

GOLDBURN-MURRAY  
WATER



2011/12 - 2013/14

# CORPORATE PLAN

Goulburn-Murray Water

Statement of Corporate Intent and Business Plan



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## Executive Summary

Goulburn-Murray Water (G-MW) is Victoria's largest rural water corporation and manages water storage, delivery and drainage systems involving approximately 70% of the State's total stored water.

Our role is to harvest, store, share and deliver water resources to our customers in northern Victoria. We provide services to over 38,000 customers across this region, who undertake a variety of irrigated agricultural pursuits. We also supply water to urban water corporation for their customers. Commercial operators involved in tourism and recreation, houseboats and hydro-electricity are located at our storages.

G-MW is striving to provide the most efficient and appropriate quality of service to our customers. After a prolonged period of drought, many of our customers have now also been adversely affected by the recent floods, which left more than 16,000 square kilometres of farm land and about 3,000 kilometres of our channels under water.

Faced with these challenges, G-MW is seeking to assist our customers to achieve optimal outcomes by ensuring that we further improve the delivery of services and operate our business in a best practice manner.

In addition, irrigation system modernisation continues to challenge the fundamental way that G-MW operates. The delivery system is being transformed from an intensely manual system to an automated one with real time monitoring requiring reduced human intervention.

To address these challenges, over the last few months, G-MW has undertaken a major review of its business, with a particular focus on our support functions, and has identified both a number of challenges and opportunities. From this review, our Corporate Plan identifies key strategic initiatives driven by continuous business improvement to serve our customers.

Our initiatives are seeking to evaluate, improve and measure our performance from four different perspectives:

- Financial;
- Internal business process;
- Customer; and
- Learning and growth.

To deliver on these initiatives, our business is structured around two major functions:

Operations - this includes our:

- Wholesale Water Services; and
- Retail Water Services.

Support Services – this includes:

- Finance;
- Human Resources;

- Infrastructure;
- Water and Entitlement Management; and
- Strategy.

Within each of these functions, a number of key initiatives have been identified to deliver our obligations to our key stakeholders.

## **SECTION ONE – STATEMENT OF CORPORATE INTENT**

- Vision, Mission and Values
- Key Performance Measures
- Overview of Goulburn-Murray Water
- Goulburn-Murray Water Region
- Organisational Structure
- Our Operating Environment
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- Goulburn-Murray Water’s Planning Obligations
- Major Stakeholders
  - Department of Sustainability and Environment
  - Northern Victoria Irrigation Renewal Project
  - Customer Committees
  - Catchment Management Authorities
  - Murray-Darling Basin Authority
  - Other Forums

## SECTION ONE – STATEMENT OF CORPORATE INTENT

### Vision, Mission and Values

#### OUR VISION

*To be Australia's leading rural water service business providing positive economic, social and environmental outcomes to our customers and communities.*

#### OUR MISSION

*To provide efficient and effective water services to all customers.*

#### OUR VALUES

- *Providing exceptional and consistent customer service.*
- *Delivering sustainable outcomes for the environment.*
- *Being a respected member of our community.*
- *Acting with transparency and openness in all our dealings.*
- *Behaving with integrity.*
- *Showing respect and listening to all of our stakeholders and gaining their respect.*
- *Taking pride in our achievements.*
- *Progressing through innovation and continuous improvement.*

### Key Performance Measures

Measure	Actual 09/10	Target 10/11	Target 11/12	Target 12/13	Target 13/14
Overall Customer Satisfaction	62%	65%	68%	70%	70%

Percentage of customers rating the service they received from G-MW as a 4 or better on a scale of 1 to 5.

### IRRIGATION DISTRICTS

Measure	Target 11/12	Target 12/13	Target 13/14
Flow Rate Consistency	80%	80%	80%
Delivery Reliability ( <i>% of all orders delivered on day requested</i> ) average all gravity areas	89%	89.5%	90%
Delivery Efficiency	76%	77%	78%

### HEADWORKS

Measure	Target 11/12	Target 12/13	Target 13/14
<u>Service Standards</u>			
Delivery of Ordered releases on time	98%	98%	98%
Asset Availability for Releases	100%	100%	100%
Emergency Management (100% of plans reviewed and tested at least every 2 years)	100%	100%	100%
<u>Compliance Standards</u>			
ANCOLD Dam Monitoring Compliance	100%	100%	100%
Portfolio Risk	6E-3	6E-3	6E-3
Bulk Entitlement Breaches	Nil	Nil	Nil
Drinking Water Act Audit	Comply	Comply	Comply

## Overview of Goulburn-Murray Water

Goulburn-Murray Rural Water Corporation, trading as Goulburn-Murray Water (G-MW), is a statutory corporation constituted under the provisions of the Victorian Water Act 1989, and is accountable to the Minister for Water.

G-MW's core business is water management and the delivery of water services in support of irrigated agriculture.

Key responsibilities are:

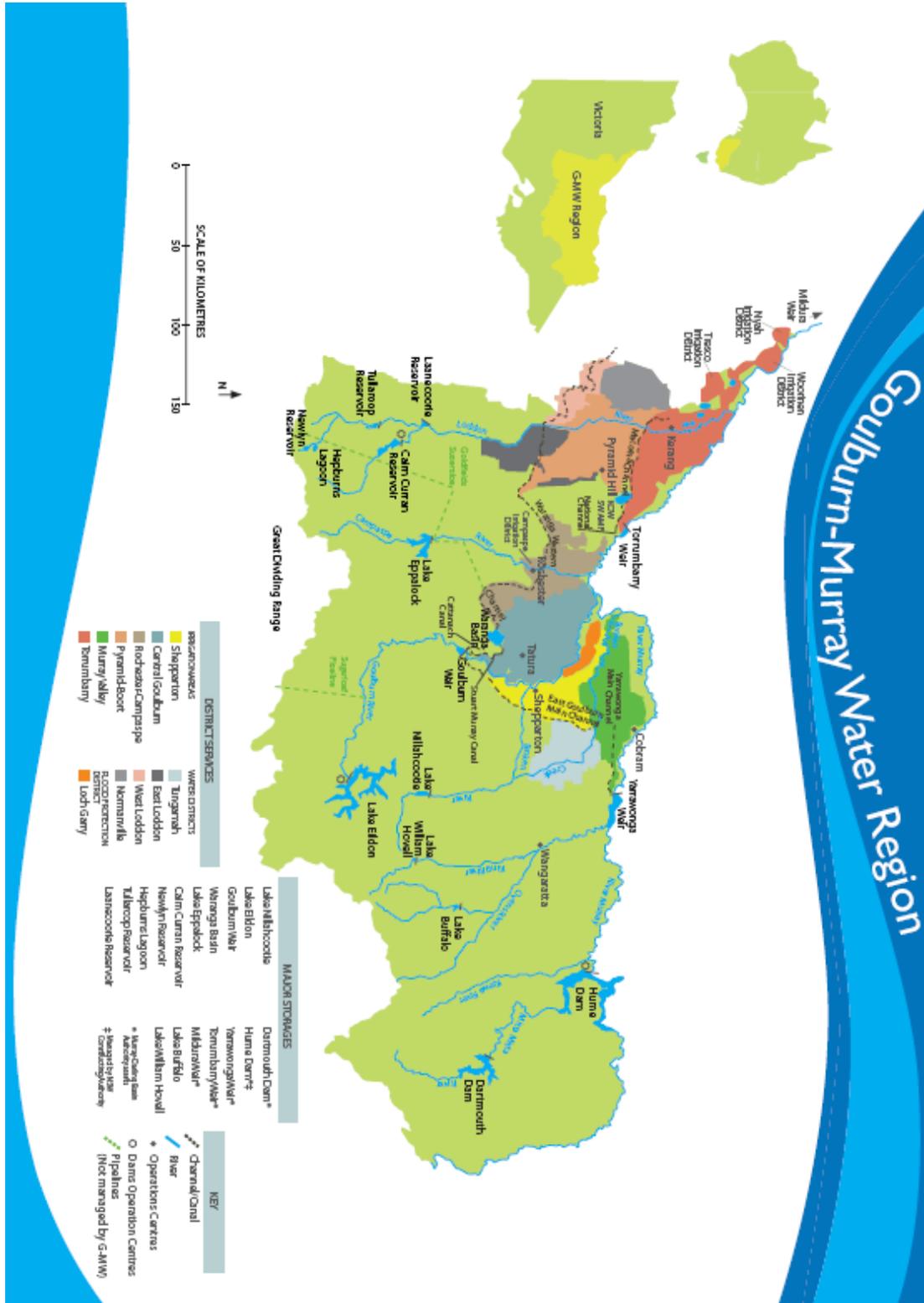
- Managing the delivery of water to its irrigation and water districts and maintaining the infrastructure for these districts;
- Implementing Government's regulations and policy for groundwater and surface water resource management in accordance with the delegated powers; and
- Harvesting, storing and managing water in its reservoirs and dams.

G-MW:

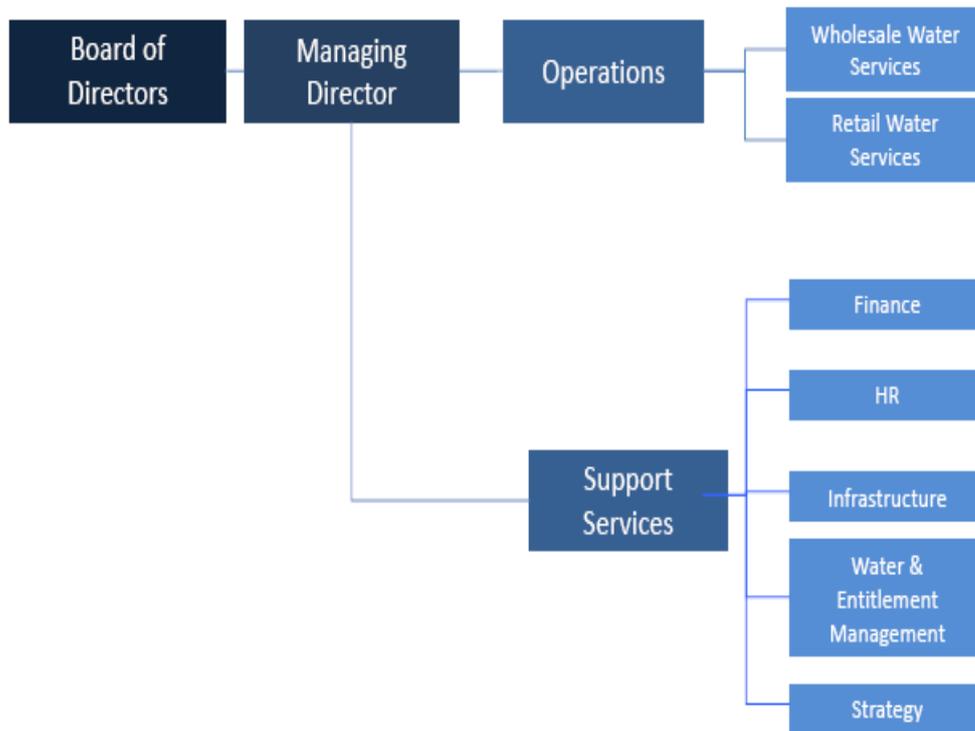
- Manages water-related services in a region of 68,000 square kilometres, bordered by the Great Dividing Range in the south and the River Murray in the north and from Corryong in the east downriver to Nyah;
- Manages delivery and drainage in six irrigation areas, constituting 50% of customers, 75% of water shares and 75% of all deliveries;
- Services over 38,000 customers through surface water, groundwater, unregulated rivers and streams;
- Harvests and stores water for urban water corporations and environment entitlement holders;
- Facilitates hydroelectricity generation and recreational use, including houseboats, at its storages;
- Can deliver approximately 2,400,000 ML p.a. to urban water authorities, the environment, rural and irrigation users;
- Manages 16 dams with 12 million ML of storage (70% of Victoria's water storage capacity);
- Operates salinity mitigation works on the Murray downstream of Nyah, delivers bulk water to supply points outside its region and is the Victorian Constructing Authority for the Murray-Darling Basin Authority (MDBA);
- Is the DSE appointed Resource Manager for northern Victoria water systems and has the responsibility for making the seasonal allocation determinations for all Victorian Murray entitlement holders;
- Is the Minister's delegate for a range of functions including water share and allocation trading, water use licensing, works licensing and take and use licensing from unregulated streams and groundwater;
- Is a partner in the Victorian Water Register, using it to manage more than \$4 billion of water entitlements and trade.

Our key stakeholders are the Victorian Government, our customers, and our community. The Major Stakeholders' section, provides more detail. Our objective is to be a valued service provider to our customers, and a valued member of our community, whilst fulfilling the Victorian Government's expectations by efficiently implementing its priorities.

G-MW Region



### Organisational Structure (Functional Model)



## Our Operating Environment

### Regulatory Framework

G-MW is a statutory water corporation that has its functions and powers defined in the Victorian Water Act 1989.

The Victorian Government's specific requirements of G-MW are further defined in a Statement of Obligations.

The Water Industry Regulatory Order (WIRO) provides a framework for economic regulation by the Essential Services Commission (ESC) for the services provided by the regulated water industry.

The Government, through Departments such as the Department of Sustainability and Environment (DSE), is responsible for setting the overall State water policy.

Key past Government water policies that provide G-MW with direction on water management are:

- *"Our Water Our Future, 2004"*,
- *"The Northern Region Sustainable Water Strategy, 2009"*

The Northern Region Sustainable Water Strategy (NRSWS) sets out major water policy changes to address key challenges and risks such as climate change, Commonwealth entitlement purchases and the Murray-Darling Basin Plan. The strategy contains 17 new policies and 51 actions to implement these policies, all of which affect G-MW's role in managing water resources, the delivery of services to customers and responsibilities for environmental water management.

The new Government has also, since its election to government in November 2010, initiated an inquiry through the Ombudsman of the NVIRP project. Findings from this inquiry are expected later in the year.

The Federal Government has confirmed its intention to reset the balance between water for the environment and water for consumptive use in the Murray-Darling Basin through the MDBA's development of the new 'Basin Plan'. When the Murray-Darling Basin Plan is approved by Federal Parliament, it will confirm sustainable diversion limits which will cap the volume of water that can be extracted for consumptive use from all rivers, groundwater and tributaries to the Murray Darling Basin. Victoria will need to adjust the Bulk Entitlements and other water resource management instruments to ensure that its water management framework delivers the objectives of the Basin Plan by 2019.

In October 2010 the MDBA released its 'Guide to the Plan'. The Guide indicates reductions in consumptive use of up to 40 percent. However these reductions will be significantly higher if the buyback is sourced solely from irrigation entitlement holders. G-MW has estimated water entitlements held by irrigators in the GMID could reduce from the current 1.8 million ML to an approximately 970,000 ML.

Reduced water availability underscores the need for a more efficient and cost competitive water delivery network. Reduced water availability will impact on G-MW's business operations in two ways. Firstly, it is likely a proportion of the current customer base will exit irrigated agriculture. This will mean fewer customers will fund the costs of the irrigation network. Secondly, remaining customers will demand much higher levels of service and cost-accountability from G-MW as they seek to use their water resources as productively as possible.

### Economic Regulation

From 1 January 2004, the Essential Services Commission (ESC) has been the independent economic regulator of the Victorian water industry and is responsible for regulating the prices and service standards of water business in Victoria. As a State-owned monopoly business, G-MW comes under the ESC which sets pricing and revenue requirements following review of proposals submitted in G-MW's Water Plan. The current Water Plan is for a five year period and G-MW is in the third year of its 2008/09 – 2012/13 Water Plan.

A regulatory change commenced with the introduction of the Commonwealth *Water Act 2007* (the *Water Act*) coming into effect on 3 March 2008. The *Water Act* granted the Australian Competition and Consumer (ACCC) new powers for the regulation of water within the Murray-Darling Basin. Under the *Water Act* and the *Trades Practices Act 1974*, the ACCC has four main functions:

- enforcing rules under the *Water Act*;
- monitoring compliance with those rules under the *Water Act*;
- providing advice to the Minister as well as the MDBA; and
- enforcing fair trading legislation, application to all businesses including those trading water.

Transitional rules under the *Water Act* allow G-MW to continue with its current Water Plan, as approved by the ESC in June 2008. However, once this Water Plan concludes, the ACCC will regulate prices from 1 July 2013. The ESC is expected to make an application to be accredited by the ACCC, as its state based regulator for Victorian irrigation suppliers. However, should the ESC be accredited, it will have to follow the rules and guidelines set by the ACCC.

Preparation for the next Water Plan is currently underway, which will be a three year plan under the ACCC. The ACCC has issued '*Water Charge (Infrastructure) Rules 2010*', relating to the preparation of the next Water Plan. This document received final approval from the Federal Minister in January 2011.

The ACCC is currently developing detailed guidance materials for the preparation of the next Water Plan, in consultation with Water Corporations and state-based regulators. While both the ACCC and the ESC are economic regulators, the ACCC's approach will potentially vary from the way that the ESC currently regulates G-MW.

Some of the potential issues identified include:

- Change from a “revenue cap” to “explicit price control” method of pricing;
- Determinations made in nominal, rather than real dollars;
- Inability to carry-over under-recovered revenue from one water plan period to another;
- Timelines for the provision of information (longer lead times for ACCC responses); and
- Supply of information to customers (distribution of full schedule of charges).

Further, the ACCC requires that tariff structures:

- Promote the economically efficient use of water infrastructure assets;
- Ensure sufficient revenue streams to allow efficient delivery of required services;
- Give effect to the principles of user pays in respect of water storage and delivery in irrigation systems; and
- Facilitate efficient water use and trade in water entitlements.

G-MW will continue to work closely with the ACCC and ESC to ensure that both G-MW and its customers are fairly represented during this period of change.

#### **OTHER AGENCY INVOLVEMENT**

G-MW’s financial performance is monitored by the Department of Treasury and Finance.

The Environment Protection Authority’s role is to care for and protect the environment and it is responsible for setting environmental standards and objectives for G-MW.

The Energy and Water Ombudsman (EWOV) is an industry-based external dispute resolution scheme that investigates and resolves disputes between G-MW and its customers. EWOV is independent of government.

#### **GOVERNANCE FRAMEWORK**

Following the resignation of all seven non-Executive Directors and the Managing Director in February 2011, G-MW currently has two interim Directors and an Acting Managing Director, pending the appointment of a new Board, expected in June 2011.

The Board is responsible for setting the strategic direction of G-MW, establishing business objectives, ensuring compliance with legislation and government policy and presiding over all significant strategic, regulatory, financial and risk elements of the business.

Prior to their resignation, the Board had the following Committees in place:

- Financial and Management Audit Committee;
- Risk and Compliance Committee;
- Remuneration Committee; and
- Pricing Committee.

For the interim, until permanent Board members are appointed, all committee work is now incorporated into Board meetings.

G-MW has a schedule of delegations based on financial and risk considerations which sets approval levels required for all business activities.

Each year G-MW undertakes a range of statutory business and performance reporting to the Government.

### **RISK MANAGEMENT FRAMEWORK**

G-MW has in place a Whole of Business Risk Management Framework compliant with ISO 31000. This provides the methodology for the identification, evaluation, treatment and reporting of key business risks.

The whole of business risk management framework is incorporated into G-MW's management systems and decision making processes, and is used to identify, analyse, treat, assign business priorities and manage risks in order to minimise potential adverse impacts and identify business and strategic opportunities.

## G-MW's Planning Obligations

The following table sets out G-MW's obligations:

	Corporate Plan	Water Plan	Annual Price Submission
Planning requirement	Water Act	Water Industry Regulatory Order (WIRO)	Form of regulation
Plan duration	3 years	5 years	Annual
Primary purpose	Operational & Financial Planning	Price regulation	Price approval
Financial planning basis	Nominal	Real	Nominal
Approval	DSE / DTF	ESC determination	ESC determination

## FUNCTIONS PERFORMED

G-MW undertakes a limited number of core functions in its own right as a water authority established under the Water Act 1989:

- Irrigation districts (water delivery, drainage, salinity mitigation)
- Water districts (water supply)
- Waterway management (flood protection)

G-MW is also a referral authority under the Planning and Environment Act 1987.

Additionally, G-MW undertakes a range of functions as a delegate or appointee (mostly of the Minister of Water):

- Delegate of the Minister of Water under Water Act 1989 – licensing activities (unregulated streams, groundwater, works on waterways, water use), approval of water share and allocation applications;
- Appointment by the Minister of Water under the Water Act 1989 – storage manager and resource manager for all declared water systems in northern Victoria;
- Appointment by the Minister of Water under the Murray-Darling Basin Act 1993 – Victoria's relevant water authority (constructing authority) for the MDBA; and
- Appointment by the Water Register under the Water Act 1989 – recording of certain water share dealings.

G-MW also undertakes the following activities:

- Electricity generation at storages (long term commercial contracts);
- Amenity services at storages (houseboats, land leases, public access);
- Boating Authority for lakes and waterways under G-MW management;
- Watermove which trades temporary and permanent water rights;
- Water savings delivery to government;
- Natural resource management service provision to Catchment Management Authorities (CMAs), (salinity and nutrient management); and
- Training service provider.

## Major Stakeholders

### DEPARTMENT OF SUSTAINABILITY AND ENVIRONMENT

G-MW reports to the Minister for Water via the Department of Sustainability and Environment (DSE).

The Office of Water within DSE oversees the management of the Victorian water industry. G-MW maintains strong links to DSE to assist with the framing and implementation of government water policies.

G-MW also works closely with DSE and the Victorian Water Register to facilitate the ongoing development and operation of water trading and markets in northern Victoria.

### NORTHERN VICTORIA IRRIGATION RENEWAL PROJECT

The Northern Victoria Irrigation Renewal Project (NVIRP) was established by the Victorian Government to deliver a \$2 billion irrigation upgrade to the Goulburn Murray Irrigation District. Irrigation modernisation will improve water delivery management and irrigators' services and recover water savings.

NVIRP is working on G-MW's channel network within Irrigation Areas and a high degree of coordination is required to ensure assets are able to deliver the required customer services during the irrigation season and optimal modernisation outcomes are achieved.

### CUSTOMER COMMITTEES

Customer Committees such as Water Services Committees and Reference Committees are G-MW's primary source of customer advice and feedback. Committee representatives are appointed to provide advice and informed discussion in areas such as operations, pricing, service standards and asset management. Committees meet regularly and are comprised of customers chosen through a community nomination procedure and appointed by the G-MW Board.

### CATCHMENT MANAGEMENT AUTHORITIES

Victoria is divided into catchment regions with a Catchment Management Authority (CMA) established for each region which is responsible for coordinating catchment management activities in their region. G-MW has strong links to the North East, Goulburn Broken and North Central CMA's on water quality, river health and natural resources management programs. As well, there are operational interactions on delivery of environmental entitlements and catchment programs under the management of DSE and the CMAs.

## **MURRAY-DARLING BASIN AUTHORITY**

The Murray-Darling Basin Authority (MDBA) is responsible for the integrated management of the Murray-Darling Basin and reports to the Federal Minister for Water. G-MW is the Victorian Constructing Authority for the MDBA, a significant regional role. This role involves the management responsibility for the operation and maintenance of MDBA storages and salt interception works across Northern Victoria and the construction of new major environmental works under 'The Living Murray' program. G-MW also has an advisory role on the Water Liaison Working Group of the MDBA on water accounting, operational and water management matters.

## **OTHER FORUMS**

Local communities across G-MW's region are also represented by Local Government and there are a number of local and regional co-ordination forums across the region in which G-MW participates.

## **SECTION TWO – CHALLENGES AND OPPORTUNITIES**

- Overview
- Impacts of Modernisation
- Reduced water availability
- Goulburn-Murray Water Revenue Risks

## SECTION TWO – CHALLENGES AND OPPORTUNITIES

G-MW’s strategy is to continue to provide best practice water storage, delivery and management to its customers to enable them to realise sustainable agricultural outcomes. In this way, our regional communities can prosper and grow. In executing our strategy, we will listen and consult with our customers on their needs, so that we can deliver to the standard and service they expect.

### Overview

In developing the strategy, G-MW has undertaken a scan of the environment in which it operates to identify the current situation and potential future changes. This scan will enable us to better respond to the needs of customers and stakeholders now and in the future.

The assessment, across the political, economic, technological, social and environmental landscape identified and evaluated the following key challenges and opportunities:

POLITICAL	ECONOMIC
<p>State Government Policies include:</p> <ul style="list-style-type: none"> <li>➤ Government ownership of water infrastructure</li> <li>➤ Wherever possible, water should be used more than once</li> <li>➤ Cities must become more water self-sufficient</li> <li>➤ Balancing population growth with water availability</li> <li>➤ Water security for food producers</li> <li>➤ Improving the environmental health of Victorian rivers</li> <li>➤ Community participation in water</li> <li>➤ Transparency and accountability</li> <li>➤ Regulation of dams</li> </ul> <p>In addition, the Government has instigated Inquiries into NVIRP and the recent floods.</p>	<ul style="list-style-type: none"> <li>➤ World growth is assumed to moderate to 3.7% in 2011, following an estimated rate of 4.6% in 2010</li> <li>➤ Emerging economies, particularly China and India, are expected to remain the drivers of world economic growth</li> <li>➤ For farm commodities, the index of export unit returns is forecast to rise by 5.4% in 2010/11, following a fall of 11.5% in 2009/10</li> <li>➤ Significant increase in public debt, as a ratio of GDP, in a number of advanced economies, including the US, Japan and a number of major European countries – leading to concerns in global financial markets</li> <li>➤ Value of water – continued evolution of water trade and opportunities for irrigators to manage their risks through water trade</li> <li>➤ Viability of regional communities varies across the region</li> </ul>

ENVIRONMENT	SOCIAL
<ul style="list-style-type: none"> <li>➤ Climate variability – after many years of drought, biggest recorded floods for the Campaspe and Loddon Rivers</li> <li>➤ Greater environmental focus and pressure on G-MW’s decisions</li> <li>➤ Environmental users will become a major water consumer – requiring greater definition in respect of these rights</li> <li>➤ MDBA Plan – focus on environmental health</li> <li>➤ There are no clearly defined objective measures in respect of desired / planned environmental outcomes</li> </ul>	<ul style="list-style-type: none"> <li>➤ Demographic changes in farming population:</li> <li>➤ Older customer age</li> <li>➤ Those remaining or entering agriculture adopting new ideas and methods</li> <li>➤ Technologically savvy – demanding more from service provider</li> <li>➤ Education on water use will become increasingly necessary</li> <li>➤ Changes in water use and management will mean that communities will be impacted and appropriate adjustment will be required</li> <li>➤ Ability / willingness to pay</li> <li>➤ Recreational users have not been expected to pay for access to water to date</li> <li>➤ Perceptions of the value of water varies significantly</li> </ul>
INDUSTRY	ORGANISATIONAL
<ul style="list-style-type: none"> <li>➤ Increasing expectation on expertise in water management</li> <li>➤ Integrated water management</li> <li>➤ Increased regulatory scrutiny and review</li> <li>➤ Introduction of metering standards</li> <li>➤ Bureau of Metrology reporting requirements</li> <li>➤ Greater need for education / training / professional development in water management through partnerships, affiliates, new lobby groups</li> </ul>	<ul style="list-style-type: none"> <li>➤ Re-establishing financial credibility and reputation</li> <li>➤ Containing costs</li> <li>➤ Valuing service improvement</li> <li>➤ Customer and community focused</li> <li>➤ New Board of Directors, new Managing Director, new senior management team</li> </ul>

Within this environment, G-MW faces a number of challenges and opportunities.

### Impacts of Modernisation

Depending on the outcomes of the NVIRP Inquiry and funding from the Federal Government for Stage 2 of the project, by 2018/19, G-MW could manage one of the world’s most efficient, cost effective and technologically advanced water storage, delivery and management networks, that will support more efficient and responsive system management and improved farm productivity for all customers across the region.

It is anticipated that this supply network may be less extensive and fundamentally different from today’s network and the customers it serves will have different on-farm practices and

services needs. It is therefore imperative that G-MW's business, including its systems, processes and practices, changes to meet the different needs of its customers.

The Commonwealth's funding, if realised, will result in a total investment in the region of approximately \$2 billion, an unprecedented level of financial commitment to the future prosperity of irrigated agriculture across northern Victoria, as well as the health and vibrancy of local communities and the environment. Against this background, G-MW is redefining its business to transition to a more efficient customer service organisation. This has already begun with G-MW's retail irrigation services within the Goulburn Murray Irrigation District (GMID) which are the focus of the NVIRP modernisation program. These areas represent nearly half of G-MW's 30,000 serviced properties but around 75% of all water deliveries and similar levels of water shares.

The advanced technology is already redefining the skills and resources required by G-MW to maintain and operate the irrigation networks. As modernisation continues, customers will be able to self manage their ordering and scheduling of water deliveries and the automated technology will deliver and regulate customers' orders along the network. This change will reduce G-MW's current operational staff needs, however there will be an ongoing need for technical staff to respond to system interruptions and to provide a 24/7 monitoring and customer contact on supply and delivery issues. In addition, a reduced local operational team will monitor the entire network on the ground. To accommodate this, G-MW is consolidating its operational resources to minimise associated management, administration and supervision costs.

As the irrigation system is being modernised with advanced technology, G-MW will also need to review its technology and ensure that it has the tools to respond to our customers needs. Although this operational side was not recognised as requiring funding as part of the \$2 billion modernisation program, it is clear that this is an essential element in the whole delivery chain. Accordingly, G-MW is undertaking a thorough review of its technology needs and will assess how these can be best delivered.

Customer service expectations and the opportunities for G-MW to cost effectively improve the customer experience are rapidly changing. Nearly half of G-MW's customers already place their irrigation orders online, and more than half of G-MW's customers are already receiving information from other business related service providers via email. The telephone remains the most common form of customer contact and face-to-face contact with G-MW staff is and will continue to be valued by customers. Efficient water delivery must be achieved alongside flexible water management services that ensure customers can make and rapidly implement their increasingly sophisticated water management strategies.

The modernisation program is expected to redefine the future footprint for irrigated agriculture across the GMID. Complementing these efforts is the State-Commonwealth Water for the Environment Agreement which will allow up to 300,000 megalitres to be transferred from irrigators in eligible zones to the Commonwealth Government, with the transfers exempt from the annual 4% limit on water transfers from an Irrigation Area. The Water for the Environment Agreement also allows for a further 100,000 ML to transfer from customers from within the GMID to the Commonwealth Government but is subject to the 4% limit and 60,000 ML from the Goulburn and Murray River diverters whose entitlements are not linked within the irrigation areas and hence not subject to annual trade limits. The

400,000 ML represents just under 20% of the current entitlement (water shares) held by the GMID customers.

### Reduced Water Availability

Studies have estimated future water availability in the Murray-Darling Basin under a range of climate change scenarios. The CSIRO Sustainable Yields study has indicated that water availability could reduce by about 40% in the Goulburn and Murray basins for the high climate change scenario and by similar amounts for a continuation of the dry conditions experienced from 1997.

Alongside the potential reduction in water availability, the Federal Government has confirmed its intention to reset the balance between water for the environment and water for consumptive use in the Murray-Darling Basin through the MDBA's development of the 'new Basin Plan'. When the Murray-Darling Basin Plan is approved by Federal Parliament it will confirm sustainable diversion limits which will cap the volume of water that can be extracted for consumptive use from all rivers, groundwater and tributaries to the MDB. Victoria will need to adjust the Bulk Entitlements and other water resource management instruments to ensure that the water management framework delivers the objectives of the Basin Plan by 2019.

### Goulburn-Murray Water Revenue Risks

We have identified that the following risks to revenue exist:

- *Usage charges* – variable revenue is based on an assumption of usage equal to 60% of high-reliability water entitlement. A repeat of 2010/11 seasonal conditions would result in a 50% reduction in this revenue item (approximately \$4 million); alternatively a return to a normal year could increase revenue by 50%.
- *Bulk Water Charges* – G-MW has submitted prices to the ESC for Bulk Water that would enable the cost of service provision in each of the seven regulated basins to be recovered within the current Water Plan. However there is a risk that the ESC will not allow G-MW to recover its costs with approximately \$400,000 from other water corporations at risk.
- *Flood recovery payments* – G-MW has estimated flood recovery cost to be in excess of \$5.7 million. It has assumed that these costs will be funded by grants from the Victorian and Federal Government.

## **SECTION THREE – BUSINESS PLAN**

### **BUSINESS INITIATIVES – PART 1**

#### **Improved Customer Service Outcomes**

- a) Wholesale Water Services
  - Restructure
  - Land and On Water
  - Operations & Maintenance Manuals
  - Incident Management
  - Dam Improvement and Safety
  
- b) Retail Water Services
  - Key achievements during 2010/11 year
  - Key business initiatives planned for 2011/12 year
  - The Goulburn-Murray Water Customer Experience
  
- c) Water Resource Management
  - Regulated Systems
  - Groundwater and Unregulated Systems
  - Policy Implementation
  - Compliance
  
- d) Customer Administration

### **BUSINESS INITIATIVES – PART 2**

#### **Rebuild the Business Foundations**

- a) Leadership and Human Resource Development
- b) Driving and Ensuring Financial Viability
- c) Robust and Sustainable Strategic Planning
- d) Customer Communications and Engagement
- e) Risk Management
- f) Information Management and Business Systems
- g) Asset Planning and Management

## SECTION THREE - BUSINESS PLAN

The successful delivery of its strategy requires G-MW to reassess its strengths and weaknesses and embark on a program of business improvement.

In assessing both its business and the critical tools that are required, G-MW has embarked on a review of how it operates its business and delivers value to its customers.

G-MW is seeking to evaluate, improve and measure its performance from four different perspectives:

- Financial;
- Internal business processes;
- Customer; and
- Learning and growth.

This will provide focus in respect of more customised, value adding services reflected in customer satisfaction, internal business processes and the ability to learn and grow.

This Business Plan sets out those areas where G-MW intends to focus its attention to ensure resilience for the future.

In doing so, we are adopting a two-pronged approach:

1. We have identified a series of initiatives that will further enhance our ability to drive best practice customer service outcomes in our:
  - a) Wholesale Water Services;
  - b) Retail Water Business;
  - c) Water Resource Management;
  - d) Customer Administration Support.
  
2. We have identified a series of initiatives that will rebuild our business foundations specifically focusing on:
  - a) Leadership and Human Resource Development;
  - b) Driving and ensuring financial viability;
  - c) Robust and sustainable strategic planning;
  - d) Customer communications and engagement;
  - e) Risk management;
  - f) Information management and business systems; and
  - g) Asset planning and management.

In addition, G-MW will continue with the objectives set by the Cost and Performance Improvement Committee which reviewed all recurrent expenditure across the business with the target of achieving a cost reduction over the balance of the Water Plan. This has already resulted in the achievement of savings of 3.5% p.a. for the period 2010/11 to 2012/13. This work will continue to drive reductions in overheads over this Corporate Plan.

## Business Initiatives – Part 1

### Improved Customer Service Outcomes

#### a) Wholesale Water Services

The Wholesale Water Business is modernising all aspects of its function to ensure it is managing the long term safety of the dam asset portfolio efficiently and effectively. The past fifteen years has seen a focus on upgrading our dam infrastructure towards contemporary standards to reduce our large scale portfolio risk. As the Dam Improvement Program has matured and the significant infrastructure risks have been addressed our attention now turns to upgrading and modernisation of G-MW's day-to-day dams management practices to ensure we can continue to deliver appropriate high value service to our customers.

#### RESTRUCTURE

A key initiative implemented recently was to re-focus the dams management structure into discrete functional units. Historically dams management has been configured around geographical units with each unit responsible for a very diverse array of business functions. Following an extensive review, the management structure has been refined into three functional groupings:

- **Dam Safety** – responsible for the engineering, risk and asset management functions;
- **Operations and Maintenance** – responsible for the management of the embankments, spillways and water releasing structures; and
- **Land and On Water** – responsible for the management of perimeter lands, recreational use and natural resource functions.

The new structure enables the business to:

- Re-focus its resources into specific skills areas and expertise, improving the quality and efficiency of services delivery.

We will also:

- Begin the development of new business systems, capturing knowledge and expertise in manuals and procedures. These new contemporary systems will ensure improvement and sustainability in our service delivery.

#### LAND AND ON WATER

Over the next three years the business will be engaging with communities and key stakeholder agencies to develop specific Land and On Water Management Plans for each of G-MW's dams. The vast majority of the general community interact with G-MW's dams for

recreational use only and do not appreciate the purpose of the dams as a fundamental element of a regional irrigation and environmental network.

Hence, the Land and On Water planning process involves a comprehensive discussion with the community and other agencies to identify expectations and responsibilities thereby ensuring the required services are provided and funded by the right agencies and user groups. The Plans will seek to address an existing gap in G-MW's management planning strategy by balancing the multiple benefits enjoyed by the local communities and recreational users with the primary water harvesting and storage function.

The underlying principles of the Plan are that G-MW will:

- Protect and enhance water quality;
- Sustain and improve the ecological health and biodiversity of the waterway and riparian zones;
- Provide and enhance safe public access; and
- Ensure minimal impact on the functional operation of the dam.

G-MW has already completed Land and On Water Management Plans at two MDBA storages, Lake Mulwala and Lake Hume. These Plans have proven to be a successful means of planning for and achieving agreed land and recreational management outcomes.

#### **OPERATIONS AND MAINTENANCE MANUALS**

G-MW is enhancing its asset management practices by introducing a contemporary Asset Management System across the Business.

To maximise the benefit of this system, we will:

- Develop comprehensive Operations and Maintenance manuals which capture the extensive knowledge, experience and expertise of our staff, into structured, sustainable processes and procedures.
- Continue the development of an innovative approach to producing Operations and Maintenance procedures where not only are the requirements for the task captured in the procedure document but also the management of operator competency, OH&S, environmental and infrastructure risks. The inclusion of all of this information into one concise document for each task will significantly improve the efficiency of the dams operation and maintenance function.

#### **INCIDENT MANAGEMENT**

G-MW uses the Australasian Inter-service Incident Management System (AIIMS) to coordinate the management of all incidents and emergencies.

The Wholesale Water Business is developing:

- An integrated suite of management manuals to enable a seamless progression of management function from our day-to-day operations through to the most extreme of dam safety emergencies. The suite of manuals include:

- Operations and Maintenance – covering normal operations of the dam;
- Flood Incident Management Plan – covering flood releases or situations where releases greater than the normal regulated release is required; and
- Dam Safety Emergency Plans – covering extreme floods, earthquakes and other dam safety emergencies.

Traditionally all of the information required to coordinate incidents or emergencies has been available in varying documents and manuals within the business. This will be the first time such a coordinated approach to emergency management documentation for all aspects of dam operations has been developed.

### **DAM IMPROVEMENT PROGRAM AND SAFETY**

G-MW manages its dams in accordance with ANCOLD Guidelines as required by the Statement of Obligations. A key component of this approach is the application of a sophisticated dam safety risk management process to assess our portfolio of dams against contemporary dam safety standards and to prioritise and determine the scope of major upgrade works to ensure our dams meet community expectations for the safety of these high hazard facilities. Our dam safety risk management processes are widely regarded as industry leading and we are committed to maintaining an industry leading reputation in this field.

Over the past decade G-MW has invested in excess of \$110m in major dam safety upgrades to ensure that risks are managed appropriately.

We will:

- Continue to apply state-of-the-art risk analysis techniques to ensure we remain fully aware of the risk posed by our dams. This will include completion of current studies utilising leading edge methods for preparation of inundation mapping and calculating consequences associated with dam failure as inputs to risk assessments.

## b) Retail Water Services

A key element of the 2010/11 Corporate Plan was the creation of a separate business unit for the Gravity Irrigation Areas of the GMID. This occurred on 1 July 2010. This unit has a clear focus on management and delivery of improved valued customer service outcomes at the least cost to GMID customers. The delivery of the service and business efficiency outcomes is clearly linked to the successful delivery of modernisation outcomes in the GMID.

### The key achievements during 2010/11 year included:

- Customer Service
  - Moving from a water delivery focus to a customer service driven focus;
- Customer Engagement and Consultation
  - Irrigator eNews / eDam Levels introduced;
  - Customer satisfaction survey completed by phone;
- Offices and Facilities
  - Administration centres are now service centres.

### The key business initiatives planned for the 2011/12 year include:

- Consolidation of the Retail Business
  - To achieve the full benefits of the improved service and business efficiency focus of the business, all other retail water services will be consolidated within this unit, providing a one stop shop for retail water services. The diversions services, pumped irrigation districts and piped domestic and stock systems will be managed and operated by the regional teams providing a total Retail Water Services focus.
- Customer Service
  - G-MW's goal is to achieve accreditation as a Customer Service Organisation by the Australian Institute of Customer Service. This will provide a common goal across the workforce and ensure that customer service processes are robust and sustainable.

We will:

- Introduce a state-of-the-art organisational wide telephony system that supports all voice communications and remote video servicing. This will enable the development of a Customer Service Centre that provides a focus for all incoming telephone and electronic correspondence to achieve a high first call resolution rate.
- Further development of the suite of SMS and eServices, including SMS advice when a water allocation trade has been completed, G-MW and

WaterLINE smart phone applications, enhancing G-MW's website to enable Customer Service information and transaction delivery.

- Build on the success of its first Customer Account Managers and employ two more staff to ensure face to face resolution of issues, as field workforce numbers decline in remote areas due to expanded modernisation of the delivery systems.
- Complete the consolidation of all irrigation remote monitoring and planning functions to the Central Operations team in Tatura.

➤ Business Efficiency

We will:

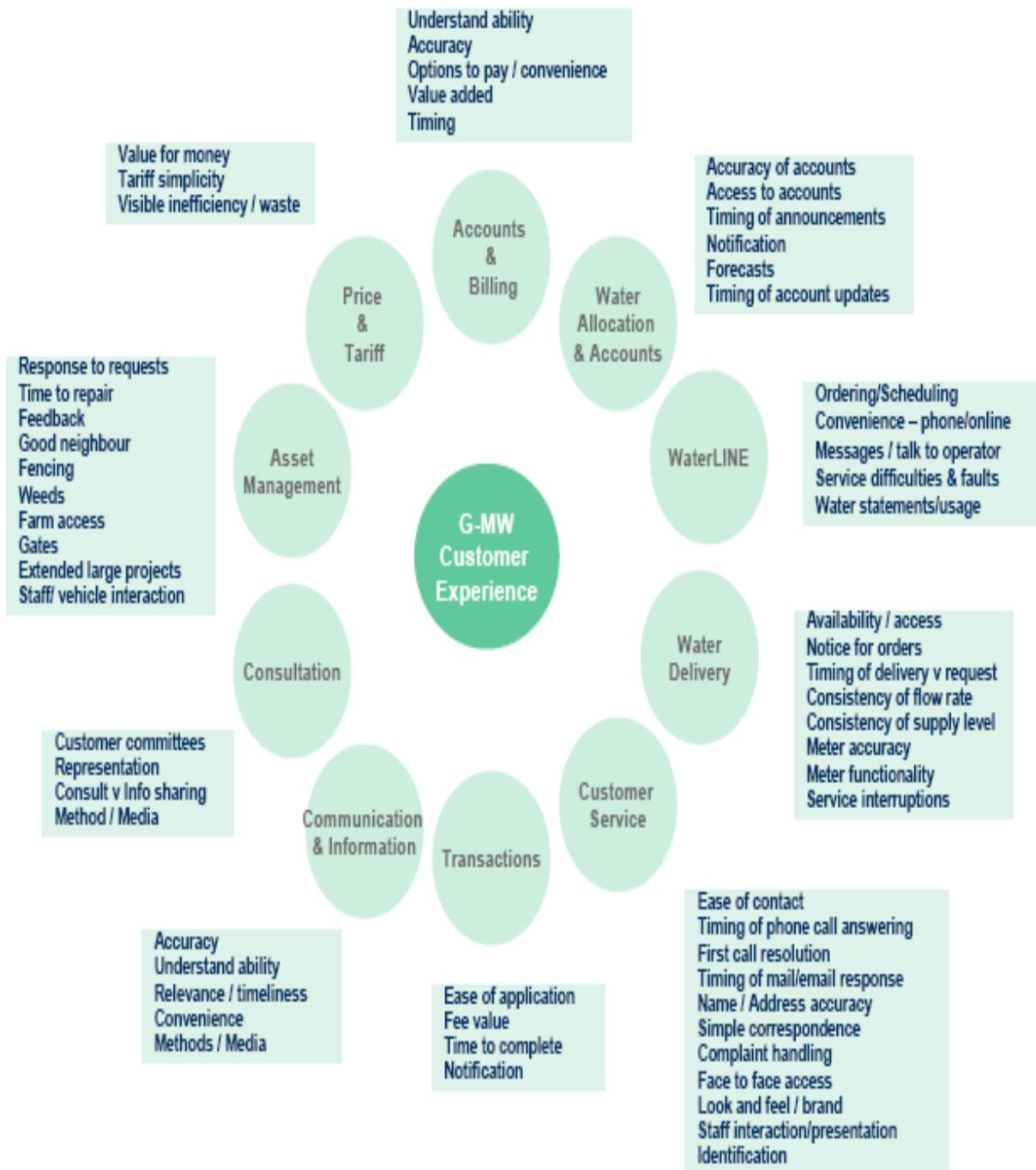
- Consolidate Diversions, Pumped Irrigation and Water districts into the Retail Water Services Business to capture the synergies that exist within these functions;
- Develop Service Level Agreements between the businesses internally to provide a more direct purchaser / provider relationship through definition of outputs and benchmarking services;
- Consolidate maintenance and capital delivery resources to ensure efficient planning and delivery of routine and responsive maintenance and capital programs; and
- Market test selected business support service activities to demonstrate efficiency where this can be achieved without compromising sustainability and continuity.

➤ Tariffs and Pricing

We will:

- Undertake reviews of our diversions, surface drainage and water districts tariffs in 2012

## The Goulburn-Murray Water Customer Experience



## c) Water Resource Management

### REGULATED SYSTEMS

During the 2011/12 year, we will:

- Develop flood monitoring and prediction software and methods to enhance the efficient collection and presentation of field data. The software will integrate with flood prediction models to improve the timeliness and accuracy of estimated storage inflows to enhance storage operations. The Bureau of Meteorology will be consulted during the development and this work and sharing of data and outcomes will be maximised.
- Support eWater CRC in the development of water management software to meet industry requirements. This involves the development eWater's Source modelling platform to represent G-MW's operational area to enhance system modelling and scenario evaluation capabilities.
- Develop practical and efficient business response to the implementation of the Water Accounting standards to which G-MW must comply.
- Implement policies and actions defined in the Northern Region Sustainable Water Strategy including:
  - Murray reserve policy;
  - Broken system reserve policy;
  - Loddon system carryover policy;
  - Review of trading rules in the Ovens and Broken systems; and
  - Ongoing amendments to all source bulk entitlement (BE) to improve transparency and to specify operating water requirements for Goulburn component of the GMID.
- Develop environmental watering operational plans and protocols in conjunction with Victorian and Commonwealth Environmental water holders.
- Work with Victorian Environmental Water Holder to confirm Bulk Water Entitlement amendments.
- Develop reporting and accounting arrangements to effectively monitor the planning, use and evaluation of the environmental watering program.
- Develop operational plans for the utilisation of mitigation water obligations with NVIRP.

## GROUNDWATER AND UNREGULATED SYSTEMS

During the 2011/12 year, we will:

- Develop groundwater management plans for the Lower Campaspe Valley and the Loddon Highlands Groundwater Supply Protection Areas. The consultative committees to oversee and guide this process have been established and the work has commenced.
- Complete and implement the Upper Ovens Management Plan.
- Review the Katunga Groundwater Management Plan. Following the review, consider and define processes and procedures for implementing the amendment of the Plan.
- Develop local management rules for priority groundwater area and priority unregulated streams. The groundwater areas to be commenced include the Lower Ovens, Upper Campaspe and Mineral Springs area and the Upper Goulburn (Kingleake and Strathbogie ranges). Existing rules for all unregulated streams will be published.
- The priorities and funding arrangements for the revision of local management rules will be confirmed and agreed with the CMAs.
- Groundwater resource assessments will continue with the emphasis on the National Water Commission funded projects to address cross border groundwater management arrangements and for the review of the management arrangements for shallow groundwater in the Shepparton Irrigation Region.
- Implement the sampling, analysis and reporting phases the State Observation Bore Network program.
- Develop 3D aquifer layer mapping to enhance our information services and licensing considerations.
- Implement policies and actions defined in the Northern Region Sustainable Water Strategy including:
  - Groundwater carryover; and
  - Implement the SAFE (Secure Allocation Future Entitlement) Project to define groundwater systems and appropriate usage caps.

## POLICY IMPLEMENTATION

The key initiatives to be implemented during the 2011/12 year include:

- the implementation of policies and actions defined within the Northern Region Sustainable Water Strategy including:

- Review and update recommendations on the Ministerial guidelines for delegating licensing functions and develop operating rules for groundwater and unregulated stream supplies;
- Review restriction and rostering policies and procedures and link with development of local management rules.
- Develop policy approach and rules for the licensing of stormwater harvesting.
- Complete the review and renewal of licences for all potentially hazardous private dams.

## COMPLIANCE

During the 2011/12 year we will:

- Complete the implementation of the National Compliance Framework. Initial work in 2011/12 will include a comprehensive review of the Victorian legislation and management practices in the context of the recommendation of the national framework.
- Develop investment and work programs to implement the framework by 2016 and develop integration strategies for beyond 2016.

### d) Customer Administration

During the 2011/12 year we will:

- Complete and implement STAR (System Tracking And Recording) to deliver efficient and accurate transaction processes;
- Implement recommendations from the Billing Review including the introduction of additional process documentation controls, revenue assurance processes and ownership and accountability for billing data;
- Complete the land data cleansing project to ensure accurate land information for use with the Victorian Water Register and within G-MW business systems including the GIS to improve billing and entitlement data integrity;
- Deliver a range of improvements to simplify and streamline land ownership change processes for customers and their intermediaries;
- Complete SAM (customer records and billing) software upgrade to provide an enhanced feature set, improved interface with the Victorian Water Register and a range of online services;
- Continue to work with DSE and the Victorian Water Register to define, implement and test an ambitious change program including:
  - Mortgagee transfers;

- Automation of unused and spill water accounts;
  - Return flows accounting;
  - Enhancements for managing environmental entitlements;
  - System hardware and software upgrade;
  - Trading of remaining allocation;
  - Interoperability for tagged trades;
  - Carryover for licences; and
  - Modernisation water savings distribution.
- Improve customer service by developing and implementing new business systems building on the new telephony capability.
  - Deliver the following licensing projects:
    - Renewal of Section 67 Operating Licences for potentially hazardous dams;
    - Domestic and Stock dam registrations for rural residential areas
    - Migration of Section 67 Construction Licences from in-house register into the Victorian Water Register
    - Ensure compliance of Water use licences held against non-contiguous lands; and
    - Conversion of non-authoritative Section 51 Licences held in the Water Register into authoritative records.
  - Implement the Minister’s policies for managing Take and Use Licences in relation to removing the inspection component for some licence applications.

## Business Initiatives – Part 2

### Rebuild the Business Foundations

#### a) Leadership and Human Resource Development

G-MW's objective is to build leadership capacity within the organisation with the capability to deliver our corporate strategy and effectively manage our business.

To achieve this, G-MW has developed a framework and work plan to be implemented during the 2011/12 year as follows:

Stage	Deliverable
1. Identify critical roles and core operational roles	➤ Critical role matrix against future structure / plan
2. Define success profiles	➤ Role success profiles for all critical leadership functions and core operational roles
3. Capability and Bench Strength Matrix	➤ High level (anecdotal) matrix of existing capability strengths and gaps against future requirements
4. Assessment of capability	➤ Targeted assessment of leaders and measure capability of operational roles
5. Establish Training framework	<ul style="list-style-type: none"> <li>➤ Set up learning and training platform</li> <li>➤ Use assessment outcomes to target leadership development</li> </ul>
6. Recruitment Strategy	➤ Engage recruitment consultants as required
7. ROI and Capability shift	➤ Measure capability improvement and monitor identified risk areas

## b) Driving and ensuring Financial Viability

G-MW has embarked upon a program of business improvement within the Finance area driven by the achievement of the following goals during this 2011/12 Corporate Plan.

We will:

- Develop a service culture to partner with the business units;
- Develop budgets that reward efficiency, innovation and operational excellence;
- Ensure cash flow that is securely and responsibly funded and monitored;
- Provide accurate, reliable and useful information and analysis for management and Board decision making;
- Ensure disciplined, transparent and accountable reporting across the business; and
- Develop policies and procedures that promote a culture of accountability and transparency across the organisation.

To achieve these goals, we have implemented a number of actions and projects that will be realized over the 2011/12 year.

We will:

- Establish in their roles, the newly appointed staff, including Chief Financial Officer, Financial Controller and Project Accountant;
- Restructure of the Finance team to strengthen focus / capability in key service areas, establish monthly controls over project accounting, build stronger relationships with all business units, deliver enhancements to the finance system and strengthen support to users of the finance system;
- Review of the financial systems to assess their capability to deliver accurate, timely and useful information to management and the Board;
- Introduce a three way budget model to ensure information is appropriately reported on an integrated basis;
- Implement a three month rolling cash flow forecast;
- Implement detailed reporting and monitoring of capital expenditure against funding and budgets;

We believe the successful delivery of these projects will provide a strong and resilient base for the business units to deliver sustainable outcomes to our customers and key stakeholders.

### c) Robust and Sustainable Strategic Planning

Operational effectiveness and strategy are both essential for G-MW to deliver superior performance to our customers and stakeholders. Striving for operational effectiveness will allow us to deliver our services more efficiently than before. Accordingly, we will be seeking to eliminate wasted effort, employ more advanced technology, motivate our staff better and seek to understand our customers' needs in a deeper way.

Driving G-MW's constant improvement in operational effectiveness is necessary to achieve superior outcomes. During the 2011/12 year, we will be striving to implement continuous improvement programs throughout the organisation.

Our strategy, however, will be seeking to identify our strengths and adopt these to the changing environment in which we operate.

In particular, as Modernisation of our irrigation system is implemented, we will need to reassess our core skills and competencies so that we can provide a service that is technologically based rather than manual in its application.

We will be seeking to identify:

- Our unique skills and knowledge;
- Tailoring our activities to this strategy;
- Reviewing the synergies across all of the activities that we perform;
- Recognising the benefits that we can leverage from an integrated organisation; and
- Assume operational effectiveness across G-MW.

To achieve our goals we will be developing the following plans during the 2011/12 year –

We will:

- Develop a planning framework that drives strategic thinking across the businesses;
- Improve links and integration between the Corporate Plan, Water Plan and Business Plans;
- Further enhance the Whole Of Life model into a long term Strategic Planning model inclusive of pricing that enables static and dynamic analysis of data for both G-MW's corporate decision and to enhance benefits to our customers;
- Develop skills and capabilities within strategic planning across G-MW;

#### d) **Customer Communications and Engagement**

To enable G-MW to anticipate and service the needs of our customers more effectively –

We will develop:

- Communication activities – to inform customers of policy changes, issues and opportunities impacting on their business operations via media releases, newsletters, advertisements, brochures and customer meetings;
- Engagement activities – working together to determine solutions and outcomes, for example, service-price trade-offs, management plans, local operating arrangements during droughts and floods;
- Intelligence gathering – evidence v’s anecdotes, direct contact with random members of target audiences on specific issues, for example, research and surveys;

We will:

- Develop sophisticated customer intelligence to enable us to:
  - Analyse and anticipate customer trends and services needs – to define value;
  - Tailor communication content, timing and delivery – to provide valued information;
  - Employ direct engagement tools – to achieve valued engagement;
- Develop an integrated approach consolidating all of the customers touch points within the organisation

## e) Risk Management

To enable G-MW to successfully deliver on the activities within the Corporate Plan, there is recognition that we must re-assess our risk framework and risk culture throughout the organisation.

The current risk management framework, although supported by robust electronic tools, has not sufficiently embedded a risk management culture throughout G-MW.

A strong risk culture requires:

- Clear and well communicated risk strategy;
- Risk appetite and tolerances set and communicated by the Board and executive management;
- High standards of analytical rigour and information sharing across the whole business;
- Rapid escalation of issues, threats and opportunities;
- Visible and consistent role modelling of desired behaviours and standards by executive and senior management;
- Incentives which encourage all staff to think about the overall health of the business; and
- Continuous and constructive challenging of actions and ideas at all levels of business.

G-MW has commenced a review of its risk function with the aim of developing and embedding a risk culture and refreshing the risk register to ensure its relevance to the organisation over the 2011/12 year.

## f) Information Management and Business Systems

To enable G-MW to deliver on its strategy, a key component is to ensure that it has the technology platform to support the needs of the business. Each part of the business has set itself challenges over the 2011/12 year that will demand a responsive and robust technology platform to enable their business. This is evident across all parts of the organisation – infrastructure, modernised irrigation system, capital delivery, finance, risk management and water administration to name a few.

Accordingly, G-MW is reviewing its information management and business systems so that the operational environment and infrastructure will be:

- Focused on satisfying customer requirements and expectations;
- Based on a service orientated architecture facilitating easy operability between internal and external vendor service level agreements;
- Underpinned by effective vendor service level agreements;
- Proactively monitored and managed by an informed and competent workforce; and
- Secure, resilient and flexible, providing just-in-time capacity.

The technology strategy will reflect the needs of the business and will establish and maintain an environment that cost effectively enables:

- The capture and safe keeping of all business data, knowledge and records;
- The transformation of internal and external data into business intelligence for evidence based strategic decision making;
- Advanced customer services, engagement, education and communication through a variety of mediums;
- Communicate safety through safe operation of automated systems and accurate early warning capability;
- Seamless support of partnerships with Government and other stakeholders;
- Sustainable water usage and water savings through accurate operation of water management systems plus intelligent integration with on farm technology and national resource databases; and
- Undertake business process re-engineering and systemisation.

## g) Asset Planning and Management

### Asset Planning

G-MW applies sophisticated asset management techniques in the development and delivery of our capital works program. Our asset management information system has recently been upgraded to the IBM 'Maximo' platform. This system provides significant opportunities for us to continue to drive efficiencies in our program delivery through mobile computing technologies and integration with our Geospatial Information System (GIS). This functionality allows timely and accurate capture of asset data, remote issue of maintenance work orders and tracking of field based resources.

The Maximo system is a key component of the overall asset management system. This technology supports the capture, recording and analysis of data to deliver on the life cycle asset management process we follow which includes:

- Assessment of the condition of all our assets, by site investigations and inspections.
- Planning all future asset works programs by collating and comparing all asset information and assessing relevant risks.
- Repair of assets by undertaking routine and preventative maintenance (including the Advanced Maintenance Program).
- Replacing or upgrading assets as necessary to deliver service needs or to meet compliance requirements through Capital Works Programs.
- Removal of assets that are no longer required.
- Routine operations, surveillance, and maintenance of all assets.

### Program Delivery

G-MW conducts its business as efficiently as possible consistent with commercial practice. We seek to effectively manage assets to ensure the supply of consistent and sustainable services to customers whilst seeking to minimise the overall whole of life asset cost in accordance with applicable legislation, regulatory, safety and business risk requirements.

Greater efficiency in the delivery of our asset program will be achieved through:

- changes to the way we procure engineering and construction services and challenging the mix of internal and contracted resources we utilise.

Initial actions to consolidate internal construction resources delivering both maintenance and capital works in one business unit have commenced. This will provide for more effective utilisation of resources as demands across the works program vary throughout the year.

The buoyancy of the engineering and construction industry in recent years has meant securing the resources to deliver our programs has been challenging. To address this problem we will engage with the market to establish a revised program delivery model that will provide the required engineering, design and construction resources. The delivery model (foreshadowed as a Program Alliance) will use a competitive processes to ensure cost effective delivery while establishing relationships with key suppliers to drive innovation,

ensure knowledge sharing, provide employee development opportunities to address recruitment and retention issues and ultimately position G-MW with a workforce that can meet the challenges of a modernised irrigation system.

**G-MW**

- Modify asset components to reduce whole of life costs
- Continuously review costs to reduce impact on customers

**Modernisation**

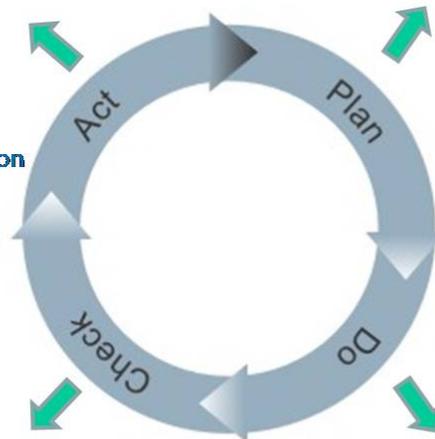
- Implement works
- Ensure compliance to vision for irrigation
- Provide outcomes of works (infrastructure and water savings)

**G-MW**

- Review of outcomes (quality, costs, WoL)

**Modernisation**

- Ensure compliance to vision of irrigation
- Test outcomes of works (water savings, costs)



**G-MW**

- Improve forward planning
- Emphasis on next year and the year after

**Modernisation**

- Long term vision for irrigation
- Increase input of partner agencies
- Increase customer participation

**G-MW**

- Flexible delivery arrangements
- Increased skill base in project delivery

**Modernisation**

- Panel of contractors for on-farm works
- Mix of self performed works and hard dollar contracts

**Continuous Improvement Program**

The NVIRP modernisation investment continues to challenge the fundamental way that G-MW carries out its business. The delivery system which was intensely manually operated is rapidly changing to an automated system with real-time monitoring using a centralised computer requiring little human intervention.

The sophisticated and modernised system requires a completely new maintenance regime involving a significant number of mobile and trained staff supported by a maintenance management system with an appropriate level of critical items to minimise service disruptions.

The key components that are being reviewed to achieve an optimised maintenance outcome are:-

- Establishing the procurement model with the right specialist expertise required to support the modernisation maintenance program. This includes the knowledge base and skill-set needed as well as the resourcing capability to provide rapid response to our customers.

- Other processes under development include materials management, reliability engineering, the planning and scheduling functions and the frequency of maintenance activities to the automated sites in the field to achieve best practice.
- Development of the metering and the radio communications maintenance schedules through the use of the software model of 'Failure Mode Effects and Critical Analysis' (FMECA).

All these process are integrated and subject to continuous improvement.

## SECTION FOUR - RISK MANAGEMENT

### RISK ANALYSIS AND MANAGEMENT

G-MW’s Whole of Business Risk Management Framework includes several different methodologies that are utilized to identify, evaluate, mitigate and report on a variety of risks that span all activities, infrastructure and associated water delivery and storage assets undertaken and managed by the Authority through an Enterprise Risk Management (ERM) approach.

Strategic Risks :	Corporate Risk Methodology : ISO 31000:2009
Operational Risks :	Integrated Risk Methodology : ISO 31000:2009
Critical Asset Security Risks :	Security and Vulnerability Methodology : SV-RAG 2006
ICT Security Risks :	Information and Communication Technology Security Methodology : ISO 27005:

Over the period of this plan, G-MW will continue to review and enhance its risk management culture and frameworks to ensure that it has aligned itself with risk industry best practice trends.

We will undertake:

- A review of all of our risk appetite and tolerance expectations;
- Implementation of dashboard reporting of all corporate legal compliance obligations; and
- Enhancement of our identification and reporting of operational risks.

G-MW’s Strategic Risk Register is the primary method by which organisation wide risks are reported. Each of these risks have mitigating controls that act as a barrier to ensure there is no negative impact on the realisation of G-MW’s strategic objectives.

Key strategic risks that may potentially affect G-MW’s strategic objectives include:

Strategic Risks	Mitigation Controls
Organisational Capability – The loss of key management and technical capability	G-MW is undertaking several proactive initiatives that focus on identifying key roles and resources within each business unit and will continue to develop programs that establish succession plans and knowledge retention systems around those roles. We will also undertake the development of standard operating procedures for key operational roles and continue to enhance our staff development and mentoring programs.

Strategic Risks	Mitigation Controls
Maintaining and enhancing positive working relationships with customers and key stakeholders	G-MW is committed to continuing active engagement of the regional communities that we service. We will initiate new and innovative ways to provide information to our customers and stakeholders, while continuing to establish ourselves as a quality service provision organisation.
Financial Viability	Our financial business information systems are being enhanced to provide greater support in capital project planning, budgeting and cash flow forecasting through integrated budget tools. We are also enhancing our capabilities within the finance team to ensure accurate and reliable delivery of financial information and analysis.
Information and Communications Technology infrastructure and business systems not adequately supporting organisational requirements	Our ICT department has implemented programs to enhance our resilience and management of all of our communications and business information systems. We have established a disaster recovery centre in Melbourne and are undertaking development of a new information technology strategic plan covering the next five years.
Environmental threats and uncertainty about climate change affecting the storage and delivery of safe and reliable water to G-MW's customers	G-MW is dedicated to the sustainable management of water resources, for all irrigation, ground water and unregulated systems. We will continue to implement key programs that build on water conservation and sustainability initiatives through the Northern Region Sustainable Water Strategy. We will also continue to audit our allocation procedures and utilize our environmental management framework to mitigate environmental risks.
Modernised Irrigation or Dam/Storage assets not meeting service delivery obligations and customer expectations	We have recently implemented a new asset management system that provides best of practice maintenance tracking and scheduling systems, enhanced asset life strategic planning and real time site based asset assessment capability. Combined with enhanced strategic capital works planning and business as usual maintenance expenditure we will continue to
Compliance with legislative obligations and regulatory requirements	Regular reporting to G-MW Board on compliance with the Statement of Obligations is undertaken. We will also enhance this reporting through the implementation of systems that will facilitate tracking and reporting through dashboards and provide capability to report on all legislative and regulatory requirements.
Delivery of capital and maintenance works on forecasted time and budget tolerances	Building on a well established project initiation and delivery methodology, the implementation of a corporate project planning and reporting system for all capital projects with real time links to G-MW financial systems will provide the organisation with significant ability to proactively track project progress and fine tune tolerance zones. Projects are also reviewed and endorsed through our Major Project Investment Committee.

G-MW assesses and monitors operational risks. Risk in this sphere can potentially have a negative impact on day-to-day operations.

Operational Risks	Mitigation Controls
Major failure of a water storage or modernised irrigation asset	G-MW undertakes thorough dam safety inspections on a yearly basis and has in place a comprehensive maintenance and capital works program for dam/storage improvements. Similarly we have invested in the professional development of staff that maintain modernised irrigation assets and combined with service agreements with our partners provides G-MW with the capability to proactively address asset issues.
Public safety at our storages and irrigation assets	Ongoing proactive educational campaigns highlighting safety issues, particularly aimed at school children are the primary mitigation efforts in this area. We also undertake a variety of fencing and signage around key assets informing customers and visitors of potential hazards.
Security of G-MW assets and safe working environment for staff	There are a variety of security protocols and initiatives that G-MW undertakes on a yearly basis; key to this is our compliance with the Community Protection (Terrorism) Act 2006. G-MW is also an active member of several Federal and State based water industry security forums and networks and has close working relationships with Victoria Police at local and state levels.
Serious injury or death of employee or contractor	G-MW has in place a comprehensive occupational health and safety system that is externally audited on a regular basis. We have implemented enhancements to this system in order to align it with the Australian Standard AS 4801. Safety culture will also continue to be enhanced through proactive reporting of leading key performance indicators.
G-MW assets or works negatively impacting on the environment	Our environmental management system is compliant with ISO 14001 and is externally audited. We have invested in partnerships with other water corporations that allows a collaborative approach to any environmental incident that may occur.

## **SECTION FIVE - CAPITAL PROGRAM**

G-MW operates, manages and maintains assets with a current replacement value in excess of \$5 billion. A structured approach to asset management is used to ensure consistency of service provision to customers at an efficient cost.

G-MW applies sophisticated asset management techniques in the development and delivery of our capital works program. Our asset management information system has recently been upgraded to the IBM 'Maximo' platform. This system provides significant opportunities for us to continue to drive efficiencies in our program delivery through mobile computing technologies and integration with our GIS. This functionality allows timely and accurate capture of asset data, remote issue of maintenance work orders and tracking of field based resources. This is more fully described in Section Two of this Plan.

Asset investment across the GMID will continue to be influenced by NVIRP. All potential investments will be scrutinised to ensure they are consistent with the functionality and footprint of the proposed modernised system.

Within the bulk water business, asset investment will be guided by the application of our dam safety management arrangements. We shall continue to ensure our assets and management practices conform to ANCOLD guidelines with investment guided by risk management principles.

Over the three year period of this Corporate Plan the total capital expenditure proposed is \$164 million, comprising of \$128 million for retail works (replacement of channels, subways, syphons, road bridges and drainage infrastructure) and \$36m for bulk water assets (dam safety and recreational facilities around storages).

### **IRRIGATION BACKBONE IMPROVEMENT**

Along with the benefits provided by modernisation of the irrigation system, significant operational efficiencies and improvement in whole of life costs for channel assets can be achieved through fencing of channels and provision of improved access. Exclusion of stock prevents the most significant cause of deterioration of channel banks while improved access increases maintenance efficiencies for activities such as weed spraying, asset inspections and meter reading. An investment of \$57 million over a ten year period is proposed to fence and provide access to the irrigation backbone. Planning and evaluation of the program commenced in 2009/10 and expenditure will be incurred progressively, subject to ongoing satisfactory whole of life benefit assessment.

It is anticipated that this investment, when constructed following the NVIRP works program will extend the life of channel assets by a minimum of 10 years and significantly reduce maintenance costs of automated regulators and customer service points.

## **SECTION SIX - MATERIAL CHANGES FROM 2010/11 CORPORATE PLAN**

The 2010/11 year witnessed a major turnaround in seasonal conditions. Many years of drought were broken by unprecedented flooding of the Campaspe and Loddon Rivers. This has seen most of the major storages effectively full. The consequence of these wet conditions has resulted in very low deliveries for the year (approximately 34%) despite full storages.

With the NVIRP Inquiry occurring and Stage 2 funding not yet finalised, our Corporate Plan contains a number of assumptions in these respects. These include:

- Stage 1 Funding – on advice from the Minister, G-MW is scheduling to make payments to NVIRP of \$50 million on 30 June 2012 and \$50 million during FY13;
- To accommodate these payments, G-MW is assuming that it will seek and have approved a revenue requirement amendment from the ESC to be effective from 1 July 2012;
- NVIRP has advised that the asset transfer to G-MW from Stage 1 will be reduced from the previously advised \$564 million to \$472 million;
- As the Stage 2 funding or works program has not as yet been approved, G-MW has made no provision to accommodate payments to NVIRP or works within the plan;
- Flood expenditure of \$5.7 million will be incurred in FY11 and FY12. G-MW will seek Government funds in compensation.

## SECTION SEVEN – FINANCIAL STATEMENTS

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## SECTION SEVEN – FINANCIAL STATEMENTS

### Assumptions

The financial statements presented cover the period from financial year 2010/11 to 2013/14. Important to note is that the current Water Plan only covers the period up until financial year 2012/13 and thus the extension beyond this period for financial year 2013/14 is based upon G-MW's best estimate of prescribed revenues and expenses within a period where there is no price determination set.

Regulated prices are currently set by the Essential Services Commission (ESC). In early April 2011, G-MW submitted its pricing submission for the 2011/12 year. Our Corporate Plan is currently based upon this pricing submission. Material changes in the approved price determination could have a significant impact upon the financial forecast as provided within this Corporate Plan. When the pricing decision is handed down, G-MW will revisit the Corporate Plan to assess the impact of any changes to price and assumptions made. Where these changes materially impact the submitted Corporate Plan, G-MW will seek permission from DSE and DTF to resubmit this plan.

The supporting financial statement projections have been calculated in accordance with the 2008 ESC determination and associated revenue cap.

As a result of this approach, G-MW has not included any significant items in the 2011/12 price that were not included in the original determination. Significantly this does not include any potential contributions to the modernisation project and flood recovery works. Should the costs associated with these (and other) projects eventuate it will necessitate an application to the ESC to raise the revenue cap, which will ultimately be recovered from customers through future price increases.

A small component of tariffs (approximately 10% of delivery services) is recovered through a delivery charge to customers. The supporting tariffs have been based upon an assumed delivery volume equivalent to 60% high-reliability water share in all systems. This is consistent with the delivery forecast for 2010-11 and results in no change to the variable delivery fee.

The delivery estimate for 2011/12 is above G-MW's five year rolling delivery average (approximately 50%). The higher estimate has been used in acknowledgment of significant reserves that currently exist in storages, while taking a conservative approach in recognition of historical under-recovery of revenue from this item.

Our margins on non-prescribed services which include the Government Services contract, Murray-Darling Basin Authority (MDBA) contract, Recoverable works and NVIRP services are expected to be consistent with prior years arrangements with an increase in the program in forward years related to The Living Murray Program. These revenue types are based upon agreed costs plus arrangements for recurrent and capital type expenditure where G-MW is the Contracted Construction Authority. G-MW does not foresee any material change to the structure of these arrangements over the forward estimate period.

Within other revenue for financial year 2011/12 is the assumption of recovery of flood costs incurred by G-MW. One-off additional flood damage/restoration cost over financial year 2010/11 and 2011/12 are estimated to be in excess of \$5.7 million. G-MW has been capturing these additional flood damage/restorations cost and will apply to have 100% of these costs funded via a one-off flood assistance grant from the Victorian and Federal Governments.

Borrowing Costs within the Corporate Plan are based on a 7% interest rate on existing and any new borrowings obtained from the Treasury Corporation Victoria (TCV).

### Cost Reduction

In 2010/11, G-MW set itself a target of achieving a minimum of 3.5% per annum cost reduction across all recurrent expenditure proposed under its Water Plan over the remaining three years of the Plan. As well, it set itself a target of having the lowest proportional corporate overhead of Australian rural water providers by the end of 2012/13.

To achieve these objectives a Cost and Performance Improvement Committee was established to review all recurrent expenditure across the business, develop productivity plans, review corporate overheads, benchmark business performance and establish corporate targets.

The outcome of the expenditure review has been a cost reduction of 3.5% p.a. over the three years from 2010/11 to 2012/13. This was achieved by various means across the different business segments and included productivity savings, reduced staffing under modernisation, consolidation of work units, centralisation of support functions, development of internal service agreements, improved processes, work practices and technology, reduced contingency provisions and elimination of non-core/non-essential tasks.

As part of the Cost and Performance Improvement review a range of strategic change projects were initiated totalling nearly \$7 million over three years and these are being funded by investing some of the cost savings back into the business. These strategic change projects include a range of reviews into costs, billing, pricing and tariffs, borrowings and finances, Information, Communications and Technology (ICT) strategy and security, whole of life costs and additional resources for billing, customer data cleansing, financial management, regulatory and pricing, government relations and strategic planning.

The outcome to date from the review of corporate overheads has been a 7% reduction in overheads for 2011/12 and the work of the Cost and Performance Improvement Committee is continuing.

## Statement of Financial Performance

### Tariffs and Prices

G-MW has submitted its 2011/12 price schedule, in accordance with the 2008 price determination made by the ESC. As this submission is made in alignment with the 2008 determination no changes to the current tariff structure (other than those previously approved) have been included.

It is intended that the organisation will review its tariffs as part of the preparation and consultation for Water Plan 3. This process will examine a more uniform approach to pricing between wholesale and retail customers; examine the impacts of modernisation and how our contributions to this are best recovered through price.

### MDBA Program

G-MW continues our partnership with the Murray-Darling Basin Authority (MDBA) over the forward estimates. The program is set by the MDBA for G-MW to carry out as their appointed Victorian Construction Authority. G-MW has assumed that the current cost plus arrangements will continue over the forward projections. The key reason for the increase in respect of expenditure for the MDBA program in forward years is the material increase in expenditure related to The Living Murray Program. This individual program increases in 2011/12 and 2012/13 with expenditure in excess of \$24 million in each year.

G-MW has assumed that our base level of works on the MDBA program will remain between \$5 - \$5.5 million per annum over the forward estimates with a number of other major projects impacting the level of expenses and revenue, as detailed below.

#### Summary of MDBA scheduled works:

	F2010/11	F2011/12	F2012/13	F2013/14
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Base level expenditure	5,312	5,194	5,642	5,698
Mildura Weir	2,189	710	2,837	2,839
Dartmouth Dam	3,103	3,240	4,229	3,655
Salinity Mitigation	1,365	0	0	0
Living Murray	3,431	25,525	25,215	0
<b>Total Program Expenditure</b>	<b>15,400</b>	<b>34,669</b>	<b>37,923</b>	<b>12,192</b>

Note: figures above include oncost – thus the expenditure figure equals the G-MW revenue from MDBA program.

It is common for the MDBA program to change throughout the year as priorities are re-assessed. This has only a low impact on G-MW as any reduction in the scheduled program reduces expenses and associated revenue by approximately the same amount. Where the program is reduced G-MW foregoes the margin that is billed on top of the expenses incurred, which is designed to cover associated overheads.

## Major Initiatives and Capital Projects

Over the forward forecast period out to 2013/14, G-MW is seeking to invest heavily, and in a targeted manner, in Infrastructure and our Plant, Property and Equipment. Total Capex over the forward estimate period including financial year 2010/11 to 2013/14 is \$164 million. This compares to the forecast Capex within the 2010 Corporate Plan of \$140 million over the same period.

### Summary of Capex spend 2010 vs 2011 Corporate Plan

	F2010/11	F2011/12	F2012/13	F2013/14	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
2011 Corporate Plan	49,552	48,855	32,017	33,101	163,525
2010 Corporate Plan	39,013	33,482	29,959	37,388	139,842
<b>Variance</b>	<b>10,539</b>	<b>15,373</b>	<b>2,058</b>	<b>(4,287)</b>	<b>23,683</b>

Material changes in Capex over the forward projects are summarised below:

The forecast Capex in 2010/11 is expected to be \$10.5 million above that included in the 2010 Corporate Plan. This is due to five material factors:

- i) \$5.4 million East Loddon Pipeline spend not included in prior year Corporate Plan but expected to be spent in 2010/11 in this Plan;
- ii) Additional irrigation works of \$4.0 million (culverts, access roads, fencing and bridges) not contemplated in the 2010 Corporate Plan;
- iii) Additional IT infrastructure spend of \$2.5 million;
- iv) \$5 million unspent from FutureFlow program in 2009/10 spent in 2010/11; and
- v) \$3 million reduction to Salinity Drainage program, \$3.2 million reduction in Dam Improvement program as included in 2010 Corporate Plan.

The forecast Capex in 2011/12 is expected to be \$15.4 million above that included in the 2010 Corporate Plan. This is due to three material factors:

- i) \$10.8 million East Loddon Pipeline spend not included in prior year Corporate Plan but expected to be spent in 2011/12 in this Plan;
- ii) Carry-over of \$0.8 million on Mildura-Merbein Salt interception scheme; and
- iii) Additional IT infrastructure spend of \$1.8 million.

This additional Capex is offset by minor reductions in a number of other projects.

The forecast decrease Capex in 2013/14 is materially due to a \$5.4 million reduction in the prior year forecast for Dam improvement works as the standard for infrastructure has been met from prior works and this spend was considered not necessary at this time.

At any one time there are up to 100 individual minor capital projects being undertaken by G-MW. These projects are individually immaterial compared to the total Capex in any one year.

Material projects to be undertaken under the 2011 Corporate Plan are listed below. The projects highlighted are those with spends over \$1 million per annum over the forward projections covered by this Corporate Plan.

**i) East Loddon Pipeline Project**

Included within the Capital budget for financial year 2010/11, 2011/12 and 2012/13 is \$16.4 million of Capex related to the East Loddon Pipeline Project. This project is being funded jointly by Coliban Water, NVIRP, Regional Development Victoria (RDV) and G-MW. The split of the funding and forecast expenditure timing is shown below.

*Forecast co-contributions and expenditure on East Loddon pipeline project:*

	<b>G-MW Contribution</b>	<b>Coliban Contribution</b>	<b>NVIRP Contribution</b>	<b>RDV Contribution</b>	<b>Total Contributions</b>	<b>Forecast Capital Spend</b>
	<i>(\$'000)</i>	<i>(\$'000)</i>	<i>(\$'000)</i>	<i>(\$'000)</i>	<i>(\$'000)</i>	<i>(\$'000)</i>
F2010/11	0	100	7,568	0	7,668	5,400
F2011/12	2,321	2,335	1,851	2,100	8,607	10,875
F2012/13	118	0	0	0	118	118
<b>TOTAL</b>	<b>2,439</b>	<b>2,435</b>	<b>9,419</b>	<b>2,100</b>	<b>16,393</b>	<b>16,393</b>

*NOTE: There is no impact on revenue in these years as G-MW will recognise the contributions from Coliban, NVIRP and RDV as Government Equity Contributions.*

**ii) Loddon Channel No 2 Syphon replacement**

The Capex and cashflow budget for financial years 2011/12 and 2012/13 includes Capex for the replacement of syphons on Loddon Channel 2. The total Capex is forecast to be \$1m in 2011/12 and \$1m in 2012/13, funded solely by G-MW out of operational cashflow.

**iii) Mildura-Merbein salt interception works**

In partnership with the Murray-Darling Basin Authority (MDBA) G-MW is forecasting to spend \$4.7 million over financial years 2010/11 to 2012/13 on the Mildura-Merbein salt interception works. It is forecast that works will be funded 50:50 between MDBA and G-MW. The forecast expenditure is detailed below.

	<b>G-MW Contribution</b>	<b>MDBA Contribution*</b>	<b>Total Contributions</b>	<b>Forecast spend on Salt interception works</b>
	<i>(\$'000)</i>	<i>(\$'000)</i>	<i>(\$'000)</i>	<i>(\$'000)</i>
F2010/11	527	527	1,054	1,054
F2011/12	939	939	1,878	1,878
F2012/13	866	866	1,732	1,732
<b>TOTAL</b>	<b>2,332</b>	<b>2,332</b>	<b>4,664</b>	<b>4,664</b>

\*G-MW will invoice MDBA for its contribution which will be recognised as other revenue within the income statement, consistent with treatment of MDBA revenue and expenditures.

**iv) Amenities Business – Upgrade of sewerage infrastructure and water pipeline at Jerusalem Creek Caravan Park.**

As part of reinvesting in infrastructure, G-MW will fund the upgrade of underlying sewerage and water infrastructure. The forecast spend of \$1.8 million will take place in 2011/12 and includes building a freshwater (potable) pipeline, sewer works and upgrade of a sewerage barge.

**NVIRP**

Modernisation of Victoria's irrigation infrastructure continues under NVIRP. This activity is forecast to impact the carrying value of assets and depreciation within this Corporate Plan. The regulatory depreciation expense has been adjusted to take into account the transfer of irrigation assets as provided by NVIRP in April 2011. Within the Corporate Plan, G-MW has placed reliance on the transfer schedule as provided by NVIRP.

As part of Stage 1 of the modernisation project, which covers the period from financial year 2009/10 to 2013/14, NVIRP is forecasting to transfer to G-MW approximately \$472 million of assets. The revised expected timing and quantum of these transfers has changed materially compared to those included in the 2010 Corporate Plan based on advice provided by NVIRP. A table summarising these differences is provided below.

*The asset Transfers from NVIRP (\$'000)*

	<b>F2009/10</b>	<b>F2010/11</b>	<b>F2011/12</b>	<b>F2012/13</b>	<b>F2013/14*</b>	<b>Total</b>
	<i>(\$'000)</i>	<i>(\$'000)</i>	<i>(\$'000)</i>	<i>(\$'000)</i>	<i>(\$'000)</i>	<i>(\$'000)</i>
April 11 Forecast from NVIRP	87,740	106,747	123,981	117,358	36,115	<b>471,941</b>
2010 Corporate Plan	90,113	180,489	197,186	96,491	0	<b>564,279</b>
<b>Variance</b>	<b>(2,373)</b>	<b>(73,742)</b>	<b>(73,205)</b>	<b>720,867</b>	<b>36,115</b>	<b>(92,338)</b>

\*outside the current Water Plan forecast period.

G-MW is expecting to contribute \$100 million towards the modernisation of the irrigation infrastructure undertaken by NVIRP. The expected timing of this contribution is detailed below and remains consistent with that reported in the 2010 Corporate Plan, albeit the timing of the first payment has changed from 31 December 2011 to 30 June 2012, therefore

having no interest cost in FY12. Discussions are continuing with DSE to finalise the timing of these payments. Any further changes will have a material impact on borrowings and associated interest expense.

*G-MW contribution to modernisation*

	<b>Contribution #1</b>	<b>Contribution #2</b>	<b>Total</b>
	<i>(\$'000)</i>	<i>(\$'000)</i>	<i>(\$'000)</i>
G-MW Contribution	50,000	50,000	<b>100,000</b>
Cash outflow	Jun 2012	Dec 2012	

As advised by DSE, the contributions to modernisation will be recognised as payments of Equity to Government.

G-MW will fund the \$100 million of contributions via long term debt sourced from Treasury Corporation of Victoria (TCV). Forecast long-term borrowings within the balance sheet include the assumption that G-MW will borrow \$100 million over financial years 2011/12 and 2012/13 to fund its contribution to modernisation.

### Asset Revaluations

Included with the current forecast period is a material revaluation of the G-MW's fixed assets. The 2010 Corporate Plan did not include any revaluation of assets.

The current revaluation impacts asset carrying values as at June 2011 and consequently future years' depreciation. As mandated by DSE, G-MW, along with all regional and rural water corporations has been directed to perform a valuation exercise of Infrastructure, Land and Buildings for the Business Management System (BMS) reporting submission.

The basis of this revaluation included within the 2011 Corporate Plan is as per DTF's advice that for the purpose of preparing Corporate Plans, water corporations should include asset valuations consistent with those submitted in the BMS for the forthcoming State Budget.

Running concurrently with the Corporate Plan process is a major asset valuation project being undertaken by the Valuer General Victoria (VGV). The VGV has appointed external valuers and engineering firms to conduct a valuation exercise for G-MW assets.

The valuation of G-MW assets by the VGV is not expected to be received until late May 2011. Due to a timing difference between submission of the 2011 Corporate Plan and the VGV valuations being provided, G-MW in-line with DSE guidance, has provided its best estimate of asset revaluations as reported within the BMS submitted in April 2011.

The revaluations recorded within the Corporate Plan as at 30 June 2011 are as follows:

<b>Asset classification (Fixed assets)</b>	<b>Increment based upon valuation performed (\$'000)</b>
Land	10,000
Buildings	5,000
Equipment	0
Infrastructure	1,100,000
Intangibles (Software)	0
<b>Total Incremental revaluation</b>	<b>1,115,000</b>

If, after submission of 2011 Corporate Plan, the formal asset valuations provided by the VGV show material variances from that included within this Corporate Plan, G-MW will seek further advice from DSE and DTF as to whether a variation to the Corporate Plan should be submitted.

### Depreciation

The depreciation expense as recorded in the statutory accounts will increase significantly over the forward estimates. This increase in statutory depreciation is due to three factors:

- i) Revaluation as at 30 June 2011 of G-MW fixed assets as required under Government Financial Reporting Standards and DSE guidelines;
- ii) Transfer of \$472 million of modernisation assets from NVIRP to G-MW over the forward projections (including write offs of approximately \$40 million of rationalised assets); and
- iii) On-going investment in fixed assets by G-MW.

Assets are depreciated over their assessed economic life in-line with G-MW accounting policies.

### Accounting Losses

Over the forward estimates, G-MW is forecast to incur accounting losses in each year. These accounting losses are on a statutory basis and include interest, statutory depreciation charges and the loss on disposal of rationalised assets. These statutory losses are not considered an indicator of financial failure or of impending cash management issues, but rather they are largely a result of changes in the asset base of the business as additional NVIRP assets are transferred and re-valued, which increases the statutory depreciation charge. On an Earnings Before Interest, Tax Depreciation and Amortisation level (EBITDA) G-MW is expected to achieve positive results from FY2011/12 onwards, supported by strong positive cash flows from operations.

*Accounting loss and EBITDA over the forward estimates.*

	<b>F2010/11</b>	<b>F2011/12</b>	<b>F2012/13</b>	<b>F2013/14</b>
	<i>(\$'000)</i>	<i>(\$'000)</i>	<i>(\$'000)</i>	<i>(\$'000)</i>
<i>Accounting Profit/(Loss)</i>	(52,789)	(49,813)	(43,182)	(45,273)
<i>Less depreciation and amortisation</i>	39,254	51,368	56,247	57,446
<i>Less Interest expense</i>	3,927	9,453	14,414	16,991
<i>Less Loss on rationalised infrastructure assets</i>	9,124	9,990	9,992	9,843
<i>Less Tax</i>	0	0	0	0
<b>G-MW forecast EBITDA</b>	<b>(484)</b>	<b>20,998</b>	<b>37,471</b>	<b>39,007</b>

When analysing the performance of the business in F2010/11 and comparing the future forecast EBITDA results, we note that a number of key one-off factors must be considered when assessing a more normalised F2010/11 performance.

*Reconciliation to normalised FY2010/11 EBITDA*

	<i>(\$'000)</i>
EBITDA forecast F2010/11	(484)
One-off factors to consider impacting income statement in FY2010/11	
i) Winton Wetlands Committee of Management repayment (expensed)	8,400
ii) Lake Mokoan decommissioning costs (carried over from 2009/10) (expensed)	3,600
iii) Impact of reduced fixed and variable charges (Revenue deficit)	3,960
iv) Un-budgeted modernised irrigation contribution (NVIRP)	2,567
<b>Normalised EBITDA result for F2010/11</b>	<b>18,043</b>

Apart from the one-off factors identified above impacting F2010/11 EBITDA, the improved results in 2011/12 onwards can be linked to the following other factors:

- i) Increase in service and usage charges recovered from customers as G-MW seeks to recover revenue shortfalls within our prescribed revenue cap.
- ii) CP&I, cost reduction program, specifically within Operations and Maintenance, Corporate Administration as benefits of modernisation are realised.

## Statement of Cash Flows

### Operating

Apart from 2010/11 financial year, G-MW is forecast to have positive net operating cash flows. 2010/11 has been impacted primarily by large one-off refunds of cash for Winton Wetland (\$8.4 million), Lake Mokoan decommissioning cost (\$3.6 million) as well as deficit in revenue due to lower water usage charges as a result of wetter than expected climatic conditions.

Over the Corporate Plan period, G-MW is expected to generate \$34.5m from operations. The key risk to these operational cash flows are changes in assumptions for price determination and movement in actual versus forecast water usage.

### Investing

As discussed in major initiatives and capital projects section above, G-MW is forecast to spend \$164m on Infrastructure and Plant, Property and Equipment over this Corporate Plan period. As discussed in the financing section below, the majority of this Capex will be funded via additional borrowings as G-MW is unable to fund the Capex program through operating cash flows alone. This is as a result of the regulatory pricing environment placing a revenue cap on G-MW over the Water Plan period.

### Financing

G-MW has received approval from the Victorian Treasurer to increase its borrowing cap as at 30 June 2011 to a total of \$96 million. This is made up of \$46 million of existing long term approved borrowings (currently drawn to \$37 million) and a new yet unused facility totalling \$50 million. In addition a stand-by facility of \$20 million at call has been approved. We do not expect to utilise the stand-by facility over this Corporate Plan period.

In due course, G-MW will seek to obtain approvals for additional borrowings of \$100m to fund our contributions to modernisation as specified within this Corporate Plan and also additional identified borrowings as specified below to fund our Capex program.

G-MW expects to have the following Long-Term debt levels over this Corporate Plan.

	<b>F2010/11</b>	<b>F2011/12</b>	<b>F2012/13</b>	<b>F2013/14</b>
	<i>(\$'000)</i>	<i>(\$'000)</i>	<i>(\$'000)</i>	<i>(\$'000)</i>
<b>Long-Term Borrowings</b>	<b>94,580</b>	<b>175,802</b>	<b>236,750</b>	<b>249,641</b>

Due to the restrictions placed on G-MW by the regulatory environment and pricing arrangements, we are unable to fully fund its Capex program and contributions to modernisation. These programs must be funded via additional debt. The shortfall in cash flows and the required borrowings is illustrated in the table below:

	<b>F2010/11</b>	<b>F2011/12</b>	<b>F2012/13</b>	<b>F2013/14</b>	<b>Total</b>
	<i>(\$'000)</i>	<i>(\$'000)</i>	<i>(\$'000)</i>	<i>(\$'000)</i>	<i>(\$'000)</i>
Net Cashflow from Operating activities	(15,880)	10,335	20,875	20,012	<b>35,342</b>
Investments in Infrastructure (CAPEX)	(49,552)	(48,855)	(32,017)	(33,101)	<b>(163,525)</b>
Net Government Equity Contributions (excluding Modernisation)	(8,714)	6,286	0	0	<b>(2,428)</b>
Other (outflow)/inflow	1,923	1,012	194	198	<b>3,327</b>
<b>Deficit in cash</b>	<b>(72,223)</b>	<b>(31,222)</b>	<b>(10,948)</b>	<b>(12,891)</b>	<b>(127,284)</b>
Modernisation contribution	0	(50,000)	(50,000)	0	<b>(100,000)</b>
<b>Deficit in cash after Contributions and CAPEX</b>	<b>(72,223)</b>	<b>(81,222)</b>	<b>(60,948)</b>	<b>(12,891)</b>	<b>(227,284)</b>
<b>Opening Debt level</b>	<b>(22,357)</b>	<b>(94,580)</b>	<b>(175,802)</b>	<b>(236,750)</b>	<b>(22,357)</b>
Add Deficit in Cash flow (additional G-MW borrowing requirement)	(72,223)	(81,222)	(60,948)	(12,891)	<b>(227,284)</b>
<b>Closing Debt level</b>	<b>(94,580)</b>	<b>(175,802)</b>	<b>(236,750)</b>	<b>(249,641)</b>	<b>(249,641)</b>

## Operating Statement

### Goulburn-Murray Water Statement of Financial Performance

Recurrent Activity	2010/11 Revised \$'000s	2011/12 Budget \$'000s	2012/13 Budget \$'000s	2013/14 Budget \$'000s
<b>Revenues</b>				
Service Charges	88,831	98,466	115,064	117,376
Usage Charges	5,268	9,195	9,677	9,677
Government Contributions / Grants				
Government Services Contract - Ops	2,290	4,140	4,245	4,245
Government Services Contract - Capex	3,182	2,716	2,227	2,227
Water Savings	536	179	140	140
NVIRP	3,568	608	610	610
Alliance/Futureflow	6,400	-	-	-
Other	748	4,407	568	568
Investment Interest	17	-	-	-
Proceeds from Disposal of Assets	875	410	158	158
MDBA	16,351	34,695	37,948	12,219
Other Revenue	8,832	9,033	9,486	9,486
<b>Total Revenues</b>	<b>136,898</b>	<b>163,849</b>	<b>180,123</b>	<b>156,706</b>
<b>Expenses</b>				
Operations and Maintenance Expenses	89,644	83,358	81,349	81,204
Government Services Contract	2,160	3,891	3,989	3,989
Water Savings	4,062	121	122	122
NVIRP	3,440	616	618	618
Alliance/Futureflow	1,043	-	-	-
Administration Expenses	30,164	30,056	28,768	28,768
Environmental Contributions	1,527	1,527	1,527	1,527
MDBA	14,467	33,272	36,271	11,314
Borrowing Costs / Interest Expense	3,927	9,453	14,414	16,991
Depreciation and Amortisation	39,254	51,368	56,247	57,446
Other Expenses				
<b>Total Expenses</b>	<b>189,687</b>	<b>213,662</b>	<b>223,305</b>	<b>201,979</b>
<b>PROFIT (LOSS)</b>	<b>(52,789)</b>	<b>(49,813)</b>	<b>(43,182)</b>	<b>(45,273)</b>
Transfers to/from Reserves				
Other adjustments				
Retained Profit (Loss) carried forward	79,364	26,574	(23,238)	(66,418)
<b>Closing Retained Profit (Loss)</b>	<b>26,574</b>	<b>(23,239)</b>	<b>(66,420)</b>	<b>(111,692)</b>
<b>ASSET VALUATION RESERVE</b>				
Revaluation of Assets Inc (+) or Dec (-)	1,115,000	-	-	-

### Reconciliation of Accounting Based Result to Regulatory Based Result

	2010/11 Budget \$'000s	2011/12 Budget \$'000s	2012/13 Budget \$'000s	2013/14 Budget \$'000s
Statutory Profit/(Loss) - (as shown on Statement of Financial Performance above)	(52,789)	(49,813)	(43,182)	(45,273)
Add back Statutory Depreciation	39,254	51,368	56,247	57,446
Deduct Regulatory Depreciation	(5,917)	(6,085)	(8,682)	(11,611)
<b>Regulatory Profit / (Loss)</b>	<b>(19,453)</b>	<b>(4,530)</b>	<b>4,383</b>	<b>562</b>

## Balance Sheet

<b>Goulburn-Murray Water</b>				
<b>Statement of Financial Position</b>				
	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>
	<b>Revised</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>
	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>	<b>\$'000s</b>
<b>Current Assets</b>				
Cash and Cash Equivalents	1,354	752	714	674
Receivables	36,483	36,335	37,164	37,812
Less Doubtful Debts	(100)	(100)	(100)	(100)
Inventories	2,126	2,126	2,126	2,126
Prepayments	478	478	478	478
Other Current Assets	-	-	-	-
<b>Total current assets</b>	<b>40,341</b>	<b>39,591</b>	<b>40,382</b>	<b>40,990</b>
<b>Non Current Assets</b>				
Infrastructure	3,371,967	3,532,401	3,668,937	3,724,366
less Accumulated Depreciation (-)	-	(46,075)	(96,193)	(147,039)
Infrastructure (written down value)	3,371,967	3,486,326	3,572,744	3,577,327
Capital Works in Progress	12,302	9,902	8,102	7,002
Land and Buildings	88,815	88,381	88,102	87,922
Plant, Equipment and Motor Vehicles	4,876	4,750	4,719	4,797
Intangible Assets	9,118	8,788	7,458	5,848
Other Non-Current Assets	1,448	1,448	1,448	1,448
<b>Total non-current assets</b>	<b>3,488,526</b>	<b>3,599,595</b>	<b>3,682,573</b>	<b>3,684,344</b>
<b>TOTAL ASSETS</b>	<b>3,528,867</b>	<b>3,639,186</b>	<b>3,722,955</b>	<b>3,725,334</b>
<b>Current Liabilities</b>				
Bank Overdraft	-	-	-	-
Payables	47,050	45,523	43,996	42,469
Borrowings	566	602	641	682
Other Lease Liabilities	-	-	-	-
Employee Benefit Provision	15,651	15,808	15,966	16,126
Other Provisions	1,368	1,368	1,368	1,368
Other Current Liabilities	8,239	8,239	8,239	8,239
<b>Total current liabilities</b>	<b>72,874</b>	<b>71,540</b>	<b>70,210</b>	<b>68,884</b>
<b>Non Current Liabilities</b>				
Borrowings	94,014	175,200	236,109	248,959
Other Lease Liabilities	-	-	-	-
Employee Benefit Provision	1,245	1,257	1,270	1,282
Deferred Tax Liabilities	-	-	-	-
Other Non-Current Liabilities	-	-	-	-
<b>Total non-current liabilities</b>	<b>95,259</b>	<b>176,457</b>	<b>237,379</b>	<b>250,241</b>
<b>TOTAL LIABILITIES</b>	<b>168,133</b>	<b>247,997</b>	<b>307,589</b>	<b>319,125</b>
<b>NET ASSETS</b>	<b>3,360,734</b>	<b>3,391,189</b>	<b>3,415,366</b>	<b>3,406,209</b>
<b>EQUITY</b>				
Government Equity Contributions	2,192,250	2,272,517	2,339,874	2,375,991
Asset Revaluation Reserve	1,141,910	1,141,910	1,141,910	1,141,910
Accumulated Funds (Losses)	26,574	(23,238)	(66,418)	(111,692)
<b>TOTAL EQUITY</b>	<b>3,360,734</b>	<b>3,391,189</b>	<b>3,415,366</b>	<b>3,406,209</b>

## Statement of Cashflow

<b>Goulburn-Murray Water</b>				
<b>Statement of Cashflows</b>				
	2010/11	2011/12	2012/13	2013/14
	Revised	Budget	Budget	Budget
	\$'000s	\$'000s	\$'000s	\$'000s
<b><u>CASH FLOWS FROM OPERATIONS</u></b>				
<b>Receipts</b>				
Service and Usage Charges	90,301	98,361	115,401	117,707
Other Customer Revenue	39,117	52,813	56,521	30,791
Receipts from Government	10,325	12,050	7,790	7,790
Developer Contributions	-	-	-	-
GST Refunds from ATO	5,671	14,218	13,243	10,927
Investment Income	17	-	-	-
<b>Total Cash Receipts from Operations</b>	<b>145,431</b>	<b>177,442</b>	<b>192,955</b>	<b>167,215</b>
<b>Payments</b>				
Payments to suppliers and employees	(149,930)	(142,057)	(142,068)	(117,110)
Interest and other costs of finance paid	(3,927)	(9,453)	(14,414)	(16,991)
GST Paid to ATO	(5,927)	(14,070)	(14,071)	(11,575)
Income Tax Payments	-	-	-	-
Environmental Contributions	(1,527)	(1,527)	(1,527)	(1,527)
Other Payments	-	-	-	-
<b>Total Cash Payments for Operations</b>	<b>(161,311)</b>	<b>(167,107)</b>	<b>(172,080)</b>	<b>(147,203)</b>
<b>Net Cash Inflow (Outflow) from Operating Activities:</b>	<b>(15,880)</b>	<b>10,335</b>	<b>20,875</b>	<b>20,012</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>				
Proceeds from Redemption of Investments	(354)	-	-	-
Payments for Infrastructure Assets	(43,521)	(44,441)	(28,267)	(29,601)
Payments for Property, Plant & Equipment	(2,454)	(2,014)	(2,050)	(2,100)
Payments for Intangible Assets	(3,577)	(2,400)	(1,700)	(1,400)
Proceeds from Sale of Assets	875	410	158	158
<b>Net Cash Inflow (Outflow) for Investing Activities:</b>	<b>(49,031)</b>	<b>(48,445)</b>	<b>(31,859)</b>	<b>(32,943)</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>				
Proceeds from Borrowings	72,223	81,222	60,948	12,891
Proceeds from Equity Contributions from Government	7,786	6,286	-	-
Payment of Equity Contribution to Government	(16,500)	(50,000)	(50,000)	-
<b>Net Cash Inflow (Outflow) from Financing Activities:</b>	<b>63,509</b>	<b>37,508</b>	<b>10,948</b>	<b>12,891</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(1,402)</b>	<b>(602)</b>	<b>(36)</b>	<b>(40)</b>

## Capital Expenditure Forecast

<b>Goulburn- Murray Water Capital Expenditure Forecast 2010/11 to 2013/14 Nominal dollars</b>					
	Project Total \$'000s	Revised 2010/11 \$'000s	Budget 2011/12 \$'000s	Forecast 2012/13 \$'000s	Forecast 2013/14 \$'000s
<b>Wholesale</b>					
Projects Less than \$5M	35,843	9,516	14,462	6,900	4,966
<b>Total Wholesale</b>	<b>35,843</b>	<b>9,516</b>	<b>14,462</b>	<b>6,900</b>	<b>4,966</b>
<b>Retail</b>					
East Loddon Pipeline	16,393	5,400	10,875	118	
Projects Less than \$5M	111,290	34,637	23,519	24,999	28,136
<b>Total Retail</b>	<b>127,683</b>	<b>40,037</b>	<b>34,394</b>	<b>25,117</b>	<b>28,136</b>
<b>Total G-MW</b>	<b>163,526</b>	<b>49,552</b>	<b>48,855</b>	<b>32,017</b>	<b>33,101</b>

## Performance Indicators

### Goulburn-Murray Water

#### Performance Indicators - Based on Statutory Reporting Requirements

	2010/11	2011/12	2012/13	2013/14
Earnings before net interest and tax over average total assets	(58,091) 3,434,278	(59,937) 3,544,061	(58,019) 3,641,084	(62,688) 3,683,459
<b>Long term profitability</b>	<b>-1.7%</b>	<b>-1.7%</b>	<b>-1.6%</b>	<b>-1.7%</b>
Net profit after tax over average total equity	(52,789) 3,338,112	(49,813) 3,375,962	(43,182) 3,403,278	(45,273) 3,410,788
<b>Owners investment</b>	<b>-1.6%</b>	<b>-1.5%</b>	<b>-1.3%</b>	<b>-1.3%</b>
Total debt over total assets	94,014 3,488,526	175,200 3,599,595	236,109 3,682,573	248,959 3,684,344
<b>Long term financial viability</b>	<b>2.7%</b>	<b>4.9%</b>	<b>6.4%</b>	<b>6.8%</b>
Earnings before net interest and tax over net interest	(58,091) 5,302	(59,937) 10,123	(58,019) 14,838	(62,688) 17,415
<b>Liquidity and debt servicing</b>	<b>(10.96)</b>	<b>(5.92)</b>	<b>(3.91)</b>	<b>(3.60)</b>
Cash flow from operations before net interest and tax over net interest	(11,953) 5,302	19,788 10,123	35,289 14,838	37,003 17,415
<b>Immediate liquidity and debt servicing</b>	<b>(2.25)</b>	<b>1.95</b>	<b>2.38</b>	<b>2.12</b>

#### Performance Indicators - Based on Regulatory Reporting Requirements

	2010/11	2011/12	2012/13	2013/14
Earnings before net interest and tax over average total assets	(14,151) 3,434,278	5,593 3,544,061	19,221 3,641,084	17,977 3,683,459
<b>Long term profitability*</b>	<b>-0.4%</b>	<b>0.2%</b>	<b>0.5%</b>	<b>0.5%</b>
Net profit after tax over average total equity	(19,453) 3,338,112	(4,530) 3,375,962	4,383 3,403,278	562 3,410,788
<b>Owners investment*</b>	<b>-0.6%</b>	<b>-0.1%</b>	<b>0.1%</b>	<b>0.0%</b>
Earnings before net interest and tax over net interest	(14,151) 5,302	5,593 10,123	19,221 14,838	17,977 17,415
<b>Liquidity and debt servicing*</b>	<b>(2.67)</b>	<b>0.55</b>	<b>1.30</b>	<b>1.03</b>

\* Indicators affected by the difference in the Statutory and Regulatory Reporting Requirements