, breakeven revenues have also been calculated for each regional corporation. The breakeven point is the estimated level of revenue required by each business to achieve a zero profit. Revenue above this level results in an accounting profit and revenue below this point results in an accounting loss being incurred.

It is important to note that the breakeven revenue analysis and minimum cash requirement analysis are not directly comparable as they are based on fundamentally different concepts. The minimum cash flow analysis only takes into account the estimated cash payments to be made by each regional corporation. It does not take into account non-cash items such as depreciation.

However, these two concepts together will assist in the assessment of alternative transition paths. For instance, the breakeven analysis will highlight the revenue level above which a regional corporation can pay dividends, while the cash flow analysis will indicate whether the business has sufficient cash to make such payments.

It is important to note that the revenue breakeven point does not determine what the dividend payments will be as this will be governed by the dividend policies adopted for each of the regional corporations by their owners.

2.2 Revised Full Cost Recovery, Minimum Cash Requirements and Breakeven Revenue

Following is a presentation of the full cost recovery and assessment framework outcomes of the revised interim pricing analysis, taking into account the 2009 due diligence data and the additional advice provided by the Treasurer. Results are presented in relation to full cost recovery as well as minimum cash requirements and breakeven revenues.

2.2.1 Revised Full Cost Recovery

Using the updated data provided by the Government's due diligence analysis, the 'building block approach' has been used again to determine revised estimated levels of water and sewerage revenue to achieve full cost recovery. These are shown in the table below for 2009-10, relative to the revised estimate of 2008-09 revenue. As a basis for comparison, the corresponding outcomes from the Interim Pricing Inquiry Report are also shown.

Table 2.1: Revenue to achieve full cost recovery in 2009-10 by region (results from revised analysis and from Interim Pricing Inquiry Report)

	2008-09	2009-10	
	Estimated Current Revenue $'000	Full Cost Recovery Target Revenue $'000	Percentage Change to Achieve Full Cost Recovery %
South			
Interim Pricing Inquiry Report Results	101 377	154 314	52.22
Revised Results	**110 263**	**172 550**	**56.49**
North			
Interim Pricing Inquiry Report Results	50 116	95 443	90.44
Revised Results	**50 608**	**95 167**	**88.05**
North West			
Interim Pricing Inquiry Report Results	47 069	69 732	48.15
Revised Results	**44 406**	**67 457**	**51.91**
TOTAL SECTOR			
Interim Pricing Inquiry Report Results	198 562	319 489	60.90
Revised Results	**205 277**	**335 174**	**63.28**

The impact of the revised analysis on the estimated level of current revenue and the target level of full cost recovery are varied across regions.

The variation in the 2008-09 revenue estimates is largely a result of adopting a new base number (2007-08 actuals versus 2006-07 actuals) for estimating the 2008-09 figure. This has resulted in the 2008-09 estimate of revenue being significantly higher in the south; marginally higher in the north and lower in the north west.

The resulting changes in the revised estimates of full cost recovery revenue are due to a number of competing impacts associated with increases and decreases in source data.

The estimated level of full cost recovery in 2009-10 has increased significantly for the southern region. This is largely a result of due diligence asset values for the southern region, particularly for Hobart Water, being significantly higher than was assumed when the Interim Pricing Inquiry Report was undertaken. The valuations in the Inquiry Report were based on data from the most recent BWA price determination, which did not take into account recent asset revaluations. These revaluations significantly increased BWA assets values for the southern region.

The estimated level of full cost recovery revenue for the northern region for 2009-10 has fallen slightly. While asset values in the northern region have increased using the due diligence data, these have been offset by reductions in operating expenses and capital expenditure.

In the north west, the revised estimate of full cost recovery revenue has fallen slightly. Asset values in the region from the due diligence are slightly lower than was assumed for the Interim Pricing Inquiry Report and growth in asset values has declined due to lower assumed capital expenditure. These impacts have been offset to some extent by due diligence data showing increases in operating expenses.

2.2.2 Revised Cash Flow and Breakeven Analysis Results

The revised results of the cash flow and revenue breakeven analysis are shown on a regional basis in the tables below. Each table includes the levels of revenue to achieve the various cash flow requirements as well as the levels of revenue to achieve a breakeven position in each year of the transition period. As a basis of comparison, full cost recovery levels of revenue are also shown.

As a general comment, the revised analysis shows a general reduction in the amount required by each corporation to meet its cash obligations, relative to the Interim Pricing Inquiry Report. This is due to:

- a significant downward revision in assumed debt levels for the regional corporation, thus reducing cash required to meet debt servicing costs;
- a reduction in the assumed capital expenditure across the sector from \$80.7 million per annum to \$50 million per annum; and
- a reduction in the assumed annual amount to be provided to councils as dividends to ensure that returns to owners are at least maintained in real terms.

Table 2.2: Revised Cash Flow and Breakeven Analysis Results for the Southern Regional Corporation

		2009-10 $m	2010-11 $m	2011-12 $m
Operating and maintenance costs	(1)	54	54	55
Debt servicing costs	(2)	3	3	3
Minimum Revenue Requirement Opex and Debt (1 and 2)		**57**	**58**	**58**
Depreciation costs	(3)	36	35	35
Breakeven Revenue (1, 2 and 3)		**93**	**93**	**93**
Capital expenditure costs	(4)	26	26	26
Minimum Revenue Requirement plus Capex (1, 2, and 4)		**83**	**84**	**84**
Dividends	(5)	12	12	12
Minimum Revenue Requirement plus Capex and Dividends (1, 2, 4 and 5)		**95**	**96**	**96**
Commercial return on assets	(6)	83	82	81
Full Cost Recovery (1, 3 and 6)		**173**	**172**	**171**

Table 2.3: Revised Cash Flow and Breakeven Analysis Results for the Northern Regional Corporation

		2009-10 $m	2010-11 $m	2011-12 $m
Operating and maintenance costs	(1)	29	29	29
Debt servicing costs	(2)	1	1	1
Minimum Revenue Requirement Opex and Debt (1 and 2)		**29**	**30**	**29**
Depreciation costs	(3)	20	20	20
Breakeven Revenue (1, 2 and 3)		**49**	**49**	**49**
Capital expenditure costs	(4)	13	13	13
Minimum Revenue Requirement plus Capex (1, 2 and 4)		**43**	**43**	**43**
Dividends	(5)	3	3	3
Minimum Revenue Requirement plus Capex and Dividends (1, 2, 4 and 5)		**45**	**45**	**45**
Commercial return on assets	(6)	46	46	45
Full Cost Recovery (1, 3 and 6)		**95**	**95**	**93**

Table 2.4: Revised Cash Flow and Breakeven Analysis Results for the North Western Regional Corporation

		2009-10 $m	2010-11 $m	2011-12 $m
Operating and maintenance costs	(1)	25	25	25
Debt servicing costs	(2)	3	3	2
Minimum Revenue Requirement Opex and Debt (1 and 2)		**27**	**27**	**27**
Depreciation costs	(3)	13	13	13
Breakeven Revenue (1, 2 and 3)		**40**	**40**	**40**
Capital expenditure costs	(4)	11	11	11
Minimum Revenue Requirement plus Capex (1, 2 and 4)		**38**	**38**	**38**
Dividends	(5)	5	5	5
Minimum Revenue Requirement plus Capex and Dividends (1, 2, 4 and 5)		**43**	**43**	**43**
Commercial return on assets	(6)	30	29	29
Full Cost Recovery (1, 3 and 6)		**67**	**67**	**67**

2.3 Revised Assessment of Recommended Revenue Transition Paths

The following section presents a revised analysis of the two transition paths recommended in the Interim Pricing Inquiry Report, based on the updated data from the due diligence and advice received from the Treasurer.

2.3.1 Basis of Assessment

The framework to assess alternative revenue transition options for the water and sewerage sector has not changed from the Interim Pricing Analysis Report and includes three key elements.

The first is how quickly full cost recovery can be achieved for each regional corporation under each optional revenue transition path.

Related to the cost recovery criteria, the second aspect of the assessment framework is the financial impact upon the regional corporations. This is assessed through the cash flow and revenue breakeven analysis. The cash flow analysis shows the ability of each regional business to fund its cash obligations in terms of operational, maintenance and debt servicing costs, capital expenditure and dividend payments. The revenue breakeven analysis shows the ability of each business to generate a profit, which would put it in a position to provide dividends.

The third aspect of the assessment framework is the impact upon consumers. However, for the purpose of this revised assessment this aspect is largely managed through the restriction of analysis to two alternative revenue transition scenarios that are both capped in terms of annual increases in average revenue.

2.3.2 Optional Revenue Transition Scenarios

The two optional revenue transition scenarios that the Treasurer has requested be reassessed as part of this process include:

- Transition Return scenario with a seven per cent real (10 per cent nominal) cap; and
- Transition Return scenario with a 12 per cent real (15 per cent nominal) cap.

The uncapped Transition Return scenario aims to achieve full cost recovery at the end of the transition period, ie full cost recovery is achieved in the first year of the first full price determination. This objective is achieved by increasing the rate of return for the sector each year until the full cost recovery return of seven per cent is achieved in 2012-13. Under this scenario, the rate of return is four per cent in 2009-10, then increased to five per cent in 2010-11 and then to six per cent in 2011-12, the last year prior to the commencement of the first full price determination.

In addition, the above scenarios are also capped to ensure that average prices do not rise each year by more than the capped amount. A floor also applies to ensure that prices are at least maintained in real terms.

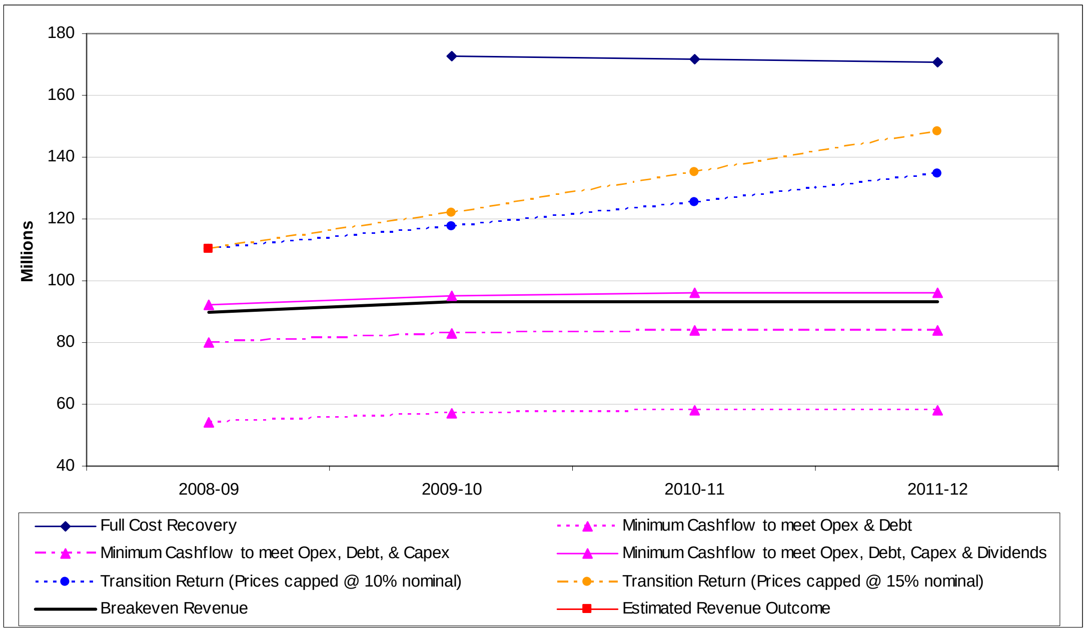
2.3.3 Relative Assessment of Revenue Transition Scenarios

Following is an assessment of the two identified revenue transition paths, undertaken on a regional basis.

2.3.3.1 Assessment of Revenue Transition Options – Southern Regional Corporation

Figure 2.1 shows the two revised capped revenue transition paths for the Southern Regional Corporation. Also shown are the revised full cost recovery, minimum cash requirements and breakeven revenues.

Figure 2.1: Water and Sewerage Revenue Transition Paths – Southern Regional Corporation



Based on the revised analysis, if the Southern Regional Corporation was operating in 2008-09, it would be generating an accounting profit and would be able to fund all its cash obligations without entering into additional debt. This situation is maintained under either transition scenario thus ensuring a strong financial position for the Southern Regional Corporation throughout transition.

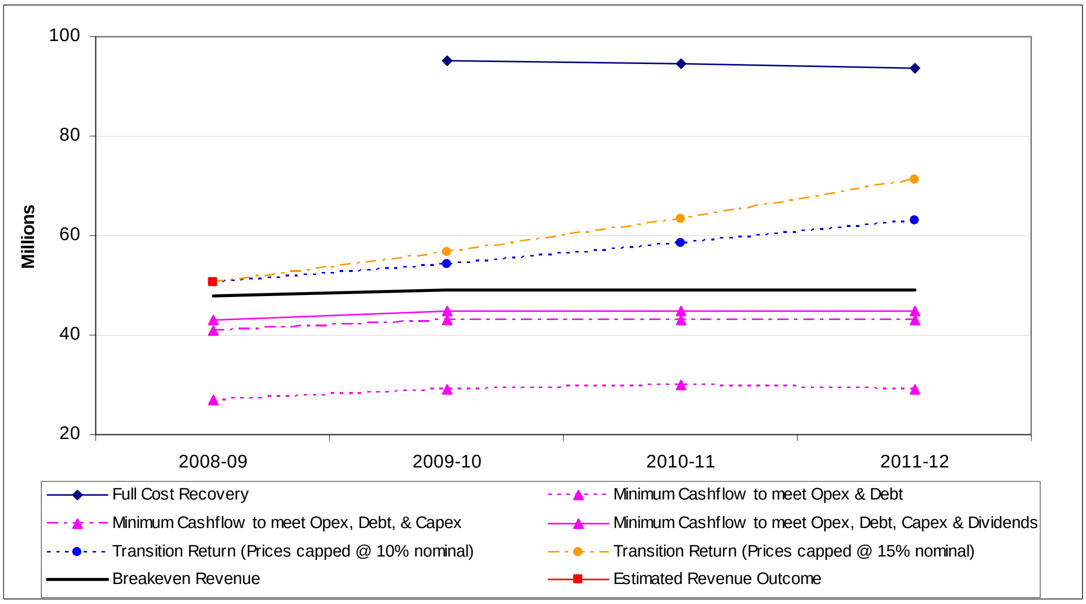
If the revenue paths were projected forward, both capped Transition Return scenarios would be likely to result in the Southern Regional Corporation being close to, or achieving, full cost recovery by the end of the first price determination period (assuming a three year regulatory period).

This outcome is unchanged from the Interim Pricing Inquiry Report. However, the time taken for the Transition Return scenario with a 10 per cent cap to achieve full cost recovery is longer due to the increase in the level of revenue needed for the Southern Regional Corporation to achieve full cost recovery, which flows from the significant increases in asset valuations contained within the due diligence data for this region.

2.3.3.2 Assessment of Revenue Transition Options – Northern Regional Corporation

Figure 2.2 shows the two revised capped revenue transition paths for the Northern Regional Corporation. Also shown are the revised full cost recovery, minimum cash requirements and breakeven revenues.

Figure 2.2: Water and Sewerage Revenue Transition Paths – Northern Regional Corporation



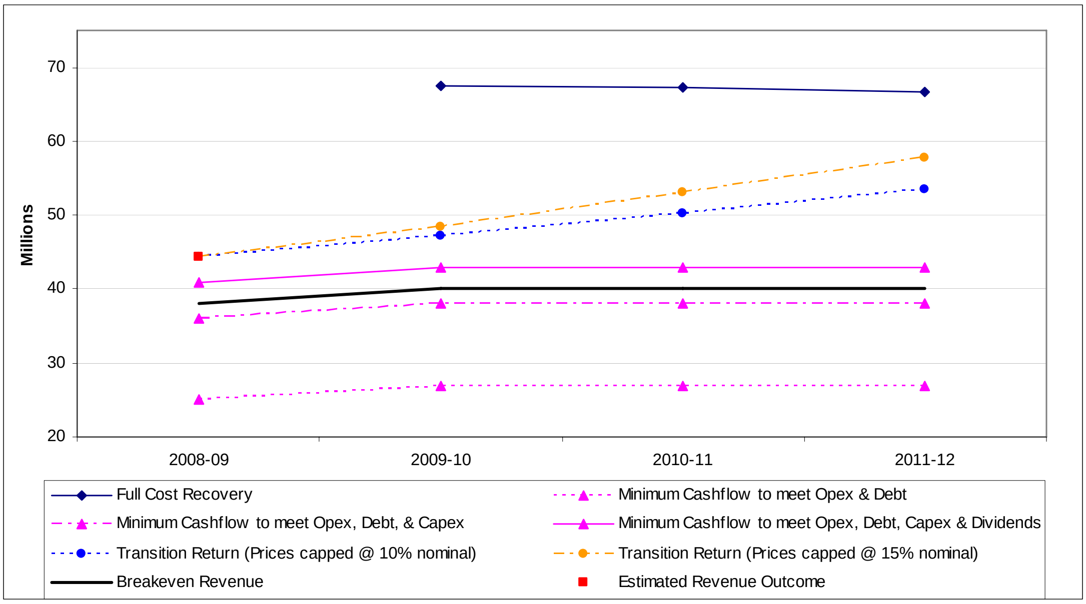
Based on the revised analysis, if the Northern Regional Corporation was operating in 2008-09, it would be generating an accounting profit and would be able to fund all its cash obligations without entering into additional debt. This situation is maintained under either transition scenario thus ensuring a strong financial position for the Northern Regional Corporation throughout transition. This is a significant improvement on the results from the Interim Pricing Inquiry Report, which indicated that the Northern Regional Corporation would require up to two years of additional debt funding.

Again, the scenarios differ in terms of the time likely to be required to achieve full cost recovery. Under the Transition Return scenario with a 15 per cent nominal cap, full cost recovery is likely to be achieved during the first full price determination period. However, under the 10 per cent nominal cap, full cost recovery is unlikely to occur until some time in the second price determination period. This outcome is unchanged from that contained in the Interim Pricing Inquiry Report

2.3.3.3 Assessment of Revenue Transition Options – North Western Regional Corporation

Figure 2.3 shows the two revised capped revenue transition paths for the North Western Regional Corporation. Also shown are the revised full cost recovery, minimum cash requirements and breakeven revenues.

Figure 2.3: Water and Sewerage Revenue Transition Paths – North Western Regional Corporation



Based on the revised analysis, if the North Western Regional Corporation was operating in 2008-09, it would be generating an accounting profit and would be able to fund all its cash obligations without entering into additional debt. This situation is maintained under either transition scenario thus ensuring a strong financial position for the North Western Regional Corporation throughout transition.

If the revenue paths were projected forward, both capped Transition Return scenarios would be likely to result in the North Western Regional Corporation being close to, or achieving, full cost recovery by the end of the first price determination period (assuming a three year regulatory period). This outcome is unchanged from the Interim Pricing Inquiry Report.

2.4 Summary of Outcomes of Revised Interim Pricing Analysis

The following are considered the key outcomes of the revised interim pricing analysis:

- the revised due diligence data has increased the level of revenue required to achieve full cost recovery in the southern region (largely through increases to asset valuations), decreased the amount in the north western region, with full cost recovery revenue largely remaining unchanged in the northern region;
- there has been little impact upon the recommended revenue transition paths as a result of the new information because, as highlighted in the Interim Pricing Inquiry Report, these revenue paths are constrained by the associated caps in average price movements, rather than being driven by overall asset valuations and costs;
- there is little change in the time required for the regional corporations to achieve cost recovery under either optional transition scenarios, with all corporations

likely to be at full cost recovery during the first pricing determination under the Transition Scenario with a 15 per cent nominal cap or achieving full cost recovery during the second price determination under the same scenario but with a 10 per cent nominal cap;

- the revised data has provided reductions in the estimated cash requirements on the regional corporations in relation to meeting debt servicing costs, funding assumed capital expenditure and funding returns to councils; and
- the reduction in estimated cash obligations upon the regional corporations is projected to place them in a better financial position than was estimated at the time of the Interim Pricing Inquiry Report, with all the regional corporations projected to maintain a strong operating position throughout the transition under either assessed scenario.

2.5 Matters for Further Consideration

A number of issues have arisen during the conduct of this revised analysis which are highlighted below for consideration by the Government.

Firstly, while the due diligence has provided updates or revisions for some data, there is still considered to be significant issues with the completeness and robustness of data available for the Tasmanian water and sewerage sector. This has required the continued use of a number of assumptions and projected estimates. Therefore, the outcomes of this revised analysis should be considered in the same context as those contained within the original Interim Pricing Inquiry Report.

In addition, it should be noted that the revised capital expenditure profile for the sector, being $50 million per annum, results in net assets of all three regional corporations falling over the transition period. This is because capital expenditure at this level is not sufficient to cover depreciation. Given the initial capabilities of the new corporations, this level of capital expenditure may be appropriate in the initial year of operation. However, consideration may need to be given to stepping up capital expenditure over the period as falling asset values for the sector seems inconsistent with the Government’s expectations of the water and sewerage reform process.

Finally, it should be noted that the revised analysis is based on the same assumed Weighted Average Cost of Capital (WACC) that was used for the Interim Pricing Inquiry Report, which was seven per cent real pre-tax. The level of full cost recovery for each regional corporation is sensitive to the assumed WACC. Also, the revenue transitions scenarios are also likely to be affected by changes to the WACC.

ATTACHMENT 3: ASSESSMENT FRAMEWORK AND SCENARIO TABLES

This appendix presents the detailed outcomes of the modelling undertaken as part of the Inquiry.

The following table shows the regional based data for the cash flow and revenue breakeven analysis.

Table A3.1: Total Revenue and Real Percentage Changes in Total Revenue

	2008-09 $m	2009-10 $m	%	2010-11 $m	%	2011-12 $m	%
Southern Regional Corporation							
Breakeven Revenue	90	93	3.33	93	0.00	93	0.00
Minimum Cash flow to meet Opex and Debt	54	57	5.56	58	1.75	58	0.00
Minimum Cash flow to meet Opex, Debt and Capex	80	83	3.75	84	1.20	84	0.00
Minimum Cash flow to meet Opex, Debt, Capex and Dividends	92	95	3.26	96	1.05	96	0.00
Northern Regional Corporation							
Breakeven Revenue	48	49	2.08	49	0.00	49	0.00
Minimum Cash flow to meet Opex and Debt	27	29	7.41	30	3.45	29	-3.33
Minimum Cash flow to meet Opex, Debt and Capex	41	43	4.88	43	0.00	43	0.00
Minimum Cash flow to meet Opex, Debt, Capex and Dividends	43	45	4.65	45	0.00	45	0.00
North Western Regional Corporation							
Breakeven Revenue	38	40	5.26	40	0.00	40	0.00
Minimum Cash flow to meet Opex and Debt	25	27	8.00	27	0.00	27	0.00
Minimum Cash flow to meet Opex, Debt and Capex	36	38	5.56	38	0.00	38	0.00
Minimum Cash flow to meet Opex, Debt, Capex and Dividends	41	43	4.88	43	0.00	43	0.00

For each scenario discussed in this report, the following tables show:

- average revenue amounts and percentage changes for each service on a municipal basis; and
- total revenue amounts and percentage changes for each service on a regional basis.

Full Cost Recovery

Table A3.2: Average Revenue and Real Percentage Changes in Average Revenue, per connection

	Water							Wastewater						
	2008-09	2009-10		2010-11		2011-12		2008-09	2009-10		2010-11		2011-12	
	$	$	%	$	%	$	%	$	$	%	$	%	$	%
Southern Region														
Brighton	457	891	94.83	856	-3.93	821	-4.06	553	1246	125.58	1225	-1.68	1203	-1.82
Central Highlands	513	1209	135.68	1191	-1.46	1172	-1.60	347	959	176.36	942	-1.80	923	-2.00
Clarence	614	1072	74.57	1047	-2.32	1021	-2.50	579	986	70.13	965	-2.15	942	-2.31
Derwent Valley	659	1154	75.06	1138	-1.40	1120	-1.55	376	540	43.82	546	1.03	549	0.49
Glamorgan- Spring Bay	423	723	70.76	736	1.89	747	1.47	378	661	74.77	716	8.23	764	6.75
Glenorchy	847	1251	47.80	1235	-1.33	1216	-1.49	637	771	21.14	759	-1.54	746	-1.81
Hobart	488	840	72.15	824	-1.88	806	-2.12	401	576	43.54	568	-1.48	557	-1.83
Huon Valley	501	749	49.46	747	-0.35	742	-0.60	706	1248	76.64	1246	-0.13	1242	-0.30
Kingborough	586	1032	75.99	1001	-3.04	968	-3.20	962	899	-6.51	898	-0.12	895	-0.37
Sorell	749	850	13.39	828	-2.53	806	-2.74	645	773	19.75	819	6.01	859	4.89
Southern Midland	521	1392	167.03	1370	-1.54	1348	-1.63	275	501	82.34	497	-0.76	491	-1.17
Tasman	30	709	2266.50	818	15.44	874	6.89	22	636	2732.53	676	6.24	692	2.42
Northern Region														
Break O'Day	392	821	109.40	810	-1.38	796	-1.79	479	786	64.27	787	0.10	785	-0.24
Dorset	397	864	118.01	853	-1.34	838	-1.73	501	792	57.93	779	-1.58	765	-1.87
Flinders Island	301	583	93.41	568	-2.57	550	-3.20	0	0	0.00	0	0.00	0	0.00
George Town	573	769	34.04	741	-3.61	711	-4.00	827	924	11.82	895	-3.12	866	-3.24
Launceston	465	1035	122.66	1015	-1.94	992	-2.29	252	440	74.72	436	-0.86	430	-1.39
Meander Valley	395	756	91.33	735	-2.67	712	-3.13	446	909	103.67	891	-1.99	871	-2.21
Northern Midlands	435	895	105.79	897	0.23	896	-0.18	337	858	154.45	849	-1.05	838	-1.31
West Tamar	496	849	71.28	828	-2.49	804	-2.90	625	829	32.59	813	-1.96	795	-2.21
North Western Region														
Burnie	523	583	11.46	576	-1.19	564	-1.97	400	580	45.05	586	0.92	586	0.03
Central Coast	463	825	78.20	820	-0.63	810	-1.18	408	898	120.46	889	-1.11	874	-1.65
Circular Head	840	1154	37.33	1145	-0.79	1118	-2.32	1166	1085	-6.93	1070	-1.38	1050	-1.82
Devonport	536	925	72.70	909	-1.68	890	-2.16	734	983	33.90	975	-0.84	962	-1.33
Kentish	665	922	38.72	915	-0.79	903	-1.28	596	1272	113.33	1243	-2.26	1211	-2.55
King Island	582	569	-2.29	566	-0.45	559	-1.26	429	623	45.03	616	-1.06	605	-1.84
Latrobe	486	749	54.05	724	-3.42	695	-3.98	529	691	30.56	671	-2.92	647	-3.56
Waratah/Wynyard	529	1039	96.55	1035	-0.39	1027	-0.82	461	842	82.87	842	-0.03	837	-0.61
West Coast	575	512	-10.90	529	3.19	540	2.05	367	506	37.98	493	-2.56	476	-3.54

Table A3.3: Total Revenue and Real Percentage Changes in Total Revenue

	Water							Wastewater						
	2008-09	2009-10		2010-11		2011-12		2008-09	2009-10		2010-11		2011-12	
	$M	$M	%	$M	%	$M	%	$M	$M	%	$M	%	$M	%
Southern Regional Corporation	60	101	68.56	101	-0.84	100	-1.04	50	71	41.98	71	0.28	71	0.01
Northern Regional Corporation	25	51	104.72	50	-1.20	49	-1.59	26	44	72.02	44	-0.08	44	-0.51
North Western Regional Corporation	23	35	52.18	34	-0.43	34	-1.08	22	33	51.63	33	-0.24	32	-0.84

Transition Return Scenario Capped at 7 per cent real (10 per cent nominal)

Table A3.6: Average Revenue and Real Percentage Changes in Average Revenue, per connection

	Water							Wastewater						
	2008-09	2009-10		2010-11		2011-12		2008-09	2009-10		2010-11		2011-12	
	$	$	%	$	%	$	%	$	$	%	$	%	$	%
Southern Region														
Brighton	481	481	0.00	481	0.00	481	0.00	581	581	0.00	608	4.65	648	6.57
Central Highlands	503	538	7.00	576	7.00	617	7.00	341	365	7.00	391	7.00	418	7.00
Clarence	585	599	2.34	641	7.00	686	7.00	552	591	7.00	633	7.00	677	7.00
Derwent Valley	673	720	7.00	770	7.00	824	7.00	383	410	7.00	439	7.00	469	7.00
Glamorgan- Spring Bay	382	408	7.00	437	7.00	467	7.00	341	365	7.00	391	7.00	418	7.00
Glenorchy	752	764	1.51	817	7.00	874	7.00	566	605	7.00	648	7.00	693	7.00
Hobart	483	516	7.00	552	7.00	591	7.00	397	425	7.00	455	7.00	487	7.00
Huon Valley	549	579	5.43	620	7.00	660	6.53	774	828	7.00	886	7.00	948	7.00
Kingborough	425	455	7.00	486	7.00	520	7.00	697	714	2.41	764	7.00	817	7.00
Sorell	615	658	7.00	704	7.00	754	7.00	530	567	7.00	607	7.00	649	7.00
Southern Midland	480	514	7.00	550	7.00	588	7.00	253	271	7.00	290	7.00	310	7.00
Tasman	266	284	7.00	304	7.00	326	7.00	226	241	7.00	258	7.00	276	7.00
Northern Region														
Break O'Day	387	414	7.00	443	7.00	474	7.00	472	505	7.00	540	7.00	578	7.00
Dorset	339	363	7.00	388	7.00	415	7.00	428	458	7.00	490	7.00	524	7.00
Flinders Island	313	335	7.00	358	7.00	383	7.00	0	0	0.00	0	0.00	0	0.00
George Town	383	410	7.00	439	7.00	470	7.00	553	591	7.00	633	7.00	677	7.00
Launceston	484	517	7.00	554	7.00	592	7.00	262	280	7.00	300	7.00	321	7.00
Meander Valley	370	396	7.00	424	7.00	454	7.00	419	448	7.00	479	7.00	513	7.00
Northern Midlands	453	484	7.00	518	7.00	555	7.00	351	376	7.00	402	7.00	430	7.00
West Tamar	501	537	7.00	574	7.00	614	7.00	633	633	0.00	633	0.00	677	7.00
North Western Region														
Burnie	581	622	7.00	665	7.00	712	7.00	445	476	7.00	509	7.00	545	7.00
Central Coast	463	495	7.00	530	7.00	567	7.00	407	436	7.00	466	7.00	499	7.00
Circular Head	824	824	0.00	882	7.00	943	7.00	1143	1143	0.00	1143	0.00	1143	0.00
Devonport	574	614	7.00	657	7.00	703	7.00	787	842	7.00	901	7.00	964	7.00
Kentish	567	567	0.00	607	7.00	649	7.00	509	545	7.00	583	7.00	624	7.00
King Island	671	671	0.00	671	0.00	671	0.00	494	529	7.00	566	7.00	606	7.00
Latrobe	611	611	0.00	611	0.00	611	0.00	666	666	0.00	666	0.00	666	0.00
Waratah/Wynyard	546	580	6.10	620	7.00	664	7.00	476	509	7.00	545	7.00	583	7.00
West Coast	578	578	0.00	578	0.00	619	7.00	369	395	7.00	422	7.00	452	7.00

Table A3.7: Total Revenue and Real Percentage Changes in Total Revenue

	Water							Wastewater						
	2008-09	2009-10		2010-11		2011-12		2008-09	2009-10		2010-11		2011-12	
	$m	$m	%	$m	%	$m	%	$m	$m	%	$m	%	$m	%
Southern Regional Corporation	60	65	7.74	70	7.74	75	7.74	50	53	4.95	55	5.46	59	6.84
Northern Regional Corporation	25	27	7.60	29	7.77	31	7.67	26	28	7.12	30	7.70	32	7.70
North Western Regional Corporation	23	24	5.71	25	5.81	27	6.12	22	23	6.84	25	7.01	26	6.76

Transition Return Scenario Capped at 12 per cent real (15 per cent nominal)

Table A3.8: Average Revenue and Real Percentage Changes in Average Revenue, per connection

	Water							Wastewater						
	2008-09	2009-10		2010-11		2011-12		2008-09	2009-10		2010-11		2011-12	
	$	$	%	$	%	$	%	$	$	%	$	%	$	%
Southern Region														
Brighton	457	512	12.00	574	12.00	643	12.00	553	619	12.00	693	12.00	776	12.00
Central Highlands	513	575	12.00	643	12.00	721	12.00	347	389	12.00	435	12.00	488	12.00
Clarence	614	687	12.00	770	12.00	862	12.00	579	649	12.00	727	12.00	814	12.00
Derwent Valley	659	738	12.00	827	12.00	926	12.00	376	421	12.00	471	12.00	515	9.34
Glamorgan- Spring Bay	423	474	12.00	531	12.00	594	12.00	378	424	12.00	475	12.00	532	12.00
Glenorchy	847	948	12.00	1062	12.00	1133	6.71	637	637	0.00	642	0.82	688	7.19
Hobart	488	546	12.00	612	12.00	685	12.00	401	450	12.00	502	11.65	525	4.64
Huon Valley	501	562	12.00	629	12.00	700	11.33	706	791	12.00	886	12.00	992	12.00
Kingborough	586	657	12.00	736	12.00	824	12.00	962	962	0.00	962	0.00	962	0.00
Sorell	749	749	0.00	749	0.00	750	0.10	645	645	0.00	721	11.80	806	11.77
Southern Midland	521	584	12.00	654	12.00	732	12.00	275	308	12.00	345	12.00	386	12.00
Tasman	30	34	12.00	38	12.00	42	12.00	22	25	12.00	28	12.00	32	12.00
Northern Region														
Break O'Day	392	439	12.00	492	12.00	551	12.00	479	536	12.00	600	12.00	672	12.00
Dorset	397	444	12.00	497	12.00	557	12.00	501	562	12.00	629	12.00	704	12.00
Flinders Island	301	337	12.00	378	12.00	423	12.00	0	0	0.00	0	0.00	0	0.00
George Town	573	589	2.65	621	5.47	646	4.10	827	827	0.00	827	0.00	827	0.00
Launceston	465	521	12.00	583	12.00	653	12.00	252	282	12.00	316	12.00	353	12.00
Meander Valley	395	442	12.00	495	12.00	555	12.00	446	500	12.00	560	12.00	627	12.00
Northern Midlands	435	487	12.00	546	12.00	611	12.00	337	378	12.00	423	12.00	474	12.00
West Tamar	496	555	12.00	622	12.00	696	12.00	625	640	2.31	690	7.83	735	6.53
North Western Region														
Burnie	523	523	0.00	523	0.00	529	1.25	400	448	12.00	502	12.00	556	10.88
Central Coast	463	519	12.00	581	12.00	651	12.00	408	456	12.00	511	12.00	573	12.00
Circular Head	840	941	12.00	1046	11.12	1089	4.15	1166	1166	0.00	1166	0.00	1166	0.00
Devonport	536	600	12.00	672	12.00	752	12.00	734	788	7.26	846	7.43	898	6.17
Kentish	665	744	12.00	826	10.92	869	5.22	596	668	12.00	748	12.00	838	12.00
King Island	582	582	0.00	582	0.00	582	0.00	429	481	12.00	538	12.00	570	5.88
Latrobe	486	545	12.00	610	12.00	664	8.81	529	549	3.73	580	5.64	604	4.02
Waratah/Wynyard	529	592	12.00	663	12.00	743	12.00	461	516	12.00	578	12.00	647	12.00
West Coast	575	575	0.00	575	0.00	575	0.00	367	396	7.85	422	6.59	441	4.59

Table A3.9: Total Revenue and Real Percentage Changes in Total Revenue

	Water							Wastewater						
	2008-09	2009-10		2010-11		2011-12		2008-09	2009-10		2010-11		2011-12	
	$m	$m	%	$m	%	$m	%	$m	$m	%	$m	%	$m	%
Southern Regional Corporation	60	68	12.63	76	12.66	85	11.18	50	54	7.74	59	8.53	63	8.36
Northern Regional Corporation	25	28	12.32	31	12.50	35	12.42	26	29	11.15	32	11.92	36	11.82
North Western Regional Corporation	23	25	9.32	27	9.49	30	8.89	22	24	9.06	26	9.29	28	8.48