



Customer Engagement Program

Stage 1 Report

Understanding customer values, needs & expectations

March 2014



Welcome to SA Water's Customer Engagement Program

This report summarises the first stage of our engagement program – detailing results from our initial round of customer research and engagement activities, and highlighting how we will use this feedback going forward.

Our Customer Engagement Program demonstrates our ongoing commitment to putting customers at the heart of everything we do. It's about creating opportunities for open and ongoing dialogue with our diverse customer base, and then using the results to develop future plans.

Delivering safe, sustainable and affordable water services to the community is what we do. And in delivering these services to South Australians, we are committed to meeting all challenges.

One of our key challenges is to understand what affordability means to our customers, and how we can deliver cost efficient services that meet both residential and business customer needs and expectations.

Between November 2013 and February 2014 we listened to 118 customers from right across the state and worked with representatives from key customer representative groups – our SA Water Customer Advisory Groups. We listened to our customers, and this report details what we heard.

As we embark on our Customer Engagement Program, we invite you to share our journey with us and have your say about water and wastewater services in South Australia. In particular, we welcome your views, suggestions and feedback. Visit the SA Water website for more details about how to get involved.

We look forward to sharing our journey with you.



Lew Owens
Chairman
SA Water Board



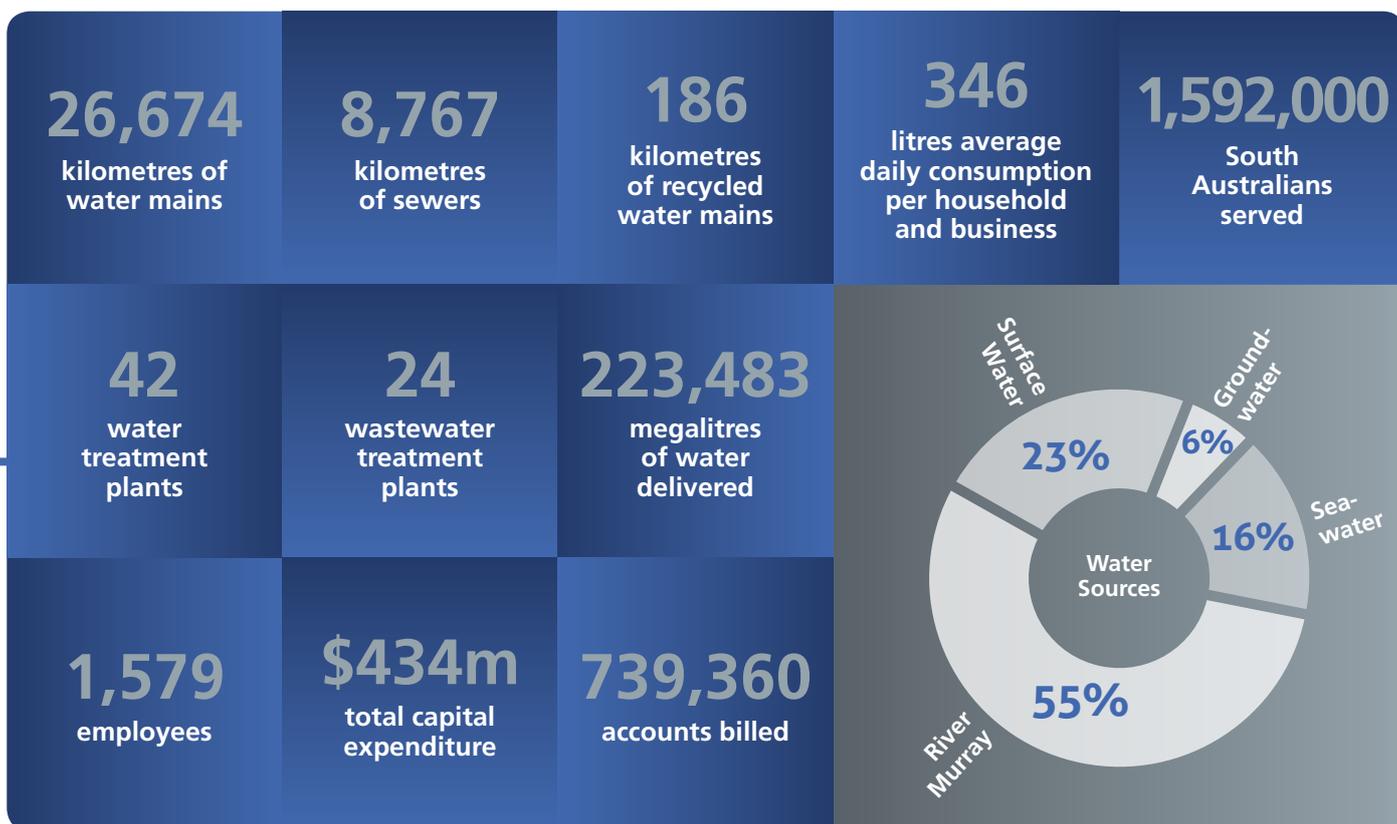
John Ringham
Chief Executive

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About SA Water & our business



2012-13 Annual Report

About us

SA Water is responsible for delivering water and wastewater services to approximately 1.5 million residents as well as providing these services to support agriculture, industry and commerce across the state. SA Water strives to supply its customers with a clean, safe and reliable drinking water supply.

Our main responsibilities are in the areas of bulk water transfer, retail water sales, catchment-to-tap water quality management, water treatment, and wastewater treatment, disposal and recycling.

SA Water has oversight of about \$13 billion worth of assets across the state, including vast water and wastewater networks. The span of SA Water's networks, which include 26,674 kilometres of water mains – combined with delivering services to customers spread right across South Australia, are just two of the many significant operational challenges for SA Water.

Owned by the Government of South Australia, SA Water provides essential water and wastewater services that support growth, and economic development throughout the state with the vision to "deliver safe, sustainable and affordable water services for the community".

About economic regulation

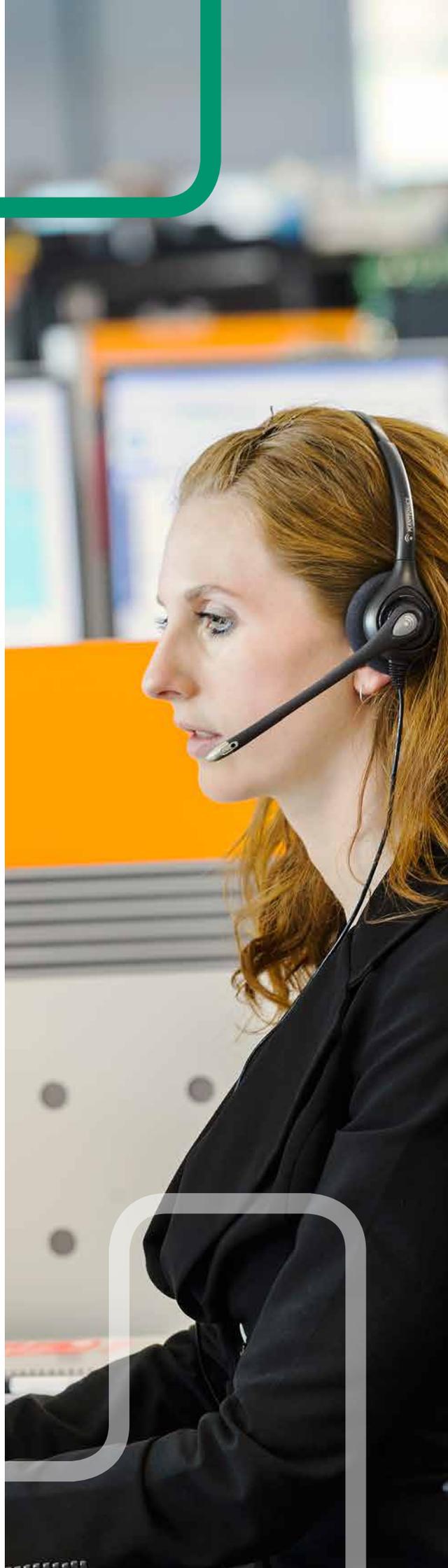
The Essential Services Commission of South Australia (ESCOSA) is the independent economic regulator of water industry retailers, including SA Water, in South Australia.

On 1 January 2013, ESCOSA assumed this role with the power to:

- Determine the maximum revenue that SA Water is allowed to recover through drinking water and sewerage retail service prices,
- Specify the service standards that SA Water must meet – a minimum level of service customers can expect; and
- Request information to help them monitor performance against the agreed revenue path.

ESCOSA's role includes industry licensing, consumer protection and independent determination of SA Water's maximum revenue that can be recovered through customer prices (more information about ESCOSA and regulation of the South Australian water industry can be found on ESCOSA's website www.escosa.sa.gov.au).

SA Water is required to formally submit a Regulatory Business Proposal (RBP) to ESCOSA every four years after the initial three year period. This proposal outlines how we plan to operate and invest in infrastructure and services in the interests of our customers. The first RBP was submitted in September 2012.



Engaging our customers - program overview



Our customer focus

SA Water is committed to engaging with customers about the services it provides.

In recent years a number of steps have been taken to ensure customers are at the centre of SA Water's decision making and planning processes. These have included establishing:

- Two new Customer Advisory Groups (CAGs), dedicated to residential and business customer and consumer issues,
- A regular research program to measure and track customer satisfaction levels,
- A Customer Charter,
- In-house community engagement expertise around infrastructure projects,
- New programs to support customers facing financial difficulty.

SA Water's **Customer Engagement Program** is an ongoing program designed to capture the needs and expectations of SA Water customers - and in turn drive service improvements.

The Customer Engagement Program is the first of its kind for SA Water - in both the breadth of customer engagement, and also the detail in which customers will be engaged now and in the future.

Objectives

The Customer Engagement Program has been designed to:

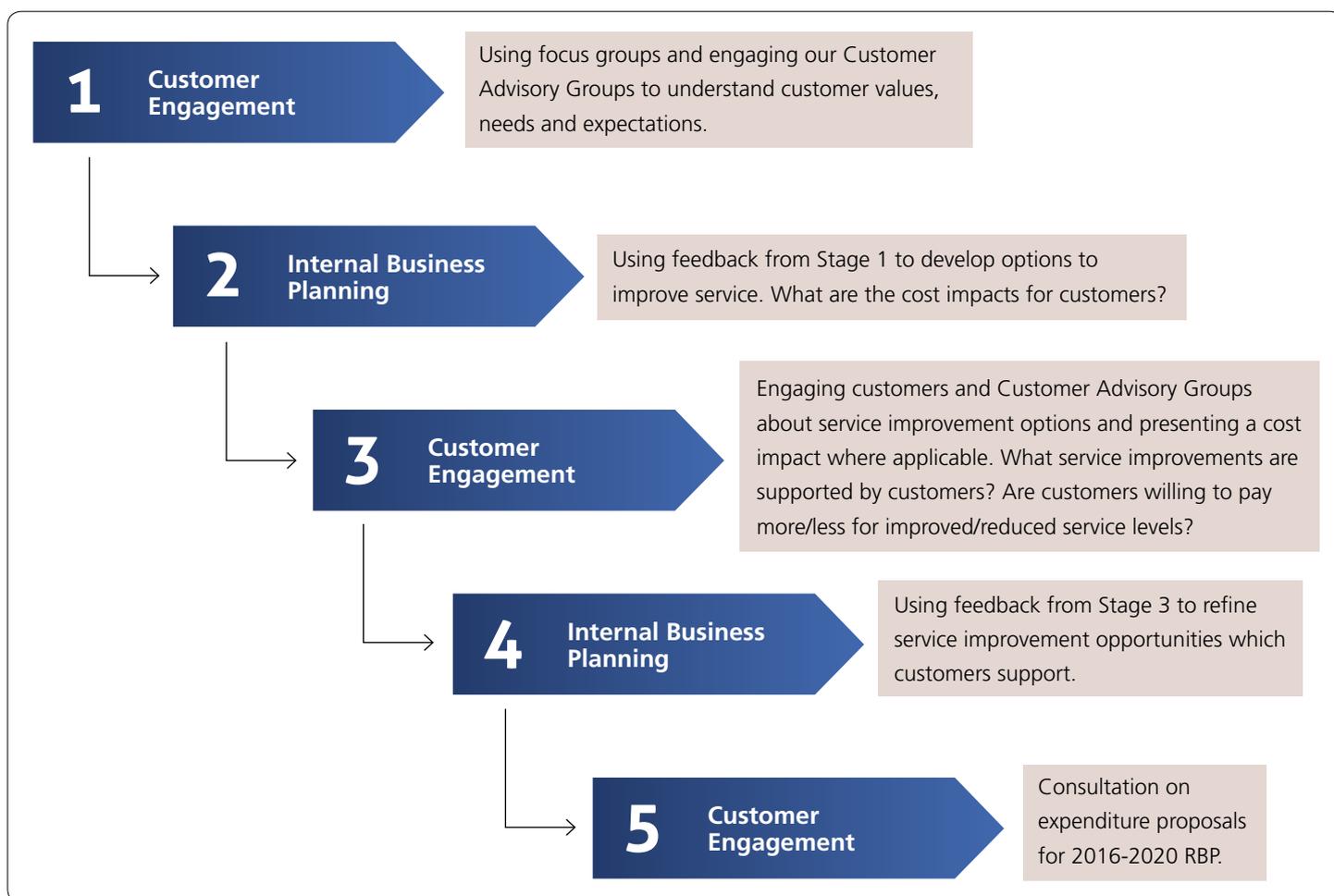
- Facilitate **customer input into decision-making** on future service levels and investment opportunities,
- Be a **robust, open** and **transparent** process,
- **Ensure independence and third party validation** in research and engagement methodology and results,
- Utilise **best practice customer research and engagement** activities,
- Provide **multiple and varied opportunities for customer involvement** – from customer driven improvement opportunities in Stage 1, through to consultation on price tested scenarios for service improvement in Stages 3 & 5,
- Align with SA Water's **strategic and business planning** process, ensuring services for customers are continually improved,
- Inform **SA Water's 2016-2020 Regulatory Business Proposal**.

Regulatory requirements

In its second SA Water price determination and service standards draft framework, ESCOSA set out a number of requirements for SA Water in relation to engaging customers for the second Regulatory Business Proposal (RBP). ESCOSA's requirements and more information can be found at www.escosa.sa.gov.au

Program overview

The Customer Engagement Program consists of five stages.



The first stage seeks to gain insight into customer values and expectations. Stage 1 consists of a series of focus groups with SA Water customers and consultation with SA Water’s Customer Advisory Groups. Stage 1 is designed to be led by customers - allowing customers to identify key issues of importance and for SA Water to develop this feedback into potential service improvement and investment opportunities in Stage 2. Stages 3 to 5 will further refine possible opportunities for changes to service levels and new investment in the form of expenditure proposals as part of SA Water’s RBP.

In delivering appropriate levels of service to customers, SA Water is sensitive to the fact that customers are feeling the impact of a rise in the cost of many household living expenses – including water prices. Testing customer willingness to pay for new initiatives and service improvements is a critical element of the engagement process, and will allow customers to make informed decisions about the potential cost impacts of changes to services.

How we listened: methodology and approach for Stage 1

Focus group sessions

With research partner Newfocus, 15 focus groups were conducted with 118 customers (88 residential, 30 business) across metropolitan and regional South Australia during November and December 2013.

Newfocus conducted the focus group sessions on SA Water's behalf to ensure the process was independent and transparent. An ESCOSA representative observed three metropolitan and two regional sessions.

Focus Group Location	Participants
Metropolitan Adelaide (Northern suburbs)	35
Metropolitan Adelaide (Southern suburbs)	24
Port Lincoln	17
Riverland	14
Mt Gambier	17
Port Augusta	11
TOTAL	118

Focus group methodology was used in order to provide insight into the expectations of recent contact customers.

Focus groups are an effective methodology for undertaking high quality exploratory research. It provides an in-depth understanding of the perceptions, attitudes and behaviours, enabling the research to go beyond static data collection.

As a member of the Australian Market & Social Research Society (AMSRS) Newfocus abides by the Code of Professional Behaviour and strictly adheres to the Market & Social Research Privacy Principles approved by the Federal Privacy Commissioner.

Focus group objectives

The objectives of the focus group research were to:

- Explore and prioritise **issues of importance** to SA Water customers,
- Identify **customer values** in relation to areas where SA Water should be investing in the future,
- Identify **opportunities for service improvements**, in particular in the following key areas; responding to faults and service problems, water quality, digital services, and communications.

SA Water Customer Advisory Group workshop

In February 2014, SA Water conducted a workshop with members of both SA Water's Residential and Business Customer Advisory Groups (CAGs).

About SA Water's Customer Advisory Groups

The SA Water Customer Advisory Groups (CAGs) were established in 2012 to increase interaction between SA Water and representative customer groups and to provide SA Water with a mechanism to:

- Obtain customers' views about its services, initiatives and policies,
- Seek guidance on appropriate ways to communicate with customers,
- Ensure it understands customers and can test assumptions about expectations,
- Deliver information back to the community through bodies represented by the CAGs.

SA Water has two advisory groups to represent both residential and business issues - the Residential Customer Advisory Group (RCAG) and the Business Customer Advisory Group (BCAG). Feedback from meetings is reported directly to the SA Water Board.

Customer Advisory Group member organisations

Residential Customer Advisory Group

South Australian Council of Social Service

Regional Communities Consultative Council

Council of the Ageing SA

Residents & Ratepayers Association SA

Multicultural Communities SA

Youth Affairs Council

Business Customer Advisory Group

Business SA

Primary Producers SA

Australian Industry Group SA

Property Council of South Australia

Urban Development Institute SA

Workshop objectives

The objectives of the CAG workshops were to:

- Identify **issues of importance for member organisations** and the customers they represent,
- Seek **comment** and **advice** on the outcomes of the focus group research,
- Seek **support** and **involvement** by CAG members in SA Water's broader Customer Engagement Program.

Analysing the results

As a result of the focus group sessions, a series of customer insight statements were produced by our research partner, Newfocus.

The customer insight statements were sorted into key themes during the CAG workshop. The results are discussed by the themes in this report.



What we heard: issues of importance

From the focus groups and Customer Advisory Groups

Focus Groups - what are the most important issues to our customers?

In the focus groups we commenced conversations by asking customers to think of, and discuss, the most important water and wastewater issues to them.

The most important issues our customers spoke about in priority order are:

Price/cost

- Affordability and impact of recent price increases,
- The way water and sewerage prices are determined and charged,
- Application of charges and fees (e.g. River Murray Levy).

Infrastructure maintenance

- The need to invest in pipe replacement to reduce bursts/leaks,
- Concern over ageing infrastructure.

Water wastage

- Need to re-use and conserve water (e.g. recycling),
- Concern over water loss when bursts/leaks occur.

From the Customer Advisory Groups perspective

In the CAG workshop we asked members to list the top three most important issues for their customer base. In addition to above, the CAG also raised:

Water for growth

- South Australia needs to be cost competitive to attract business and economic development to the state,
- Low costs for new development.

Access/equity

- Ensure access for all to information and support,
- Social equity in pricing.

Reliability of water supply

- Security and continuity of supply.

Customer insights overview – key themes

In the focus group sessions customers were asked a range of questions in relation to SA Water services they currently receive, and services for future investment.

Customers were asked about their values, needs and expectations in relation to a number of service

interactions, including responding to bursts/faults, water quality, digital services and communication.

Insights from the focus group sessions and feedback from CAG members have been categorised and summarised into key customer themes as illustrated below.



Exploring the key themes



Customer experience and education

Overview

Overall customers are reasonably satisfied with the services they receive. When discussing their own experiences with SA Water services, customers identified opportunities for improved information. These included:

- More information throughout the process of reporting and fixing a service fault,
- More specific information in relation to timeframes of when works/repairs will occur,
- More informed in terms of feedback if problems cannot be resolved at the first point of contact – by calling back, SMS or email,
- Better information about meters.

Customers indicated a desire for more services and communication to be available online and/or using mobile phone technology.

Across all regional focus groups, customers expressed a desire to be more actively engaged and involved in decisions about future water supplies in their areas.

From the Customer Advisory Groups perspective

Members confirmed that more engagement of regional communities is important to allow customers an opportunity to be involved in decision making about impacts on their locality.

It was noted that while some customers have a high need for digital services, some low income earners, remote communities, and elderly customers cannot afford or do not have access to these services.

Summary of customer insights: customer experience and education

- Overall, the majority of customers are **reasonably satisfied** with SA Water's services.
- Customers are **extremely satisfied** with the **SA Water Call Centre**.
- Customers want **more information relating to the progress of faults and service problems**. Improvements in order of customer priority include: timeframes at initial call to advise when someone will be there, job reference number provided at initial phone call and notification if there is a delay.
- Customers would like to be able to **report and check progress** of service faults, bursts and outages **online**.
- Some customers expressed **dissatisfaction** with the system and process elements of **problem resolution**, in particular overall time to resolve issues, keeping customers informed and flexibility of solutions.
- Many customers have experienced **metering issues** and express confusion and frustration around meter reading, ownership, damage, responsibilities etc.
- Some customers would like the option to receive their **bill electronically**.
- Many customers would like to receive updates/ information via **mobile phone technology** (SMS or app).
- Some customers would like to **manage their account information** (including water consumption details) online or via mobile phone technology.
- **Younger customers** have higher expectations around what services should be made available digitally.
- **Regional customers are asking to be engaged** - as customers and as communities.



Price/cost

Overview

Customers identified price/cost as a key issue of importance. Throughout the focus group sessions, many references were made to price and the overall cost of bills. SA Water customers are particularly concerned about the affordability of water to their homes and businesses.

When discussing price and cost, customers showed a keen interest in discussing this issue on a number of different levels:

- SA Water as a profit making business, and returning money to Government (e.g. should SA Water make a profit, are they privatised?),
- The fees and charges that constitute their bill and whether it is equitable (e.g. River Murray Levy),
- Their inability to decrease their bill significantly by reducing consumption.

Customers expressed frustration and/or dissatisfaction with various components of bills:

- Property based charges were perceived to be unfair,
- The application of levies on bills,
- The inability to control their bill via consumption due to the high fixed charge component (no financial incentive to save water),
- Costs incurred by customers on vacant land,
- Costs incurred by customers who chose to disconnect water services and use their own supplies.

From the Customer Advisory Groups perspective

Members highlighted the need to educate customers about the true cost of delivering water and how this relates to their account.

Similar to the focus groups, members queried how SA Water balances profit making objectives, while delivering against Government objectives.

In terms of future prices, members noted the importance of understanding the potential socio-economic impacts of a CPI increase on some segments of the community.

Summary of customer insights: price/cost

- Price is top of mind for customers – as it impacts on **cost of living and business overheads**.
- **Reducing bills** is important for customers when considering future service provision.
- Customers could not offer suggestions for lower levels of service they would be prepared to accept for a reduction in price.
- Customers offered limited suggestions for higher levels of services that they would be prepared to pay more for.
- The majority of customers view water as a **high value good** – either as a **precious resource not to be wasted** and/or as an **expensive household bill**.
- Customers **value the reliability** of the water and sewerage services they receive, and while price is a concern, there is a sense it is a service that is taken for granted.
- Many customers are dissatisfied with **the way water and sewerage prices are determined** and charged.
- Customers want **more information** about the things they are paying for (eg desalination, River Murray Levy).
- Residential customers value **flexibility and assistance** in managing their water consumption and accounts.



Delivery of services & investment

Overview

Customers view water as a precious resource, and as a result water loss from bursts and leaks in the network is an important issue. Customers expect SA Water to resolve all water bursts and leaks – big or small – in no more than two days. In order to reduce potential water loss from the system and the need to attend bursts and leaks, customers are keen to see SA Water invest in preventative pipe replacement programs in the future.

Business customers expect quick response times and good information in response to service faults where it may impact on their business operations.

From the Customer Advisory Groups perspective

Members highlighted the need to improve service time across the board. In response to business customer expectations, members suggested SA Water make judgement based decisions to resolve issues which impact business operations, as opposed to introducing different service standard levels.

Summary of customer insights: delivery of services & investment

- Customers **care** about pipes and local infrastructure.
- Customers are **frustrated with the process** of reporting and repairing **small leaks**.
- Customers would like to see a greater focus and investment in **preventative pipe maintenance** programs.
- **Business customers** tended to place a higher value on reliability, timeliness and need for information during service faults than residential customers.
- Customers recognise and praise elements of service delivery that are **locally based**.
- **In regional areas**, response times to faults and service problems either met or exceeded customer expectations.
- Customers expect **water leaks** to be attended within 24 hours and be responded to in 1-2 days.
- When a **burst** occurs, customers expect immediate attention and that the water is turned off within the hour and resolved in 1-2 hours.
- Customers expect responses to bursts to be graded on **health and safety priority**. Business customers generally do not expect to receive a higher priority than a residential customer.

Water for growth

The Customer Advisory Group identified the need for SA Water to consider a range of opportunities to support water for growth and economic development in South Australia.

It was highlighted that supporting economic growth should include better use of reclaimed water, in particular opening up new irrigation opportunities for agriculture, viticulture and horticulture in South Australia.

Exploring the theme of water for growth, members discussed:

- How water prices should send clear signals to encourage business to the state.
- The need to keep the cost of new developments low to facilitate affordable housing.
- The importance of transparency, consistency of fees and charges for businesses.
- Cost effective and prudent expansion of the network to facilitate projected growth in the population and employment.





Water recycling

Customers indicated a strong desire to see more effort from SA Water with recycling water, in an effort to re-use and conserve precious water supplies. Customers have asked SA Water to be more proactive with recycling.

From the Customer Advisory Groups perspective

The CAG members noted the value of recycled water, where fit for purpose, can be delivered for business at a lower price.

Summary of customer insights: water recycling

- Customers **value** initiatives which conserve or re-use water.
- Customers want SA Water to **invest in recycling schemes**.

Water quality

Customers recognise and value that SA Water provides a safe and reliable drinking water supply. When asked about satisfaction with tap water, customers would like to see improvements in relation to the aesthetic characteristics of drinking water - in particular the chlorine taste experienced by some customers.

Customers would like SA Water to undertake additional water filtration, equivalent to home under sink filters, to save householders the cost to purchase. In the absence of this technology, customers requested rebates for these devices.

Summary of customer insights: water quality

- Customers would like SA Water to provide **equivalent tasting water to home filtered water** – either by investing in new technology or subsidising the purchase of home filters.
- In metropolitan Adelaide, some customers are **dissatisfied** with the taste of tap water, in particular the **chlorine** taste.
- Some **regional customers** in Port Lincoln, the Riverland and Mt Gambier would like to see **improvements to the aesthetic characteristics** (eg taste, hardness) of their water supplies.



Next steps

In summary – what our customers told us

Between November 2013 and February 2014 SA Water conducted focus groups across metropolitan Adelaide and regional South Australia, and engaged its Customer Advisory Groups in a concerted effort to better understand customer needs and expectations for services.

Customers identified the most important issues in priority order as price, infrastructure and water wastage.

Overall, the majority of customers were reasonably satisfied with the current service levels SA Water provides. Customers identified opportunities for improvement to the services they receive, both now and in the in the following key areas:

- **Price/cost** -
For example reducing bills, changing the way pricing is structured.
- **Delivery of service & investment** -
For example reducing water loss through improved pipe maintenance programs.
- **Customer experience & education** -
For example improving communication with customers during a fault/ service problem.
- **Water recycling** -
For example investing in more small scale recycling schemes.
- **Water for growth** -
For example encouraging businesses to the state with competitive costs for water.
- **Water quality** -
For example improving the taste of tap water.

Using feedback to improve

Some of the customer feedback from Stage 1 will be integrated into our business immediately as part of commitment to continually improve our services to customers.

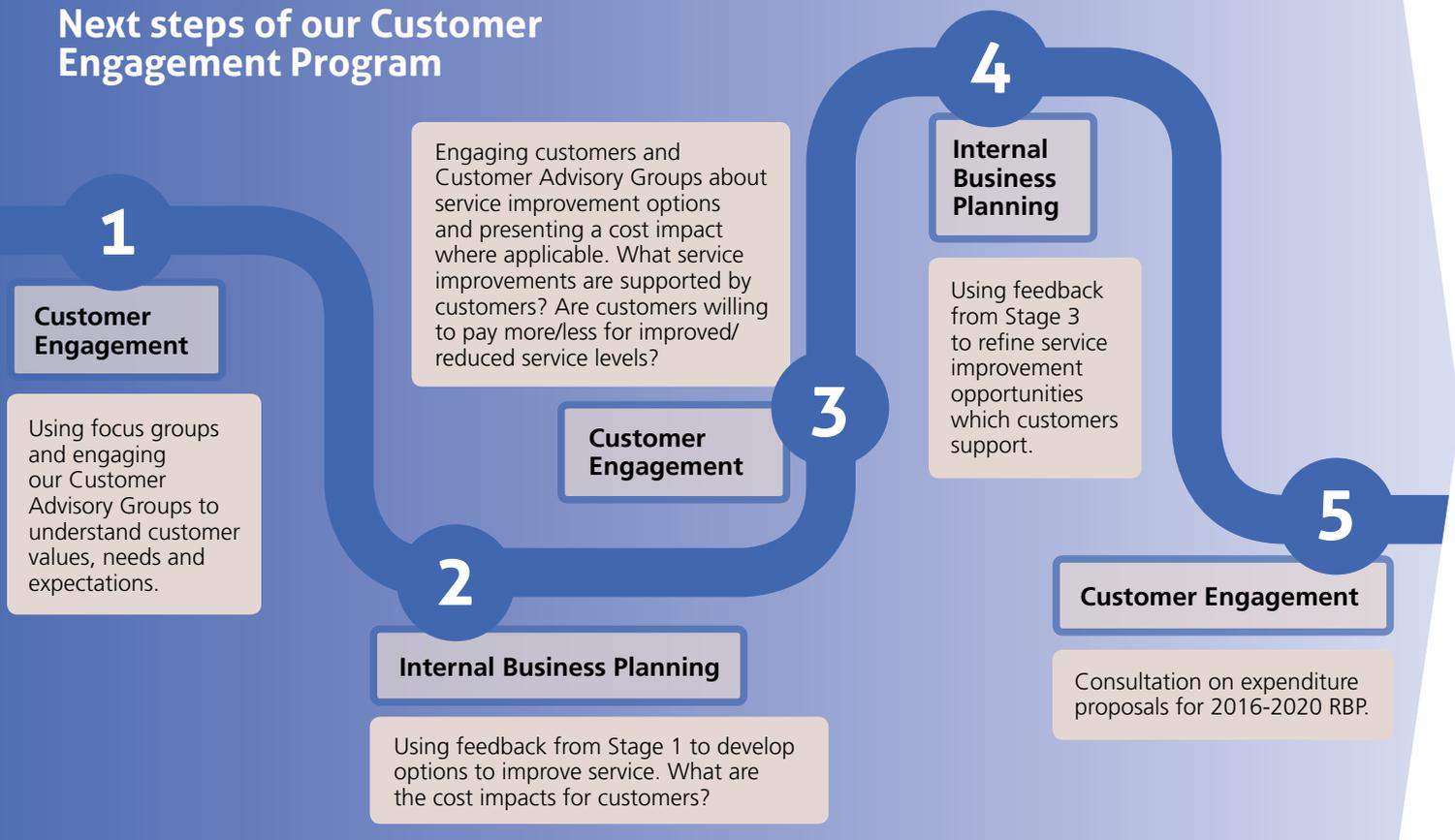
Throughout the Stage 1 of the Customer Engagement Program, customers raised a number of issues in relation to communication and education. SA Water is now putting a greater focus on customer education, in particular in relation to:

- Customer bills and what customers are paying for,
- SA Water's pipe maintenance and replacement program,
- Water quality,
- Recycled water.

Customers also identified system and process issues in relation to customer interactions with SA Water that we will work on improving immediately:

- Better information when reporting faults and service problems,
- Keeping customers better informed when an issue is not resolved on first contact.

Next steps of our Customer Engagement Program



Using the customer insights in Stage 2

This first stage of the Customer Engagement process will now provide the platform for developing opportunities for service going forward.

During March and April, SA Water will analyse the customer insights together with subject matter experts from across its business and develop a number of proposals based on what customers asked for. For example, if SA Water were to invest in more recycled water opportunities how could this work? And what are the benefits for customers? At this stage of the process, SA Water will be determining if there could be any cost impacts associated with improvement opportunities or new areas of investment.

Next stages of the engagement program

Between May and June, SA Water will then be engaging with its customer base with more detailed options for service improvement and proposals in response to customer feedback.

Keeping customers informed

As we continue to progress our Customer Engagement Program, SA Water will provide customers with opportunities to participate. Details of customer involvement opportunities will be available on our website later in the year. We invite all our customers to have their say on our services.

Visit the SA Water website at sawater.com.au for more details about how to get involved.

Research

Newfocus Pty Ltd is a national research company that uses systems and methodologies that meet quality assurance standards. The qualitative customer research undertaken in this report abided by the Market and Social Research Privacy Principles and was carried out in compliance with International Standard AS ISO 20252. Newfocus ensured the recent contact customer research accurately reflected the views of SA Water customers and the research remains independent from SA Water.



Rory Challen

Research Consultant,
Newfocus

Customer Advisory Groups

SA Water's Residential and Business Customer Advisory Groups declare this reflects a true and accurate record of the outcomes of the workshop held on 18 February 2014 at SA Water House, 250 Victoria Square, Adelaide.



Sue Averay

Chair,
SA Water Residential Advisory Group



Monish Bhindi

Chair,
SA Water Business Advisory Group