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PARLIAMENT OF TASMANIA

HOUSE OF ASSEMBLY SELECT COMMITTEE

REPORT INTO

**THE TASMANIAN WATER AND SEWERAGE
CORPORATIONS**

Membership of the Committee

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In particular the Committee would like to recognise the assistance and expertise provided by

Mr Jason O'Neill

Assistant Director
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EXECUTIVE SUMMARY

The past three years have seen a challenging period of change for Tasmania's water and sewerage sector. On 1 July 2009 the provision of Tasmania's water and sewerage services was consolidated from 29 councils and 3 bulk water authorities into three Local Government-owned regional corporations (Southern Water, Ben Lomond Water and Cradle Mountain Water) supported by a common services provider (Onstream). In addition to this significant structural change, a new regulatory pricing framework for the sector was established.

The changes resulting from the significant reform of the sector have given rise to a range of concerns for many Tasmanians. The Committee considered the evidence presented by Tasmanians both in person at hearings and in written submissions. The concerns raised with the Committee have been many and varied with the main issues relating to:

- the pricing of services;
- the four corporation model;
- governance arrangements prescribed in the *Water and Sewerage Corporations Act 2008*, including the representation of the Owner Councils and the oversight role of the Treasurer; and
- transitional issues.

During the conduct of the inquiry the Committee determined to prepare an Interim Report, as a common theme in the evidence was the challenge that the ending of the Government's 5 per cent price cap presented and the need to mitigate price shocks to customers from 1 July 2012. In response, the Committee released its Interim Report on 14 April 2011 in order to ensure that this issue was addressed during the development of the 2011 State Budget to allow time for mitigation strategies to be implemented.

As a result, the Hon. Lara Giddings MP, Premier and Treasurer confirmed in the 2011-12 Budget Speech that the 5 per cent cap would be amended. The Premier stated that:

*"In response to requests from the Water and Sewerage Corporations, the local councils who own them, **and the interim report of the Water and Sewerage Select Committee, the***

Government has agreed to amend the 5 per cent price cap. From 1 July [2011] it will be replaced with a cap of 10 per cent or \$100, whichever is greater ... the water and sewerage concession payment will be indexed to increase in line with this change.”¹

The Committee has noted that while accepting evidence for the inquiry, the reform of the sector has continued. In addition to the removal of the 5 per cent price cap, the common services provider Onstream has been co-located within the three regional corporations and a process has commenced within Local Government for considering a move towards a single state-wide entity for the provision of water and sewerage services.

In evidence presented to the Committee by the Chair of the corporations and in the Government’s written submission, the Committee has noted that, among other things, a single entity could provide: consistency in service delivery and customer relations across the State; state-wide planning for infrastructure; a greater ability to attract necessary skills and experience to the sector; and estimated potential savings in the order of \$5 million per year after a period of time. (see Document 12a page 5)

After considering the evidence presented to it, the Committee accepts that a single entity will deliver material benefits to the Tasmanian community. These benefits will manifest as either, downward pressure on future price increases, better health outcomes as a result of increased investment in infrastructure, improved financial security for owner councils, or a combination of all three.

Accordingly, the Committee strongly supports the future provision of water and sewerage services in Tasmania via a single state-wide entity and recommends that Local Government, as owners of the corporations, progress towards this new structure as a priority.

It is the Committee’s view that it is to the benefit of all Tasmanians that the move to a single corporation occur within the shortest possible timeframe and this should occur within 12 months of the tabling of this report. The Committee believes that Local Government, as owners of the corporations, should be responsible for designing their own future and they should proactively lead the restructuring process with every assistance possible provided by the State Government.

The Committee is also of the view that the current governance arrangements have not satisfied the needs of the corporations or their Owner Councils and should be reviewed and amended to address the concerns raised by the owner councils and the corporations.

¹ Giddings, 2011-12 Budget Speech, 16 June 2011, Document No. 13.

The Committee has also noted evidence of concerns from developers and Local Government regarding developer charges and the lack of clarity surrounding the role of the corporations and the process followed in the facilitation of projects with the potential to deliver wider economic, social and environmental benefits. The Committee is of the view that the corporations should be compelled by legislation or regulation if necessary, to take into account the broader economic, social and environmental benefits flowing from proposed developments and these benefits should be fully, cooperatively and transparently considered by the corporations, owner councils and the State Government.

The Committee has concluded that consideration be given to establishing, at an early part of the development process, a development facilitation working group when such medium to large development proposals have a material water or sewerage aspect. The working groups should consist of representatives from the Department of Economic Development, Owner Councils and the water and sewerage corporations and consider the broader economic, social and environmental benefits of proposed projects with a view to moving forward and supporting appropriate developments.

RECOMMENDATIONS

Recommendation 1

The Committee recommends that the existing four corporations model for the provision of water and sewerage services in the State be collapsed into a single statewide corporation.

It is the Committee's view that it is to the benefit of all Tasmanians that the move to a single corporation occur within the shortest possible timeframe and this should occur within 12 months of the tabling of this report.

Recommendation 2

The Committee recognises that Local Government, as owners of the corporations, should proactively lead the restructuring process and be involved with the development of any legislative changes, with every assistance provided by the Government.

The Committee recognises Local Government's concerns regarding ensuring appropriate skills are retained in each of the regions.

Recommendation 3

The Committee recommends that the existing governance arrangements be reviewed as part of the legislation development process and that the views of Local Government be fully considered and addressed as part of the review.

It is the Committee's position that the review of governance arrangements be undertaken in the first half of 2012 and that a meeting be held between Local Government, the corporations and State Government representatives to progress any necessary legislative amendments resulting from the review.

Recommendation 4

The Committee recommends that the water and sewerage corporations be compelled to take into account the broader economic, social and environmental benefits flowing from development proposals.

The Committee recommends that a process be established at an early point in the development process for the facilitation of medium to large development proposals with a water or sewerage component and the potential to deliver broader economic benefits.

The Committee further recommends the creation of “development facilitation working groups” for this purpose. The working groups should consist of representatives from the Department of Economic Development, owner councils and the water and sewerage corporations and consider the broader economic benefits of proposed projects with a view to moving forward supporting appropriate developments.

Recommendation 5

The Committee recommends that as part of the existing review of the *Residential Tenancy Act 1997* discussions be held with the Tenants’ Union of Tasmania and representatives of property owners regarding the metering of strata titled and multi-tenanted properties and the billing of water and sewerage charges.

CHAPTER 1: INTRODUCTION

1.1 Appointment and Terms of Reference

The Honourable Member for Bass, Peter Gutwein on 21 September 2010 gave notice of motion in the House of Assembly that he intended to move for the establishment of a Select Committee of the Assembly to inquire into and report upon the Tasmanian Water and Sewerage Corporations.

The motion was moved, debated and resolved with amendment on 20 October 2010. The resolution is as follows:

Resolved; That:

A Select Committee be appointed, with power to send for persons and papers, with leave to sit during any adjournment of the House exceeding fourteen days, with leave to report from time to time, and with leave to adjourn from place to place, to inquire into and report upon the operations of the three Tasmanian Water and Sewerage Corporations and the common services corporation Onstream, with particular reference to:

- a) the governance structure of the corporations and Onstream;
- b) the operating structure of the corporations and Onstream;
- c) the first 12 months financial performance of the corporations and Onstream;
- d) the impact of the structure, operations and legislation on the effectiveness and efficiency of the corporations and Onstream;
- e) the impact on future prices for consumers of the current corporate structures;
- f) the identification of strategies and options to enhance the structure, effectiveness and efficiency of the corporations and Onstream;

- g) The identification of a suitable transition mechanism to avoid a price shock at the end of the 5% (cumulative) price cap period on 1 July 2012, whilst ensuring the ongoing financial sustainability and viability of the water and sewerage sector and its capacity to continue the important reform process, including the required investment into critical infrastructure capital upgrades and improvements;
- h) A plan to restructure tariffs to end the cross-subsidisation between municipalities and to achieve an equitable pricing structure; and
- i) any other matters incidental thereto.

The Committee shall consist of five members, being two from the Government nominated by the Leader of the House; two from the Opposition nominated by the Leader of Opposition Business in the House; and one from the Tasmanian Greens nominated by the Leader of the Greens.

The Committee to table its report in the first Parliamentary sitting week of 2011.

The House of Assembly further resolved on 8 March 2011 to extend the Committee's reporting date until 26 May next.

1.2 Conduct of the Inquiry

At its first meeting the Committee resolved to advertise in the three daily Tasmanian newspapers for public submissions. The Committee further resolved to invite written submissions from key stakeholders, including all three water corporations and Onstream, all 29 municipal councils, the Tasmanian Economic Regulator, The Department of Treasury and Finance, The Tasmanian Chamber of Commerce and Industries, the Property Council of Australia, Tasmanian Division, the Housing Industry Association and the Tasmanian Small Business Council.

The Committee received 49 written submissions.

The Committee met on 17 occasions, eight of which involved public hearings. Hearings were held in Hobart, Devonport and Launceston with a total of 42 witnesses appearing before the Committee.

CHAPTER 2: INTERIM REPORT

2.1 Background

The Committee considered the testimony and submissions of many parties regarding the Government's water and sewerage reforms. A common theme in the evidence was the challenge that the ending of the Government's 5 per cent price cap presented and the need to mitigate price shocks to customers from 1 July 2012. In response, the Committee prepared an Interim Report in order to ensure that this issue was addressed during the development of the 2011 State Budget to allow time for mitigation strategies to be implemented.

The structural and regulatory reform of Tasmania's water and sewerage sector included the establishment of interim pricing arrangements in the form of an initial Interim Price Order (IPO) issued by the Treasurer. The IPO allowed for maximum cumulative price increases of 10 per cent per year for a period of three years ending 30 June 2012.

Subsequent to the issue of the IPO in mid-2009, the Government announced that it would cap the annual increase in the water and sewerage bills for all customers at 5 per cent for three years from 2009-10 to 2011-12. The Government also agreed to provide compensation payments to the water and sewerage corporations in recognition of lost revenues and other costs associated with this decision.

The four water and sewerage corporations (Southern Water, Cradle Mountain Water, Ben Lomond Water and Onstream) provided a combined written submission to the Committee, which, among other things, stated that the removal of the 5 per cent cap is a significant concern to the Corporations. The submission went on to state that:

"The 'cold turkey' removal of the State Government revenue cap subsidy to the Corporations will result in one of, or a combination of, the following affects:

- *A significant 'price shock' to customers;*
- *A significant loss of revenue for the Corporations;*

- *A significant reduction in the dividend payments to shareholders [Owner Councils];*
- *A significant reduction in [capital expenditure], resulting in slowing of the implementation of the capital improvement program designed to deliver the objectives of the reform including the Corporations' Compliance Implementation Plan."*

During its public hearings around the State the Committee heard evidence describing the competing complexities associated with the removal of the 5 per cent price cap with some advocating its immediate removal, while others favoured some form of a phased wind-out.

The Committee acknowledged that the removal of the 5 per cent price cap would be challenging for many parties as it had implications on many fronts including: the prices paid by customers for the provision of water and sewerage services; the returns received by Owner Councils; the capital expenditure program of the corporations; and the Budget position of the State Government.

Accordingly, the Committee found that price shocks expected to affect customers should be mitigated through direct negotiation between the State Government, the Water and Sewerage Corporations and their respective Owner Councils.

2.2 Interim Findings

In the Interim Report the Committee found that:

1. The task of bringing water and sewerage assets up to a standard that meets not only pre-existing licence requirements but current contemporary standards as well, will be a significant challenge both environmentally and financially.
2. Whilst intended to provide price relief for customers, the degree of difficulty of the aforementioned task has been exacerbated by the imposition of the 5 per cent price cap and key stakeholders provided evidence that it should be removed or phased out and price shocks should be mitigated against.

3. The removal of the State Government's 5 per cent price cap will cause a price shock of up to 20 per cent to occur on 1 July 2012 unless one or a combination of the following actions occur:
 - a. The State Government's pre-election 5 per cent price cap policy is continued in some form;
 - b. Owner Councils accept lower priority dividends immediately and future dividends are delayed;
 - c. The Corporations significantly reduce operating expenses;
 - d. The Corporations defer and extend the timeline for capital works; and
 - e. Significant grant funding is obtained from the Federal Government for capital works.

4. Stakeholders including the State Government, Owner Councils and the Water and Sewerage corporations all acknowledge that the 5 per cent price cap policy will cause a price shock to occur when the cap is removed.

2.3 Interim Recommendation

The Committee recommended that:

1. The State Government, the Water Corporations and their Owner Councils meet urgently and at least within 30 days of the Interim Report being tabled to negotiate an outcome to mitigate the price shock that will effect customers on 1 July 2012 as a result of the Government's 5 per cent price cap; and
2. Once the three parties have agreed, the Interim Price Order be amended to suit.

2.4 Developments

The Hon. Lara Giddings MP, Premier and Treasurer announced in the 2011-12 Budget Speech that the 5 per cent cap would be amended.

The Premier stated that:

"In response to requests from the Water and Sewerage Corporations, the local councils who own them, and the interim

report of the Water and Sewerage Select Committee, the Government has agreed to amend the 5 per cent price cap.

From 1 July [2011] it will be replaced with a cap of 10 per cent or \$100, whichever is greater ... the water and sewerage concession payment will be indexed to increase in line with this change.

*The Government will also provide the Corporations with \$6 million over two years, with a further \$4.3 million over three years for the Cradle Mountain Water Corporation to ensure its ongoing viability.*²

² Giddings, 2011-12 Budget Speech, 16 June 2011, Document No. 13.

CHAPTER 3: REFORM OF TASMANIA'S WATER AND SEWERAGE SECTOR

3.1 Overview

Since 1 July 2009 Tasmania's water and sewerage services have been provided by three local government owned regional corporations, situated across the three major regions, supported by a common services provider. The responsibility for the provision of these services was transferred from councils and the three bulk water authorities to the new corporations following a major reform process.

In 2006 the Ministerial Water and Sewerage Taskforce was established to investigate the structural and regulatory arrangements in the State's water and sewerage sector. The Ministerial Taskforce's terms of reference required it to:

- review the adequacy of Tasmania's existing urban and regional reticulated water and sewerage infrastructure and the nature and scope of investment required to meet future needs;
- examine structural, regulatory and other institutional arrangements in Tasmania and in other jurisdictions with a view to identifying a recommended approach for Tasmania;
- identify the likely financial and other impacts on key stakeholders (including councils and water users) and the risks arising from structural, regulatory and institutional reform;
- consult stakeholders, particularly councils, regarding options for a statewide water and sewerage plan;
- report on the options for a statewide water and sewerage plan, and develop an implementation timetable; and
- report to Cabinet on the progress and status of the project by the end of March 2007.

This process ultimately led to the implementation of significant structural and regulatory reforms through the *Water and Sewerage Corporations Act 2008* and the *Water and Sewerage Industry Act 2008*, which respectively created the new

water and sewerage corporations and established a new economic regulatory framework for the sector.

CHAPTER 4: STRUCTURE AND GOVERNANCE OF THE WATER AND SEWERAGE CORPORATIONS

4.1 Overview

Tasmania's water and sewerage services are provided on a regional basis by Southern Water, Cradle Mountain Water and Ben Lomond Water with common services support provided by Onstream. The corporations operate within a governance framework encompassed within the *Water and Sewerage Corporations Act 2008* and based on an amended version of the State-owned corporations' model to allow for local government ownership.

4.2 Structure of the Corporations

The Committee noted that the structure of the water and sewerage corporations is a foremost issue for many parties, with some advocating significant amendment to the existing approach while other parties advocate moving to a single statewide entity owned by local government.

Mr Miles Hampton, Chairman of the Water and Sewerage Corporations provided a presentation to the Committee which he had previously provided to the Local Government Association of Tasmania. The purpose of the presentation was to propose a move to a single statewide corporation. Mr Hampton emphasised that the presentation had been prepared in his capacity as Chairman and that he could not present it as the Board's view as, while a majority of directors favour a move to a single corporation, some have reservations.

Mr Hampton advised the Committee:

“Over time I have met with all of the mayors and all of the general managers around the State and they gave me a couple of very clear messages. They wanted to see us increasing the dividends. Their language would be they wanted there to be no price increases; I interpreted that to mean that they wanted price increases to be kept as low as possible, because the former is unrealistic whereas the latter is realistic. I met with 27 of the 29 mayors and general managers in a one-on-two conversation. While it varied - some were more interested in capital expenditure in their region - there was an overwhelming message, 'We don't live in an affluent community. The language in your space,

Mr Hampton, is about massive increases in price. We think you should be doing whatever you can to keep it as low as possible.' ... It also became very clear that councils were very unhappy with the [governance] arrangements ..."

"...when the corporations were established, as you know the Government at the time favoured a single corporation but we ended up with our compromise. One of the principal concerns I think at that time was equity within the regions. But what are the issues? The issues are: will one region be cross-subsidising the other? I still get that today. I still get people on the north-west coast saying, 'We do not want to cross-subsidise southern beaches'. I have people in the south saying, 'We do not want to cross-subsidise the huge amount of debt that Cradle Mountain Water have'. So the issue has not gone away; the perception is still there that they do not want to cross-subsidise each other. If we came together, what is the effect on distributions and will all councils benefit? A very strong concern about the capital expenditure program: will one region miss out at the expense of the other? Regional employment cannot be projected and is there a governance model that will work?"³

In supporting the case that regions will not be subsidising each other in the future, Mr Hampton's presentation included the following key financial metrics forecasts for the corporations in 10 years time.

Key Financial Metrics – FY21

	Southern Water	Ben Lomond Water	Cradle Mountain Water	Total
NPAT	32M	16.7M	14.2M	62.9M
	50.9%	26.5%	22.6%	
Distributions	32.6	16.4	14.6M	63.9M
	51.3%	25.8%	22.9%	
Equity	988M	542M	386M	1 916M
	51.5%	28.3%	20.2%	
ROE	4.11%	4.41%	5.24%	
Gearing	30%	26%	31%	
Interest Cover	3.3	3.6	3.5	

³ Hampton, transcript of evidence, 14 November 2011, p. 2

Mr Hampton continued:

“You can see the key metrics, particularly the metrics of return on equity and gearing and interest cover at the bottom of the chart. In 10 years time we become remarkably similar. The reasons for the distrust go away, if you like, in terms of the financial structure. The principal reason for that is demonstrated on the next page, which is showing actual average residential tariffs last year, what we forecast them to be in the current year and what target tariffs are in financial year 2013, 2014 and 2015. We will not quite reach those target tariffs with some of our customers because we would be ramping them up faster than we are forecasting they should be ramped up. But inexorably we have different starting points but we move towards the same finishing point. Is that logical? Well if you are set up on the basis that your charges are meant to be full-cost recovery with a nominated margin, then that is actually true. There will be slight differences that I think are quite evident here.

It is actually more expensive to provide our services on a per customer basis on the north-west coast because of the long-strip character of a number of reasonably sized towns, rather than Hobart or Launceston where you have two very large centres. So inherently the numbers here are logical but this slide underpins why the organisations are drifting towards the same kind of p-metrics. We are in a regulated space; we are expected to get to a pricing that delivers a properly regulated return. Ipso facto you will end up in the same space. It is only a matter of how long it will take you to get there as an individual corporation.

Mr Hampton’s presentation included the following forecast and targets for average residential water and sewerage tariffs.

Residential Tariffs

	Southern Water	Ben Lomond Water	Cradle Mountain Water
FY11 Average	\$770	\$645	\$675
FY12 Forecast	\$836	\$758	\$772
FY13 Target	\$942	\$949	\$978
FY14 Target	\$992	\$1000	\$1037
FY15 Target	\$1046	\$1055	\$1099
% Uplift FY11-15	36%	64%	63%

With respect to cross-subsidisation, Mr Hampton continued:

“If that is still a concern the starting points may have been different but the metrics will converge. It took me a long time to come to grips with this but it flows from the regulated space we are operating in. There is no science in it whatsoever. We have not created it; it just flows.”⁴

Mr Hampton continued his presentation, moving to estimates of potential savings from moving the corporations together:

“Will there be savings in corporations and I looked at the expenses. I am looking here at financial year 2012 and I have looked at the expenses of the three corporations. Remember that Onstream is inside the three so I did not need to put a fourth corporation on here because the expenses are already there inside the three corporations. I have deducted what I call the non-discretionary expenses: the materials, the depreciation and the interest. The materials are the raw materials that we use for water treatment and wastewater treatment. It is \$101 million worth of discretionary costs. Largely we cannot save a lot out of depreciation, interest and materials by bringing the corporations together. We can really only save out of the discretionary costs.

I have then looked at the discretionary costs ... I put a range of 3-5 per cent savings and in financial year 2012 dollars it is \$3 million to \$5 million; indexed at 3.5 per cent it is \$4.1 to \$6.8 million in financial year 2021.

Before going on to the analysis we have subsequently done quite a bit of work. It is not publicly available, but we have engaged Deloitte to confirm the level of savings as being reasonable. We specifically asked Deloitte to provide a report and to respond to the question of the reasonableness of the savings target and that report is almost completed and will be provided to all of our owners. My expectation is that it will conclude that savings at the upper end are reasonable if not conservative, not overnight but over a period of time, and savings of the order of \$5 million-plus are achievable in bringing the corporations together.”⁵

⁴ Hampton, transcript of evidence, 14 November 2011, p.3

⁵ Ibid

With respect to the corporations' capital expenditure programs, the Committee noted Mr Hampton's advice that they are currently externally driven by the requirements of health and environmental regulators and are not at the discretion of the corporations.

Mr Hampton stated:

*"If I look at the capital expenditure plans ... I knew they would be concerned that all the money would be steered into one region or another. I have sat at this table before and talked with you about the role of health and the environmental regulators in setting our capital expenditure program and priorities. In large measure now we have identified the work that needs to be done. At least in the immediate future we have an agreement with the regulators about what will be done first - the EPA and Health. ... What I was really trying to say to our owners is that it is there, it is locked in. ... I emphasised that to a large degree we have no discretion."*⁶

Mr Hampton continued by stating that he contemplates that a single entity would provide savings of approximately 30 positions statewide from the 800 currently employed.⁷

The Committee noted the testimony of Mr Hampton with respect to his views on moving to a single statewide water and sewerage entity and requested that Mr Allan Garcia, Chief Executive Officer, Local Government Association of Tasmania provide the Committee with an update on the process it is following to understand the position of Mr Hampton and the views of its member councils.

Mr Garcia advised the Committee:

"... for many councils that came as a surprise. It was their first inkling of it but in the room there was a general thought that, okay, if the chairman is bringing himself forward and putting this data on the table then it is worthwhile listening to.

Subsequent to that, of course, there was the question that this is his opinion but is that verifiable. To help in that process, Miles, myself and Barry Easter then went on a regional road show and we spoke to councils more about the issue of what had been explained to the mayors and general managers at the general meeting. Other councillors were invited along to those meetings as well as officers of councils, so there was a broader

⁶ Hampton, transcript of evidence, 14 November 2011, p.4-5

⁷ Hampton, transcript of evidence, 14 November 2011, p.12

understanding provided and lots more questioning around not just the money aspect, the savings, but potential governance arrangements, what could or could not occur. Miles outlined those in his presentation to you.

Following that, the proposition came, particularly out of the south, that this is a person's opinion and, whilst we employ this person as the chairman of the board, we acknowledge and accept that we do not have a universal board position and that this is Miles speaking as the chairman. Is there a need for some sort of verification, some sort of robustness to what he has put on the table? So the southern councils in particular were seeking to have some due diligence done of Miles' work.

The difficulty with the association in this process, and forgive me for diverting, is that under the legislation we have no role. We have no relationship with Owner Councils per se; they just happen to be shared members, so our position has been trying to facilitate an outcome.

With regard to the due diligence, the discussion was had with Miles to say that if a group of councils are going to go out and get some due diligence for their regional outcome to test the veracity of your data and your numbers, would it not be appropriate indeed for the corporation to undertake the due diligence. They have the information, they have the access to the people, the numbers et cetera; what is someone outside going to do? So ultimately Miles agreed that that be done. If we were going to do it for one region clearly it was important to do it for all regions; no point otherwise. The intent there was to be able to demonstrate whether or not those savings that had been surmised by the chair were in fact valid, or what impact would there be on each of the corporations, and indeed down to a member council level what would be the impact on their equity arrangements, future dividend streams and the like.

So the due diligence effectively was a brief provided by Miles to Deloitte and Deloitte then, I suppose, tested the assumptions, ran their own process, tested veracity and I think they ultimately concluded that indeed Miles was a little on the conservative side. There were potential other benefits et cetera. That information has subsequently been provided to councils as has been a document fundamentally on the governance issues. Those documents were not provided prior to the last general meeting."

In summary of where councils are at, it is very difficult to get a solid position. I would love to be able to say to you that they are all supportive of one entity or they are not. The reality is that in the south there is more a leaning towards a single entity outcome - a leaning, not a conclusion. The north - probably a single entity outcome. The north-west - absolutely not a single entity outcome. The north-west councils would consider a more robust and local government-centric corporation for the north-west as being a better outcome for them. That is probably as per our submission to you guys in the first round when we talked about three regional entities, different governance arrangements, stronger local government input. They are still very much of that view that this is what they should have for the north-west coast, although that is not definitive and they have not determined it, but that is where they are talking. They have significant concerns about employment outcomes on the north-west coast so that if you have a single entity and make the assumption, as everyone seems to, that it becomes Hobart-centric then suddenly you will lose key people out of the north-west coast.”⁸

In response to a query from the Committee regarding the process for achieving in-principle agreement, one way or the other, from Owner Councils, Mr Garcia stated:

“At our last general meeting we had a proposition that perhaps we need to come out and have another chat about how this is going to go. Where it is at the moment is councils have this information and they are contemplating what they do with it. It is fair to say that a number of councils are not sure what they should do with it. ... So I think there is a bit more that needs be done in terms of satisfying councils ...

I think on the governance one there are some councils who are saying the sort of model we have talked about, single entities, six or seven people, regional representation or otherwise looks okay. There are a number of other councils who would like to strip it back and say, 'The good old days when we used to control stuff'.

You asked what is the process. The process from here is that we asked the question did you want us to come out and talk to you more before Christmas? The answer was no. So we are bringing a working group of mayors together to say what is the process

⁸ Garcia, transcript of evidence, 7 December 2011, p.1-2

from here and how do we get this clarity for going forward? That would be January at best.”⁹

In its submission to the Committee, the State Government indicated that a single statewide entity was initially the preferred approach for the Ministerial Water and Sewerage Taskforce. The submission from the State Government explained that:

“Early in the reform process the preferred option of the Task Force was a single State Government owned entity, as it had the best prospects for achieving the overall reform objectives and satisfying the [reform] criteria.”¹⁰

The Government submission continued:

“... it was considered that a single corporation would have offered the following benefits:

- An ability to draw on a broader base of skills and experience and have the scale necessary to develop expertise;*
- Further integration of administrative systems which would create opportunities for cost savings and reduce reporting and administrative effort;*
- Consistency in service delivery and customer relations across the State;*
- State-wide planning of infrastructure;*
- A stronger and more stable cash flow, a better capacity to manage debt, and more flexibility to deal with the significant capital expenditure program required;*
- A capacity to secure better services to customers and to achieve health and environmental standards sooner than under the enhanced regional model.”¹¹*

⁹ Garcia, transcript of evidence, 7 December 2011, p. 11-12

¹⁰ State Government Submission No. 34, p. 9

¹¹ State Government Submission No. 34, p.10

The Committee has noted the views of many parties in relation to the reform outcomes and the most appropriate structure for Tasmania's water and sewerage sector. The Committee has heard that the Local Government Association of Tasmania is investigating the issues and implications of moving from the current four corporation structure to a streamlined single entity. In initiating this process, the Chairman of the Water and Sewerage Corporations has estimated that the potential savings of moving to a single entity model would be up to \$5 million per year after a period of time, which has been independently verified.¹²

The Committee has also noted the significant concerns raised in submissions and in testimony with the existing structure, especially in relation to the role of Onstream and the broad governance arrangements encompassed within the *Water and Sewerage Corporations Act 2008*. The Committee accepts that a single entity will deliver material benefits to the Tasmanian community and that it provides an opportunity for the governance framework to be reviewed and amended to address the concerns of the Corporations and the Owner Councils (see section 4.3). Accordingly, the Committee strongly supports the future provision of water and sewerage services in Tasmania via a single statewide entity and recommends that moves towards this new structure should be made as a priority.

Recommendation 1

The Committee recommends that the existing four corporations model for the provision of water and sewerage services in the State be collapsed into a single statewide corporation.

It is the Committee's view that it is to the benefit of all Tasmanians that the move to a single corporation occur within the shortest possible timeframe and this should occur within 12 months of the tabling of this report.

Recommendation 2

The Committee recognises that Local Government, as owners of the corporations, should proactively lead the restructuring process and be involved with the development of any legislative changes, with every assistance provided by the Government.

The Committee recognises Local Government's concerns for ensuring appropriate skills are retained in each of the regions.

¹² Garcia, transcript of evidence, 7 December 2011, p,1-2

4.3 Governance Framework

The Committee noted that there was strong support in submissions and from witnesses for improved governance arrangements, especially in relation to the representative framework for the Owner Councils and the Treasurer's oversight role.

Under the existing arrangements, the *Water and Sewerage Corporations Act 2008* requires the respective Owner Councils to appoint three owners' representatives for each of Ben Lomond Water, Cradle Mountain Water and Southern Water. The key roles and responsibilities of the Owners' Representatives are to:

- make and implement decisions on behalf of the Owner Councils of the corporations;
- liaise between the board and Owner Councils of the respective corporation;
- monitor the performance of the board against the shareholder letter of expectations and corporate plan projections between annual general meetings;
- appoint members to the Director Selection Committee;
- appoint Board directors;
- inform the Treasurer of changes to a corporation's constitution; and
- informing the Treasurer of the issue, or amendment, of a shareholders' letter of expectation or corporate plan.¹³

With respect to the current owners' representatives model, the Local Government Association of Tasmania raised its concern with the current levels of communication between parties. The LGAT submitted that:

“There is an underlying discontent regarding the level of engagement between the councils as owners and the corporations. In part there are transitional issues relating to changes of responsibility however, this acknowledgement notwithstanding, there appears to be a lack of structure and

¹³ State Government Submission No. 34, p. 20

opportunity to conduct communication relating to demands, needs and future planning.

Experience in the State Government allows for a dialogue between the owner of a GBE or SOC with the board Chair and/or CEO. It is not necessarily directional but it constitutes an intermittent exchange of information, providing an opportunity to query matters relating to strategy and direction without dictating terms. Clarification of the position of the organisation, its challenges, impacts of direction, priorities and general overview can be articulated via this regular dialogue.

... In the case of water and sewerage corporations, the only formal dialogue required to occur is with the owners' representatives of each region. While there are three in each region and they seek to represent the interests of the Owner Councils, they do not possess intimate knowledge of the operations, strategies and broad expectations of all the councils in the region. Owner Councils have interests in the areas of economic development, land use planning, impacts of demographic change and the impact of growth strategies on not only water and sewerage infrastructure but other infrastructure requirements for the future."¹⁴

The written submission from the Southern Tasmanian Council Authority (STCA) also favoured amending the current arrangements. The STCA submitted:

"The role of the owners' representatives is not clear in the legislation and they are not truly representative of the shareholders ... The arrangements with the owners' representatives are becoming more and more difficult as Councils increasingly seek to have direct contact with both the Board and management and thus bypass the formal Representatives' process. Reporting to the owners' representatives when Councils want a direct line of communication places the Corporation in a difficult position."¹⁵

¹⁴ LGAT Submission No. 39, p. 7-8

¹⁵ STCA Submission No. 25, p.4.7

The STCA continued in its submission by raising the lack of appreciation for the inter-relationship that exists between councils and the water corporations. The STCA wrote:

“There has been, since the reform process began, a significant lack of appreciation for the inter-relationship between remaining council functions and water and sewerage activities. Councils require ongoing, strong relationships with the water and sewerage corporations at the policy and operational levels in respect to their responsibilities in such areas as:

- *Roads*
- *Drainage*
- *Land use planning*
- *Economic development*¹⁶

In his capacity as Chairman of the board of Southern Water, Mr Miles Hampton informed the Committee that, despite best endeavours, there are deficiencies in the formal representational arrangements and recommended a new model be developed where each Owner Council is directly represented.

Mr Hampton wrote:

“Under the current legislation, the accountability of the board to the owners is via owners’ representatives. However, despite the best endeavours of the owners reps, this arrangement has left many councils feeling disenfranchised as owners. Councils are increasingly seeking to bypass the formal arrangements and deal directly with the corporation. The board of Southern Water recommends that each council has a representative under a model not dissimilar to that of the former bulk water authority where the board responds to a group comprising representatives of all or our owners, not just some of our owners.”¹⁷

In addition to submitting a preference for amended representation arrangements, Local Government raised concerns with the roles, responsibilities and powers of the Treasurer encompassed in the *Water and Sewerage Corporations Act 2008*.

¹⁶ STCA Submission No. 25, p.48

¹⁷ Hampton, transcript of evidence, 17 February 2011, p. 2

Mr Garcia advised the Committee:

*“The other matters around governance, ... [what] we are basically saying [is] ... select the board, get the board, do the communication; we are fundamentally saying there is no role for government in this process. There is no role for the Treasurer in terms of allocation of dividends. There is no role for Parliament necessarily to oversight this stuff. There is no role for the State Government to play umpire in this process. We are saying these are legislative things. These are local government owned. There should be mechanisms in place that provide sufficient safeguard and adequacy to be able to do that. At the margins they may be matters that need to be negotiated with the State Government to give the comfort that this now fairly big organisation with a significant wealth”.*¹⁸

Local Government and the corporations have submitted a wide range of concerns with the governance framework by which the water and sewerage corporations are administered. The Committee concludes that a review of the governance arrangements should be conducted with suitable discussions held between local and State governments in order to identify opportunities for streamlining and improving the governance arrangements to meet the needs of the Owner Councils and the corporations.

Recommendation 3

The Committee recommends that the existing governance arrangements be reviewed as part of the legislation development process and that the views of Local Government be fully considered and addressed as part of the review.

It is the Committee’s position that the review of governance arrangements be undertaken in the first half of 2012 and that a meeting be held between Local Government, the corporations and State Government representatives to progress any necessary legislative amendments resulting from the review.

¹⁸ Garcia, transcript of evidence, 7 December 2011, p. 3

4.4 Development Facilitation

The Committee has also noted evidence describing the lack of clarity regarding the role of the water and sewerage corporations and the process followed in the facilitation of projects with the potential to deliver wider economic benefits.

In response to a query from the Committee Chair regarding regional economic activity, Mr Hampton advised the Committee:

“A number of the councils are quite focused on that. While there is oblique reference in our legislation to economic development, it is not a priority objective of ours. That being said, as we have learnt over the last two years we can't ignore it because it comes before us. For example, with the proposed new milk processing plant in Circular Head, we will be taking their trade waste. We've had conversations with them. We encourage proponents of projects to come to us early and talk to us about what they are proposing to do so we can work with them in identifying the lowest cost solution. If they don't do that but lodge an application in front of us, we have to comply within a certain time frame with inadequate information. We have to respond in a certain time frame, we are required to do so, so we have been accused sometimes of putting forward numbers that are ridiculous. Probably with the benefit of hindsight we have, but there is nothing we can do about it because we have an obligation. We have found that by engaging with the local council, normally a champion of a project, and the proponent of the project we have been finding solutions that work better for everyone and will work for us.

... The difficulty with the economic development role is whether it is our place to make the judgment. Do we want to get into a debate about a proposal that might go in Burnie or might go in Devonport and if we do make the support of that - and I am using the north-west coast as an example - will the councils in the other regions be happy that we effectively have an element of cross-subsidisation? Remember our mandate, which is full cost-recovery and full equity.

... We can't deny that the infrastructure that we have and are meant to be providing to the community is really important for development, but how can you be quarantined from it ...

... Another example that I put in front of you is the proposed Lion Milk Project in Burnie and, despite the fact that it is relatively new,

our new wastewater treatment plant on the coast simply couldn't handle the volumes. However in cooperation with councils we have established that a significant part of the volume that we are handling there is actually coming from stormwater, which we do not have responsibility for. So really good dialogue has been had and the Burnie City Council are exploring ways that they could finance the removal of the stormwater which would mean that we could handle the trade waste capacity. So we have become engaged in trying to find solutions which I think is part of our role.

¹⁹

The Committee is of the view that development proposals with the capacity to deliver broad economic, social and environmental benefits should be fully and cooperatively considered by the corporations, Owner Councils and the State Government. The Committee has concluded that consideration be given to establishing, at an early part of the development process, a development facilitation working group when such medium to large development proposals have a material water or sewerage aspect. The working groups should consist of representatives from the Department of Economic Development, Owner Councils and the water and sewerage corporations and consider the broader economic, social and environmental benefits of proposed projects with a view to moving forward appropriate developments.

Recommendation 4

The Committee recommends that the water and sewerage corporations be compelled to take into account the broader economic, social and environmental benefits flowing from development proposals.

The Committee recommends that a process be established at an early point in the development process for the facilitation of medium to large development proposals with a water or sewerage component and the potential to deliver broader economic benefits.

The Committee further recommends the creation of "development facilitation working groups" for this purpose. The working groups should consist of representatives from the Department of Economic Development, Owner Councils and the water and sewerage corporations and consider the broader economic, social and environmental benefits of proposed projects with a view to moving forward and supporting appropriate developments.

¹⁹ Hampton, transcript of evidence, 14 November 2011, p.8

CHAPTER 5: CHARGES RELATING TO UNCONNECTED PROPERTIES (30 METRE CONNECTION RULE)

The treatment of properties not connected to the water and sewerage networks is an issue that has been raised with members of the Committee.

Pricing structures used by the council-run water and sewerage schemes included charges that were applied to properties which were, while close to the network, not actually connected to the water and sewerage infrastructure²⁰. Such charges are known as serviced land charges and are a separate charge from “service charges”. In municipalities that used AAV-based pricing, there was usually no difference in the charges for connected and unconnected properties.

The water and sewerage legislation continues this arrangement whereby unconnected properties, within 30 metres of the network, are subject to serviced land charges²¹. Prior to the water and sewerage reforms, section 95 of the *Local Government Act 1993* permitted councils to impose a charge on land that is not provided with water services or sewerage services provided that the land is no more than 30 metres from the council's infrastructure.

Some other water and sewerage providers around Australia charge properties that are not connected to the water or sewerage networks. However this practice is not universal. Those providers which do charge unconnected properties argue that it is more equitable to charge everybody who benefits from the provision of water and sewerage in an area, including those who benefit from higher property prices but who are not connected.

The large-scale supply of urban water requires reticulation systems to transport treated water. Reticulation systems are expensive and, because the infrastructure has little resale value, laying down the network and extending the network create costs that need to be recovered. Unlike other networks, such as telephone networks, the goods or service delivered do not increase in value to existing customers as additional connections are added. However, the high infrastructure costs which characterise reticulation networks do result in economies of scale (decreasing average costs) for the provision of water or sewerage services. The justification for imposing charges on certain unconnected properties is that the fixed costs can be spread among more customers, reducing the amount of the fixed charge per customer. Networks of

²⁰ *Local Government Act 1993* section 95 as at 30 June 2008.

²¹ *Water and Sewerage Industry Act 2008* section 68A.

this type are most cost effective if all properties that can connect to the network do so.

However, if costs were to only be recovered from connected customers, the concern is that this would require increased charges to connected customers and act as a major disincentive for the unconnected customers to become connected to the network.

In Tasmania there are many areas with relatively low population density and, overall, there are lower population levels even in urban areas. This means that the benefits of the economies of scale associated with these reticulation networks cannot always be captured. It is for this reason that local governments instituted serviced land charges in order to maintain the viability of their reticulation systems.

The Committee acknowledges that the application of charges to unconnected properties is a continuation of arrangements previously applied by councils and, accordingly, it is the responsibility of the water and sewerage corporations to consider the appropriateness of continuing the policy and to request legislative amendment, if deemed necessary.

CHAPTER 6: METERING AND BILLING ARRANGEMENTS FOR STRATA TITLE AND MULTI-TENANTED PROPERTIES

The metering and billing of strata title and multi-tenanted properties by the water and sewerage corporations is another issue that has been raised with members of the Committee.

6.1 Metering

From the first regulatory period, which is scheduled to commence on 1 July 2012, the water and sewerage corporations are required to price for water services based on a two-part tariff.²² This is established in the *Water and Sewerage Industry Act 2008*.²³

Water meters are generally regarded as providing an efficient and equitable method to price for variable charges. Variable charges cover the costs that vary with usage, such as the costs from treating and pumping water, and fixed charges cover the maintenance and upgrade of the system and which are distributed across all users.

The Committee understands that it is the current policy of Southern Water, for example, that all new strata title and multi-tenanted properties will have a master meter installed at the boundary of the property adjoining the corporation's infrastructure.²⁴

This policy in respect of existing strata title/multiple-tenanted properties provides that Southern Water will install a master meter at the connection point that is appropriately sized for the number of strata dwellings/tenants.²⁵

This decision to install a master meter only, as opposed to installing sub-meters at a connection point (assuming one can be created) for each strata title property or tenancy, is due to legacy issues associated with the water and sewerage infrastructure already being in place. The problem is the high cost of installing meters in some strata properties or tenancies, such as multi-storey unit complexes. A further complication is having corporation-owned meters installed

²² *Water and Sewerage Industry Act 2008* section 68(1)(b).

²³ *Ibid.*

²⁴ *Southern Water Sub-metering Policy*, 11 August 2011, Document No. 14 p. 1.

²⁵ *Ibid.*

within a private plumbing network that may be in urgent need of upgrade which the corporation is not responsible for maintaining.

This is different from electricity and telecommunications infrastructure which would have been installed at the time the property was constructed to provide a connection for each separately titled property. It is also relatively less costly to install electricity and telecommunications infrastructure than water infrastructure.

In other jurisdictions which have introduced metering many existing strata title properties and multiple-tenancies are not individually metered due to these problems.

The Committee understands that the corporations' policy provides that owners of these properties may choose to install sub-meters for all units in an existing strata title scheme or multiple-tenancy, which would depend on the costs and benefits of installing sub-meters, including the costs of any retrofitting of the existing private infrastructure, against the equity benefits of being billed for individual consumption.²⁶ In many cases, the benefits of sharing a single boundary meter, which results in a single fixed charge shared among property owners, will outweigh any savings in variable charges due to reduced consumption. This is because if sub-metered, each strata property/tenancy would be charged its own fixed charge.

6.2 Billing Arrangements

Water and sewerage charges are currently levied on property owners. This policy stems from historical arrangements under which water and sewerage charges were recovered by local governments as part of rates and charges on a property.

The Water and Sewerage Industry (Pricing and Related Matters) Regulations 2011 require the regional water and sewerage corporations to bill residential property owners for both fixed and variable water and sewerage charges. Property owners can choose to pass on the variable component of the water bill to the tenant in accordance with the existing provisions of the *Residential Tenancy Act 1997*.

Under the *Residential Tenancy Act*, for property owners to recover money for variable water charges from tenants, there must be a working water meter installed for the property and the arrangement must be agreed in the residential tenancy agreement. This means that an owner of a strata title or multi-tenanted property cannot pass on a variable charge to a tenant where sub-meters are not installed. This is consistent with past and present billing arrangements for water

²⁶ Ibid.

and sewerage services. The water and sewerage legislation did not amend or alter the existing arrangements for residential tenants.

If property owners choose to pass on the entire variable charges, this achieves the same outcome as if the corporation were to bill the tenant directly as the tenant pays for the variable costs and has the appropriate incentive to use water efficiently. This also means that a property owner can choose to not pass on the variable charge to the tenant. This might occur, for example, where an owner does not want to discourage a tenant from maintaining gardens around the property.

This approach is consistent with that taken by most other Australian jurisdictions.

In the case of existing strata title schemes where individual properties are not metered, the water and sewerage corporations' policy provides that the corporations will apportion the water usage charge among the property owners equally for each separately titled property. In the case of strata title properties, owners will be billed according to their general unit entitlement or special unit entitlement, if that special unit entitlement specifically relates to water use.

The metering and billing arrangements for existing strata title and multi-tenanted properties create a situation where the bill for water used by each household will not correspond to their own water consumption.

However, as set out above, where sub-meters are not installed, each owner may face lower overall charges than would otherwise be payable.

An alternative to this arrangement is whereby the occupier, or tenant, is billed for both fixed and variable charges, as is the case with electricity and telecommunications.

The problem with implementing this approach is ensuring a satisfactory transition from the current arrangements, where the rent includes some or all of these charges.

Property owners would expect to recover water and sewerage costs from their rental properties. Therefore, most current residential rents include, as a component, part or all of the water and sewerage charges that apply to the property, even if this is not itemised in the rent or charged separately.

It would be administratively very complex to ensure that in all cases rents are reduced by an amount commensurate with the water and sewerage charges for which occupiers would be liable.

One reason is that it cannot be known in advance what these charges will be over the life of the rental contract, or how rents would have changed due to

market conditions absent any adjustment due to a transfer of liability for water and sewerage charges. There is widespread concern that this would lead to a windfall gain to property owners.

The Committee has noted that amending the existing arrangements could potentially affect tenants, many of whom are low-income earners. Given this, the Committee is of the view that the review of the *Residential Tenancy Act 1997* provides the opportunity for this issue to be considered in the context of wider tenancy issues and discussed with the Tenants' Union of Tasmania.

Recommendation 5

The Committee recommends that as part of the existing review of the *Residential Tenancy Act 1997* discussions be held with the Tenants' Union of Tasmania and representatives of property owners regarding the metering of strata titled and multi-tenanted properties and the billing of water and sewerage charges.

Mr Peter Gutwein, MP

Chair
Parliament House
Hobart

31 January 2012

APPENDIX 1 - SUBMISSIONS RECEIVED

<u>Submission No.</u>	<u>Name</u>	<u>Organisation/Address</u>	<u>Date of Submission</u>
1.	Dr. Graham Bury	Mayor, Kingborough Council, Civic Centre, 15 Channel Highway, Kingston 7050.	26 November, 2010
2.	Mr. Bruce Scott	Private Submission	30 November, 2010
3.	Mr. Richard Lowrie	Glenorchy City Council, 15 Quorn Street, Sandy Bay 7005	8 December, 2010
4.	Mr. David Downie	Private Submission	8 December, 2010
5.	Mr. Frank Pearce	General Manager, City of Glenorchy PO Box 103 Glenorchy 7010	9 December, 2010
6.	Mr. Mike Griffiths	Private Submission	14 December, 2010
7.	TasCOSS	Tasmanian Council of Social Service Inc., PO Box 1126, Sandy Bay 7006	14 December, 2010
8.	Mr. Ian Pearce	General Manager West Tamar Council, PO Box 59 Beaconsfield 7270	14 December, 2010
9.	Mr. J. P. Kelly	Private Submission	14 December, 2010
10.	Mr. Ron Sanderson	General Manager Brighton Council 1 Tivoli Road Gagebrook 7030	16 December, 2010
11.	Mr. S. J. Coombs	Private Submission	15 December, 2010
12.	Mr. R. Dobrynski	General Manager Launceston City Council PO Box 396 Launceston 7250	15 December, 2010
13.	Kim Polley OAM	Mayor Northern Midlands Council PO Box 156	

		Longford 7301	16 December, 2010
14.	Dr. E. Smith BSc, PhD, Grad Dip Environmental Planning	Private Submission	16 December, 2010
15.	Mr. Darryl Gerrity	Mayor West Coast Council PO Box 18 Strahan 7468	15 December, 2010
15A.	Mr. Peter Harder	General Manager West Coast Council PO Box 18 Strahan 7468	16 December, 2010
16.	Ald. R. Valentine	Lord Mayor Hobart City Council GPO Box 503 Hobart 7001	16 December, 2010
17.	Mr. Mark Goode	General Manager King Island Council PO Box 147 Currie, King Island 7256	13 December, 2010
18.	Mr. Charles Arnold	Mayor King Island Council PO Box 147 Currie, King Island 7256	10 December, 2010
19.	Mr. Robert Legge	Mayor Break O'Day Council PO Box 21 St. Helens 7216	16 December, 2010
20.	Mr. Gerald Monson	General Manager Kentish Council PO Box 63 Sheffield 7306	14 December, 2010
21.	Hon. M. Gaffney	Mayor Latrobe Council PO Box 63 Latrobe 7307	14 December, 2010
22.	Mr. E. J. Bolton	Private Submission	17 December, 2010
23.	Hon.A.Taylor MLC	Member for Elwick Parliament House Hobart 7000	16 December, 2010
24.	Tasmanian Water Corporations &	GPO Box 1393 Hobart 7001	

	Onstream		17 December, 2010
25.	David Hun & David Lovell	Joint CEOs Southern Tasmanian Councils Authority GPO Box 503E Hobart 7001	17 December, 2010
26.	Mr. Ian McCallum	General Manager Devonport City Council PO Box 604 Devonport 7310	17 December, 2010
27.	Ms. Suzette Adams	Private Subission	20 December, 2010
28.	Mr. Paul Ranson	on behalf of Owners' Reps. of the Tas. Water & Sewerage Corp. (Northern Region)Pty.Ltd.	16 December, 2010
29.	Mr. S. Mackey	General Manager Derwent Valley Council PO Box 595 New Norfolk 7140	14 December, 2010
30.	Mr. S. Clues	Regional Exec. Director Housing Industry Assoc. PO Box 346 North Hobart 7002	17 December, 2010
31.	Mr. P. Arnold	General Manager Burnie City Council PO Box 973 Burnie 7320	
32.	Mr. G. Preece	General Manager Meander Valley Council PO Box 102, Westbury 7303	17 December, 2010
33.	Ms. Mary Massina	Executive Director Tas. Property Council of Australia <u>email:</u> mmassina@propertyoz.com.au	November, 2010
34.	Hon., B. Green MP	Minister for Primary Industries & Water Level 1 Public Buildings Franklin Square Hobart 7000	17 December, 2010

35.	Mr. Greg Winton	Circular Head/Waratah- Wynyard Council PO Box 168 Wynyard 7325	December, 2010
36.	Mr. S. Pendlebury	Chair Tasmanian Flood Warning Consultative Committee GPO Box 727 Hobart 7001	17 December, 2010
37.	Mr. Stephen Garlick	Private Submission	20 December, 2010
38.	Ald. Jock Campbell	Mayor Clarence City Council PO Box 96 Rosny Park 7018	21 December, 2010
39.	Mr. Allan Garcia	Chief Executive Officer Local Government Association of Tasmania GPO Box 1521 Hobart 7001	22 December, 2010
40.	Mayor Laycock	Owner Representative on behalf of local authorities Cradle Coast Region	December, 2010
41.	Cr. Jan Bonde	Mayor Central Coast Council PO Box 220 Ulverstone 7315	22 December, 2010
42	Mayor Barry Jarvis	Dorset Council PO Box 21 Scottsdale 7260	4 January 2011
43	R. Rockerfeller	Nekon Pty Ltd	21 January 2011
44	G. B. Lane	Private Submission	24 January 2011
45	Trevor Garwood	Private Submission	4 February 2011
46	Flora Fox	Kingborough Councillor	3 March 2011
47	Adrian Cowie	Master Plumbers' Assoc.	7 March 2011
48	Eric Pinkard	Taxpayers Australia Inc.	5 January 2011
48 (a)	Eric Pinkard	Taxpayers Aust. Inc. Supplementary Submission	
49	David Keyes	Private Submission	28 March 2011
49	David Keyes	Supplementary Submission	4 April 2011

APPENDIX 2 - DOCUMENTS RECEIVED

1. Briefing Paper – Water and Wastewater Services Interstate Overview – prepared by the Parliamentary Research Service, December 2010.
2. Water Corporations – Ben Lomond Water, Cradle Mountain Water, Southern Water and Onstream Annual Report 2009-2010 – ‘A Year In Transition’.
3. Launceston City Council – Rating Levels – tabled by Mr Michael Tidey 4 March 2011.
4. Letter dated 9 March addressed to Chair of Committee from Mr Robert Dobrzynski, General Manager, Launceston City Council.
5. Briefing Notes – Tabled by Lord Mayor, Rob Valentine, 17 February 2011.
6. Documents provided by Water Corporations Chair, Mr Miles Hampton from Cradle Mountain Water (CMW)
 - Letter to Tasmanian Water and Sewerage Corporations Chairman from Treasurer – Allocation of Returns under the Water and Sewerage Act 2008;
 - Debt transfer priority distribution to councils;
 - EPA priorities;
 - Additional information – rebalancing and average residential information;
 - Department of Health and Human Services (DHHS) priority list;
 - Flow chart – Decision Tree for EPA priority list.
7. Additional and updated information provided by CMW and Onstream (ONS)
 - Returns Allocation Order re Priority Dividends (2009);
 - Rebalancing and average residential information;
 - EPA priorities;
 - 2011 Allocation Order (with adjusted total Northern Region);
 - DHHS Priority list;
 - Flow chart – Decision Tree for EPA priority list.
8. Documents requested from Southern Water:
 - Compliance Implementation Plan – Priority list from DHHS;
 - Returns Allocation Order re Priority Dividends;
 - Southern Water Structure;
 - 2011 Allocation Order (with adjusted total Northern Region);
 - Information on Southern Water residential customers and rebalancing;
 - Summary of payments to councils.

9. Documents requested from Ben Lomond Water:
 - Ben Lomond Water rebalancing information;
 - Ben Lomond Water council distributions;
 - Ben Lomond Water Management Structure;
 - Ben Lomond Water average property charges;
 - Ben Lomond Water Organisational Structure;
 - Ben Lomond Water rating information.

10. Information requested from Dorset Council:
 - Dorset Integrated Water Management Plan June 2009;
 - Information in relation to Federal funding assistance;
 - Dorset Council correspondence regarding Priority Dividendsv

11. Northern Midlands Council copy of submission made at public hearings 4 March 2011.

12. Documents tabled by Mr Miles Hampton at public hearings 14 November 2011.
 - 12a Power Point Presentation;
 - 12b Southern Water Annual Report 2010 – 2011;
 - 12c Ben Lomond Water Annual Report 2010 – 2011;
 - 12d Cradle Mountain Water Annual Report 2010 – 2011;
 - 12e Onstream Annual Report 2010 – 2011.

- 13 Budget Speech 2011-12

- 14 Southern Water Sub-Metering Policy

APPENDIX 3 - MINUTES OF PROCEEDINGS

WEDNESDAY, 10 NOVEMBER 2010

The Committee met in the Legislative Council Ante Chamber, Parliament House, Hobart at 6:28 p.m.

Members Present:

Mr *Bacon*
Mr *Best*
Mr *Gutwein*
Mr *Hidding*
Mr *Morris*

Order of the House	The Secretary took the Chair and read the Order of the House of Assembly appointing the Committee.
Election of Chair	<p>The Secretary called for nominations for the position of Chair of the Committee, Mr <i>Best</i> nominated Mr <i>Gutwein</i>, who consented to the nomination.</p> <p>There being no other candidates nominated, the Secretary declared Mr <i>Gutwein</i> elected as Chair.</p> <p>Mr <i>Gutwein</i> took the Chair.</p>
Election of Deputy Chair	<p>The Chair called for nominations for the position of Deputy Chair of the Committee, Mr <i>Best</i> nominated Mr <i>Morris</i>, who consented to the nomination.</p> <p>There being no other candidates nominated, the Chair declared Mr <i>Morris</i> elected as Deputy Chair of the Committee.</p>
Parliamentary Research Officer	<i>Resolved</i> ; That unless otherwise ordered Officers of the Parliamentary Research Service be admitted to the proceedings of the Committee whether in public or private session. (Mr <i>Morris</i>)
Nomenclature	<p>The Committee discussed the nomenclature of the Committee.</p> <p><i>Resolved</i>; That the Committee be known as the "Select Committee into the Tasmanian Water and Sewerage Corporations". (Mr <i>Hidding</i>)</p>
Advertisement of Inquiry	<p>The draft advertisement was circulated by the Secretary and taken into consideration by the Committee.</p> <p>The Committee deliberated.</p> <p>A closing date of Friday, 17 December 2010 was agreed to.</p> <p><i>Ordered</i>; That the advertisement be placed in newspapers on Saturday, 13 November next.</p>

The Committee deliberated upon the need for additional research support.

Additional
Research
Support

Resolved; That the Committee requests the Treasurer to provide an appropriately qualified officer of the Department of Treasury and Finance to assist the Committee. (Mr *Best*)

Invitations to
Provide
Submissions

The Committee considered the question of whether organisations and individuals should be directly invited to provide submissions to the Committee.

Resolved; That:-

1. The Committee invites the following organisations and individuals to provide a submission:-
 - All three Water and Sewerage Corporations and OnStream;
 - The Regulator
 - All Councils;
 - The Local Government Association;
 - Department of Treasury and Finance;
 - Tasmanian Chamber of Commerce and Industries;
 - The Property Council;
 - The Housing Industry Association;
 - The Small Business Council.

Committee
Spokesperson

Resolved; That the Chair be the spokesperson in relation to the operations of the Committee. (Mr *Morris*)

Media Releases

Resolved; That any Media Releases be circulated to members of the Committee prior to distribution. (Mr *Best*)

Other Matters

The Committee deliberated upon the timetable for hearing and agreed that the Committee should meet in late January 2011 once all submissions have been received and further consider invitations for hearings in early February 2011.

At 7:46 p.m. the Committee adjourned *sine die*.

Friday, 4 February 2011

The Committee met in Committee Room 2, Parliament House, Hobart at 2.00 pm.

Members Present:

Mr *Gutwein* (Chair) via telephone
Mr *Bacon*
Mr *Best* via telephone
Mr *Morris*
Mr *Hidding* via telephone

Minutes

The minutes of the meeting held on Wednesday, 10 November 2010, were circulated, read and confirmed as a true and accurate record. (Mr *Morris*)

Public Hearings

The Committee discussed possible dates for public hearings in Hobart, Devonport and Launceston.

Resolved; That the Committee conduct hearings in Hobart on Thursday 17 February, Thursday 3 March in Devonport and Friday 4 March 2011 in Launceston. (Mr *Gutwein*)

Resolved; That the following organisations be invited to appear before the Committee at the Hobart hearings:

- Southern Water
- Hobart City Council
- Glenorchy City Council
- Local Government Association of Tasmania
- TasCOSS
- Property Council of Tasmania (Mr *Gutwein*)

Hobart City Council Advertisement

Mr *Morris* brought to the attention of the Committee an advertisement placed in the Mercury newspaper on Wednesday 2 February 2011 by the Hobart City Council. The advertisement disclosed some of the content of Council's submission to the Committee and as a consequence may be in breach of Parliamentary Privilege.

A discussion arose.

Resolved; That the Committee write to the Lord Mayor and bring the matter to his attention in order prevent any future occurrence. (Mr *Morris*)

Research Rates Resolutions

Mr *Morris* proposed that the Committee investigate the rates struck by councils for the years 2007 – 2008 and 2008 – 2009 in order to identify any rebalance of charges.

Resolved; That such a study be undertaken. (Mr *Gutwein*)

Late Submission

Mr *Morris* tabled a submission from Mr Trevor Garwood. *Resolved;* That Mr Garwood's submission be accepted. (Mr *Gutwein*)

Correspondence

A letter from the Economic Regulator dated 25 November 2010 in reply to the Committee's invitation to make a submission was received and noted.

Treasury Officer

Resolved; That Mr Jason O'Neill who has been provided by Treasury to assist the Committee, be admitted to both public and private sittings of the Committee, at the discretion of the Committee. (Mr *Morris*)

Chair's Briefing on informal meeting with Water CEO's

The Chair briefed the Committee on an informal meeting between some Committee members and the CEOs of Southern Water, Ben Lomond Water and Cradle Mountain Water.

The main areas touched on at this meeting included the following:

- The Water Corporations' revenue base;
- Regional planning;
- Modelling across suburbs;
- Price cap removal; and
- The need for joint services.

Mr *Hidding* withdrew.

Extension of Time for Report

Resolved; That a motion should be moved in the House requesting an extension of time. (Mr *Gutwein*)

At 3.00 pm the meeting was adjourned until Thursday 17 February next.

Thursday, 17 February 2011

The Committee met in Committee Room 2, Parliament House, Hobart at 9.35am o'clock.

Members Present:

Mr *Gutwein* (Chair)
Mr *Bacon*
Mr *Best*
Mr *Morris*
Mr *Hidding*

Minutes

The minutes of the meeting held on Friday, 4 February 2011, were circulated, read and confirmed as a true and accurate record. (Mr *Best*)

Witnesses

Mr Miles Hampton, Chairman of the Board, Mr Mike Paine, CEO and Ms Carolyn Pillans Corporate Secretary of Southern Water Corporation were called. The witnesses made the Statutory Declaration and were examined by the Committee in public.

Paper

Mr Hampton tabled the following paper:

"Briefing Notes" dated Thursday 17 February 2011

Mr Hampton agreed to provide the Committee with further information on the following:

List of priority dividends distributed this year;
Breakdown of council rates rebalancing; and
Number of household currently paying below average water and sewerage bills.

The witnesses withdrew.

Lord Mayor, Rob Valentine and General Manager, Mr Nick Heath,

Witnesses

Hobart City Council, were called. The witnesses made the Statutory Declaration and were examined by the Committee in public.

Paper

The following paper was tabled:

“Two Price System Model”

The witnesses withdrew.

Witnesses

Mayor Adriana Taylor and General Manager, Mr Frank Pearce, Glenorchy City Council, were called. Mr Pearce made the Statutory Declaration and the Committee examined the witnesses in public.

The witnesses withdrew.

Suspension of Sitting

At 12.38 pm the meeting was suspended until 1.31 pm.

Witnesses

Deputy Mayor Doug Chipman and Mr Andrew Paul, General Manager, Clarence City Council, were called. The witnesses made the Statutory Declaration and were examined by the Committee in public.

The witnesses withdrew.

Suspension of Sitting

At 2.05 pm the meeting was suspended until 2.55 pm.

Witnesses

Mr Tony Reidy, Chief Executive Officer and Ms Cath Mclean, Senior Research and Policy Officer, TasCOSS, were called. The witnesses made the Statutory Declaration and were examined by the Committee in public.

The witnesses withdrew.

Ms Mary Massina, Executive Director, Mr Rober Rockefeller and Mr Matthew Page, Property Council of Tasmania, were called, The witnesses made the Statutory Declaration and were examined by the Committee in public.

The witnesses withdrew.

Other Business

The Committee considered the witness list for the Devonport and Launceston hearings

Resolved; That the following organisations be invited to appear before the Committee:

Devonport Hearings

Cradle Coast Water
Devonport City Council
Burnie City Council
West Coast Council
Mr Jake Weeda
Circular Head Council

Central Coast Council

Launceston Hearings

Ben Lomond Water
Launceston City Council
West Tamar Council
Northern Midlands Council
Mr Paul Ranson
Dorsett Council

At 4.20 pm the meeting was adjourned until Thursday 3 March next.

Thursday, 3 March 2011

The Committee met in the Federation Room, Devonport Entertainment and Convention Centre at 10.35am.

Members Present:

Mr *Gutwein* (Chair)
Mr *Bacon*
Mr *Best*
Mr *Morris*
Mr *Hidding*

Witnesses

Cradle Mountain Water Corporation - Chairman, Mr Miles Hampton, and Secretary, Ms Carolyn Pillans were re-called and re-examined. Chief Executive Officer, Mr Andrew Kneebone was called. The witness made the Statutory Declaration and was examined by the Committee in public.

The witnesses withdrew.

Suspension of Sitting

At 12.00 noon the meeting was suspended until 12.15 pm.

Witnesses

Devonport City Council – Mayor Lynn Laycock, General Manager, Mr Ian McCallum and Assistant General Manager, Mr Matthew Atkins were called. The witnesses made the Statutory Declaration and were examined by the Committee in public.

The witnesses committed to provide the Committee with details on the Devonport City Council water and sewerage rate readjustment.

The witnesses withdrew.

Witnesses

Burnie City Council – Mayor Alwyn Boyd, and General Manager, Mr Paul Arnold were called. The witnesses made the Statutory Declaration and were examined by the Committee in public.

The witnesses withdrew.

Suspension of Sitting At 1.25 the meeting was suspended until 2.10 pm.

Witnesses West Coast Council – Mayor Darryl Gerrity, and General Manager, Mr Peter Harder, were called. The witnesses made the Statutory Declaration and were examined by the Committee in public.

The witnesses withdrew.

Witness Mr Jake Weeda was called. The witness made the Statutory Declaration and was examined by the Committee in public.

The witness withdrew.

Witnesses Central Coast Council – Mayor Jan Bonde and General Manager Ms Sandra Ayton were called. The witnesses made the Statutory Declaration and were examined by the Committee in public.

The witnesses withdrew.

Witnesses Latrobe and Kentish Council – General Manager, Mr Gerald Monson was called. The witness made the Statutory Declaration and was examined by the Committee in public.

The witness committed to provide the Committee with a report on headwork charges and provide details on Latrobe Council rates rebalancing.

Mr *Hidding* withdrew.

The witnesses withdrew.

Minutes The Minutes of the meeting held on Thursday 17 February 2011 were circulated, read and confirmed as a true and accurate record.

Late Submission *Resolved;* That the Committee receive a late submission forwarded by Ms Flora Fox (Mr *Best*)

Future Meetings *Agreed;* That the Committee invite Minister Bryan Green MP, and the Tasmanian Economic Regulator to appear before the Committee on Friday 18 March next and that a deliberative meeting of the Committee should be held prior to this meeting.

At 4.20 pm the meeting was adjourned until Friday 4 March next.

Friday, 4 March 2011

The Committee met at Henty House, Launceston, 4th Floor Conference Room at 10.02 am o'clock.

Members Present:

Mr *Gutwein* (Chair)
Mr *Bacon*
Mr *Best*
Mr *Morris*
Mr *Hidding*

Witnesses

Ben Lomond Water Corporation Chairman, Mr Miles Hampton, and Secretary, Ms Carolyn Pillans were re-called and re-examined. Chief Executive Officer, Mr Barry Cash was called. The witness made the Statutory Declaration and was examined by the Committee in public.

The witnesses committed to provide the Committee with an organisational chart showing the relationships across the four organisations.

The witnesses withdrew.

Witness

Dorset Council, General Manager, Mr John Martin was called. The witness made the Statutory Declaration and was examined by the Committee in public.

The witness withdrew.

Witness

Launceston City Council, Director Finance and Corporate Services, Mr Michael Tidey was called. The witness made the Statutory Declaration and was examined by the Committee in public.

Paper

Mr Tidey tabled a letter outlining Launceston City Council's rating levels.

Suspension of Sitting

At 12.38 pm the meeting was suspended until 1.30 pm.

Witnesses

Northern Midlands Council – Deputy Mayor, Mr David Downie and General Manager, Mr Adam Wilson were called. The witnesses made the Statutory Declaration and were examined by the Committee in public.

Paper

The witnesses tabled a copy of their presentation to the Committee.

The witnesses withdrew.

Witnesses

Owners' Representatives, Mr Paul Ranson, Mr Peter Kearney and Mr Lawrence Archer were called. The witnesses made the Statutory Declaration and were examined by the Committee in public.

The witnesses withdrew.

Witness

Local Government Association of Tasmania, Chief Executive Office, Mr Allan Garcia was called. The witness made the Statutory Declaration and was examined by the Committee in public.

The witness withdrew.

Future Witnesses

Agreed, That Onstream be invited to meet with the Committee on Friday 18 March next.

At 3.25 pm the meeting was adjourned until a date to be fixed.

Tuesday, 15 March 2011

The Committee met in Committee Room 2, Parliament House Hobart at 1.15 pm o'clock.

Members Present:

Mr *Gutwein* (Chair)
Mr *Bacon*
Mr *Best*
Mr *Morris*
Mr *Hidding*

Witness

The Hon. Bryan Green MP, Minister for Primary Industries and Water, Energy and Resources, Local Government, Planning, Racing and Veterans' Affairs, was called and examined by the Committee in public.

Mr *Morris* took his seat.

The Minister undertook to provide the Committee with possible options to mitigate price shocks that may result from the removal of the government subsidy on water charges.

The Minister further undertook to provide the Committee with an outline of the process for requesting funds from Infrastructure Australia.

The witnesses withdrew.

Correspondence

The Committee received a letter from Launceston City Council, General Manager, Mr Robert Dobrzynski dated 9 March 2011 which raised issues in relation to the Launceston City Council's appearance before the Committee on 4 March 2011.

Resolved, That the draft response circulated by the Chair be forwarded to Mr Dobrzynski and that data provide in Mr Dobrzynski's letter be forwarded to Ben Lomond Water Corporation for comment. (Mr *Gutwein*)

Minutes

The minutes of the meetings held on 3 and 4 March 2011 were circulated, read and confirmed as a true and accurate record. (Mr *Best*)

At 2.22 pm the meeting was adjourned until Tuesday 22 March 2011.

Tuesday, 22 March 2011

The Committee met in Committee Room 2, Parliament House Hobart at 11.00 am o'clock.

Members Present:

Mr *Morris* (Acting Chair)
Mr *Bacon*
Mr *Best*
Mr *Hidding*

Apology Mr *Gutwein*

Witnesses

Onstream - Chair, Mr Miles Hampton and Corporate Secretary, Carolyn Pillans were re-called and re-examined. Chief Executive Officer, Dr Christine Mucha and Chief Information Officer, Andrew Beswick were called. The witnesses made the Statutory Declaration and were examined by the Committee in public.

Mr *Best* took his seat.

The witnesses undertook to provide the Committee with a breakdown of expenditure on information technology.

The witnesses withdrew.

Suspension of Sitting

At 12.20 the meeting was suspended until 1.00 pm.

Witnesses

The Tasmanian Economic Regulator Chair, Mr Glenn Appleyard and Assistant Director, Mr Dean Burgess were called. The witnesses made the Statutory Declaration and were examined by the Committee in public.

The witnesses withdrew.

Minutes

The minutes of the meeting held on Tuesday, 15 March 2011 were circulated, read and confirmed as a true and accurate record. (Mr *Best*)

At 2.13 pm the meeting was adjourned until a date to be fixed.

Thursday, 8 April 2011

The Committee met in Committee Room 2, Parliament House Hobart at 1.15 pm o'clock.

Members Present:

Mr *Gutwein* (Chair)
Mr *Morris*
Mr *Bacon*
Mr *Best*
Mr *Hidding*

Minutes

The minutes of the meeting held on Tuesday, 22 March 2011 were circulated, read and confirmed as a true and accurate record. (Mr *Hidding*)

Findings and Recommendations

The Chair provided the Committee with a list of draft findings and recommendations in relation to the 5% government price cap for consideration.

The Committee deliberated.

Interim Report

Resolved; That a draft interim report be produced based on the Chair's findings and recommendations. (Mr *Morris*)

At 1.50 pm the meeting was adjourned until Tuesday 12 April next.

Tuesday, 12 April 2011

The Committee met at 1.15 pm in Committee Room 1 Parliament House Hobart

Members Present:

Mr *Gutwein* (Chair)
Mr *Bacon*
Mr *Best*
Mr *Hidding*
Mr *Morris*

Minutes

The minutes of the meeting held on Thursday 8 April 2011 were circulated read and confirmed as a true and accurate record. (Mr *Hidding*)

Draft Interim Report Recommendations

Members considered the Chair's draft interim report.

Discussion arose.

Amendments

The following amendments were proposed and agreed to.

An additional point added under Conduct of Inquiry:
2.4. The committee has decided to produce an interim report due to the serious consequences that water and sewerage customers will

face if the State Government, the Water Corporations and their Owner Councils do not agree to a suitable price mitigation formula to reduce the price shock of the removal of the Governments 5% price cap on 1 July 2012. This interim report is being brought down so that consideration of this matter as suggested by the committee can occur prior to the finalisation of the 2011 budget and to allow time for mitigation strategies to be developed. (Mr *Morris*)

Two new Interim findings added:

3.1 The committee found that the task of bringing water and sewerage assets up to a standard that meets not only pre-existing licence requirements but current contemporary standards as well, will be a significant challenge both environmentally and financially. (Mr *Morris*)

3.2. Whilst intended to provide price relief for customers the degree of difficulty of the aforementioned task has been exacerbated by the imposition of the 5% price cap and key stakeholders provided evidence that it should be removed or phased out and price shocks should be mitigated against. (Mr *Best*)

An additional point added under section 3.3:

e) Significant grant funding is obtained from the Federal Government for capital works. (Mr *Morris*)

Evidence

Resolved; That the submissions as listed in appendix 1 of the draft interim report be taken into evidence. (Mr *Hidding*)

Interim Report

Resolved; That the draft interim report as amended be adopted as the Interim Report of the Committee. (Mr *Hidding*)

At 2.45 pm the meeting was adjourned until Tuesday, 3 May next.

Tuesday, 3 May 2011

The Committee met at 2.04 pm in Committee Room 2, Parliament House, Hobart

Members Present:

Mr *Gutwein* (Chair)
Mr *Bacon*
Mr *Best*
Mr *Hidding*
Mr *Morris*

Minutes

The minutes of the meeting held on Tuesday 12 April 2011 were circulated, read and confirmed as a true and accurate record. (Mr *Hidding*)

**Draft
Recommendations**

Members considered the Chair's draft recommendations.

Discussion arose.

The Committee deliberated on the restructuring of the Water and Sewerage Corporations and three possible models were discussed:

- Minimum change – retaining current structure but de-corporatizing Onstream and allow the corporations to work out mutual arrangements for the service now provided by Onstream.
- Moderate change – remove common boards and Chair and establish three separate regional corporations without Onstream (as above). Also replace the owners representatives with a regional advisory panel consisting of representatives from each of the Owner Councils.
- Complete Restructure – Amalgamate the three regional corporations and Onstream into one statewide corporation with three regional divisions responsible for service delivery. Owner Councils would participate through a statewide advisory panel with representatives from each council.

Consideration was also given to reducing the 7% return on weighted average cost of capital that is currently used to benchmark full cost recovery.

Parliamentary scrutiny of the Water and Sewerage Corporations by Parliament was also discussed.

It was generally agreed that Members should take time to consider these recommendations and readdress them at the next meeting.

At 3.40 pm the meeting was adjourned until Tuesday, 17 May next.

Tuesday, 17 May 2011

The Committee met at 1.15 pm in Committee Room 2 Parliament House Hobart

Members Present:

Mr *Gutwein* (Chair)
Mr *Bacon*
Mr *Best*
Mr *Hidding*
Mr *Morris*

Minutes

The minutes of the meeting held on Tuesday 3 May 2011 were circulated, read and confirmed as a true and accurate record. (Mr *Best*)

Draft

Members considered the Chair's draft recommendations.

Recommendations

The Committee deliberated on the three alternate scenarios and generally agreed (apart from Mr *Morris*) that option 3:

A Complete Restructure – Amalgamate the three regional corporations and Onstream into one statewide corporation with three regional divisions responsible for service delivery. Owner Councils would participate through a statewide advisory panel with representatives from each council.
would be the most cost-effective option.

Resolved; That modelling be undertaken to show how Option 3 could work in practice (Mr *Gutwein*)

The Chair also asked that an organisational plan of the current structure of the Water Corporations be provided.

Extension on Reporting

Resolved; That an extension of time be sought from the House for the tabling of the Committee's Report.

At 1.52 pm the meeting was adjourned until a date to be fixed.

Tuesday, 5 July 2011

The Committee met in Legislative Council Ante-Chamber, Parliament House, Hobart, at 1.20 pm.

Members Present:

Mr *Gutwein* (Chair)
Mr *Hidding*
Mr *Morris*
Mr *Best*

Apology Mr *Bacon*

Minutes

The minutes of the meeting held on Tuesday, 17 May, 2011 were circulated, read, amended and confirmed as a true and accurate record. (Mr *Hidding*)

Extension of Time for Report

The Committee discussed the reporting time for the Committee's Report.

Resolved; That the Committee seek the agreement of the House to extend the date for bringing up of the Committee's Report to Monday, 30 April 2012. (Mr *Gutwein*)

Media Release

Ordered; That a media release be drafted to alert the public of the Committee's new reporting date. (Mr *Gutwein*)

At 6.26 pm the meeting was adjourned until a date to be fixed.

Tuesday, 18 October 2011

The Committee met in Committee Room 2, Parliament House, Hobart, at 1.15 pm.

Members Present:

Mr *Gutwein* (Chair)
Mr *Hidding*
Mr *Morris*
Mr *Best*
Mr *Bacon*

Minutes

The minutes of the meeting held on Tuesday 5 July, 2011 were circulated, read, amended and confirmed as a true and accurate record. (Mr *Hidding*)

Conduct of the Inquiry

A discussion arose around the Local Government Association's investigations into the creation of a single water and sewerage corporation and the presentation made by the Chair of the water corporations to LGAT.

Resolved; That the Committee invite the Chair of the Water and Sewerage Corporations to make the same presentation to the Committee and to also invite the CEOs and CFOs of the three water and sewerage Corporations to afford Members an opportunity to ask questions arising from the water corporations annual reports. (Mr *Gutwein*)

Next Meeting

It was agreed that Monday 7 November and Monday 14 November next be offered to the witnesses as possible meeting dates.

At 1.27 pm the meeting was adjourned until a date to be fixed.

Tuesday, 14 November 2011

The Committee met in Committee Room 2, Parliament House, Hobart, at 9.30 am.

Members Present:

Mr *Gutwein* (Chair)
Mr *Hidding*
Mr *Morris*
Mr *Best*
Mr *Bacon*

Minutes

The minutes of the meeting held on Tuesday 18 October, 2011 were circulated, read, amended and confirmed as a true and accurate record. (Mr *Morris*)

Witnesses

Mr Miles Hampton, Chairman, Mr Barry Cash, CEO, Ben Lomond

Water, Mr Andrew Kneebone, CEO, Cradle Mountain Water, Mr Mike Paine, CEO, Southern Water, Ms Carolyn Pillans, Corporate Secretary were called and examined by the Committee in public.

Mr Graeme Rocke, Chief Financial Officer, Cradle Mountain Water, Mr Matthew Pigden, Joint General Manager, and Chief Financial Officer, Southern Water and Onstream, and Mr David Gregory, Chief Financial Officer, Ben Lomond Water were called, made the Statutory Declaration and were examined by the Committee in public.

Papers

Mr Hampton tabled the following papers:

- 2010-2011 Annual Reports for Southern Water, Cradle Mountain Water, Ben Lomond Water and Onstream.
- A copy of the Chairman's presentation to the Committee dated 11/11/2011

Mr Bacon withdrew.

The witnesses withdrew.

Minutes

The minutes of the meeting held on Tuesday 18 October 2011 were circulated, read and confirmed as a true and accurate record. (Mr Morris)

Committee's Report

A discussion arose around the timeframe for the Committee's report and recommendations.

The need to hear from further witnesses such as the Local Government Association was also discussed.

At 12.30 pm the meeting was adjourned until a date to be fixed.

Tuesday, 31 January 2012

The Committee met in Committee Room 2, Parliament House, Hobart, at 12.05 pm.

Members Present:

Mr Gutwein (Chair) (via telephone)
Mr Hidding (via telephone)
Mr Best (via telephone)
Mr Bacon (via telephone)

Minutes

The minutes of the meeting held on Friday 20 January 2012 were circulated, read, and confirmed as a true and accurate record. (Mr Hidding)

Draft Report

The Committee further considered the Chair's draft Report.

Having considered the Chair's draft report and agreeing to some minor amendments the draft report was adopted as the Report of the Committee. (Mr *Hidding*)

Evidence

Resolved; That the submissions as listed in Appendix 1 of the Report be taken into evidence. (Mr *Hidding*)

Resolved; That the documents as listed in Appendix 2 of the Report be taken into evidence. (Mr *Hidding*)

At 1.35 pm the meeting was adjourned *sine die*.