



Reviewing the Queensland Water Industry Reform Program for the Distribution Entity

the challenge

The water industry in Southeast Queensland (SEQ) undertook a comprehensive reform process which would fundamentally change industry structure, ownership and centres of accountability.

This process required the transfer and consolidation of bulk water storage, treatment and transmission functions from Councils into new State owned bodies, the formation of new, consolidated distribution and retail entities spanning council boundaries, and the creation of new market and regulatory arrangements.

Marchment Hill was appointed to work with the SEQ Council of Mayors to review the reform program plan and governance arrangements, to ensure that the new integrated distribution business, which will have around \$10 billion in assets and 2500 staff, would be operationally ready in June 2010.

what Marchment Hill did

Marchment Hill identified and consulted a broad group of stakeholders including regulators and representatives from councils and water businesses, and developed an informed perspective on the existing reform plan and governance arrangements developed by the Council of Mayors.

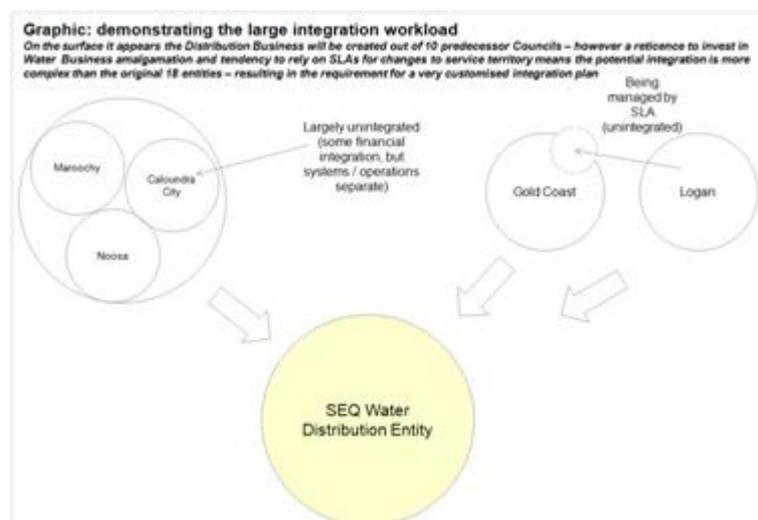


Figure 1: Integration Complexity

Preceding Council and Integration and significant cross-Council horizontal integration complicated the reform challenge for the Distribution Entity.

Marchment Hill introduced a new level of rigour and strategy in the reform process. We outlined the development of a clear vision, outstanding program governance with clear decision accountabilities, and an absolute focus on people. Our recommended structures and processes were designed to facilitate fast decision making, and maintain focus on benefits throughout.

In order for the reform program to meet these standards, Marchment Hill recommended a number of changes including:

- Significant amendment to the reform governance structure, that would ensure the breadth of accountabilities were clearly recognised, and that elements of the reform were more logically grouped together;
- Immediate definition of the accountabilities of leadership roles, including the new directors and their Terms of Reference;
- Immediate development of a Vision and Strategy so that a desirable future state was articulated and shared with the industry;
- Accelerating the timing of the reform phases; and
- Raising planning to the whole-of-reform level, rather than leaving it at the level of each entity.

the benefit

Marchment Hill's recommendations were adopted by the Council of Mayors and integrated into the ongoing reform arrangements. Our approach significantly reduced the risk of the program's outcomes being compromised and facilitated the implementation of the new Distribution Entity as it became formed in early 2009.

Marchment Hill was subsequently retained by the Council of Mayors to support a number of the reform streams, including:

Preparation and facilitation of a 10-Council Workshop to agree regulatory strategy, asset valuation methodology and governance processes; and

Facilitation of the 10 Water Business Managers through a contextual review of the SEQ Water Industry, and development of rudimentary Vision and Strategic Objectives for the incoming CEO-designate.