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Parliament of Tasmania

LEGISLATIVE COUNCIL

SELECT COMMITTEE

FINAL REPORT

ON

TasWater Ownership

Members of the Select Committee

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Hon Craig Farrell MLC

Hon Kerry Finch MLC (to 11 September 2017)

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ABBREVIATIONS

AWA	Australian Water Association
BOM	Bureau of Meteorology
DHHS	Department of Health and Human Services
EIN	Environmental Infringement Notice
EPA	Environmental Protection Agency
GBE	Government Business Enterprise
LGAT	Local Government Association of Tasmania
MONA	Museum of Old and New Art
MoU	Memorandum of Understanding
OTTER	Office of the Tasmanian Economic Regulator
STP	Sewage Treatment Plant
THA	Tasmanian Hospitality Association
TEMT	Tamar Estuary Management Taskforce
WTP	Water Treatment Plant
WSAA	Water Services Association of Australia

CHAIR'S FOREWORD

I am pleased to present the TasWater Ownership Report on behalf of the TasWater Ownership Inquiry. I sincerely thank my fellow Committee Members who have worked tirelessly and with great dedication to produce this report. I also wish to offer my thanks and gratitude to the Committee Secretariat for its excellent support and hard work.

Fifty-four submissions were received and the Committee appreciated the range of opinions and evidence provided, both written and in person. The intent behind this inquiry was to take evidence and elicit facts to assist Members in deliberations with regard to the Government's proposed takeover of TasWater, drawing out how things would work under the Government's proposal and also how existing challenges would be fixed.

The Terms of Reference were quite specific, namely –

To inquire and report on the benefits and challenges associated with the Tasmanian Government's proposal to take control of Taswater under State Government ownership.

The Inquiry was about bringing more information into the public domain regarding "how" either TasWater or the Government would approach the challenges facing the sector. TasWater state they are making good progress and the vast majority of their local Council shareholders agree, while the State Government remains critical of TasWater's performance.

These statements need to be supported by evidence and the Committee has worked very hard on collating the evidence and putting forward findings to assist Members to make an informed decision with regard to the proposed Bill.

Tasmanians want and deserve clean drinking water and clean rivers, with no boiled water alerts, and there can be no doubt that water and sewerage reform will continue to be a challenge.

The Committee trusts the findings of this Inquiry will help to achieve greater understanding about the many complex issues facing the water and sewerage sector in Tasmania.

Rosemary Armitage MLC

Chair

16 November 2017

INTRODUCTION

Background

1. TasWater is a proprietary limited company that is responsible for the provision of water and sewerage services in Tasmania in accordance with the *Water and Sewerage Corporation Act 2012*. TasWater was established in July 2013 following an amalgamation of regional water and sewerage corporations and is currently owned by the 29 Tasmanian councils. TasWater is currently overseen by a seven-member independent board which is accountable to an Owners Representatives' Group.
2. A timeline of events is provided in Table 1 below.

Table 1: Timeline of water and sewerage reforms in Tasmania¹

2005	Tasmania becomes a signatory to the National Water Initiative, a Council of Australian Governments national blueprint for water reform, intended to better manage water demands.
2008-09	Three regional corporations were formed in late 2008 – Southern Water, Cradle Mountain Water and Ben Lomond Water, with a fourth shared service business, Onstream – and commenced trading on 1 July 2009.
2010	House of Assembly Select Committee inquiry into the Tasmanian Water and Sewerage Corporations
2012	Facilitated by Local Government Association Tasmania, Owner Councils in all regions agreed to create a single water and sewerage corporation to gain a range of benefits, efficiencies and savings.
2012	Legislation passed to establish TasWater
2013	TasWater was formed and registered as a proprietary limited company under the <i>Corporations Act 2001</i> and commenced trading on 1 July 2013.
2017	Establishment of Legislative Council Inquiry into TasWater Ownership

3. On 8 August 2017, the Treasurer introduced the draft *Water and Sewerage Tasmania Bill 2017*. The Bill aims to establish TasWater as a Government Business Enterprise (GBE) and consequently transfer all assets, responsibilities, liabilities and employees to the new corporation. The Treasurer and Minister for Primary Industries and Water would jointly have the power to direct the corporation.
4. The Treasurer advised the Inquiry that the GBE would be established in 2018 and, with the assistance of the Department of Treasury and Finance, would begin planning for the transition of the new business and an accelerated infrastructure program.
5. The draft *Water and Sewerage Tasmania Bill 2017* also makes provision for annual payments of \$20 million from the Consolidated Fund until 2025 to be distributed between local councils as part of the legislative requirement that councils receive a

¹ Written submission, TasWater, p. 9

dividend from TasWater. From 2025, one half of the GBE profits would be payable to councils on an annual basis.

6. The draft *Water and Sewerage Tasmania Bill 2017* prohibits privatisation of the new corporation and the sale or lease of any of its assets.

Establishment of the Inquiry

7. On 4 April 2017, the Legislative Council resolved that a Select Committee be appointed to inquire into and report upon the ownership of TasWater with the following Terms of Reference —

To inquire into and report upon the concept of ownership of TasWater by Government with the following terms of Reference –

1. The benefits, disadvantages and challenges associated with the Tasmanian Government's proposal to take control of TasWater; and
 2. Any other matters incidental thereto.
8. Fifty-four submissions were received by the Inquiry and public hearings were held in Launceston on 13 September 2017 and in Hobart on 14 September, 22 September, 29 September, 18 October and 19 October 2017. Thirty individuals provided evidence to the Committee at these public hearings and fourteen agencies and organisations were represented.
9. This Report will provide findings and a summary of the evidence and is available with the submissions and Hansard transcripts, accessible via the Inquiry webpage at: <http://www.parliament.tas.gov.au/ctee/Council/LC%20Select%20-%20TasWater.html>

Recent developments

10. The Inquiry notes that the Auditor-General presented the following report: *Water and Sewerage in Tasmania Assessing the Outcomes of Industry Reform* on Tuesday 14 November 2017. Due to time constraints, the Committee was unable to include this information as part of its Report.

FINDINGS

Tasmania's water and sewerage infrastructure

1. Prior to 2008, there was a lack of investment by some councils in water and sewerage infrastructure.
2. As of August 2017, 99.4% of Tasmanian households receive water that is compliant with Australian Drinking Water Guidelines.
3. Some areas in Tasmania continue to face challenges in receiving water that is compliant with Australian Drinking Water Guidelines.
4. The Economic Regulator's Tasmanian Water and Sewerage 2015-16 *State of the Industry Report* found that twenty-five Tasmanian towns were on boil water alerts, with TasWater reporting that it had removed 17 boil water alerts since commencing operation.
5. TasWater states that it is 'on track' to remove all boil water alerts by August 2018.
6. Opinions were shared that water and sewerage compliance standards evolved in-line with community expectations.
7. From the evidence received, there is no consensus that there is a crisis in the Tasmanian water and sewerage sector.
8. An Environmental Protection Agency (EPA) analysis shows a downward trend in environmental compliance for the past five years.
9. The compliance performance of Tasmanian sewage treatment plants (STPs) can be evaluated using different metrics:
 - a) If compliance performance is measured by a sewage treatment plant's ability to pass all 416 separate tests per year, only one of TasWater's 79 Level 2 plants is fully compliant;
however
 - b) If compliance performance is measured by the percentage of sewage outflow that is compliant, Tasmania's sewage treatment plants outflow is currently 86% compliant.
10. A single failure in any operational aspect of a sewage treatment plant can contribute to a poor compliance record but may not have a negative impact on the environment.
11. The oyster industry has been significantly affected as a result of wet weather sewage flows and it is recognised that these are difficult to mitigate in cases of extreme weather events.

FINDINGS continued

12. The level of stormwater infiltration into the sewerage system in a number of locations in Tasmania is yet to be quantified.
13. Stormwater will remain the responsibility of local councils, regardless of the ownership of water and sewerage infrastructure.
14. TasWater and the EPA have established a Memorandum of Understanding (MoU) regarding prioritisation of environmental compliance issues.

Investment and funding

15. Evidence suggested that TasWater is in a sound financial position that would enable it to increase its borrowings for infrastructure upgrades.
16. Evidence suggested that TasWater operates in a financially sustainable manner and has kept its borrowings low.
17. There is insufficient information to clearly demonstrate the veracity of the Government's financial modelling with respect to long-term funding of Tasmania's water and sewerage infrastructure needs.

TasWater communication and client feedback

18. TasWater senior management commented that they had not received negative feedback from interactions between field staff and customers, particularly relating to trade waste compliance.
19. TasWater senior management responded positively to the Committee by acknowledging problems and advised that they were investigating trade waste compliance issues in order to resolve them.
20. TasWater has received positive customer feedback regarding its operations and provided examples to the Committee.

Trade waste

21. A number of businesses reported that they are under financial stress due to trade waste compliance requirements. Some reported that they risk closure as a result of the financial impost of compliance.
22. Some businesses reported difficulties meeting trade waste compliance requirements due to design and space constraints of their existing premises.
23. TasWater advised that some tradesmen may require additional training in order to address trade waste compliance requirements.

FINDINGS continued

- 24. Of 2 700 trade waste customers, approximately 1 500 were already compliant when TasWater performed an initial audit.
- 25. Taswater advised that it has been flexible with customer challenges, for example, by permitting some customers to install Grease Guardians.
- 26. Taswater has a regulatory obligation not to discharge more than 10 milligrams per litre of fats, oil and grease from its treatment plants.
- 27. Trade waste is the biggest single contributor to non-compliance of wastewater treatment plants.

Proposed new entity

- 28. Treasury has prepared a business case for a new entity and the Government believes that it is financially sustainable.
- 29. TasWater and its stakeholders had an opposing view, stating that the Government had not demonstrated an adequate business case for the establishment of a new entity.
- 30. The Government believes that the GBE model is more appropriate as it provides better accountability by reporting directly to the Parliament.
- 31. TasWater advised that it is required to report back to its owners on a regular basis and often addresses councils either at LGAT meetings or on an individual basis as necessary.
- 32. A number of other parties were of the view that, by establishing a new entity, the progress made by TasWater in the provision of water and sewerage services would be at risk.
- 33. Evidence suggested there would be a significant cost from consolidated revenue to support a takeover of TasWater, with no short-term measurable savings as a result.
- 34. The Treasurer guaranteed that no TasWater employee would lose their job.
- 35. There was support for the independence of the Economic Regulator within the water and sewerage sector.
- 36. The Government advised that it would take the advice of the Economic Regulator but would not be bound by it.

Accelerated infrastructure plan

- 37. There is a diversity of opinion regarding the benefits, or otherwise, of the impact on the workforce of accelerating capital works to improve water and sewerage infrastructure under a Government takeover.

FINDINGS continued

- 38. Evidence suggested that sufficient national capacity existed to complete work on an accelerated infrastructure plan.
- 39. Concerns were raised that an accelerated infrastructure plan risked creating a 'boom and bust' cycle.
- 40. Treasury undertook an assessment and the Government believes that an accelerated infrastructure plan will be good for the Tasmanian economy.

Funding

- 41. Infrastructure Tasmania has not sought to quantify the re-profiling of TasWater's capital plan under the proposed new model.

Other infrastructure projects

- 42. There was no guarantee the new model, as proposed by the Government, would attract Australian Government funding to complete other infrastructure projects such as Cameron Bay, Launceston and Macquarie Point.

Consumer prices

- 43. The average Statewide residential water bill increase since 2010-11 has been 51 per cent.
- 44. The typical annual water bill for a Tasmanian residential customer in 2015-16 was \$1 062 compared with the typical national annual residential water bill of \$1 386.

Councils

- 45. The sustainability of some council services may be jeopardised if dividends from their equity in TasWater are reduced.
- 46. It is possible that some councils will need to increase their rates after 2025 when payment of the dividend is not guaranteed to continue.
- 47. In 2016, councils agreed to forego over \$150 million in TasWater dividends from 2016 to 2024.
- 48. There was dissatisfaction with the consultation process undertaken by the Government regarding its proposal to take over TasWater.

1. OPERATION OF TASWATER

TasWater 'Crisis'

1.1 In February 2017, the Government announced a plan to take over TasWater as a result of the water and sewerage sector being in 'crisis'². The Inquiry considered a range of evidence that both indicated and refuted that the sector was in a state of crisis.

1.2 The Treasurer made the following statement to the Inquiry:

Mr GUTWEIN - *Despite the promises of improvement inherent in the reforms almost 10 years ago, the water and sewerage sector under local government ownership has failed to meet the community's expectations. Independent report after independent report over the period has since shown that the outcomes have not been satisfactory. The performance of our sewerage infrastructure has actually deteriorated. As the head of the Environment Protection Authority said yesterday, clearly it is a sector that is under-performing and has a significant number of non-compliances associated with it.*³

And

*To describe the circumstance the company is in as 'a crisis' is fair. When both the independent Economic Regulator and the chair of the business itself, describe a circumstance whereby the assets of the business are deteriorating faster than they can be fixed, that signals a crisis. When Tasmanians have had increases of up to 50 per cent since 2010-11 in the price they pay yet CPI has only been at around 7.5 per cent over that period, they are paying well in excess of the cost of living increases occurring and we are getting a worse environmental performance than back in 2009-10, that is a crisis.*⁴

And

*Furthermore, of the drinking water that the company produces, one out of every three litres - some 25 000 megalitres of potable water - was lost. That is the equivalent of more than 10 000 Olympic swimming pools. Noting all these failings, still in 2015-16 alone, over \$100 from the average customer's average bill was paid out to councils as returns.*⁵

1.3 The Master Builders' Association of Tasmania Inc. expressed support for a change in TasWater's business model and drew the Inquiry's attention to a statement in the Foreword to the 2015-16 report of the Economic Regulator:

It is evident that despite significant investment in terms of both expenditure and effort, drinking water quality and environmental compliance are not at the levels expected or required for contemporary water and sewerage networks. Tasmania's water and

² *The Mercury*, Simeon Thomas-Wilson, 24 February 2017

³ Hansard transcript, Treasurer, 14 September 2017, p.61

⁴ Ibid, p.69

⁵ Ibid, p.61

sewerage assets are deteriorating faster than they can be replaced, and hence, remain behind their interstate counterparts in terms of both service and reliability.⁶

- 1.4 Mr Robert Rockefeller representing the Property Council of Australia, expressed the following view:

Some may ask: is there a crisis? Our answer to this is yes, and it is on a few fronts which might be different from the Government's perspective. There is a compliance crisis. There is an accountability crisis. There is lack of capacity and willingness to spend capital and fix problems. Above all, the real crisis is the pricing of water and sewerage to residential users.

And

The experiment of local government being involved in water and sewerage has not worked. We have had it for 100 years. In the last decade, we have had four water corporations, then three and now one. There have been tens of millions of dollars of waste incurred in this restructuring. The mission of these restructures has always been to try to protect vested and political interests without thinking about what is in the best interests of consumers or Tasmania.

And

Who has the financial capacity to fix the problems? Who has the financial capacity and ability to fix the unforeseen issues over the next 50 or 100 years? It is time to finish the experiment. The consumer has had enough, the environment has had enough, and Tasmania needs a clear path. Does anyone today really think doing nothing and keeping the status quo will result in these issues going away? They were supposed to 10 years ago, with the commitment when the four water corporations were created. The answer is, they have not.⁷

- 1.5 The Chair of TasWater, Mr Miles Hampton, made the following statement:

The Government claims we are in crisis. Our submission outlines a very different picture. We have a detailed program of work that is well advanced. We are making significant progress and our key regulators have repeatedly endorsed our plan. There is not a single performance metric, not one, that suggests we are in crisis or, as the Government has oft repeated that Tasmania has a Third World water and sewerage infrastructure.⁸

And

The foundation of the Government's argument is based on inadequate research, exaggerations and selective use of data for what one can only conclude are purely political purposes. However, most offensive of all is that it implies that the people who work for TasWater have not done their job. In doing so, they are making the same criticism of EPA and DHHS, and the various other regulators who have oversight of TasWater.⁹

⁶ Written submission, Master Builders' Association of Tasmania Inc. p.7

⁷ Hansard transcript, Robert Rockefeller, 14 September 2017, p.86-87

⁸ Hansard transcript, Miles Hampton, 14 September 2017, p.1

⁹ Ibid, p.2

- 1.6 TasWater, in its written submission, acknowledged that the Tasmanian water and sewerage sector faced considerable challenges but urged that the sector be considered in the following context:

When the State Government announced the proposed takeover, it claimed justification on the basis that the sector was in crisis and that the State Government needed to act. This claim is contradicted by the following facts.

- *Neither the EPA nor the DHHS, the two of TasWater's regulators most responsible for overseeing public health, have ever declared there to be a crisis.*
- *All drinking water Public Health Alerts will be removed within two months of the proposed State Government takeover.*
- *As of August 2017, 99.4% of Tasmanians receive drinking water they can safely drink from the tap and this will be 100% by August 2018.*
- *TasWater has a comprehensive Long Term Strategic Plan (LTSP) in place which has been endorsed by the Tasmanian Economic Regulator, DHHS, DPIPWE and EPA. The LTSP covers a 20 year period, with every project in its first 10 years directly linked to an improved outcome.*
- *While TasWater sewage treatment plants are not fully compliant, that non-compliance is not widespread. This is evidenced by the fact that the EPA has not issued a single Environment Infringement Notice relating to discharges or sewer spills since August 2015 (two minor fines for breaches of construction permits were issued in June 2017).*
- *TasWater has worked with the EPA to put a Memorandum of Understanding in place which sets out the path to compliance and the clear consequences for TasWater of failing to follow this path.¹⁰*

And

The State Government's claim of a crisis is demonstrably false. Yes, there is much to be done, but there is no crisis. For the State Government to claim otherwise is to ignore the advice from its own regulatory bodies, and to ignore the significant progress made by both TasWater and its predecessor regional corporations in progressively upgrading the state's water and sewerage systems in a careful, planned and affordable manner – work that is being undertaken with little to no assistance from the State or Australian governments. More detail about what has actually been achieved in the four years since the formation of TasWater can be found in section 4.1 of this document.¹¹

¹⁰ Written submission, TasWater, p.12

¹¹ Written submission, TasWater, p.16

1.7 TasWater provided the below customer information summary¹²:

Indicators	2013/14	2014/15	2015/16	2016/17
Population receiving water supply services	444,703*	428,400*	433,913*	418,598
Connected residential properties - water supply	185,293	178,500	180,263	181,999
Connected non-residential properties - water supply	15,219	22,027	22,215	22,950
Average annual residential water supplied (kL/property)	178.98	172.13	176.23	178.77
Population receiving sewerage services	409,349	378,809*	383,476*	369,369
Connected residential properties - sewerage	162,359	157,837	159,310	160,595
Connected non-residential properties - sewerage	12,580	18,612	18,589	19,082
Volume of water supplied - residential (ML)	33,163	30,726	31,768	32,537
Volume of potable water supplied - residential (ML)	32,731	30,403	31,430	32,098
Volume of non-potable water supplied – residential (ML)	432	323	338	438
Volume of water supplied - commercial, municipal and industrial (ML)	20,108	22,017	20,615	22,937
Volume of potable water supplied – commercial, municipal and industrial (ML)	18,518	18,831	19,708	22,210
Volume of non-potable water supplied – commercial, municipal and industrial (ML)	1,590	2,464	714	727
Volume of water supplied – agricultural irrigation	2,014	3,287	4,617	2,678

*Based on 2011 census data of 2.41 residents per connection rather than 2017 census data of 2.30 for 2016/17

1.8 In conclusion, TasWater made the following statement:

On the basis of the evidence presented in this submission, TasWater concludes that the proposed takeover of TasWater is unjustified on the basis of either a “crisis in water and sewerage” or that of a “failed ownership”. It is clear that TasWater’s regulators do not consider the sector to be in crisis. Equally, it is clear that under Council ownership the intended protective and facilitative functions of TasWater’s regulatory and governance structure have been preserved. Further, it is clear that each of the State Government’s proposed benefits of being cheaper, fairer, and faster are uncertain, and carry with them unacceptable levels of risk, considering the absence of detail necessary for due diligence – or as pitt&sherry called it, “rigorous assessment”.

On these bases, TasWater recommends the Legislative Council reject the State Government’s Proposal.¹³

1.9 Mr Mike Brewster, CEO of TasWater, made the following observations,

You accelerate and fast track when there is a crisis. I think if you carefully dissect and read our report - and I am happy to give you examples - there is no crisis. You don't have a crisis

¹² Written submission, TasWater, p.10

¹³ Ibid, p.48

*when you have a plan. You don't have a crisis when you are improving. If you go to the appendix to our submission and look at the actual trends, I think there is one trend that has gone particularly backwards, which is water breaks. All other trends - if you work your way through that - every one of them in the four years of TasWater that I recall are heading in the right direction. I am happy to be corrected if I am out by one, but go and have a look - there is no crisis.*¹⁴

- 1.10 Mr Brewster also made the point that TasWater had only been established for a relatively short time:

*TasWater has been going for four years. One year of that was putting the business together. For the first time you have a consolidated view and you are able to start looking strategically across the state, across all these plants.*¹⁵

- 1.11 The Local Government Association of Tasmania (LGAT), in its written submission, refuted that TasWater was in crisis and expressed the view that the Government's plan to take over TasWater was flawed:

If we start with two key pieces of rhetoric 'crisis' and 'third world' and consider what they really mean, the falsity of the Government's claims become immediately obvious.

While no one disputes there is a need to continue to improve the provision and quality of water and sewerage services in Tasmania, there simply is not a crisis by any definition.

A crisis, is commonly understood to be an emergency event, a dangerous or unstable situation, is unexpected and creates uncertainty. The June 2016 floods were a crisis, the delivery of water and sewerage services in Tasmania, which are highly regulated, significantly funded and clearly planned for – are not in crisis.

And

*LGAT argues that not only is the premise of a crisis fundamentally flawed but that the desired takeover is technically flawed because of the lack of necessary planning, analysis and due diligence required to truly understand the feasibility and risks of the State Government's proposed approach. This includes risks to consumers and communities through future escalation of costs, loss of local funding and failure to address local water and sewerage priorities in favour of prospects such as Macquarie Point.*¹⁶

- 1.12 LGAT also advised that, at its Special General Meeting of 11 May 2017, the following motion had been supported by the Council:

*That Members confirm that there is no water and sewerage crisis, reject the proposed State Government ownership of TasWater and, through LGAT, urge the State Government to work cooperatively with LGAT, Councils and TasWater on the optimal water and sewerage infrastructure upgrade program to achieve the best outcome for Councils and Consumers.*¹⁷

¹⁴ Hansard transcript, Mike Brewster, 29 September 2017, p.41

¹⁵ Ibid, p.31

¹⁶ Written submission, LGAT, p.5

¹⁷ Ibid, p.1

- 1.13 Mr Doug Chipman, President of LGAT provided his opinion of the current state of the water and sewerage sector in Tasmania:

*I do not think the system is broken today. We have a trajectory at the moment that is fantastic for Tasmania; the way the corporation is operating, the way it has a plan to remedy all the sewerage issues in the state, and the way it has almost completely fixed the water problems. By August next year it will be too late for the Government to have any influence, even if its takeover goes ahead, on fixing the water problems.*¹⁸

- 1.14 West Tamar Council, in its written submission, advised that it strongly supported and had voted in favour of the Local Government Association motion. It had also unanimously passed the following motion:

Council confirms its intent to support the current ownership model of TasWater and its detailed capital works program.

And

*It is the firm view of the West Tamar Council that there is no crisis facing TasWater. We believe the term crisis is one that has been coined by Government to give impetus to the proposed takeover which is being motivated for political purposes and is not in the best interests of Tasmanians.*¹⁹

- 1.15 The written submission of Burnie City Council stated:

*The water and sewerage sector has significantly improved from the performance and compliance position that was inherited by the corporations in July 2009. The issue of ownership has no bearing on the delivery of water and sewerage services being efficient and effective.*²⁰

- 1.16 Mr Mick Tucker, Mayor of Break O'Day Council, expressed the following view:

....The reality is this is nothing more than a politically manufactured crisis. In any way we look at it, if it were a crisis, we would not wait two years before we did something. If we do, I think we are being extremely complacent and disingenuous to our people in Tasmania. To use the word 'crisis', we believe is untrue. The word 'crisis' was used in many formats by the Government to discredit local government and our handling of our dividends, and what we do it for.

We've had no financial modelling with a sensitivity analysis, which we have requested in writing on a couple of occasions from the Premier and the Treasurer. We are very concerned about the truth being put on the table for everybody to understand. While there is constant media attention on this word 'crisis', that does not exist, and we are very concerned that the politically generated motivation for that is purely a cheap political election stunt.

¹⁸ Hansard transcript, Doug Chipman, 22 August 2017, p.8

¹⁹ Written submission, West Tamar Council, p.1

²⁰ Written submission, Mayor Anita Dow for Burnie City Council, p.3

That is where we are coming from. The outcome of misinformation being put out in the public media - the 'crisis', 'Third World infrastructure', all these colourful things being said - harnesses people with very little information to delve down to know what the truth of it is. We believe the truth needs to be on the table for everybody to hear.²¹

1.17 Brighton Council, in its written submission made the following statement:

Brighton Council's firm belief is that Tasmania's water and sewerage services are not in crisis. This has been stated authoritatively and repeatedly by TasWater. Currently in excess of 99 per cent of TasWater's reticulated water customers currently have access to potable water and this will rise to 100 per cent by August 2018 – the proposed time of the State Government takeover.²²

1.18 Northern Midlands Council, in its written submission, made the following statement:

... Council sees the move by the State Government to take control of TasWater for what it is, a choreographed election campaign ploy at the expense of the local community, under the veil of allegations there is a crisis....

The State Government has made no sincere attempt to work constructively with local Government, or acknowledged that TasWater is actioning a 10-year capital improvement program that will meet the regulatory requirements place on them by the State Government. By August 2018, all townships in the Northern Midlands are scheduled to have access to potable water. The Northern Midlands Council is not aware of any complaints or concerns regarding the state of the sewerage services in this municipality, with the exception of the Longford treatment centre, which TasWater has an active plan to rectify.²³

1.19 Meander Valley Council, in its written submission, provided the following statement:

What started as a 'crisis' requiring urgent action finally settled on the promise that the State could do it faster, better and cheaper. The State Government claims that:

- The existing ten year capital works program can be reduced to five years,*
- They will reduce the increase cost of water bills,*
- There will be no material impact on the revenue currently received by the company's shareholders.²⁴*

1.20 Break O'Day Council, in its written submission, provided the following statement:

The State Government has failed to prove that there is a 'crisis' in relation to Taswater. The use of rhetoric and emotive statements such as "third world" and "damaging the brand" need to be seen simply for what they are. Defining the situation with the term 'crisis' needs to be seen as a definition of convenience.²⁵

²¹ Hansard transcript, Mick Tucker, 13 September 2017, p.31-32

²² Written submission, Brighton Council, p.4-5

²³ Written submission, Mayor David Downie for Northern Midlands Council, p.4

²⁴ Written submission, Mayor Craig Perkins for Meander Valley Council, p.2

²⁵ Written submission, Mayor Mick Tucker for Break O'Day Council, p.17

- 1.21 Mr Jonathan McKeown, CEO of the Australian Water Association, provided his view of TasWater's performance to the Inquiry:

Comparatively I think they are performing incredibly well, given they are starting from starting blocks way behind their counter organisations on the mainland. That's because of the lack of investment and the lack of development of a proper water strategy for Tasmania, which was so screamingly needed for the last two decades. They've started behind the eight ball but they have really run, I think, very effectively. The industry is very pleased and supportive of what they've done.

My other comment is that TasWater is in a situation not dissimilar to our colleagues in South Australia Water. They cop an enormous amount of criticism because it's an easy target for headlines. It is something that affects the perceptions of most Taswegians about the utility. The tremendous developments and improvements that have occurred over the last four years can sometimes be lost against the white noise of dramatic headlines or highlighted issues. SA Water suffers the same thing.

There is so much more that they need to do. My feeling, or the industry's feeling, is that those who are managing TasWater, including the board and the senior management, have their hands really on the challenge. They are really focused in a way we've never seen in Tasmania in the last 20 years to fix the problem. We see, as an industry, that they have a very sound plan, which they're now commencing to roll out. We're very concerned that all of that advantage could be seriously jeopardised by unnecessary change.²⁶

- 1.22 In his written submission, Mr John Martin, former General Manager of Dorset Council, provided the following views:

(b) Performance

It is my view that TasWater, who have only been in existence for some three years or so, have performed extraordinarily well in meeting their operational and capital requirements and planning for the future.

The 2015/16 Economic Regulator's report, as outlined by TasWater, advertisement, The Examiner, March 31st 2014;

"Water Quality...99.2% of TasWater's customers enjoy high quality water that meets Australian Drinking Water Guidelines....100% will be able to drink water straight out of the tap by August 2018.

Lowest prices...Tasmanians enjoy some of the lowest water prices in the country. The Economic Regulator has confirmed Australian Govt data that TasWater's bills are the lowest on a litre-for-litre basis of any comparable water utility in Australia.

Highest investment...Current and future generations of Tasmanians will benefit from the highest investment per property on capital development of any water utility in Australia....26% increase in spending on infrastructure to a total of \$129M.

²⁶ Hansard transcript, Jonathan McKeown, 13 September 2017, p.48

Customer focus....88% of calls to TasWater's new centrally located customer and network operations centre are answered within 30 seconds. The operator then has the capacity of alert repair crews anywhere in the state 24 hours a day.

Recycled water use is up.

Environmental compliance is up...

Sewerage compliance is up – now at 84.2%”

The Chairman also notes in this advertisement’

“We do not shy away from the fact that there is work to do, but the independent report goes to show that consistent with its plan, TasWater is getting on with the business of improving Tasmania’s water and sewerage infrastructure.”²⁷

1.23 Mr Martin went on to say:

[TasWater] are performing extremely well and do not need to be used as a political football. They need to be allowed to get on with the job and do the works they have planned. They have been put together on a professional and competent basis for the benefit of the Tasmanian community. In the view of many, the evidence of a crisis or these services being Third World does not stack up.”²⁸

TasWater suggested solution

1.24 Mr Hampton put forward two options for addressing some of the more significant challenges that TasWater is facing:

Mr VALENTINE - *I come back to the statement you made as you exited last time. You said, 'I'd like the opportunity to proffer a way forward'.....Are you prepared to do that now?*

Mr HAMPTON - *Yes, I am prepared to do that now. I think TasWater should be allowed to get on with its \$1.5 billion program, it should be left alone and held accountable as the EPA, DHHS and the Economic Regulator want to do. The \$140 million the state Government has found as being available to be paid to councils ought to be made available to the Launceston City Council as a down payment on the establishment of its stormwater pipes in Launceston. That is option A.*

Option B is the proposition we took to the state Government before the last federal election - 'You give us \$100 million and help us get \$300 million from the federal government and we will take the commercial risk that the cost in Launceston and the cost of relocating MONA won't exceed \$400 million'. That is the simple solution I have. The Government paying \$140 million to councils is not going to help us achieve either of those programs any faster.”²⁹

²⁷ Written submission, John Martin, p.23

²⁸ Hansard transcript, John Martin, 13 September 2017, p.23

²⁹ Hansard transcript, Miles Hampton, 29 September 2017, p.32-33

TasWater environmental compliance and water quality

Boil water alerts

- 1.25 The Government reported that the Economic Regulator's Tasmanian Water and Sewerage 2015-16 *State of the Industry Report* had found that 25 Tasmanian water systems had operated under a temporary or permanent boil water alert, while another five systems had a public health (do not consume) in place.³⁰

- 1.26 The Tasmanian Hospitality Association (THA) expressed concern at the potential impact of boil water alerts on Tasmania's clean green brand as a tourist destination:

*THA members throughout the State are concerned that more than 20 towns, many of which are where our members live and conduct their businesses are on boiled water or 'do not consume' alerts which is not acceptable in today's competitive tourism and hospitality market, let alone what it is doing to our Tasmanian Brand.*³¹

- 1.27 The written submission from Flinders Council provided the following view:

*It is definitely a challenge for TasWater to remove Boil Water Alerts, but it has to be remembered that TasWater only took over the operations in July 2013. In that time TasWater has had to, among other things, consolidate three operational companies into one, amalgamate communications protocols and combine employment agreements. It should be acknowledged that TasWater has performed extremely well to address those processes as well as continue operations, which includes removing Boil Water Alerts.*³²

- 1.28 Mr Brewster advised the Inquiry that he was not aware of any evidence that suggested that the tourism industry was being negatively impacted by water and sewage issues:

*I attended a conference a month or so ago, run by the Tourism Industry Council, looking at the past and the future. I sat through that and I think there was one mention of water and sewerage in the whole of that debate. I would also suggest, if you get an opportunity, that you look at the recent brand survey. That will show you there is no discussion about detrimental impacts as a result of water and sewerage. The continued debate about the noncompliance of sewage plants in remote regions is not the issues in terms of lagoons. The issues are making sure you do not get leaks, you do not get pumps, dry weather spills - that is, raw sewage running onto beaches, into oyster zones, and into drinking water areas. That is our focus and has been our focus for four years. I again go back to the point that it is all about impact for tourism. Tourism customers do not care if our pH was out by 0.2 of a per cent, but they do care if there is raw sewage going down the street. That is also why we took the decision that we must get on and fix the boil water alerts. Hence, they will all be gone by August next year. I am struggling to see what the issue is. If we need to do more, let us know. At the moment I have nothing back to suggest we are not doing enough.*³³

³⁰ Written submission, Treasurer, p.4

³¹ Written submission, Tasmanian Hospitality Association, p.1

³² Written submission, Bill Boehm General Manager for Flinders Council, p.5

³³ Hansard transcript, Mike Brewster, 29 September 2017, p.43

- 1.29 Mr Hampton advised the Inquiry that all boil water alerts in Tasmania were expected to be removed by August 2018:

*If we talk about water quality, for example, that is DHHS. At the end of 2016-17, 99.2 per cent of our customers were receiving water they could drink from a tap. That was up from about 94 per cent or something like that five years earlier. By the end of August 2018, we expect that to be 100 per cent.*³⁴

Sewage treatment

- 1.30 The Treasurer, in his written submission, noted that the Tasmanian Economic Regulator, in his Tasmanian Water and Sewerage 2015-16 *State of the Industry Report* had found that:

- Only one of TasWater's 79 Level 2 sewage treatment plants was fully compliant with its EPA licence; and
- The operating performance of the 13 largest sewage treatment plants that process approximately 70 per cent of treated volume remains well below expectations.³⁵ and this statistic was included in the submission of the THA.³⁶

- 1.31 In generally summarising TasWater's compliance record, Mr Hampton advised the Inquiry that:

Dry weather sewage spills are a critical matter because at the end of the day that is what impacts on the environment, and they have dropped from 155 to 66 per annum. I have talked about the increase, and in fact this year, the year just gone, our treated sewage volume compliance has actually lifted again to 86 per cent.

*Recycled water compliance has lifted from 69 per cent to 79 per cent. Sewage odour complaints have dropped from 274 to 134. Our trade waste compliance has lifted from 16 per cent to 99 per cent. The percentage of biosolids beneficially reused, which has a big environmental impact, has lifted from 56 per cent to 99.8 per cent.*³⁷

- 1.32 When asked how many environmental infringement notices relating to sewage treatment plants, operations or stills had been issued to TasWater by the EPA in the past two years, Mr Wes Ford, Director of the Environmental Protection Agency (EPA), provided the following response:

Mr GAFFNEY - *In the last two years how many environmental infringement notices - EINs - relating to the sewage treatment plants, operations or stills have you issued to TasWater?*

Mr FORD - *We have issued two in relation to operations at Carrick in terms of their wastewater treatment plant.*

³⁴ Hansard transcript, Miles Hampton, 14 September 2017, p.4

³⁵ Written submission, Treasurer, p.4

³⁶ Written submission, THA, p.1

³⁷ Hansard transcript, Miles Hampton, 14 September 2017, p.5

Mr GAFFNEY - And sewage?

Mr NAPTHALI - The two EINs we issued related to breaches of thermo conditions surrounding the construction of a new outfall trade waste treatment plant. We have not issued any EINs directly related to the operation of a wastewater treatment plant.

*Frequency of plant testing depends on the receiving environment. This ignores the fact that environmental compliance is not measured as a simple pass-or-fail metric. A plant tested 52 times a year may have water samples tested against eight parameters. If any one of those 416 individual tests fails, the plant is deemed non-compliant for the full year, irrespective of whether the failed test may have had no harmful impact on the environment. This metric is not reported nationally as it is considered an unreliable indicator of comparative performance.*³⁸

- 1.33 In response to claims regarding its environmental compliance performance, the TasWater written submission advised:

As evidence of a crisis, the State Government has repeatedly cited the metric that only one of TasWater's 79 Level 2 sewage treatment plants is fully compliant with its EPA licence. Frequency of plant testing depends on the receiving environment. This ignores the fact that environmental compliance is not measured as a simple pass-or-fail metric. A plant tested 52 times a year may have water samples tested against eight parameters. If any one of those 416 individual tests fails, the plant is deemed non-compliant for the full year, irrespective of whether the failed test may have had no harmful impact on the environment. This metric is not reported nationally as it is considered an unreliable indicator of comparative performance.

*It is more useful to measure environmental compliance as a percentage of the total volume of sewage passing through TasWater's systems in a given period. This allows tracking of progress as while moving towards better environmental outcomes. As can be seen below compliance is above 80% and steadily improving. As can be seen below compliance is above 80% and steadily improving.*³⁹

Sewage volume compliance (EPA measure)	2013-14	2014-15	2015-16	2016-17
	Not recorded	81.4%	84.2%	86.0%

- 1.34 Mr Brewster explained some of the complexities involved in evaluating compliance:

The first thing you have to look at is: what does it mean to be compliant as a sewage treatment plant? The analogy we used in our submission is that it is like you have to get an A+. You have over 400 tests and every one of them has to pass to be compliant, based on samples. That is why that statistic doesn't get used nationally. There is a more accurate and better way to look at the performance of the plants. That is why we track volume, so the better measure is the volume of sewage compliant with its licence. At the moment, under the EPA's measure, we are running at 86 per cent - 86 per cent of the effluent discharged from our 79 level 2 sewage treatment plants is compliant. That has risen from 81.4 per cent over the last two years. Is it perfect? Is there still a lot of investment needed?

³⁸ Hansard transcript, Wes Ford and Glen Napthali, 13 September 2017, p.4

³⁹ Written submission, TasWater, p.12-13

*Absolutely. Using that statistic adds nothing, in my view, to the debate. It is really about the compliance of the effluent that is discharged into the receiving waters.*⁴⁰

- 1.35 Mr Wes Ford also made the following comment in relation to the evaluation of compliance:

*A general comment in terms of environmental performance of wastewater treatment plants; you will find there is lots of information out there about the levels of performance. One of the challenges we are faced with, as is TasWater, is there is not only one performance indicator that tells you how well a wastewater treatment plant is operating. For example, a wastewater treatment plant might be having a high level of performance in dealing with pathogens but a fairly low level of performance dealing with nutrients. That might or might not be an environmental problem, depending on where the charge for it is. Similarly, a plant might be performing very well in terms of dealing with nutrients or turbidity, but still have a pathogen problem. How you report compliance is a challenge..... That is something we need to look into. We need to work with TasWater to determine what performance compliance means.*⁴¹

- 1.36 Alderman Dr Eva Ruzicka, Hobart City Council, expressed the view that upgrades to water and sewerage services in Tasmania may not have kept pace with increased community expectations:

You need to break down what the complaints are and you also need to break down, along with that, the expectations that have now been created about the supply of water and sewerage. There is one example of where there was a deliberate decision made to not supply water by pipe to a community. In fact, it was cheaper and safer to supply it by tanker. There is an expectation I have found, because with my role as an alderman I get onto various state boards from time to time, there is an expectation that what is supplied in a capital city will be supplied out into other areas.

I do not think it is unreasonable to expect to get clean water and operating sewerage. That is not unreasonable. But there are levels of expectation around service that often over time cannot be delivered as immediately as a ratepayer may wish to have. You need to go through a process of sorting through the infrastructure as TasWater has. Their prime issue has been clean water. Absolutely everywhere - clean water. Sewerage comes second but they are working on that now.

*The difficulty we have in Tasmania is there is a level of expectation about service that perhaps TasWater is not quite catching up to at this point because there has been a backlog in supply over a period of 50 to 120 years.*⁴²

EPA requirements

- 1.37 Mr Ford advised the Inquiry of some of the outcomes as a result of a Memorandum of Understanding (MoU) between the EPA and TasWater:

⁴⁰ Hansard transcript, Mike Brewster, 14 September 2017, p.3

⁴¹ Hansard transcript, Wes Ford, 13 September 2017, p.1-2

⁴² Hansard transcript, Eva Ruzicka, 14 September 2017, p.53-54

Resulting from the MOU, TasWater then worked with us to set about re-prioritising the activities over the course of the next three years to deliver what we both agreed would be an achievable set of work on plants to improve environmental performance.⁴³

Mr GAFFNEY - *Have they demonstrated commitment to addressing the environmental challenges facing the state?*

Mr FORD - *I think the answer to that is yes, they clearly have, but the challenging process in that is to what degree that is acceptable or not acceptable on behalf of me as a regulator and a range of people impacted from the community point of view.⁴⁴*

- 1.38 The Inquiry took note of the following statement from the MoU between TasWater and the EPA:

However, TW and the EPA recognise that three years on from the corporations' formation of progress towards securing acceptable environmental outcomes from the public works management network is inadequate and does not meet community expectations. By TasWater environmental compliance is currently at 42 per cent while the EPA analysis shows a downward compliance for the past 5 years.⁴⁵

- 1.39 The Tasmanian Ratepayers' Association Inc. in its written submission noted that EPA standards had changed:

Since the operation of water and sewerage utilities was forcibly taken away from direct Local Government administration, the State Government has raised the bar on environmental standards to be attained but contributed no capital to the issue.⁴⁶

- 1.40 Mr Steve Old, General Manager of the THA, advised that the THA had discussed the matter of EPA requirements with the Government:

One of the commitments we have had in conversations with state Government is that if businesses are not making any changes to their business or the regulation going through, they are looking at changing the EPA or at least looking to fix the infrastructure themselves.⁴⁷

- 1.41 Mr Wes Ford also noted that compliance standards were expected to increase in line with community expectations:

The reality is, I would reasonably predict that compliance standards will increase as community expectation for cleaner discharge increases. You are correct in identifying that as a national issue because the direction we take comes out of national guidelines in terms of water quality or via solid re-use. It is the challenge we face as a society to try to reduce human health and environmental impacts, but not make the cost of treatment so prohibitive we cannot afford it. It is something we all have to be mindful of.⁴⁸

⁴³ Ibid, p.1

⁴⁴ Ibid, p.4

⁴⁵ <http://epa.tas.gov.au/Documents/Memorandum%20of%20Understanding%20between%20TW%20and%20Public%20Wastewater%20Management%20-%20signed%20CEO%202%20December%202016.pdf>

⁴⁶ Written submission, Tasmanian Ratepayers Association, p.1

⁴⁷ Hansard transcript, Steven Old, 14 September 2017, p.37

⁴⁸ Hansard transcript, Wes Ford, 13 September 2017, p.8

- 1.42 Mr Alan Garcia, CEO of Infrastructure Tasmania, Department of State Growth, provided the following view regarding the approach taken by the EPA:

Mr GAFFNEY - *Your report suggests that the EPA is too risk-averse. Surely, from the position of Tasmania's clean, green image, you would want the EPA to be risk-averse? You sort of said that through your report. Isn't that what you want?*

Mr GARCIA - *I think the issue here is, the important thing for the EPA and TasWater is to work together and work early, and to get a good understanding of the process. I think there is frustration possibly on both sides as to how that relationship has worked. I think the EPA would prefer to have an earlier knowledge of what it is that TasWater is going to deliver and how it anticipates to deliver. Once you are going down a track, is that the path you are going to stay on?*

This is a space where innovation is possible. We are not suggesting that the EPA become so risk-adverse that we just go down the experimental line. The risk element is probably more around the relationship. We are not saying that the EPA should throw away our clean, green image or take a huge risk but the reference around the relationship and how they work together is probably the more important component.

Ms TURNER - *I would add that we have not had feedback that the outcomes from the EPA approvals-type of process are wrong in that sense; it is more that we have had feedback around the time it takes to navigate the EPA approvals process. That might be caused by a number of reasons. In discussion with the EPA it has said it had some documentation issues between it and TasWater. They have now entered into an MOU to try to progress some of those things. Outcomes aside, if you want to accelerate the program, the time it takes at the moment to navigate the approvals process might be a constraint to achieving that.⁴⁹*

- 1.43 Mr Peter McGlone, Director of the Tasmanian Conservation Trust, provided the following view in relation to sewage spills.

As to sewage spills, Mr Gutwein has repeatedly claimed TasWater has a record seven times the national rate of sewage spills per 100 kilometres of sewer pipe. This is more than misleading. Different regulatory and reporting requirements in each state mean valid comparisons between the mainland and Tasmania cannot be made. It is totally a case of comparing apples and oranges.⁵⁰

And

The state Government also fails to acknowledge the very significant impediments and costs involved in making improvements. I draw the committee's attention to a lengthy quote I have included in my submission from the EPA annual report that tells you how totally inappropriate it is to be comparing TasWater to mainland sewerage and water providers.

From what I can gather, there is no target for improving sewage spills. They criticise the current state of play but there is no target they are aiming at. As to the one out of 78 treatment plants that is compliant, I have never seen any statement of a goal of attaining

⁴⁹ Hansard transcript, 14 September 2017, Alan Garcia and Alison Turner, p.79

⁵⁰ Hansard transcript, Peter McGlone, 29 September 2017, p.15

*78 out of 78 or any other figure.... The issue I fear most is that the minister in charge of TasWater could seek a change to permit requirements that immediately make noncompliant sewage treatment systems compliant.*⁵¹

And

I think the EPA has performed really strongly - and I do not always say that about them - in slowly and persistently pressing TasWater to agree to improvements over time. The one thing not mentioned by the Treasurer that is really significant is quite a recent MOU that has been signed between the two institutions. It is quite detailed but one of the overriding outcomes is a commitment to a 20 per cent improvement in sewage effluent compliance over five years...

*They have been playing a really significant role. That level of MOU would be a really easy place for government to encourage change towards a lower standard. It is not a binding legal document, I understand, but something that comes out of negotiation. They cannot absolutely hold TasWater to it, but that would be an area where it would be very easy, without any transparency, to lead to a revision of such a document.*⁵²

Odour

- 1.44 Mr Wes Ford advised the Inquiry that trade waste was responsible for causing much of the odour problems at Macquarie Point:

Odour is really challenging to deal with. Odour is largely dealt with in three separate ways. One is by modelling associated with odour impact at the point of new development; another is monitoring of odour, particularly odour areas known to produce odour; and the third area is the complaint-driven response process. Where there are complaints and we keep getting repeated complaints, we continue to engage with TasWater about improvements in the system.

*For example, for places like Macquarie Point, our current understanding is to just address the odour issues at Macquarie Point, leaving the site where it is and functioning the way it is. It is probably about \$5 million-worth of work that could be done that would reduce the odour emissions. I know we have odour problems at places like Ti-Tree Bend; we know we have odour problems at Rosny. It is one of the areas and priorities that TasWater is progressively working through.*⁵³

- 1.45 Mr Hampton advised of TasWater's current issues in relation to odour:

*Sewage odour complaints have dropped from 274 to 134.*⁵⁴

The issue here is that we have a treatment plant. It is not as far down the list as a priority as Macquarie Point is. Around all of our water treatment plants there is what is known as an attenuation zone. We have to comply with odour. It is a 400-metre attenuation zone. As I understand it, the second stage of the MONA development means that they want to

⁵¹ Hansard transcript, Peter McGlone, 29 September 2017, p.16

⁵² Ibid, p.19

⁵³ Hansard transcript, Wes Ford, 13 September 2017, p.7-8

⁵⁴ Hansard transcript, Miles Hampton, 14 September 2017, p.5

*construct a hotel inside that 400-metre attenuation zone. We only have to comply with the odour requirements at the outer perimeter of that 400-metre attenuation zone. So, are you going to spend hundreds of millions of dollars on a hotel? We have had no high-level significant engagement on this. The issue is significantly about odour, but we openly acknowledge that it is a plant that we would be revisiting whether it ought to be there, full stop.*⁵⁵

And

*In more recent times one of our major treatment plants on the north-west coast was not operating as well as it should have been and as a result generating significant odour issues. One leads to the other. It is this interrelatedness and complexity of our space that results from not complying with the requirements placed on them.*⁵⁶

- 1.46 Mr Dean Page, General Manager, Finance and Commercial Services for TasWater, advised:

.... The other element there is investing in some of the backlog of maintenance we inherited as TasWater. When we came to be in 2013, we had quite a backlog in desludging our lagoons. That is basically removing the solids or the material that settles in sewage treatment plant lagoons. We had a large backlog there. If we do not deal with it that manifests itself in odour complaints, particularly over the summer period, as that material settles in the lagoons. So there was a deliberate investment there to address some of the backlog.

*Another big maintenance issue, a backlog that we inherited, was around digester maintenance. That is the biological treatment process that breaks down the wastewater material we receive into our plants. Again, failure to maintain that infrastructure at the appropriate levels manifests itself in underperformance of the final effluent being released from our plants and again odour complaints from residents who live near those plants.*⁵⁷

Stormwater

- 1.47 TasWater's written submission provided information on Launceston's combined stormwater system:

In Launceston around 30% of stormwater is directed into the TasWater-owned sewerage network. The majority of Launceston's sewerage system takes a standard approach to the separation of sewage from stormwater, however the older sections in the CBD and parts of Invermay are combined. Ordinarily this creates no issues, but when it rains the volume of stormwater can be such that the combined sewage system diverts a diluted mix of stormwater and untreated sewage directly into the Tamar River. This occurs on average between 60-70 days each year.

Public perception of the Launceston combined system is that this is a major source of pollutants into the Tamar River. However, a 2015 study by Natural Resource Management North found that close to 100% of all pollutants into the Tamar River are caused by

⁵⁵ Hansard transcript, Miles Hampton, 14 September 2017, p.30

⁵⁶ Ibid, p.11

⁵⁷ Hansard transcript, Dean Page, 14 September 2017, p.16

rainfall runoff from diffuse sources rather than point sources such as the combined sewerage system.⁵⁸

1.48 Mr Hampton went on to answer a number of questions regarding stormwater:

Mr VALENTINE - *I have a couple of questions.... how you are working with councils to address inappropriate stormwater connections to sewerage systems. In the example of the Davey Street spine that comes down into Salamanca, during major storm events that overflows into the river, I believe. Clearly it is because there are inappropriate stormwater connections from the roofs of 4300 houses on that spine. I do not know how many of them are inappropriately connected or do not have a stormwater system to be connected to so they go into the sewer. Clearly it is going to be a major project and a major expense to try to stop those overflows occurring. You have to discover where those houses are. How are you working with councils to address that problem? If you do not address that problem, you are still going to have the overflows. It does not matter whether it is the government or whether it is you, that problem is still going to be there and needs to be addressed. Do you have a protocol of councils in an ongoing way to address this issue?*

Mr HAMPTON - *I recall not long after the reform first happened, we were having issues in Salamanca where stormwater from Battery Point was coming straight into the sewer. It was a priority issue and it was dealt with as a priority issue. How was it dealt with? It was impossible to try to sort it out. A major storage reservoir underground, under Salamanca, is there and designed to help make sure we can handle the flows.*

In Burnie, there is a modern wastewater treatment plant. The older parts of Burnie had exactly that issue, where there are illegal - once legal - connections. It was not an issue until Lion Nathan wanted to relocate its milk processing activities in the state to Burnie and our system was not going to be able to cope. We talked with the Burnie City Council and they accessed \$4 million-worth of federal money to run a program to remove those illegal discharges of stormwater into the sewer. Lion Nathan spent \$4 million and we spent \$4 million. We found a solution that worked.⁵⁹

1.49 In response to a question regarding stormwater, Mr Glen Napthali, Section Head of Wastewater Management, EPA Tasmania advised:

.... the EPA produces sewerage pump station guidelines that essentially talk about the receiving environment and the design criteria to be applied to ensure that spills are minimised.... The other strategy we are using at the moment, and it has come out under the MOU, is TasWater has developed a statewide I & I - inflow and infiltration - management plan and they are going through their network and strategically looking at what sections of the network need to have investment first to reduce I & I essentially.⁶⁰

1.50 Mr Brewster provided the following statement:

.... what I can say is generally stormwater ends up being treated. Launceston is an example of where, when it gets to an excessive amount, it does actually bypass the plant. I have to say, the more water you run through the plant, the less effective the treatment is going to be.⁶¹

⁵⁸ Ibid, p.33

⁵⁹ Hansard transcript, Miles Hampton, 14 September 2017, p.19

⁶⁰ Hansard transcript, Glen Napthali, 13 September 2017, p.10

⁶¹ Hansard transcript, Mike Brewster, 13 September 2017, p.20

- 1.51 Mr Chipman provided the following comments on Launceston's stormwater and sewage system:

The stormwater and sewerage system combined is certainly third world. There is no question about that. There are a couple of comments I would like to make.

One is that recent scientific analysis reveals that the water and sewerage combined system in Launceston is a very small part of the overall problem that the Tamar River has. Having said that, I still believe it needs to be fixed as soon as possible. You might recall, at the last federal election, that the local government sector as a whole unanimously identified fixing the combined system in Launceston as the very first priority in a task list for the federal government. It remains a very high priority.⁶²

Oyster farms

- 1.52 TasWater, in its written submission stated:

The State Government has said that the Tasmanian brand suffers when oyster farmers have to shut down production due to sewage 'released' into the environment, and that Tasmania's oyster industry needs "21st century water and sewerage infrastructure to prosper"

Minimising the risk of oyster production shutdowns has been a priority for TasWater since its formation. TasWater's Shellfish Risk Mitigation Plan is a long term program of operational improvements and capital investments which prioritise work in areas adjacent to shellfish leases. As part of this plan, TasWater has worked closely with peak body Oysters Tasmania on a range of opportunities to reduce the frequency and impact of production shutdowns. This has included innovative meat-testing methodologies to reduce shutdown periods, implementation of early warning systems to reduce potential losses, reducing stormwater inflows and infiltration into the sewerage network, and upgrades to key infrastructure and centralised alarming and monitoring of at risk infrastructure.

To date over \$10 million has been spent on upgrading sewage pump stations, networks and telemetry systems to provide early warning of a potential sewage overflow. Additional storage capacity has also been built to reduce the risk of sewage overflows during high intensity rainfall events.

In the past three years, a total of eight oyster production shutdowns have occurred as a result of wet weather sewage overflows, which in turn resulted from high intensity rainfall events. It is important to understand that:

- It is not feasible to prevent every sewage overflow due to high intensity rainfall events, due to the high cost of this infrastructure, so instead pump stations and associated infrastructure are being designed not to overflow unless the rainfall intensity is greater than that expected once in every five years*
- It is not just a matter of spending money on new infrastructure, rather the issue is complicated by stormwater inflows and infiltration which must be addressed in a systematic manner*

⁶² Hansard transcript, Doug Chipman, 22 September 2017, p.13

- While shellfish leases are predominantly located in 10 zones around the state, the risk of overflows can emanate from any one of 15 sewage treatment plants, 102 sewage pump stations and approximately 280 km of sewer mains, all of which are located in these high risk zones.⁶³

Infrastructure

- 1.53 Mr Ford also noted the following on Tasmania's water and sewerage infrastructure:

*We know that collectively - and this is a no-fault question; it is a reality across all of our infrastructure - we have a significant amount of post-World War II infrastructure across the state. There was a significant underinvestment during the 1970s, 1980s and 1990s whether it was in roads or sewerage or freshwater systems. Some councils performed better than others.*⁶⁴

- 1.54 The Master Builders' Association noted in its written submission:

*The legacy that TasWater inherited was, and still is, the core reason for the poor state of Tasmania's water and sewerage infrastructure. Most councils simply did not maintain any of their infrastructure particularly well and allowed it to fall into disrepair. This was most noticeable in the areas of water, sewerage and stormwater assets. Because this infrastructure typically lies underground and unseen it has not traditionally been treated as a high priority by councils.... Decades of under-investment in this infrastructure by Councils has left TasWater with a massive capital works program to bring its assets up to a reasonable standard.*⁶⁵

- 1.55 TasWater, in its written submission, pointed out that other factors could contribute to sewerage spills:

*The State Government has implied that TasWater's higher rate of sewerage spills is because of its ageing infrastructure and slow response to replacing it. The BOM Report lists many other risk factors for sewage spills beyond infrastructure age including rainfall, temperature, tree-root intrusion, trade waste, and soil type. Indeed, it is highly possible that even if TasWater had state-of-the-art sewerage infrastructure, Tasmania may always live with a higher rate of sewerage spills because of higher risk of flooding and tree-root intrusion.*⁶⁶

- 1.56 Mr Nick Heath, General Manager of Hobart City Council noted the following:

What is absolutely true at the moment is that the councils, following the removal of the powers of the Sewers and Drains Act and introduction of the new Urban Drainage Act, have no power to fix that issue as we presently sit here now, unless there is a statutory nuisance created under the Local Government Act. That is basically a public health nuisance. We are in the process of redoing our by-laws and writing to the minister asking for that power to be reinstated in the Urban Drainage Act so we do not have a repeat of what happened in 2007.

⁶³ Written submission, TasWater, p.14-15

⁶⁴ Hansard transcript, Wes Ford, 13 September 2017, p.11

⁶⁵ Written submission, Master Builders Association of Tasmania, p.5

⁶⁶ Written submission, TasWater, p.14

And

Mr VALENTINE - You do not have any fears, if the Government took it over, that they might turn around and say to you, 'This is stormwater issue - fix that problem', and then the council is then bound to put in a new pipeline on the Davey Street spine and find all those houses that are inappropriately connected, and make sure they connect to that stormwater?

Mr HEATH - That is a possibility, but that sort of fix would be beyond the remit of this current council. It would need a massive infrastructure investment. If we were ordered to do that by a minister or by a government down the track, that would be an issue that would be beyond the current capacity of the council to fund or do.⁶⁷

TasWater governance and management

1.57 The Treasurer's written submission provided the following statement:

*The members of the Owners' Representatives' Group, to which TasWater is accountable, do not have the required expertise or access to independent advice on a regular basis to assist in monitoring the performance of the business or to undertake detailed investigations when policy issues arise.*⁶⁸

And

*...TasWater has not been subject to the level of scrutiny required to ensure the objectives of the legislation are met.*⁶⁹

1.58 Mayor Tony Foster of Brighton Council provided some background on the formation of the TasWater Board:

*When we set up the structure of TasWater, we had hundreds of interviews - I was chairman of the selection committee then - right around Australia. The board of TasWater is made up of experts in their fields. I think we have three people at least now from mainland Australia who sit on the board, and they are experts in their field. The same with the management team. They are experts. We as owners are not there to tell the board or the management how to run the business. They are the experts, not us. That is the way we have always dealt with it, in my view. We engage the experts, let them deal with it.*⁷⁰

1.59 Mr Chipman advised that he had also been involved in the process of appointing the TasWater Board:

There has been some commentary on the fact that TasWater has an independent skills-based board but little has been said about the calibre of the board. I had the benefit of sitting on the board's selection committee, which was a highly competitive process with

⁶⁷ Hansard transcript, Nick Heath, 14 September 2017, p.50

⁶⁸ Written submission, Treasurer, p. 9

⁶⁹ Ibid, p. 10

⁷⁰ Hansard transcript, Tony Foster, 29 September 2017, p. 13

over 40 applications for the position of chairman, and more than 100 people applying for positions as director. These applicants came from all over Australia as well as from overseas. The selection committee, comprising four owner/representatives from the south, two from the north and two from the north-west, was assisted by a national recruitment agency in selecting the original board and in managing subsequent regular turnover of directors. The chair is also selected for director positions.⁷¹

1.60 The Treasurer made the following statement:

In fact, even last year when the decision was made by the board unilaterally to provide for a 10-year infrastructure plan, there were some in local government who described it as being outrageous and it appeared for some time that the board might even be sacked.

No, we have no confidence in the current ownership model. We believe what is required is new leadership.

And

Mr VALENTINE - *Even if you look at its annual report and see how it has improved things over the period it has had to deal with major issues, and the fact that it is going to be having no boil water alerts by 1 August next year? Even though it has shown that it has made inroads into this problem, you still do not have confidence in it?*

Mr GUTWEIN - *I give it no credit for that. I recall last year, when Miles Hampton and I spoke at the time that he made the announcement in August, that TasWater would remove the boil water alerts and leverage its balance sheet and get on with the job. At that time, I welcomed that decision but it crystallised in my mind why there needed to be change. At that point, with a drop of ink and a stroke of a pen all of a sudden the boil water alerts that had plagued this state for decades - in fact until the last period since the reforms very little progress had been made - all of a sudden, it was able to be fixed.⁷²*

1.61 Mr Greg Howard, Councillor at Dorset Council and TasWater customer, stated in his written submission:

The management structure at TasWater appears excessively top heavy with a board of 7 which costs over half a million dollars in directors fees and superannuation, a CEO on \$464,000 and 8 general managers on \$230,000 to \$290,000 including superannuation. I am sure they do not need this many general managers and significant savings could be made in this area.⁷³

1.62 Mr Dean Page, TasWater's General Manager for Finance and Commercial Service, provided the Inquiry with some information relating to TasWater's operating costs since 2014:

Ms RATTRAY - *In the operating costs in 2014-15 compared to 2015-16, there was an increase of \$11.2 million and yet the capital expenditure for those years was only \$26 million extra. The revenue increase was around \$7 million. Does that mean it is costing*

⁷¹ Hansard transcript, Doug Chipman, 22 September 2017, p. 2

⁷² Hansard transcript, Treasurer, 14 September 2017, p.63-64

⁷³ Written submission, Greg Howard, p.2

more to run the business? I am interested in how that extrapolates into the real world of customer service and provision.

Mr PAGE - *A couple of factors were impacting our operating costs over the period you have mentioned and will play out as we go forward. In those particular years there was deliberate investment in the business and in building our capability. A lot of that funding went to building up our ranks of project managers. The former corporations struggled to deliver \$100 million per annum of the capital program. Around that time we were projecting a \$120 million to \$130 million per annum capital program on a sustained basis and recognised that we needed to hire and invest in more program managers and project managers to be able to manage that larger capital works program going forward.*

At the same time we also made some investments in systems capability in the business. Up to that stage, we did not have a systemised asset management system and we have now implemented an asset management system. We had some project resources brought into the business to enable us to deliver that, and that is an important investment for the business. That will give us a real time performance data on our assets to make sure that when we make those capital investments we make them in the appropriate places to get maximum benefit for the investment we are making and the community outcomes we are looking to deliver.⁷⁴

- 1.63 Mr Dion Lester, Policy Director of LGAT, provided the following insight into staff salary costs:

And more broadly. The average cost of salary for TasWater, including staff and the board, is the lowest of any water utility in the country. It is lower than the state public service at the moment by some \$15 000 per annum.⁷⁵

TasWater strategy and planning

- 1.64 Mr Brewster advised the Inquiry of some of the complexities that TasWater faced in planning and prioritising its future projects:

It is not a simple spreadsheet movement exercise; you actually have to test every decision you make. If you move this project forward, is it even feasible to move it forward? Can you build the business case earlier? Can you get the strategy earlier? Secondly....You have to get the resources to do this work. Then what are you not going to do? That is why it was not a five-minute exercise to build our long-term strategic plan.⁷⁶

- 1.65 Mr Page added:

The important thing to add with our long-term strategic plan is that it an inaugural plan; it has a 20-year outlook of, importantly, the customer outcomes our capital program is going to deliver. It has been informed by engagement with customers and with our technical regulators to prioritise the projects put forward as part of that plan. We went out, as part of our price and service plan development, through surveys, through focus groups, engagement with different stakeholders, to understand what they thought should

⁷⁴ Hansard transcript, Dean Page, 14 September 2017, p.16

⁷⁵ Hansard transcript, Dion Lester, 22 September 2017, p.12

⁷⁶ Hansard transcript, Mike Brewster, 29 September 2017, p.44

be the priorities for our capital program. Our long-term strategic plan reflects those priorities.

The other important thing is developing, in that plan, a very important input into the financial modelling that results in a constrained financial model. That is something we need to operate in that the Government does not. We need to know what the operating costs flow-through impacts of those capital projects are. We have 300 to 600 major projects in that program and as part of that we have to try to estimate what the operating cost impacts are in the forward and build them into our long-term operating cost profiles as an input into that modelling to make sure we can afford it in the future.⁷⁷

- 1.66 In discussing TasWater's strategy for prioritising and planning projects, Mr Hampton and Mr Brewster advised:

Mr HAMPTON - *I do not think we have a comprehensive plan. It is about dealing with priority issues as and when they occur. In some parts of Tasmania it will never be a problem. In some parts of Tasmania it is a problem and in some parts of Tasmania it will become a problem. It is about prioritisation. Some would say that if you throw more money at it, you can deal with more priorities faster. The reality is that you may be able to, but I am not certain you would get an optimal outcome.*

Mr BREWSTER - *We tend to tackle it on the basis of where the most environmental damage is. That traces back to having to model all of our systems. As you know we have 113 sewerage networks. We have done a criticality analysis in the last year-and-a-half of all our pump stations, all our networks, and we model them. From there you can determine two things. You can determine when a spill occurs and how critical it is because spills are often driven by stormwater. When it rains heavily stormwater goes in, pump stations can't cope; they're often not designed even for one-in-five-year rainfall events. When we've done the modelling, we go out - and that's what we're doing at the moment - and we liaise with the council. St Helens is a classic example of where we've done that -we go out and do smoke- and dye-testing, which is basically trying to source wherever the infiltration is, and then we work with the council to remove the infiltration.⁷⁸*

- 1.67 The Australian Water Association, in its written submission, made the following recommendation:

The Association recommends that TasWater's existing structure and strategic plan (including the 10- Year Capital Works Program) be fully maintained and supported by the Government of Tasmania. The progress being made is significant and for the first time in decades the Australian water industry feels confident that Tasmania has a plan and an industry structure with the capability to radically lift the performance of the state's water and sewerage services.⁷⁹

⁷⁷ Hansard transcript, Dean Page, 14 September 2017, p.44-45

⁷⁸ Hansard transcript, Miles Hampton and Mike Brewster, 14 September 2017, p.19

⁷⁹ Written submission, Australian Water Association, p.5

TasWater investment and funding

1.68 The Treasurer made the following statement:

The slow progress that has been observed is due in large part to prioritising returns to its owners over investment in the modern infrastructure and clearly demonstrates these failings. Rather than invest the returns from the business in improving the infrastructure, local government has instead received over \$200 million from Tasmania's water and sewerage customers and stands to receive a further \$190 million over the remainder of TasWater's 10-year plan.⁸⁰

1.69 The Treasurer quoted the Tasmanian Economic Regulator which had reported that TasWater's debt to equity ratio is currently at 27%:

TasWater has adopted a very conservative financial strategy, which has kept its borrowings, and therefore its interest costs, very low. The Regulator reported that TasWater's net debt to equity ratio was 27 per cent in 2015-16, which was very low compared to equivalent mainland utilities. A ratio of around 60 per cent is considered quite usual in this industry, and the Regulator assumed this ration in its previous price determination for TasWater, for the period from 1 July to 30 June 2018.⁸¹

1.70 Mr Hampton was asked to provide an explanation as to how TasWater sets its debt levels:

Ms RATTRAY - *I have a question around the net debt to equity ratio. Can you walk me through.... in 2014-15, it was 23 per cent, and in 2015-16, it was 27 per cent.... It was suggested yesterday that your debt spread should be intergenerational....Can you comment?*

Mr HAMPTON - *....The Treasurer has long held the view that we have a lazy balance sheet and we can have more debt. We don't look at it in terms of the level of gearing; we look at it at the risks associated with servicing the debt, which means: how many times does your profit cover the interest expense? Most major businesses in Australia hope to cover their interest expense in profit before interest by between five and seven times. We're a utility so we have a safer revenue stream. We established that our target interest coverage ratio should not exceed two times. That would mean that if interest rates doubled tomorrow on the same amount of debt we could still pay the interest. We are not focused on the debt to equity. There are utilities in Australia that have 100 per cent debt to equity ratio. Generally they are private equity-owned businesses that run with much higher debt. We focus on the long-term financial sustainability of the business. Today interest rates are low and they are probably going to be low for a little bit longer, but are they going to stay this low? Some of us remember interest rates of 18 to 20 per cent. We don't take a ridiculously conservative view; we have looked at what other utilities in the same sector in Australia do. We came up with: you want your profit to be at least two times your interest expense. Interestingly, in one of the early government documents, they agreed with that position. Their financial model has the interest coverage way below two times.⁸²*

⁸⁰ Hansard transcript, Treasurer, 14 September 2017, p.61

⁸¹ Written submission, Treasurer, p.7

⁸² Hansard transcript, Miles Hampton, 14 September 2017, p.15

Tasmanian Government funding

1.71 The Treasurer advised the Inquiry:

TasWater's 10 year financial plan identifies a significant renewals backlog. The remaining asset renewal backlog at 2026 is estimated to be \$425 million. TasWater's 10 year plan states that the backlog is impacting on the quality and reliability of its services. This demonstrates that there is an ongoing need to make substantial capital investment beyond the current ten year plan period. The Government's commitment to spend an additional \$300 million over the ten year plan period will assist in addressing the substantial asset renewal backlog or potentially contributing to additional investment in major projects that are not currently included in the TasWater 10 year plan such as Launceston's combined system, the Macquarie Point sewage plant removal, the Cameron Bay upgrade or other projects that may emerge.⁸³

Australian Government funding

1.72 TasWater in its written submission advised:

TasWater sought funding from the Australian Government for water and sewerage prior to the 2016 federal election. The State Government has since stated that the Australian Government will not provide TasWater with funding under its current ownership by Councils. In fact, there is a long history of the Australian Government directing funding to Councils, through State Governments, for water and sewerage upgrades. For example, Clarence City Council was provided with a \$10.5 million grant from the Australian Government for the Clarence Recycled Water Scheme in 2007-08. Similar funding arrangements are made regularly interstate, with just one example being Queensland's Wide Bay Water on the Fraser Coast, which has received nearly \$10 million in Australian Government funding from 2006 to 2010. As recently as July 2017, the Australian Government was celebrating the opening of a new sewage treatment plant for Mareeba, Queensland which was made possible through \$6 million of Commonwealth funding.⁸⁴

1.73 The Treasurer provided the following information regarding opportunities to obtain federal funding:

Ms RATTRAY - *Do you see any better opportunity for sourcing some funds from the federal government under any new model?*

Mr GUTWEIN - *There will always be opportunities for us to work with our federal colleagues to get grants for a whole range of things and I see the opportunities in water and sewerage.*

I have heard there have been some comments made that the Government did not try to get money out of the federal government last time and favoured the university. We had money in the budget for the university from 2015-16 on and at the last federal election the federal government was able to make its commitment and we were able to match it with funding we had.⁸⁵

⁸³ Written submission, Treasurer, p.13

⁸⁴ Written submission, TasWater, p.35

⁸⁵ Hansard transcript, Treasurer, p.75-76

- 1.74 Mr Chipman provided examples of the Australian Government providing funding for state water and sewerage systems:

It is interesting the Government has said while councils continue to own TasWater, there will never be any federal money coming in to assist. I cannot understand the basis of that statement when you look at a recent grant to Mount Isa Council to fix their sewerage system, even though Mount Isa takes dividends from its water and sewerage authority. There are other examples. As mayor of Clarence, I can recall the federal government gave Clarence City Council a grant to develop the recycled water scheme.⁸⁶

- 1.75 Mr Hampton provided the following view in relation to federal funding:

Mr GAFFNEY - *The assessment at a national or federal level could be quite damning and inhibit this state from getting any funding, because if I were sitting in Canberra, there would be no way I would pass money to a group that the Productivity Commission has said was -*

Mr HAMPTON - *I completely agree with that, which would not surprise you, which is why it is an absolute nonsense. You might even consider going further. Not only might you not get some access to a pot of gold to help us with some of our challenging issues like Launceston in particular, but in fact the question might arise that if the Tasmanian Government is not prepared, why should it be getting all the GST money it is getting? If it is not prepared to comply with Australia-wide recognised reform progress, how can you defend putting your hand out for national water money or indeed for other money?⁸⁷*

Tenders and projects

- 1.76 Some submissions and witnesses informed the Inquiry of their concerns regarding the experiences of developers and contractors with TasWater.

- 1.77 Mr Garcia provided feedback that Infrastructure Tasmania had received from contractors:

We have had feedback from contractors having to forgo other tasks, waiting to be put into play and it has not come, and then they may have missed out. They may have even arguably sought to withdraw had they been able to do something else.⁸⁸

- 1.78 Woolcott Surveys written submission provided feedback that it had received from developers:

Developers are continually told that they need to upgrade existing infrastructure which is in perfectly good working order because it does not meet today's TasWater standard adding thousands of dollars to development and making many developments unviable. We have dozens of examples of this.⁸⁹

⁸⁶ Hansard transcript, Doug Chipman, 22 September 2017, p.13

⁸⁷ Hansard transcript, Miles Hampton, 29 September 2017, p.36

⁸⁸ Hansard transcript, Alan Garcia, 14 September 2017, p.80

⁸⁹ Written submission, Woolcott Surveys, p.2

- 1.79 Mr Brewster made the following comments in relation to TasWater's tendering process:

At times we have taken too long to award tenders but 12 months would be out of the ordinary. There is usually a reason. The board monitors how long it takes for tenders to get out. If it takes longer than 90 days, it is reported every month and goes to the board.⁹⁰

The local guys are saying they aren't winning the tenders and that it is not happening for them. It is almost seen that the mainland guys must be better even though they are employing us, taking extra money and costing TasWater more money.

It is important to say the smaller jobs generally do go to Tasmanians, most of the small pump stations. I am happy to provide the evidence for that. I think at the moment about 60 to 70 per cent are Tasmania-based businesses.

The bigger jobs are more challenging. One of the things we have been doing is building the capacity of local guys to manage the bigger jobs. That has always been a challenge.⁹¹

Communication and client feedback

- 1.80 Mr Malcolm Eastley provided the following feedback on TasWater's performance:

TasWater's attitude was very poor in the way of listening to problems. We think we have a good case. We think the difference between trade water from these little places and residential is so little that the local plant should be able to cope. If they can't, they should be upgraded to be able to do so. That's cheaper than doing it this way.⁹²

- 1.81 The Tasmanian Chamber of Commerce and Industry provided the following feedback from its members regarding TasWater's approach to business customers:

Much of the frustration from members regarding the current TasWater model stems from the difficulty of working with some TasWater employees. Our feedback suggests that many [sic] officers simply do not seem to who [sic] understand the needs and wants of business and developers at all levels. Their approach appears to be bureaucratic and at times, confrontational.⁹³

- 1.82 Mr Hampton provided the following response:

The TCCI claims that we are not focused on business customers and it is true, but we are not in isolation. We are focused on all of our customers - business, residential, everyone. The TCCI says that we should be listening to our customers.....We are required by law to use it in framing our submissions to the Economic Regulator in respect of our price and services plan and to detail in that plan what customer engagement we have had. The TCCI also says that we are driven by returns to owner councils, but nothing could be further

⁹⁰ Hansard transcript, Mike Brewster, 14 September 2017, p.23

⁹¹ Ibid, p.10

⁹² Hansard transcript, Malcolm Eastley, 13 September 2017, p.53

⁹³ Written submission, TCCI, p.1

*from the truth. In respect of returns to owner councils, we are simply complying with both the promises made at the time of the reform and also the legislative requirements.....*⁹⁴

And

*I observe many commentators have sectorial interests but few understand the complexity or the interests of the other stakeholders. Do we always have the balance right? With the benefit of hindsight, perhaps we could have done things differently, but our intent has always been to find a pathway that delivered to all our stakeholders.*⁹⁵

1.83 Mr Brewster provided some thoughts on TasWater's service culture:

*....The truth of the matter, yes, maybe sometimes our people are overly zealous. That happens in any organisation, but at a macro level direction of the business we ensure people go back. We try to find alternatives when people are struggling.....If people raise concerns we will always follow up. The reality, in terms of compliance, is that we are not doing anything different to anywhere else in this country.*⁹⁶

And

*We have given a lot of information out. Maybe you are right, maybe we have focused too much on the end user, the customers rather than the contractors, and just assumed the plumbers have the experience.*⁹⁷

1.84 A document tabled by TasWater contained several samples of positive customer feedback, some of which are reproduced below:

Compliment

Type : Water or sewerage service issues

Summary : *Yesterday I contacted Taswater about an apparent sewage issue which was found to be a mains problem. I would like to record and pass on to the crews involved my thanks for the prompt, efficient, informative and friendly manner with which the crews dealt with the matter, which was no small issue.*

The manner with which crew dealt with the blockage reflects well on the staff of Taswater.

Again my thanks to the crew and I would be grateful if my appreciation could be passed on to those involved.

Rod

⁹⁴ Hansard transcript, Miles Hampton, 29 September 2017, p.22

⁹⁵ Ibid, 14 September 2017, p.4

⁹⁶ Hansard transcript, Mike Brewster, 14 September 2017, p.8

⁹⁷ Hansard transcript, Mike Brewster, 14 September 2017, p.6

Subject: Meter replacement

I would like to express my appreciation of the proficient and professional work done by your subcontractor Howrah Plumbing on changing 6 water meters on our units at Wynyard yesterday. Our old meters were quite deep and the effort put into raising and reconnecting was done in a time that caused only a short time of water disruption. Hope you can pass on my thanks to all concerned as all meters are in my backyard and the plumbers have done their utmost to return the area as was.

Thank you, George.

Subject: Liquid Trade Waste

Had a meeting with Greg Cooper to discuss trade waste discharge to TasWater sewer system. Greg was extremely helpful and gave concise advice, he has since forwarded the TasWater compliance plan information package.

Danny⁹⁸

⁹⁸ Tabled document, TasWater, 11 October 2017, p. 8, 15

2. TRADE WASTE

2.1 The Inquiry received a number of submissions relating to trade waste, i.e. liquid waste generated by business that is discharged into sewerage, for which TasWater is responsible. The Inquiry was informed that TasWater is currently engaging with Tasmanian businesses to determine the need for installation or upgrading of equipment to pre-treat liquid waste generated by business premises. A number of businesses have been directed by TasWater to install or upgrade a grease trap, which is designed to intercept greases and solids prior to them entering a wastewater system.

2.2 Mr Wes Ford advised:

TasWater has been going through the state over the last couple of years and has made some fairly significant improvements in wastewater quality by working with a whole range of companies to deal with trade waste. Now it has been through a big group in town. It has dealt with a lot of the larger reducers of trade waste. It is now moving into the smaller sector. That is why I think we are seeing some significant disquiet in the retail food, restaurant and bakery-type sector, because of both the production of trade waste and TasWater seeking to have the trade waste dealt with at the disposal or receival end rather than having to deal with it in the plant themselves.

One of the conversations we had with TasWater about six months ago was that they had modelled the total cost of managing trade waste in terms of non-performance or core performance from wastewater treatment plants to be about \$79 million.⁹⁹

2.3 The THA advised of the impact of trade waste issues to a number of its members and noted in its written submission:

Trade waste issues are a massive problem for our members presently and there is barely a day goes by when our office doesn't receive a call or an email about trade waste and the problem it is causing our members and industry as the current debacle is placing venues, large and small, under severe financial and emotional stress.¹⁰⁰

2.4 In response to the THA submission, Mr Hampton provided the following:

In their response to questions from this committee, the hospitality association seemed to indicate that they have done a deal with the state Government such that under its plan, either TasWater or the state Government will fund the trade waste compliance costs of business. What has happened to no cross subsidies? They seem to blame the trade waste compliance issue on the poor state of our infrastructure, but in doing so, they are completely wrong. If they care to check what we will accept into our sewer infrastructure, it is no more stringent than what is accepted in other states - that is, the state of the sewerage infrastructure is irrelevant to what should and should not be allowed to be put into sewers.¹⁰¹

And

⁹⁹ Hansard transcript, Wes Ford, 13 September 2017, p.7

¹⁰⁰ Written submission, THA, p.1

¹⁰¹ Hansard transcript, Miles Hampton, 29 September 2017, p.23

In all significant reforms, there will inevitably be winners and losers. What is important is the losers be listened to, but also that they are not able to exert unfair influence to perpetuate the inconsistencies and distortions that led to the need for reform in the first place. If governments want to soften the blow, let them do so, and let them do so openly and transparently. For example, the Tasmanian Government could lend or grant money to businesses affected by the need to achieve trade waste compliance. Of course if they did that, those that already have achieved trade waste compliance may say, 'This is not fair', but do not ask TasWater to continue to accept the waste that should not enter the sewer system.¹⁰²

2.5 The Treasurer advised the Inquiry:

We have said that we would like TasWater to stop the current process now and to engage with business to look at what other alternative technologies might be available. I have spoken with the EPA on a couple of occasions about this and I am comfortable that the EPA is satisfied that as long as the outfall into the system is treated and meets appropriate standards, the EPA doesn't mind what actually treats it. It just wants to be assured what is going into the system meets acceptable standards.¹⁰³

2.6 Mr Malcolm Eastley advised the Inquiry of difficulties installing grease traps in many businesses due to a lack of space and access. Mr Eastley also advised the Inquiry that quotes of \$3 000 - \$10 000 had been identified as the cost of installing grease traps, with an additional \$400 - \$800 per year to pump them out. Mr Eastley was of the view that trade waste should be treated at the local plants. Mr Eastley went on to say:

The immediate problem is about the grease traps on the trade waste issue. Quite frankly, the trade waste issue is very worrying to anybody in small business. There are three requirements for compliance under the policy. TasWater has introduced extra charges on discharge water based on 80 per cent of what goes in, you pay a discharge rate.¹⁰⁴

2.7 Mr Steve Old provided information on some THA members' experience with trade waste:

To start with our perspective, the biggest frustration a lot of our members have been facing is the trade waste issue. From our members' perspective, the trade waste issue has been quite frustrating. I think the vast majority of operators in the hospitality industry would understand that if you make adjustments to your business, if you're going to put more waste through your system, there is the chance you will have to upgrade it or bring it up to a higher standard. I think the frustration for a lot of the members, and a lot of them have this issue, on the list in front of you is that they have made no changes to their business. There has been no evidence to suggest they are putting more through their systems than they used to, whether it's unfair or not meeting previous obligations.¹⁰⁵

2.8 The Baking Associations of Australia (Tasmania) provided information on problems faced by some of its members:

¹⁰² Hansard transcript, Miles Hampton, 29 September 2017, p.24

¹⁰³ Hansard transcript, Treasurer, 14 September 2017, p.72

¹⁰⁴ Hansard transcript, Malcolm Eastley, 13 September 2017, p.50

¹⁰⁵ Hansard transcript, Steve Old, 14 September 2017, p.33-34

One of our members in Scottsdale is faced with having to dig up their main dining area of the bakery to install the proposed grease trap at an estimated cost of 20k-30k dollars. They have written to TasWater seeking other options and to date no response!!¹⁰⁶

From as far as the top of the state to the very bottom it is clear that TasWater will not listen or respond to any of businesses concerns. In closing we strongly urge the Tasmanian Government to take control before every small to medium business in the state becomes non-existent through the efforts of TasWater.¹⁰⁷

- 2.9 The Inquiry received evidence that there may be cases where a Grease Guardian®, which strains, separates and removes grease, could perform as effectively as a grease trap. Mr Brewster advised that TasWater had approved some Grease Guardians under certain circumstances.¹⁰⁸

Then you come to the issue of Grease Guardians versus grease traps. Grease Guardians, as I understand them, are more of a skimming device. They skim the fat off. The problem is you have to maintain them, and they are not guaranteed to capture all the fats, oils and grease. On the mainland in the places we have researched, because we try to match our standards to the mainland standards, they are usually only used in two circumstances: upstream of a passive device, so being the grease trap itself. We do not require that, but in some jurisdictions they are installed upstream.

The other two places where they are used, we have in some cases allowed it. There are some circumstances where, particularly in an existing facility, it may well be entirely impractical and virtually impossible to install a grease trap, and so therefore we say, 'Look, it is not ideal, but we will allow another form, such as a Grease Guardian to go in'.

In effect, this is always a risk-based judgment. If we allow it everywhere, we run the same old risk of fats bypassing the system. You cannot be guaranteed to capture them. They go into the plant. We exceed our licence conditions. I do know, and I heard from the EPA director that they support or would support -

And

Ms RATTRAY - *We would like some understanding of why there is no flexibility around alternatives.*

Mr BREWSTER - *It is not actually accurate to say there is no flexibility, because we have actually approved some Grease Guardians.*

Mrs ARMITAGE - *Not for my constituents in Launceston, you have not.*

Mr BREWSTER - *Yes, but only under special circumstances. Maybe to help Tania, a grease trap is a passive device that basically captures the grease. The whole purpose of that is - and that is - probably just the simple starting point is we have a regulatory obligation not to have more than 10 milligrams per litre of fats, oil and grease going out and being discharged from our plants. No choice. That is one driver.*

¹⁰⁶ Written submission, Baking Associations of Australia, Tasmania, p.1

¹⁰⁷ Ibid, p.2

¹⁰⁸ Hansard transcript, Mike Brewster, 14 September 2017, p.6

*The other driver for us is we are under pressure over the number of sewer spills. What do you think the key driver of sewer spills is? Blockages. What are our key blockage issues? Fats, oils and grease getting into pipes. You only need to look down here at Salamanca a couple of years ago, as a typical example. Unless we can keep that out of the system, our plants fail. Our plants are biological. The fats, oil and grease affect the performance of those biological plants. We then risk exceeding our discharge limits and we risk ongoing increases or larger spills. They are the drivers. We are the regulator in this sense. We have nowhere to go because, at the end of the day, we have to meet those compliance requirements.*¹⁰⁹

- 2.10 Mr Wes Ford advised that Grease Guardians would be acceptable to the EPA but, as the EPA was not the regulator, it could not approve them. In response to a question as to whether they would be acceptable, Mr Ford responded:

Mr FORD - *Yes, that would be acceptable, but we are not the regulator so we cannot approve it. The advice we offered was that it is our view this would be acceptable. From my point of view, you look at trade waste there are four options that need to be available for the management of trade waste.*

*Whether they are currently are or aren't is a matter for TasWater. Of those four options, the first option is that you just take the tried and true approach that the provider requires you to have - in this case a grease trap. The second option is you seek to get an approval to use something already demonstrated to work elsewhere and has approval elsewhere. The third is you go through a process to get approval to trial new technology and install that. The fourth option remains the option that you get to discharge your trade waste but you pay for it. This, in the regulatory environment, the trade waste in the future, has to be looked at fairly carefully. For some people the option might be, 'I can't treat my trade waste and I will pay a premium on my discharge to be able to discharge my trade waste into the sewer system'.*¹¹⁰

And

*We are not the regulator of trade waste and we don't have technical experience in this area. In the meantime, we have done a little bit of digging ourselves to try to determine where devices like Grease Guardians are approved in Australia and how they are approved. If you look at places like Sydney Water or South Australia, these sorts of devices are mentioned as to what can be approved for use, particularly in the co-treatment of trade waste, the intent being seeking to eliminate as much grease from the trade waste before it enters the trade waste system.*¹¹¹

- 2.11 In response to questions as to whether the EPA would support a Grease Guardian, Mr Brewster advised:

CHAIR - *They would support a Grease Guardian. They had no problem with it yesterday.*

Mr BREWSTER - *Yes, and I know they support them in septic tanks, and those sort of devices where they do not go into a biological system, that makes sense. I can get that*

¹⁰⁹ Hansard transcript, Mike Brewster, 14 September 2017, p.6-7

¹¹⁰ Hansard transcript, Wes Ford 13 September 2017, p.8

¹¹¹ Ibid, 19 October p.1

because that individual is responsible for that septic tank. In our case it goes actually into our system.

I would want to be convinced that Wes would not hold us to account for not meeting our discharge licence limits, because at the end of the day that is what we are held to account for. He is not the regulator in trade waste; we are. I would want to be convinced that he is either going to relax them, the EPA and the Government are going to relax them, which I would not recommend, but that is a matter for them, or they are going to relax the requirement on us to minimise the number of sewage spills. There has to be science to support these sorts of debates. In summary, we are doing exactly what is being done on the mainland.¹¹²

- 2.12 TasWater managers noted differences between timeframes for compliance in Tasmania compared with other Australian jurisdictions:

Mr PAGE - *Most customers on the mainland undertook this exercise 10, 15 or 20 years ago.*

Mr BREWSTER - *We did some research.*

Mr HAMPTON - *It is 90 days. If an agency in another state found a trade waste customer non-compliant, they would be given 90 days to comply. They are well down the journey and we are not. That is often ignored, which is why we give 18 months. We invest a lot of effort in trying to find a low-cost solution.¹¹³*

- 2.13 The written submission of the Tasmanian Conservation Trust provided the following view:

More recently the Treasurer has claimed businesses are being unfairly expected to upgrade their trade waste management to meet contemporary standards set by the EPA. The Treasurer has not specifically promised that any businesses will get a better deal under his government's management of TasWater, just that TasWater is being heavy handed with its treatment of business customers. The Treasurer has not specifically ruled in or out changing the rules to allow some businesses to avoid having to upgrade trade waste systems.¹¹⁴

- 2.14 Mr Dion Lester expressed the following view:

While a single business going out of business is to be avoided, we need to put it in context. Of the 2700 identified trade waste customers, around 1500 were compliant when TasWater did the initial analysis. They were already compliant. Of the remaining 1200 - I do not know the number - the vast majority have had no problem with their engagement. There are some instances where there has been difficulty but it is the absolute minority that is having the difficulty, not the vast majority of those trade waste customers.¹¹⁵

- 2.15 Mr Chipman added:

We want to see this problem resolved. We do not want to see businesses going out of business, but we do not [want to] see third world standards reintroduced.¹¹⁶

¹¹² Hansard transcript, Mike Brewster, 14 September 2017, p.7

¹¹³ Hansard transcript, Page and Hampton, 14 September 2017, p.6

¹¹⁴ Written submission, Tasmanian Conservation Trust, p.2

¹¹⁵ Hansard transcript, Dion Lester, 22 September 2017, p.11

¹¹⁶ Hansard transcript, Doug Chipman, 22 September 2017, p.11

3. OWNERSHIP OF TASWATER (benefits, disadvantages and challenges)

Business case

3.1 The Government advised that it had engaged local engineering firm pitt&sherry to undertake an independent assessment of its re-profiled capital plan, including underpinning assumptions and principles. Infrastructure Tasmania provided the following summary of the report's conclusions:

- *the assumptions used by Infrastructure Tasmania to re-profile the capital plan are sound;*
- *the accelerated program as re-profiled by Infrastructure Tasmania is feasible;*
- *the accelerated plan does come with some risk that will need to be managed; with the risks relating to local industry capacity and capability, statutory approvals and stakeholder management, TasWater's approach to program delivery, and reform fatigue within TasWater;*
- *local industry will play a significant role in delivery of the program, and in doing so will need to upskill and gear up; and*
- *delivery of the accelerated program will require TasWater to provide visibility and certainty on the proposed plan, together with a consistent means of planning, procurement, delivery and implementation.*¹¹⁷

3.2 Mr Hampton provided the following response to the Government's proposed plan:

It will not be fairer, as evidence presented at this select committee suggests, as the Government will clearly play favourites to the benefit of vested interests.

It will not be faster, as the disruption and the sheer volume of planning, designing and tendering for major infrastructure projects will slow progress, rendering the Government's claim a mirage.

*It will certainly not be cheaper for customers. The Government's extra and unnecessary \$600 million of debt plus the \$140 million taken out of consolidated revenue to pay councils means that Tasmanian consumers and taxpayers will in effect over time pay significantly more.*¹¹⁸

3.3 Mr Ron Sanderson, General Manager of Brighton Council made the following statement:

*If their end is to make more money, no, there would be no meeting in the middle. I personally believe this is a money grab. There is no crisis; there is a plan to fix everything so I do not what purpose - the only thing they have let down in a big way is not pursuing federal grant money promised, as you would be aware, in the early days of the water reform.*¹¹⁹

¹¹⁷ Written submission, Government of Tasmania, p.7

¹¹⁸ Hansard transcript, Miles Hampton, 29 September 2017, p.25

¹¹⁹ Hansard transcript, Ron Sanderson, 29 September 2017, p.9

- 3.4 Mr Garcia and Ms Turner provided Infrastructure Tasmania's view of the pitt&sherry report:

Mr GAFFNEY - ...The Government has claimed that pitt&sherry has endorsed your report, but pitt&sherry say -

The plan is reasonable but with a significant caveat, given the amount of information provided while warning that the plan is not without significant risk and underscoring the importance of planning approvals and scoping.

Then they say -

... which takes significant effort and resource prior to delivering the works.

Would you call this a ringing endorsement? Or it just that pitt&sherry, as they would want to be, would be guarded? Yet the Government has come out and said that it is a ringing endorsement of it.

Mr GARCIA - I suppose a 'ringing endorsement' is hard, Michael. I think what pitt&sherry have professionally done is indicated that, with the access to the information they had available, their view was it was a reasonable proposition that the program could be accelerated. What they did not have, and what we did not have was access to if you will, was the pure data. We were really operating off publicly available data. In how those projects were delivered and the sequencing associated with them, we made various assumptions as to how we thought those projects would come on line, the planning that would be required in advance of that and how they would sequence beyond that.

In fairness to pitt&sherry, they have looked at the assumptions we have made, counted over the top of that and said: on the basis of what we see and what we know, the assumptions appear reasonably fair. On that basis, they could endorse the fact that the acceleration was possible. Is that a fair summation?

Ms TURNER - I might add to Allan's point. In the information that was available on the 10-year capital plan, we were going from a list of projects and programs without any detail about what is involved in each of those. I think that is where pitt&sherry are coming from: to say, without having detail on each specific project and what is involved, the extent of works and planning and the current status of each program, this is the best we can do at this point of time.

- 3.5 Northern Midlands Council was of the view that there was a:

*Lack of financial data and modelling to substantiate the many claims made by the State Government.*¹²⁰

Proposed new ownership model

- 3.6 The Government advised that it plans to create a water and sewerage Government Business Enterprise (GBE) directly answerable to the State Government, with the

¹²⁰ Written submission, Mayor David Downie for Northern Midlands Council, p.1

Shareholding Ministers having powers of direction over the business. The written submission from the Treasurer stated:

*The Tasmanian community deserves and demands better, which is why the Government is not prepared to allow the current arrangements to continue. Central to the Government's plan for the water and sewerage industry is the creation of a Government Business Enterprise directly answerable to the State Government and with the Shareholding Ministers having powers of direction over the business. The 29 council-owner model has clearly not worked, there will be much more effective accountability once the provider of water and sewerage services across Tasmania is answerable to a single owner subject to the scrutiny and accountability of Parliament.*¹²¹

3.7 Burnie City Council, in its written submission, noted that the objectives of GBEs are:

The principal objectives of a Government Business Enterprise are –

- (i) to perform its functions and exercise its powers so as to be a successful business by operating in accordance with sound commercial practice and as efficiently as possible; and*
- (ii) achieving a sustainable commercial rate of return that maximises value for the State in accordance with its corporate plan and having regard to the economic and social objectives of the State;*¹²²

3.8 The Tasmanian Small Business Council, in its written submission, expressed the following view:

*Currently Tasmanian residents and businesses (water and sewerage users currently connected to public infrastructure) have no control or say on the conduct of TasWater. Trying to exert influence and provide advocacy to the existing local government structure with 29 separate entities is nearly impossible. As a GBE, TasWater (or whatever it may be called) will be open to wider scrutiny by the voters and performance will be judged at the polls. However, it would be disappointing if its efficient performance was hampered, in the future, by political imperatives from either side of politics.*¹²³

3.9 Mr Robert Rockefeller made the following statement:

We are here today as the Property Council just to say, what is in the best interests for the future of Tasmania? There is an opportunity to make it much better.

There is an opportunity to make a government and the parliament accountable for water and sewerage in the state. There is an opportunity to fund major infrastructure in the future. If MONA needs the water and sewerage plant to be moved, who is the best party to consider it? If something needed to happen up in the north-west of the state because there is major dairy activity or whatever, who is the best person to fund it? That is what we are on about. Whether there is a crisis or not a crisis, whether there is politics or no politics

¹²¹ Written submission, Treasurer, p.4

¹²² Written submission, Mayor Anita Dow for Burnie City Council, p.5

¹²³ Written submission, Tasmanian Small Business Council, p.3-4

*involved, is totally irrelevant. It is all about what is in the best interests of the consumer?*¹²⁴

- 3.10 Mr Brian Wightman, Executive Director of the Property Council of Australia was of the following view:

*For example, you would not split Hydro between the councils. This is the most basic service provision in the state, and the people who should be providing that is the government. The government should own and manage TasWater.*¹²⁵

- 3.11 The Tasmanian Chamber of Commerce and Industry (TCCI), in its written submission, made the following statement:

We believe that one of the fundamental problems of the current TasWater structure is a legacy of its ownership model. Running a business can be difficult enough with one or two owners, but the conflicting needs and opinions of over 20 owners must be extraordinarily problematic....

*...We believe a new model would improve TasWater's ability to lift the capacity of Tasmanian businesses. Under a GBE model TasWater would be able to think and act on a broader state level. This is particularly relevant regarding skills growth. We must ensure that the majority of work contracted by TasWater in the planned upcoming \$700million plus projects is undertaken by Tasmanian business.*¹²⁶

- 3.12 Mr Michael Bailey, CEO of the TCCI, expressed the following view:

*We also think a new entity could be developed that looks at best practice for GBEs What other models are there around Australia for similar entities, and what might they look like. Rather than simply moving this entity to state ownership we believe the opportunity is to build something better, much better and much more reactive.*¹²⁷

- 3.13 Mr Hampton provided the following response to the TCCI's statement:

the TCCI expressed the view the real problem was the ownership model; they said, and I quote, 'It is fundamentally flawed'.

*The issue is not one single piece of evidence was presented to support such a contention. Indeed, in my experience to the contrary, there is absolutely nothing wrong with the ownership model. The argument seems to be that 29, that magical number, is the problem. I have been a director and occasionally chair of corporations where there has been only one shareholder and it was far more problematic than my experience at TasWater. Our owners let us get on with the job knowing the EPA, DHHS and the Tasmanian Economic Regulator are scrutinising everything we do.*¹²⁸

¹²⁴ Hansard transcript, Robert Rockefeller, 14 September 2017, p.98

¹²⁵ Hansard transcript, Brian Wightman, 14 September 2017, p.89

¹²⁶ Written submission, TCCI, p. 1-2

¹²⁷ Hansard transcript, Michael Bailey, 14 September 2017, p.24

¹²⁸ Hansard transcript, Miles Hampton, 29 September 2017, p.22

- 3.14 Mr Doug Chipman made the following comments in relation to the proposed ownership model:

Our central point is that local government opposes the takeover because it is not in the interests of councils or the Tasmanian community.

We believe having a skills-based board determine the water and sewerage infrastructure investment priorities, based on need and performance, is a model that must be maintained. The Australian Water Association, the peak body for water utilities, consultants and contractors, has stated the same. In their opinion, at worst, the progress made by TasWater could put back by 20 years under the state Government's proposal.

Changing the ownership model to a single owner controlled by one or two ministers who can also control the pricing and investment decisions creates a massive conflict of interest and the real risk of poor, inexperienced decisions and/or pork barrelling in the lead up to future state elections. We already have suggestions of potential interference in the management of our water and sewerage assets for political reasons. For example, it seems that under the proposed takeover model the Government could amend the regulatory responsibilities of the water and sewerage entity so it would not have to deal with trade waste violations. Furthermore, the Government has promised to keep water and sewerage prices unsustainably low in an attempt to garner support for the takeover. Both of these are examples of how the government of the day might interfere with the sustainable delivery of water and sewerage services for Tasmania in the pursuit of political expediency.¹²⁹

- 3.15 Mr David Downie, Mayor of Northern Midlands Council, was of the view that local government ownership was the best model:

I believe this is the best model. Local government ownership is the best model for the operation of TasWater. The water reform was done. Before it was done, it was cited there was \$800 million-worth of infrastructure rebuild required in Tasmania. TasWater and the four bodies before have already delivered \$800 million and it is cited another \$1.5 billion-worth of work is needed.¹³⁰

- 3.16 The Australian Water Association (AWA) urged that the current ownership model be retained:

The controversial but necessary process of forming TasWater with the support of 29 local councils and the rebuilding of the team to implement TasWater's strategy and capital works program is now showing real and measurable results. The Association strongly recommends that the Government of Tasmania does not dismantle this progress by establishing a new entity that will require significant resources, time, and an extended period of instability for the key stakeholders of the management, staff, councils and the community. By establishing a new entity the progress made by TasWater in the provision of improved water and sewage services will be at serious risk. At best, the establishment of the new entity will cause a period of disruption for up to four years with concomitant delays to the implementation of the much-needed capital works program. At worst, the

¹²⁹ Hansard transcript, Doug Chipman, 22 September 2017, p.2

¹³⁰ Hansard transcript, David Downie, 29 September 2017 p.50

*progress made by TasWater could be put back by 20 years with an outdated model of increased Government integration of water and sewage services.*¹³¹

And

*The changes being proposed carry serious risks to the progress already made and could damage the ability of the State to address the long term issues being managed by TasWater.*¹³²

3.17 Mr Alan Garcia expressed the following views:

Governments come and governments go. Ministers change. The boards do not change at the same time. I do not believe I have seen in my time a government change and then a board of a GBE changed overnight. So in terms of that arm's length value of having your strong leadership being your board of a GBE, the minister can set goals and ideally provide the expectations as councils do currently with TasWater. The TasWater charter effectively is based on a GBE. Changing from government to government, the opportunity comes around when it does. These are my expectations as minister - or these are the government's expectations - and then it is up to the board to make those judgments as to how it can deliver it.

*Any direction by the minister, the formal direction, has to be tabled in parliament and is available for scrutiny. If you contemplate the fact that you are going to get a potential direction from one owner and an expectation from one owner at one level that might be a bit easier than having to balance 29 owners in an expectation level. Ideally that expectation is a single voice because you have gone through your sifting in the beginning so that should not make any difference whatsoever. You know and I know that outside that room there are many people who are the owners with a number of ideas about what they would like to see.*¹³³

3.18 Latrobe Council , in its written submission, made the following observation:

*There is no guarantee that the State Government would do a better job of running TasWater than the existing independent Board.*¹³⁴

3.19 The Water Services Association of Australia (WSAA) raised the following concerns:

Assessed against the Nationally agreed model of corporatisation, WSAA has three broad concerns with the proposed Tasmanian legislation.

1. *The removal of the commercial objective from the utility set out in the Government Business Enterprises Act 1995.*
2. *The blurring of the lines of accountability between the Minister and the utility through the Infrastructure Investment Plan*
3. *Removing the independent economic regulators ability to set prices.*¹³⁵

¹³¹ Written submission, Australian Water Association, p.3

¹³² Ibid, p.5

¹³³ Hansard transcript, Alan Garcia, 14 September 2017, p.84

¹³⁴ Written submission, Latrobe Council, p.1

- 3.20 The Tasmanian Farmers and Graziers Association (TFGA) written submission shared the following concerns:

The TFGA has concerns that the principals of water reform in Australia could be undermined by the proposed State Government's take-over of TasWater. As a concept, the TFGA acknowledges that significant efficiencies can and need to be found through practical solutions for cost rationalisation at both operational and administrative levels. However, the TFGA has concerns that if TasWater were to become in effect another State Government Department or GBE, that the inevitable cost rationalisations could reduce operational effectiveness.¹³⁶

- 3.21 The Master Builders' Association of Tasmania Inc., in its written submission, made the following statement:

Both of the major political parties have put forward models to fix the current conundrum. MBT believes that the Labor model has merit and that a capital injection, funded by superannuation funds would provide the ability for TasWater to accelerate its capital works program and address its deficiencies in a much shorter and acceptable time period; much like the Liberal's plan. Both would provide the following benefits:

- They would accelerate TasWater's infrastructure plan and complete the work in a lesser period, which would allow options such as bringing forward additional investment within the 10 year timeframe.*
- The additional investment will provide scope to address issues such as Launceston's combined system, Cameron Bay and Macquarie Point.*
- Increased jobs and investment across the state which will underpin the record levels of employment in the building and construction industry.¹³⁷*

- 3.22 The Master Builders' Association of Tasmania Inc. also raised the following concern:

MBT's only real concern with the government's proposed takeover of TasWater is that if it not handled properly, there may be no material change to the culture of the entity at the Board level and that decision making will be conservative, staid and relatively undynamic. The government will need to put processes in place to ensure that the revised entity reflects the wishes of its new owner and that it performs as expected. This is something that must be done to ensure that TasWater achieves the government's objectives and intended results.¹³⁸

¹³⁵ Written submission, Water Services Association of Australia, p.6

¹³⁶ Written submission, TFGA, p.1

¹³⁷ Written submission, Master Builders Association of Tasmania Inc., p.9

¹³⁸ Ibid, p.10

Governance

3.23 Mr David Downie made the following statement:

I would add that there is one other body TasWater is accountable to and that is the owners. There are 29 of them and we meet with TasWater twice a year; four reports are given to TasWater and questions are asked. I bring to your attention to the fact that we have noticed a general improvement in the facilities TasWater is looking after. But we are an important part of that check also.¹³⁹

3.24 Mr Chipman provided the following information about the TasWater Board:

There is an annual board review process that is undertaken by the owners through their selection committee and I am part of that. Each year, we also discuss with the chairman the make-up of the board and likely retirements, and initiate a recruitment process to replace members. The discussion of the overall cost of the board is not something I have been involved in. I think there is an acceptance, in one sense. In another sense, when we set up the board and recruited the board, we took advice from a national selection agency on what the board remuneration should be. I believe the remuneration to the directors and the chairman is quite modest when compared to like organisations and indeed some GBEs in Tasmania.¹⁴⁰

And

It is worth coming back to the shareholder letter of expectation, which is the driving document. It is invoked by the constitution of the corporation, so it has to be there. It is a live document. It can be renegotiated. I think it goes back to 2013 and it was again amended on 28 July 2015, to talk about the economic development aspects and the function that TasWater has. In there it talks about the three-year corporate plan that TasWater has to come up with, which deals with pricing and service levels. It is quite extensive. That has to be presented to the owners at least six weeks before an annual general meeting and it has to be adopted by 31 July each year.

That living document is the basis for the owners being able to influence the corporation. I hasten to point out that the board is an independent board. It can make its own decisions and it has in the past. It does not always have to comply with what is in the shareholder letter if it perceives the interest to be in other directions. This becomes a very good basis for the communication that occurs between TasWater and its owners.¹⁴¹

And

It gets back to political interference and what amounts to good governance in terms of regulation and standards. Do we want politicians interfering with those on a whim and having the power to do so without going through the parliament? It is imperative from good governance and standards in the long term, that the system can operate, due process takes place and we do not get knee jerk responses from politicians.

¹³⁹ Hansard transcript, David Downie, 14 September 2017, p.6

¹⁴⁰ Hansard transcript, Doug Chipman, 22 September 2017, p.12

¹⁴¹ Ibid, p.6

*Again, we simply cannot understand it. It gets back to risk. In setting up TasWater, it has taken a couple of years to find their feet, to set programs in place and do all the things to chart the course of the future. Tossing all out now and starting with new governance arrangements, a new board, imperatives, procurement policies and program delivery methods, goodness me, we are faced with another four years before getting things on track again. At the moment we have best practice in terms of water and sewerage.*¹⁴²

3.25 Mr Hampton made the following statement:

*While I'm Chairman of the board it will be run as a company. The board is charged with running the organisation. We consult with our owners. I was very unpopular in August a year ago when the board, led by me, and I led the direction, made a determination that we had exhausted all other opportunities of getting finance and would have to inflict some more pain on our owners and on the management team. We are running a business that is long life and intergenerational; we are absolutely focused on affordability. Have our owners at any time tried to jump the queue in terms of priority of capital program? No. Truth be known, our owners have never even led the dividend debate. That is a board decision. I made it very clear in my statements a year ago that it was a board decision. We have no say about loan guarantee fees, we have no say about income tax equivalent payments, but the board determines the actual dividend component of distributions.*¹⁴³

3.26 Mr Jonathan McKeown provided the following comments on governance:

Taking it further, if the management and the services delivered by any major utility, not just water, is dependent upon the policies of a particular government, the fundamental risk for the whole community is that governments can change policies, as they rightly should. But the delivery of essential utility services, must be independent and completely capable of providing those essential services for our community irrespective of which government comes or goes.

If an entity with an independent board is now responsible to the minister for the functioning of TasWater's services is affected by 29 councils going to the minister and seeking to influence decisions, that interference is a real problem. My understanding, and the industry's understanding, is that the TasWater board and management have worked constructively with the 29 councils. We're not aware of any major issues. We are aware of differences of opinion, as you rightly said, but we understand there is a good degree of respect and trust between the entities.

*If that is all removed and a new system that is not open to the same transparency replaces it, there is a real risk that the confidence and the ability to achieve things for Tasmanians in terms of water management could be seriously jeopardised.*¹⁴⁴

3.27 Mr Michael Bailey, CEO of the Tasmanian Chamber of Commerce and Industry stated:

*We believe the current ownership model makes it difficult for the entity to act strategically from a statewide perspective.*¹⁴⁵

¹⁴² Ibid, p.15

¹⁴³ Hansard transcript, Miles Hampton, 14 September 2017, p.18

¹⁴⁴ Hansard transcript, Jonathan McKeown, 13 September 2017, p.47

¹⁴⁵ Hansard transcript, Michael Bailey, 14 September 2017, p.24

3.28 The Treasurer provided the following information on the proposed new board:

Mr ARMSTRONG - *On the new board, I have not seen the legislation, so I am wondering about the makeup of the new board. I think there are seven on the TasWater board at the moment. How would you go about appointing a new board and how would that work?*

Mr GUTWEIN - *Under the government business enterprise legislation, it is four to seven members on a board - up to eight. The legislation provides for a board up to eight. My intention and the Government's intention would be, subject to the legislation passing, to have a discussion with the current board. I am certain there would be some board members who would be interested in continuing. We would normally go through a process and we would advertise and select a skills-based board to run the business.¹⁴⁶*

Oversight

3.29 Mr Hampton provided the following views on oversight:

The Government plans to override the role of the Tasmanian Economic Regulator, the Environment Protection Authority - EPA - and the Department of Health and Human Services - DHHS - and assume the mantle of pricing and capital program arbiter. By any measure this is a retrograde and risky step.¹⁴⁷

In most advanced economies water and sewerage utilities are fully regulated, independent of government policy and the exigencies of the political cycle, and for very good reason.¹⁴⁸

3.30 Mr Garcia provided the following view on oversight:

Any direction by the minister, the formal direction, has to be tabled in parliament and is available for scrutiny. If you contemplate the fact that you are going to get a potential direction from one owner and an expectation from one owner at one level that might be a bit easier than having to balance 29 owners in an expectation level.¹⁴⁹

Transition

Organisational

3.31 Dr Eva Ruzicka provided the following views:

The state Government's takeover is flawed, in our opinion, and lacks good governance. There has been a lack of consultation and the absence of fine-grained data on their part and modelling has failed to substantiate their claims made. The state Government has assumed there will be a smooth transition to a government-owned entity. We know this is

¹⁴⁶ Hansard transcript, Treasurer, 14 September 2017, p.65

¹⁴⁷ Hansard transcript, Miles Hampton, 14 September 2017, p.2

¹⁴⁸ Ibid

¹⁴⁹ Hansard transcript, Alan Garcia, 14 September 2017, p.84

*simply not true and the experience of 2009, possibly highlighted by TasWater in these hearings, highlights these changes cannot be rushed.*¹⁵⁰

- 3.32 Flinders Council, in its written submission, highlighted the potential loss of management experience in the event of transfer of ownership:

*The transfer of ownership of TasWater to the government will mean the collective corporate culture and experience will be lost to the management of water and sewerage services. Government does not have the requisite knowledge in this area.*¹⁵¹

- 3.33 Mr Hampton made the following comments regarding loss of momentum as a result of changes to TasWater's management:

Ms RATTRAY - *It was suggested the establishment of a new entity would cause a period of disruption of up to four years, including implementation of capital works and so on, if TasWater were moved into a GBE or whatever other form the Government might choose. Do you have a comment? They suggested it would put the whole business and projects back that much.*

Mr HAMPTON - *I do not know about the judgement of four years. I was on the board of the four former corporations and in my infinite wisdom became chair. I argued for a single corporation. I went through that change process. Some of the directors were the same as we went forward and we all saw it. We lost momentum in the former corporations.*¹⁵²

- 3.34 Mr Chipman provided the following view on changes to the TasWater Board:

*... I do know, if the organisation were changed as proposed, that the board would have to be spilled and presumably the Government would have to go through some sort of recruitment process. If it wanted to do that in an open and accountable way, for example advertise positions, do some screening and conduct interviews, et cetera, that is a three- to four-month process in itself.*¹⁵³

- 3.35 The Australian Water Association (AWA) written submission made the following recommendation:

*The controversial but necessary process of forming TasWater with the support of 29 local councils and the rebuilding of the team to implement TasWater's strategy and capital works program is now showing real and measurable results. The Association strongly recommends that the Government of Tasmania does not dismantle this progress by establishing a new entity that will require significant resources, time, and an extended period of instability for the key stakeholders of the management, staff, councils, and the community. By establishing a new entity the progress made by TasWater in the provision of improved water and sewerage services will be at serious risk.*¹⁵⁴

¹⁵⁰ Hansard transcript, Eva Ruzicka, 14 September 2017, p.46

¹⁵¹ Written submission, Bill Boehm for Flinders Council, p.7

¹⁵² Hansard transcript, Miles Hampton, 14 September 2017, p.13

¹⁵³ Hansard transcript, Doug Chipman, 22 September 2017, p.7

¹⁵⁴ Written submission, Australian Water Association, p.3

- 3.36 The Treasurer provided the following statement regarding the effect of the transition process on employees:

*...Obviously there will be a transition period before 1 July of next year, but what has to be understood is that we are not merging a business here, which is what happened with the four entities into one. This is a takeover. Employees will transfer on their current salaries and with the rights that are associated with those. It will be under government ownership but it will still be the same business. The amount of disruption will be minimal.*¹⁵⁵

Transition costs

- 3.37 Meander Valley Council, in its written submission, was of the view that the Government had not demonstrated that it had conducted sufficient financial modelling for the cost of the proposed takeover of TasWater:

*These claims have not yet been backed by rigorous financial modelling. However, what has been clearly articulated is that it will cost \$160M from consolidated revenue to support the proposed change. Our view is that such a significant investment and disruptive change must be based on an unequivocal business case. The argument should be able to clearly articulate the benefit for the community. This proposal must be evidenced by something more than just "high-level financial modelling from treasury".*¹⁵⁶

TasWater employees

- 3.38 The Treasurer made the following statement regarding the future of TasWater employees:

CHAIR - *I have been approached by a couple of employees with concerns if their jobs would be safe if there is a takeover; whether the current redundancies would still be in place or whether the Government would look at changes. I appreciate you looking at a different board structure, but with regard to administration and management, would everything else be staying the same? Would the current employees be the same and the current redundancies would still be in place? That has been asked of me by concerned people working within TasWater.*

Mr GUTWEIN - *The clearest statement I could make is no employee will lose their job as a result of the change of ownership.*¹⁵⁷

Accelerated infrastructure plan

- 3.39 The Government stated that it intends to accelerate TasWater's planned infrastructure program

¹⁵⁵ Hansard transcript, Treasurer, 14 September 2017, p.67

¹⁵⁶ Written submission, Craig Perkins for Meander Valley Council, p.2

¹⁵⁷ Hansard transcript, Treasurer, 14 September 2017, p.75

*The Government is committed to ensuring that TasWater's 10 year \$1.5 billion infrastructure investment program, which commenced in 2016-17 is completed within five years of the Government taking ownership.*¹⁵⁸

- 3.40 The Government outlined its future investment plan for a State-owned water and sewerage entity:

*A key reason for the Government's plan to take control of Tasmania's water and sewerage industry is to accelerate investment. The Government has committed to complete the remainder of TasWater's 10 year investment plan in the five years immediately after taking control of the business from 1 July 2018, and therefore achieving TasWater's 10 year investment plan, totalling around \$1.5 billion, over a shorter accelerated period of seven years from 2016-17. Over a decade, the planned investment is around \$1.8 billion.*¹⁵⁹

- 3.41 The Government's proposed accelerated investment plan was supported by the Master Builders Association:

*Overall, MBT believes that the lack of tangible progress by TasWater has been as a result of a lack of funds and an ability or unwillingness to borrow funds or forgo returns in order to accelerate its desperately needed capital upgrades. That is why MBT supports the Government's proposed takeover of TasWater and the potential benefits that would accrue from such a change.*¹⁶⁰

- 3.42 The Treasurer stated that, under the Government's proposed new ownership model, the Government would be in a position to borrow on more favourable terms than TasWater and that TasWater's debt level was lower than other Australian utility companies:

Mr GUTWEIN - *For the last almost three years I have been arguing for TasWater to increase investment, to use the leverage that its very strong balance sheet position provides it, and it resisted that.*

And

*We have made the point that that debt will be at a lower cost than what TasWater currently pays. TasWater borrows with a government guarantee fee; we will not be charging a government guarantee fee. There will be a percentage difference, 10 per cent to 15 per cent perhaps, in respect of the cost of debt. They can borrow more at a lower cost. In terms of profitability, TasWater is still able to ensure that it can meet all their costs and provide a modest profit.*¹⁶¹

Ms RATTRAY - *...I was told that TasWater undertakes prudent financial management and that it would never want to get into a higher debt-to-equity ratio. How will the new model work in regard to that, or is that not a consideration?*

Mr GUTWEIN - *Absolutely it is a consideration. In fact, our presentation discusses gearing on page 21. For most regulated businesses like this - and this is the thing that needs to be*

¹⁵⁸ Written submission, Treasurer, p.4

¹⁵⁹ Written submission, Treasurer, p.11

¹⁶⁰ Written submission, Master Builders Association of Tasmania Inc. p.11

¹⁶¹ Hansard transcript, Treasurer, 14 September 2017, p.63-64

*understood - as a regulated business, you can basically set your watch by the revenue that you have coming in. You know what you are going to be paid. Therefore, as a regulated business, you can carry a higher debt-to-equity ratio. In fact, most of TasWater's peers across the country sit somewhere in the 60 per cent to 70 per cent debt-to-equity ratio.*¹⁶²

- 3.43 Mr Garcia advised that Infrastructure Tasmania had conducted an extensive consultation and investigation into the feasibility of an accelerated infrastructure plan and concluded that it was possible:

*Our consultation led us to conclude that acceleration is possible and there are precedents in the water industry and other industries. We acknowledge that in our analysis we did look at other water industries, and we appreciate that there are differing levels of maturity in that process. Again, we were trying to find like-for-like comparisons and benchmarks. There are so many important fundamental things that need to be considered carefully; for instance the delivery model, the procurement strategy, the engagement with industry and the provision of information and certainty to the supply chain. The feedback indicates that industry has some current issues and frustrations in all of these areas.*¹⁶³

- 3.44 Mr Hampton provided the following response to the question of whether TasWater had considered an accelerated infrastructure plan:

Mr GAFFNEY - *Would you try to match the Government's plan? If not, why not?*

Mr HAMPTON - *We gave consideration to whether we should try to match two aspects of the Government's plan; one in relation to the proposed acceleration and the other in relation to pricing. I'm happy to deal with the pricing one if you want me to. In relation to the acceleration, our 10-year plan was an interrelated plan. First of all, our premise is there's not a crisis, so why would you rush? Every time you rush, you run the risk of suboptimal solutions. You run the risk of paying too much if you try to compress the level of activity.*¹⁶⁴

- 3.45 Mr Brewster provided the following comments regarding an accelerated infrastructure plan:

If there were a crisis, certainly you would be saying, 'Okay, let's have a look at fast tracking', because you fast track when you have a need. Putting that aside, when you go to the risks of fast tracking, project management in some ways is a pretty simple science. There are only three core factors and you are always trying to balance them - time, cost and quality.

And

If you want things done faster - it is called the iron triangle - anyone can look it up, it is all really straightforward. If you want to do it faster, you have to compromise your other objectives. Your other objectives are cost and quality. Based on my experience, I would argue it is not unreasonable in a fast-tracking arrangement to make that choice, but you have to be prepared to pay the money or accept lower quality..... There will be a cost. We have not factored into any of our modelling the cost of acceleration. Fast tracking can add between 10 and 20 per cent just typically to the cost to projects. The other thing to bear in

¹⁶² Ibid, p.64-65

¹⁶³ Hansard transcript, Alan Garcia, 14 September 2017, p.77

¹⁶⁴ Hansard transcript, Miles Hampton, 14 September 2017, p.14

*mind when you are doing a major program like this, you are also developing - strategies. It takes time to develop those strategies.*¹⁶⁵

- 3.46 Mr John Martin expressed the following view in relation to the decision-making process of prioritising projects:

*I think it is fraught with danger that a minister with a large GBE or utility such as water and sewerage in Tasmania, who can be allowed to make decisions at will, at the behest of the government, will 'Do this project or do that project because we think it's in the best interest of Tasmania'. With the information put together by an independent board, by independent professional people working to the requirements of the state's environmental and health regulators, who are prioritising in relation to those important factors that are state government legislation, I believe their views and the information they have put together about what they need to do for those particular types of projects and they are not politically interfered with, is a far better way to go than what is being proposed at the moment.*¹⁶⁶

- 3.47 Mr McKeown advised there was sufficient capacity, nationally, to support the Government's accelerated infrastructure plan:

*There is plenty of appetite within the national water industry to support and augment what is being planned in Tasmania and for Tasmania's future development. At the moment, if you look nationally, while things have turned a corner, I would estimate in the last four or five months we are seeing more activity, more investment in the water sector and more projects. There is still a very large unutilised capacity of the national water sector that could lend resources to support any ramp up of what is required in Tasmania.*¹⁶⁷

- 3.48 Engineers Australia, in its written submission, pointed out that spikes in investment tended to cause 'boom and bust' cycles:

*The most prominent feature in this Figure is the spikes in investment. 'Boom/bust' cycles of infrastructure procurement and delivery can create acute demand spikes across specific locations or engineering specialisations. Tasmania has experienced a three-year downturn in job vacancies. During this time, many engineers have been lost to the profession and, most probably, to the state.*¹⁶⁸

- 3.49 Mr Michael Bailey expressed the following views:

Where we see the benefit is the capacity of Tasmanian businesses to undertake more of the work TasWater has planned. With over \$700 million worth of work planned over the next year. We would like to see the model that would build skills and capacity amongst Tasmanian people and businesses. We don't believe the current ownership model makes that possible.

¹⁶⁵ Hansard transcript, Mike Brewster, 29 September 2017, p.41

¹⁶⁶ Hansard transcript, John Martin, 13 September 2017, p.25-26

¹⁶⁷ Hansard transcript, Jonathan McKeown, 13 September 2017, p.45

¹⁶⁸ Written submission, Engineers Australia, p.4

We would love to support the Government's discussion about fast-tracking the work on TasWater's books. We also should say, too, that we have not had anyone complaining about TasWater's strategy, simply the timing of that strategy. The advice we received from many of our members in respect to that is that if we are to fast track the work you need to be careful. You can create a boom-and-bust cycle in Tasmania.

Another benefit of a change in ownership is that in looking from a state perspective you could then line up the infrastructure work currently underway in Tasmania, our highway works and so forth. We need to develop the water strategies over the next few decades to ensure we do not have a boom and bust cycle in the sector. We need to be strategic about the timing of those projects.¹⁶⁹

- 3.50 The Treasurer advised that Treasury had provided an assessment that indicated that an accelerated infrastructure program would have a positive impact on the Tasmanian economy:

Mr VALENTINE - *I heard from TCCI representatives this morning, who said fast-tracking can create a boom and bust cycle. They were not in favour of the fast-tracking. They did not want to see that because of the fallout in the industry that you end up with a boom and a bust. Do you have a comment on that?*

Mr GUTWEIN - *I do. In our submission, we model the infrastructure spending that is occurring across the government businesses, the general government sector and the increased acceleration that we are looking for from TasWater. I am convinced, and Treasury has provided an assessment of this, that our economy can stand it. In fact, it would be good for the economy.*

And

... what I am suggesting and have made it perfectly clear is that TasWater has a 10-year plan. Upon taking ownership of them, we will accelerate the investment and we will complete the final seven years in five. We will deliver the 10-year plan three years earlier than what has been proposed. We will also invest a further \$300 million. One thing is evident with TasWater's 10-year plan. I will provide context; you would all remember Michael Aird when he was first speaking about these things back in 2008-09. He said \$1 billion-worth of investment had to happen. There has been about \$700 million to date, I think.

TasWater is proposing \$1.5 billion over this current 10-year period. At the end of that there will be \$425 million-worth of renewals backlogged that they will not have begun work on. It is a \$2 billion problem now.

Mr GAFFNEY - *What worries us is the minister of the day taking on board political persuasion about projects that may need to be put into place: Macquarie Point, Cameron Bay or the Tamar River. TasWater is at the stage that they could do all that but they do not believe they are a priority. Under the new bill, you, as minister or minister of the day, will be able to say this is a priority and this is where our funding is going to go. That is a concern.*

¹⁶⁹ Hansard transcript, Michael Bailey, 14 September 2017, p.25

Mr GUTWEIN - We have made it perfectly clear that we will accelerate the current 10-year plan and that those additional projects sit outside of that. We have added an additional \$300 million, which can either be used for further work on the backlog of renewals or could be used to begin work on those projects. We have an issue here. I find it perplexing you would argue for the status quo. The independent regulators have explained, and I have marked up the documents so you have them available, that their progress has been unacceptable. We have not had the outcomes we would like. We are going backward in many cases. If that is not an argument for increased investment and a new way forward, I do not know what is.¹⁷⁰

- 3.51 Mr Garcia was of the view that there was no risk of creating a boom and bust cycle:

*Knowing this sector as I do and I have over the last decade, I do not think there is a bust factor in this. It is all boom. We know what has to be done over the next decade; if we make that happen in seven years and we have the resources available to do it, we know that in the three out years we still have the same annual spend, so the boom does not stop.*¹⁷¹

- 3.52 Mr Brewster, however, urged caution and provided an example where longer-term planning had resulted in cost-savings:

You have to develop a long-term strategy. You have to evaluate all the options because if you don't, it is very, very easy to spend millions of dollars that customers will never know about - no-one will ever know - that you just took the easy route. Blackmans Bay sewage treatment plant, for me, is a classic example of that.....

That is why it takes a long time. We didn't go and build a greenfield plant. We took longer at Blackmans Bay. It is a \$50 million project. We took a lot longer than we had originally anticipated because we found a way to virtually reuse every piece of the existing plant. No-one will ever know that we probably saved many millions of dollars for our customers.

*The project probably took a year or two longer than it should have, but for a year or two's exchange, those customers will never have to pay that additional cost.*¹⁷²

Infrastructure Tasmania Report

- 3.53 The Inquiry noted that Infrastructure Tasmania had prepared a report on the accelerated plan that concluded that it was deliverable provided that the necessary funds and resources are available and an overarching "program delivery model" appropriate for the Tasmanian context is put in place.¹⁷³
- 3.54 Mr Peter McGlone noted that EPA regulations provided risks to the Government's accelerated infrastructure plan:

¹⁷⁰ Hansard transcript, Treasurer, 14 September 2017, p.70-71

¹⁷¹ Hansard transcript, Alan Garcia, 14 September 2017, p.82

¹⁷² Hansard transcript, Mike Brewster, 28 September 2017, p.31

¹⁷³ Written submission, Government of Tasmania, p.9

*It is interesting to reflect on the Infrastructure Tasmania report. It highlighted that one of the biggest risks to delivering the seven-year work program was the EPA. The risk is - and they were being straight about it - that you cannot always guarantee how long the EPA is going to take to assess a project and permit it. Or whether they will permit it, or what the conditions will be.*¹⁷⁴

- 3.55 The written submission of Meander Valley Council also noted risks surrounding workforce capability:

The Infrastructure Tasmania report raises concerns around risk relating to workforce capability. Sadly it appears that considerable resources would be sourced from interstate to accelerate to works program, meaning the economic benefits would flow to non-Tasmaniana. The report also raises the very significant pre-planning and approval processes that must be undertaken before the 5 year capital works program can commence. This raises obvious question of how much time the ten year plan will actually be reduced by?

*It is therefore imperative that the Committee must be completely satisfied that the claims and re-assurances that Tasmanian Government claim the changeover will support are valid. It is my view that the Committee, if they believe the change in ownership is warranted, request or commission longer term financial modelling to support the change of ownership argument, and demonstrate it is in the best interest of all Tasmanians.*¹⁷⁵

Future funding of work programs

- 3.56 In relation to the funding of future water and sewerage infrastructure programs. The Government's written submission advised:

*With respect to capitalised interest, it should be noted that Infrastructure Tasmania has not sought to estimate or quantify what this might amount to as part of re-profiling TasWater's capital plan, given the variables at play. To the extent that borrowings are used to fund all or part of the accelerated plan there will be an associated amount of capitalised interest. The amount, however, will be dependent on elements such as the level and timing of borrowings and borrowing rates. In this regard, while it has been included for comparability in the replication of TasWater's numbers, it has been excluded from the re-profiled/accelerated plan.*¹⁷⁶

- 3.57 The written submission from Engineers Australia urged a consistent, long-term and whole-of government approach:

*Any discussion regarding the ownership of TasWater needs to ensure that long-term planning of infrastructure expenditure in both capital and maintenance is undertaken and that investment is consistent and not delayed to future years. It is also important that this plan is part of a broader, whole-of-government long-term infrastructure investment plan as to decrease the inconsistent investment and to allow for greater workforce planning and to build the capacity and capability of Tasmania's engineering profession.*¹⁷⁷

¹⁷⁴ Hansard transcript, Peter McGlone, 29 September 2017, p.18

¹⁷⁵ Written submission, Craig Perkins for Meander Valley Council, p.3

¹⁷⁶ Written submission, Government of Tasmania, p.1

¹⁷⁷ Written submission, Engineers Australia, p.9

Other future major infrastructure programs

3.58 The Inquiry considered implications of the takeover of TasWater on three major future sewerage infrastructure projects at Cameron Bay, Berriedale, Launceston and Macquarie Point, Hobart. At the time of the Inquiry receiving evidence, these projects were not included in the Government's planned accelerated infrastructure program.

3.59 Mr Hampton spoke generally on funding for all three major projects.

It then boils down to who should pay. Equally as much, just as I talked about Mona, when we went to the state Government before the last election we said that as part of the additional \$400 million we were seeking - \$100 million from the state and \$300 million from federal - not only would we have relocated Macquarie Point, we would have also addressed the combined system. We did that because it would be better to address the issue of the combined system while we were addressing the overall sewerage infrastructure around the Tamar.¹⁷⁸

3.60 The Treasurer made a general statement on additional funding for major projects:

We have made it perfectly clear that we will accelerate the current 10-year plan and that those additional projects sit outside of that. We have added an additional \$300 million, which can either be used for further work on the backlog of renewals or could be used to begin work on those projects.¹⁷⁹

Cameron Bay

3.61 The Inquiry noted that the presence of the Cameron Bay sewage treatment plant may have an impact on MONA's plans for a major redevelopment of the Berriedale caravan park.

3.62 Mr Brewster advised:

We have, at my level, engaged - indeed today - with MONA and the EPA because we are looking for ways to allow it to proceed, but those ways have to be equitable for our customers. That method - whatever it might be, and we are looking and exploring - has to be consistent so that any other customer be treated in the same way.¹⁸⁰

And

Mr VALENTINE - *On Cameron Bay, have you explored trigeneration and perhaps building treatment plants underneath new structures like their hotel? They say they do it in Singapore. Would you like to comment on that?*

Mr BREWSTER - *I have to be careful I don't speak for MONA. MONA is interested in the conversations we have had with its CEO. MONA is interested in all sorts of alternatives and is investigating them. My view is we should be looking at all the options: what they can do,*

¹⁷⁸ Hansard transcript, Miles Hampton, 29 September 2017, p.28

¹⁷⁹ Hansard transcript, Treasurer, 14 September 2017, p.71

¹⁸⁰ Hansard transcript, Mike Brewster, 29 September 2017, p.31

*whether we rebuild on that site, whether we don't have an STP there at all, whether we put a pump station in and transfer somewhere else. We then compare all the options and determine which makes the most sense for the customers and for MONA. MONA might say, 'We're prepared to pay a bit more because if you go down this path we get brand benefit for that'. They are the discussions that need to be had. That's the sensible high-level discussion that is going on, and needs to go on.*¹⁸¹

Launceston

3.63 Mr Hampton made the following statements:

We think there will be a range of solutions in Launceston. If the decision is made that we want to completely eliminate the possibility of untreated sewage going into the Tamar, the cost will be significant and there is a range of solutions. It will be a mixture of solutions. For some parts of Launceston City it will mean complete separation. It may involve storage, so in a major storm event effluent is stored and then run through the treatment plant.

*.....It may flow into the design. We are working on our greater Launceston sewerage improvement program. There are seven wastewater treatment plants discharging into the Tamar. That is likely in our planning to come down to either one, but possibly two. We will spend about \$400 million ourselves on the sewerage network and plants around the Tamar, which is why we say it is better to look at the combined system and what we have to spend as a collective to come up with the lowest cost solution to the Tasmanian community, with TasWater paying what it ought to be paying, and others paying.*¹⁸²

And

If I can move to the combined system in Launceston, this in some senses is just as challenging. When the reform first happened, the combined sewerage and stormwater pipes were transferred to Ben Lomond Water and subsequently transferred to TasWater. The value put on those pipes is the significant contributor to why the Launceston City Council is the largest shareholder in TasWater. It owns nearly 15 per cent of TasWater. The equity apportionment between the owners was on the basis that those pipes were to become the property of TasWater. The board's view is that in terms of equity between our owners and our customers, Launceston City Council - which continues to derive the revenue from stormwater put into TasWater's pipes - is the one that ought to be paying for whatever degree of separation was judged to be appropriate.

This is not a philosophical exercise, this a matter of equity. I think the value on the combined system in total is about \$200 million, so if you like Launceston City Council's equity was boosted by the transfer of those pipes in entirety to TasWater and has been receiving from day 1 a higher distribution than any other council as a result of that. The view of the board of TasWater - and in a sense it is both a legal and a moral view - is that our customers across the state ought not to be paying for the resolution of the issue, and equally that the other shareholders ought not be paying for the resolution of the issue.

¹⁸¹ Ibid, p.32

¹⁸² Hansard transcript, Miles Hampton, 29 September 2017, p.33

*Just as we have with Macquarie Point - and I provided to the Examiner and had published an op-ed - I took a very strong position that this issue needs to be addressed as much for perception as the reality. The reality is that the extent to which the combined system contributes to the problems of the Tamar has been independently assessed as very small, but there is a perception issue that if somewhere between 60 and 70 days a year raw, albeit heavily diluted, sewage is discharged directly into the Tamar, it is simply no longer acceptable, in my view at least.*¹⁸³

3.64 Mr Peter McGlone provided the following views:

*The Treasurer has deliberately conflated the broader water quality problems in the Tamar River with problems related to Launceston's sewerage and storm water systems, implying that a state government managed TasWater would be better equipped to solve all these problems. The reality is that there are most probably a range of factors that contribute to the problems in the Tamar River and to focus solely on one factor over others may fail to make a significant improvement. Launceston's sewerage and storm water systems need upgrading but the government has only talked about bringing forward the upgrades by up to three years, completing them in 2022-23. The state government has not proposed that the outcome would be superior under its management of TasWater and there are obvious risks, environmental and financial, with speeding up such a major infrastructure upgrade.*¹⁸⁴

3.65 Mr Wes Ford noted that addressing Launceston's water, sewerage and stormwater problems may require federal funding:

*At the end of the day, the Launceston fix is highly problematic and highly expensive; I expect it will require major capital injection from the federal government. It is really a plant-by-plant basis. My predecessors spent time working with the then Ben Lomond Water dealing with the issue on the George River. In terms [of] St Helens, we are exactly again trying to minimise the amount of time the oyster industry is closed because of an overflow event.*¹⁸⁵

3.66 The Inquiry noted that, in July 2017, the Government had created the Tamar Estuary Management Taskforce (TEMT) to consider solutions for raw sewage flowing into the Tamar River during periods of high rainfall.

3.67 Mr David Downie noted that TasWater was not represented on TEMT and expressed the following view:

*On that point, I think it is very disappointing that the Treasurer has set up a task force. It is great that we have identified the problem, but there has been an exclusion of representation from TasWater at the level of that task force, because they are the ones with the most knowledge who will help the solution flow.*¹⁸⁶

¹⁸³ Ibid, p.28

¹⁸⁴ Written submission, Tasmanian Conservation Trust, p.2

¹⁸⁵ Hansard transcript, Wes Ford, 13 September 2017, , p.9

¹⁸⁶ Hansard transcript, David Downie, 29 September 2017, p.28

Macquarie Point

3.68 The Inquiry noted that the location of the Macquarie Point Sewerage Treatment Plant, which services the Hobart CBD and inner suburbs, was potentially hindering development of Hobart's Macquarie Point. TasWater had examined the feasibility of moving the plant and diverting its flows to an upgraded Selfs Point facility, dependant on funding.

3.69 In relation to Macquarie Point, Mr Mike Brewster advised:

It also addressed the question Miles raised about what TasWater should pay. It went through that in some detail and said TasWater should contribute, nominally, \$30 million at that point. We would have absolutely been prepared to contribute that \$30 million because that is the funding we would have had to have invested over the life of the plant if we did not move it. However, when we went through that process, one of the realities of this sector - and I raise this to understand that nothing is simple - is that when we move the plant to a new location at Selfs Point, the standards change so we can't apply the same standards we applied at Macquarie Point. That \$30 million we were looking at contributing was swallowed up by the additional operating costs associated with higher standards that are set, and rightly so. When you are building a new plant, you want to build to new standards.¹⁸⁷

And

That is a matter for governments, but we have to be able to justify to the Economic Regulator why that spend is prudent and efficient. Our position has always been that if government wants to change the legislation, it should make it transparent that is what it is doing.....Comments have been made that the Government is prepared to underwrite the move. I can assure you, if it were prepared to underwrite the move, it would be on its way..... If you look at the MOU, which often these conversations go back to, the only commitment we ever received was for the \$5 million we asked for and, as Miles has said, we promoted to at least get this whole thing moving. We have never had a commitment in writing at all from anyone to move the plant. If we had, I can assure you that plant would be being moved. That is the reality of the situation at Macquarie Point.

3.70 In relation to TasWater's capacity to fund the relocation of the Macquarie Point Sewerage Treatment Plant, Mr Chipman believed that:

.... TasWater has the capacity to set up a business unit with its overall structure to ensure any grant money for a particular project, like Macquarie Point or the Launceston Combined Sewerage System, can be quarantined from any profit or dividend generating activity. The federal government can be assured all their funds go straight into the project. TasWater has the capacity and can set up governance arrangements to ensure that.¹⁸⁸

¹⁸⁷ Hansard transcript, Mike Brewster, 29 September 2017, p.27-28

¹⁸⁸ Hansard transcript, Doug Chipman, 22 September 2017, p.14

Consumer prices

3.71 The Government advised that it was committed to a price increase of 2.5 percent for 2018-19 with increases capped at 3.5 percent thereafter.¹⁸⁹

3.72 Mr Hampton provided the following response:

The Government has initially flagged that it would cap price increases at between 2.75 per cent and 3.5 per cent. We're on public record. The average over the same period, I think, Dean, was -

Mr PAGE - *It was a little under 4 per cent.*

Mr HAMPTON - *It was a little under 4 per cent over the same period of time.*

3.73 Mr Hampton made the following statement regarding the impact of the Government's plan on consumer prices:

If councils have to increase rates, they will be paying more again. As it stands, the Government's expensive program does not even include the relocation of the Macquarie Point sewage treatment plant, the resolution of the Launceston combined system and stormwater sewerage issues or fix the Cameron Bay plant to facilitate MONA's stage 2 development.... The overwhelming concern is that the Tasmanian Government's legislation to takeover TasWater fails in its fundamental duty, a duty to protect the long-term interests of consumers, and it runs counter to agreed reform, independent oversight and all the reasonable principles of fairness.¹⁹⁰

3.74 The Treasurer made the following statement:

Over the period from 2010-11 to 2015-16 the average customer's bill has increased by 51 per cent, while CPI has only increased by around 7.5 per cent. Over this period it can be demonstrated that key environmental compliance outcomes have worsened. It is not reasonable or fair that customers are asked to pay excessive price increases and yet the outcomes are going backwards.¹⁹¹

Mr GUTWEIN - *The price setting: let me provide some background. This is the advice I have, to set your minds at rest. First, you understand we have a similar price setting arrangement with the MAIB, which has worked very well. We have seen premiums held at their current levels and a very good outcome for both customers and the business. What we are talking about is similar to models of price regulation in other states and territories.*

In Western Australia, there are three government-owned water corporations established by legislation. The Western Australian government reviews and sets prices each year, which are prescribed in regulations. In South Australia, prices are regulated and are set by the economic regulator, the Essential Services Commission. When making the price determination, the commission must comply with the pricing order issued by the treasurer. Prices in Victoria and New South Wales are set independently. They have a similar system to us, but this is not unusual.

¹⁸⁹ Written submission, Treasurer, p.8.

¹⁹⁰ Hansard transcript, Miles Hampton, 29 September 2017, p.25

¹⁹¹ Hansard transcript, Treasurer, 14 September 2017, p.61

*Western Australia does it, South Australia does it and we currently do it with MAIB. The beautiful thing about the process we have outlined is that it will be transparent. There will be a prices investigation over a period of time. That will be made public and the government of the day, the treasurer of the day, will set the price and it will be transparent. If there are things you the sector or consumers are uncomfortable with, it will be a fully transparent process.*¹⁹²

3.75 Mr Hampton made the following statement:

*The Government claims it will deliver lower prices and indeed it will in the short term. We, however, note for the record that the Government has consistently overstated the likely difference in pricing between its plan and our plan. Just as significantly we observe the Government has repeatedly failed to link the lower prices to either the higher level of debt that will have to be funded by future generations of customers or the use of consolidated funds from the state budget to pay dividends to councils for seven years. This will, in effect, be funded by all Tasmanians in reduced essential services or higher state taxes.*¹⁹³

And

In respect of the state Government, they said tariffs were up 51 per cent since the reform occurred. What they did not acknowledge was, first of all, that when the reform first occurred we were contemplating compounding 10 per cent increases in tariffs for 10 years. We knew as a board of the former corporations and TasWater that that would be unacceptable to the Tasmanian community. Indeed our owner councils conveyed to us a very strong desire to keep tariff increases at the lowest possible level, which we did.

What the Government did not acknowledge in response to that question is that approximately half the tariff increase that has occurred for households in Tasmania has been as a result of the removal of cross subsidies where business was cross-subsidising households.

*To criticise us for complying and to imply 51 per cent is just simply because our costs have gone up - half of that increase is a direct result of the removal of the cross subsidies, which the big end of town - the commercial property owners in Tasmania - have derived the benefit from.*¹⁹⁴

And

*The Government's back-of-the-envelope calculations have them saying that our customers will be better off by \$550 over six years if their plan is implemented. In our submission at page 17 and in our appendix B we have analysed the Government's plan through our modelling, which shows that at a maximum, which is the lowest tariff increase the Government are proposing, it is a \$344 saving over the six-year period and at a minimum, it is \$286.*¹⁹⁵

¹⁹² Ibid, p.71

¹⁹³ Hansard transcript, Miles Hampton, 14 September 2017, p.2

¹⁹⁴ Ibid, 29 September 2017, p. 23-24

¹⁹⁵ Ibid, p.34-35

And

Let me go back to the pricing issue. The Government says that over the six-year period that the savings will be there, it will give \$120 million to councils. Do your arithmetic. There are 200 [000] households in Tasmania and the Government is going to divert from consolidated funds to the owner councils \$120 million that could be available for hospitals and a range of reductions in state charges, and it is choosing to give them to councils. Unless my maths is wrong, I think that is \$600 per household in aggregate over six years, so the ostensible saving of say \$344 is offset by the transfer, in effect, of money that could be available to reduce other taxes to Tasmanians or improve services in our hospitals, schools and police. We were quite open right upfront and we have no issue with the Productivity Commission in this space. The Government was always going to deliver cheaper prices, but whether it is at a cheaper cost to the Tasmanian community is actually the more significant issue.¹⁹⁶

3.76 The written submission of the Property Council stated:

Reform of pricing was a major milestone achievement, but this was achieved not because of TasWater's initiatives, instead through rulings by the economic regulator.¹⁹⁷

3.77 Mr Hampton provided the following response:

It [Property Council] asked customers if they were concerned about our prices and of course most of us are hip-pocket driven and would say, 'Yes'. What the Property Council does not say was that nearly half the tariff increases subsequent to the reform have been as a direct result of reduced tariffs to commercial customers, by and large the constituency represented by the Property Council.¹⁹⁸

3.78 Mr Peter McGlone made the following observation regarding residential prices:

The Tasmanian Economic Regulator report shows that the typical annual bill for a Tasmanian residential customer in 2015-16 was \$1062. The Bureau of Meteorology national performance report for the same year found that the typical national annual residential bill for the same year was \$1386. So in fact it is more than \$300.¹⁹⁹

3.79 Mr Dion Lester made the following observation in relation to pricing:

The principles behind and what informs the Economic Regulator are extremely important. Someone always pays. Our current regulatory and economic environment indicates the current generation should pay for the current works required. Artificially lowering prices for the short term will mean someone will pay in the future. That is contrary to National Competition Policy and the national economic regulator.²⁰⁰

¹⁹⁶ Ibid, p.35

¹⁹⁷ Written submission, Property Council of Australia, p.3

¹⁹⁸ Hansard transcript, Miles Hampton, 29 September 2017, p.23

¹⁹⁹ Hansard transcript, Peter McGlone, 29 September 2017, p.18-19

²⁰⁰ Hansard transcript, Dion Lester, 22 September 2017, p.14

- 3.80 The written submission of the Australian Water Association noted the importance of independent economic regulation:

The Australian water industry remains strongly supportive of independent economic regulation of the water sector. This independence of the economic regulator is cardinal in the maintenance of transparency and predictability of pricing policies needed to underpin the performance of the water utilities in Australia.

An independent water regulator is also vital in building the confidence of the customers, industry stakeholders, and the wider community that the pricing structure for water and sewage are both equitable and sufficient to provide the services that the community require. Independent economic regulation is also central to attracting private sector investment and partnerships to enhance the delivery of water and sewage services.²⁰¹

- 3.81 TasCOSS urged:

Strengthening TasWater's capacity to act in the long term best interests of consumers will benefit Tasmania, regardless of the ownership model. It is timely with this review into the issues associated with TasWater ownership to put the people who depend on water and sewerage services at the centre of TasWater policy, operations and regulatory processes. TasCOSS urges the Legislative Council to prioritise a strong independent consumer voice for Tasmanians in its recommendations for the future ownership of TasWater.²⁰²

Productivity Commission Report

- 3.82 The Inquiry noted that, in September 2017, the Productivity Commission released a draft report on national water reform that included draft findings and recommendations regarding state governments' progress in addressing the National Water Initiative.²⁰³

- 3.83 The draft report noted that the Government's proposed water and sewerage legislation contains measures that would constrain the role of independent price regulation in Tasmania, contrary to the objectives of the National Water Initiative.

- 3.84 Mr Hampton provided some comments on the draft Productivity Commission report:

Mr FARRELL - *Miles, you mentioned the Productivity Commission report and the Treasurer has since stated that it supports the Government's claims that it will make water and sewerage cheaper. Was that your take on it and do you agree with those statements?*

Mr HAMPTON - *We have never denied the fact that the Government's plan would have cheaper water and sewerage prices. We have been quite open about that, because indeed they do. They are going to override the Economic Regulator and put in place a level of prices that is not cost-reflective.*

The Productivity Commission is about good policy that has been agreed by all Australian governments, policy that even the Government's own agency, DPIPW, totally endorses,

²⁰¹ Written submission, Australian Water Association, p.4

²⁰² Written submission, TasCOSS, p.8

²⁰³ <https://www.pc.gov.au/inquiries/current/water-reform/draft>

*and this Government is wanting to throw its commitment to those principles out the door.*²⁰⁴

- 3.85 The Treasurer was asked to provide some clarity around the role of the economic regulator as outlined in the Productivity Commission draft report:

Mr FARRELL - *On a couple of issues that were raised in the Productivity Commission report, just around the Government side of it, on page 168 of the draft report they state that there is a need -*

to separate the roles of owner, policy maker, regulator and price setter, and those which sit with the utility service provider.

I would like to hear your comments on the reduction of the separation of the roles. Do you have any concerns about their statements in that part of it?

Mr GUTWEIN - *In terms of price setting, the Economic Regulator will still play a strong role. The price setting arrangements and the pricing order will still be subject to the principles under the act, which I have already explained in my opening comments. In that regard I think there is a transparent and accountable process available. Government will be held to account for the decisions that it makes.*

One of the things we will always come back to here is the simple fact of the matter is that our water and sewerage infrastructure is not at a level that we would like to see it at. We do not believe that there has been sufficient investment over time. In fact, for many decades we have been struggling with what has been a significant underinvestment in the past.

*Our aim here is to improve the water and sewerage assets that we have, but to do so in a transparent and accountable way. As I said, the price setting instrument will be available for everybody to see and the final decision by the Government in respect of price has been moved through that period. People will be able to make judgments and government will be able to be fully informed.*²⁰⁵

Councils

Dividends

- 3.86 The Treasurer reported that councils had received \$207 million in dividends from the water corporations since 2009 and stated:

...TasWater has been paying generous dividends to the councils. The Tasmanian Economic Regulator's 2015-16 State of the Industry Report notes that TasWater's return to councils in 2015-16 was over 80 percent of its profit after tax and its dividend payout ratio was much higher than those of equivalent mainland utilities. Rather than use its earnings to support its infrastructure investment and improve its performance, since it was formed

²⁰⁴ Hansard transcript, Miles Hampton, 29 September 2017, p.35-36

²⁰⁵ Hansard transcript, Treasurer, 18 October 2017, p.7

*TasWater has been supporting the balance sheet of its owner councils. This included \$20.3 million in dividends in 2015-16.*²⁰⁶

And

*I want to be very clear: the Government is not seeking to profit from taking over TasWater. The legislation ensures that the Government will not receive any dividend or tax equivalent payments. Furthermore, the legislation explicitly prohibits any future privatisation of the business. The Government's model provides local government with funding to ensure that rates will not have to rise. Not only does the Government's legislation guarantee the councils will receive the returns they were promised until 2025, it also locks in that councils will receive 50 per cent of the profits from the business in perpetuity after that date.*²⁰⁷

And

Mr VALENTINE - *To clarify for me, you have just stated that the Government is not seeking to profit from TasWater, yet you are promising local government a 50 per cent dividend, of what they would normally expect. How can you provide a dividend to them if you are not expecting to profit from it?*

Mr GUTWEIN - *Well, the business will operate profitably.*

Mr VALENTINE - *You are saying including that dividend. It is not expecting to profit outside of that. Is that what you are saying?*

Mr GUTWEIN - *What I am saying is that the business will operate profitably: 50 per cent of the net profit would be provided directly to local government as a return. The other 50 per cent would be reinvested back into the business in respect of infrastructure investment or to keep prices low. We will take no money from the business.*²⁰⁸

- 3.87 The Inquiry noted that the Draft *Water and Sewerage Tasmania Act 2017* included the following provisions for payments to councils after 2025:

Division 2 – Payments after transition period

11. Council payment amounts to be included in annual report

(1) Each annual report under the Government Business Enterprises Act 1995 that is prepared, in relation to the Corporation, for the 2024-2025 financial year or a subsequent financial year –

(a) is to include an amount designated as the standard total payment to councils; and

(b) may include an amount, that is less than the standard total payment to councils, designated as the adjusted total payment to councils.

(2) The amount designated in an annual report for a financial year as the standard total payment to councils is to be –

(a) equal to one half of the amount stated in that annual report to be the profit of the Corporation for that financial year; or

²⁰⁶ Written submission, Treasurer, p.7

²⁰⁷ Hansard transcript, Treasurer, 14 September 2017, p.62

²⁰⁸ Hansard transcript, Treasurer, 14 September 2017, p.63

- (b) zero, if the annual report states that the Corporation has not made a profit for that financial year.
- (3) The Board may only designate an amount, in an annual report for a financial year, as the adjusted total payment to councils if the Board is of the opinion –
- (a) that to pay to the councils the standard total payment to councils would –
 - (i) prevent the Corporation from achieving its objectives under this Act; or
 - (ii) prevent the Corporation from satisfying the requirements of its corporate plan or its infrastructure investment plan; or
 - (iii) prevent the Corporation from complying with any directions issued to the Corporation under this Act; or
 - (iv) prevent the Corporation from complying with any obligations imposed on the Corporation under the Water and Sewerage Industry Act 2008; or
 - (v) result in the liabilities of the Corporation exceeding the assets of the Corporation; or
 - (vi) materially prejudice the ability of the Corporation to pay its creditors; and
 - (b) that the amount of the adjusted total payment to councils is consistent with the Corporation –
 - (i) achieving its objectives under this Act; and
 - (ii) meeting the requirements of its corporate plan and its infrastructure investment plan.
- (4) An annual report, for a financial year, that includes an amount designated as the adjusted total payment to councils is to include a statement of the Board's reasons for including the amount.²⁰⁹

3.88 The Property Council of Australia, in its written submission stated:

Historically, a lack of system connectivity, local government self-interest, too many inefficient sewage treatment plants and pump stations, dual stormwater/sewerage system (in Launceston), ageing pipes and poor planning processes have delivered a disconnected spider web of infrastructure that neither delivers environmental and public health compliance of structural inefficiencies. Most importantly, The Tasmanian Division of the Property Council continues to express dismay at TasWater paying dividends to 29 councils across Tasmania. The Property Council firmly believes that the estimated profits should be re-invested into infrastructure development and no used to deliver "reward payments" to councils who failed to upkeep services over many years.²¹⁰

3.89 Mr Rockefeller identified one concern on the potential impact on councils of the Governments proposed new dividend payments model:

There is only one issue which may be of concern regarding the reduction of dividends, and that is how it affects low-revenue-growing councils. By 2024 or thereabouts, the major regions where there is growth will have had a significant increase in their revenue base. Losing dividends or dividend guarantees will not affect their business. Revenue from property taxes will more than offset any declines and, in fact, the investment by TasWater will only enhance the revenue. This is applicable to areas like Brighton, Launceston, Devonport, Burnie, Sorell, Kingborough, Clarence, Huonville, Hobart, Glenorchy and Latrobe.

²⁰⁹ <http://www.treasury.tas.gov.au/Documents/Draft%20Water%20and%20Sewerage%20Tasmania%20Bill%2017.PDF>

²¹⁰ Written submission, Property Council, p.4

The areas which might suffer are the smaller councils with low growth, such as King Island, Flinders Island, Circular Head, the west coast, Central Highlands, Dorset and Kentish. These are the ones which, in our opinion, the Legislative Council should be concerned about. Therefore they may like to consider compensation through other avenues such as the Commonwealth Grants Commission.

And

- What I am really trying to say is, utilise levers you have, utilise this legislation to pass money to the bottom 50 per cent. The top 50 per cent of these councils do not require revenue.²¹¹

3.90 Mr Hampton made the following statement:

The Government claims our owners have starved us of cash by taking dividends. We contend on the basis of the current legislative construct, the promises made by the government of the day, when the reform happened and on the basis of equity between our owner councils, that the payment of dividends at the level paid is entirely appropriate. This is supported by the fact the Government has seen fit to endorse our dividend plan, by echoing it for the next seven years in its dividend plan.²¹²

3.91 Flinders Council, in its written submission, provided the following views on the future payment of dividends:

The manner in which the government proposes to pay the dividend until 30 June 2025 is perplexing. TasWater has agreed to pay dividends from its own surpluses until 30 June 2025. For the government to decide that councils will be paid a dividend from the Consolidated Fund in order that the new corporation can use surpluses to advance capital works is no logical. The government could quite easily retain TasWater and provide an amount equivalent to the proposed dividend by way of grant or other to TasWater to allow TasWater to expand its capital expenditure.²¹³

3.92 Mr Hampton made the following observation:

In any event the dividends paid to councils would have had an immaterial effect on the rate of progress of our capital expenditure program.²¹⁴

3.93 Mr David Downie discussed possible impacts of the takeover of TasWater on council dividends:

The Treasurer has warned on several occasions that following the 2025 end of distributions guarantee in the legislation before parliament, it is likely there could be no distributions from the GBE of TasWater. He has told us we have seven years to sort ourselves out. Yes, he has promised half the profits after that time, but we could be looking at half of nothing. As for the increased debt the Government is planning to take on, I am told that a 2 per cent rise in interest rates could lead to a \$30 million increase in cost. Will we be exposed to that? Will that affect our distributions?

²¹¹ Hansard transcript, Robert Rockefeller, 14 September 2017, p.8-9

²¹² Hansard transcript, Miles Hampton, 14 September 2017, p.2

²¹³ Written submission, Bill Boehm, Flinders Council, p.8

²¹⁴ Hansard transcript, Miles Hampton, 29 September 2017, p.22

Long-range financial projections show TasWater will generate significant returns beyond 2025. Under the current ownership these returns will flow back into local communities throughout the whole of Tasmania. Under the takeover model, that will be decided by the minister or the Government. My own council, the Northern Midlands, could lose in excess of \$1 million per year. Launceston could lose \$6 million. Hobart, Glenorchy and Clarence could lose \$5 million each. This could have the potential to raise rates into the future of some 15 per cent. This money is not hidden away by councils but is used to fund essential community projects such as roads, footpaths, community health facilities, parks and recreational areas.²¹⁵

And

The retention of ownership of TasWater in the local government sector into the future will make local government self-sufficient and sustainable. Ripping these assets out of local government will have the reverse impact. Some councils will disappear and some will be made considerably less viable.

3.94 Mr Chipman expressed the view:

... that it is right and just to expect some return from an ethical point of view. It is worth noting too, when the corporation was set up under National Competition Policy for monopolies, the requirement for the corporation to pay dividends was built into the legislation. Dividends are only one-third of the remuneration that councils receive. Of the \$20 million that is projected in coming profits, only one-third of that is going to be dividends. Almost half of it is in tax equivalents. These are statutory payments that have to be made. Even if councils receive no dividends, as such, the return to councils would be \$16 million a year.²¹⁶

3.95 The written submission of the City of Hobart raised the following concerns:

Whilst the Council maintains a sound financial position, it is vital that the attention of the Select Committee is drawn to the fact that from 2024-25, the Government has stated councils will receive half of any future profits made by TasWater.

This statement is highly contingent upon the level of profits, if any, made by TasWater, and the government of the day honouring this promise. It is of significant concern that the Minister has made public statements to the effect that not only will there be no guarantee of funds but that he was pleased to see Councils cutting their budgets in anticipation of no longer receiving such funds.²¹⁷

Equity

3.96 A number of councils provided information on their current equity in TasWater.

3.97 Break O Day Council advised:

²¹⁵ Hansard transcript, David Downie, 29 September 2017, p.42-43

²¹⁶ Hansard transcript, Doug Chipman, 22 September 2017, p.8

²¹⁷ Written submission, Nick Heath for City of Hobart, p.6

*The Break O'Day Council currently holds an investment of \$33.285 million in TasWater and during the 2016-17 financial year received \$596,447, which was used to provide much needed services, programs and assets within our community.*²¹⁸

3.98 The City of Hobart advised:

*Under current TasWater ownership, financial distributions flow through to every council, with funds spent fairly and evenly throughout Tasmania. TasWater's development priorities are determined on the basis of need. As a capital city council and a significant influencer in the region, the Council is well aware that TasWater's top priority has been to ensure that Tasmania as a whole has clean drinking water. Without this basic human need being met with infrastructure that is well designed and built to last a significant period of time, Council is well aware how problems in the region, and statewide, will impact on its own future in ways that are unintended but, with careful consideration, foreseeable.*²¹⁹

3.99 Mr Greg Davoren, Deputy General Manager of Brighton Council, advised:

It can be argued, in my view, whether it matters if the council or the state gets it. There is no money generated in this process, but the fact is that councils will lose and the state Government will gain. As to whether this is a crisis or not, to me it is simply a cost-shift of money. There is a great pool of money, a great income stream, from a well-run business, and at the end of 2025 an even better-run business because there will be no maintenance catch-up and that money will no longer come to the people who originally put it there. Councils only have one option. We cannot get income from any other source. We can become more efficient - and our council is fairly efficient, I believe - but the main area to raise income comes from ratepayers. If you move this money across to the state Government, we would then have to increase rates - and our predictions are about 18 per cent - just to balance back where we were.

*As I see it, with this takeover there is no efficiency game and there is no extra revenue achieved. It is clearly, in my view, just a cost shift of where the income will go to. A lot of this debate is about who should receive that income. A state government will borrow so there are extra costs there; it is a shift of income from one sector to another.*²²⁰

3.100 Mr Ron Sanderson provided Brighton Council's perspective on its equity in TasWater assets:

Mr VALENTINE - *Do you have a comment on the equity of this? You mentioned the value to Brighton. You have put in a significant amount of time, effort and resources to build that up. I am interested in getting your thoughts on the record with regard to why you might consider this not to be an equitable way of transferring in terms of the dividends you might get back.*

Mr SANDERSON - *They do not reflect the value of the equity. TasWater has a clear distribution in play that is similar to what we did before. It reflects our asset, the percentage of the business - 3.08 per cent. We are happy with that. This distribution of half of the profit is totally unequitable. There is no equity whatsoever in it. It's a profit and*

²¹⁸ Written submission, Mick Tucker, Break O'Day Council, p.6

²¹⁹ Written submission, Nick Heath for City of Hobart, p.5

²²⁰ Hansard transcript, Greg Davoren, 29 September 2017, p.6

*it will be half of the profit, which is doubtful in the first place, so that is not equitable whatsoever.*²²¹

Sustainability

- 3.101 Break O'Day Council provided a number of examples of services and events that are currently funded from TasWater dividends and concluded that:

*If Councils lose their dividends, it will be non-essential services that will be cut first. These include community programs and services which our community relies on us to provide.*²²²

- 3.102 Mr Ron Sanderson provided an estimate of the potential impact of the takeover of TasWater on Brighton Council:

*We estimate this hostile takeover would force the council to raise its general rate by 18.5 per cent . It could be done in two ways: a one-off rise, as the mayor said, or by increasing the general rate of 2.5 per cent per year, starting next year. This is 2.5 per cent plus the CPI rates.... The 18.5 per cent rise forced by the hostile takeover would be forever and much more than the \$500. For example, in the first year we estimate a Brighton house would have to pay an extra \$180 in rates.*²²³

- 3.103 Northern Midlands Council estimated that, under the Government's proposal, it would have a loss of \$234 000 which could result in an increase to rate payments of 3%.²²⁴

- 3.104 This concern was shared by Mr John Martin:

*I am quite concerned that if this takeover is allowed to proceed, the rates in relation to properties owned by all Tasmanians will either increase or services will decrease. It is more likely rates will have to increase because nobody likes to decrease the services they currently enjoy.*²²⁵

Consultation

- 3.105 The City of Hobart, in its written submission, noted that there had been a significant lack of consultation with key stakeholders:

The Hobart City Council resolved at its 14 March 2017 meeting, inter alia to:

Reject the State Government taking over water and sewerage systems across the State, in the interests of the ratepayers of Hobart.

²²¹ Hansard transcript, Ron Sanderson, 29 September 2017, p.5

²²² Written submission, Mick Tucker of Break O'Day Council, p.6

²²³ Hansard transcript, Ron Sanderson, 29 September 2017, p.3-4

²²⁴ Hansard transcript, David Downie, 13 September 2017, p.17

²²⁵ Hansard transcript, John Martin, 13 September 2017, p.23

*The Council is of the strong view that the proposed State Government take-over of TasWater is flawed in process and good governance. This is highlighted by the significant lack of consultation with key stakeholders, or indeed the very negative approach to consultation.*²²⁶

3.106 The Treasurer provided the following views in relation to a consultation process:

Mr FARRELL - *Treasurer, one of our witnesses stated that Treasury has had its eyes on taking over TasWater for many years. You might like to reply to that. Were other options looked at, such as a cooperative way to work through with local government on a takeover process?*

Mr GUTWEIN - *In regard to other options, for nearly three years I have been making the Government's position perfectly clear; that is, we felt that the business could do more. The owners of the business continually resisted that. Last year, when that decision was made unilaterally by the board to do what I thought was a good thing - and I have said it publicly that I thought that was the right thing to do at the time - it crystallised in my mind the thinking of why has this not happened before? Why hasn't the appetite for investment and the appetite to get on with the job been evident within the company?*²²⁷

3.107 Brighton Council representatives were asked about their experiences throughout the consultation process and provided the following responses:

Mr FOSTER - *We went to the Treasurer some time ago with a solution that would have worked, and that was that with the three tiers of government report in the last federal election supporting - the state Government was going to put in a certain amount, TasWater was going to put in a certain amount; TasWater and the federal government was all going to put in a certain amount of financial support. Had that worked, it would have been a good model, one that we all could have worked with. We were prepared to go down that path and we thought that was a good model. Unfortunately, when that fell over, the hostility crept in. To me, that was the turning point in the whole argument, the whole debate.*²²⁸

Mr DAVOREN - *As the finance chief of Brighton, I would recommend that we did sell it if we got the fair amount. I mean, everything is for sale if it is the correct level, but at best we know that we are going to receive half of any opportunity we will have for any future profits.*²²⁹

Mr FOSTER - *Local government has worked very closely with whichever state government we have had over many, many years. This is the first time I have seen the breakdown as serious as it is. I still cannot work out why and no-one has been able to tell me why the Treasurer has embarked on this process he has.*²³⁰

²²⁶ Written submission, Nick Heath for City of Hobart, p.3

²²⁷ Hansard transcript, Treasurer, 14 September 2017, p.67-68

²²⁸ Hansard transcript, Tony Foster 29 September 2017, p.9

²²⁹ Hansard transcript, Greg Davoren, 29 September 2017, p.10

²³⁰ Hansard transcript, Tony Foster, 29 September 2017, p.11

Real-time data

- 3.108 Mr Dion Lester provided some information, together with some thoughts, on the subject of monitoring water quality data and providing real-time results:

In relation to the online water quality data, that is an extremely complex area. There are some testing parameters they can do in real time. Some testing parameters take 10 days before TasWater will see a result. Sometimes those results can create false positives that require scientific analysis around whether it was a positive or otherwise. Placing real time data up can lead to giving the community incorrect information if they stream everything they find.

The question then becomes, how much effort should the TasWater scientific team put into screening everything immediately to put it up online, versus contributing to the improvement of their assets? We know they have a program in play around that, but it is not as simple as sticking some data up on a website. Water quality data is extremely complex.²³¹

- 3.109 Mr Tim Slade, a community advocate residing in Pioneer, in his written submission directed the Committee to his ongoing efforts from 2013-2017 in having Taswater publish real-time data that would allow TasWater customers access to timely information regarding water quality. Mr Slade advised that 40 Pioneer residences have waited over four years for safe drinking water and has recommended a new model with revised levels of oversight, sanctions and participation to address these issues.²³²

Legality

- 3.110 Whilst the Inquiry did not seek specific evidence regarding the legality or otherwise of the Government's proposal and this did not fall under the Inquiry's Term of Reference, it nevertheless received some commentary on the issue:

- 3.111 Mr Chipman stated:

You raised the point implicitly of the legality of a hostile takeover. We have expended on this in our submission. It would be a dreadful shame if the Legislative Council in being diligent in regard to the matter of the legislation for the takeover was not able to address the issue of the legality of the takeover. It would be an awful shame if the legislation went through this parliament and then ended up in the High Court. It would not be good for Tasmania.²³³

- 3.112 The Inquiry noted comments from the Treasurer published in the *Mercury* on 13 June 2017:

The State Government has again rejected claims that its proposed takeover of TasWater is unlawful and has sought legal advice to confirm its stance. The water and sewerage provider, owned and operated by the state's 29 councils, has struggled to supply services to

²³¹ Hansard transcript, Dion Lester, 22 September 2017, p.9

²³² Written submission, Tim Slade, p.3

²³³ Hansard transcript, Doug Chipman, 22 September 2017, p.17

some townships and the Liberal Government has announced plans to take over the business in a move that has been labelled unconstitutional by some opponents.

"We have sought additional legal advice from the Solicitor-General ... (and) we are now more confident than ever that the TasWater takeover is lawful," Treasurer Peter Gutwein said.²³⁴

- 3.113 Mr Hampton advised the Inquiry that TasWater had sought legal advice but did not specifically forward this to the Inquiry:

Our senior counsel's legal advice was made public at the time we made the announcement. We have chosen not to dwell on that today. In our submission to you we did not dwell on that extensively. We have not in our present discussions with you and that is because we think you should judge this case on its merits. If, at the end of the day, you find against TasWater and the legislation is passed, we and our owners will have to get - we cannot do anything until legislation is passed.

What will be, will be. Our strong preference is to be judged on our merits rather than judged on our merits with the sword of Damocles against the legislation.²³⁵

**Rosemary Armitage MLC
(Chair)**

16 November 2017

²³⁴ *Mercury*, 23 June 2017, <http://www.themercury.com.au/news/politics/governments-proposed-taswater-takeover-is-lawful-says-treasurer-peter-gutwein/news-story/a7c5975a600dc60cd3c5475569fdc218>

²³⁵ Hansard transcript, Miles Hampton, 29 September 2017, p.51

SUBMISSIONS, MEETINGS AND HEARINGS

Submissions received

1	Lyndon Stephenson
2	Kay A Bourke
3	Neil White
4	Peter Elliott
5	Baking Associations of Australia (Tasmania)
6	Mitchell Woolley
7	Randall A Wadley
8	Brighton Council
9	Malcolm Eastley
10	Graham Alex
11	Narelle & Rupert Badcock
12	Housing Industry Association Limited Tasmania
13	West Tamar Council
14	Flinders Council
15	Waratah-Wynyard Council
16	Philip Sumner
17	Northern Midlands Council
18	Break O'Day Council
19	Burnie City Council
20	North East Tasmania Chamber of Commerce Inc
21	Ian Routley
22	Meander Valley Council
23	Launceston Residential Village
24	Dorset Council
25	Tasmanian Chamber of Commerce and Industry
26	Geoff Dickinson
27	Jim Collier
28	Colin Kohl
29	Tasmanian Hospitality Association
30	Circular Head Council
31	City of Launceston
32	TasCOSS
33	Tim Slade
34	Richardson's Harley-Davidson
35	Tasmanian Small Business Council
36	Tasmanian Ratepayers' Association Inc
37	Property Council of Australia

Submissions received continued

38	(a) Treasurer (b) Department of State Growth
39	City of Hobart
40	Australian Water Association
41	Central Coast Council
42	John Martin
43	Latrobe Council
44	Water Services Association of Australia
45	Sorell Council
46	Woolcott Surveys
47	Tasmanian Conservation Trust
48	Local Government Association Tasmania
49	TasWater
50	Master Builders' Association of Tasmania Inc
51	Tim Parish
52	Tasmanian Farmers & Graziers Association
53	Engineers Australia
54	Environment Protection Agency Tasmania

Meetings conducted and attendance record

DATE	ARMITAGE	ARMSTRONG	FARRELL	FINCH	GAFFNEY	RATTRAY	VALENTINE
31/07/17	✓	✓	✓	✓	✓	✓	✓
4/08/17	✓	✓	✓	✓	✓	✓	✓
16/08/17	✓	X	✓	✓	✓	✓	✓
11/09/17	✓	X	X	✓	✓	✓	✓
13/09/17	✓	✓	✓	n/a	✓	✓	✓
14/09/17	✓	✓	✓	n/a	✓	✓	✓
22/09/17	✓	✓	✓	n/a	✓	✓	✓
26/09/17	✓	X	✓	n/a	✓	✓	✓
29/09/17	✓	X	✓	n/a	✓	✓	✓
5/10/17	✓	✓	✓	n/a	✓	✓	✓
6/10/17	✓	✓	X	n/a	✓	✓	✓
11/10/17	✓	✓	X	n/a	✓	✓	✓
12/10/17	✓	✓	X	n/a	✓	✓	✓
13/10/17	✓	X	✓	n/a	X	✓	✓
18/10/17	✓	X	✓	n/a	✓	✓	✓
19/10/17	✓	✓	✓	n/a	✓	✓	✓
23/10/17	✓	✓	✓	n/a	✓	✓	✓
7/11/17	✓	✓	X	n/a	✓	✓	X*
10/11/17	✓	✓	✓	n/a	✓	✓	X*
15/11/17	✓	✓	✓	n/a	✓	✓	✓

* Mr Valentine was absent due to a prior commitment as Chair of the Acute Health Services Inquiry.

HEARINGS AND WITNESSES

Wednesday 13 September 2017, Launceston

- Mr Wes Ford, Director Environment Protection Authority Tasmania
- Mr Glen Naphthali, Section Head Wastewater Management, Environmental Protection Authority
- Ms Cindy Ong, Northern Operations Manager, Environmental Protection Authority
- Mayor David Downie, Northern Midlands Council
- Ms Janet Lambert, Councillor, Northern Midlands Council
- Mr John Martin
- Mayor Mick Tucker, Break O'Day Council
- Mr Bob Hoogland, Acting General Manager, Break O'Day Council
- Tim Gardner, President, Australian Water Association Tasmanian Branch,
- Jonathan McKeown, Chief Executive, Australian Water Association
- Mr Malcolm Eastley

Thursday 14 September 2017, Hobart

- Mr Miles Hampton, Chair, TasWater
- Mr Mike Brewster, Chief Executive Officer, TasWater
- Mr Dean Page, General Manager Finance and Commercial Service, TasWater
- Mayor David Downie, , Northern Midlands Council
- Mr Michael Bailey, CEO, Tasmanian Chamber of Commerce and Industry
- Ms Susan Parr, Chair, Tasmanian Chamber of Commerce and Industry
- Mr Steve Old, General Manager, Tasmanian Hospitality Association
- Alderman Cocker. Hobart City Council
- Alderman Ruziscka, Hobart City Council
- Mr Nick Heath, General Manager, Hobart City Council
- The Treasurer, Hon Peter Gutwein MP,
- Mr James Craigie, Chief of Staff Hon Peter Gutwein
- Mr Allan Garcia, CEO, Department of State Growth
- Ms Alison Turner, Director Infrastructure, Review and Evaluation, Dept of State Growth
- Mr Brian Wightman, Executive Director, Property Council of Australia
- Mr Robert Rockefeller, Property Council of Australia

Friday, 22 September, Hobart

- Mayor Doug Chipman, President, Local Government Association of Tasmania
- Mr Dion Lester, Policy Officer, Local Government Association of Tasmania

Friday, 29 September 2017, Hobart

- Mayor Tony Foster, Brighton Council
- Mr Ron Sanderson, General Manager, Brighton Council
- Mr Greg Davoren, Deputy General Manager, Brighton Council
- Mr Peter McGlone, Director Tasmanian Conservation Trust
- Mr Miles Hampton, Chair, TasWater
- Mr Mike Brewster, CEO, TasWater
- Mr Dean Page, General Manager Finance and Commercial Services, TasWater
- Mayor David Downie, Northern Midlands Council

Wednesday 18 October 2017, Hobart

- The Treasurer, Hon Peter Gutwein MP
- Mr James Craigie, Chief of Staff

Thursday 19 October 2017, Hobart

- Mr Wes Ford, Director Environment Protection Authority Tasmania