Performance indicator review

Mike Smith to: water 18/04/2012 08:21 AM

History: This message has been replied to.

Thankyou for the opportunity to provide a submission on the Commission's review of performance indicators. Whilst I support the majority of the Commission's proposed revisions, I have a few comments that the Commission may wish to consider. These are set out below.

Your proposed ‘cost to serve’ indicator appears on face value to be contradictory. You first define ‘cost to serve’ as “as those activities related to the management of customer facing activities such as meter reading, billing and dispatch, call centre, communications, customer contract management, and preparation of information statements”. However in the associated table, you suggest these costs should include “office functions of Finance, IT, HR, Communications, Customer Service and the like.”

It is unclear to me how HR costs, or certain Finance costs (e.g. accounts payable, treasury, etc.) or IT costs (desktop support, asset management systems, etc.), relate to the management of customer facing activities. Unless you are specific about the exact types of HR, Finance, IT etc., costs to include in this indicator, it will lose its meaningfulness.

Further, the Commission may consider whether a purely ‘administrative cost per customer’ measure would also be useful. This would cover all back office/support functions such as HR, Legal, IT, Finance, etc. and would give customers a sense of how much of the total OMA cost per customer is driven by staff not directly involved in either customer facing activities or network/asset O&M.

Finally, I urge the Commission to include comparisons of actual results against its final decision. For example, it is all very well and good reporting that Business X has an OMA cost per customer of $x and it has been increasing by 2% p.a. over the past 3 years. A more revealing outcome would answer the question ‘and what OMA cost per customer were Business X’s prices based on?’ Of course, this analysis doesn’t need to be restricted to the financial indicators – it could equally apply to performance indicator expectations so long as they were defined during the price review. Performance shouldn’t just be measured against prior performance and peer performance, but also expected performance. Customers are funding these businesses to achieve certain expected outcomes - if these outcomes aren't being met, or if businesses are signficantly over-spending (or equally worrying from a bill payer's, if not Treasury's, perspective, under-spending), then businesses should be held accountable.

Regards,

M. Smith.