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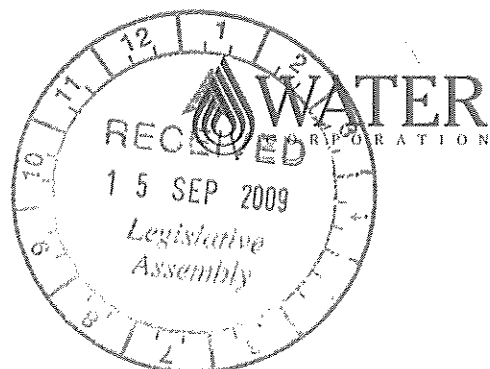
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# Statement of Corporate Intent

2009/2010

Water Corporation  
August 2009

WESTERN AUSTRALIA  
Laid on the Table of the  
Legislative Assembly  
15 SEP 2009  
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# Chairman's Introduction

This Statement of Corporate Intent (SCI) represents the understanding between the Water Corporation and the Minister for Water on our expected level of performance for the 2009/10 financial year. It meets the requirements of the Water Corporation Act 1995.

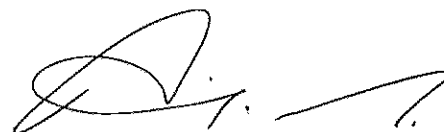
Significant opportunities exist for us in 2009/10 and we welcome these in achieving our purpose of "sustainable management of water services to make Western Australia a great place to live and invest."

The Corporation's Vision will take us through to 2029, Western Australia's bicentenary.

Our Vision is Water Forever. Zero Footprint. Great Place.

In 2009/10 we will:

- Position the Corporation for the future, including preparing ourselves for the challenges presented by the uncertain economic environment;
- Assist the Western Australian Government to maintain a strong focus on the overall sustainable management and efficient use of the State's water resources in the interests of all water users and the environment;
- Engage with our customers and the community on our plans, services, standards and costs by identifying community and stakeholder views on a range of water issues for Perth for the next 50 years and complete our Water Forever engagement with the community.
- Continue the development of the Southern Seawater Desalination Plant to reduce draw from Gnangara Mound as part of our diverse portfolio of supply and demand programs;
- Manage and deliver a high level of capital investment relating to water, wastewater and drainage services for the benefit of the State and allowing for growth and regulatory changes;
- Further improve our asset management, internal processes, operating efficiency and ability to deliver value for money;
- Invest in our employees, particularly their safety, health and development, as industry demands and average workforce age increase; and
- Provide input and respond to, stringent requirements in the evolving regulatory environment.



PATRICK O'CONNOR  
CHAIRMAN

# Fitting It All Together

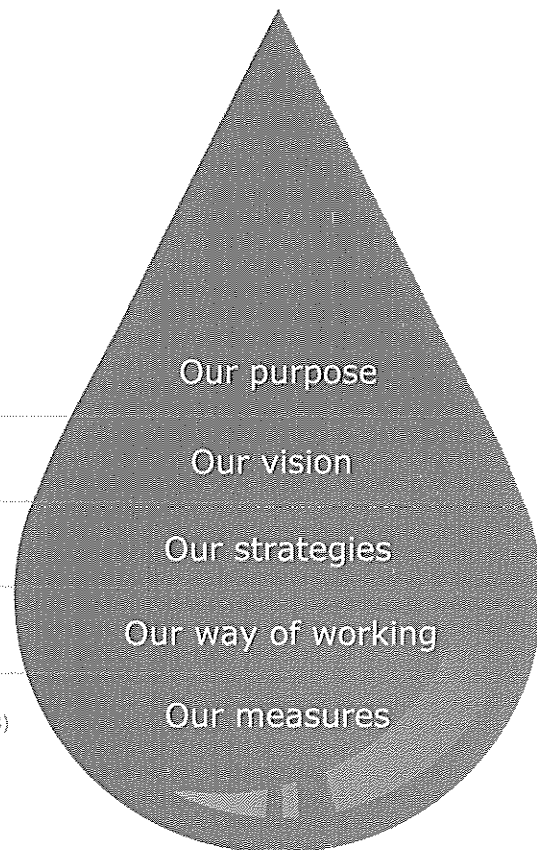
Why we are here (see page 6)

Where we want to be (see page 7)

How we will get there (see page 8)

How we do things (see page 12)

How we measure performance (see page 13)



## About Us

(who we are)

We are the principal supplier of water, wastewater and drainage services in Western Australia and supply reliable and safe drinking water to nearly 2 million customers.

We also provide wastewater and drainage services to hundreds of thousands of homes, businesses and farms and provide bulk water to farms for irrigation.

We are owned by the Western Australian Government and are accountable to our sole shareholder, the Minister for Water, for delivery of our services in a commercial manner. The majority of our profits are returned to the Government as a dividend to contribute to the development of the State.

We draw on a history of excellent performance with over 100 years of commercial and technical experience, responsible environmental management and community partnerships.

We currently directly employ approximately 2800 people and manage more than \$12 billion in water supply, wastewater and drainage infrastructure.

We have regional offices located in Perth, Bunbury, Albany, Karratha, Geraldton, Northam and Kalgoorlie which allow our people to provide a high level of professional expertise to customers in communities throughout the State.

### Our Board of Directors:

- Patrick O'Connor
- Brian Hewitt
- Zelinda Bafille
- Andrew Bantock
- Karen Field
- Robert Harvey
- Sue Murphy (Chief Executive Officer)

### Our Corporate Executive Team:

- Sue Murphy (Chief Executive Officer)
- Keith Cadee
- Graham Cargeeg
- Paul Ferguson
- Catherine Ferrari
- Ross Hughes
- David Luketina
- Peter Moore
- Ashley Vincent

## Our Purpose

(why we are here)

### Our Purpose:

*"Sustainable management of water services to make WA a great place to live and invest".*

### *"Sustainable management of water services"*

This means we manage for both the present and the future – ensuring that our water sources, services and infrastructure meet current and anticipated needs without compromising those of future generations or the environment.

### *"to make WA a great place"*

This means we are proudly Western Australian and aspire to make Western Australia a great place. It's our aim to add value to the many communities with which we interact right across our cities, towns and regional areas.

### *"to live and invest"*

This means we assist in the development of Western Australia by delivering the essential water services and infrastructure that enable investment in new residential areas, public facilities, commercial and other industrial enterprises. We engage with business to understand their needs and their plans and work with them to create sustainable outcomes despite the challenges of this vast State and its environment. We also partner extensively with private enterprise in the ongoing delivery of water services and infrastructure, thereby directly contributing to the health and growth of the State economy.

# Our Vision

(where we want to be)

**Our Vision is:**

**Water Forever.**

**Zero Footprint.**

**Great Place.**

Our Vision has been developed over the past year with our Board, our Corporate Executive Team and focus groups from within the business. Input to the Vision has come from our customers and the community through the Water Forever Project.



Our Vision is where we want to be in the future.

There are three key areas of our Vision - Water Forever. Zero Footprint. Great Place. All of these areas need to be balanced so we are right for the future.

Water Forever is the centrepiece of our Vision because we are a forever business – we are responsible for providing water services for the long term.

Zero Footprint is aspirational.

We borrow water from the environment and return it to the environment.

Therefore, we need to ensure we minimise harm as we construct the infrastructure we need and as we operate our business.

We need to use power wisely and efficiently, look at the chemicals we use and how we do business and even seek to repair any damage done in the past.

Great Place applies on two levels - it is about securing quality of life and lifestyle for all Western Australians to achieve our Purpose and it is also about the Water Corporation being a great place to work.

The three areas of our Vision are in tension and will pull against each other at times but we can't just provide Water Forever in isolation – we need to balance it with our desire to achieve a Zero Footprint and create a Great Place!

Our objectives in realizing our Vision are to:

- Provide value for money.
- Deliver quality water services.
- Protect public health and safety.
- Conserve and restore healthy ecosystems.
- Become more climate resilient.
- Build community capacity.

# Our Strategies

(how we will get there)

To achieve our purpose and our vision, we will focus on the following key business strategies during 2009/10:

- Deliver effective services and optimise asset management
- Continue to improve our business
- Engage with our customers and stakeholders
- Ensure water forever (climate resilience)
- Invest in our people
- Ensure our safety and health

## 1. Deliver effective services and optimise asset management

This is about ensuring our business is set-up to deliver services very effectively and efficiently to our customers, including how we schedule, plan, maintain, operate and manage tasks. A lot of good work has already been done over a number of years by many people.

In 2009/10 we will focus on:

- Asset Class Management.
- Work Planning and Scheduling.
- Efficiency & robustness in Scheme operations.

To deliver effective services, we will:

- Provide services that meet our customers' requirements in an efficient and responsible manner;
- Comply with all regulatory requirements and provide input, and respond to, the evolving regulatory environment. We will go beyond compliance where it makes sustainable business sense;
- Identify & implement opportunities to improve operational efficiency & effectiveness and deliver customer service outcomes;
- Optimise the performance of our schemes by applying appropriate enabling technologies and seeking more sustainable solutions.

Through our Capital Investment Program, we will undertake:

- Large investment in regional areas of WA;
- Partner with the private sector in delivering a substantial part of the capital program using resources of external contractors;
- Water source development and treatment expansion and upgrades, including meeting Australian Drinking Water Guidelines (2004);
- Water distribution network expansion and upgrades, and replacement activities to ensure assets required for delivery of services in the country and metro meet customer expectations;
- Wastewater treatment & conveyance programs to ensure assets required for delivery of services are in place.

To protect the environment we will:

- Adhere to our Environmental Policy and Environmental Management System to enable systematic identification of environmental risks, set improvement targets and plans to reduce risk and ensure our activities are sustainable;
- Report any unplanned incidents (Under the Environmental Protection Act 1986) that have the potential to do harm to the environment;
- Investigate innovative catchment management practices that provide beneficial reuse of biosolids and reduce net nutrient loads to rivers.

To ensure we have the right assets in the right shape to deliver the levels of service required we will:

- Focus on new assets being "fit for purpose";
- Monitor the capability of our existing assets and schemes and initiate asset solutions in a timely way to ensure that appropriate levels of service are maintained to customers;
- Maintain our assets to provide appropriate levels of service to customers at the minimum whole of life cost;



- Track our performance against Key Performance Indicators so we have early warning of any unacceptable deviation in performance;
- Initiate appropriate asset solutions in a timely manner where any monitoring indicates a trend that may place the achievement of performance targets at risk;
- Collect and analyse good quality asset-related information to inform our decision making;
- Continue the development of our asset management team to ensure that they have the skills to drive the optimisation of our management of assets.

Through our Capital Investment Program, we will undertake:

- Asset replacement projects to maintain the capability of the existing infrastructure assets;
- Capital projects to extend the useful lives of existing infrastructure.

## 2. Continue to improve our Business

This is about removing roadblocks, cutting waste, operating better between processes and being more effective and efficient.

In 2009/10 we will focus on:

- Internal customers.
- Change.
- Process Improvement.

By improving our processes, we will:

- Identify and realise opportunities to sustainably deliver our operating efficiency target;
- Deliver effective and efficient processes by using the principles in the external quality standards ISO 9001 and ISO 14000 and embrace the principles of industry standards for all of our other processes. In some cases, this will involve certification of these processes and we will work towards Worksafe Platinum;
- Meet our accountabilities through regular communication and skilling our management and staff;
- Ensure that change, and the effects of change, are managed.

## 3. Engage with our customers & stakeholders

We will focus our energies on delivering excellent customer service and building genuine relationships with all our stakeholders through timely and meaningful engagement.

To maintain our existing high levels of customer satisfaction to our two million customers State-wide, we will:

- Routinely engage with our customers to understand what they require from us as a service provider;
- Focus on continuous improvement and enhanced use of systems and technology, particularly within land planning to ensure consistent and reliable advice is conveyed to our customers.

We face substantial challenges and a great deal of work to meet the demands of our changing climate and a fast growing state. As we do so, we will:

- Communicate effectively and openly with all our diverse stakeholder groups;
- Maintain strong relationships with all our external stakeholders including our Indigenous communities;
- Work closely with and influence our regulators and our external stakeholder network, shaping the state of play and repositioning the Corporation.

#### 4. Ensure water forever (climate resilience)

Climate resilience is at the heart of us continuing to provide safe, quality water services to all communities in Western Australia. It is our priority to adapt to the pressures of climate change, population growth and an environment under stress.

We will secure Western Australia's water future through a diverse portfolio of supply and demand programs.

In 2009/10 we will focus on:

- Reducing water use.
- Increasing water recycling.
- Developing new sources.

The security and reliability of our water supplies in the long term is a significant issue for our customers and we will continue with our *Water Forever* project to:

- Listen to and engage with the community in a transparent and accountable manner;
- Integrate feedback from the community into the technical, social, environmental and economic considerations in developing our future water service delivery options;
- Develop a plan to supply water and wastewater services to customers of the Integrated Water Supply Scheme for the next 50 years.

Our efforts in water efficiency have already seen Perth's total consumption reduce by 61 GL per year from 185 kL per person per year in 2000/2001 to 147 kL per person per year in 2007/2008.

To further reduce consumption, we will:

- Encourage more water efficient and climate-appropriate buildings and gardens through our Waterwise programs, permanent water efficiency measures and the new 5 Star Plus Building Codes;
- Encourage outside the home reduction in water use through more strategic land and water use planning;

- Increase the use of more water efficient appliances and irrigation systems through initiatives such as the Water Efficiency Labelling Scheme, Smart Approved WaterMark, Waterwise retrofit programs, the 5 Star Plus Building Codes and improved irrigation requirements;
- Increase community focus on water conservation and reduced wastage through more frequent and comparative billing, better pricing signals with a more targeted and community based social marketing program.

Western Australia has experienced significant changes in climate, particularly in the southern half of the State. Run-off into dams has dropped to a quarter of the inflows received 30 years ago and groundwater sources are under stress.

In the face of this drying climate, we will:

- Investigate and develop a diversity of new water sources to protect the community's water supplies now and in the future;
- Work with our mining customers to ensure supply security is maintained while demand on existing regional water supplies increases.

Through our Capital Investment Program, we will undertake:

- The Southern Seawater Desalination Plant (SSDP) - Perth's next major water source located in Binningup which is expected to be complete in September 2011;
- Capital projects to provide for growth in regional Western Australia.

To protect the environment we will:

- Acknowledge the risks climate change presents to society and our responsibility to play our part in greenhouse gas abatement, particularly through reducing our direct and indirect emission of greenhouse gases. As part of this, we are seeking a contract for the purchase of electricity from a renewable energy generator equivalent with energy that will be used to power the SSDP;
- Optimise groundwater abstraction.

## 5. Invest in our people

This is about investing sustainably in building our workforce capability and capacity.

We currently directly employ approximately 2800 people in a broad range of occupations across the State.

In 2009/10 we will focus on:

- Leadership.
- Engagement (improving motivation).
- Attraction & Retention.
- Developing our staff.

We will:

- Build leadership capacity and capability by reinforcing a constructive culture, managing employee performance and supporting our employees;
- Build a highly motivated and engaged workforce to deliver better outcomes to our customers and build our employer brand by developing our leadership capabilities in managing employee performance, setting realistic but challenging goals, setting and applying standards of workplace behaviour and positively but rigorously addressing performance below expectations;
- Create a great place to work and attract and retain high calibre people to encourage employees to feel safe, inspired and empowered to achieve by building a culture where employees are assigned accountabilities, supported, trusted and empowered to achieve;
- Build and implement well planned and managed sourcing and attraction strategies to recruit the most suitable people to work with us and reflect the diversity of our community;
- Build a culture of continual learning to have the right skills, at the right time in the right place to meet our business objectives by building a best practice graduate development program and to providing open access to professional and personal learning and development opportunities.

## 6. Ensure our safety and health

If we can't keep our people safe, how can we achieve greater aspirations such as a zero footprint?

Zero Harm is a new expectation around safety and health and is a part of our broader cultural move towards constructive behaviours, high performance, encouraging corporate compliance and working towards one effective system.

In 2009/10 we will focus on:

- Safety leadership.
- Personal responsibility.
- Empowerment to act Safely.

We will:

- Focus on Safety Leadership, Fatigue Management, Health of the workforce, Prevention of Falls and Safety Management of our contractors.
- Provide a safe and healthy working environment for all people associated with our activities through sound job planning, good communication and ensuring that unsafe situations or practices are immediately brought to the attention of those undertaking the work and their immediate supervisor. This may mean work stops until we are sure it can be done in a safe manner;
- Provide injury management support to all employees who sustain a work related injury or illness.

# Our Way of Working

(how we do things)

## Our Culture

Our Culture is the common set of values, beliefs and attitudes that unite us. It is our way of working - from our behaviours to our processes.

We seek to consistently build a high performing, constructive culture that is customer and safety focused.

We will adhere to high standards of business conduct and strive for best practice work place standards of behaviour in our dealings with each other, our customers and the community.

We will:

- Behave in a way that upholds the Corporation's Values and good reputation;
- Behave honestly and with integrity;
- Act with care and diligence;
- Treat everyone with respect, fairness and courtesy;
- Maintain a safe and healthy workplace;
- Comply with any lawful and reasonable direction given in relation to our work;
- Maintain appropriate confidentiality about Corporation dealings;
- Maintain, use and continuously develop our knowledge and skills;
- Disclose and take reasonable steps to avoid any conflict of interest (real or apparent) in connection with our work;
- Respect Corporation property and systems and use them properly and lawfully;
- Not make improper use of inside information or of our position to gain, or seek to gain, benefit or advantage for ourselves or for another person;
- Comply with all applicable Australian laws and regulations.

## Our Values

Our Values are a key component of our culture. They are the principles that guide the way we work, drive our behaviour and help us to achieve our goals.

Our Values reflect our commitment to:

- **Our Community**  
We are dedicated to excellence in customer service, and this includes playing our part in supporting local communities and involving them in our decision-making processes.
- **Our Responsibilities**  
We take our responsibilities very seriously and pride ourselves on delivering on the commitments we make. We want people to see our organisation as reliable and trustworthy, and this often means we will go well beyond what is accepted as the minimum we are required to do.
- **The Future**  
Sustainability is a key principle of our organisation. When we make decisions, we make them for both the present and the future - in terms of water needs and services, the economy, the community and the environment. No decision is made without thorough examination of all possible environmental consequences.
- **Delivering Quality**  
A commitment to quality is at the heart of our approach to every facet of our organisation and operations. We always take a long term view and do everything to the best of our ability and without compromising quality.
- **Supporting People**  
We want our people to grow personally and professionally as our organisation also grows. We respect them as individuals and promote the maintenance of balance between work and life. We encourage initiative and ideas; provide access to ongoing training and development and work diligently to maintain a safe and healthy workplace so that employees and contractors go home unharmed at the end of each day.

# Our Measures

(how we measure our performance)

Our financial outcomes and Targets are as follows (also refer to Notes 1, 2, 6 & 7)

<b>FINANCIAL OUTCOMES</b>	<b>2008/2009 Budget</b>	<b>2009/2010 Projected</b>
<b>Assumptions</b>		
Growth (general customers) (%)	2.8	2.6
Operating efficiency (annual target) (%)	2.0	2.0
CPI (annual change) (%)	3.5	3.5
General Price Increase (GPI) (%)	3.4	4.2
Specific Price Increase – water (%)	5.6	5.4
Specific Price Increase – wastewater (%)	0.3	0.3
Specific Price Increase – drainage (%)	2.4	2.4
Dividend payout rate (%)	85.0	85.0
<b>Financial Outcomes</b>		
Operating profit before income tax (\$m)	717.0	744.6
Operating profit after income tax (\$m)	502.3	521.6
Dividends provided (\$m)	386.6	402.5
Total debt (\$m)	3,030.0	3,675.0
Net debt (\$m)	3,019.9	3,660.8
Borrowings taken (repaid) (\$m) (refer to note 3)	745.0	790.0
Capital expenditure (incl. capitalised interest) (\$m) (refer note 8)	1,144.3	1204.7
<b>Performance Indicators</b>		
Target return on assets (%)	4.6	4.6
Projected return on assets (%)	3.9	3.8
Debt to equity ratio (%)	34.1	40.6
Debt to total assets ratio (%)	24.0	27.2
Return on equity (%)	5.7	5.8
<b>Accruals to Government</b>		
Indirect tax equivalents (net of deferred tax adjustments) (\$m)	3.3	3.9
Income tax equivalents (\$m)	203.7	212.9
Dividends provided (\$m) (refer to note 4)	386.6	402.5
<b>Total</b>	<b>593.6</b>	<b>619.4</b>
<b>Payments from Government</b>		
- Community Service Obligations (refer to note 5)		
- Non-Commercial Country Services	247.0	325.7
- New or Changed CSOs	59.8	26.3
- Revenue Concessions	97.2	102.4
- Infill Sewerage Program	41.8	46.5
<b>Total Community Service Obligations (\$m)</b>	<b>445.8</b>	<b>501.0</b>
<b>Net Accrual to Government (\$m)</b>	<b>147.8</b>	<b>118.4</b>
<b>BUSINESS TARGETS</b>	<b>2008/2009 Budget</b>	<b>2009/2010 Projected</b>
<b>Our Customers and Stakeholders</b>		
Customer Perception of Value	85%	85%
Perth total per capita consumption	improvement towards 145kL	improvement towards 145kL
<b>Our Business</b>		
Total cost per property	\$1,653	\$1,773
Net accruals to Government	\$147.8m	\$118.4m
<b>Our People</b>		
Significant incident frequency rate (rolling year)	8.0	8.0

# Notes

## *Note 1*

### **Reporting to the minister**

Reports which monitor performance against the targets outlined under this section of the Statement of Corporate Intent, along with information on our financial position and capital expenditure, are provided to the Minister quarterly.

In addition, the Board and Chief Executive Officer advise the Minister of any significant variations in performance of the Corporation. Reporting of operational performance to Authorities and Departments of Government occurs in addition to this reporting to the Minister. An Annual Report is provided to the Minister within the timeframe specified by the Act.

Copies of the Corporation's major public documents including the Annual Report, Quarterly Performance Reports and Statement of Corporate Intent can be accessed through our website at: [www.watercorporation.com.au](http://www.watercorporation.com.au).

## *Note 2*

### **Accounting policies**

Details of our significant accounting policies can be found in the notes accompanying the Financial Report in the Annual Report.

Our annual financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Water Corporation Act 1995*. The financial report is prepared on the accrual accounting basis and in accordance with the historical cost convention, except for certain financial assets and liabilities which are stated at their fair value.

## *Note 3*

### **Borrowings**

Our Capital Investment Program is funded from operational cash flows and external borrowings.

## *Note 4*

### **Dividend policy**

Our dividend policy is to provide 85% of after-tax profit (including developers' cash contributions and excluding Government grants) to Government.

## *Note 5*

### **Community Service Obligations**

Community Service Obligations (CSOs) are government payments for services that are not otherwise commercially viable. They result from the Government's commitment to satisfy the broader economic, environmental and social needs of the community.

Remoteness, diseconomies of scale, topographical considerations and in some instances, harsh climatic conditions all contribute to the high cost of providing water and wastewater services in the country regions.

Under a formal agreement with Government, the Water Corporation provides these services and is compensated by the Government for the shortfall between customer revenue and the cost of providing the services.

The CSOs provided by the Corporation are:

- **Non-Commercial Country Services** - Losses the Corporation incurs as a result of providing services to customers in non-profitable country schemes. Due to the Government's commitment to providing services at reasonable prices, regulated prices charged in country regions are typically less than the cost of supply.
- **New or Changed CSOs** - All new programs, projects and services delivered in country areas, which are not recovering full costs and/or are not included in any other category.
- **Revenue Concessions** - Concessions to pensioners, seniors and other customers, provided at the request of the Government.
- **Infill Sewerage Program** - Net loss incurred from the development of infill assets in non-commercial areas.

Significant increases in the Corporation's Country Losses have been forecast (in comparison to the 2008/09 Statement of Corporate Intent) primarily as a result of:

- increased cost of operations;
- high population growth in remote country towns; and
- increasing regulatory requirements.

## *Note 6*

### **Logue Brook Dam**

Includes the Government's election commitment to reverse conversion of the dam into a drinking water source.

## *Note 7*

### **Media, Marketing, Advertising & Consultants**

Includes a reduction of \$1.9 million in 2009/10.

## *Note 8*

### **Indemnity**

The Corporation will be seeking an indemnity from the State to enable the deferral of the Dam Safety Program and the Wastewater Overflow Risk Management Programs.