



Melbourne Water Corporation

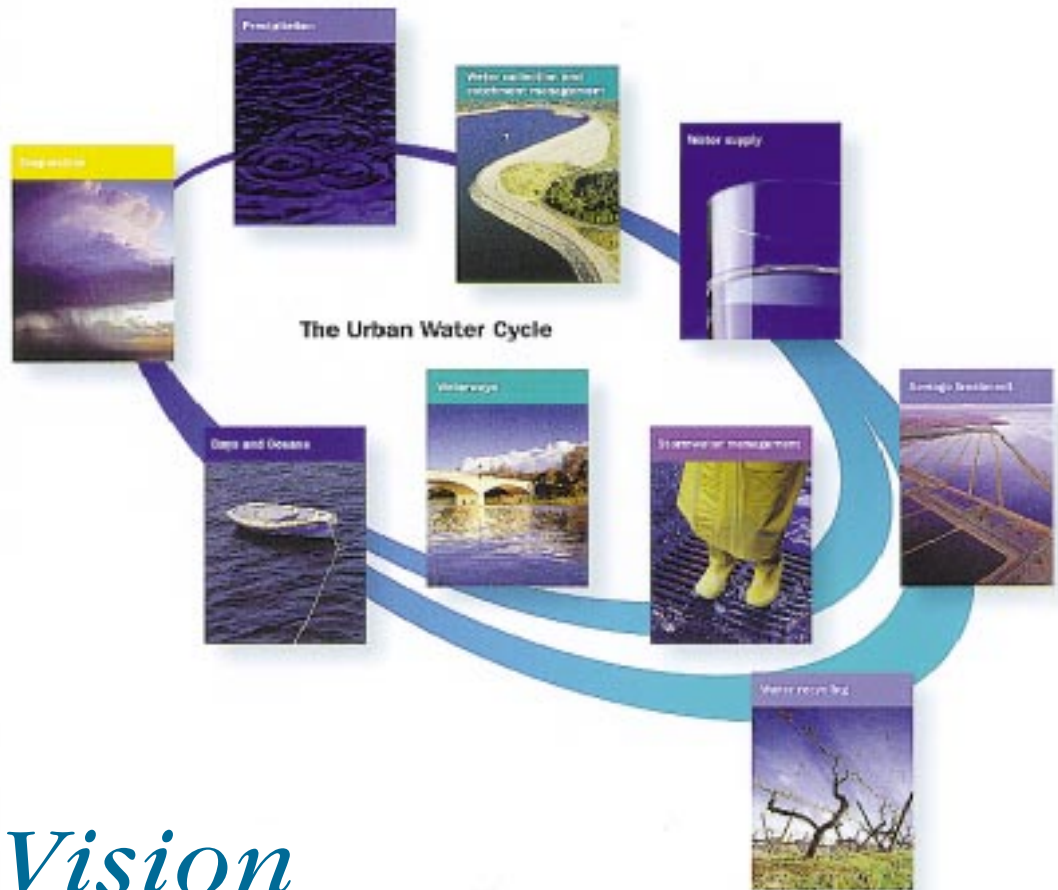
1999/2000 ANNUAL REPORT

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Front cover:

The Yarra River with the Melbourne skyline in the background.



Vision

To be leaders in urban water cycle management

Responsibilities

Melbourne Water is a statutory corporation wholly owned by the Victorian Government. It was established to provide important water, drainage and sewerage services to the community. The responsible Minister is the Hon. Sherryl Garbutt, Minister for Environment and Conservation.

Melbourne Water has an important role in managing the urban water cycle for the benefit of present and future Victorians. How well it does that has a major impact on public health and the environment.

Melbourne Water:

- * Manages the city's water supply catchments and supplies bulk water to other water authorities
- Removes and treats most of Melbourne's sewage
- Manages waterways and major drainage systems in and around Melbourne

In undertaking these responsibilities Melbourne Water aims to meet the following objectives:

Objectives

- Manage Melbourne's water resources and the environment in a sustainable manner
- Protect public health
- Provide excellent service and maintain the trust and respect of the community
- Operate as a successful commercial business

Chairman's and Managing Director's Overview



*L-R Managing Director Brian Bayley
and Chairman Graeme Bowker*

*Melbourne's water storage fell
to 50 per cent of capacity in April
2000. The largest storage reservoir,
the Thomson, held 442,191 megalitres
that was 41.4 per cent of capacity.*

We have pleasure in reporting on Melbourne Water's achievements during the year ended June 30 2000.

During the year, we supplied 501,720 megalitres of water, treated 326,683 megalitres of sewage and invested approximately \$105.2 million in capital works projects to improve the city's water, sewerage and drainage infrastructure.

Financially we had a strong year recording profit after tax of \$196 million. More importantly, we returned a dividend to our owner, the Victorian Government, of \$126 million, some \$20 million more than last year. The results were driven by a six per cent revenue increase due to contributions from a buoyant development industry, higher than planned bulk water sales caused by the continuing dry weather and savings in general operating costs.

While the accounting rate of return on our net assets of 17.6 per cent is very credible, it is based on the actual cost of long life assets built many years ago. When the assets are brought to current day values, the economic rate of return is less than 2 per cent.

Although Melbourne Water's achievements were considerable during the year, there was one area of disappointment. Our performance in safety declined with lost time injuries increasing to eight from two in 1998/99. Strategies have been implemented to address this issue.

Water resources

A major priority for Melbourne Water in 1999/2000 was managing water supply during the longest drought on record. After four years of below average rainfall, Melbourne's total water storage fell below 50 per cent of capacity at the beginning of April 2000.

We worked with the metropolitan retail water companies to implement our drought response plan and a drought advisory group was established. Comprehensive community awareness programs were undertaken to ensure the community understood the situation with Melbourne's water storage and the imperative of conserving water.

The continuing fall in water storage levels led to the Minister for Environment and Conservation formally calling for voluntary reductions in water consumption in February 2000. This was followed by advertisements being placed in metropolitan and suburban newspapers as well as television and radio advertisements.

Water storage and consumption data were published weekly on the Internet and water conservation advertising was re-defined to make it more relevant to autumn and winter. The programs received widespread support

from the media and we were delighted to see from survey results, evidence of increased community understanding and awareness of the drought.

Among those severely affected by the drought were Melbourne Water's customers who divert water from the Maribyrnong and Yarra catchments. We worked cooperatively with them to manage the impact of the restrictions on their operations and to maintain healthy river flows.

The focus on drought and the need to conserve water resources for the future was reinforced by the Minister for Environment and Conservation when she announced, on World Environment Day in June 2000, that Melbourne Water would produce a long term Water Resources Strategy for Melbourne. The announcement marked the beginning of a significant and stimulating challenge for our business.



Care was taken to preserve stands of river red gums in major developments such as the Lynbrook residential estate at Lyndhurst and the Woodlands Industrial Estate at Braeside.

The Water Resources Strategy will enable us to explore all aspects of water use and will provide the opportunity to be innovative and visionary in the preparation of a long-term water supply plan for Melbourne that will not be dependent on major new infrastructure. The development of the strategy will involve detailed studies on demand management, water conservation and water recycling and extensive community consultation.

As part of our commitment to the sustainable use of Melbourne's water resources, we announced our intention to recycle 20 per cent of sewage effluent over the next ten years. We will undertake partnerships with industry and key stakeholders to ensure we meet this target.

Improving the environment

A \$120 million upgrade of the Western Treatment Plant, which began during the year, will reduce nitrogen discharges to Port Phillip Bay. This work will also result in an abundant supply of high quality effluent being available for irrigation, opening up a range of agricultural and horticultural business opportunities.

A study to examine the feasibility of a major effluent reuse scheme, using treated effluent from the Eastern Treatment Plant at Carrum also was commissioned.

Late in the year, the first stages of a \$5 million ammonia reduction trial began at the Eastern Treatment Plant. The trial was an outcome of the Environment Improvement Strategy developed in consultation with key stakeholders including the Environment Protection Authority,

environment groups, the local community and the Surfriders Foundation. The strategy was based on the findings of a research project undertaken by the CSIRO to determine the environmental impact of effluent on the marine environment at Boags Rocks on the Mornington Peninsula. Melbourne Water also increased its effluent monitoring program as part of the strategy.

Among other key achievements in environmental performance during the year were the certification of Melbourne Water's environmental management system to the international standard ISO 14001 and the appointment of the energy utility AGL to build a power generation facility at the Western Treatment Plant. The facility will use methane gas, captured under the giant lagoon covers installed to reduce odour, to generate electricity.

Providing safe, high quality drinking water

A number of significant projects were undertaken to ensure that we continued to supply safe, high quality drinking water. In April 2000, the Monash University's Centre for Preventive Medicine released the findings of its Water Quality Study. Government, Melbourne Water and the three metropolitan water retailers, through the Water Services Association of Australia, supported the study.

The study found that people in and around Melbourne could be confident that gastro-intestinal illness was not attributable to the drinking water. On the basis of the research, it was concluded that there would be no health benefit from the significant expenditure

required to filter the city's water supply. The research confirmed that the most important factor in providing safe drinking water, was Melbourne's protected forested catchments.

To ensure that we continue to have processes and procedures in place to safeguard the water supply across the entire harvesting and distribution system, we upgraded our quality assurance system for the supply of safe drinking water during the year. The new system, Hazard Analysis and Critical Control Points (HACCP), is endorsed by the World Health Organisation and is based on risk management systems that have been adopted in the food industry. We were one of the first water companies in the world to introduce the system that was certified through Lloyd's Quality Assurance Register in May 2000.

Working with our stakeholders

In 1999/2000, we continued to work with a wide range of stakeholders who provide feedback and advice in the development of our business strategies and who assist us with projects to protect and improve Melbourne's waterways. We are very appreciative of the contribution made by our stakeholders.

It is important that information on our activities is readily available to the public. In 1999/2000, our Internet site was redesigned to make it more accessible and a range of publications were produced to keep the community up-to-date with our projects and business performance.

Our people

Our thanks go to our motivated and skilled people, who have again worked with dedication throughout the year. They enable us to deliver the services necessary to effectively manage the urban water cycle. We are very appreciative of their efforts and significant contribution.

We believe the year ahead offers employees several major, strategic challenges and we have every confidence that these challenges will be met with a high level of enthusiasm and commitment

We would also like to record our appreciation to the retiring Chairman, Christopher Stewart, and Board member Roy Gilbert for their outstanding contributions over five years. We wish them well and thank them for all they have done for Melbourne Water.

GRAEME BOWKER
Chairman

BRIAN BAYLEY
Managing Director

Working to Conserve Water



Recycled effluent from the Eastern Treatment Plant is used to keep local golf courses green.

Longest drought on record

Periodic droughts are a natural part of the Australian climate. Melbourne and its catchments generally have reliable rainfall by Australian standards, but they are still affected by severe droughts.

Melbourne's current drought – the longest on record – began four years ago. Indicators of its severity include:

- Streamflow into the major harvesting reservoirs was the lowest on record for the 45 months to 30 June 2000.
- In May 2000, the Thomson Reservoir, which has a capacity of more than one million megalitres, fell to 38 per cent, its lowest level since being filled in July 1986.
- The system's reservoirs were almost full in November 1996, but by May 2000 total storage had fallen to 46.7 per cent. At 30 June 2000, storage had recovered slightly to 50 per cent.

Raising awareness of water conservation

During the year, Melbourne Water worked with the media, community and industry to raise public awareness of water conservation and the drought. A winter advertising campaign targeted water use inside the home, which helped to maintain the momentum established earlier in the year.

The media showed a high level of interest in the drought. Melbourne Water issued regular news releases on drought and water conservation during the year and senior managers conducted interviews for suburban, metropolitan and national newspapers, and for radio news and talkback programs and television news.

Water storage and consumption information was updated weekly on the Melbourne Water Internet site, and water storage information was published weekly in both Melbourne metropolitan newspapers.

Melbourne Water designated an inaugural Water Watch Day in January during a spell of hot, dry weather to focus attention on water consumption and the drought.

A survey conducted in May 2000 found that 86 per cent of people were aware of Melbourne's water supply situation and three in four knew that Melbourne was in drought and facing the possibility of restrictions.

Working with diverters

Diverters who are licensed to take water for their businesses, farms and market gardens from the Yarra and Maribyrnong Rivers were affected, in some cases severely, by the drought.

Almost four years of drought cut flows in both river systems and water storages on the Maribyrnong also were very low. This led Melbourne Water to limit the amount of water that diverters could take from the Maribyrnong to as little as 28.5 per cent of their licensed allocation for the year. It also led to restrictions being placed on Yarra diverters under which they were allowed to pump water at limited times on alternate days.

Environment and Conservation Minister, the Hon. Sherryl Garbutt, at a function to commemorate World Environment Day on 5 June 2000 and to announce that Melbourne Water would develop a long-term plan for the sustainable management of Melbourne's water resources.



Water Resources for the Future

A rare sight in 1999/2000 - rain clouds gather during four years of drought for Melbourne.

The Water Resources Strategy

On World Environment Day, the Minister for Environment and Conservation announced that Melbourne Water would be responsible for preparing a long-term strategy for the sustainable management of Melbourne's water resources.

The Water Resources Strategy will examine issues such as water conservation, increased effluent recycling, new technologies to capture potable and non-potable water resources, community involvement and education, environmental impacts and benefits and alternative resource options such as stormwater recycling, greywater reuse and rainwater tanks.

Melbourne Water aims to produce a strategy that balances environmental, economic and social factors and provides a framework for future water resources planning.

A Melbourne Water-based project team will draw on national and international experience to gain a comprehensive understanding of water supply and use. The Water Resources Strategy will be developed with extensive community, technical and specialist input, and overseen by an advisory panel, including stakeholders.

Commitment to increase effluent recycling

One of the key features of the Water Resources Strategy is Melbourne Water's commitment to increase the amount of recycled effluent from its sewage treatment plants to 20 per cent over the next 10 years. This commitment will help save precious water resources and is especially relevant as Melbourne's longest drought on record continues well into its fourth year.

The initiative will have a range of other benefits including:

- Reducing the need for major capital works such as a new dam.
- Reducing the amount of effluent discharged to the environment by about 175 megalitres a day.
- Providing increased agribusiness opportunities by making available reliable supplies of appropriately priced recycled water.

The achievement of the commitment means that about 70,000 megalitres of effluent a year will be recycled, enough to irrigate 50,000 hectares.

Currently, about 1 per cent of Melbourne Water's effluent is recycled by 35 businesses using treated effluent from the Eastern Treatment Plant on golf courses, vineyards and for horticulture.

It is expected that the growth in recycled effluent will come mainly from the west of Melbourne, because an upgrade at the Western Treatment Plant will allow recycling on and off the Werribee plant with a high quality effluent. Other factors driving growth of recycled effluent in the west include the dry climate, availability of land and proximity to transport.

Opportunities are also being investigated for water recycling schemes using treated effluent from the Eastern Treatment Plant at Carrum.

The main challenges for such schemes are the level of infrastructure and investment required to treat the effluent and transport it to the point of use, the operational costs, salt in the effluent from the Western Treatment Plant and community and market acceptance.

Laying the foundation at Werribee

During the year, initial steps were taken towards establishing the infrastructure for an effluent recycling scheme using treated effluent from the Western Treatment Plant. Works on a key environmental initiative at the plant, the \$9 million Effluent Reuse Delivery System, were nearing completion at the end of the year.

The system, a key part of the environmental improvement works at Werribee, will pipe treated effluent to the top of the plant, from where it will be used to irrigate paddocks. This will provide a point of supply for future off-site effluent recycling schemes.

The system, consisting of 3.7 kilometres of piping, 1.6 kilometres of channels and a pumping station, will initially result in up to 14 per cent of the plant's effluent being recycled.



Key Role of Research

Strategic research provides the basis for Melbourne Water to maximise the benefit of expenditure on environmental and public health improvement projects.

Landmark study shapes future directions

Melbourne Water commissions major research projects to provide a scientific basis for the Corporation's long-term strategic directions and priorities and to reduce its exposure to public health and environmental risks.

In 1999/2000, a landmark study into the health impacts of Melbourne's drinking water was completed. The three-year Water Quality Study was recognised internationally for its high degree of scientific rigour.

The study, undertaken by the Department of Epidemiology and Preventive Medicine at Monash University, concluded that no health benefit would be achieved by filtering Melbourne's water supply.

The researchers measured the impact of water on the health of 600 families in Melbourne's eastern and south-eastern suburbs, and found no evidence of waterborne disease.

The results confirmed that Melbourne's uninhabited catchment areas produce superior source water.

Protecting the marine environment

Another highly significant study provided the basis for a major upgrade of treatment systems at the Western Treatment Plant at Werribee. The upgrade, costing a total of \$124 million, will improve the quality of effluent produced at the plant, reduce the level of nitrogen discharged and help eliminate odour.



Work started on the construction of a series of wetlands in Melbourne's south-east to protect the long-term health of Port Phillip Bay. Melbourne Water and the Natural Heritage Trust fund the \$7.5 million project.



During the year, as part of the Environment Improvement Program for the plant, the first of the lagoon enhancement works began, at a cost of \$35 million.

This upgrade combines up-to-date nitrogen removal technology with the plant's existing lagoon system, which relies on natural treatment processes. One of 10 interconnected ponds in the lagoon system is being modified with the technology. This project is due for completion in March 2001.

The enhancement will reduce nitrogen in the final product discharged into Port Phillip Bay by about 10 per cent a year and increase the lagoon system's capacity to treat sewage.

The basis for these and associated works was the CSIRO Port Phillip Bay Environmental Study. The four-year study, completed in 1996, found that the Bay would benefit from reduced nitrogen loads. Effluent from the Western Treatment Plant and stormwater carried into the Bay by rivers, creeks and drains were identified as the main sources of nitrogen.

Wetlands improve stormwater quality

During 1999/2000, work continued on an ambitious project that aims to protect the long-term health of Port Phillip Bay by reducing nitrogen loads in stormwater runoff.

The project involves a series of 10 wetlands covering more than 80 hectares in Melbourne's south-east growth corridor, on waterways that drain into the Bay.



Surfing at Gunnamatta Beach near Boags Rocks on the Mornington Peninsula. Melbourne Water and the Environment Protection Authority announced a program in November 1999 to improve the marine environment at Boags Rocks where effluent from the Eastern Treatment Plant is discharged.

The wetlands are designed to act as a natural filter, and slow the flow of the water, with more than two million aquatic and semi-aquatic plants removing nitrogen and other pollutants from the stormwater.

The \$7.5 million project is funded by Melbourne Water and the Federal Government's Natural Heritage Trust.



Upgrading sewage treatment

In November 1999, Melbourne Water and the Environment Protection Authority announced a series of initiatives in response to the \$1.3 million CSIRO Effluent Management Study which assessed the impact of effluent disposal in Bass Strait.

Treated effluent from the Eastern Treatment Plant at Carrum is transported to the discharge point in Bass Strait at Boags Rocks, near Cape Schanck, on the Mornington Peninsula.

The two-year CSIRO study recommended some sewage treatment improvements, particularly increased removal of ammonia.

In response, contracts have been let for a \$5 million ammonia reduction trial at Carrum. The trial involves cultivating organisms which remove ammonia in the activated sludge treatment system. The process is known as nitrification/denitrification.

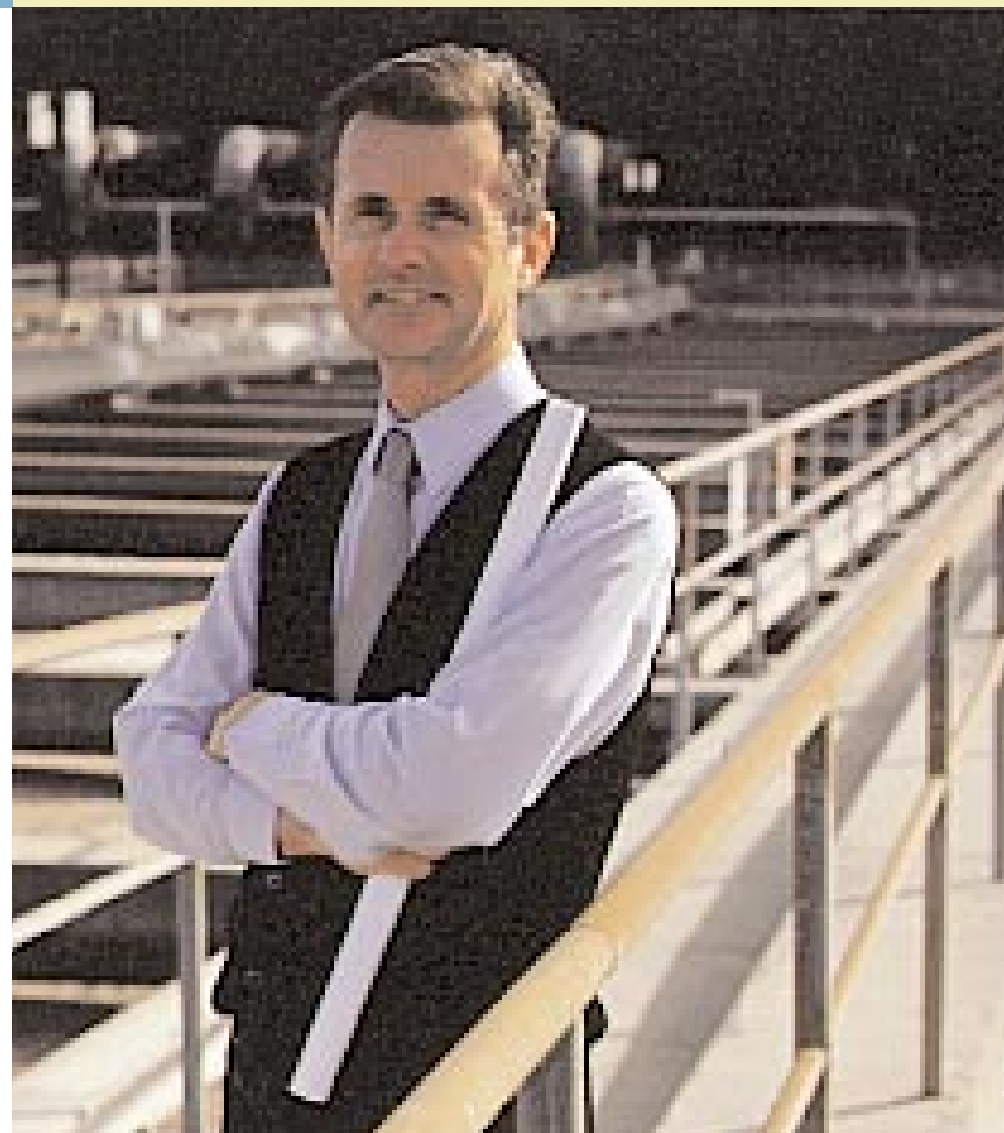
During the year, design of the trial was completed and contracts were let for new aeration equipment and the works to convert one of the plant's six aeration tanks for nitrification/denitrification.

Work is expected to be complete in April 2001, after which Melbourne Water will conduct a six-month performance trial. Melbourne Water is due to provide an initial assessment report to the Environment Protection Authority (EPA) by July 2001, with a final report by October 2001. Depending on the success of the trial, Melbourne Water will apply to the EPA for a works approval to undertake the project.

Monitoring water quality at Boags Rocks

Other initiatives that began during the year included enhanced monitoring of water quality around the Eastern Treatment Plant pipeline at Boags Rocks.

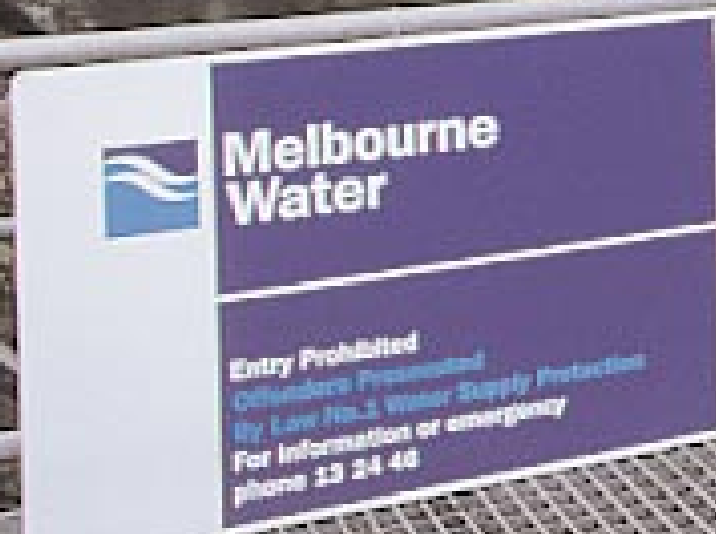
A 12-month microbiological study began in February 2000 to measure enterococci – an organism indicating potential for sickness or infection arising from recreational activity, including surfing, around the pipeline. The study will examine whether enterococci levels are within World Health Organisation guidelines for recreational waters and data will be supplied to the Monash Medical School for assessment. The CSIRO was engaged in January 2000 to design a long-term monitoring program of the waters around the discharge point in Bass Strait to address the issues and gaps identified in the 1999 Effluent Management Study report. This program will provide baseline data to help identify changes taking place over the medium and long-term.



Melbourne Water announced that it would increase water quality monitoring at Boags Rocks as part of its Eastern Treatment Plant's Environment Improvement Program.

Melbourne Water Project Manager David Gregory working on a trial to reduce ammonia in effluent from the Eastern Treatment Plant.

Working to Ensure Safe Drinking Water



Melbourne Water undertook a number of measures to increase security at its reservoir sites. This included installing new signs with after-hours contact details.

Robust framework for managing water quality

One of Melbourne Water's main achievements during the year was the introduction of a new risk management and quality assurance system for the supply of safe drinking water.

The system, Hazard Analysis and Critical Control Points (HACCP), has been successfully used in the food industry for several years, but has only recently been introduced in the water industry.

HACCP provides a robust framework to manage water quality, and is based on monitoring and measuring at critical points throughout the water supply system, rather than relying on end point testing.

It recognises that some risks can be prevented from entering the system, but others have to be managed, and is based on operational control backed up by regular auditing and continual improvement.

During the year, Melbourne Water developed a HACCP plan for its part of the water supply system – from the catchments to the retail company interfaces. This involved assessing risks, identifying critical control points and ensuring appropriate monitoring, record keeping and corrective procedures were in place throughout the system.

The major preventive measures and barriers to water contamination in Melbourne are protected catchments, long reservoir storage times, water disinfection and a closed distribution system.

Melbourne Water achieved certification of its HACCP system in May 2000 through Lloyd's Register Quality Assurance. Lloyd's reviewed the risk assessment and HACCP plan and audited drinking water quality systems including operating procedures, monitoring controls and incident management.

Environment management systems certified

Melbourne Water also had its environmental management systems certified to the international standard ISO 14001 during the year.

This involved reviewing and where necessary upgrading management systems throughout the Corporation to ensure the standards were met.

External auditor Lloyd's Register Quality Assurance visited all major Melbourne Water sites before certifying the systems. Lloyd's will now make surveillance visits every six months to ensure Melbourne Water keeps its systems up to date.

Safeguarding uninhabited catchment areas

Melbourne Water works hard to safeguard the natural advantage of its water supply system: its protected catchments. Melbourne's water is collected from some 140,000 hectares of uninhabited forested land, much of which is reserved for harvesting water.

Most of these areas are closed to the public to minimise the risk of human-borne disease entering the water supply system.

Melbourne Water is vigilant about protecting the catchments against bushfires, which can destroy mountain ash trees that cover about half the catchment areas, and dramatically reduce water yield for as long as 150 years. In addition, soot and ash in the catchments can be washed into reservoirs.





Keeping a watchful eye on Melbourne's protected catchments. Security officer Neil Ockwell at Maroondah Reservoir.

In 1999/2000, only three minor fires were reported in the catchments. The weather, although dry, was less threatening than previous summers, with fewer instances of strong winds or lightning.

In June 2000, heavy dumps of snow caused branches and other vegetation to fall across roads in the catchments. This debris will be cleared before summer.

Security under review

During the year, Melbourne Water undertook a review of security arrangements throughout the water supply system.

In 1999/2000, there were 330 incidents of unauthorised entry, resulting in 111 people being apprehended for fishing, walking, hunting or swimming in the catchments or entering the sites of other assets.

As part of the review, Melbourne Water worked with the police and the Department of Human Services to develop protocols to deal with unauthorised access within the water supply system.

Locks and chains on catchment gates and security fencing around service reservoirs were upgraded, graffiti-resistant paint was applied to tanks and signage was enhanced throughout the system.

These measures were designed to protect Melbourne's water supply from the risk of unauthorised access to installations.

Enhancing Service Delivery

Works program improves reliability

Melbourne Water has an extensive capital works program, which totalled \$105 million in 1999/2000. The program aims to enhance customer service and deliver environmental and public health improvements for the community.

During the year, Melbourne Water completed the first stage of a program in which the Mornington Peninsula community will receive a guaranteed supply of high quality drinking water supplied from protected catchments.

Under the program, a \$45 million pipeline is being constructed from Cardinia Reservoir to Pearcedale. In 1999/2000, a 10-kilometre section from Berwick to Cranbourne was constructed and work began on the remaining two sections. The pipeline is due for completion in December 2000.

The service reservoir at Tyabb was lined and covered, to reduce the risk of contamination and eliminate water quality problems, such as algae, in open reservoirs.

The embankment at Yan Yean Reservoir was widened to meet the latest engineering standards. Under the \$5 million project, the reservoir park has been upgraded and new wetlands built. Works to relocate the historic valvehouse are to be completed by the end of 2000.

Steel tanks, each at a cost of \$3.5 million, were installed at Broadmeadows and Pakenham, replacing a concrete tank and open reservoir.

A new \$4.8 million water main was constructed under the median strip in St George's Road, Preston, to replace a 70-year-old deteriorated section and a complex water main project was completed at Jolimont. The Jolimont water main is above major railway lines and next to the MCG.

The Eastern Treatment Plant completed a \$6 million upgrade of its process control system. By the end of the year, all plant operations had been converted to the new system. The upgrade is a key step towards automation, which will ultimately enable the plant to be controlled from a remote location.

A \$1.6 million project in East Doncaster, to replace a pipe drain, was completed during the year, providing flood protection for 57 properties.

Community disruption was minimised when a drain was relined in Lygon Street, Carlton. New pipes were placed inside the old structure during the \$500,000 project.

During the year, the capacity of the gas drum room at Silvan Disinfection Plant was upgraded to meet increased demand from future growth and back-up generators were installed at eight chlorination plants to ensure continued operation through electricity failures.

Melbourne Water installed an emergency generator at a major sewage pumping station at Kew. The \$700,000 project will eliminate the risk of spills into the Yarra River caused by power failure.



Melbourne Water's Phil Biasi with customer Jack Vaux, owner of Olinda Nurseries. Melbourne Water licences Mr Vaux to divert water from Olinda Creek for his nursery.



Informing the Community

The Melbourne Water website attracts a family's interest at Eastern Treatment Plant Open Day.

A \$3.25 million upgrade of the Mordialloc main sewer system near the former Epsom training track will provide capacity for future residential development and eliminate most wet weather spills.

Works costing \$800,000 were undertaken on the sludge drying pans at Eastern Treatment Plant as part of a program to restore the capacity to cost-effectively air dry stabilised digested solids at the plant.

Year 2000

Melbourne Water's transition to the year 2000 went smoothly, with no service interruptions.

All critical systems continued operating through New Year's eve and New Year's day and testing of operational and support systems found that no remedial action was necessary.

Emergency response

Melbourne Water's Emergency Response Plan was reviewed and further developed during the year following an emergency exercise that was simulated to test the organisation's preparedness.

External experts observed the exercise and made recommendations that helped refine the Corporation's emergency planning, and a wide range of employees attended emergency response training.

The Corporation also worked with the retail water companies to develop a draft industry response plan, to ensure a cooperative emergency response in the event of an industry-wide crisis.

Improved data on revamped Internet site

Melbourne Water upgraded its Internet site during the year to include more relevant and timely information about water storage levels and the drought, drinking water quality and the water supply system.

The site, www.melbournewater.com.au, includes weekly water storage and consumption levels, the latest water quality reports and regularly updated information on the environmental performance of Melbourne's waterways and drainage and sewerage systems.

The website also includes a range of resource material for teachers and students, including an interactive game in which secondary school students create a water supply, stormwater and sewerage system to serve an imaginary city.

The game, known as *The Waterworks Adventure*, is designed to help students understand that water is not an infinite resource. Students using the game learn where water comes from and what happens to it in servicing an urban environment.

Open days held during the year at the Eastern and Western Treatment Plants attracted a total of 755 visitors. At other times during the year, more than 4000 primary, secondary and tertiary students toured the plants, along with 73 people from seven international delegations, and several hundred from bird observing groups.

In addition, a total of 844 visitors went on 18 tours of Sugarloaf Reservoir and Winneke Water Treatment Plant during the year. Of this number, 804 were primary, secondary and tertiary students. Tours of these treatment plants help inform and educate people about water and sewage treatment.



A Melbourne Waterwatch coordinator Paul Pubar and pupils from Manorvale Primary School, Werribee, assess the information gathered from the Werribee River. Melbourne Waterwatch is a community-based program that helps more than 100 school and community groups learn about the health of their local waterways.



Partnerships with the Community

Community groups play an important role in protecting and improving Melbourne's waterways.

Melbourne Water sponsored an Earthwatch Institute seminar on the future of water. "Water - The Ultimate Resource" examined ways that water could be better managed in agricultural production, industry and urban centres.

In 1999/2000, Melbourne Water produced an annual report and complementary environment and community obligation report that included information on environment and public health compliance. Both reports were published on the Internet.

During the year, Melbourne Water continued to produce its corporate publication, *The Source*, as well as a range of documents and brochures on environmental improvement plans, corporate strategy, innovation and major capital works projects (see Publications released during 1999/2000 on Page 75).



Central role of consultation

Melbourne Water actively seeks a wide range of views and opinions in its decision-making and community involvement, and consultation is an essential part of all capital works projects.

When Melbourne Water decided to decommission Devilbend and Bittern reservoirs, it began working with the local community to develop a future-use strategy for the reservoirs and surrounding land.

A community reference group was established during the year as part of extensive and open consultation with a wide range of stakeholders.

The reservoirs, located on the Mornington Peninsula, are scheduled to be taken out of service in December 2000 when the Cardinia-Pearcedale pipeline project is completed. Ultimately, Melbourne Water wants to divest itself

of Devilbend and Bittern reservoirs while meeting community and environmental obligations.

With Melbourne Water, the reference group is reviewing baseline information from environmental, engineering, catchment and flora, fauna, heritage and archaeological studies being conducted on the reservoirs and associated land. This information, as well as a planning assessment, will help stakeholders understand the opportunities and constraints of the site.

During the year, draft environment improvement plans for the Eastern and Western Treatment Plants were developed with the respective community liaison committees at each plant.

A community consultation program was announced to involve and inform the community of the potential use of biosolids from the Eastern Treatment Plant to fill an existing borrow pit at Woodlands industrial estate in Braeside.



Vinny the Platypus is a popular ambassador for Melbourne's waterways.



Melbourne Water supports several local landcare groups. Mary Downes and Sandy Brock of Arthurs Creek District Landcare Group work cooperatively with Melbourne Water to plant out vegetation on riparian strips to improve the quality of water in Arthurs Creek.

Managing property assets

Changes in operational requirements during the year provided the opportunity for Melbourne Water to review its land holdings. The Corporation continually reviews its property portfolio to ensure it achieves appropriate returns from these assets.

Typically, the Corporation works with the community and the planning authority to ensure that surplus land is zoned appropriately before being sold, to give certainty to future landowners.

During the year, Melbourne Water sold \$8.1 million of surplus property. A major initiative was undertaken in Christmas Hills, where extensive consultation with the community helped develop a plan for the sale of surplus land in the area. The plan will protect the environmental values of the area while maintaining Melbourne Water's commercial position.

Assisting volunteer groups

Melbourne Water has established close working relationships with a range of volunteer community groups throughout its operating area.

During the year, Melbourne Water established an annual grants program in recognition of the efforts of volunteer groups and their limited resources, and distributed a total of \$50,000 to Landcare, "Friends of" and other community and environment groups involved in protecting and improving waterways. The Merri Creek Management Committee also received \$20,000 to assist with its activities.

The grants were provided to 50 groups for materials, equipment, administrative support or production of newsletters.

Melbourne Water also supports rural landholders through its Stream Frontage Management Program. The program seeks to rehabilitate and protect private stream frontages and encourage landholders to take responsibility for implementing works, which often involve Landcare groups.

In 1999/2000, Melbourne Water provided more than \$422,000 for works in the Yarra and Western Port catchments. The program provided funds to 146 properties for weed management, fencing and the propagation of appropriate indigenous plants to stabilise waterway banks. Overall, 48,600 plants were planted and 54.5 kilometres of fencing erected on priority waterways.

Monitoring our streams

Melbourne Waterwatch helps school and community groups use water monitoring equipment and other procedures to assess the water quality of their local waterways.

There are 170 groups monitoring more than 260 sites throughout the Port Phillip and Western Port catchments. More than 4300 people take part in regular monitoring under the Melbourne Water program.

In 1999/2000, the Scout movement adopted Melbourne Waterwatch monitoring. Scouts must now undertake monitoring to complete their training for an environment badge.

Environment comes first for young Victorians

Melbourne Water and the Australian Conservation Foundation commissioned a survey of young Victorians during the year to determine their attitudes to the environment.

The survey found that four out of five young Victorians favour protecting the environment even if it means some reduction in economic growth, and water pollution is considered one of the four most important environmental problems.

Almost three in four of the Melbourne respondents said Melbourne Water is doing a good or very good job of managing the catchments and providing high quality drinking water.

Melbourne Water commissioned the survey to gain access to current attitudes relating to environmental management and priorities, and to enable the Corporation to continually improve its operations and the way it communicates with young people.

Partnerships with Government

During the year Melbourne Water was involved with various arms of Government on infrastructure projects such as the Cardinia Pearcedale pipeline and in providing feedback on major initiatives such as the Essential Services Commission, bulk water entitlements, the Sunbury Pipeline Working Group and drought management. Melbourne Water was also involved in providing assistance to rural water authorities on issues such as risk management, community consultation and water conservation communications.

Improving community knowledge of flooding

Melbourne Water continued to work closely with local councils to incorporate flood information into local government planning schemes across Melbourne as special building overlays.

As at 30 June 2000, Melbourne Water had supplied the information on potential impacts of overland flows on properties to a total of 17 councils in metropolitan Melbourne.

During the year, five councils – Greater Dandenong, Maribyrnong, Moonee Valley, Nillumbik and Wyndham – joined two others in which the amendment is now in operation. Another 10 councils have completed public exhibition of the amendment and are awaiting various stages of approval.

These efforts were recognised when Melbourne Water won the Victorian section of Emergency Management Australia's safer community awards for this project, and gained commendation in the national section.

Raising the standard of stormwater

Melbourne Water has long recognised the damage caused by stormwater pollution in waterways and the bays.

In 1999/2000, Melbourne Water formed partnerships with a further 11 councils to develop Stormwater Management Plans, following the lead of five pilot councils last year.

The plans help councils understand the impact of activities within their boundaries, and look at ways of reducing stormwater pollution. Initiatives have included changing contract specifications for service delivery, inclusion at construction sites of more stringent litter requirements, and building wetlands into new housing estates.

In June 2000, the Minister for Environment and Conservation announced funding of \$22.5 million for a major stormwater action program, which will help support Stormwater Management Plans.

Working to reduce needlestick injury risks

During the year, Melbourne Water played a significant role on a taskforce set up by the State Government to examine ways of reducing the risk of needlestick injuries caused by syringes on beaches.

The taskforce recommended working to prevent syringes from being improperly discarded. It also recommended that councils review and improve their beach cleaning practices.

The taskforce, which was formed in January 2000, also included members of local government, Department of Human Services, the Environment Protection Authority and EcoRecycle Victoria.



Partnerships with Industry

Melbourne Water aims to work in partnership with industry on major infrastructure projects and works to improve the environment. During the year an alliance was developed between designers and contractors to upgrade the lagoon system at the Western Treatment Plant. The improved system will reduce nitrogen levels in Port Phillip Bay.

Energy project cuts greenhouse gases

Melbourne Water formed a partnership with a major private sector energy utility during the year to generate power at the Western Treatment Plant using methane gas captured from the sewage treatment processes.

Power generation facilities are to be established at the Werribee plant that will use the gas captured under giant lagoon covers to fire engines that will produce a total of about 26,000 megawatt hours of energy a year. The new engines will be provided on a build-own-operate basis.

The project, operated by AGL Ltd, will reduce greenhouse gas emissions and help the Western Treatment Plant move towards being a self-sufficient energy user.

Working with developers to protect waterways

Melbourne Water is continuing to seek partnerships with the development industry and local councils to reduce the impact of stormwater on waterways.

In recent years, the Corporation has encouraged developers of new residential estates to include water-sensitive designs that feature waterways and wetlands and in which stormwater is seen as a valuable resource, rather than a nuisance that is piped to the nearest waterway as quickly as possible.



Doctoral student Sara Lloyd was appointed by Melbourne Water to monitor and compare the alternative stormwater drainage system at Lynbrook Estate with the conventional system.

For example, Melbourne Water worked closely during the year with the Urban Land Corporation on the Lynbrook Estate development at Lyndhurst. The innovative approach to drainage system design at Lynbrook includes detaining, filtering and infiltrating stormwater runoff through grassed swales, infiltration trenches and ponds.

Melbourne Water met local council representatives to ensure such designs, which are not standard practice, were permitted.

Melbourne Water works closely with the development industry to integrate drainage infrastructure into development proposals. In 1999/2000, the Corporation established six new drainage schemes, covering a total of 38 square kilometres. These schemes identify the pipelines, channels, retarding basins and wetlands to be constructed when the land is developed in the future.

Growing recycling business

More than 1655 megalitres of treated effluent from the Eastern Treatment Plant was recycled in 1999/2000 for a range of irrigation businesses, including vineyards, farms, nurseries and market gardens, as well as golf courses and sports ovals.

Infrastructure costs currently constrain the use of the resource to businesses located on the Mornington Peninsula near the Eastern Treatment Plant pipeline.

During the year, the number of customers using treated effluent increased by three to 35, and Melbourne Water erected signs alongside the Mornington Peninsula Freeway near Carrum promoting water recycling and the availability of treated effluent for businesses.

Effluent recycling feasibility study

During the year, Melbourne Water commissioned an experienced consortium of Australian businesses to undertake a feasibility study into a water recycling scheme south-east of Melbourne, using treated effluent from the Eastern Treatment Plant at Carrum.

The scheme proposed by the consortium is based on a 30-kilometre pipeline, which would transport treated effluent near or through vegetable-growing areas towards Koo-wee-rup. The area also includes the Cranbourne/Berwick growth corridor.

Partnerships with our People

Building the skills of employees

In 1999/2000, the Corporation continued to improve the rigour of its succession planning by focusing on key management and technical positions as part of a drive to improve knowledge management across the organisation.

The Western Treatment Plant and Western Sewage Transfer System control rooms were consolidated to create the Western Control Centre. A new, multi-skilled field operations team supports the Brooklyn-based centre.

Another initiative was the introduction of a pilot traineeship scheme in which five school-leavers were employed under a State Government program. They worked as water supply operators, with the aim of learning from experienced, key technical employees, to provide the organisation with fresh ideas and, potentially, to join Melbourne Water after completing their traineeships.

Individual training needs were identified as part of employee development plans. Professional development and other training programs were provided during the year to improve and update the knowledge of our people and equip them with the skills necessary to deliver the organisation's performance management systems.

Disappointing safety performance

Melbourne Water is renewing its focus on safety after a disappointing year, which undermined some of the significant progress in improving Occupational Health and Safety performance in recent years. During 1999/2000, the lost time injury frequency rate increased from 1.8 to 7.4 and lost time injuries rose from 2 to 8.

Melbourne Water will continue to work to ensure the Corporation achieves its target of zero lost time injuries. A new safety awareness program will be introduced during 2000/01 to help foster a safety-conscious culture. Additional training based on individual job requirements will be initiated.

The unsatisfactory safety performance occurred in 1999/2000 although all worksites were SafetyMAP accredited by the Victorian WorkCover Authority, including Werribee Agriculture, which is believed to be the first farming company to gain such accreditation.

This system, which puts processes in place to minimise the risk of workplace injuries, is to be complemented by regular safety audits of the whole organisation by Lloyd's Register Quality Assurance.



Chlorine safety audit at Melbourne Water's Winneke Treatment Plant

During the year, Melbourne Water undertook several initiatives to help improve the Occupational Health and Safety performance of its contractors. These included reporting of the OHS performance of Melbourne Water's major contractors to the Board, increased OHS compliance requirements for tendering and contracts and increased audits of contractor OHS performance.

Focus on customer service

During the year, Melbourne Water developed customer service principles and performance measures for the organisation. This complemented a project that clarified customer needs throughout the business, and set a framework for Melbourne Water achieving excellent customer service.

Five forums, which focused on service delivery and featured guest speakers who presented case studies from within and outside the water industry, were held during the year. More than 75 per cent of employees attended the forums, which enabled our people to contribute ideas and actions to help Melbourne Water improve its approach to delivering service to its customers.

Employee Profile

At 30 June 2000, Melbourne Water had 481 employees, comprising 388 (81 per cent) men and 93 (19 per cent) women. A year earlier there were 493 employees – 404 (82 per cent) men and 89 (18 per cent) women.

Equal opportunity

Melbourne Water is an equal opportunity employer. Discrimination, victimisation and harassment of any kind are unacceptable.

A Successful Commercial Business



Melbourne's Yarra River

Strong financial performance

In 1999/2000, Melbourne Water provided a dividend to the Victorian Government of \$126.2 million. This was \$20 million (or 19 per cent) more than the previous year.

Net surplus after tax increased to \$196.9 million based on solid revenue growth, which was up 6 per cent to \$477.8 million. These results were driven by contributions from a buoyant development industry, higher than planned bulk water sales due to the continuing dry conditions and savings in general operating costs. The reduction in the company tax rate to 30 per cent has given Melbourne Water a once-off gain of almost \$50 million under the adjusted provision for deferred tax liabilities.

Capital expenditure increased by 32 per cent to \$105.2 million, due mainly to \$35 million spent on a major upgrade of the Western Treatment

Plant and \$18.4 million spent on the Cardinia-Pearcedale pipeline project to improve water quality and reliability of supply on the Mornington Peninsula.

Despite this growth in capital expenditure and higher dividend payments, Melbourne Water was able, through active cash management, to reduce debt by \$23.4 million. Gearing (debt to total assets) reached 43.2 per cent, down from 72 per cent five years ago, and cash from operations is now almost four and a half times interest costs.

Operating costs for the year fell \$8.6 million (or 4 per cent) and the real reduction in overall operating costs since 1995/96 is 33 per cent.

The Water Services Association of Australia compared Melbourne Water's operating costs with major water companies in other States in 1998/99. Melbourne Water had the lowest operating costs for both water and sewerage wholesale services.

Financial Highlights of 1999/2000

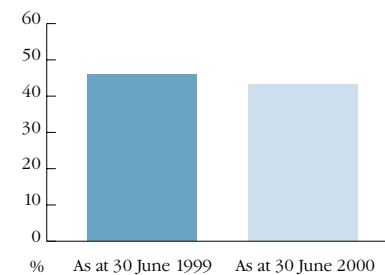
A review of Melbourne Water's capital structure by the Department of Treasury and Finance confirmed that the capital structure proposed for the Corporate Plan for the three-year planning period was appropriate. The proposed capital structure includes a minor reduction in gearing, an increase in interest cover and a consistent dividend ratio based on 65 per cent of pre-tax profit.

Debt

The total book value of borrowings amounted to \$1,242.8 million (\$1,267.4 million in 1998/99). The reduction reflects Melbourne Water's active cash management to minimize debt.

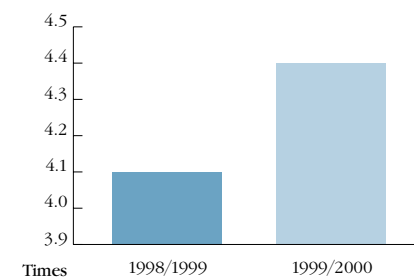
The gearing percentage at 30 June 2000 improved to 43.2% compared to 45.9% at 30 June 1999 as a result of these initiatives.

Gearing



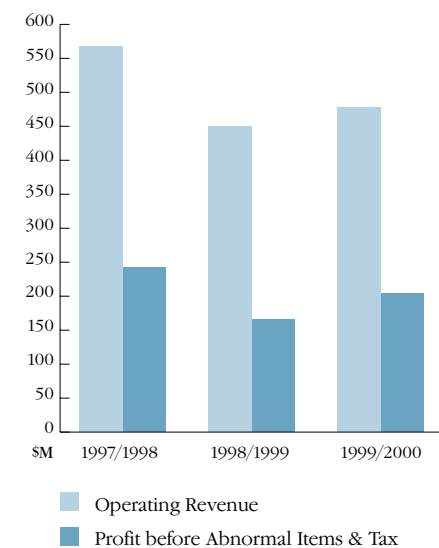
Interest Cover

Represents (receipts and payments from operating activities + interest expense) / interest expense.



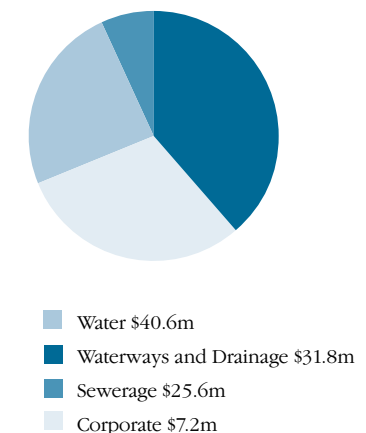
Operating Profitability

Represents operating profit before abnormal items & tax/operating revenue. Major reforms were introduced by the State to water and sewerage pricing for Melbourne on 1 January 1998.



Capital Expenditure 1999/00

Capital expenditure for the year totalled \$105.2 million





Consultation

Freedom of information

During 1999/2000, Melbourne Water received 25 requests for access to documents under the *Freedom of Information Act 1982*.

The designated persons for the purpose of the Act are:

Principal Officer
Brian Bayley
Managing Director
Melbourne Water Corporation

Authorised Officer
Jane Denton
Freedom of Information Officer
Melbourne Water Corporation

Requests under the Act were processed as follows.

Access in full	13
Access in part	8
Access refused	–
Documents not located	1
Transferred to another agency	1
Applicant did not proceed	1
Not finalised	1

These details are published in accordance with Part 2 of the *Freedom of Information Act 1982*. Information on Melbourne Water's consultative arrangements required under Section 7 of the Act is set out on pages 32-34. Information on Melbourne Water's publications, also required under Section 7, is set out on page 75.

Of the 25 applications, 14 related to personal property developments and seven to WorkCover or personal employment matters. Other applications related respectively to a burst water main, the effect upon groundwater of the City Link tunnels and a request for information regarding water storage levels.

Categories of documents

Melbourne Water uses a computerised file management system for management of correspondence and documents. Other on-line computer systems are used to manage financial, human resource and other operational activities and plans relating to its water supply, waterways and drainage and sewerage functions. Historical archives on Melbourne Water's activities are available through the Public Records Office.

Access to documents

People wanting access to Melbourne Water documents under the *Freedom of Information Act 1982* should write to:

Freedom of Information Officer
Melbourne Water Corporation
PO Box 4342
Melbourne Vic 3001

Each application must clearly identify the documents sought and be accompanied by a \$20 application fee. General inquiries concerning freedom of information can be made by telephoning the Freedom of Information Officer on (03) 9235 7100 between 8am and 5pm, Monday to Friday.

Melbourne Water aims have an open and accountable relationship with the community and there is a high level of interest and involvement in the Corporation's activities. Melbourne Water has a community relations policy and checklist that are essential to its consultation program. Work does not proceed on any project that may impact on the local or wider community without a community consultation plan. Consultation programs are evaluated to enable continuous improvement and to provide a measure for the community consultation corporate key performance indicator.

Consultative arrangements

In 1999/2000, Melbourne Water consulted with and received advice from a large number of groups regarding the Corporation's activities including:

Catchment management organisations

Dandenong Catchment Implementation Committee
Maribyrnong Catchment Implementation Committee
Port Phillip and Western Port Catchment and Land Protection Board
Werribee Catchment Implementation Committee
Western Port Catchment Implementation Committee
Yarra Catchment Implementation Committee

Diverters

Keilor Diverters Advisory Group
Maribyrnong River Diverters Consultative Committee
Yarra River Diverters Consultative Committee

Eastern Treatment Plant

Eastern Treatment Plant Community Liaison Committee
Effluent Management Strategy Consultation Group (includes agencies, peak environmental groups, surfers and local consultative groups)

Flood prevention

Koo-wee-rup–Longwarry Drainage and Flood Mitigation Advisory Committee
State Emergency Prevention Committee
State Flood Policy Committee
Victorian Flood Warning Consultative Committee

Government

Department of Premier and Cabinet
Department of Infrastructure
Department of Treasury and Finance
Department of Natural Resources and Environment and
Department of State and Regional Development

Industry associations

Association of Consulting Surveyors
Association of Land Development Engineers
Australian Industry Group
Australian Institute of Building Surveyors
Australian National Committee on Large Dams
Building Designers Association of Victoria
Engineers Industry Liaison Committee
Housing Industry Association
Institution of Engineers, Australia
Insurance Council of Australia
Master Builders Association
Real Estate Institute of Victoria
River Basin Management Society
Royal Australian Institute of Architects

Royal Australian Planning Institute
Urban Development Institute of Australia
Urban Development Industry Association
Urban Development Industry Association /
Association of Land Development
Victorian Economic Chamber of Commerce
and Industry

Local government

Municipal Association of Victoria

Research organisations

Cooperative Research Centre for
Catchment Hydrology
Cooperative Research Centre for
Freshwater Ecology
Cooperative Research Centre Real-Time
Flood Forecast Project Review Committee

Stormwater management

Stormwater Committee
Stormwater Management Working Group

Trade waste

Trade Waste Acceptance Advisory Committee

Water authorities and retail customers

Australian Water Association
City West Water
Gippsland Water
Goulburn Murray Water
South East Water
Southern Rural Water
Victorian Water Industry Association
Water Industry Dams Working Group
Water Services Association of Australia
Western Water
Yarra Valley Water

Waterway management

Carrum Lowlands Wetlands Management Group
Emerald Water Quality Improvement Committee
Hoddles Creek Streamflow Management Plan
Advisory Group
Kananook Creek Association
Lillydale Lake Landcare Consultative Committee

Lower Plenty River Coordinating Committee
Merri Creek Management Committee
Moonee Ponds Creek – Cleanup Project
Patterson Lakes Advisory Committee

Western Treatment Plant

Western Treatment Plant Community
Liaison Committee
Western Treatment Plant Wildlife
Consultative Committee

Other community and environment groups

Australian Conservation Foundation
Christmas Hills Working Group
Devilbend Reference Group
Eastern Freeway Extension Springvale Road
to Ringwood Community Liaison Group
Friends of the Earth
Ruffey Lake Park Advisory Committee
St Georges Road Liaison Group
Truganina Landcare Group
Victorian Outdoor Range Zoo Committee
Woodlands Industrial Estate Wetlands –
Technical Working Group
Yallock Drainage and River Improvement Rates
Advisory Committee

Blueprint charts waterways and drainage course

Melbourne Water took an important step in
1999/2000, producing an Operating Charter
for Waterways and Drainage.

The Charter commits Melbourne Water to deliver
34 specific, output-related services across several
areas of activity, and to monitor and report on
its performance in doing so each year.

Melbourne Water prepared the Charter
with guidance from an 11-strong external
reference committee, which included
people from environmental groups, local
government, research organisations and the
development industry.

Corporate Governance

The Board of Directors is responsible for governance of Melbourne Water and determines its strategies and policies. The Board operates under the provisions of the *Melbourne Water Corporation Act 1992*. As well as overseeing strategic planning and risk management, the Board reviews remuneration and succession planning. This statement sets out the main corporate governance practices that were in operation throughout the financial year.

A number of committees help ensure the Board carries out its functions effectively. The Board has a Charter pursuant to which it operates and this defines the role of the Board and the responsibilities of management.

The Board of Directors comprises a non-executive Chairman, four non-executive directors, and the Managing Director. Details of directors' qualifications and experience can be found on page 36.

The roles of Chairman and Managing Director are separated by legislation. Directors, other than the Managing Director, are appointed by the Minister for Environment and Conservation for a period not exceeding three years. Board members are eligible for re-appointment, but may not hold office for consecutive periods exceeding nine years. In appointing directors, the Minister is required to ensure as far as possible that directors have qualifications and experience relevant to the operations of the Corporation. The conditions of appointment are established by the Minister.

Pursuant to the *Melbourne Water Corporation Act 1992*, the Managing Director is appointed by the Board, following consultation with the Minister, for a period not exceeding five years and is eligible for re-appointment. The performance of the Managing Director is reviewed by the Board on a regular basis.

Directors have the right to seek independent professional advice at Melbourne Water's expense in connection with their duties and responsibilities. The *Melbourne Water Corporation Act 1992* provides for declarations of pecuniary interest by directors.

Board meetings are held monthly, excluding January. Regular written reports from management and presentations on corporate and business activities are provided to directors. Board members also participate in site visits and receive corporate publications.

Statutory reports are provided to the Government as shareholder. These reports cover key financial information and the performance of the Corporation against key performance indicators established in the Corporate Business Plan.



*Melbourne Water's Board of Directors.
L-R Anthony A Browne, Brian R Bayley,
Carolyn Schultz, Graeme Bowker,
Baard Solnordal, Virginia Mansour*

BOARD OF DIRECTORS

Graeme Bowker

Chairman

Graeme Bowker is Regional Partner - Global Strategic Clients of Deloitte Touche Tohmatsu - Australia. Mr Bowker was appointed Chairman to the Board on 1 January 2000 and is also a Director of RFL Australia Limited. He has extensive financial and advisory experience covering businesses involved in a wide range of industries including utilities, financial services and transport.

Baard Solnordal BEc & Bus. Admin. FCA
Deputy Chairman

Baard Solnordal was appointed to the Board on 22 March 1995. He is a former Senior Partner with Ernst and Young, chartered accountants, and is a commercial accountant with wide experience as a company director, financial adviser and auditor.

Brian R Bayley

Managing Director

Brian Bayley was appointed Managing Director on 28 July 1998. He was appointed Chief Executive Officer on 1 February 1998. He was formerly head of the Corporation's Water Group. Mr Bayley has extensive water industry experience in a broad range of senior management positions.

Anthony A Browne BA, LLB (Hons)

Director

Tony Browne is a Senior Partner with Arthur Robinson and Hedderwicks, solicitors, and joined the Board on 22 March 1995. He has extensive experience in corporate and financial law and is a director of Epworth Hospital.

Virginia Mansour MB, BS (Hons) PhD

Director

Dr Virginia Mansour is a graduate of medicine from the University of Melbourne and has a PhD from the Department of Medicine at Monash University. Dr Mansour is a Senior Lecturer in the Department of Physiology at Monash University and is also a member of its Standing Committee on Ethics in Research Involving Humans. Dr Mansour was appointed to the Board on 1 January 2000.

Carolyn Schultz BSc (Hons), PhD

Director

Dr Carolyn Schultz was appointed to the Board on 1 January 2000. She has a PhD from New York University and is a Senior Research Fellow and Project Leader for the Cooperative Research Centre for Bioproducts within the School of Botany, University of Melbourne. Dr Schultz is also a member of the Cooperative Research Centre Executive Management Committee.

Board Committees

Audit and Corporate Risk Committee

The Audit and Corporate Risk Committee's primary objective is to assist the Board in fulfilling its responsibilities on financial reporting, accounting and operational control practices, risk management and compliance with relevant laws. The Committee's Terms of Reference were reviewed this year and include facilitating communication between the Board, internal and external auditors, and management.

The Audit and Corporate Risk Committee comprises B Solnordal (Chairman), A Browne and V Mansour. The Terms of Reference set out requirements for the Committee's composition. The Managing Director, the Chief Finance Officer and representatives from PricewaterhouseCoopers, Melbourne Water's internal auditor, attend Audit and Corporate Risk Committee meetings by invitation. Representatives from the Auditor-General's Office also regularly attend meetings. The Committee's Terms of Reference provide members with unlimited access to auditors and senior management. Members can seek independent advice if necessary. The Audit and Corporate Risk Committee meets four times a year and may meet more frequently if required. Reports are provided to the Board after each Committee meeting.

Remuneration Committee

The Remuneration Committee makes recommendations to the Board on remuneration arrangements and terms of employment for executives and other employees. Remuneration and other terms of employment are reviewed annually. Reviews cover employee performance as well as market and policy factors, as appropriate.

The Committee comprised C Stewart, R Gilbert and A Browne until December and since then has comprised G Bowker, A Browne and C Schultz. It meets at least twice each year. The Managing Director attends by invitation. Reports are provided to the Board after each Committee meeting. Further details about directors' and executives' remuneration are set out in Notes 22 and 23 of the Financial Statements.

Policies and internal control

The Board has overall responsibility for the Corporation's internal control framework. A Code of Conduct sets out the standards of behaviour expected of all employees. The Code is reviewed regularly in consultation with employees and reissued regularly. All new employees receive the Code on joining Melbourne Water.

Corporate policies are reviewed regularly and are available through Melbourne Water's Intranet. Major new policies, and amendments to existing policies, are approved by the Board and are then communicated to employees.

Risk management

The Board has overall responsibility for the Corporation's risk management and is assisted in this task by the Audit and Corporate Risk Committee. Melbourne Water's risk management policy establishes procedures used to manage risk in a consistent and cost-effective manner. Risk management is incorporated into existing management systems by applying elements of a generic management system in designated risk focus areas. The risk management policy and framework are in accordance with Melbourne Water's goal to continually improve the business and conform to the Risk Management Standard AS/NZS 4360:1999.

Melbourne Water has developed an automated system called Risk Control Assessment, which is aimed at controlling, monitoring and reporting major risks for each risk focus area. A set of management questions addressing major risks are asked on a regular basis and the outcomes and action plans to deal with the issues identified are provided to the Audit and Corporate Risk Committee every six months.

Regular reports on the operation and condition of the water, sewer and drainage asset networks are presented to the Board. Physical assets are classified into risk categories and inspected regularly.

Regular operating reports are also provided to the Board by each of the groups within Melbourne Water. The reports include performance against budget and financial and non-financial performance indicators. Information is also provided on significant events and incidents and their impact on the Corporation. The groups also report on any health and environmental compliance matters.

Melbourne Water's business exposes it to financial risk. This includes interest rate risk, credit risk, liquidity risk and operational risk associated with treasury activities.

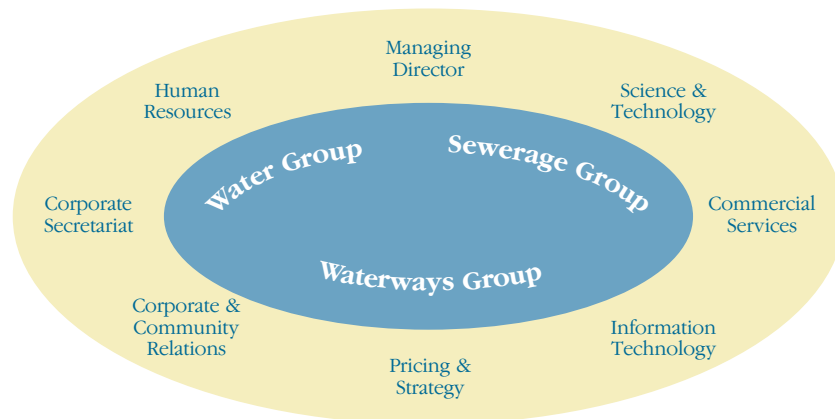
The Corporation has a comprehensive framework for managing financial risk. It includes a Financial Risk Management Policy approved by the Board annually. A Financial Risk Management Committee has been established, which is chaired by the Managing Director and includes senior executives and an external adviser. Melbourne Water's treasury takes an active approach to managing financial risk through procedures outlined in the policy.

Occupational Health and Safety

Melbourne Water's Executive Occupational Health and Safety (OH&S) Committee comprises the Managing Director as Chairman, senior management and employee representatives. The Committee meets monthly and is responsible for the development, implementation and auditing of an effective OH&S management system. The Board is provided with monthly reports on OH&S performance and initiatives.

Research

An approval and management process has been established to ensure research is cost effective and targeted at managing business risks and improving productivity. The process encompasses the identification of business needs, financial aspects, project analysis, risk assessment, project review, post-completion audit and intellectual property implications. An annual research report is provided to the Board.



A heavy dump of snow in Melbourne's water supply catchments in June had little impact on storage levels.



Executive Team

Brian Bayley

Managing Director

Ross Young

General Manager Water

David Lynch

General Manager Sewerage

Grant Wilson

General Manager Waterways

Tony Antoniou

Information Technology

Jane Denton

Corporate Secretary and Legal Counsel

Christine Gibbs

Corporate and Community Relations

Malcolm Haynes

Human Resources

Gordon McFarlane

Acting Chief Finance Officer

Howard Rose

Pricing and Strategy

Peter Scott

Science and Technology

Particulars, functions and powers

Melbourne Water is a statutory corporation constituted under the *Melbourne Water Corporation Act 1992*. It derives its operational powers primarily from *The Melbourne and Metropolitan Board of Works Act 1958*. Melbourne Water's principal decision-making

powers affecting members of the public are derived from these two Acts. They should be referred to when detailed information is sought. Melbourne Water is empowered to make by-laws under the *Melbourne and Metropolitan Board of Works Act* in relation to its functions. Two current by-laws exist, relating to *Water Supply Protection (1997 No 1)* and *Waterways and Drainage Protection (1998 No 2)* respectively. The particulars and functions of Melbourne Water are referred to in this Annual Report.

Under an agreement with the relevant Minister, effective as of 30 November 1995, the Minister's functions and powers as a Floodplain Management Authority under the *Water Act 1989* have been delegated to Melbourne Water. Pursuant to this delegation, Melbourne Water, as an agent of the Minister, provides floodplain management services over the Melbourne Water drainage area.

The Minister has also delegated powers of management under the *Water Act* relating to licensed private water diversions from waterways to Melbourne Water effective from 1 July 1999.

Use of Consultants

The total cost of engaging consultants in 1999/2000 was \$1.4 million for both operating and capital activities. Two of the consultancies undertaken were more than \$100,000.

Five Year Financial Summary

	2000 \$M	1999 \$M	1998 \$M	1997 \$M	1996 \$M
PROFIT AND LOSS STATEMENT					
FOR YEAR ENDED 30 JUNE					
Operating revenue	477.8	449.6	567.0	679.8	686.6
Operating profit before abnormal items and income tax	204.2	166.9	242.5	267.8	208.5
Abnormal items before income tax	0.0	0.0	0.0	4.4	62.0
Operating profit before income tax	204.2	166.9	242.5	263.4	146.5
Income tax attributable to operating profit	7.3	54.1	81.9	97.0	24.6
Operating profit after income tax	196.9	112.8	160.6	166.4	121.9
Dividend provided for or paid	126.2	106.2	141.1	141.3	80.0
BALANCE SHEET					
AS AT 30 JUNE					
Current assets	35.7	27.6	37.4	46.1	48.2
Non current assets	2,816.4	2,728.1	2,684.0	2,668.1	2,682.4
Total assets	2,852.1	2,755.6	2,721.4	2,714.2	2,730.6
Current liabilities	348.2	326.2	308.2	454.6	607.0
Non current liabilities	1,336.9	1,363.1	1,355.4	1,564.9	1,690.1
Total liabilities	1,685.1	1,689.3	1,663.6	2,019.5	2,297.1
Net assets	1167.0	1,066.3	1,057.8	694.7	433.5
Total equity	1167.0	1,066.3	1,057.8	694.7	433.5

The following issue should be considered when reviewing the five year financial summary.

- *Major reforms were introduced by the State to water and sewerage pricing for Melbourne on 1 January 1998.*



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