

AUSTRALIAN WATER REFORM ROADSHOW

TRANCHE 1: REFORM & GOVERNANCE
MODULE 1: WATER REFORMS IN VICTORIA



- Please note **this session will be recorded**
- The recording and slide pack from this webinar will be made available to you following this webinar
- For the Panel Discussion please send your questions through the **Q&A** function
- Select to "**All Panellists**" when you are posing your questions
- SPICAE will provide written responses for unanswered questions
- SPICAE are happy for participants to contact us directly for clarifications or further information
- SPICAE have done individual sessions for councils in the past when they have asked us to
- Please provide SPICAE with feedback – this is important for us to continually improve future webinar sessions

Rules of Engagement / Code of Conduct



- SPIACE & our panel are cognizant of the NZ Reforms.
- These sessions are on the Australian Reforms & aimed at enabling a reference point for attendees to draw comparisons to the current reforms in New Zealand.
- SPICAE & our panel will endeavour to provide an **Unbiased View** of the Victorian and Tasmanian Water Reforms.
- **Please align questions to the Module Topic.**
- Please do not ask us question that are for the DIA.

TRANCHE	TRANCHE THEME	MODULE TOPIC
1	REFORM & GOVERNANCE	WATER REFORM JOURNEY (VIC)
		WATER REFORM JOURNEY (TAS)
		GOVERNANCE (BOARDS, OWNERSHIP & LEGISLATION)
2	CURRENT STATE	CURRENT STATE OF WATER SERVICES - REGIONAL & IRRIGATION (VIC)
		CURRENT STATE OF WATER SERVICES - METRO VICTORIA
		CURRENT STATE OF WATER SERVICES - TASWATER
3	STORMWATER, ENGAGEMENT & THE FUTURE OF WATER	STORMWATER MANAGEMENT (VIC & TAS)
		THE FUTURE ROADMAP FOR WATER (VIC & TAS)
		COMMUNITY ENGAGEMENT & CUSTOMER EXPERIENCE
		INDIGENEOUS ENGAGEMENT (WA and VIC)
4	COUNCILS	THE COUNCIL REFORMS (VIC)
		THE CURRENT STATE OF LOCAL GOVERNMENT
		THE FUTURE ROADMAP FOR COUNCILS



Overview & Scene Setting

- Water is complex and Australia has faced and, continues to face, many challenges with it. We will talk about what the reforms delivered, how they were delivered and what did not work well.
- We will start with a high level context setting of the current Australian and Victorian Water Landscape and then move into the Reforms that got Victoria to where it is now.
- The story of the Victorian Water reform spans more than thirty years. It is an exciting and complex journey that involves policy and institutional transformation. And it is still a work in progress...
- The reforms can be split into two periods – **1980 to 1993 & 1993 onwards.**
- The story what happened in Melbourne during the reforms is different to what happened in the regions – but the drivers were the same – **water quality, scale to raise capital, competition by comparison.**
- We will try our best to tell the story within the constraints of time, the NZ context, and the current stage of the NZ reform.

Current Australian Water Model

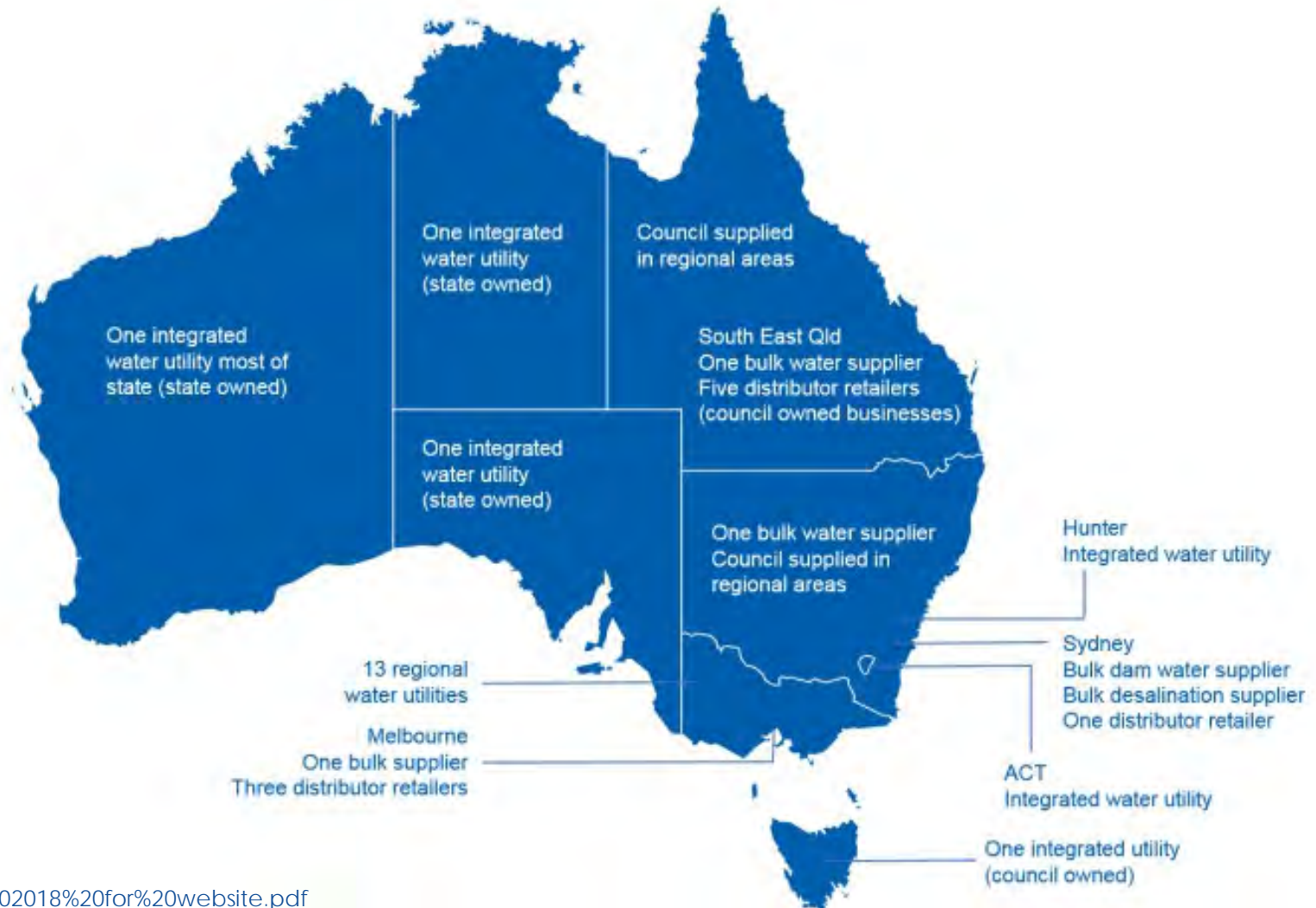
Seven States & Four Models

Components of Water Services are:
Wholesale/Bulk Water, Retail Water, Irrigation, Catchment Management, Bulk Sewerage, Domestic Sewerage & Trade Waste.

Western Australia, Northern Territory, South Australia & Tasmania have an Integrated Model.

Queensland, New South Wales and Victoria have different Models.

We will elaborate on the Victorian Model in today's session.



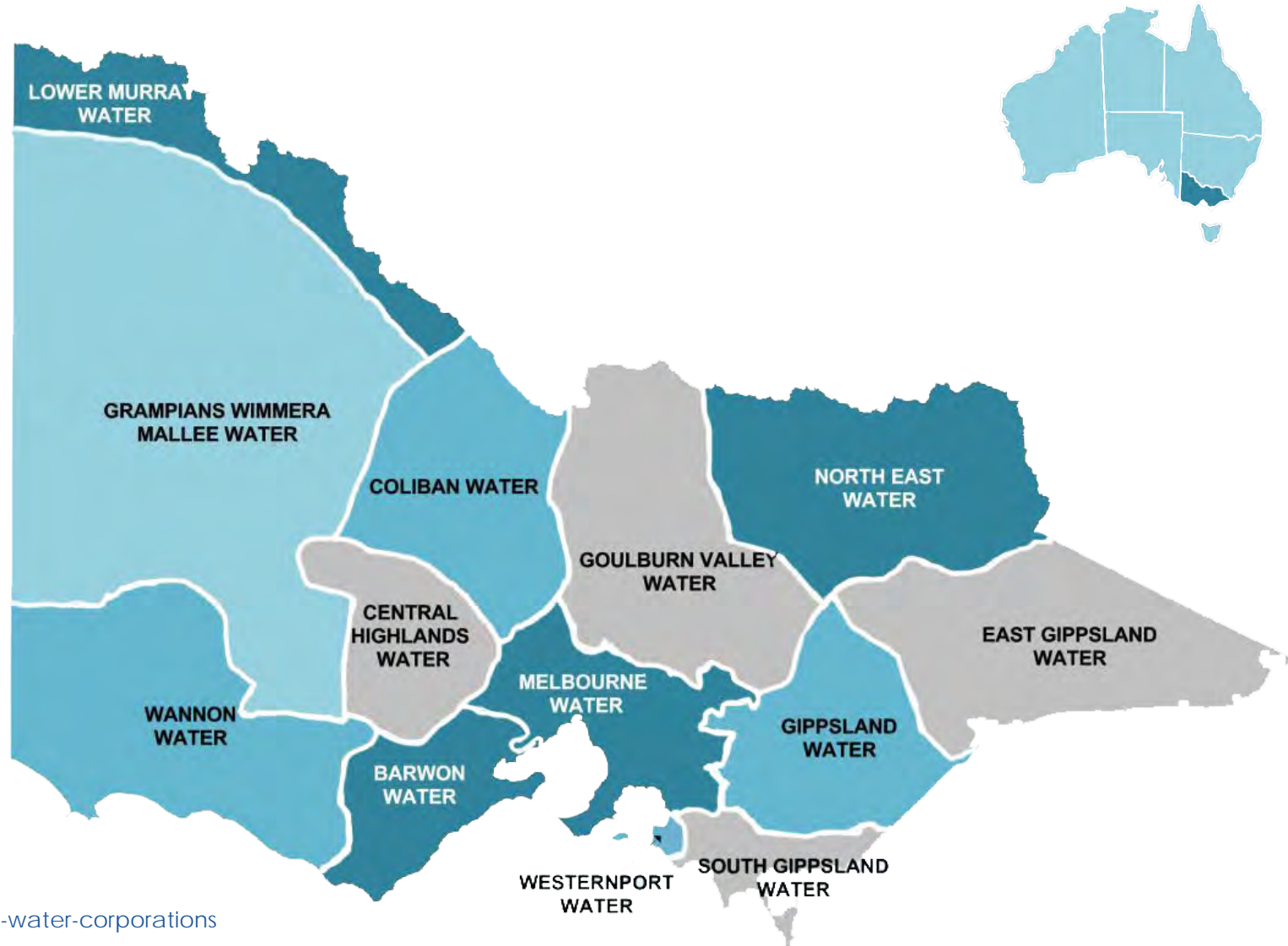
Current Victorian Water Model

Urban Water Service

They are responsible for the supply of drinking water and the removal and treatment of sewage & trade waste. They also supply recycled water.

There are 15 Urban Water Corporations in Victoria.

They are also called Regional Water Retailers (except Melbourne Water).



Rural Water Services

They are responsible for the water delivery for irrigation, and stock purposes, drainage and salinity mitigation. They supply domestic households but only non-potable water.

There are Four Rural Water Corporations in Victoria.



Current Victorian Water Model

Metropolitan Water Retailers

Melbourne has Three Water Retailers (Greater Western, Yarra Valley & South East) and Melbourne Water (Bulk Services).

Melbourne Water provides wholesale water supply and sewage management services to the three water retail companies in Melbourne, who in turn provide it households & businesses.

Retail water companies collect sewage before the majority is transferred into Melbourne Water's sewerage system for treatment.





Dennis Cavagna

- Former Commissioner of Essential Services Commission of Victoria
- Member Water Resources Department restructuring the Victorian Water Industry
- Former MD of South-East Water
- Member of the Inaugural Board of Queensland Urban Utilities



Russell Cooper

- Founding MD of South-East Water
- Former MD of Goulburn Murray
- Former MD of SUEZ/Degremont for Australia & NZ
- Member of Ministerial Advisory Panel on Water



Dr Michael King

- Former Deputy Mayor of Geelong
- Former Chair of Barwon Water
- Member of Regional Development Australia (SW Coast) Committee
- Currently sits on several Boards

Stage 1: 1980s to 1993

Situation

- The Industry comprised of about **343 separate water & sewerage authorities**
- Some were independent trusts; parts of government statutory authorities & others local council
- There was a Ministry of Water but it was replaced by the **Water Department**

Issues

- Concerns about **drinking water quality**
- **Cross subsidizations**
- **Government subsidies** was growing
- Growing **financial demands** especially to sewer townships and some major areas.
- Push by some independent authorities to improve quality of the industry
- High reliance by small water authorities on Government for technical and financial advice

Action

- Formation of a bi-partisan Parliamentary Committee to conduct a Public Bodies Review (1982)
- Review suggested amalgamations
- This resulted in a **reduction from 343 to 84** (from 1982 to 1994)
- Ministry/Depart business cases/ implementation by task groups from merging bodies

Stage 2: 1993 Onwards

Situation

- 84 entities were involved in the supply of water across Victoria
- Most utility services were state owned – Electricity, gas and water
- A new Government was elected. The Premier was Jeff Kennett

Issues

- Most state entities were relatively **inefficient and lacked the scale** to attract talent, borrow capital or execute large scale projects
- All of these issues contributed to **Victoria loosing its AAA rating**
- **Water quality** was still an issue, and the structure did not support a growing state and city

Action

- Jeff Kennett's government initiated **numerous reforms across the state machinery** – education, transport, utilities – Electricity and Gas were privatized, water remained 100% state owned and still is
- 13 Regional Water Entities were created which had the scale to raise capital and attract talent
- Melbourne was supplied by the single Melbourne Water which was disaggregated into three retail entities and a wholesaler (Melbourne Water). This created competition by comparison in Melbourne

Stage 2: Reform Execution

- The Second Stage of the Victorian Water Reforms was executed in **six months!**
- There was **no state government financial incentive** or funding
- Department of Water Resources led the reform in Regional Victoria
- Treasury led the reforms in Metropolitan Victoria
- A number of sub-groups were setup to implement the changes on the ground
- Regional Water Authorities had council representation in the board during the transition and for a few years after
- **Council representation reduced as the reform progressed**
- **State Government appointed Boards for Water entities**

Benefits from The Reform

- Improved **Quality of Water**
- Effective **Capital Raising** from merged balance sheets & economies of scale
- Significant uplift in **Human Capital** – Intellectual grunt to execute
- Improved **Customer & Community Impact**
- Entity focused on water
- Councils were able to focus on the remaining core business without competing interests
- Funded improved technologies, systems and asset management
- AAA rating was regained

What didn't work well

- Stage 1 - too slow with sub-optimal benefits
- Victoria had a second round of reforms after 1993 where further amalgamations were done in the regions
- Identity and culture is built over time – mergers have a human toll on the people who work there
- Victoria has seen some State Government interference in the Board Selection Process

Engagement during Reforms

- There was lots of engagement with councils during the First Stage of the Reforms – 1980 to 1993
- Unfortunately, there was very little engagement with councils during the reforms that happened in 1994
- Currently, engagement with community is taken very seriously now and forms a part of the regulatory process
- We will cover this in more depth in our future module – **Community Engagement & Customer Experience**

WATER REFORM IN VICTORIA

FORUM

