

OVERVIEW

ABOUT US

Melbourne Water is owned by the Victorian Government. We manage water supply catchments, treat and supply drinking and recycled water, remove and treat most of Melbourne's sewage, and manage waterways and major drainage systems in the Port Phillip and Westernport region.

We consider social, environmental and financial effects and short-term and long-term implications in all our business decisions.

We provide services to customers and our key stakeholders include government, regulators, other water businesses, land developers, suppliers and the community. These customers and stakeholders and our other strategic partners, including alliance colleagues and research organisations, help us achieve our objectives.

ABOUT THIS REPORT

Melbourne Water's *Annual Report 2010/11* describes our annual progress towards achieving our vision for a sustainable water future for Melbourne, and how we met our regulatory obligations from 1 July 2010 to 30 June 2011. The Honourable Tim Holding, Minister for Water, was the Minister responsible for Melbourne Water from 1 July 2010 until 2 December 2010. The Honourable Peter Walsh, Minister for Water, was the responsible Minister from 2 December 2010 to 30 June 2011.

The report reviews our performance against key performance indicators (KPIs) that meet Ministerial Reporting Directions and against KPIs detailed in our *Corporate Plan*. We also report against sustainability or water industry-based indicators including the *Global Reporting Initiative (GRI): Sustainability Report Guidelines*. The GRI Content Index and our Independent Assurance Statement are available on our website melbournewater.com.au.

ONLINE DOCUMENT

As part of Melbourne Water's commitment to sustainability, a limited number of copies of this report will be printed (with 80 designated for the Victorian Parliament). An online version will be available on the Melbourne Water website melbournewater.com.au.

ACCESSIBILITY

If you do not have internet access and require a CD of this report or if you would like to receive sections in large print, please contact Melbourne Water on 131 722 in Victoria or (03) 9235 7100 if calling from interstate or email inquiry@melbournewater.com.au.

OUR STRATEGIC GUIDE

Melbourne Water's *Strategic Framework* outlines how we are working to become a more sustainable business. The document guides and informs our decisions towards achieving our vision of 'working together to ensure a sustainable water future'.

Melbourne Water's *Strategic Framework* is available on our website melbournewater.com.au.

MANAGING DIRECTOR'S REPORT



The past year highlights just how crucial flexibility and innovation are to managing water resources on behalf of 4 million people.

A prime example is the Western Treatment Plant. In the April to June quarter, years of ongoing investment and innovation culminated in the generation of enough renewable energy to completely power the treatment plant from biogas produced on-site. As one of Victoria's biggest energy users, this is a tremendous milestone and a prototype of the approach we need to meet future challenges.

A handwritten signature in blue ink, appearing to read 'S. Cox'.

Shaun Cox
Managing Director

Over the past 12 months, we have faced a succession of challenges radically different from those that had come to define the water sector nationally. A long period of drought ended with record rainfall and damaging floods, demanding a profoundly altered operational response from Melbourne Water.

Despite a strong focus on 'zero harm' for everyone working at or for Melbourne Water, there were several instances of people being placed in harms way. This is unacceptable and we will continue to improve systems and processes until our zero harm objective is achieved.

This included making the most of higher inflows to our dams, which finished this year 557 billion litres higher than their all time low of 25.6 percent just two years earlier. The level of water security this brought has been very welcome, but we cannot take it for granted.

I would like to recognise the efforts of my predecessor, Rob Skinner, particularly for championing a constructive culture at Melbourne Water that makes it such a high-performing organisation, well-placed to deal with change.

With fresh climate extremes breaking records in 2010/11, the importance of a robust network of water supply, drainage and sewerage infrastructure became even clearer.

In 2010/11, we achieved nothing alone. Partnerships are some of our most important assets and they are the engine room of converting innovation into outcomes. Customers, governments, regulators, suppliers and the broader community are all critical to achieving sustainable outcomes.

Much of the year was spent building more resilience into our system. This included work to upgrade our treatment plants, to integrate new sources of drinking water and to strengthen river health.


These partnerships will become even more crucial in the coming years, as we work to manage our most productive catchment – the city and its suburbs – to create a more sustainable water future for Melbourne.

After an intense building phase that started in 2007/08, many of these projects will be completed during 2011/12. In preparation, our focus shifted towards managing this network of world-class assets in the most efficient way possible, regardless of climate.

CHAIRMAN'S REPORT



I am pleased to report that 2010/11 has seen valuable progress towards a more secure and sustainable water future for Melbourne.



Eleanor Underwood
Chairman

Our financial performance was strong. Total returns to our shareholder were \$173.1 million (\$175.9 million in 2009/10). Net profit after tax was \$157.8 million (\$186.4 million in 2009/10), a reduction caused primarily by a significant increase in depreciation due to asset revaluation.

We delivered \$753.1 million of capital works in 2010/11. The improvements – ranging from water supply projects such as replacing old mains and building new pump stations, to major sewerage upgrades – are focused on delivering a more reliable, flexible and efficient service to our customers and improving our ability to meet environmental obligations. The benefits of this will be felt for decades to come.

A new State Government in December 2010 strengthened the focus on integrated water management – that is, incorporating stormwater collection and wastewater recycling into the built form of greater Melbourne as a way to augment traditional supplies. While many recycling and stormwater projects already exist in Melbourne, achieving meaningful volumes requires clear policy drivers, inter-agency coordination and leadership.

To that end, Melbourne Water welcomed formation of the Ministerial Advisory Council for Living Victoria, which is developing a roadmap for a more resilient and smarter water system. Melbourne Water has been pleased to provide extensive input to this process.

The improved rainfall in 2010/11 generated by one of the strongest La Niña events on record, helped dams reach their highest levels since 2006 as work continued on building new infrastructure to deal with future climate uncertainty and strong population growth.

The exceptionally wet conditions also brought the challenge of flooding in February 2011. Many areas experienced a 1-in-500-year rain event that caused significant damage to riverbanks and left a trail of rubbish and debris. Despite the significant workload following the floods, we have in the most part achieved our waterway and drainage Operating Charter targets.

We incorporated a major policy change to the North-South Pipeline. While this asset will remain an important part of Melbourne Water's supply network, the rules around its operation have changed so that it will only be activated in times of critical human need.

March 2011 marked the end of Rob Skinner's six-year term as Melbourne Water Managing Director. Rob led the organisation through some of its biggest challenges – bushfires, drought and record investment in new infrastructure – and built an extremely positive culture in the process. On behalf of all Board members who worked with Rob, I would like to recognise his tremendous contribution and tireless dedication to the organisation.

Also in March we welcomed Shaun Cox as Melbourne Water's new Managing Director. Together with our senior executive team, Shaun is extending our commitment to innovation, efficiency and value for money, as well as strengthening external relationships.

Improving our customer service will be a key focus in 2011/12 and beyond. Being more customer-focused is critical to our ability to provide value, anticipate future needs and deliver the services people want and need. A customer strategy will be developed and implemented in 2012.

In accordance with the *Financial Management Act 1994*, we are pleased to attest that Melbourne Water Corporation's annual report is compliant with all statutory reporting requirements.