Appendix F

Quarterly Billing Review

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Business case
Continued tri-annual billing cycle for Water Plan 2008-2013

Background

Western Water has assessed the benefits and costs associated with moving from billing customers three times a year to billing each quarter

In preparing this analysis, the following quarterly billing periods were assumed for comparison :

- January 2 to March 28
- April 2 to June 28
- July 2 to September 20
- October 2 to December 27

Cost Considerations

Moving from 3 to 4 accounts per annum adds costs to operating expenditure. The following summarises the increases that will result by introducing a 4th tariff notice.

1. Service Provider Costs:

Printing / Stationary costs	$ 30,000
Meter Reading costs	$ 30,000
Postage costs	$ 24,000
Payment Agency fees and charges	$ 50,000
Collection Agency costs	$ 28,000
Sub Total	**$ 162,000**

2. Additional Staff Costs:

> Business Innovation -	
Additional bill calculation / data integrity / scheduling	$40,000
> Credit Management –	
Administering 12,500 additional Final Notices	$20,000
> Customer Service –	
Handling 25,000 additional calls per year	$60,000
Processing additional back office tasks	$30,000
Processing additional payments	$20,000
Sub Total	**$ 170,000**
Total additional cost to introduce quarterly billing	**$ 332,000**

** Note = FTE costs assumed at $60,000

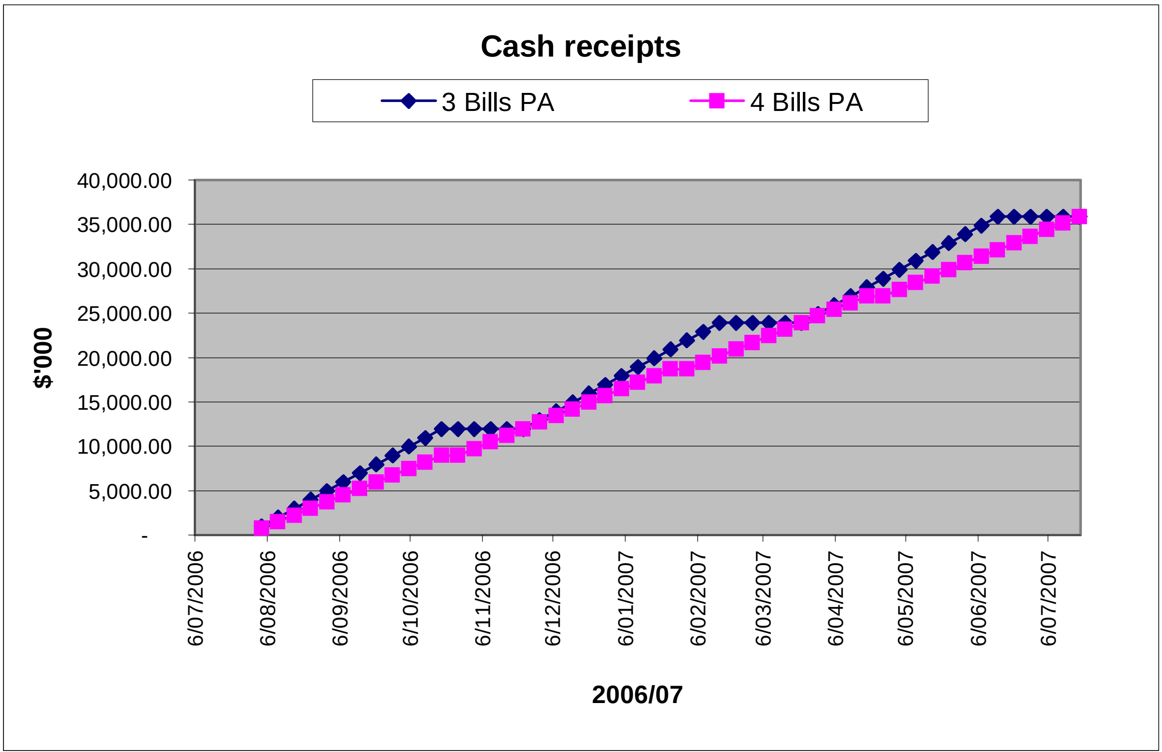
Financial Benefit Considerations

The following Graph shows cash flow based on 3 bills p.a. and 4 bills p.a. on the assumption there are still 12 towns billed per cycle.

With three bills p.a. there is a 4-5 week break where there are no due dates outstanding. As we have cash outflows 26 fortnights a year, we have to manage our cash position even more closely over these periods of reduced cash inflow.

With 4 bills p.a. there is only a one week gap where there are no due dates outstanding, however during the cycle, there is less cash received over the 12 week period, but much the same over the 16 week period.

The analysis shows that cash wise Western Water is still better off with 3 bills p.a.



Apart from the financial perspective, the current gap between cycles (the flattening of the graphed line) provided with tri-annual billing, and used by Customer Service to ensure the billings database is accurate and up to date before the next cycle commences – disappears.   This critical time allocation will still be required, and would need to be made available in other ways – as yet not considered.

Summary of benefits and costs of quarterly billing

Benefits	Costs
Increased advice to customers on water usage patterns and trends	Increased staff numbers to cater for increased billing frequency of customers.
More regular contact opportunities with customers.	Worse cash flow position.
Will reduce water usage period providing smaller window for application of SDC discharge factor	Increased costs for overheads such as printing, meter reading, printing, etc
Customers can directly compare costs between ourselves and metros	Customers can directly compare costs between ourselves and metros. (Listed as a con considering we are more expensive.)

Other RUWA's / Metro's
Pattern of billing for other water businesses.

Name	Bills per Year
Central Highlands Water	3
East Gippsland Water	3
Gippsland Water	3
Goulburn Valley Water	3
South Gippsland Water	3
Western Water	3
Westernport Water	3
Barwon Water	4
Coliban Water	4
GWM Water	4
Lower Murray Water	4
North East Water	4
Wannon Water	4
City West Water	4
South East Water	4
Yarra Valley Water	4

Conclusion

As a result of the analysis, it has been decided to remain with issuing three tariff notices per year, and not to move to quarterly billing.