

## DRAFT SECOND READING SPEECH

HON. PETER GUTWEIN MP

### *Water and Sewerage Legislation (Corporate Governance and Pricing) Amendment Bill 2018*

*\*check Hansard for delivery\**

Madam Speaker

This Bill meets our commitments to accelerate investment into infrastructure, to freeze and then cap prices, to collaboratively progress major projects of environmental, social and economic importance to the State, and, for the Government to become a part-owner in TasWater.

Three weeks ago, at the Special General Meeting of local government held on the 27 September 2018, Councils around Tasmania voted overwhelmingly to implement the Memorandum of Understanding developed earlier this year. Twenty-eight of the 29 councils in Tasmania voted in support.

Following their overwhelming support, the Water and Sewerage Legislation (Corporate Governance and Pricing) Amendment Bill 2018 represents the next stage of the ownership and governance reforms for our water and sewerage industry.

The challenges in Tasmania's water and sewerage industry, are well known, and have been the subject of much debate in Parliament and in the community in the recent past. The problems caused by ageing infrastructure leading to poor health and environmental outcomes have been consistently raised by the Economic Regulator in annual State of the Industry Reports. In November last year, the Auditor-General concluded that despite significant effort and expense, significant infrastructure challenges remain, especially in wastewater treatment.

It was in this context that the Government, TasWater and Local Government worked together to develop the MOU earlier this year, which was agreed in May 2018. The MOU set out a cooperative model for reform of the water and sewerage industry. A key feature of this model is that the Government becomes a part owner of TasWater.

If the Bill is passed, the Government will become a shareholder of TasWater, allowing TasWater to better leverage Government support and expertise. The MoU contains a commitment for the State Government to invest \$200 million in TasWater, over the next ten years, at which time the State Government will own 10 per cent of the shares in TasWater.

The Government's investment in TasWater will help TasWater to accelerate its infrastructure investment, with a target of \$1.8 billion infrastructure investment to be delivered by 2026. It will also help ensure that TasWater keeps water and sewerage prices more affordable. As part of the MoU commitments, TasWater has agreed to impose a price freeze for regulated water and sewerage services in the 2019-20 financial year. From 2020-21, TasWater has agreed to maximum price increases of 3.5 per cent each year to 2025.

Under the MoU, the Government also agreed to progress investment in major infrastructure projects of special environmental and economic benefits for Tasmania, including projects to

address issues with the combined sewerage system in Launceston, the removal of the waste water treatment plant at Macquarie Point and addressing sewerage issues in locations such as in the Freycinet/Coles Bay area. The Government is currently progressing these very significant projects with TasWater.

As I've already stated, at the Special General Meeting of Councils on 27 September 2018, councils overwhelmingly endorsed TasWater's resolutions to allow the Government to become a shareholder of TasWater, to the lower price increases up to 2025 and other changes to the governance of TasWater as set out in the MoU.

The next step in the pathway to reform is this passage of this Bill. This Bill amends water and sewerage legislation to give effect to a number of the key commitments in the MoU.

The Water and Sewerage Corporation Act 2012 currently prohibits any body other than a council owning shares in TasWater. This Bill amends that Act to permit shares to be held by the Crown, as well as councils. Consistent with the MoU, the Bill also prevents the Crown from receiving dividends from TasWater.

Madam Speaker, the Bill removes the current requirements that TasWater's distributions to councils include income tax equivalents and loan guarantee fees. In future, all payments to councils from TasWater will be in the form of dividends. This proposal was a request by TasWater to simplify its administrative arrangements about distributions to councils. This will not affect the total level of distributions that councils will receive.

The Bill also includes amendments to the Water and Sewerage Industry Act 2008 to enable TasWater to charge lower price increases than those set in in a Price Determination by the Tasmanian Economic Regulator. The Bill also ensures that the Regulator can only set maximum prices, or maximum price increases, and not set actual prices or minimum prices, as the Regulator currently can do under the Act. These amendments are needed to enable TasWater to meet its pricing commitments under the MoU, including the price freeze in 2019-20.

The Bill also removes some provisions in the State's water and sewerage legislation that are no longer needed. It repeals Part 6 of the Water and Sewerage Industry Act, which establishes interim price orders, issued by the Treasurer, for water and sewerage corporations, and interim water and sewerage licences. These transitional measures are no longer needed as the full regulatory framework under the Tasmanian Economic Regulator has been in place since 2012.

The Bill also repeals a provision in section 10 of the *Water and Sewerage Corporation Act* which requires all councils to have an equal number of shares. TasWater is proposing a different share structure, with the number of shares each council owns equal to that council's voting rights. Councils agreed to this change at the Special General Meeting.

The Bill also removes the section in the *Water and Sewerage Corporation Act 2012* that deals with the staged repeal of the earlier Act, the *Water and Sewerage Corporations Act 2008*, which established the three regional water and sewerage corporations. This earlier Act has been entirely repealed.

I would like to take this opportunity to thank TasWater, its CEO and Chair, Councils, and the Owner's Representative, for the work they have done to get us to this point.

Madam Speaker, I commend the Bill to the House.