



*VicWater Directors' Induction  
Guide*

May 2021

## About the Victorian Water Industry

The water industry plays a fundamental role in the health and prosperity of Victoria's communities, environment, and economy.

Safe, reliable, affordable water services are essential to the way we live. Every day, millions of Victorians trust water corporations to provide the water they use for drinking, cooking, and washing. Businesses, large and small, depend on the industry to supply them with water and sewerage services, and Victoria's farmers rely on the industry's services to irrigate crops, trees and vines and to water livestock.

The Victorian water industry has been shaped according to the needs of its customers and by a national and state policy context that includes important instruments such as the [National Water Initiative of the Council of Australian Governments \(2004\)](#) and [Water for Victoria](#), the Victorian Government's strategic plan for management of the state's water resources (2016). Today, it is a highly productive and efficient sector.

The Victorian Government-owned water corporations are proud to deliver world-class water services to our community. The health and prosperity of Victoria's communities, environment and economy rely on the industry's capabilities. During the Covid-19 epidemic in 2020, the water corporations continued to deliver high quality services to their customers without interruption, and the industry is a key player in the state's recovery from the crisis.

Victoria's water corporations provide services to all Victorians and visitors to Victoria, including households, businesses, and farms. The industry employs over 6,000 people and builds partnerships across the community and the private sector. In 2020 water corporations generated around \$6.4 billion in revenue to support the delivery of these services. This includes operating and maintaining over \$48 billion in assets and investing almost \$2 billion in capital works. The industry also generated over \$730 million in net revenue as dividends, levies and tax equivalent payments in 2018-2019 for the Victorian Government.

Victoria's water industry is recognised for its high-quality service delivery, effective governance and commitment to environmental sustainability. Victorians pay the lowest prices for water services and receive the highest consistent service standards in Australia. The industry is a 'quiet achiever': although its infrastructure and operations are largely invisible to the community, all Victorians can be confident in the service excellence of their water corporations, and their commitment to serving their communities.

The Minister for Water is responsible for water policy, supported by the Department of Environment, Land, Water and Planning (DELWP). The industry is regulated by the Department of Health (DH) for drinking water quality, the Environment Protection Authority (EPA) for environmental impact and the Essential Services Commission (ESC) for pricing and service standards.

### About VicWater

VicWater is the peak industry association for the water business in Victoria and we serve the nineteen water corporations across Victoria, who in turn serve their customers within the metropolitan, regional and rural areas of the state of Victoria. Our purpose is to influence government policy, provide industry forums on key priority issues, and disseminate news and information to our members and stakeholders.

VicWater seeks to lead an innovative water industry that manages water resources sustainably and creates partnerships that focus on the needs of the community, stakeholders and the environment and we aim to be the leading advocate for Victorian water businesses in their interaction with government, its agencies and the community.

### How do we do this?

We offer our members a range of support, from networking events and professional development opportunities, providing regular communication of both general and specific issues within the Victorian water sector, advising our members on key policy issues, including finance-related policy and sector-wide policy reform. We also oversee and help execute the diversity and inclusion strategy across the sector, as well as advocating and advising on OH&S policy.

Revealing our commitment to build diverse workforces with inclusive cultures across the Victorian water sector, our [Water Industry Equity, Diversity and Inclusion Strategy 2019-2023](#) provides a basis for annual progress reviews, which VicWater publishes on behalf of its members.

VicWater also produces a series of [industry guides](#) to assist our members in tackling major challenges consistently and with collaborative support.

We run webinars and workshops tailored to the needs of our members on topics ranging from diversity and inclusion, safety in the workplace, mental health, leadership, challenges and trends in the water sector, among others. We also run two major water sector conferences each year.

VicWater hosts a Jobs Board and has recently launched a sector-wide Secondment program for the betterment of the water sector. Our website hosts a 'members only' zone that houses useful publications, hot topics, information on governance and other relevant information. Staff members from all nineteen water authorities and their board members are eligible to apply for access to the members portal.

### What do we stand for?

The experiences and perspectives of the Victorian water industry provide essential insights to inform policy and regulation that affects the industry, its customers, and the communities it serves. Our leading advocacy vehicle for our industry is [VicWater's Policy Platform](#). The Platform provides the foundation for action and advocacy on regulatory reform, government policy, and the role of the industry in an evolving social, economic and environmental context. It sets out our industry's principles and provides a consistent voice to the sector on its priority issues, such as water security, customer affordability, environmental stewardship, and financial sustainability. For each priority issue, the Platform articulates a strategic agenda for change supported by VicWater's members.

A key audience for this Policy Platform is decision-makers in the Victorian Government.

### Our members

VicWater's membership represents a diversity of metropolitan wholesale and retail, regional urban and rural water corporations. Click [here](#) to find out more about our members. You can view maps of Victorian regions with corresponding water corporations [here](#).

## What exactly do our members do?

While our members are owned by the Victorian Government, they are governed by independent boards, with each water corporation responsible for their own management and performance.

The functions of water corporations are created under the [Water Act 1989](#). Across Victoria, these functions generally include:

- water supply services
- wastewater services
- waterway management
- regional drainage
- floodplain management
- trade waste and related services
- irrigation
- licensing
- salinity mitigation services
- recreational area management
- asset management
- dam safety management
- water storage management
- water metering
- emergency management.

In undertaking their activities, our members are also guided by the high-level policy and strategic planning undertaken by the Government. The current [Water for Victoria](#) policy framework sets out the Government's long-term strategy for managing water resources to address the pressures of climate change and population growth.

Under the *Water Industry Act 1994*, the Minister for Water issues Statements of Obligations (SoOs) to our members that specify obligations relating to their performance of their functions and the exercise of their powers. These obligations are taken into consideration in the review of water prices by the economic regulator, the ESC. Currently, there are three SoOs applicable to our members:

1. [Statement of Obligations \(General\)](#). This applies to all water corporations with obligations in relation to pricing submissions, board performance, customer and community engagement, planning, water services, and compliance.
2. [Statement of Obligations \(Emissions Reduction\)](#). This applies to all water corporations in relation to the reduction of greenhouse gas emissions.
3. [Statement of Obligations \(Systems Management\)](#). This applies only to the metropolitan water corporations and provides operating rules for the augmented Melbourne Water supply system.

In addition, the Minister for Water has issued Letters of Expectations that require each water corporation to focus on seven priority policy areas and to monitor and report on these against the performance targets in their annual reporting.

Urban water corporations in Victoria are also subject to health regulation by the DH, environmental regulation by the EPA and economic regulation by the ESC.

Figure 1 below outlines the governance of our sector. For more information on specific functions and responsibilities of our members, see Part 3 of the [Guide to Governing in the Water Sector](#) (DELWP).

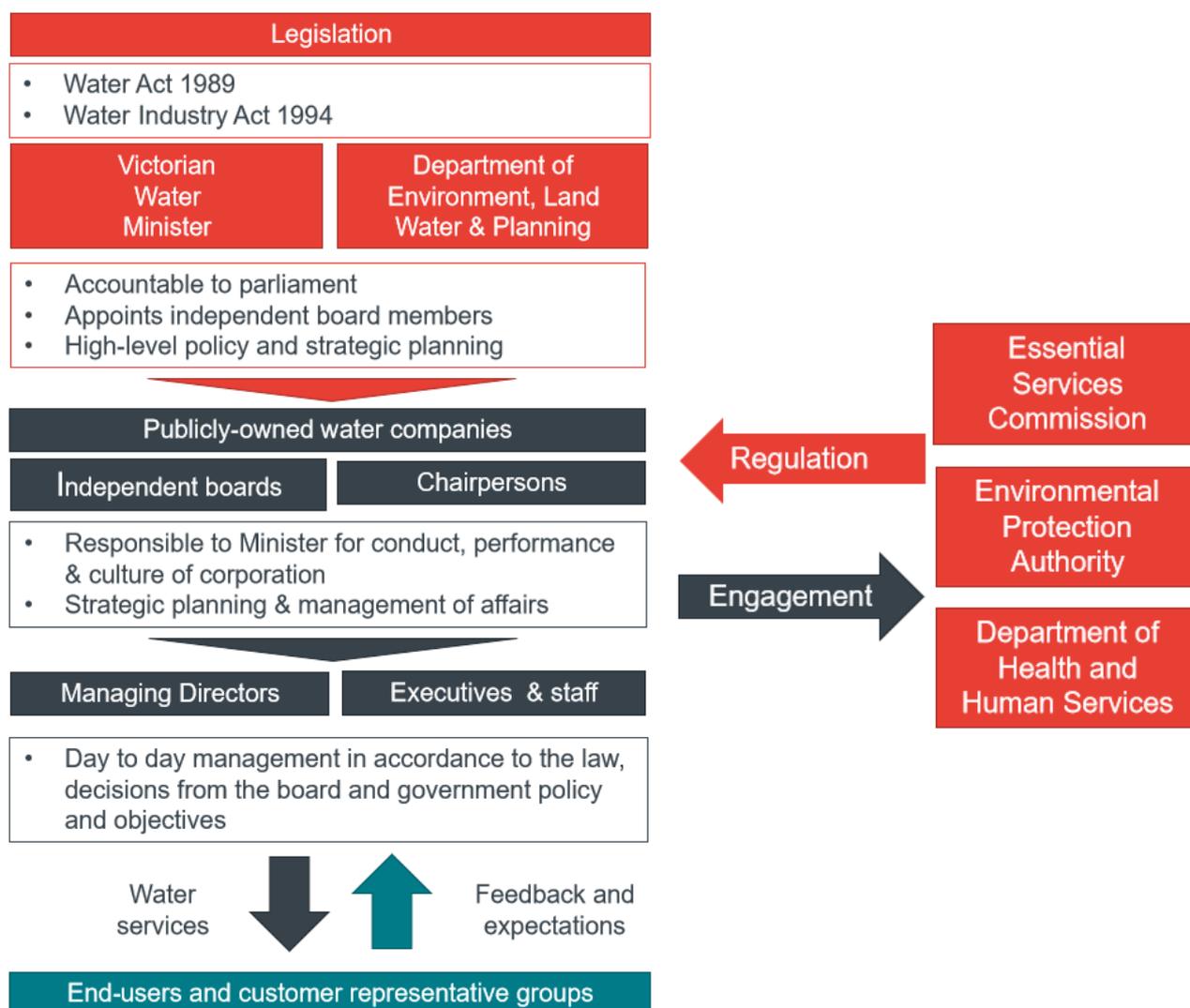


Figure 1: Governance of the Victorian water industry

### Water prices in Victoria

Water prices in Victoria are overseen by the independent economic regulator, the ESC. Our members prepare submissions for the ESC, setting out their proposed service standards based on regulatory obligations and customer expectations, and the associated revenue requirements for the next regulatory period (typically four years). The ESC assesses these submissions and engages in a consultation process, before making price determinations for each water business.

This process is shown below in Figure 2. For more information on the factors involved in setting prices, see the report, [Victorian Urban Water Sector: Value for Money](#), prepared for VicWater by Frontier Economics.



Figure 2: Price submission process

Compared to other parts of Australia, Victorian customers have consistently enjoyed lower water bills (Figure 3). Several factors such as geography, available water sources, infrastructure replacement timelines and industry structure play a role in these differences.

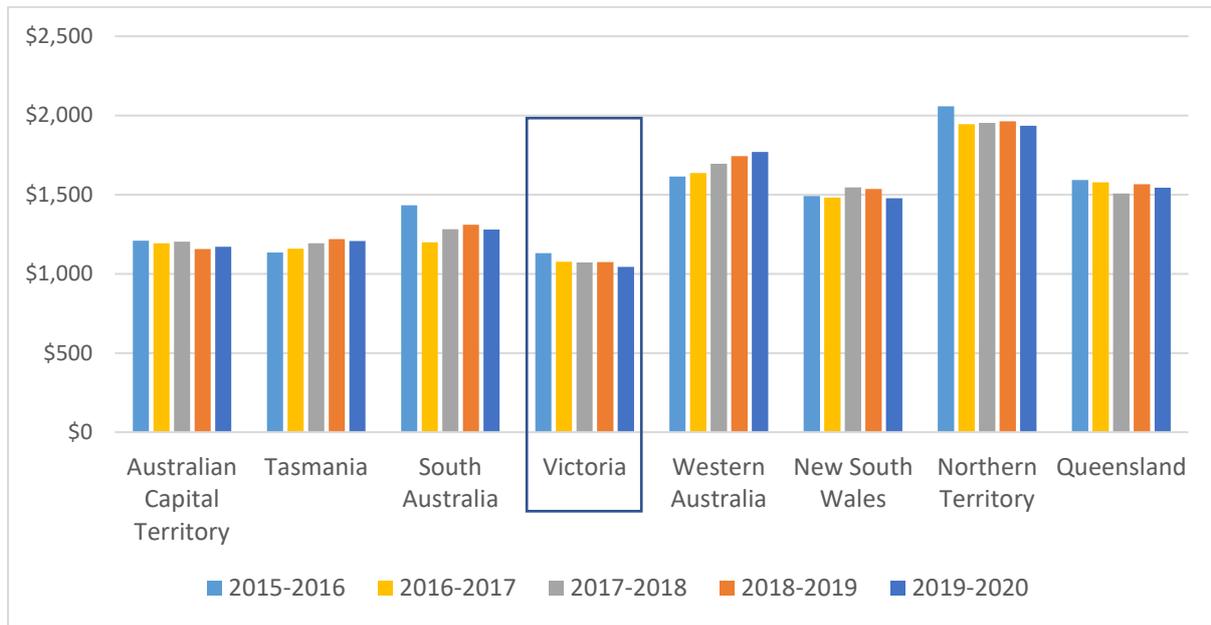


Figure 3: Comparison of national water and wastewater bills – median values. Source: NPR Framework.

Furthermore, Victorian water bills are affordable (Figure 4). Noting that all bills are below 1.5% of household disposable income, these compare to energy bills which can be as high as 6.4% among low income groups ([ACOSS](#)) and rising due to market and climatic factors.

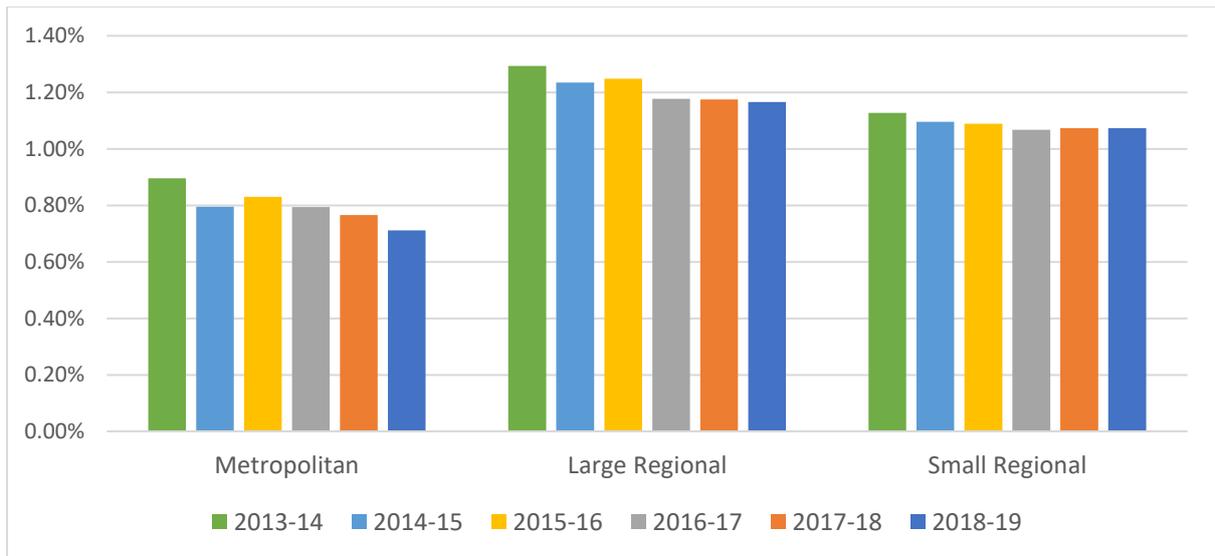


Figure 4: Typical bill as a proportion of disposable income, including imputed rent and services in kind. Source: WSAA, ABS.

These benefits have been provided without compromising service delivery. Total unplanned interruptions (across water and wastewater services) for urban water utilities in Victoria have fallen by 15% since 2008, despite connections growing rapidly in some areas. Water quality complaints for Victorian urban water utilities have fallen by over 70% since 2005/06.

### Challenges ahead

Our sector is facing its most significant challenge since the 19<sup>th</sup> Century with the impacts of ongoing climate change. This will manifest itself in many ways including compromising water resources, changing customer behaviours and needs and putting pressure on the ability of the industry to maintain its assets and services under more extreme climatic events of fire, flood and prolonged higher temperatures.

In addition, a growing and changing population add pressure to our members' ability to maintain low prices. Across Victoria there will be a net increase in population but underlying that will also be further changes in population patterns. Cities will increase in density, there will be significant growth in major regional centres, peri-urban areas are likely to expand, but some smaller regional communities may also see a decline in population. Each of these different patterns of growth will bring with them different servicing challenges for the water industry.

According to our recent research:

- \$6 billion extra CAPEX can be attributed to mitigating negative impacts and building climate change resilience. This is in addition to over \$40 billion over the next 30 years to service Victoria's growing population
- A business-as-usual approach (maintaining current service levels, price setting and allocating systems), addressing the negative impacts and building climate change resilience will increase bills by a further 35% in addition to a 2% +CPI real increase cumulative and smoothed over 10 years
- Bringing forward augmentation by five years and increasing capital costs by 15%.

This impact will be most felt in regional areas.

The Victorian community is becoming more aspirational and is seeking improved liveability, productivity and resilience – despite the above challenges. There is now a better understanding of the role that both water and the industry can play in meeting these aspirations. Therefore, the industry is currently and will continue to be asked to work with government and key stakeholders to help deliver on these outcomes. This extends our industry beyond its traditional service provision base and adds to the costs of services.

In addition, the rapidly evolving nature of technology and the digital world will present opportunities for the industry to better connect with its customers and community and provide more efficient and effective services.

Customers will continue to be sensitive to price shocks, so there will be on-going pressure to keep water bills at manageable levels in the context of the overall household budget.

### VicWater’s role in addressing these challenges

We work with our members to understand the crux of their strategic issues and to identify mechanisms that will best alleviate the challenges that they face. Our Policy Platform records these strategic issues and the mechanisms for change.

Specific issues identified in the Platform are often taken further to facilitate progress. For example, in 2020, VicWater assisted our members in navigating the complexities of sourcing carbon offsets and seeking from Government amendments to the Statement of Obligations (Emissions Reduction), and its review of the economic sustainability of the water sector in 2021 led to the presentation of its key messages to the Government agencies and expected improvements to industry financial models.

## General FAQs

### Where can I get the information I need when I’m starting out?

One of the first things to understand is the rich landscape of organisations supporting the water industry. This [guide](#) helps you to navigate across the landscape, learning about the role and scope of each supporting organisation.

To understand your role as a board director or executive, you will benefit from reading DELWP’s [Guide to Governing in the Water Sector](#) in addition to this induction guide. DELWP has a webpage dedicated to governance advice – [On Board](#) – that provides helpful information to new directors.

The Australian Institute of Company Directors also provides an excellent resource that will give you a clear understanding of the role of a board. You can access “The Role of the Board: Governance” publication [here](#).

### As a director, what legislation am I bound by?

The Water Act 1989 is the major instrument for which our water corporation directors and executives are responsible for implementing. The Water Industry Act 1994 gives the Minister for Water powers to issue Statements of Obligations (SoOs) to our members that specify obligations relating to their performance of their functions and the exercise of their powers. Other requirements are summarised in Figure 1, and link to the [Environment Protection Act 2017](#), the [Safe Drinking Water Act 2003](#), the [Essential Services Commission Act 2001](#), and their respective regulations.

How can I keep up to date in the industry?

We are here to help. Please get [in touch with us](#) for general information or to arrange a meeting with our CEO for advice tailored to your situation.

VicWater provides regular training and updates to its members. Stay informed by [signing up to our members update](#) and monitoring our [website](#) and [LinkedIn](#) page.

VicWater, March 2021

## Common industry acronyms

ACCC: Australian Competition and Consumer Commission

ANCOLD: Australian National Committee on Large Dams

AWA: Australian Water Association

CaLP Act: Catchment and Land Protection Act 1994 ESC

CEWH: Commonwealth Environmental Water Holder

CMAs: Catchment Management Authorities

DELWP: Department of Environment, Land, Water and Planning

DH: Department of Health

DISC: Diversity and Inclusion Steering Committee

DPC: Department of Premier and Cabinet

DTF: Department of Treasury and Finance

EMV: Emergency Management Victoria

EMMV: Emergency Management Manual Victoria

EPA: Environment Protection Authority

EPBC: Environment Protection Act and Biodiversity Conservation Act

ESC: Essential Services Commission

EWOV: Energy and Water Ombudsman Victoria

FISC: Financial Issues Steering Committee

ICOLD: International Commission on Large Dams

IGEM: Inspector General for Emergency Management

IWA: Institute of Water Administration

MDBA: Murray-Darling Basin Authority

NWI: National Water Initiative

SEPPs: State Environment Protection Policies

TCV: Treasury Corporation Victoria

VAGO: Victorian Auditor General's Office

VCAT: Victorian Civil and Administrative Tribunal

VCMC: Victorian Catchment Management Council

VEWH: Victorian Environmental Water Holder

VPSC: Victorian Public Services Commission

WIRO: Water Industry Regulatory Order

WMPs: Waste Management Policies

WSAA: Water Services Association of Australia

WWDN: Women in Water Directors Network