

# Meeting Public Affairs challenges in a deregulated and privatised market

*The Centre spoke with two representatives of Victoria's privatised electricity distribution companies, Jeni Coutts, General Manager Corporate Relations, at CitiPower and Matt Pollard, Group Manager Corporate Affairs, at United Energy about some of the challenges that they have encountered and the role of Public Affairs in these enterprises.*

## Key Public Affairs Management Issues

### ***Building a reputation***

Up until now, privatised utilities have had little public profile. Pollard notes: "All of our research shows that there is not much brand awareness and there is not much differentiation from one company to another." Coutts believes this may be due, in part, to the need for companies to "get their house in order... getting their systems in place, dealing with reliability and network issues and getting the right people on board", before spending money on activities to build corporate reputation. Perhaps more significant is the fact that many of these utilities do not see brand awareness as being critical until the year 2001, when the market becomes fully contestable and residents will have a choice as to their preferred distributor. For this reason, most companies appear to have elected to build brand awareness slowly. As Matt Pollard remarks, "United Energy doesn't really need a profile until 2001. To the extent that we can build a profile over that period, we are quite happy to do so but we are unlikely to spend a lot of money on television ads and the like."

### ***Building relationships with stakeholders***

The focus for these new entrants has been less on building brand awareness and more on building relationships with stakeholders. Many of these relationships have been worked from day one. CitiPower has developed several cooperative arrangements with those Municipal Councils that fall within its service region. Explains Coutts, "one of the best ways to get to your constituents is through their local Council and work with these Councils to the benefit of consumers". For example, CitiPower works closely with the City of Moreland on maintenance programs and on environmental issues. By way of illustration, it has set up an Energy Park and Sustainable Energy House in conjunction with the Council and CERES (Community Education and Research into Environmental Studies). An electric minibus will soon ferry elderly people around the local area. CitiPower has also worked with the City of Melbourne to light up King Street (a CBD thoroughfare that has been the focus of several security issues in previous years), in order to make it safer for members of the public at night time. The company also works with the City of Melbourne and other organisations to meet electricity needs during special events, such as the Melbourne Festival and Grand Prix. In addition, one of CitiPower's employees sits on the Melbourne 'A' Team, which looks at infrastructure needs for all events being held in Melbourne.

Following on from the public meetings organised during the listing of company shares on the Stock Exchange, United Energy has introduced a series of Town Hall meetings that it will hold periodically. These public meetings have generated a deal of interest. Pollard remarks that "there isn't a lot of knowledge in the financial community or beyond about the utility sector...The level of interest at the time of our float was far greater than we expected. Given that level of interest, it would be silly not to tap into it".

Beyond its Public Meetings program, United Energy has established a Consultative Committee that enables the company to engage with a range of different stakeholders within the community. The Committee, which meets formally on a quarterly basis, comprises around twelve people. These include customer representatives, environmentalists, the Chief Executive of a local Council, a member of the Victorian Council for Social Services, a non-English speaking background representative as well as two members of United Energy's management team. The aim of the Committee is as much to hear from its members as it is for them to hear from the company. "Its objective", Pollard explains, "is to help us understand our customers' needs and wants... It enables us to identify what matters we

should be working on.”

As interface with the customer occurs in all areas of the business, both companies work closely with the business units to help build relationships. Both formal and informal systems and processes have been put in place to coordinate activities across the business units.

### ***Positioning***

Although the impact of the privatisation debate on consumers is beginning to wane, Coutts is resigned to the fact that there will always be some who do not agree with the sale of publicly owned infrastructure. “But” she says, “I think we can win a lot more people over to the merits of privatisation”. The answer to this, she believes, lies in improved service and addressing customers’ needs.

Both United Energy and CitiPower see customer service and service reliability as a source of competitive advantage. Coutts maintains that “CitiPower has the best reliability of any distributor in Victoria, or in Australia for that matter, and our challenge is to get this message across to our customers and the public at large”. She adds that in order to be successful in the future, CitiPower believes it has to be able to quickly adjust its perspectives, be open-minded and innovative, implement new ideas quickly and be ahead of the next regulatory change.”

United Energy’s approach to the issue of service reliability has been unique to that of other distributors. It has chosen to acknowledge publicly that its performance has not met its own expectations and that the company intends to do something about this. Earlier this year, the company published a report entitled *The Reliability of Electricity Supply Performance and Improvement Initiatives, 1997 Report*, which it proposes to produce annually. The report looks at electricity supply in each suburb it supplies, recording its performance. Pollard is adamant it is not a public relations document. “It is a document which sets out all the facts, what the problems are, what caused them, how we are struggling to fix them, what has worked for us and what hasn’t.” The document was produced by the Corporate Affairs department in conjunction with the Operations group, along with the assistance of third party engineers and auditors who verified its contents. Matt Pollard explains that the reasoning behind the report lies in the premise that “it’s much more difficult if you wait until people complain about something. You are better off saying we have a challenge and we need some help.” He suggests: “the community may not always agree with you, but they will consider that you are being open and honest and accept that you are trying to fix the problem”.

Parallels may be drawn with the growing trend of producing environmental reports. The United Energy report has had a significant impact both internally and externally. Internally, it is helping lead a change in culture. Says Pollard, “I think it will drive internal performance. Having published a report that says we intend to improve our performance, if we don’t do so our Board, our shareholders and indeed the community in general will be all over us...”

Copies of the report were direct mailed to those individuals who have a direct interest in the issue. For example, copies were sent to the Office of the Regulator General, Treasury, the Ombudsman, State and local Government officials, Chief Executives of Shire Councils, politicians in the service territory and several vocal critics. United Energy did so because it recognised that the opportunity the report presented to engage with these people. Knowing it unlikely that many of those sent copies would read the document in its entirety, the company invited recipients to a briefing on the report, thereby offering a further opportunity to engage in dialogue. Pollard is well aware that such dialogue “will be very useful in the future”.

### **Issues management**

By virtue of the nature of the electricity industry, issues of network renewal, environmental impact and power ‘outages’ (interruptions to supply), cut across all areas of the company. Cross-functional teams are the method most commonly employed to manage these issues. For example, at CitiPower, a Quality Steering Committee, (comprising General Managers of all divisions), meets on a bi-monthly basis to examine a variety of issues, including customer complaints. Given the importance of customer service in positioning the company, CitiPower has implemented a formalised system to manage customer complaints. Whenever a

compliant is made, a form is automatically filled out, specifying the action to be taken. Each one of these forms is reviewed by the Quality Team and all action is followed up on a weekly basis until the matter is "put to bed". As Coutts reasons, "it offers an excellent way to catch issues early in the life cycle and it reassures customers that their complaints are being heard and resolved".

A situation may not require the formation of a formal team but individuals within each department of the company will work together informally to manage an issue. Coutts emphasises that there is good communication between groups. She maintains regular dialogue with her fellow General Managers and makes the point, "If there is an issue, we will work together to resolve it, keeping each party informed."

## **Role of public affairs internally**

Within both companies public affairs is well regarded. Management is aware of the need to bring public affairs in early whenever an issue arises. Coutts hypothesises that perhaps one of the reasons for this is that as a commercial enterprise that deals with the public, selling a product and a service, "you have to have your communication issues down pat".

## **Public affairs challenges ahead**

### ***Reputation building***

Perhaps one of the greatest challenges that these companies face is to convey to customers the benefits of a privatised regime. Many feel that the industry as a whole has not conveyed this message effectively. Jeni Coutts draws a comparison with the chemical industry, which she believes, has been more pro-active in selling the good points of its industry. "I think the electricity industry does a lot of good things", she remarks, "but I don't think it is particularly good at putting its best foot forward." Following a rather public brush with local Councils over tree pruning, the industry has come together in order to better manage issues on an industry basis. To that end, a Public Affairs Committee, made up of representatives from Victoria's utility sector, has been formed within ESAA (the electricity sector's industry association), to tackle industry issues. At the company level, Coutts adds "CitiPower has taken a conscious decision to start doing a lot more pro-active work promoting the good things that we do and promoting the cooperative relationships that we have developed within our sector".

To deliver the message effectively, it is not enough to tell consumers about the benefits of privatisation. There is an emotional argument that also must be won. As Pollard points out "customers need to experience service reliability, they cannot simply be told about it. If you have to get into statistics to justify that things are better then you are missing the point from a public affairs perspective". Both Pollard and Coutts are aware that this is where the challenge lies.

### ***Support for corporate strategy***

As 2001 draws closer, utility companies will turn their attention to addressing the impact and issues of a fully contestable market. The role of public affairs will be to help support company strategy. At CitiPower, the Corporate Relations team has developed a program to help retain and build its customer base that takes in the internal and external environment. For Jeni Coutts, one of the essential challenges at CitiPower lies in breathing life into the company's value proposition and positioning the company in the outside world. For Matt Pollard, managing the regulatory regime will be the biggest challenge facing the company over the next few years. Pollard will focus on supporting the company's 2001 contestable market strategy at the public policy level and maintaining shareholder support from institutions. Both are excited by the prospects of the next stage of the reform process.