

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE B

Friday 3 December 2010

MEMBERS

Mr Dean
Mr Finch
Mr Gaffney
Ms Rattray (Chair)
Mrs Taylor
Mr Wing

IN ATTENDANCE

Mr Geoff Willis, Chairman, Tasmanian Water & Sewerage Corporations
Mr Barry Cash, Chief Executive Officer, Tasmanian Water & Sewerage Corporation (Northern Region) Pty Ltd t/as Ben Lomond Water
Mr Andrew Kneebone, Chief Executive Officer, Tasmanian Water & Sewerage Corporation (North-Western Region) Pty Ltd t/as Cradle Mountain Water
Mr Mike Paine, Chief Executive Officer, Tasmanian Water & Sewerage Corporation (Southern Region) Pty Ltd t/as Southern Water
Dr Christine Mucha, Chief Executive Officer, Tasmanian Water & Sewerage Corporation (Common Services) Pty Ltd t/as Onstream
Mayor Tony Foster, Chairman, TWSC Statewide Owners Representatives

The committee resumed at 10.40 a.m.

CHAIR (Ms Rattray) - I would like to welcome everyone here this morning and I know that this is the first time for this type of process for many of you so please do not be concerned or worried about what might happen. We will certainly be as kind as we can today. We would like to welcome Mr Geoff Willis to the table. Geoff, would you like to introduce the team that you have at the table and then when you have any interchange during the first session, if you could

identify who those people are at the table for the sake of members of the committee and also for *Hansard*.

Mr Willis, I will invite you to make some opening comments on behalf of Onstream and the water corps.

Mr WILLIS - Good morning, Chair and committee, thank you very much for this opportunity to make an opening statement. I will begin by introducing my colleagues. Tony Foster is the Chairman of the Owners Representatives and represents all of the councils through the ownership structure that we have and through the three regional owners' representatives groups. Tony sits alongside us today to look after matters relating to the shareholding. Andrew Kneebone on my right is the Chief Executive Officer for Cradle Mountain Water. To my left, Dr Christine Mucha, who is the Chief Executive Officer for Onstream, Michael Paine, the Chief Executive Officer for Southern Water, and Barry Cash, Chief Executive Officer for Ben Lomond Water.

Thank you very much, Chair, for the opportunity to say a few opening words. Collectively the boards and the management teams believe that the water and sewerage reform objectives of improving public health and environmental outcomes for all Tasmanians is a very important endeavour and we have set about this with all of our energy.

We consider that the former issuing of these four water corporations as being fundamental to the improvements. We think that the formation of the corporations was appropriate and timely, and the work is now well underway to make those improvements. Having a full complement of 700 people absolutely focused on water and sewerage matters has enabled us to set priorities, plan the future and build up the necessary skills and capability in this sector.

The regional focus has been important because lifting the municipal boundaries has allowed planning to be less constrained and regional solutions have already been identified in water treatment for the north-west and in waste water treatment, here in the south. We have some very good examples to bring forward for the committee members during the course of this review.

The progress which we have made to date needs to date from the time that we took full responsibility for these activities on 1 July 2009. We consider that we have made excellent progress with the governance structures that are in place, the senior roles being well defined and filled with quality executives, and management policies having been agreed to be the best of the best that came from the councils and the bulk water authority heritage. We have chosen the best of the best and we have spread that across the whole set of the companies.

We took on every staff member transferred to us and, with good will and respect, we have integrated all these people into the various operations. The changed management implications were enormous but our teams have integrated well and our staff engagement scores and the recently negotiated enterprise agreements are a testament to this. There is a growing pride in the workforce of the water and sewerage corporations.

[10.45 a.m.]

We took on every capital work in progress, evaluated its validity and I have to say all were validated in that process and we have worked assiduously to complete all of these projects and many of them have been completed in year one. We spent a considerable time reviewing the state

of our assets and we know from that that there is much to be done. All of our reviews convince us of the need for these water and sewerage reforms.

In the annual report for 2010 we nominated this one as a year in transition, a transition from council-controlled and bulk water authority activities into council-owned mode of operation and a year in transition because there was much to be integrated and much to be put in place. We are pleased with the progress that was made throughout the first year and progress which continues to be made right up until today.

There are just a couple of points, Madam Chair, to bring out. Our strict adherence to the corporate governance principles has seen us achieve all of the shareholders' expectations that were set for us in the shareholder letter of expectations agreed before the corporations were put in place. We have also achieved all of the regulatory requirements in the year to 30 June 2010 and we have established a relationship of candour and trust with each of the regulators, which will allow our detailed development of plans to be firmed up this year in a much more considered and coordinated way. We have achieved our budget. We achieved our budget at dividend distributions and we have maintained a careful watch on cost control whilst equipping the business for the expanded role that has been set for it.

Finally I would like to say that whilst we have achieved all of these milestones we have not made the progress with the brand and the image of the corporations that we had planned. In part this is because of billing mishaps, in part it is because of the government policy impacts and in part it is because of the intense scrutiny that comes with a change as substantial and profound as that which we have managed. This year we will introduce a new billing system. We will better engage with our customers and continue to improve our environmental compliance and operating efficiency. Corporations have been dedicated to making the existing ownership, governance and relationship model work. Our approach has been to keep the regional corporations wholesome whilst at the same time extracting the benefits of shared services through Onstream.

We have organised ourselves as required by the Tasmanian Water and Sewerage Corporations Act and we have implemented this with business efficiency as the main driver. We are aware of the public interest in Onstream. I trust that the committee's visits have been informative. Onstream, in the main, has not been well understood. It is often reported in newspapers that it is the umbrella organisation and it is not that in fact. Onstream is a shared services organisation owned by the regional corporations to extract the benefits of doing things once, doing them well and doing them collectively at the lowest cost and at the lowest overall risk.

Chair, we thank you very much for the opportunity for these opening remarks and to introduce our team and we look forward to participating in your committee's review.

CHAIR - Thank you very much, Mr Willis, and I will take the opportunity to kick off the questioning. You have alluded to the fact that it has not been an easy process selling the message out into the community and you have highlighted three aspects of why you think that has been the case. I am interested to know what you, as head of the organisation, see to be able to turn that around in the immediate future.

Mr WILLIS - The number one priority for the corporations is a new billing system. We think that the corporations have made very good progress in an operational sense in integrating the teams and in the work management and the capital planning but the community perception of

us is very much driven by the accounts that come through the mail. It is just a matter of fact that the corporations began without a billing system and we chose to request our council owners to prepare the first accounts for us, and that was the case for 2009-10. It was quite a difficult process. We had a combination of 10 councils and two so-called biller hubs at Burnie and Brighton in order to send out our accounts. It brought with it both delays in the time of sending them and also an error rate, which in the long term would not be acceptable to the corporations. We think that the introduction of the new billing system, which we have started on and brought to a situation now where we are expecting to cut it over early in 2011 so that the third instalment for the 2010-11 year will be prepared on the new billing system, is really a key to us having a much more capable connection with our customers. I think that is the number one priority area for us.

From a more general standpoint, I think the growing pride in our people and the way we are bringing the organisations together and the way that the people within the organisation are able to understand the strategy as a feature of the corporations will hold us in good stead. We are just getting stronger and more capable as time goes by and we will continue to build on that front. The number one ticket item for us is the new billing system.

CHAIR - Obviously you have identified your staff, and I think there wouldn't be any organisation that would not identify that their most valuable asset is their staff, so can we have the numbers of staff that came to the organisation? Also, what are the staff numbers at this point in time and what are they expected to rise to in the future?

Mr WILLIS - I will begin more broadly. I think we have all the numbers. We were of the order of 700 at the time that we began - 680 or something of that order.

Mr WING - We have been told 640.

Mr WILLIS - The numbers have grown because it had been identified in the so-called due diligence work that there were many positions within councils where there was 0.2 of a person or 0.3 of a person involved in the water and sewerage activities, which did not readily accumulate into being an actual transfer of a person. We have looked at the activities which need to be performed and set ourselves the staff complement that will be needed. We have done that corporation by corporation and we are working to come to that level, which in an overall sense will come back to the sorts of numbers that are in the due diligence report. Does anyone have the numbers for each individual company? Perhaps that would be a way of working through.

CHAIR - That would be a good way to start. This is the first time for us as a committee dealing with this type of structure, so we might have to bear with each other a bit because we are going to overlap, I believe, in some areas. We will try to follow up on each particular area before we leave it and move on to another area.

Mrs TAYLOR - Chair, if we can, can we concentrate on Onstream for a start?

CHAIR - We will.

Mr WILLIS - Perhaps we will have a run through the numbers.

Mr CASH - Due diligence indicated that there were 194.7 FTEs working in our region who would effectively transfer to Ben Lomond Water and there were some to go to Onstream. There has been a move since that and the three corporations have taken on call centres, so if we added

the five we have in our call centre, due diligence indicated about 200 were working in the industry before we started. At 1 July last year we started with 152 FTEs, so that is significantly below the number that had been working in the industry previously.

Mr WING - Sorry, what was that number again?

Mr CASH - It was 152. As at the end of last month, our number was 181.4 FTEs and my best estimate currently is that we will land at about 188. So that is about a 6 per cent efficiency gain since formation of the corporation.

Mr PAINE - Similarly, the due diligence work that was undertaken identified 322.5 FTEs for Southern Water. The number transferring from our owner councils and Hobart Water was 285. We started on 1 July with 299. We currently have 339.3 FTEs, 21 apprentices and trainees, 5.5 people on external contracts in capital works and 20 contract employers working for us. So that is a total of 383 FTEs.

CHAIR - I noticed a couple of advertisements in the paper recently for new employees. Are they counted in those numbers?

Mr PAINE - They are counted in those numbers because they are vacancies.

CHAIR - Thank you. We may as well do Cradle Water as well.

Mr KNEEBONE - We do not have the due diligence numbers.

CHAIR - We can take those at a later time.

Mr KNEEBONE - We transferred 130 FTE employees to the corporation and I think we were running initially with 145, and there are currently 165.

CHAIR - Thank you. Do you have the numbers for Onstream?

Dr MUCHA - On the due diligence side, one of the things that was apparent when KPMG did the due diligence report was that it was really about still working out the balance which Barry alluded to between whether the services were sitting in a regional corporation or in the common services. But on the benchmark, which is what I have alluded to, it is 71.17 FTEs.

Mr WING - Is that currently?

Dr MUCHA - No, this is under the due diligence, that the due diligence indicators should have. But it was also indicated in that same report that in the start-up there should be more people available to get the systems up and running, which has obviously been apparent through the billing. So on our numbers, on an FTE basis we currently have 83.5; of those, 10 FTEs are temporary and they are there to help us while the billing system is being put in place.

CHAIR - Can I say that we appreciated the look through both the Launceston and the Hobart offices and I know that we have been given those numbers but it is important to get them on the public record.

Dr MUCHA - No, I definitely agree.

Mrs TAYLOR - If you do not mind going back, first of all, to the billing system which is, as you said, the major challenge, Geoff, one of the major challenges facing you. Can we ask you first of all, what is the cost of the billing system going to be?

Mr WILLIS - Christine knows that in detail but I know the board-approved level is \$3.8 million. I also know from our review yesterday that we still have contingency in hand and so we are expecting it to come in from that \$3.8 million.

Mrs TAYLOR - You said the timing would be early in 2011, ready for the third instalment. So when can people expect that third instalment bill to arrive? It is a question everybody is asking because bills are a serious issue.

Dr MUCHA - On 13 February.

Mrs TAYLOR - At the end or the beginning?

Mr CASH - It is spread across. We roll it out so that our call centres are not inundated.

Dr MUCHA - So we will be working with the three regional corporations to discuss how best to distribute it because that is the biggest concern - how you manage suddenly 180 000 to 190 000 accounts going out across the whole State.

Mrs TAYLOR - Just recently - yesterday in fact, so I have not had any time to do any investigation into this - we were told that Aurora offered Onstream to do their water and sewerage billing when Aurora, I believe, is in the process of implementing Tasmania's largest-ever IT system -

CHAIR - Probably the most expensive as well.

[11.00 a.m.]

Mrs TAYLOR - spending \$60 million to build a quarter of a million-plus customers, and their suggestion was that it was a sensible request that would have made better use of what was their very expensive billing system rather than Onstream setting up its own. I suppose the question is, why did you refuse Aurora's offer? And in particular, it is not just the capital cost but also the ongoing savings there might have been to have one person reading electricity meters and water meters, rather than you sending one lot out? I know it is probably a difficult question without notice.

Mr WILLIS - Not at all. First of all as to process, the specification for our billing system we worked up what we really need, and then with due process we had a tender to evaluate all of the options, one of which was Aurora, but we chose this solution, Gentrack, because it seems very tailored to the needs of the water corporations. I think we took into account these factors, but we still chose Gentrack. Christine was the chairman of the steering committee, which included the other chief executives to make that evaluation, and she can tell you in more detail the reasons.

Dr MUCHA - Basically, we approached Aurora and when they saw our specifications and saw the position they were in - that they could not deliver in the short term for us - they actually withdrew and did not put a detailed tender in. It went to two processes, which Geoff would not be

fully involved in, the corporate expression of interest, and then from there we took the ones that were most appropriate, and Aurora did not continue.

The difficulty with our system at the moment is that it is different to a normal electricity business because it has been based on property. We also had interest from a mainland water utility company that was interested in potentially providing, as you said, a hosted service. They looked at our current system - we had 29 billing systems - and realised they were not set up properly for this, because Victoria, and Mike might like to comment on that, has moved to the next stage: the two-part pricing, and then also it encompassed about 2 000 different tariff arrangements.

So the complexity actually deterred a number of potential people from doing the service. But their pricing, had we continued with a hosting arrangement, was still very competitive. We put this to the board, about what the pricing was, and effectively overall yes, it is 3.8 because it includes an interim solution of 300 000 but basically it is \$3.5 million. If you depreciate that over 10 years that is a relatively low cost and it will come up with a system that we are slowly building on and the regional corporations will benefit from that.

Mrs TAYLOR - In terms of billing, obviously timeliness of bills has been a real issue over the last 18 months. All of us, and you also, have had a lot of customer dissatisfaction. One of the things is that it has been 18 months and there are people who have not received volumetric charges. Have the volumetric meters actually been read?

Mr CASH - Yes.

Mrs TAYLOR - So what will happen when you eventually send them a bill? Will they get a back bill now? We heard anecdotally of one person who said that they cannot do Christmas this year because they are so worried about what the volumetric bill is going to be when it eventually comes.

Mr WILLIS - Probably by region would be the best way to answer it, because there are differences.

CHAIR - Mr Finch would like to backtrack on the Aurora offer of accounts. So we will do that one before we move any further.

Mr FINCH - Dr Mucha, I just want to get a clarification of the process in respect of Aurora. Did they approach Onstream or did Onstream approach Aurora in discussion about a billing system?

Dr MUCHA - Originally, Aurora approached us to see if there were opportunities of working together, but they also recognised that they were still a long way down the track with what they were doing. They also realised the complexity of our system. In three or four years, or five years' time when there is some clarity of our system, and it is much simpler, then that opportunity, and it would be obvious if they are far cheaper, is the way to go. But at the moment it certainly is not the solution.

Mr FINCH - Aurora, then, just did not proceed with working through the process with Onstream.

Dr MUCHA - That is right. They had their other commitments they needed to handle themselves.

Mr FINCH - Is Gentrack a mainland company or a Tasmanian company?

Dr MUCHA - It is a mainland company that originated in New Zealand. They have very much a utility product, so it is centred around an understanding of the water utilities. They have been doing work on the mainland with water utility companies so they understand where we want to go, but also recognise the complexity we are currently at at the moment. We are working through that with them, about running a complex system to start with, which we will simplify over the years.

Mr FINCH - The contract is yearly?

Dr MUCHA - There is the up-front licence purchase and the implementation costs that will be spread over five to 10 years, as I said earlier, but then there is the annual licence so there is nothing to stop us discontinuing that licence if we choose. We are not locked in.

Mrs TAYLOR - But you wouldn't throw \$3.8 million down the drain, one presumes?

Dr MUCHA - No, and also there is a lot of other individualism that the corporations have wanted to put into it, so it would be very silly to do that.

Mrs TAYLOR - Can we continue with the billing if there are other people asking about the billing?

CHAIR - I think there will be other people. Mr Dean, would you like to ask any questions in relation to billing? I am mindful that I need to share these questions around.

Mr DEAN - What sort of staff will be required to run the billing system?

Dr MUCHA - This is an interesting thing. For the billing system in that first year - and we appreciated the support of the councils - we used what we call two hubs plus 10 councils that provided the information to us. We have now transferred the data into an interim system and basically, because it is still very manual and the call centres cannot yet do all the things they would like to do and what we plan to do, it is a bit hard to know the exact numbers of what we would look at in terms of the future. That is why, as I alluded to earlier, we have 10 temporary staff rather than permanent staff.

Mr DEAN - It could be up to 10 staff, is that what you are saying?

Dr MUCHA - I would be very surprised if we cannot reduce the numbers, but certainly the 10 we have now are temporary. The main thing we have to do at the moment is cleanse the data and that takes manual operations to go through and check. That is why, unfortunately, we do get these aberrations when sometimes the addresses are not quite matching, and those sorts of issues. Also there are the issues of change of ownership and supplementaries et cetera, which are very manual at the moment.

Mr DEAN - Will those personnel be domiciled in the head office at Launceston?

Dr MUCHA - Basically, the revenue services, which is the billing team, includes a whole range of services within it. They will be, and are, located in the Launceston head office, but with the temporaries, they are, except for two of them, also currently located in the Launceston office. They have been employed through an employment agency, because that is the best way to do it on a temporary basis. I cannot say what will happen to their individual employment situations. But those that are currently working for us on a long-term basis will certainly be in Launceston.

Mr WING - On the question of numbers, I wonder if I could ask - through you, Madam Chair - if we could have the details of staff numbers before the new system came into operation on 1 July and the current ones of each of the corporations and of Onstream?

CHAIR - We have already asked for those and got them.

Mr WING - We have them?

CHAIR - Yes.

Mr WING - I see, fine, thank you for that. I want to deal with the question of staff numbers of Onstream at this stage. Dr Mucha, you referred to the Launceston head office and I was delighted when I first heard that the head office of Onstream would be in Launceston, and then certain events have happened since which have cast some doubt over that. Could you please give us the number of staff currently working from Onstream in the head office at Launceston and in the Hobart office? Are there any working anywhere else?

Dr MUCHA - I will refer back to the earlier question you raised about the location of people because that is important for Onstream. When we started we had to set up the systems very quickly. In the south of the State, 28 people transitioned across, four in the north -

Mr DEAN - This is into Onstream?

Dr MUCHA - Yes, into Onstream. The critical element was the housing of the 28 in the south - and there were two in the north-west. This was in June 2009 - those people moved across.

Mr WING - So, 28 in the south, four in the north and two in the north-west?

Dr MUCHA - That is right. Currently, as at November this year, we have 40 staff in the south, 45 in the north and three in the north-west - a total of 88. If you took it on a percentage basis, in June 2009 there was 82 per cent in the south, 12 per cent in the north and 6 per cent in the north-west. Currently, we have 45 per cent in the south, 51 per cent in the north and 3 per cent in the north-west.

Mr WING - What business plan is there, and what are the conditions and requirements for staff appointments in the future, to make the Launceston office truly the head office? It seems somewhat token at the moment and I would like to know what definite plans and guidelines there are for the appointment of new staff, particularly in relation to location.

Mr WILLIS - The board of Onstream has decided that the head office should be in Launceston. We want to achieve a majority of staff in Launceston in an orderly way. I note that, under the water and sewerage legislation, terms and conditions for staff cannot be changed in the first 12 months of operation, so there was a restriction in place. We have consciously taken the

decision to, wherever possible, make new appointments in Launceston. There are some functions of Onstream where the appointment of an officer may be more appropriate in Hobart. For example, Hobart is the centre for the Auditor-General - for the regulators and so on - so there could be some functionality of Onstream more suited to Hobart. In each case where Christine is trying to find a new appointment in Launceston, but the best candidate is available in Hobart only, she needs to have approval from me, as the chair, in order to make that appointment. We have a very conscious policy in place to increase the complement of people and the number of activities in Launceston, but we are doing it in an orderly, case-by-case basis, without interfering with the effectiveness of Onstream in total.

Mr WING - Soon after the announcement was made that Launceston would be the headquarters, Dr Mucha was appointed chief executive, and then an advertisement was placed for a corporate secretary to be specifically based in Hobart. I know that disintitled at least one appropriate applicant from Launceston. Why was that specifically a Hobart-based appointment?

Mr WILLIS - I do not remember that it was specifically Hobart, but if I take on board that it was Hobart -

Mr WING - Just pausing there, do you think it would be inappropriate if it were?

[11.15 a.m.]

Mr WILLIS - No, it is just that we have moved. That would have been one of the very early appointments - setting up the governance structure. We have certainly moved to the position where we specify Launceston, unless we think we will attract a bigger pool of candidates to examine if we do not specify any location. It would be unusual now to have a Hobart appointment.

But I certainly take on board that it was the case. One of the influencing factors would be that, as the Chair, I am located here in Hobart. Alongside the chief executives, the person I work most closely with is the secretary of the corporations, so it is very convenient and effective to have that person located in Hobart.

Mr WING - Since 1 July 2010, after the initial period of 12 months where there could not be any tampering with existing employment conditions, how many appointments have been made to Onstream?

Dr MUCHA - July 2010? I can really talk more on FTEs in this case because that is the number that I have.

Mr WING - Yes.

Dr MUCHA - Since that time, around one or two. In July 2010 we had 75.6 FTEs and currently we have 76.2 FTEs. So we really have not -

Mrs TAYLOR - That is a total number. That might not reflect movement.

Dr MUCHA - Sorry, you asked me about the movement.

Mr WING - There are 88 total staff now.

Mrs TAYLOR - He asked about new appointments.

Mr WING - Since 1 July 2010, when the restriction was removed on -

Mrs TAYLOR - There might have been people who left, and new people appointed in positions.

Dr MUCHA - We did have one - and I am sorry I am being a bit vague - but we did have one staff member who wanted to live in Launceston and moved. We had another one - a manager - who wanted to live in Launceston but he decided, for family reasons, that it was not appropriate. So he returned to Hobart. We have had other appointments in Launceston as well.

Mr WING - I want to be quite specific here. What was the total number of employees with Onstream, whether they were full-time or not, as at 1 July 2010?

Dr MUCHA - 75.6 FTEs.

Mr WING - Now there are 88?

Dr MUCHA - 76.2 FTEs.

Mr WING - I thought in November you said there were 40 in the south, 45 in the north -

Dr MUCHA - They were headcounts.

Mr WING - That is what I am asking.

Dr MUCHA - So I will give you headcounts. On 10 July there were 87, as headcounts.

Mr WING - 10 July?

Dr MUCHA - Yes, and in November 2010 we had 88.

Mr WING - So, very little movement in that period. I wanted to talk about accommodation that Mr Dean -

CHAIR - We have some more staffing so we will follow that line at this point in time.

Mrs TAYLOR - You said there were 28 staff who transitioned across in the south at the beginning. How many of those 28 do you still have? The question is related to costs and staffing numbers, because you indicated you needed to establish a base in the south to accommodate people whose workplace agreements and work conditions had to remain the same - they could not be relocated. How many of those 28 do you still have?

Dr MUCHA - I would only be guessing at this stage. Probably somewhere around four. I would be guessing because -

Mrs TAYLOR - Three or four might have moved, but you would still have the bulk of them?

Dr MUCHA - Yes. One transitioned to Southern Water in the south.

Mrs TAYLOR - There are normal staff turnovers in every business so I am just asking for that. It is related to the location of both officers, obviously. I understand that you considered either leasing, as you have now done, or co-locating at a council. You had various options and you chose this one. How long is your lease?

Dr MUCHA - It is five years.

Mrs TAYLOR - How much does it cost in Hobart?

Dr MUCHA - It is \$250 000 per annum.

Mrs TAYLOR - Is that with on-costs or just the lease?

Dr MUCHA - That is gross, it includes ongoings.

Mrs TAYLOR - It includes electricity, cleaning and all those kinds of things?

Dr MUCHA - Electricity and cleaning is separate.

Mrs TAYLOR - They are the on-costs.

Dr MUCHA - They talk about outgoings - that includes outgoings.

Mrs TAYLOR - The \$250 000?

Dr MUCHA - Yes.

Mrs TAYLOR - That is the total amount?

Mr WILLIS - It includes outgoings but it does not include cleaning and electricity.

Mrs TAYLOR - What else doesn't it include and what sort of costs are we talking about?

Dr MUCHA - Cleaning is \$22 000 and electricity for last year, I think, was about \$38 000.

Mrs TAYLOR - Am I allowed to ask about the water bill? And are there other costs?

Laughter.

Dr MUCHA - Everything is included. At this stage, with the water, it is still part of the rates and so the owner would have built that into the lease costs.

Mrs TAYLOR - Can you get out of the lease in less than five years?

Dr MUCHA - If we chose to, in the sense that we would probably have to look for another tenant. I don't know the penalties.

Mrs TAYLOR - It is a little difficult to understand why you might not have chosen one of your other options. Can you explain to us why you chose this option - Geoff, you might like to

answer that - rather than, say, locate at a council when you are looking at a maximum of 28 people?

Dr MUCHA - Basically we looked at a number of sites and there was one site that one of the councils offered because they had some space but there had been no renovation work or wiring or anything done to that space. It was very old and would have required a retrofit - in other words, we would have had to remove everything that was in there and then put new things back in and that obviously involves additional cost and extra time.

Mrs TAYLOR - But we are looking at \$300 000 a year that you are going to pay for the next five years.

Dr MUCHA - Yes. The pricing differentials weren't that great when you looked at the requirements of space.

Mr DEAN - On your employees and where they are, in your annual report at the beginning of the end of June of this year you said that you had 40 employees in the Launceston office, 29 southern-based in the Trafalgar Building, and three staff on the north-west coast. We are now told you have 40 in Hobart, 45 in the north and three on the north-west. What has happened since the end of June to change the employee numbers in the two areas, the south and the north? There has been quite a drastic change - 29 in Hobart at the end of June, if your annual report is right and I take it that it is - now to have 40, so there is a change of 11 in Hobart, with five changes in Launceston.

Dr MUCHA - The five changes in Launceston is easy to explain because basically that includes additional staff that we have on as temporary staff to undertake the billing service.

Mr DEAN - How is the Hobart staff?

Dr MUCHA - That is what we said, 29 at the beginning of 1 July 2009. This is not talking about the numbers of 2010.

Mr WILLIS - It is a little bit confusing, Mr Dean. Currently we have 40 employees in Launceston.

Mr DEAN - That is right.

Mr WILLIS - In the south office space was leased in Hobart's Trafalgar Building to accommodate 29 staff transferring to Onstream on 1 July 2009. So this was one year earlier. The increase we are referring to is over -

Mr DEAN - You are right, it is confusing because in one area you have the numbers established at June ending 2010, currently, and then you have the number starting at July 2009 at 29.

Dr MUCHA - It is just confusing the way it has been written.

Mr DEAN - It is very, very confusing and not well written.

CHAIR - There is a lot in that body of information.

Mr WING - I have some on accommodation. For the record, we know the amount, but what is the annual lease payment for the Launceston office?

Dr MUCHA - It is \$177 705.

Mr WING - Are there any additional costs, like electricity and cleaning?

Dr MUCHA - Electricity is \$10 000 because it is a greenhouse building and we are noticing the differences straightaway, so that has been a positive. That was one of our decisions in moving there. The cleaning costs are \$15 000. However that is under negotiation at the moment.

Mr WING - That is to accommodate 45 members of staff at the moment. There is obviously a lot of extra space beyond what you require at the moment and I realise that you are leasing out meeting rooms for Tasrail and other bodies but I doubt if that would be bringing in any significant income at this stage.

With that area of accommodation in Launceston, up to how many staff would that accommodate reasonably?

Dr MUCHA - I do have the table but it is a matter of where it has been put. Going back to the other comment, though, we have sublet an area there of two offices and, again, I am not sure if that is on the same table.

CHAIR - We can get that at a later date.

Mr WING - I will refer to the space other than that which you have sublet.

Dr MUCHA - I thought that might be raised and I do have a table but unfortunately I or someone else will have to find it.

Mr WING - There is quite a lot of extra capacity there for staff. How long is the lease for in the Launceston office?

Dr MUCHA - It is a 10-year lease.

Mr WING - And CPI adjustments?

Dr MUCHA - CPI negotiation is in about a year's time. Currently there are new owners so we will be renegotiating.

[11.30 a.m.]

Mr WING - In your forward business planning, how many staff members are you expecting to accommodate in the Launceston head office in the next five years?

Dr MUCHA - Five years is a long time.

Mr WING - Not as long as 10.

Laughter.

Dr MUCHA - But the intent was when we looked at the lease, and I discussed that with the chairman, that it was to be the longer-term site. It was also the opportunity to build Onstream up in Launceston in a number of areas. As I said, it is not just the billing services up there, it has a very strong IT team and that is where there are some tremendous opportunities. Obviously we took into account what our legislation was talking about - the framework - with regard to providing other business opportunities so we took that all into account.

What I would see the numbers to be in the future is a little bit difficult because it is a balance between looking at the number of people versus what is the cost and the service that you provide, and one of the drivers of our business is very much about efficiencies, not necessarily about the number of people.

Basically, as time goes by, we will be looking very much at systems and that is why I referred to the sophistication of our IT area, that basically we can then start to build on systems. What this means to the number of staff is difficult to comment on. But certainly there are opportunities.

Mr WING - Yes, there is certainly plenty of space to increase the number of staff in the Launceston head office significantly. Do you have any plan at all, any goals or objectives up to what level you are intending to increase the staff levels in the head office to make it something more than a token head office, which it seems to be at the moment?

Dr MUCHA - I know there is reference to the word 'token' and I would like to point out that when we started, we had two people.

Mr WING - Four, you had four.

Dr MUCHA - Four but one transitioned to another organisation. But, fundamentally, we have been going 12, 16, 18 months so, to me, that is a tremendous growth and I have pointed out before that the important thing is that we do not duplicate the services.

When the transition occurred the skill base was very much in the financial services and the payroll area, and that is what we have built and managed in the Hobart area to make sure that we can meet all the payroll requirements and the systems. They can be transferred over time but you cannot really run those, broken up, so you need to have a tight group to run that service. Equally, in the north, where we have built the revenue services side, that was a very new area so it did offer some wonderful opportunities. Another area that we have built is procurement - there are new people coming on procurement - and another is IT.

Fundamentally, they are the areas that we are focused on at the moment. Because, as the chairman alluded to earlier, our focus is very much on the billing system - let's get that up - we have temporary resources in there. We are not sure about what numbers we will finally need and, again, and I do not want to get waylaid from the cost and being efficiency-driven and making sure we do it most efficiently.

So it is very difficult to give a specific future growth.

Mr WING - Yes, I appreciate the policy of making the Launceston office the head office and the numbers that have been appointed there in the time available. I am just hoping to get some assurance that that is going to continue and I was hoping that there might be a policy that all

future appointments would be based in Launceston unless there was no suitable applicant to fill that position. Would that be a general philosophy?

Dr MUCHA - I can assure you that that has been the philosophy we have used and we have certainly looked very broadly, both in the north-west as well as the north, and where we have had a couple of appointments in Launceston in the IT area, and in the areas of communication and more specialised areas of IT communications we have appointed people from the north-west coast as well.

Mr WING - Yes, thank you very much.

Mr WILLIS - Could I just reiterate this for Mr Wing. It is very unusual for the chief executive officer to have to refer to the chairman for a staff appointment but we do have that policy in place just for the very reason which you are outlining. We have a conscious decision to move the head office and the majority of people to Launceston and we would like to do that as effectively as possible.

Mr WING - Thank you.

Mrs TAYLOR - I am a bit confused here, there is a little bit of a mixed message for me. Obviously you are talking about efficiency and economies of scale and Blind Freddy would have to see that one office has to be more efficient and a better economy of scale than two locations. I understand what you are saying about the policy but then at the same time I think when your CEO is saying that you are building a specialist team in Hobart in this area, if you build a specialist team in Hobart then you are never going to relocate that team, are you? If you build a team here then they are going to be located here. In most companies, with respect, I would say that if it is a company which is based in one place then when you advertise for people you would advertise in that location and normally you would not say, unless that person cannot be found there, in which case you will have an office somewhere else for that person to be. The job is offered and the person locates to where the job is if they want the job.

Mr WILLIS - I would like to describe things really as being in transition and evolutionary. If you take the payroll group, the payrolls needed to be prepared on day one for 29 councils with more than 29 different enterprise agreements. It took considerable effort to muster the capability to do that and the centre for doing so was in Hobart because we had enough competency to build around to be able to pay everyone on day one. During the course of this year we have negotiated new enterprise agreements and now there will be one for each company, hence four enterprise agreements instead of 29. The level of complexity for the payroll system comes down considerably and once we have that more regular shape we can investigate whether there is a suitable new payroll system that will work better for that shape and then at that decision point we may well choose to locate that activity in Launceston but this is an evolution that takes changes in the operations like the enterprise agreements, changes in the systems that would be applied and it is the sort of five-year time frame that we are looking at. These things will need to evolve in order to be effective at the moment and plan well for the future; it does need that sort of consideration.

Mrs TAYLOR - I understand where it has come from and I understand the difficulty there has been but I would have thought that five years at a fairly expensive location might be more than you would need.

Mr FINCH - Mr Willis, not looking to be controversial here but looking to simply give you some feedback, a two-way street: we had stakeholders in to talk to us about some of their issues so I am putting out a comment to you that came from a stakeholder, just to allow you to talk about perceptions and realities and the way things might be improved in the future and what you are working towards. The comment was that there is communication discontent between owners, between the councils; they are not happy with the communication that they have back to the corporation, it is cumbersome to deal with, direct contact with the board might be good and frustration is more marked in the north than in the north-west. I wanted to put that comment to you to give you a chance to comment on those things.

Mr WILLIS - Thank you, Mr Finch, and it may be something which Mr Foster wants to add to as well. We acknowledge that in the first year or so of operations our communication with our owners has not been as effective as we would like it to be. This is clear. We would like to be much more engaged with our owners. The corporations have done their very best to make that communication happen. We have a shareholder letter of expectation which is quite detailed and prescriptive about the way that we should work together with our owners and we have met all the requirements within that.

But it is a very new situation for the councils to be owners of a business rather than the operators of those activities. The level of involvement is consequently less. In the future model we are working with the council is the owner of a business and needs to see that the business is being run effectively whereas before it was the owner of the pumps and pipes and needed to be sure that they were being operated effectively. In that transition we have done our best to report and to engage and communicate with owners, the councils, but it is our own assessment also that it has not been as effective as we would like it to be. As it is more settled and as these routines of quarterly reporting and annual general meetings and communication sessions get to be better known by all, this will improve. We will do it better as our operations settle; our senior teams will have more time for that engagement and we will do it better.

Mrs TAYLOR - As we are particularly dealing with Onstream, a separate issue for the three corporations and the owners reps - and I agree with you, it is not a criticism at all that I have of the corporations, perhaps more of the structure - it seems to me that the owners of Onstream are not the three corporations, the other three corporations are the owners of Onstream. So Onstream itself actually does not have to report back to the owners of the other three corporations -

Mr WILLIS - The ultimate owners of the corporations.

Mrs TAYLOR - to the ultimate owners of the businesses. So in a sense it is nothing to do with Tony and the rest of the owners reps. In a sense, that makes Onstream untouchable.

Mr WILLIS - On the contrary.

Mrs TAYLOR - Explain to me how it works then.

Mr WILLIS - Onstream is a service provided to the three regional corporations and provides those services under commercial agreements.

The corporations judge the effectiveness of Onstream in a very commercial way as they would with any other external supplier. The only question that is to be put here is that Onstream's operations are not as transparent for the ultimate owners as the regional corporations because it is

nested one level below. But being nested one level below does not mean that we do not scrutinise and pay attention to this in a very commercial way. It just means that it is not so transparent to the owners.

Mrs TAYLOR - Yes, and in fact the owners have no way of looking at the balance sheet or the operations or any of those things.

Mr WILLIS - We do have the published annual report. It is quite extensive and meets all of the requirements of the Auditor-General. We do have quarterly reporting to the owners.

Mrs TAYLOR - The owners being the three corporations.

Mr WILLIS - Yes. One of the important costs within that and one of the important activities is billing. All of these matters are in the text of the reports going through to the owners. The actual financial statements of Onstream are only published once a year whereas for the regional corporations the financial statements are published once a quarter, unaudited in each case until the audited one for the year.

Mrs TAYLOR - The owners through the owners reps can actually look at, ask questions of the three corporations but not of Onstream.

Mr WILLIS - Yes, but they do have the power to ask the very important question of the chief executive of each of the regional corporations, whether you are getting effective service for the money that you are spending on Onstream because that is one of the outgoings of the regional corporation. That question has been asked in all of the owners' representatives meetings I have attended.

[11.45 a.m.]

Mrs TAYLOR - Absolutely, but I have heard the answer and the response has been that we have no choice but to buy the service from Onstream, so in a sense it is almost a monopoly.

Mr WILLIS - There is no choice because the legislation prescribes what will be done by Onstream but there is choice and control in the way that that is provided. There is no choice if it is more effective and cost-efficient, less risk and more compatible - you know these tests that are in the legislation. They set down what Onstream will do but the chief executives of the regional corporations and their team ensure that Onstream delivers that commercially.

Mr CASH - There is a good deal of prescription but one of the things that has changed in the first 16 months of our operations is that there was a full expectation that call centres would be run by Onstream. In the beginning Onstream contracted to provide those call centres and now they are run by the regional corporations and the call centre staff are employed by us. Each of us in the three corporations concluded that it was a more appropriate, more efficient arrangement for us to run the call centres. Onstream still provides some overview and the platform for those things but we employ the staff ourselves now. Whilst there is a good deal of prescription, it is an indication that we look at these things quite rigorously because there is an instance where we did change it.

CHAIR - Are the models being reviewed on a regular basis? You're not waiting for a two-year review or a five-year review?

Mr CASH - We are mindful of the legislation.

CHAIR - Mr Willis, when will there be a review of the model if it is perhaps not working?

Mr WILLIS - We have to be cognisant of the legislation and it is very prescriptive, but within that we also have to be commercial. If there is a better outcome, it will not meet the tests that are in the legislation. It is a very active level of engagement between the regional corporations and Onstream to find the best way.

CHAIR - So there will be some information sent to the Parliament of Tasmania saying that there needs to be a restructure and then amendments are perhaps or perhaps not put through?

Mr WILLIS - We have not chosen to initiate anything of that sort in our first 18 months of operation because we have been very much trying to be as effective as we can within the existing framework. I think you will be well aware that there is a parliamentary review of water and sewerage with terms of reference already defined in the lower House and the structure of the companies and the very essence of what we are going to here is going to be examined by that review.

CHAIR - Do you want to make any comment on the timing of that review?

Mr WILLIS - The submissions are due on 17 December and this means that it will be less than 18 months after the start of the corporations. We consider that to be early in terms of the amount of work we have been doing in transitioning the companies. Having said that, the boards and the management have been working these last weeks, in line with the terms of reference, to make a submission that covers all the aspects that have been covered there. We will be actively engaged, even though we see that it is early in the life of the new corporations.

Mr DEAN - My question has basically been answered by Adriana - because you are under regulation, you exist under regulation, your regional bodies have little ability to make changes they might otherwise make if you were simply contracting services to them. My question comes back to the comment made about the call centre. As a result of Onstream now not providing the full call-centre positions to the regional bodies, did funding alter in any way because you did not provide that service?

Mr WILLIS - Yes, it did. Maybe Barry Cash from Ben Lomond could explain.

CHAIR - *Hansard* might reflect that there were five nods at the table.

Mr CASH - Absolutely. The cost of manning our call centre is not included in the service level agreement that we have with Onstream. Onstream provided that service in the early days by contracting the employees, and we paid for that service in fees to Onstream. We do not pay those fees anymore - we employ the staff ourselves and there is clearly a shift in the payment.

Mr DEAN - The staffing levels of Onstream changed accordingly?

Mr CASH - They were contracted in, they did not employ them.

Mr PAINE - The employment levels for the regional corporations moved accordingly, because we have employed those people.

Mr GAFFNEY - The Auditor-General recognised that it is probably early days in this process - getting new corporations in place in water and sewerage - and some have commented to us that the committee from the other place, meeting on the seventeenth, is probably 12 months too early to get good value.

Recognising that this is a huge entity servicing all of Tasmania - 500 000-plus people and 200 000-plus properties - businesses and boards will always be looking for efficiencies, and I have very little concern as to location, whether you have one place of business in Hobart or in Launceston, or south or north, does not really worry me, as long as it is efficient for the future of the corporations.

Political interference, Christine, must sometimes weigh heavily on people in your position and I would like you to reflect on what it was like for your organisation last year when the Government came out and said, 'Okay, we are putting a cap on this'. I just want us to understand what pressures that put on you, because that impacts on your funding and your finance, which the local councils control. I would be interested to hear Onstream's point of view, and the chair's.

Mr WILLIS - Chair, would I be able to begin?

CHAIR - I think it would be most appropriate for you to comment on that first. It has almost been the elephant in the room hasn't it, until now? Thank you, Mr Gaffney.

Mr WILLIS - Firstly, I will refer back to my remarks about the parliamentary review because one of its terms of reference is a review of the 5 per cent rebate and we very much welcome the timing of that review. I was referring to the parliamentary review in terms of the timing of some of the other, lesser-order terms of reference. So, it is the elephant in the room. It is a very important issue that we need to grapple with, because the water and sewerage corporations want to engage well with the community and they need to have sufficient funding to carry out the very substantial work program ahead of us in the next decade. Price capping and the change in pricing structures - water measuring and payment for water use - are going to have a lot of community impact and they need very careful consideration. We certainly welcome the review.

Regarding the particulars of last year's decision to cap at 5 per cent, I will just introduce this for Christine. Imagine the degree of difficulty in getting our billing right from 29 councils. We were set to do that in November, which was already a couple of months late, but we had been working on the principle 'It is better to be accurate than early'. We wanted to get things accurate, then the price cap was announced, and we had to send cheques to people, and recalculate every single bill. It was quite a demanding period for Christine and her team.

CHAIR - Those breakout rooms would have been used quite often, in the organisation's open plan structure?

Dr MUCHA - They would have been because it was just before Christmas.

Mr WILLIS - Yes, it is a testament to the strength of them that they were not 'breakdown' rooms.

Dr MUCHA - It was just before Christmas. We were due to do the run out and then suddenly we were told there was a cap happening. It happened over the weekend, if my memory is right.

CHAIR - Usually Sunday afternoon.

Dr MUCHA - I think it might have been that. We had to manually make changes because the 5 per cent cap was not consistent. Some of them did not have a cap, some had no changes, we had to do the volumetric components versus the fixed ones and we had sewerage and we had water. It was a very laborious, manual process and the staff coped well. It reflects well on them that our sick leave is well below the benchmark - 4.5 is the benchmark and we have had around 2.08 in sick leave. Staff are really committed - there were no lost time injuries and no medical-treated injuries, so they really took it in their stride.

I think it is related to the nature of the open plan environment we operate in - everyone could share. They had the breakout rooms where they could go and do their banging and jumping up and down about the frustrations. But certainly everyone came together and worked very hard on that process.

Mr GAFFNEY - But, it delayed what you were doing - you suspended what you were supposed to be doing to do this, and there is obviously a financial cost for that delay.

Dr MUCHA - Yes.

Mr GAFFNEY - Is there any costing?

Mr WILLIS - We did have a deed with each of the companies and with the Treasury which reimbursed us for the 5 per cent difference and the related costs in preparing the cheques, and the various administrative activities, so the corporations were kept whole by the State - and we are very thankful for that because that is how we met our budget - but it certainly goes to your point that there was a lot of additional work required in order to make that happen.

CHAIR - What happens when the 5 per cent cap comes off, whether it be earlier or in the time frame that has already been indicated? What is your opinion of what will happen out in the wider community at that point in time?

Mr WILLIS - We are moving towards a very difficult situation, because the 5 per cent difference is accumulative. It was 5 per cent last year, it is now 10 per cent of difference, and the State has committed to reimbursing us in the third year as well, which means there is a 15 per cent difference. In the current climate, 15 per cent is a very big price shock for the community to take.

The corporations are making it clear on our accounts - the full charge is reported there and the amount of this Government rebate is reported as well. We are making it clear what the total cost of the water and sewerage charge is, and we look forward to the review, to find a path through this so there are no price shocks for consumers.

CHAIR - But that is going to be almost impossible, would you agree?

Mr WILLIS - Very challenging.

CHAIR - Would you say impossible?

Mr WILLIS - I wouldn't say impossible, that is not the nature of me, but it is very challenging.

CHAIR - Are there any questions? You have stunned us, Mr Willis.

Mrs TAYLOR - That is the main question - what will happen when the price cap finishes. I don't think there is an answer to that - not an easy answer - but it is a significant issue of concern for the corporations as well as the community.

Mr GAFFNEY - Through you, Madam Chair - going back to Geoff's first point about the review by 17 September - the committee is going to focus on how to manage that situation. It will be an open and transparent discussion about how that will work and the community will be better informed. Political interference changes the whole ball game and we want to avoid that happening again.

Mr WILLIS - The corporations will be actively involved in the review processes and we will use all of our skills and capability to model potential outcomes and really work through this in an open way to find a good solution.

CHAIR - It has been suggested there could be regulatory exemptions, loans, an extended price cap and more rebate arrangements - even money from the Federal Government. Do you see any of those options as being a viable option for Tasmania's water and sewerage -

Mr WILLIS - I see all those options being part of the consideration, and perhaps a combination of all of them. I would add to your list that the returns to owners from the water corporations, and presently we are striving to make a 7 per cent return on assets, may have to be less. The owners may have to take some of the burden as well. It is a combination of many factors - all of the ones that you have listed and I think the returns to owners over the long haul as well.

[12.00 p.m.]

Mrs TAYLOR - In relation to that, the reason this has come about obviously is that there has been able to be government interference where the Government has been able to establish the price cap. What are the implications of that for the future? In terms of the review is it sensible to be looking at how much interference Government ought to be able to have on corporations that were set up supposedly to be viable corporations to make money?

CHAIR - We can take your answer in camera, Mr Willis, if that is something you would like to do.

Laughter.

Mr WILLIS - No, I am very pleased to respond.

CHAIR - It was a joke. I am trying to help you through the day in a lighthearted manner.

Mr WILLIS - I am very pleased to respond. The water and sewerage corporations will be fully regulated after three years but in the initial three-year period we operate under an interim

pricing order set by the Treasurer so I am personally not using the term 'political interference' because it is well within the gift of the Treasurer to make these changes under the interim pricing order. I think what we were trying to bring out here is the impact of what has happened. We are not disputing the ability to do that or even the reason for it.

Once we move into the regulatory frame where the regulator sets the pricing, the flexibility to deal with this will be less because there are very rigid structures around regulator pricing, so the time to pay attention to this is now. This needs to be solved in the next six months.

Mr FINCH - I could go back again to a stakeholder which may give you an opportunity again, Mr Willis, to give us your view of whether that opinion or observation is off course. The suggestion was that Onstream should go; that is the feedback that is coming from councils. Billing goes to corporations, it duplicates work and corporations have their own people who could in fact do that.

Mr WILLIS - Mr Finch, we do not hold that view. Our view is that shared services in a small community - Tasmania with the three regional corporations - is a way of bundling things together to get the most cost-effective solution. The four chief executives who are here with me have worked as a team to make sure that there is no duplication. We know that Onstream is not as transparent as may be desired but you can be assured by us that we have worked to make it cost-effective and without duplication.

Mr FINCH - When we talked about communication from Onstream back to people who are involved in councils, if those are the rumblings from down below, if there is some sort of an observation that is not in line with what you are trying to achieve, that communication of your opinion back down might enlighten people a little bit more so that they have a better understanding of the circumstance.

Mr WILLIS - Chair, it may be appropriate for Dr Mucha to indicate to the committee some of our analyses about the savings we think we have made in combining activities and working them through.

CHAIR - I think that will probably be a good place to start on the financials because there are a fair few of those in this annual report. Thank you, Dr Mucha.

Dr MUCHA - In the annual report reference is made to a comment of \$2.4 million savings in the first year. They were prepared by Onstream in October-November 2009 and obviously they were, you could argue, a cursory look but at that time it was the best estimate we had. Since that time, and noting that the comments you have raised that are out there about Onstream could be seen as a suitable or effective or commercial tool for the corporations, we have gone back and had a look and reviewed those savings. Again, Onstream has done that at this stage. They are somewhat flexible in the sense that as we go further into them there may be more savings. Now \$4.7 million is our estimate of savings. The comment was raised that some of the work could be done by the corporations, and yes it could be, there is no question of that, particularly for some of the areas where we do a lot of work in procurement for the corporations. Not all of it is in-source, so we don't do all the services. For instance, the after-hours call-out services, we have done a procurement for the corporations and that is an outsource that is done by another organisation. Likewise, with the internal auditory functions, we did all the procurement and helped through the process of the procurements, using our procurement experts. There is no other procurement expert within the other three regional corporations. There is a difference between procurement

and purchasing. With the procurement person, they also made the savings through the internal audit appointment of an outside internal audit organisation. There are some things that you could do, provided the organisations took on a similar sort of expertise and were able to do that. This is using economies of scale and obviously that was one of the considerations by the State Government. That would be \$1.9 million they could do of that \$4.7 million. So there still are, clearly, savings by having a number of systems and the operations of those systems within Onstream. It was mentioned earlier about billing and it would seem logical to run the billing system within one corporation with the expertise within Onstream to service the other corporations because it is a complex system. IT is another area that we have made significant savings in. In our actual savings in the areas that really are the systems - the billing, payroll and finance systems - that is \$1.794 million, and that includes people looking after those systems and managing them.

CHAIR - Can I take you to the annual report? There is a lot in the report and it states that there is a procurement saving of \$850 000 for 2010-11 based on that action to date. The expected revenue is \$13.5 million, so wouldn't that make the saving \$1.35 million?

Dr MUCHA - Procurement saving was referring to electricity. There have been other procurement savings but you quoted a price that was noted in the document that talked about savings in the area of electricity. Client servicing, \$850 000, it is estimated, going into 2010-11, based on the current usage patterns of the regional corporations. That was done by our procurement expert and that is that saving. That is one of those savings that, if the corporations chose to have the expert themselves and there was the commitment to do it, they would probably save that as well.

Mr CASH - As an explanation of that point, what happened in that particular case is that on behalf of the three corporations Onstream went through an energy procurement process that bulk purchased electricity for all three of the corporations under one contract, so that we collectively got a cheaper price so that we saved on our electricity purchases.

CHAIR - So obviously there needs to be a note indicating that.

Mrs TAYLOR - Could the three corporations have done that in any case, between yourselves, without having a fourth corporation?

Mr PAINE - We would have required someone to pull all of that together.

Mrs TAYLOR - I understand that, but regarding the cost of Onstream last year, and it depends on where you look I guess, but sales revenue, service income charged to owners is over \$13 million. That is a lot of money. One wonders. My question is, could all or any of those savings have been made by the three CEOs of the three corporations and the board working together without needing Onstream?

That is the question people are asking.

Mr WILLIS - I think that it is a valid question and it would have been possible, save for Christine's remark that by having Onstream and having dedicated and skilled purchasing people we have the expertise available to us to do that. We would have had to recruit that expertise into the companies. But there is nothing magical about Onstream's activities. They are simply to be the collective of all that was done before, to do it in an orderly way and to do it as efficiently as

possible. There are other models for doing that. There are other shared-services arrangements that happen without the need for a corporate structure.

But we have a corporate structure and we have used it effectively.

Mrs TAYLOR - Absolutely, I understand that. But I suppose that is the question in terms of the review. It is not a question for you because I understand that is the structure that you have to live with but it is a question for the review that is happening as to how much you could have achieved without Onstream.

Mr CASH - The asset valuation might be an interesting one because there are functions that we do under the model that you are talking about. We had to undergo a very serious process last year to undertake an asset valuation for all of the corporations and although that was done collectively it was actually run out of my office. So my people did that. There are areas where we do that, where we believe that is appropriate. But there are other areas where it is more appropriate that it be provided by Onstream. What we are trying to do is get the best blend of doing those things that we share between the three of us or having a centralised organisation do it on our behalf.

Mr WING - Yesterday we were told that at the time the three corporations and Onstream were established there were 640 employees performing water and sewerage-type work. I assume that these are effectively full-time employees and that now there are a total of 800. First of all I would ask for confirmation of the accuracy of those figures, 640 people working in the same area at the time of the establishment of the new system, and now 800. Assuming those figures are accurate, why is it taking 160 more people to do basically the work that was being done before, and is the new system worthwhile?

Mr WILLIS - During lunch we will check the numbers and come back in the second period with them exactly. But there is a difference between the number of people transferred into the corporations and the amount of work that was being done before because the people transferred into the corporations, which I think is the 640, were those who were employed entirely on water and sewerage activities or principally water and sewerage activities. There were many, many slivers of work being done by people that did not transfer in and we needed to bulk up for those. But secondly, you will see from that report that the capital program for last year for the water and sewerage corporations was \$72 million of expenditure and the average capital program for the five years preceding for councils and bulk water authorities was in the order of \$30 million. So we have already stepped up a notch in terms of capital delivery and all of this requires engineers, project managers and people of that ilk. After lunch, just to be absolutely categorical, we will come back with those numbers.

CHAIR - Thank you.

[12.15 p.m.]

Mr PAINE - I do not know if we answered the issue of duplication as well as we possibly could have and perhaps the committee would like to hear some examples. One I think of straight up is the general view of people and culture or HR in a traditional sense, provided by one business, encompasses payroll and industrial HR. The split between the services we get from Christine's business, Onstream, is that the payroll services are done by her but the industrial HR and expertise is done in our business because that is where that sort of work needs to be done.

Similarly for IT, the platforms, the systems, the day-to-day running parts of IT that can be run across all of our businesses effectively and efficiently are done in Christine's work, whereas GIS and asset management and SCADA to run our systems is run by us because we are running those things. So it is really quite important to understand that the duplication issue is one that we take quite seriously, one that we look at in depth all the time and move in that space and that flows out for everything.

Mr GAFFNEY - Just on that, Christine, that is quite a saving to come out in 12 to 18 months. In your long-term business plan obviously the start-up costs for any organisation are huge, as demonstrated through the report. Have you done a projection of where you see Onstream, where that is going and just not venturing out into other things that you have the opportunities to, but how that will impact on water and sewerage services through the corporations?

Dr MUCHA - Obviously there are some systems costs that are beyond our control. But certainly, as I alluded to earlier, as we have become more efficient and understanding of the systems and we can look at more economies, then I would expect that that would allow us to provide the service at a much more efficient rate. Currently I think, and you referred back to it, when we were set up the focus was, where possible, to get the economies of scale. The focus on the efficiency really was limited at that time because we had to get the systems up. But let us not lose the economies-of-scale situation, which is the number of computers and all those areas by buying in bulk. But now, as we are moving into it and we are working with the corporations, we have developed service level agreements and those service level agreements put the challenges back on us as also on the regional corporations because, for the last 12 months - and I do not want to feel that we have taken all the pain; everyone has taken the pain - we had to get something up and running. So now where we are sitting down and working with the corporations it is service level agreements that really start to set performance measures which we can report on next year. But it is also allowing us to start to benchmark with other outside providers of the services, and time goes by, as I said. At the moment, because we had to get everything up and running, we kept it internal, we insourced. We may outsource some of our activities into the future if that turns out to be the most effective way of doing something.

Our challenge and certainly one of our goals is efficiency. But, at the same time, it is adding value as well. The one interesting thing with shared services is that it is a relatively new concept to Tasmania and in corporations, and there are only a number of corporations around Australia. A significant benefit for us was that we had some systems that we could run with straightaway, except for the billing one. So we were able to get up and running very quickly. If you have a look at some of the shared services struggling on the mainland, they are very much trying to get these huge IT systems up and they are talking about millions and millions and never quite getting there. But we have done that. So now our goal is to work at the efficiency side. The corporation have to go before a regulator and illustrate what the commercial service is that they are purchasing and what it costs. There are a lot of people that will be scrutinising us over the next 12 months and onwards.

Mr FINCH - Something I want to touch on is operations and the way things are operating, and that negative feedback that is coming from the community and a sense that things are not quite right, or waiting and worrying about what the water is going to cost them in the future, that sort of thing, which is not clear at the moment.

When people do phone to make inquiries and to get some clarity, the extraordinary length of time that people have to wait in Tasmania - we do not queue very well -

CHAIR - Actually we do not queue at all.

Laughter.

Mr FINCH - We do not queue at all. I am wondering whether you can give me a comment on that public feedback that you are getting, or the operations that might cause that concern in the community.

Mr WILLIS - Thank you. I am going to defer to the chief executives of the regional corporations with the introduction that we do monitor the call centres in each of the companies. Reported to the board each month is the average duration of calls, how long the waiting time is, what the number of drop-offs is - all of the typical measures that would be there - and we find ourselves to be better than outside the norm. We have to acknowledge that the call centre responsiveness is not as good as it needs to be and our attempts to moderate this have been to send the billing out in smaller batches at the time so that there is a sort of ripple effect and that people then have better access to the call centre - that is one of the activities.

But perhaps from the individual corporations, they could tell you how they are faring with this.

Mr PAINE - We answered over 70 000 calls in the first 12 months of operation. If you think about the number of customers we have - we have 98 000 - nearly everybody rang us through the year, which is quite large on any benchmark.

Mrs TAYLOR - A few people rang you a lot of times though, I think.

Mr PAINE - Yes.

Mr DEAN - I know of one who needed advice - smoke seethed out of her ears. I will tell you about that in a moment.

Mr PAINE - I agree, but we started on 30 June - there were five or six, or 10 or 12, depending which business you were in and then on 1 July we had 300-odd people arrive. The transition was a big effort, so that is the first point that I would like to make. Whilst we had as much in place and a contract with the call centre starting in early June and the like, there were a lot of policies and procedures that we just did not have in place. We didn't have the billing system as we talked about a lot earlier, and that has actually been the ongoing source of frustration, I think, for most customers. For the first year and into the early parts of this year, we had to ring the biller council or the biller hub to get the information and then get back to people. This has also been a source of frustration in a sense and is something that we do not want to have in the future. The new billing system will fix this.

CHAIR - So by the end of January next year, it is all go.

Mr PAINE - Yes, and the customer service then improves and as the quantum leap over where we are at at the moment.

The other thing that is a frustration, I have found in a systemic way, is the pricing paths going forward, no doubt, and the inequity in pricing that actually happens under the current system. That is one of the biggest issues we are dealing with at the moment.

Mr DEAN - A metered and unmetered supply?

Mr PAINE - It is different pricing, in effect, whether it is metered or unmetered.

Mrs TAYLOR - How are you going to fix that?

Mr WILLIS - It is part of that transition with pricing to two-part pricing, where everyone gets a volumetric charge and there will be differences, household by household, when you change from the water and sewerage charge being based on the value of the property to the amount of water that is used, so a program to introduce the water meters over the next 18 months, followed by changes in the way the charges happen over a period. There will be a transition to take out this inequity which Mike has described.

Mr FINCH - Through you, Madam Chair - you said you had outsourced the call centre operation?

Mr PAINE - Correct. You will recall earlier statements where we said that in the first year we contracted the people for that function and that was for us to actually get a feel about where it is best located. As my colleague said earlier on, the risks around that were assumed to be best suited in our business, because it is where we want to be with our customers in talking to them. Now we have insourced it.

Mr CASH - We have insourced it now and one of the significant reasons I personally wanted to do that -

Mr FINCH - Because you were called Ben Lomond.

Laughter.

CHAIR - It must be getting close to lunchtime.

Mr CASH - is that call centres operate in peak loads, they get inundated. We had someone wait 19 minutes last month and still -

Mr DEAN - There should be one there of 25 minutes. I think it was last month, but I will get the date for you.

Mr CASH - But there are periods when they are not getting calls, so when they are in our office and not getting calls we can have them doing other administrative functions and improving the efficiency of their operation. We have a lot of administrative work that does not have to be done immediately but when they are not taking calls they can do that. We had 3 265 calls last month and from 27 000 since we started last month we dropped 220. The average pick-up time was 56 seconds, so we did pretty well.

Mr PAINE - Ours are similar to that. I would have to say that the number of calls are linked clearly to when the accounts are received and there are big peaks in that as well. That of course affects the drop-out rate and times waiting.

Mr KNEEBONE - My comments would reflect exactly the same experience and the same logic for how we have established our customer service centres and our call centre. The difference that Cradle Mountain has undertaken is that we have three customer service centres that provide direct access to customers. We have located one in Devonport, one in Burnie and one in Queenstown so people can actually walk in and get customer service over the counter, and that is in addition to our call-centre operations.

We have similar experience and have had a recent spike in call volumes and we are quite conscious that the level of service has not been satisfactory to date. We are taking quite a few steps in terms of flexible arrangements for overflow to other call centres in cooperation with Southern Water and Ben Lomond so that we can spread the load across the State and also between our customer service centres. The majority of our calls and the majority of the issues are in relation to billing.

CHAIR - We might be able to flesh this out a bit more at a later time when we talk to the water corporations specifically this afternoon.

Mr DEAN - There is a fair amount of concern out in the private area in relation to the other functions that Onstream have indicated that they will get into and move onto. I think the quote would be right on the Airlie Ward show. We are all aware of that one and most of us would have watched that program. I will just read this comment: 'We have begun working very closely with the water corporations to get systems in place and we will continue now to leverage off that and take our services further afield into the public arena.'

That comment provoked many calls to my office from a number of people involved in some of the similar works being undertaken by Onstream. Can you tell me, have you already branched out into the private arena before you have everything in place with your core functions that are providing the services to regional bodies? If you have, what areas have you branched into and what is the amount that you are completing for the authorisations and the financial position for Onstream? How will that impact the regional bodies? Will there be less funding coming from the regional bodies into the future?

Mr WILLIS - First of all, Mr Dean, the act enables Onstream to service more than the regional corporations. It was always anticipated that Onstream could serve more than the regional corporations. In the first year of operation the annual report shows that the revenue from external parties, not from the three water corporations, from my memory, is \$147 000 out of \$13 million of revenue, so it is a very small amount of activity. That was principally to customers. One was the newly-formed Tasmanian Rail Corporation, which was operations taken over but had no head office or administrative capability, and so it was a very good fit for Onstream to assist them. The second was the Planning Commission, where the Planning Commission has been looking to model the regions of Tasmania, regions which line up very well with the regional boundaries of the water and sewerage corporations so that modelling was done for the Planning Commission. These were the two matters afoot. We anticipate, and it was included in Onstream's corporate plan published on their website, that we had a target of increasing the number of external customers year by year, to build up the base. All of this with the intent of benefiting the water and sewerage corporations because any profit that is made from Onstream is returned directly to

the owner councils and any benefit from Onstream's operation that reduces their costs is shared with the water and sewerage corporations.

Mr DEAN - When your profits were returned to the owner councils it was returned to the three regional bodies?

Mr WILLIS - In the case of Onstream, the tax transfers directly back to owner councils, so that is the mechanism for it. We found the external consideration of this to be a bit of a storm in a teacup because it was a very small amount of activity from Onstream in something which the legislation set it up to do. However, the work of Onstream principally for the water and sewerage corporations continues to be the major focus. Christine and her team have only a minor amount of their effort at the present time in looking for new customers. As things settle, we see that this opportunity could be enlivened again at some future time.

Mr DEAN - You made the comment that you could serve more than the regional bodies. If that is the case - and the comment followed through the Airlie Ward program, didn't it - does that indicate that you are too fat, that you have too many employees? You have an area where you could shed a lot of personnel and simply concentrate on your core responsibilities, which is providing the services to the regional bodies. That comment was made in the Airlie Ward report and we know who it was made by, so I don't need to go down that path.

Mr WILLIS - Yes.

Dr MUCHA - Firstly, when it comes to the benefits to the corporations - and billing may be a good example - if we set up a billing system you can base it on transactions; it is very much a transactional job, so it would be the cost per invoice. If you can have more clients using that same system, the cost per invoice drops. We have had some interest - and obviously we haven't been pursuing that because our key focus at the moment is to get our current billing system up - because of the system we are adopting to use it in smaller water organisations in Victoria. They have approached us because it is already set up. They cannot afford to spend the money because it is much smaller even than the three corporations and so there is potential to provide that service. That is not immediate, but it is something to acknowledge that when we look at our systems can we look at ways we can maximise the value of those systems. Payroll is another one. Again, it is a transactional system. If you have more people using it, your transactional costs drop and that is a benefit to the regional corporations. That does not necessarily mean you change the numbers of people involved in the process. If you did, that would increase the cost of that service. If you did employ someone, and it may be of a temporary nature, you would charge that across to the external organisation so there would not be a cost to the water corporations. They would benefit from the economies of scale.

As we came out of the initial transition stages we learnt that we had some skills available that were settling down in the stakeholder management. So we looked at a couple of potential tenders for a number of reasons. Because we have to operate with three regional clients in a commercial basis we need to be able to understand how to put proposals to our clients to understand how you operate in a commercial environment. So we did that with a couple of tenders just to get some examples. Interestingly enough we were not successful but it was interesting that the successful people came from the mainland. Tasmania lost out and that is a shame. As the Chair said, TPC was interested in looking at a suitable spacial platform. We considered that if they are prepared to fund this and it is not implicating the corporations as such, let's see if it works and then - because there was the benefit that Geoff talked about - using this forecasting and understanding

where the infrastructure should be and what the size of it should be. Then we have used someone else to help us develop it and spend that in development costs and that is then available for the corporations.

That is how we have been operating. We are maximising on the things we currently do.

Mr DEAN - Darren Alexander was featured in the program, a wonderful businessperson in Tasmania. What you are saying is that you are not going to branch out in such a way that it should have any big impact on the private businesses operating in these areas, but that there are certain areas that you will. Have you sold that well enough to the people like Darren Alexander and so on? And how are you going to do it?

Dr MUCHA - I thoroughly agree with you and I think this was referred to at the very beginning. I think that Onstream has probably grown very quickly because, I am proud to say, of the expertise that we have had and the way that we have operated, but we have probably grown quicker than the communication lines have grown. So that is an area I feel that we have not been strong on and we need to be stronger, I totally agree with you. I have since had a meeting with the TCCI. In actual fact it followed very shortly afterwards. I saw Darren and his comment to me was that now he understood that we are a level playing field it was fine. But by then the noise had already started and we just could not stop it.

Some of the developments we have done are not all in house, we are using some private sector people as well and we are trying to use, where possible, Tasmanians. So they are benefiting us and we are benefiting their skill base. For instance there was the IT and disaster recovery where we built a very good system that is critical for the corporations. There was no reason, as I pointed out, that councils, if they wanted to, could not take advantage of that disaster recovery. It is not using up people, it is using abilities; you have the server room and we can store that and provide the backups.

Mrs TAYLOR - This relates to what could be called directors conflict of interest, to do with the fact that the board of the common services corporation is made up of the directors of the other corporations, some of the directors of the other corporations plus the three CEOs. It looks as if there could be a conflict of interest there and raises concerns about the capacity of the directors from both the boards of the regional corporations and the common services corporation to act with care and in good faith. It is not beyond the realm of possibility that a director of a common services corporation would be privy to information that could be relevant to a regional corporation. In that situation would a director not be torn between the best interests of the common services corporation and the best interests of the regional corporation? Obviously a director is appointed, although I understand we are not subject to Corporations Law, but nevertheless the duty is to do the best by your own corporation. There is a potential conflict of interest, so how do you handle that?

Mr WILLIS - We understand the question very well. The directors are obliged to meet the requirements of Corporations Law, but in the case of the water and sewerage corporation this is augmented by a section of the act that says if you work in the interest of one corporation you are deemed to be working in the interests of all corporations. So the directors do not have a conflict. That is the legal position. We do not have a conflict.

Mrs TAYLOR - I understand legally you do not have a conflict, absolutely.

Mr WILLIS - In the main we do not find matters of conflict or information spread. We have been very effective as a team in looking at the best overall outcomes and working in a very coordinated way both through the structure we have and through informal networks that we have between the corporations. We have safety teams, for example, which are not run through Onstream but are run across the State. We have disposal of solids teams that are looking at functions across the State. The first point, we do not have any legal impediment because of the Water and Sewerage Corporation Act and we generally do not find any conflict because we are pretty much all headed in the same direction.

Mrs TAYLOR - I suppose, but if you have to make a profit for both Onstream and the regional corporation then is it not potentially that the regional corporation wants to buy the service at the best possible price, because that is what you have to do, but Onstream on the other hand needs to sell the service at the best possible price?

Mr WILLIS - Just as you indicated there is commercial tension at work. The service level agreement, which I could just give by way of example, between Onstream for the services and the regional corporations took longer to settle than the rest of the budgets. It still took another month or two to work through in detail how much and what would be paid to reach a commercial agreement. Christine on her part and the CEOs for the regional corporations worked through this in great detail until they were satisfied they had a commercial agreement. The structure we have is not without its stresses. We feel as though the stresses were designed into it, that that was the intent, that there would be these stresses.

Mrs TAYLOR - Indeed, which again is the question about structure and is this the best structure.

Mr WILLIS - We are working with what we have and we have made it effective.

CHAIR - I think that we might leave a bit earlier for lunch and then come back, but can I just ask you, the revenue growth for 2010 has been reduced to 10 per cent and was 15 per cent. Is that correct? Am I reading that correctly for the organisation?

Dr MUCHA - Could I ask what page you are on?

CHAIR - From my notes.

Dr MUCHA - I apologise for that.

CHAIR - It is in the corporate plan.

Dr MUCHA - We talked about a growth that related at a time when we were working very much towards the future, in the sense of much broader opportunities, so yes, obviously that has reduced our revenue base. But also, we had delivered a 10 per cent profit margin and that probably was set in that corporate plan that will not be realised at this stage.

CHAIR - Then obviously 2011 has also been reduced from 30 per cent back to 15 per cent?

Dr MUCHA - When we review the corporate plan in the new year we will look more rigorously again - it is a bit like forecasting - at what is happening out in the environment and how we are positioned in terms of what our margin will be.

[12.45 p.m.]

CHAIR - Does that put any pressure on the reducing of cash flow? Is there an issue with cash flow, the lack of having bills out in the arena and then those reduced?

Dr MUCHA - Yes.

Mr WILLIS - Maybe I could begin on the cash flow. For Onstream, they are the provider of services and then their accounts charged to the water corporations are paid and there is only a very small working capital involved. So Onstream, no cash problem.

But the bigger question I think you are alluding to, the billing has been slower in delivering the bills. Last year's government 5 per cent rebate also had an attaching requirement that the payment be spread out until June. So the payment terms were spread as well.

The current situation for the corporations is that we still have 6 per cent of 2010 money, billed for 2010, outstanding. Our best assessment from talking with our friends in councils, general managers of councils, is that councils at this point have about 3 per cent of their rates outstanding from the previous year. It indicates to us that there is about 3 per cent of \$200 million, say \$6 million, which has not been collected because we were either slower in billing or because of the impact of the Government asking us not to bill until 30 June. So that is a very substantial number and it will be collected in due course but it is having an impact on cash flow today.

CHAIR - And debt. Do you have a limit on your facility for debt?

Mr WILLIS - Correct.

CHAIR - \$11.5 million?

Mr WILLIS - It is corporation by corporation.

CHAIR - It has increased substantially. So what is the debt liability at this point in time?

Mr WILLIS - In broad terms, \$110 million and \$20 million and \$6.5 million. But it would be a very good question when we come back to the corporations after lunch too.

Mr GAFFNEY - This is not directly to the individual, but to you, Geoff. One of the reasons that was mooted for the changes back three or four years ago by the Treasurer was health and environmental concerns of sustainability. The other one was that there were too many water and sewerage companies in Tasmania run by councils and whatever for us to be able to access any national water initiative funding. So it was put on the table that if there was the one body, it would make it a lot easier for Tasmania to access national money, because Canberra do not want to deal with 30 bodies, they just want to deal with one voice. Has there been any yet? Has there been any actualisation of that premise that we would be able to get some savings through the national water initiatives, or like ones, because we have gone to a more streamlined process?

Mr WILLIS - First of all, we do have a \$10 million grant for the water metering for small towns, which is something we are very pleased to contribute to the water metering case. But I

could defer to Mr Paine because he has been submitting some rather larger proposals. Maybe it was Mr Cash. Do you want to do it, Barry?

We have two much larger proposals that we have put together without success yet, but certainly building on exactly the premise that you put.

CHAIR - Are we moving into individual water ?

Mr GAFFNEY - No, this is collective and I thought we would do that before we go to lunch and then come back and do the individual ones.

Mr PAINE - We have been working with the State Government on a submission to Infrastructure Australia out of the original submission that was put forward by Treasury or DIER -

CHAIR - DIER.

Mr PAINE - for the \$1 billion of work needed to bring the facilities and infrastructure up to standard into the mix. The work we have done most recently has looked at projects which are able to be implemented in a shorter time frame than the 10 years but less than medium term and we have split that in two categories, one up to medium term of \$250 million and then the so-called spade-ready, which I think we are working on at the moment of \$50 million across the State and across water and wastewater facilities. We have not been successful in getting any funding.

Mr CASH - The response is that there is not a program currently that these applications fit into but we have been encouraged by Infrastructure Australia because at officer level at least they have seen the reforms in Tasmania as being positive. So they have encouraged us to have this application and we have worked on these two different-sized projects so that if there is an opportunity that comes along from whatever source, from the Commonwealth Government, we will have an application collectively between the three corporations ready to go.

Mr WILLIS - Mr Gaffney, I think we have also demonstrated our credentials to acquit any such funding that we will be given, a strength that Tasmania has now as a result of having the Water and Sewerage Corporations in place. Even though we have not succeeded with these big numbers we have certainly been doing a lot to establish the credibility of the companies and the capability of them.

Mr GAFFNEY - Thanks, Mr Willis. I think that was needed for *Hansard* because when talking not that long ago with Mr Albanese he said that Tasmania is now in a position where we can access that whereas before we were not able to, and there was no way that they could recommend that and so I think for the State that has been a big step forward, which other people would not realise - the ordinary community member or elected member.

Mr PAINE - Madam Chair, as Mr Cash has said, Infrastructure Australia are very supportive of the reforms that Tasmanians have undertaken.

CHAIR - They just have to show it in dollars now.

Mr PAINE - Yes. We have \$10 million for the water meter program, as we have said, and they are working in their own way to recommend funds that recognise the reform efforts that have been taken and rewarding those - these are their words to us.

CHAIR - How long do you have to take up the \$10 million? Does it expire?

Mr WILLIS - It does have many, many conditions attached.

Mr PAINE - Yes. There are a lot of customer conditions on water savings and there are some environmental conditions but we intend to have the grant completely with us before 30 June 2012.

CHAIR - I do not think there is anyone at this table who does not understand that any Federal money comes with extremely difficult and tight strings attached.

Mrs TAYLOR - To follow up on this one, Chairman, are these grant applications for across the State being made by the three regional corporations or by Onstream?

Dr MUCHA - Onstream is actually included in doing some work, particularly with the metering project. We are providing stakeholder management at the moment and we are also providing IT.

Mr WILLIS - It is a different question, I think, Christine.

Dr MUCHA - Sorry.

Mrs TAYLOR - Yes, I meant these particular grants that you are looking at.

Mr WILLIS - These applications are the three regional corporations acting jointly and Onstream is not privy to that - but Onstream is supporting them.

Mrs TAYLOR - I understand that.

Mr PAINE - Madam Chair, there is one other important piece of work that is going on at the moment as well that assists with the corporations as they are, and that is the capital cities project and planning work that we are involved in. I am on the steering committee and a colleague is on the steering group and that should set a platform for being able to access more funds as we go forward as well.

Mrs TAYLOR - My real question was about -

CHAIR - That was not your real question?

Mrs TAYLOR - No, it was a follow-up from Mr Gaffney's.

CHAIR - So much for the early minute I thought we were going to get.

Mrs TAYLOR - Sorry. I wanted to make a little statement again for the benefit of *Hansard*.

CHAIR - We prefer questions.

Mrs TAYLOR - Yes, it is a question and that is: as Chairman, Geoff, I would really like to say what a fantastic job you have done in the last two years. I know it has not been an easy road

and I think you have done a great job. I know it has not been easy to set all this up and when I have been critical of the arrangements it has been not of the corporations or their performance but rather the structure and the legislation which has set them up, and that is where I think the difficulty lies.

CHAIR - Hence she has got herself into the Parliament to make sure that she has direct input.

Mrs TAYLOR - Absolutely. However, you are about to leave at the end of this month and the question has arisen, and that is why I want to ask it for Onstream, because it is the whole three - I know advertisements have gone out and there is a process underway for appointing a new chairman, do you have a comment to make on whether the new permanent appointment at least should wait until the review is done? You may not have a comment on that.

Mr WILLIS - No, I don't have a comment. Mr Foster is the chairman of the owners' representatives following the process laid down in the act for the new appointment.

Mr FOSTER - Yes, the process is in place.

CHAIR - And that is the comment?

Mr FOSTER - That's it.

Mr DEAN - To fill a position?

Mr FOSTER - Yes. The select committee is looking at the candidates at the moment. I believe they will meet next week and whether they will put a proposal to the owners, we will have to wait and see.

Mr WING - Did you say the 'select committee'?

Mr FOSTER - Sorry, selection committee.

Dr MUCHA - In my ignorance and maybe it is the wrong timing, but I have the figures that were sought on capacity. I am pleased to say that they are the same figures I saw earlier this morning when I was reading them at home, so obviously they didn't travel down in the car. The number of seats at Cimitiere House- and what I will refer to is 'seats' because at the moment there is space that could be filled; as you saw, it is very open plan - there are 61 seats. Onstream is using 53 of them at the moment for a range of reasons; TPC is using eight, and that includes two offices; so there are seven vacant.

Mrs TAYLOR - I think Mr Wing's question was about capacity, though.

Dr MUCHA - That is basically it as it sits at the moment because that is how I can measure the capacity. It is on open-plan system so we put pods and at the moment that is the seating space we have, but we can rejig the pods. As I said, we can move them, because they are very mobile, from Hobart to Launceston and rejig them so that you can put in more capacity, but I can't say until I sit down and rejig them.

Mr WING - So you have space for seven more employees currently, having regard to the space you have let out?

Dr MUCHA - At the moment, but we have temporary staff there and as they leave there may be permanent staff coming in as we better understand some of the things we are doing.

Mr WING - What you have leased out now, if you increase the numbers in Launceston then you will not lease out to those other bodies?

Dr MUCHA - No.

Mr WING - So that gives you extra capacity, too. Are you able to say, for those two sections that are leased out, if they are no longer leased out, how many more staff could be accommodated?

Dr MUCHA - That would be eight.

Mr WING - Eight more, so about 15 extra staff could be accommodated.

Dr MUCHA - Plus possible rejigging of the floor plan, so there could be more.

The committee suspended from 12.58 p.m. to 2 p.m.

CHAIR - I would like to welcome everyone back. I thought that it might be good to have a break between the morning and afternoon sessions so that everyone could get some thinking time and reflect. Through that reflecting time, Mr Willis, you have clarification of an answer.

Mr WILLIS - I do have one remaining matter from the morning session which was to review the total number of people in the corporations with the due diligence work that analysed the activities whether in councils or bulk water authorities prior to the start-up. The analysis said 720 full-time equivalents. As of today we are 802 full-time equivalents. This means an increase of 82 full-time equivalents. We note that within the corporations 45 people are on temporary contracts, indicating that they are numbers that are not in our long-term manpower planning therefore the increase is 37 people in terms of the long-term activities reflecting the additional workload that is on us today.

CHAIR - Thank you for that. Can I seek some clarification there? Of the 45 that are on contract, would most of those be relating to the IT services and the billing?

Dr MUCHA - No, we are working on benchmarks so we do not have extra staff to what was in the due diligence.

Mr PAINE - A lot of them, and there are 20-odd in my corporation, relate to the additional work that we are doing in establishing our business and the systems and practices.

CHAIR - Any other questions in relation to the further clarification that Mr Willis provided? No, in that case I will suggest that we move on to the corporations proper. I know that we have crossed over a little bit through the morning and that was always going to be the case. Mr Foster, as the owners rep would you give a brief overview of how you see the corporations and the

structure working at this point in time. I hope that I have not put you entirely on the spot. You have probably been thinking about it for a week now.

Mr FOSTER - No, I have been thinking about it for about two years actually. We have to work within the structures themselves. I heard what Mr Finch said about some of the stakeholders and the issues that they have and a lot of that is to do with the legislation around the owners' reps, of which we have three in the south and three in the north. A lot of the information is not getting from the owners' reps to the other owners and that has been an issue. That is dealt with separately in the south, the north and the north-west. It is obligatory to each of the three owners' reps to report back to their owners but we do it differently in the south than they do it in the north and the north-west.

CHAIR - I think that goes for most things, if you do not mind me saying.

Mr FOSTER - I agree with that. Within the structures that we have I think that it has worked well. We have a great rapport with the chairman and other members of the board. I guess because I sit with some of the owners working through this from time to time at various meetings that we understand as elected members more than the broader elected members would because of the lines of communication. I think that will be improved after the review takes place by the other mob down the road there. But all in all I think that the boards have done an absolutely fantastic job to work within the regulations that we have been given and I can't speak highly enough of them from my position.

CHAIR - Through your position as the owners rep then, have you identified as a group or individually how you can better manage that process of getting that information back out to the 29 individual councils who then put it back into their own immediate communities? Have you identified any areas that you could muscle into?

Mr FOSTER - As I said, we do it differently. In the south, the three owners reps meet regularly with our 12 owner councils. Two of the owners' reps down here are elected and one now is not whereas in Ben Lomond, for example, two of the owners' reps are not elected members. So, therefore, even though they are not required to take back all the information, I think their communication lines are not as good as we have in the south. The north-west do it well, like us.

CHAIR - Do you think that is a weakness of the system then, that they are not?

Mr FOSTER - No, because the legislation allows for them not to have to go back and keep the councils informed if they do not want to. We choose to keep our other owners informed and to listen to what they say, so that when we go to meetings of the three regions we have direct information from our owners. We have big owners that we have to listen to but we are not required to take that onboard if we do not want to. There are a lot of issues with the way it is structured at the moment through owners' reps and I will be supporting a change in that.

CHAIR - Has that already been discussed at your level?

Mr FOSTER - I think it is common around the State that we see that as an issue. Certainly it is down in the south. We have identified probably 11 or 12 issues that we as a group in the south will be taking to the review for change, over and above what individual councils and people may put in as well.

CHAIR - Given your comment and view that the south appear to be getting that information back to their councils in a better fashion than the north and the north-west group, do you think that is reflecting badly on the whole of Tasmania and the whole process then?

Mr FOSTER - I cannot comment on what they do up in the other two regions. Even though we are not meeting together all the time, I certainly call the other owners' reps as individuals and talk to them and hear their views on different things in the south. It is up to the others whether they do that or not. I do not think we have the same problems; I certainly do not hear the same issues coming from the southern councils that I know come from some of the northern councils.

CHAIR - Would anyone like to explore that particular aspect of it before we get into the individual corporations?

Mr GAFFNEY - Mayor Foster speaks of further discussions about the model that was created, but when and where is the right time for those discussions to happen? Initially it was so that we did not have 29 councils all having individuals running to meetings. We decided as a group I think, Mayor Foster, that that was a way of doing it. Then out of the review of the group it would be interesting to see what happens when you, as chair of that group, come back with some recommendations, how that follows a legislative process to perhaps change that, if possible, or alter it.

Mr FOSTER - I think one of the shortcomings of the way it is at the moment is that chairmen or CEOs have had to go direct to councils because the bigger councils, for example, do not like the process of going through an owners' rep to find out something from the CEO or the chairman. So that line is taken out and they go direct, which was not the intended case but that is what is happening.

Mr FINCH - Do the owners' representatives fully understand their role? There are three from each region, so there are nine. Do you think they have a handle on the developments and what is going on, Tony?

Mr FOSTER - The majority of the owners' reps that are there now were appointed originally. I think we have only had one change. So they do understand it very well and when I sit round the table with them they are well and truly informed and all eight are very, very good representatives of the councils. But, the structure in place is not allowing their communication to be effective - there are some communication problems and that is the reason. After the review we may see all 29 councils represented. I do not know how that will happen, but that would be better.

CHAIR - Tony, why cannot the other north and the north-west representatives do what you have done - take the initiative the southern group has taken and get that information back, without it being prescriptive? What is the problem?

Mr FOSTER - When you have cities like Hobart, Clarence and Glenorchy - three big cities in our region - you have to communicate more than someone from another region where there are smaller councils and they are all equal. I have to be very cognisant of what I say and do as the southern rep, because I am acting on behalf of a big population. I take the responsibility of listening. I cannot speak for the others, but I consider it very important that I listen to the major owners in the south.

CHAIR - I get a sense some of the issues that have been raised with us could be addressed if there were more lines of communication being opened up, not necessarily in a prescriptive manner. Would you agree?

Mr FOSTER - Yes. I think that relates to the experience of whoever the chairman of these other owners' reps are, and how they want to play that role out. I have been around a long time and probably understand issues more than some of the other owners' reps. It is just a matter of experience. The prescription there now allows them to do what they do, and if that was taken away it would be better.

CHAIR - It has been suggested that the model is a camel.

Mr FOSTER - I did not suggest that.

CHAIR - No, I know it was not from you.

Mr FINCH - That is for water intake in the camel and all their humps.

CHAIR - It was put to us, as legislators, that the model is a camel - they have got it wrong - but I remember clearly that it was the model preferred by the owners. As an owner, what do you say to me? Did I get it wrong? Did you get it wrong, and tell me wrong, and my colleagues?

Mr FOSTER - The owners do not accept a lot of responsibility for the model we have. At the end of the day the councils wanted the three regional corporations - the voting was 28-1. One council - Brighton - wanted a single corporation and so did we. That was our preferred model, but it went this way and we have learned to live with it. I think councils have to be a lot more responsible for the modelling and the ways things are, rather than pointing the blame at the State Government or the chairman and people like that.

Mr FINCH - In respect of the three from each region who were appointed for three years as owners' representatives, do elections mean they might not be re-elected, or that they might retire and be replaced by somebody else? How does that process work?

Mr FOSTER - They were all appointed for three years and I think the only change has been because of the death of one of the owners' reps up north. They are appointed in different ways. In the south they are appointed in a totally different way to the north-west, where it is done by election through the Electoral Office. In the south, one rep represents the four big councils, one represents the medium councils and one represents the smaller councils - that is the way we chose to appoint our reps. There is no set way to do it, it is just up to each organisation.

[2.15 p.m.]

Mr DEAN - That sounds like a bit of a dog's breakfast, doesn't it - that you have so many different ways to bring these people together. I would have thought a consistent approach was necessary.

Mr FOSTER - The north do it differently again, because they have appointed two of their owners' reps from outside councils.

Mr GAFFNEY - Part of the idea of this model was to give the individual regions some autonomy in running their organisations. One area decides to appoint owners' reps according to a big-medium-small council model, another has elections - that was the essence, I believe, of this model, to allow that flexibility. What we did not want was prescription, where someone was telling you have to do it this way or that way. Councils didn't want that. I think we need to be balanced.

Mr FOSTER - I do not have any problem with the way the owners' representatives have been elected so far - it is just the way it is.

Mrs TAYLOR - I think there is a difficulty, as Tony has alluded to, even in our own region. Would you say it is very difficult for the owners' reps to represent the views of all the councils? We have 12 councils in the south, and three representatives. The legislation, as you say, allows the owners' reps to not necessarily carry out the wishes of the 12 owners, or anyone in particular, or even the majority, but to make up their own mind. That is what the legislation says and it seems to me that is where part of the difficulty lies. I only have experience of the south, but we had an occasion recently where, as you would be aware, 11 of the 12 owners wanted a particular course of action in the south and one of the owners' reps, not you, said, 'I don't agree with that, so I'm not going to vote for it'. You would think that what 11 out of 12 owners' reps agreed on should be carried forward. This is where part of the difficulty lies - the legislation does not prescribe this, and there is no requirement for the owners' reps to follow that course. I think it is difficult to represent the views of all those councils, when their views are not the same. The situation in Clarence, Hobart, Glenorchy and Brighton is not the same, as far as water and sewerage are concerned.

Mr FOSTER - At the end of the day he did go along with us.

Mrs TAYLOR - Did he?

Mr FOSTER - Yes. When we have statewide meetings there are nine of us and we are going through the process of eventually replacing the current chairman. Once again, this is about the structure and the modelling - at Southern Water we have three representatives and yet we have more than 50 per cent of the assets compared to the north. When it comes down to electing a chairman, you have nine people sitting around the table to elect that chairman, and it can quite easily happen that the southern owners' reps have no say in who the chairman is going to be, because there are six northern reps.

Mr DEAN - They represent a bit over half the population - 51 per cent - so that is reasonable.

Mr FOSTER - I think the assets are more important.

CHAIR - It comes back to the question - is the model flawed, is it wrong?

Mr FOSTER - It can be improved upon.

CHAIR - Sooner rather than later?

Mr FOSTER - There is a lot that can be improved sooner. It does not necessarily have to wait until this review finishes before some changes can be made. A lot of the changes could be made in the next six months and others could follow on later.

Mrs TAYLOR - Is it possible to make changes without legislative changes, or are you saying that the corporations might suggest changes?

Mr FOSTER - I am suggesting that the review panel could have legislation on some of the changes passed earlier, rather than wait until the whole process is finished. I don't see any problem with that.

Mr WILLIS - Can I make a comment, not about the owners' representatives as such but the structure of the documentation? There is a very important document called 'A Shareholder Letter of Expectation' and the shareholder letter of expectation was signed by each of the councils and provided to the corporation, outlining for us the very things which they are expecting us to do. It is very detailed, it is very prescriptive and we have met all of those expectations. They include quarterly reporting to the owners' representatives in a form which can be then transferred on to the owner councils, the annual general meetings, the discussion around dividends, the approval of the corporate plan and various activities of a coordination nature about sewerage and drainage, road works and water activities and so on - a very comprehensive document which has not been discussed up until now but is really important in the fabric of how the corporations work together with their owners - and we have prepared common templates for the reporting so that the type of reports that go from Ben Lomond Water to its owners' representatives, councils and Southern Water and so on are all of the same form. So they are readily understood by us internally, but also designed to be readily understood externally.

My own view is that this is an appropriate fabric, no matter how its representatives are elected or whatever processes there are there. This is an appropriate fabric and it gives great guidance to the corporations as to what is expected of them.

Mr DEAN - Mr Willis has partly answered my question about the format to report back, that there would be a set criteria to do that, and that is good. I wonder where this breakdown occurs within the representatives and if that is the case.

You meet quarterly, don't you? How often do you meet, Tony?

Mr FOSTER - Statewide?

Mr DEAN - Yes.

Mr FOSTER - Probably quarterly; we try to.

Mr DEAN - What is the format there - do you put down the issues that have come out of the quarterly meeting or the meetings that you have, are minutes taken of the meeting?

Mr FOSTER - Yes, there are minutes taken.

Mr DEAN - And those minutes, I suspect, would be then provided to the owners, the councils?

Mr FOSTER - Certainly in the south, I can say that they all go back to all owners' reps and general managers as soon as I have them.

Mr DEAN - And I would suspect that that would probably happen with the others. You would hope so, wouldn't you? I do not recall seeing any, I must admit. I am wondering what has gone astray here, and it has been brought to my attention too that there has been a breakdown in that communication between the owners' representatives and the individual councils, but whether it is necessarily right, I don't know.

Mr WING - That was the consistent view we were getting yesterday.

Mr DEAN - Yes, it was.

Mr WING - And the day before.

Mr DEAN - It was, you are right.

Mr WING - There was a lot of talk but not much communication.

Mr DEAN - That is right, so if it is written and provided then maybe that needs to be addressed, doesn't it, to ensure that the minutes of those meetings are going back to the owners and the councils and there is an opportunity then for them to raise any issues with their representatives if they need to.

CHAIR - Just for information for everyone who is in attendance today, we take the opportunity to invite who we consider are relevant stakeholders to come and meet with the committee in an informal process where we get an understanding of any issues that they might see and then, hence, some of our questions and information is prefaced on that information.

So when we talk about that information, it varies from individuals to organisations.

Mr FINCH - The correct quote was 'a lot of talking, not enough listening'. That was the comment that we came up with.

CHAIR - Would you like to respond to that?

Mr WILLIS - I would like to add another point around the shareholder letter of expectation, as I have said, the essential fabric. One of the requirements of the corporations is to notify the owners' representatives for material-adverse events. We have our regular quarterly reporting and if something happens at any time, it is our obligation to raise that with the owners' representatives.

During the course of the year, two big-ticket items happened; the 5 per cent rebate, which we spoke about, and also the need to revalue the assets, something which Mr Cash mentioned before. Both of these instances were raised and we had special meetings with the owners' representatives. In the case of Cradle Mountain Water, unfortunately there was a fraud which we considered to be a material-adverse event and that caused us to bring together the owners' reps. There are quite well-structured procedures for the way that the corporations report through to the owners' reps and if I could recap what I said earlier in the day, this is all new, we are at the beginning of the second year of operation and I think that some of these processes as they become better understood will give confidence to the owner councils in their role as owners of corporations rather than operators of the assets themselves.

Mr FINCH - Something that you mentioned, Tony, and Mr Willis might care to comment on it as well, a signal that came from what you were saying, Tony, that does concern me is parochialism and the way that we deal with it in Tassie. Some can see it as an enemy and sometimes it is very destructive and other times it can be constructive for your own patch when you have to fight for it. But it worries me that we have a situation where we need harmony in the development and the movement forward, yet you signalled to me that there is a concern by southern interests that you might be, I do not know - what is the concern - outnumbered? Or you feel that you are not getting your fair crack of the whip in respect of numbers representing southern interests.

Mr FOSTER - As I said, this is a structure that we have to work within, so whether you call it parochialism or whatever, that is what we have at the moment. But I think that if we go forward and every owner has a say rather than just nine people, we will get better outcomes.

CHAIR - Won't you get 29 different views then? If you say 'every owner', which is the councils -

Mr FOSTER - Have a say, which is fairer than the system that we have at the moment.

CHAIR - Then aren't we back to where we were, where we have everyone going off and doing their own thing and not really addressing the issue that these were set up for?

Mr FOSTER - I agree with what you are saying but what is coming through is that the councils that are not represented with those nine owners - or seven because two of them are from outside - are not being communicated with properly, whereas if everyone was involved with their own nominee then there is no excuse for not being up to date with exactly what is going on and not communicating properly .

Mrs TAYLOR - No matter how many representatives there are, nine or 29, it does not alter the business of the corporations because the owners do not have a say, we are talking about communication here. That is all.

CHAIR - I am trying to understand whether this model is the right model for what this corporation was set up for. That is the only question and I am asking, Mr Foster.

Mr FOSTER - I would change it for sure. But it is what we have and there is no doubt as for the Southern Water rep councils that that is one of the things we will be putting to the review, that that should be changed so that every council has a nominee there.

Mr FINCH - If I could just ask Mr Willis, do you find that in the way that things have developed and the negotiations that you have had and the people who come to the table for you board meetings, particularly? Do you get a sense of what I am concerned about or do you find that you are able to massage that well enough so that it does not rear its ugly head?

Mr WILLIS - We are conscious of the need for better communication with our owners. That is the point. In addition to reporting to the owners' representatives, we have supplemented that with individual council meetings, both the chief executives and myself and on occasions other members of the boards. But we have seen this as being the first year or so of getting the system to settle down and explain how it works and how it should be and certainly was looking forward to a future where the reporting lines would be from the corporations to the owners' representatives.

Mr FINCH - But you do not have a sense of a south, north-west, north concern?

Mr WILLIS - No not at all. From our point of view the matters which we bring to the table for discussion are the business issues and what they are within the region. It is not something where parochial boundaries have any influence.

[2.30 p.m.]

Mr GAFFNEY - Still on the communication issue, I understand the 29 councils are the ones that own the corporations and therefore, the communication really is between the corporations and the 29 councils. What other options have you taken, Geoff, to present to the 29 councils and the owners to give them a more enlightened view about where it was going?

Mr WILLIS - We have the structural needs through the annual general meetings which we very much look forward to and invited all elected members to. During the first half of the year, because that happens in the second half of the year, we have had meetings of the boards with the mayors of all the councils, rotating around the region so that there was another opportunity for a fulsome discussion really about what was current. We designed for ourselves a shareholder relations policy which has just been put in front of me, with the aim of recognising that our duty is to act in the best interests of the corporation as a whole and for its members, the council owners. So we have a whole set of procedures here which I and my board and the chief executives follow in order to do our best with it but we still recognise that in these early months and years that it is not as good it will need to be.

Mr GAFFNEY - Going on with that, so the boards meet regularly with mayors and look at conferences and meetings you present and really, as one of those member councils, I feel comfortable that there is a lot of information flow. There may not be so much flow between councils and owners' reps. The real disconnect here becomes between councils and the community, but I do not see that as an issue of your group, that is an issue of the councils and the community because community people come to us and say, 'Why is my bill going up, why don't I have my water rates? We say, 'We don't know, it is the water and sewerage corporations. We handball it'. So a lot of the concern here is that communication link. Perhaps this is something that you are addressing, but how do you think you will manage that in the next 12 months as an organisation? Has that been a discussion point?

Mr WILLIS - Yes, it has and it could be convenient, Chair, to refer to the regional corporation chief executives because it is definitely on their list of activities to make that connection.

CHAIR - I want to finish up on the owners' representative issues first. So it looks like we have Mr Willis, according to all indications around the table. So we are happy to move on. I thought, seeing that it is predominantly a northern board and because we do not have any bias here, we will go straight to Southern Water.

Laughter.

Mr PAINE - You are right, the communications between ourselves and our customers is foremost in our mind and we work extremely hard at that. But as we pointed out a bit earlier on, the key point of contact at the moment is through our bills and we are really in a poor space there until we get the new system up and running in the new year. What happens when people ring us

is that they presume we do not know what we are doing and they are generally pretty angry, because the bills are not on time or they do not have enough information behind what the billing system is. In a sense, that is part of where we have come from. We are not fully into regulation. We are not into pricing that is based on service and we are into pricing that is based on what it was, plus a percentage. We still have a few key pieces of regulation yet to come to us, which will enable us to inform our customers exactly what their pricing is going to look like as it goes forward. So there is an enormous difficulty in explaining that, which is really one of the key things.

The second one is about the reforms and the need for the reforms. In general, there are a number of water notices around the State and in my patch. The people in those places, particularly, know the issues there but not generally across my region. What they do not know is the issues with the wastewater systems that we have and the really poor performance in that space. Another key performance measure of this business is sewer breaks and chokes and water main breaks. My business is currently nearly double the Australian average in most of those things. The number of customers that receive the appropriate level of service for sewer chokes is around 15 per cent and it is around 30 per cent for water breaks. We have a bunch of work to do to get these things fixed so that we can say that we are doing a good job and that we have got the reforms done. Not one of my waste-water plants yet has met a full year of its licence even though the licences are very old and not modern yet. We await the new licences to come from EPA in that space.

It is really a complex mix for us to try to explain in a succinct way to customers. It is difficult times but we work hard on it. We have just now had the customer services code, which we have now responded to with our summary customer charter which we intend to post to all our customers. Hopefully they will get a view of the things we do, the billing cycles, the service levels that we are trying to achieve. It is another tool that will help us in that space.

My executive team and I plan to visit service clubs and do presentations in the new year. I do them and I have been to the Glenorchy precinct and a whole range of places - HIA, Property Council and all those sorts of places - to try to explain where we are at. I meet regularly with our general managers to work through the communications issues with them so that they are fully on top of what we are doing and why so that they in turn can communicate as an owner to their constituents.

We have done research with our customers who say, 'We don't want you to be out there all bells and whistles explaining things to us in glossy brochures and the like. Just get on and get done and we'll be happy'. So we are mindful of a number of paradigms around that. There are other issues in one corporation now where there were 12 in my group and each place did things differently. Getting a new way across some of those other areas is challenging and in particular issues at trade waste and developer charges and consistent development assessment methodologies and the like have been challenging for us, but we get there. My group has a standing arrangement every Wednesday where developers make appointments before they put pen to paper to talk to us about their developments so they don't waste time and effort going down one path when the connection points are over here per se. We are working very hard to engage with our customers in a philosophy that is embracing rather than at arm's length. It is new for them as well and I think that is part of the ratcheting up that we will end up doing.

CHAIR - How many 'boil water' alerts do you have under your auspice?

Mr PAINE - Under my auspice there are six permanents and one temporary.

CHAIR - What did you have when you took over?

Mr PAINE - Six permanents.

CHAIR - So you have gained a temporary?

Mr PAINE - Yes.

CHAIR - And not addressed any of the permanents?

Mr PAINE - We had two permanent 'boil water' notices under active commissioning: one at Swansea and one at Ellendale. We are working as fast as we can with the Department of Human Services to bring both of those towns off 'boil water' notices. They have been receiving high-quality water now for a month and a half or two months.

CHAIR - What is the penalty? It has been suggested in the past that when councils were not meeting their requirements they virtually got a little tap on the wrist and nobody ever really worried too much about it. As long as the community were not up in arms it would just come back with another slap on the wrist. Slaps on the wrist are obviously things of the past now, it is really serious compliance.

Mr CASH - It is not quite there yet. Boil water alerts are our game. We have 16 towns on permanent boil water alerts and eight others.

CHAIR - They are probably all in my patch, I would expect, hence my support for the legislation. How are we going to fix this?

Mr CASH - A good number of them are and one of the first things we had to do was to report to the regulator, the Director of Public Health, about how we were managing the risk for the boil water alerts and the like. One of the things that we had to do by July last year was a compliance implementation plan for the regulator. That does not cover all of those towns. One of the steps that came before that is that the regulator provided each of the three of us with a priority project list. He built a framework around which communities he believed were the most urgent and about half of these were on the priority list. We have had to build a plan to deal with those that he has approved.

CHAIR - Are you able to table that list for the committee and Southern Water and Cradle Water?

CEOs - Yes.

Mr CASH - We have a plan to deal with all of the communities that are on the director's priority project list. We have a few on the way. We have a pipeline going to Cressy that we hope to be finished within the next couple of months. We have a water treatment plant at Scamander that is on the verge of being commissioned so we expect Scamander to have treated water, all going well. It is a membrane treatment plant that we do not have a lot of experience with but we hope within weeks to have treated water at Scamander.

CHAIR - Is this a project that was already started and you have had to virtually pick it up and take it whether it is the right concept or not for that particular area?

Mr CASH - That is right. That treatment plant was purchased and in store when we commenced. We had to build all the infrastructure around it. We let a contract in April to build a water treatment plant at Campbell Town to supply Campbell Town and Ross. That has not commenced yet and we are still waiting for planning approval. The land needed rezoning.

CHAIR - Is there any way to fast track something like that?

Mr PAINE - We have not found a way.

CHAIR - Members of my community are waiting too long, in their view, and I cannot disagree with them.

Mr CASH - We have another one where we have started doing some work at Lilydale that the group might be interested in. We had a public meeting there a couple of weeks ago and we were soundly criticised by part of the population.

Mr DEAN - We were too.

Mr CASH - Mr Dean is quite right, a group of the population believes they have pristine water and they do not need a water treatment plant.

Mr DEAN - That is right.

Mr CASH - We had the Deputy Director of Public Health come along with us and he told the population of Lilydale that it is the worst-quality water in Tasmania.

CHAIR - I can assure you plenty of my communities know their stuff.

Mr CASH - We will be working through those.

CHAIR - Cradle? We have not heard much from you in relation to boil water alerts.

Mr KNEEBONE - We have two permanent boil water notices for two small communities on the west coast, Linda and Gormanston. We have negotiated withdrawal of service from Linda and we are just in the process of finalising the provision of rainwater tanks and associated infrastructure. That will no longer be a potable drinking water supply for that small community. We have a plan for Gormanston but it is dependent on some infrastructure being freed up from the construction of our new water treatment plant at Queenstown. That will see the end of those two.

Mrs TAYLOR - Does that not mean then if they are on tank water that that will be when you say they will not be classed as potable? Is that not a boil water alert automatically?

Mr KNEEBONE - No, it is not a drinking water supply that we are providing.

Mrs TAYLOR - So it is a town without a drinking water supply?

Mr KNEEBONE - Yes.

Mrs TAYLOR - Is not that what this water legislation was supposed to fix, that every community would have safe drinking water?

Mr KNEEBONE - There are four houses.

Mrs TAYLOR - Yes, I understand, and I am sure that the houses themselves are not fussed. There are plenty of places on tank water.

[2.45 p.m.]

Mr KNEEBONE - This has been negotiated with the residents and with the DHHS and has received approval. It is a satisfactory result for all concerned.

Mrs TAYLOR - There are plenty of places that are on tank water that are happy to be on tank water but I thought that was one of the calculations originally when we were saying there are this many places on boil water alert and a lot of that was because small places were on tanks and were classed therefore as not having safe drinking water.

Mr KNEEBONE - This was actually a reticulated supply but it had had no treatment. So we were maintaining a very small reservoir, if you could call it that, which was a raw water supply and pumping it to people's houses. That is now no longer happening.

Mr DEAN - I want to go back to comment and price cost the three regional bodies as well in relation to the communications with your customers. I take it that each of the regional bodies have a marketing group? I take it Onstream have a marketing area as well so where does this all work and how are you marketing then? What does Onstream market and how do you get to your customers when you have said that you have a good customer communication channel operating? That is contrary to the information being provided to councils. People are saying to councils that it was easy to communicate with the council but not so easy to communicate with a regional body.

Mr PAINE - I don't know that I said that we had good communications with our customers. We want to -

Mr DEAN - Or working hard at communication.

Mr PAINE - Working hard, yes, we certainly are. There are a few points here. We started 18 months ago so we are not as familiar as our council owners in their location and the contact that people normally have with those. We have established a dedicated phone number, 13 MYWATER, or 136992, that people can ring and wherever they are they will get the appropriate business. We have established customer service centres, we have the usual inserts that go in the accounts and we are in people's streets fixing things so we communicate with them in a appropriate way around notification and the like. We are trying to market our projects that we are doing. The marketing group at Southern is focused on what we are doing, similarly to, I would imagine, the other businesses.

Mr DEAN - How many do you have employed in your marketing area?

Mr PAINE - I have 2.6.

Mr CASH - I have one person who is the manager of communication and customer service. She does all of our communications and runs our call centre and customer services. Less than one. Not full-time.

Mr DEAN - I suppose it would be the Onstream marketing team that put that document out in conjunction with the regional bodies.

Mr KNEEBONE - We have one person who is our communications manager and we have a 0.4 as a community consultation coordinator who helps us with the consultation particularly for the price and service plan development. Taking the point as to how we have divided that up, essentially it comes back to the discussion earlier about how we determine what is in Onstream and provided by Onstream getting central benefit and what is being undertaken within the corporations to give the regional focus required of us. We have agreed that the statewide coordination of those statewide newsletters and our presentations at Agfest, central communications with the chairman, media monitoring, preparation of the annual report and those sorts of things, be undertaken within Onstream on our collective behalf. If we have regional issues such as direct communication with our customers, we will either choose to do it internally, contract Onstream or a hybrid of the both. So there is a very distinct line drawn and there certainly is no duplication.

Mr PAINE - We also have a number of other mechanisms such as customer focus groups. We have a trade waste consultative committee. We have an environmental consultative committee and all those other sorts of forums as well as the developers' forum I mentioned a bit earlier on. We are really trying hard to get out there who Southern Water is and what they do. It is a very big change for Tasmania and Tasmanians, there is no doubt about that.

Mr CASH - This is going to take some time because a lot of our customers who go to the councils need to become familiar with the fact that they do not go to the council anymore and I think that is a learning experience for all of us. Whilst this is very challenging for us and it is continuing to be challenging, we are making strides forward.

Recently we had some customer satisfaction surveys done collectively, and there were some negatives in that, but it was not as negative as it might have been. We hear all the negatives but there were a good deal of positives in it as well. But we have some challenges, don't get me wrong.

Mr DEAN - I was going to ask, how many marketing staff are involved in Onstream; is it four?

Dr MUCHA - Three probably, directly. We utilise other people for assistance but generally their arrangements are more about stakeholder management groups, with which I have said they are doing some work at the moment in the metering project but also there is strong expertise there within that stakeholder management. The other areas, as was noted, we do major statewide activities and provide assistance as well in compiling some of the information that the corporations may require at the time.

Mr FINCH - Mr Willis, you mentioned earlier that the brand and the image has not been progressed as well as you would probably like it to be. Are there strategies in place to overcome that and perhaps take that on so that there may be a better feeling in the community about the work that you are doing?

Mr WILLIS - Certainly, it is very much a part of the corporate plan for each of the companies to improve its performance. We have many key performance indicators that will be guides to operating in a better way and it is through performance that the brands will be enhanced. It will not be through advertising, promotion or television, it will be through performance that that will happen. But we are going to supplement the performance improvements with some consistent livery, some approaches to water-wise consumption and water conservation and so forth which will flow out in conjunction with the water metering project and we think that all of these will have a better level of engagement with customers and help the brand to improve.

Mr GAFFNEY - I am going to a slightly different section of this, if that is okay. The Auditor-General said, in his report recently, 'It is our view that subject to adequate maintenance expenditure the regional corporations' operating modes do not provide an adequate return to enable them to provide for asset replacement.' We know that because of depreciation and asset maintenance. It has also been stated in that report that the north-west, Ben Lomond, of the three corporations, is the one most at risk -

CHAIR - Cradle Mountain?

Mr GAFFNEY - Cradle Mountain, sorry, is the one most at risk. The regions could have some differences and we know the Cradle Mountain region at the moment is suffering a lot in lots of different areas. So I am going to go to headworks charges. With headworks charges, for honourable members, prior to 1 July 2009, we did not charge headworks charges on the north-west coast and that was a flaw and everyone recognised that. I think most developers and most councils and communities would expect headworks charges. I suppose I am questioning the model that is being used. It is my understanding that the model is based on the New South Wales model and so perhaps for an ordinary household in my patch it is \$5 200 worth for water and sewerage, a little bit more for water than for sewerage. If we had adopted the Victorian model, it would have been possibly half of that. A report from the Tasmanian Economic Regulator in February 2009 recommended a headworks charge of \$2 200 for water and \$1 100 for sewerage, hence \$3 300. Most developers on my patch would say that that is a useable and workable amount. The interesting thing is that we are finding - and I would like a comment - that some developments may not go ahead on the north-west coast because of the imposition of a higher-than-necessary headworks charge. Even though I know the corporations have been set up to get a return, I understand that, but a return of no connections on 150 blocks is not a lot of money, a return of \$3 300 over 10 years on those blocks that will be sold is a much better return for the investment. I believe that some large developers who look at the north-west coast and look for a whole range of services will not focus there; they will come down to Kingston, Sorell and Brighton, which are high-growth areas, and put their money there because there is a better chance for them to get their blocks sold at \$5 000 a block rather than putting it into the areas such as the north-west coast where they really need that vital injection of people and community to keep it sustained. This is a real concern for the outlying regions. Is there going to be some consideration of having different headwork charges or having them phased in over a period of time, especially when developers were put on hold for two or three years while planning schemes came up and then suddenly they have a \$5 000 bill?

Mr WILLIS - Coming to that last point about phasing in, we have a very hard answer for you in respect of all the first part but we do look to phasing it in. I might defer to Mr Kneebone, because it is in his area. We are looking to apply developer charges consistently throughout the State so the same principles will apply for each of the corporations and we are looking for that to

be an appropriate locational signal that it will be the cost of the location according to what it is. If it is \$3 000 in Brighton it will be \$3 000, and if it is \$5 000 in the north-west it will be \$5 000. So we are looking to make the locational signal through the development charge but we are very cognisant of the impact. The board has given Andrew the scope to look at terms of payment and measured ways of introducing the developer charges within the region.

Mr KNEEBONE - To address your last point, we have agreed to phase in the development charges in the north-west, it is the only place where we have. It was agreed by the board, I think, in February this year to phase in development charges and cap them at a certain rate. I cannot recall the exact rate. They will be phased in over three years, into the first year of the independent economic regulatory period.

The issue with the method of calculation is that the interim pricing order requires that the method of calculation of these things be cost-reflective. The issue with the method use in Victoria, as you quoted, the Essential Services Commission method, is that it is entirely arbitrary and has no cost basis to it at all. It was simply a number plucked out of the air because of an assumption that the water corporations in Victoria at the time were over-recovering on water on their headworks charges. It has absolutely no cost basis to it whatsoever. The reason I am aware of this is that I have just had to write a paper for our board, and they considered it only yesterday, and the matter is that it would be ultra vires if we were to adopt a method of that nature. The IPART model that has been adopted is a tried and tested model. It is cost-reflective and has been undertaken - the build-up of those costs has been done by system throughout the north-west coast. The issue is that they have never been there before. The board has taken the view that in terms of long-term pricing for services, the appropriate application of development charges in the long term has a material effect on the end use prices charged to customers.

[3.00 p.m.]

We have two choices here - we can either recover the incremental costs of each development from the developer in a phased manner, moving to a full cost recovery model, or, if we are required to invest in servicing the incremental demand a new development puts on our system, we would have to spread that cost over every other customer. There is no other choice.

Either the general community cross-subsidises development, or developers pay their proportion - they pay their fair share - and the community pays for their services.

CHAIR - Do you agree it is prohibitive to development?

Mr KNEEBONE - No, I don't believe so. I will make the argument in reverse. I was working in Victoria at the time when we went from having developer charges of around \$5 000 a lot, down to a \$1 000 a lot. I can tell you the price of those blocks did not go down.

CHAIR - But they have more customers over there.

Mr KNEEBONE - No.

CHAIR - What, no more customers in Victoria than Tasmania?

Mr KNEEBONE - I was in a very small water corporation at the time and it was not a constraint on development.

Developers, particularly for commercial developments - not so much for subdivisions but for commercial developments - are taking some time to understand the system and the need to provide us - and we have some work to do to assist them with this - with details of their incremental demand, because in the absence of detail, we are doing the calculation based on an equivalent tenement, according to the Water Services Association of Australian Standards.

In the absence of detail, we stick with the standard. If we can provide additional detail, we can often refine the calculation. That is the case with at least two or three of these key developments, that are so-called marginal. If we get some additional detail, we are more than happy to try to minimise their costs.

CHAIR - Thank you, we appreciate it and I know we are starting to run out of time. We could probably take a day, but is that all in relation to that, Mr Gaffney?

Mr GAFFNEY - No, not really. You commented that there was only one way to deal with this issue. There has to be more than one way to deal with issues. Because of the EPAs, corporations have been forced to undertake a lot more capital expenditure on projects. With the State Government more in charge of the EPAs, rather than local councils or boards, work isn't being done at the same speed. If they come up with a billion dollars worth of projects in 10 years, we may have a water and sewerage commodity that is too expensive for a lot of our community members to accept. Are we still sticking to that \$1 billion over 10 years model, or are we going to extend that so we can have a gradual increment in all these other surcharges, like headworks costs, et cetera, so we do not stop the flow of development at all?

My concern is that we are EPA-driven because there is somebody now wielding a stick. Before, the stick was not there, nobody really cared and the State Government was doing its own thing anyway.

Mr WILLIS - Could Mr Cash respond to this one, please?

CHAIR - A short answer, please.

Mr CASH - The problem with deferring the billion dollars of fix-up - in Ben Lomond's case, and all three would be very similar - is that the replacement value of our assets is about \$1.5 billion, the average life expectancy of our assets is probably 50 years, so we have a \$30 million renewals budget every year. We have not started that. If we keep deferring the fix-up, we build up a mound of renewals and the problem that we were set up to fix gets deferred and gets bigger, so we cannot defer it.

CHAIR - I know that some of our questions and answers have been a little lengthy this afternoon. We need to tighten them up or we are going to miss out on some opportunity.

Mr FINCH - I get the message. Michael, I understand you have charges you need to make. You have assessed and done that. Can we again have uniformity across the State, from your report?

Mr PAINE - Yes.

Mr WILLIS - We are going to have uniformity in the methodology. Every individual calculation for each development will be different, according to the parameters for that development, but the methodology will be the same.

Mr FINCH - Will the charges that are made be approximately the same, so you will not have the situation that Mr Gaffney is talking about - a big differentiation that will attract developers away from one region to another?

Mr WILLIS - There will not be an arbitrary difference. If there is a difference it will be real because it reflects the cost of one place over the cost of another.

CHAIR - I would like to specifically ask a couple of questions of Cradle Mountain Water in relation to its expenditures. I note from the report there is an expenditure of \$663 000 on vehicles, while other corporations do not refer to such expenses at all. Are you just being open and transparent, or are the others not driving around in any vehicles?

Mr PAINE - We spent \$2.7 million.

CHAIR - Hand up, Ben Lomond?

Mr CASH - Is this the capital?

Mr KNEEBONE - Operating expenses.

CHAIR - It is indicated in your expenditures, and obviously each corporation has its own needs and requirements.

Mr CASH - It is \$570 000.

CHAIR - If we are going to have these figures, we need to have a consistent approach. But, we know it is a new, young organisation and we are not going to get everything right.

Mr WILLIS - Chair, one of the features of having the three corporations is being able to make comparisons. They are regulated monopolies within each of their regions, so how do we know they are efficient? We want to compare them, and we tried to set the reports up to enable comparisons. I do not quite know why that item isn't uniform.

CHAIR - While we are going on comparisons - Cradle Mountain Water, your accommodation and meals and that type of expenditure is quite a bit higher than Ben Lomond's and even higher than Southern Water's. Does that mean that you travel more to Hobart, or to Launceston and so it does not cost the other organisations as much?

Mr KNEEBONE - That would be a generalisation, but yes.

CHAIR - Should we be having more meetings down the north-west coast? Tell us now.

Mr KNEEBONE - In this last 12 months, we have been coming to meetings with the regulator and you travel to where the activity is undertaken.

CHAIR - We need to get the regulator out of Hobart.

Mr KNEEBONE - Our board meetings are held on a rotational basis and our CEO meetings are held on a rotational basis, but there will generally be more travelling required out of the north-west.

CHAIR - These are all issues that are going to impact, in particular, on Cradle Mountain Water and we can see it is going to be difficult for us to achieve some of these economies of scale.

Mr KNEEBONE - A reasonable amount of the accommodation expenses in this year would have been associated with transition of new employees into the organisation. We recruited a few executives and other staff who had to be put up in temporary accommodation while they were transitioning, so there is a degree of that type of expenditure.

CHAIR - A question to Southern Water - on page 159 of the report you indicate a resolve to move away from the assessed annual value base pricing methodology used in local government for the general rate. Would you mind outlining to the panel the basis for your plan to use water and sewerage tariffs in the future?

Mr PAINE - Certainly. The legislation is quite specific about the tariff methodology going forward; it should be on a two-part basis. So that is a fixed charge and a variable charge. The variable charge being based on volumetric where, as you know, we are putting together a pricing and services plan for submission to the regulator, which is a propose-and-accept basis, and our proposal will comply with the requirements of the legislation.

For water we are working on a transition to a fixed charge that reflects the service provided, based on the sites of service. For waste water we are looking at an ET-based process based on a residential unit. But it is still work underway and the deadline is 30 June.

Mr KNEEBONE - If I may interject, Madam Chair, the design of these particular tariffs is wholly dependent on the pricing regulations which are, as yet, unpublished. So this is only what we are thinking at this point in time and we cannot be definitive as to exactly what these tariffs will be.

CHAIR - Is there a time frame when you will be able to be more accurate?

Mr KNEEBONE - When the regulations are published.

CHAIR - When is that?

Mr KNEEBONE - We do not know.

CHAIR - An unknown?

Mr KNEEBONE - An unknown. It is in the hands of the Treasurer.

CHAIR - That obviously affects your ability to do your business and plan.

Mr WILLIS - Correct.

Mrs TAYLOR - So you have asked?

Mr WILLIS - Yes.

CHAIR - You have not received?

Mr PAINE - We have been told that they are in the pipeline and they are under review at the moment.

Mr KNEEBONE - We would expect to be able to have them in time to be submitting our pricing services plans by 1 July next year.

Mr GAFFNEY - Better the pipeline than the sewer main, I suppose.

Mr PAINE - The reality is, we are continuing to move on and get our work done but being able to, again, publish what our work is, is a difficulty without the guidance of these regulations. It is probably the biggest effect, in my opinion.

Mr CASH - We probably need to add that we are in constant communications with the regulators. We probably have a reasonable understanding of what the regulations are going to say but we just have not seen them yet.

CHAIR - You are not in a position to give any of that information out into the public arena at this point in time.

Mr PAINE - If it is wrong, it just starts that whole thing again.

CHAIR - We do not need any more of that.

Mr DEAN - I want to ask a question that was, I think, asked in BLW's annual general meeting. It related to the question on the letting of contracts for services. We have heard a lot about contracts this morning and what Onstream is doing. Do you propose to monitor that very closely and go to the private market annually or every now and again when something is required as provided, say, for Onstream to see whether or not the private market is a much better market? Do you do that? And I ask that across the regional bodies.

Mr CASH - Are you talking specifically about functions that Onstream undertake for us?

Mr DEAN - Functions that Onstream perform or could perform. I think it was a question I asked at the annual general meeting and I was asked to raise it in this format again.

Mr CASH - Clearly, with the things that Onstream do now, they do undertake some benchmarking, which has been a bit underdone given the circumstances, because it is growing services, but it is Dr Mucha's clear intent to increase that benchmarking. So some of these things are not easy to go to tender, particularly if you are unlikely to accept that tender, but you will undertake active benchmarking. If the service does not meet the benchmarks then neither of us will be happy about that outcome.

Mr DEAN - I suppose you already pay a set amount of money to Onstream. I am not being flippant about this, but it probably would not worry you that much, would it? You are already providing a set amount of money to Onstream to fund Onstream.

Mr CASH - No, that is not right. The negotiations at the service level agreement set out the functions and the levels of service that Onstream would provide to us and we have negotiated a price for each of those services.

[3.15 p.m.]

Mr DEAN - So would you negotiate any additional works through Onstream or would you go to the open market?

Mr CASH - It depends on the service. Sometimes the service might go to Onstream and ask for a price on a service level and if it is okay, we will accept it, and sometimes we might go the market.

Mr DEAN - Can I ask another question, Madam Chair?

CHAIR - A quick one because there are a couple more around the table.

Mr DEAN - This comes out of many complaints made to me. The majority of complaints that I have received would be in the metered and unmetered supplies and the pricing around that. A metered supply for a normal household is about \$172; for an unmetered supply where no water is used at all it is \$400-odd. Why is it different?

Mr CASH - We have 95 per cent of our customers and the price variation across that 95 per cent is not a single number. I have done some work in the last couple of weeks and we have people in water and sewerage services and the charges vary from \$600 to \$1 400. It depends on which municipality they came from.

CHAIR - It is what you have inherited.

Mr CASH - There is no general amount. You cannot pick a number out and suggest that a metered supply costs that much because it varies enormously. We have volumetric charges in Ben Lomond Water that vary from 38.4 cents to about 90 cents. There is significant variation in tariffs.

CHAIR - There is a lot of work to be done.

Mr DEAN - You will work through that as you move forward.

Mrs TAYLOR - I have one question in relation to infrastructure development. One of our stakeholders in the last couple of days was talking about the difference between infrastructure being made available for new developments and infrastructure for towns that are currently on your priority list. His claim was that a new development in his area had not got approval because the infrastructure was not going to provide a commercial return - we are talking about the north - but there were small towns who were getting safe drinking water supplies and there was not going to be a commercial return there either. So he did not think that was fair. Have you a comment on that?

Mr CASH - I know the case, Geoff; I am happy to talk about the case. We currently have 24 towns on boil water alerts. We have a regulated responsibility to fix those towns and spend the money to fix those towns. We have no regulatory responsibility to provide water supply to

Greens Beach. I have personally designed a water supply to Greens Beach three times in my career starting in 1980.

CHAIR - It is a growing area.

Mr CASH - It has been on the table for 30 years and it has never been constructed. We would be happy to talk to the developer in the same vein as any other developer and apply the same developer charges methodology. I think we have a meeting with that developer next week and he will be given that information.

Mrs TAYLOR - I think that is the issue, isn't it, that you are regulated to do it to the others.

Mr CASH - There is the potential for regulation for towns that do not have services. That is one of the other regulations that is likely to come forward, where there may be some process where government or councils can oblige us to provide services to unserved areas. There will be conditions that apply to that. But again, we have not seen those regulations.

Mrs TAYLOR - So that might come in the new regulations.

Mr KNEEBONE - The corollary to that is that under the economic regulation model ultimately the investment made to service these towns on boil water alerts will generate a rate of return. They must, because they are built into your asset base and you get a recovery of your depreciation and your rate of return on assets. It might take some time but under that economic model they do become economic assets.

Mrs TAYLOR - Even small communities?

Mr KNEEBONE - In a global sense the total assets of the business will become -

Mrs TAYLOR - The total assets of the business - absolutely.

CHAIR - Mrs Taylor, a 30-second question with a 30-second answer.

Mrs TAYLOR - It was that I was reflecting at lunchtime and it was an observation as much as a question.

CHAIR - I told you to do that, didn't I.

Mrs TAYLOR - We were talking about the 5 per cent pricing cap and one of the responses that you gave, Mr Willis, was that in the long run what it might mean is that less dividends would go back to the corporation or it might take longer to get dividends. So that actually means that we are now getting this price cap imposed but in the long run if it is less return to the corporations does that not mean that in fact the customers end up paying for it because the councils will not get those returns and that will not be reflected in the rates policies of those councils? Are not the customers going to be paying for it later on rather than now? Are they getting nothing?

Mr WILLIS - It is the full life cycle of prices -

Mrs TAYLOR - It sounded like this circular -

CHAIR - I think it was referred to in my notes as the pea-and-thimble trick.

Mr FINCH - You talked earlier about call centres having now gone back to the various corporations. They are the front line for the community to access. Part of my concern would go there in respect of your image and your branding and the way you are doing business. I just want to be reassured that those people are well sourced, well looked after and well trained.

Mr WILLIS - Any one of my colleagues.

CHAIR - *Hansard*, please reflect all nods across the table.

Mr FINCH - It was the shortest answer of the afternoon.

CHAIR - Ladies and gentlemen, we do need to have a break.

Mr Willis, can we firstly on behalf of our committee and on behalf of all my Legislative Councillors and parliamentary colleagues thank you for your service to the Tasmanian community and wish you the very best in retirement for whatever your next project is and I have no idea.

Mr WILLIS - Thank you very much.

CHAIR - Can I wish everyone a very safe and happy and perhaps somewhat relaxing Christmas-new year period. We appreciate the fact that all this takes time and effort but it is important in our view that we represent the people of Tasmania and so we thank you very much for your time and effort today and look forward to two years' time. We will have a six-minute break, members.

The committee adjourned at 3.22 p.m.