



PARLIAMENT OF TASMANIA

TRANSCRIPT

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESS SCRUTINY COMMITTEE B

Tasmanian Water and Sewerage Corporation

Wednesday 30 November 2022

MEMBERS

Hon Rosemary Armitage MLC (Deputy Chair)

Hon Jane Howlett MLC

Hon Tania Rattray MLC (Chair)

Hon Rob Valentine MLC

Hon Meg Webb MLC

Hon Josh Willie MLC

WITNESSES IN ATTENDANCE

Mr Richard Ireland, Owners Representatives Group

Mr Ben Morris, Director, Sector Services, Local Government Association of Tasmania (LGAT)

Mr Nick Burrows, Board Chair of Audit and Risk Committee

Mr George Theo, Chief Executive Officer

Mr Matt Derbyshire, General Manager Asset Management Services

Ms Joanna Giannini, General Manager People, Culture and Safety

Mr Kane Ingham, Chief Financial Officer

Ms Fran Smith, Acting General Manager Governance & Assurance

Mr Tony Willmott, General Manager Project Delivery

Mr Matt Balfe, General Manager Customer and Corporate Relations, TasWater

PUBLIC

The committee met at 11.20 a.m.

CHAIR - Good morning, on behalf of the committee I would like to welcome you to this GBE scrutiny. It is always an interesting one with TasWater having this scrutiny. We are interested in having some input from the owners' representative. Would you please introduce yourselves at the table for *Hansard*, then you might have an opening statement or launch into questions, whatever works for you?

Mr IRELAND - I am Richard Ireland, I am a councillor with West Tamar but I am also the deputy owners' representative, the chief owners' representative did not re-stand for election and I am the last one standing.

Mr MORRIS - I am Ben Morris, I am the Policy Director for the Local Government Association Tasmania. We provide secretariat services for the owners.

CHAIR - Thank you both and welcome. Do you have an opening statement, Richard?

Mr IRELAND - The local government owners of TasWater welcome the scrutiny of the company by the parliament along with the TER. As members would be aware the operational side is handled by TasWater and its executive. The main way that the owners influence TasWater is through the shareholders' letters of expectation (SLE). We went through the process of modernising this late last year, mainly because the Government got involved more with TasWater. We would like to thank TasWater for the collaborative way in which they work with the owners to create the new SLE.

The main change in the SLE was we acknowledged the maturity of TasWater and we removed some of the prescriptive areas that were already covered by legislation. We provided a clearer set of guiding principles on investment and more authentic engagement with their customers. We improved the disclosure to the Owners' Representative requirements there and we updated the economic development principles, mainly to have a positive difference to the Tasmanian social and economic situation. Most importantly, we put in a specific requirement for TasWater to develop and implement a climate change adaptation response. The owners' representative, or the owners have an influence on TasWater via the board selection process. We actually select the board members, so that is like our input to the people who run TasWater. We have a board selection, a couple of people from the south, north and so on and they select the board members. Probably most importantly, we approve the corporate plan, which is a main part of the thing. I am very happy to take any questions you may have.

CHAIR - Thank you very much and we appreciate that. Let's start with the board appointments. You appoint all the board members, including the chair?

Mr IRELAND - Yes, as they come due. The chair is retiring at the end of 2024, so that will be one of our major challenges to replace the chair. A couple of the board members come up next year and some will be reappointed, some have reached the end of their terms. We feel that's very important that we select board members who are going to be good for TasWater.

CHAIR - So, the relationship with the board, from the owners' rep. You have an owners' representative who is part of - does that owners representative sit on the board?

PUBLIC

Mr IRELAND - No, the interaction with the - mainly we have our twice-yearly main meetings and quarterly briefings, so that's six meetings and generally one, or two of the board members will attend those meetings, along with the owners' representatives. There's a pretty good interaction between the owners' representatives and the board. I talk to them personally quite a lot so it's a good interaction.

CHAIR - You talked about the update of a number of policies, particularly the guiding principles for the organisation. Can you expand on the changes to the guiding principles, as the company has matured, I think were your words?

Mr IRELAND - I might pass it over to Ben, because he was involved in the development of the SLE. I've it all here highlighted, but he knows it in more detail.

CHAIR - Thank you, Ben.

Mr MORRIS - Well the track changes may be an easy way to go. I've only the full complete one, but -

CHAIR - Can you just lean over a little bit, Ben, sometimes they are a little bit difficult, and you too, Richard, when you get the chance?

Mr MORRIS - Yes, thank you. It was really to update a lot of the language. In the guiding principles, acknowledging the existing statutory frameworks, they have that we can't operate outside of those and in particular the TER, the economic regulator, provides that price and service plan process. It is very much about having that long-term financial sustainability for shareholders and for the community, to make sure that they're providing not just good service but value for money and are linking to the regional prosperity. I can detail those following this if you like. They're very much about how and where they invest. That's ultimately what they are here to do and part of their vision is making that positive difference, so it's providing some guidance on those.

CHAIR - How do you arrive at that and this is probably a question for you, Richard, given that you have 29 councils? That's a lot of individual needs and aspirations to compete in to get to the top of the list. How do you deal with that and then impart that to the board so that next program, or that next project is at the top of the list?

Mr IRELAND - There's a thing called the 'expert advisory panel' which is like an interface between the 29 owners' reps and they are the guys with the knowledge of how TasWater works. I must admit, an owners' rep in some obscure council may not know all the detail. So, this expert advisory panel is really the crux. They're the ones who listen to each of the councils, cull it down to the important issues and then pass that onto the board.

CHAIR - So, how many council reps sit on that?

Mr IRELAND - Mainly general managers -

Mr MORRIS - And members, yes.

CHAIR - It's all general managers?

PUBLIC

Mr MORRIS - No, Richard is on there, we also have the chief owners' rep, previously, that was Doug. Then Alex was the member, as well as Richard. I am trying to recall the other -

Mr Valentine - They are regional, aren't they? They have regional reps.

Mr IRELAND - Yes, but Tony would you go into how the investment is determined across the state.

CHAIR - Yes, exactly. What project is next on the radar?

Mr MORRIS - I think the owners essentially would leave it to TasWater to determine its priorities. The long-term strategic plan sets out those longer goals of water quality, sewerage, service standards. Then the price and service plan, which we had input into about those priorities. Then the investment priorities out of those, that higher level investment priorities. Owners, I would say, to be fair, don't necessarily advocate for specific projects in their municipality, because they recognise there is a bigger goal.

CHAIR - I find that interesting that you say that, but, if that's your assessment.

Mr MORRIS - In general. There would be some who would quietly say, 'What about this project', and Tas Water will respond and say, 'It fits into the plan here and here, and this is what it does'. There are some very good reasons to, you know.

CHAIR - Richard, in your view, and for the time that you have been the deputy owners' rep, do you believe that the model in place works for TasWater - and particularly for the delivery of those services and that infrastructure, the upgrades that was so desperately needed when the organisation was formed - I am interested in whether you believe that it's the right model?

Mr IRELAND - I certainly do. I don't know, I wasn't around in the days of the three Ben Lomond -

CHAIR - Four. The billing system, Onstream, was separate.

Mr IRELAND - There was Onstream, and three others. That was before my time as a councillor, and I can't actually understand why we went to that intermediate step. Maybe it's political, I don't know.

Mr VALENTINE It was like back office stuff, I think.

Mr IRELAND - In the original system where we had 29 councils with varying abilities to do their job, it was, I would imagine, chaos. Some were doing a really good job, some were not. It was really important to consolidate it.

Even now, TasWater has a challenge with 29 legacy systems to sort out. Some were better than others. That is why it has taken such a long time, and such a huge capital investment to bring it to the level like we have in the other states, where we have two or three water treatment plants for the whole of Melbourne, versus, how many do we have? A lot.

PUBLIC

Yes, I think it is a good model. It works well with the owners' representative, because we do have a lot of input into what goes on. It is not like, say, TasNetworks or something like that, which is totally separated. The councils certainly can control things.

Ms HOWLETT - I am wondering if you can talk to me about the Penna recycled water scheme, at Penna, and also the Orford sewerage -

CHAIR - That will be for TasWater, thanks. We will hold that one.

Ms HOWLETT - I think we should have them together, personally.

CHAIR - Well, that's what we have set up for now.

Mr VALENTINE - I'm interested in the current dividends being paid to various councils. Are there special conditions in place where some councils are getting more than might be generally expected, because of the transfer still, or not? When TasWater was set up, there were some councils that received a lot more in dividends because they had put a lot more infrastructure and assets into the system. They were getting special treatment, if I can put it that way. Do you know, from your council group, the 29 of them, are they still receiving special dividends?

Mr IRELAND - No, the dividends are divided up, as you just said, due to the infrastructure, the level. For example, West Tamar has 3.3 per cent, so when they dish out the \$20 million dividend, we get 3.3 per cent of that. I cannot think of any other way how you could divide it up. When they first set it up, effectively they stole everybody's assets, and said, 'Okay, now you're shareholders in a proportion due to the assets we have taken'.

Mr VALENTINE - Well, originally it was not quite as straightforward as that, going way back. For instance, Glenorchy Council received a heck of a lot, over and above their input, as far as I can recall. There were some special arrangements made for that. I was wondering whether those special arrangements are still in place or whether it is totally on the amount of assets that they have brought to the game?

Mr IRELAND - I was unaware of those special deals. Now it is just purely based on the asset value of what was originally taken over.

Mr VALENTINE - That is fine, sounds like it is even. I also wanted to ask whether we can get a copy of the shareholders' letter of expectations?

Mr IRELAND - It is on the website.

CHAIR - The secretary will probably have it under our nose in about four minutes. Thank you, member for Elwick.

Mr WILLIE - Thanks Chair, I am after the board's decision-making on repaying the dividends from that COVID-19 period, given the capital upgrades and the programs across the state and some of the indicators of leaks and sewage effluent being discharged into waterways. Was there any consideration on keeping that dividend to invest into the capital program?

PUBLIC

Mr IRELAND - No, basically they said, if we keep making a profit, we will pay an extra dividend. The last year they paid the normal dividend plus the dividend that we lost or a portion of the dividend; it is going to be paid over several years.

Mr WILLIE - Yes, \$4 million a year, I think.

Mr IRELAND - They have actually already said that this future extra dividend is certainly not guaranteed. If they do not make a profit or if the cost-of-living index, the cost of doing these jobs, if it goes up with inflation, there could be a situation where TasWater does not make a profit, in which case, we will not get the dividends. Councils have been warned that they cannot rely on that.

CHAIR - You cannot rely on that share of the \$20 million every year.

Mr WILLIE - No, this is additional.

CHAIR - Yes, I know, but even so, is that what you are saying though Richard, you cannot even rely on the \$20 million?

Mr IRELAND - Legally, nothing is guaranteed, but generally speaking, with the exception of COVID-19, they have paid the main dividend. The repayment of the missed dividend is basically at the will of TasWater. If we make a profit, we will pay it. We will try to pay it, they have said they will try to pay it, but they have warned us that with the cost-of-living, cost of living a dam, cost of building whatever is going to go up, we might not make a profit, but hopefully we will. So, councils are definitely aware that you cannot rely on this dividend.

Mr WILLIE - Was there in consideration in cost-of-living relief instead of paying the \$4 million back to councils?

Mr IRELAND - You mean the special concession payments, we still have that system in place.

Mr WILLIE - Or broadening that -

Mr MORRIS - Josh, do you mean not to accept the dividend?

Mr WILLIE - Yes, not to accept the \$4 million and to spread that across your customer base as cost-of-living relief.

Mr IRELAND - No.

Mr WILLIE - There you go, that is a pretty simple answer.

Mr IRELAND - Not a political answer, just a simple answer.

CHAIR - We like straight answers, thank you.

Mr WILLIE - We have plenty of operations questions.

PUBLIC

CHAIR - We have plenty of operation questions and the fact that you see no issue with the current arrangement and the relationship is good with the board and TasWater. There is a new CEO in place after a long-term appointment previously, so would you like to talk about that transition?

Mr IRELAND - I have met George two or three times, so he is pretty new. As far as I know, he has been doing a good job, so nothing either way really.

CHAIR - Feedback has been positive?

Mr IRELAND - There is nothing, no bad news. Mike Brewster was an excellent CEO, but all good things come to an end and so we now have George.

CHAIR - Thank you. What about the actual TasWater employees on the ground. Do you have any feedback from the community on timeliness? I know that is operational, but as councillors and elected members of your community, you will certainly get some feedback if things aren't being attended to in a timely manner. Do you have any concerns or issues about that, or excess staffing numbers or lack of staffing?

Mr IRELAND - I've had no particular issues, but I do recall an issue about five years ago, one of the good things about an owners' rep group, when some water leak was not being fixed properly, and I was able to fix it - via my ratepayer, to me, to Mike Brewster. There's a very good communication setup and I have had no bad reports recently. I mean it's a semi-government organisation, it has lots of equipment that might be excessive, but that's probably because they have to be able to handle a big leak or something.

Ms ARMITAGE - It should pass your mind, it took 24 days to repair for one of my constituents, which caused significant damage to the house. That will come up shortly, with the next group.

CHAIR - Anything else that you would like to share with the committee? We don't want to just sit here and have a talkfest. We are interested in challenges that the organisation sees with TasWater

Mr MORRIS - No; I think as Richard has said that they are broadly happy with how TasWater is doing. There will always be those local issues, and there will be some reason why those happened and they're not perfect. It's interesting in our Future of Local Government review, which is live at the moment, and there has been a lot of discussion about shared services. There is a trade-off between the size of an organisation and its capability and how you can respond to a very local issue. If you get the size you can invest in about \$250 million last financial year, which is remarkable and a 40 odd per cent increase on the previous year; but you can't have the same responsiveness as a council would have. That's certainly a challenge for the community to have, and to understand, and certainly that something that councils are giving their mind to with the review about how that balance may play out.

CHAIR - There's been some criticism in the past about the Capital Delivery Office(CDO), and the excessive cost and the lack of action. Have you seen any difference in rolling out those larger projects.

Mr IRELAND - Originally the CDO took on a lot of projects.

PUBLIC

CHAIR - Took on virtually everything.

Mr IRELAND - Then basically they pulled back smaller projects that are then handled by TasWater.

CHAIR - We would like to think that a committee of this parliament assisted in that.

Mr IRELAND - That was a good outcome, and we had a bit of a discussion with the Civil Contractors Federation (CCF). They were unhappy initially, but they seem to be happy now. That was another issue which the owners were dragged into which was good and we were able to resolve.

CHAIR - They were bypassing a lot of very local contractors, and having people overseeing works that were interstate, not on the ground, and expecting somebody local to fix it and then really drilling down the price that they were receiving. It was not good for Tasmanian business at all, and that's not we would expect for a Tasmanian council-owned business to want to endorse.

Mr MORRIS - That scale question, wasn't it? They were applying the same risk management approach to Bryn Estyn, which was about a \$300 million, to an upgrade of the renewal in a street.

CHAIR - Or the Pioneer water scheme, or something like that, exactly.

Mr VALENTINE - A question in respect to trade waste. What's the feedback you're receiving from councils about whether that is still an issue for them and whether they are being addressed?

Mr IRELAND - I do not know if your aware but in the new Prices Services Plan 4 (PSP4), which is just about to come in, we have come up with a new plan to seriously look at trade waste. I know there was a lot of initial angst about it, so we now have a new risk cache group like hairdressers, that only pay a sewerage fee - because they say a hairdresser is like a house.

CHAIR - There's no fat going down.

Mr VALENTINE - No, but there's plenty of hair going down, which is interesting.

Mr MORRIS - Once they have their basket, or whatever it is, then they say - 'right, you're done', then it's just a sewerage charge. There's been a price drop, which you don't really hear about much.

Mr VALENTINE - Not often. No doubt, received very well by the industry.

CHAIR - We know that Tasmania's based on small business. That's what we do best.

Mr IRELAND - We had to modify the plan, which they have done, so I think you will be happy with that.

PUBLIC

Mr MORRIS - The other one which I will add, Richard, is just the challenge in some places - it is very expensive to put in a grease trap or something like that.

CHAIR - Sometimes, it's impossible.

Mr MORRIS - That's right. They've come up with a new fee that provides an equivalent - they're not getting a commercial advantage but they can pay a yearly fee in lieu of putting that device in, and that essentially pays for extra servicing in that area for fats, or whatever, to be cleaned out.

Mr VALENTINE - Like Salamanca.

Mr MORRIS - Salamanca is a great example.

CHAIR - A couple of my businesses in Deloraine have no ability to put in any trade waste filters due to the heritage of a building and where it sits.

Mr MORRIS - They'd be able to pay that charge - I think it's around \$2000, so it's not a small fee but it means they don't get a benefit over someone who has put it in.

Mr VALENTINE - Is that per year?

Mr MORRIS - Yes, per year.

Mr IRELAND - But you don't have to put any infrastructure in.

CHAIR - That's a terrific outcome for a lot of businesses; although it doesn't take long for \$2000 a year to add up, does it? If you can manage to put in a grease trap, at the end of the day it's going to help your business, but it's also going to save you that \$2000 a year.

I know that TasWater has offered payment arrangements. Is that something that the owners' reps would be very supportive of, to support businesses?

Mr IRELAND - I think we've been pretty generous.

CHAIR - Well, thank you. It looks like we've pretty much exhausted our questions. Unless there's anything else that you would like to share with the committee, we sincerely thank you for your time.

Richard, you would have driven down for this.

Mr IRELAND - I have driven three hours and 10 minutes.

Ms HOWLETT - I hope you're from Launceston.

Mr IRELAND - Just the other side of Launceston. There are lovely roadworks. When are they going to be finished?

Mr WILLIE - I wonder whether in the future you would be open to meeting together so that we can ask broad-ranging questions - like we have in the past.

PUBLIC

Ms HOWLETT - That's a good idea.

CHAIR - I am not quite sure why it was split; but we will work on that.

Mr VALENTINE - Probably because one is a servant of the other in a sense.

Mr MORRIS - There may have been some sort of preference perhaps from TasWater. You will have to ask them but previously that was the case.

Mr IRELAND - Previously, when Doug Chipman did it two years ago, it was split. Am I able to stay and listen to TasWater or is it confidential?

CHAIR - Absolutely; they're open hearings. They are being broadcast.

Mr VALENTINE - You've just come three-and-a-half hours. You may as well make it worthwhile.

CHAIR - We're not sure how many thousands of people will be watching but it is broadcast; we are live.

Mr MORRIS - I did tell my daughter who is 10 and she asked, 'is it on YouTube, Dad?' I said, 'No, darling, it's just on the parliament website,' and she said, 'Oh, well'.

CHAIR - Please say hello to her - here now. It's an opportunity to pop her on the public record.

Again, we very much thank you for your time and one of the joys of being a deputy and you've been able to step up.

Mr IRELAND - I enjoy being the owners' rep because I feel I can add to the business. Traditionally, it's the mayor who is the owners' rep but Christina decided because I'm an engineer, I'd be better at the job than she would be; so, that's how I ended up being the owners' rep.

CHAIR - I always think it's terrific to be able to share the responsibilities around. It's a really good thing to do in any organisation.

Please have a safe journey home. No, I don't know when the roadworks are going to be completed. I am one of those very regular travelers and, yes, it's quite a challenge but at the end of the day they keep on saying to me - just imagine how good it's going to be when they are completed.

Mr VALENTINE - It's a 10-year program, isn't it?

CHAIR - I have to be responsible for being part of the committee that approves some of those works so I can't complain very much. Please have a safe journey home and thank you very much, Ben, nice to meet you. The committee would like to offer season's greetings to you, and have a safe and happy new year.

The committee suspended at 11.45 a.m.

PUBLIC

The committee met at 11.17 a.m.

CHAIR - Welcome representatives of TasWater here today. We very much appreciate your time and I will hand straight over to you, Nick, as the acting chair.

Mr BURROWS - Thank you Chair, for inviting the TasWater team to talk with you today and we are very much looking forward to the conversation. The TasWater Chair, Dr Stephen Gumley, sends his apologies. Unfortunately, he had a prior commitment that he was unable to reschedule.

CHAIR - Thank you.

Mr BURROWS - For those of you who do not know me, I am Nick Burrows, I have been an independent non-executive director of TasWater since 2015. I chair the Audit and Risk Committee throughout that time and I also served on Southern Water for the period of 2011-13.

I'd like to introduce you to our members of the executive at the table today. George Theo, on my right, is our new TasWater CEO. He joined us in March this year.

CHAIR - Welcome George.

Mr THEO - Thank you.

Mr BURROWS - And those who appeared at these hearings before with TasWater, are: Tony Willmott, General Manager Project Delivery; and Matt Derbyshire, General Manager Asset Management Services. Recent arrivals at TasWater and here for the first time are: Joanna Giannini, General Manager People, Culture and Safety; and Kane Ingham, our CFO who was previously COO at Aurora Energy; and we brought recent new General Manager Customer and Corporate Relations, Matt Balfe.

CHAIR - We can see our good friend Ruth Dowty here as well, so welcome Ruth.

Mr BURROWS - As a board we are very keen to see the new thinking that comes with the evolution of the organisation. As it continues to mature, this team will bring new aspects of work into focus and the board is excited by the drive our refreshed executive is already bringing to TasWater.

Importantly, we will not change having our customer and the environment at the centre of everything we do. In 2013, our priority was ensuring our customers had clean, safe drinking water. By 2018, every permanent boiled water alert in the state had been lifted. Over the next few years, wastewater will continue as an area of increased focus and there are going to be some big decisions made around the board and the executive table.

Currently, we have too many wastewater treatment plants and extensive work is already under way on how we can rationalise these; decommissioning a third of those and upgrading others as required. We need to partner with councils to address inflow and infiltration to get stormwater out of our network and limit the wet weather spills that impact Tasmanian communities and businesses

PUBLIC

Current global political and economic instability will require courage in our decision-making. Our fourth price and services plan outlines our prices for the next four years and the services and projects we will deliver. Our regulator revenue remains fixed with price increases capped at 3.5 per cent per year until June 2026. With all the cost of living increases our customers are already experiencing, our 3.5 per cent price increase cap provides them with price certainty until 2026. Our average annual customer bill for a Tasmanian household in 2023 is around \$1276, which is about \$24.50 per week.

Inflation will increase the costs of our operations, maintenance programs and capital projects. We are not alone as this challenge is currently being faced around the world. We will continue to work tirelessly as a board and executive on delivering strong and prudent budget management to deliver on our commitments in this difficult and evolving economic environment. As we did during COVID-19, we must support our customers who are experiencing vulnerability.

We are considering the impacts of climate change and how we reduce our impact on the environment. This is at the forefront of the board and executives' current agenda. We will take innovative approaches to these issues, look for new technologies and develop new ways of thinking. We cannot just do the same, but differently. We will need to fundamentally adapt as the climate changes.

Customers and environment are the centre of what we deliver and our core legislative function, as you know, is to efficiently provide water and sewerage functions in the state. But, we play a much deeper role in society with schools, hospitals, industry, environment and the health and wellbeing of the Tasmanian people who depend on us to get it right.

It is our skilled, dedicated and hardworking people at the heart of how we get it right. The safety, health and wellbeing of our staff will remain our number one focus. Nobody should be hurt at work and we continue to strive to elevate safety awareness across the organisation.

We also continue to grow as a company that cares about its staff. We do this through our culture - work, flexible work arrangements, increasing diversity, offering training and development and making a variety of support services available where and when our staff need them.

Our vision of being trusted, respected and making a positive difference in Tasmania is built upon four strategic themes: the customer and community; the water and environment; commercial and economic; and people and culture. Getting the balance right will take courage, compassion and innovation.

So, thank you Chair, and I would like now to pass across to George who has a couple of comments he would like to add.

CHAIR - Thank you very much, Nick. Seeing I have elevated you to Acting CEO, I will move to the CEO.

Mr THEO - Thank you. I will keep this brief so we can get on to members' questions.

I arrived in March and have spent time with teams across the state. I am proud to say I have been really impressed with the passion and commitment our people have for the work

PUBLIC

they do. We have people who care about the services we provide to our customers and our communities. There is a clear understanding of the role we play in improving the daily lives of our customers. Water and sewerage are the core of what we do and we take that responsibility quite seriously. Our challenge is to deliver for Tasmanians on those things that matter most to them: excellent customer service, delivering environmental benefits, doing our work safely and providing an affordable service that is valued by our customers.

In delivering a valued service, I would like to challenge the status quo at TasWater to look for new ways of doing things better and deliver better customer and environmental outcomes. I will give you an example where it is not about more money but it about being innovative and creating the way we go about doing things. It is not necessarily novel or new.

I have noticed how quickly it takes for a spill to occur during wet weather events. From the moment it rains to the moment we have a spill, the duration is too quick which suggests, not only to me but to others that we have inflow and infiltration of stormwater into the sewerage network. The dumbest thing we can do is to build bigger infrastructure, bigger treatment plants to collect and treat stormwater.

I am not referring to Launceston which has a system that has been designed and built to act as a combined water and sewerage network, I am talking about where we have separate sewerage networks and drainage networks. Just on Launceston, we are embarking on a significant project, the Tamar Estuary River Health Action Plan (TERHAP) in partnership with government and others, and also the Launceston Improvement Project which we would love to talk about if time permits.

I can inform the committee that it takes as little as five millimetres of rain to bring in a million litres of stormwater into the sewerage network. That is a community issue that we need to address. Stormwater gets into the sewerage network through a combination of our cracked pipes, street drains that are inadvertently connected to sewerage, as well as customers who may have mistakenly connected their roof water to the sewerage network. These wet weather spills have impacts on waterways, industries, recreational areas and sometimes individual homes. It is a whole-of-community issue which requires a whole-of-community response.

A targeted program of smoke testing across the state will help us find exactly where stormwater is getting into the network, and we can then work collaboratively with our customers and councils to rectify the issues. Preventing stormwater from entering the sewerage network means we do not have to spend millions of dollars building larger infrastructure and still deliver a better environmental outcome and keep downward pressures on increasing bills.

TasWater has delivered much in its formation and the chair has spoken to some of those improvements. I am thrilled and I am pleased to be in Tasmania. My wife is loving it, as I am. I look forward to leading the TasWater team, and in partnership with other partnering organisations, to further improve the way we serve our communities.

CHAIR - Thank you.

Ms ARMITAGE - We have had a very good relationship with Mike, and Ruth has been fabulous and I am quite sure that George will be equally good with our constituents. Before I get into the more difficult things, I accept that some issues are more difficult than others to resolve.

PUBLIC

With regard to water utility and leaks and this was from *The Examiner* newspaper. I am sure it probably came from the annual report. The rate at which potable water is leaking from TasWater system widened in the last year to 10.1 kilolitres per kilometre of water mains a day, more than three times the average loss rate recorded by mainland utilities. That was up from 8.9 kilolitres previously. Can you advise why? Do you have any understanding of what is happening here?

Mr THEO - Our leakage rates are higher, and that is a statement of fact. We have jumped on that and currently as we speak, we are investing in the establishment of over 150 - and I won't get into the technical details - district metered areas. This is actually going to allow us to find leaks that don't come to the surface and to fix them.

We already have sophisticated software in place which allows us every 60 minutes, every hour, throughout the course of the day, every day, to actually look for variations in leakage across our 6500 kilometres of pipe. By December 2023, we will be in a position to be monitoring 6500 kilometres of water pipe and be able to find those leaks that don't come to the surface. If they come to the surface, we can fix them.

That's really important. The establishment of those district metered areas will cost about \$4.5 million over the next two years to make that happen. I'm pleased to say we've started that process, and we are in the early phases. Our commitment as an organisation is to do better, and reduce the level of leakage that we currently have.

Ms ARMITAGE - So, is it still policy for three days to investigate a known water leak?

Mr THEO - When it comes to leaks, and it's customer-initiated faults that I'm speaking about, customers will ring in with a fault. It will be triaged and diagnosed over the phone with that customer, and it will be given a priority. If it's a minor leak, our internal KPI is to respond within 24 hours, and fix within five days. Occasionally, we fail and things fall through the cracks. It's not what we want, but it is an opportunity to actually go back and look at our processes and improve upon them.

Ms ARMITAGE - Can you advise how a water leak, a known water leak, above surface, was left for 24 days with running water which obviously significantly damaged a property? Can you advise me how that happened?

Mr THEO - The leak that ran for so long -

Ms ARMITAGE - That was after, saturation relief. That was when it was above surface.

Mr THEO - Look, we got it wrong. The reality is that it fell through the cracks. We should have got there earlier, and we should have repaired it earlier, and unfortunately the leak got loose, which became a burst water main, which we attended and fixed as a consequence. But we should have got out there earlier. That was a failure of our internal processes, and we've gone back and re-looked at that to make sure that those opportunities don't happen again.

Ms ARMITAGE - In these situations, you deal with the landowner, or you resolve these matters? What's the process? Not just generally this one, but any process.

PUBLIC

Mr THEO - Typically the process is if our activities may have caused customer inconvenience, property damage, the process usually is that the customer would refer the matter to their insurer. It is the quickest way of getting resolution to the issue, and if the insurer is of the view that TasWater may have contributed in any way, shape, or form to any property damage that may have occurred, they would follow and pursue TasWater as a consequence.

I think when the property is insured, the quickest way to resolves those issues is through their insurance companies.

Ms ARMITAGE - What about issues that are outside the actual property damage, such as the stress that has occurred, particularly the one that we know we're talking about? Insurers won't cover something like that. Does TasWater then take some responsibility? You know, for mental stress and the other issues that - an insurer is only going to look at property damage. So how does that work? Do people have to go to lawyers? Surely that's not the situation that anyone wants.

Mr THEO - Well, no.

Ms ARMITAGE - That will happen in many cases, not just the one I'm talking about.

Mr THEO - I'm not sure in how many cases that might happen. Clearly, if we've caused a customer distress, we need to support them and work through it. That's about as much as we can do. As I mentioned earlier, we work really hard to make sure those situations don't occur, and being able to support our customers is really important.

Ms ARMITAGE - I will leave that for a minute. I'll follow that up with George at a later time.

CHAIR - Right. When you have your coffee. Thank you.

Mr VALENTINE - Just picking up on an observation you're making about illegal stormwater connections from houses. Talking about smoke testing and finding those illegal connections, a lot of suburbs don't have any stormwater system. They were probably designed to put their roof water into the sewerage systems. You say you are talking about saving the building of major infrastructure, let us do this other trick first, but it is going to cost you the same isn't it, by having to dig up the streets and put in stormwater pipes?

Mr THEO - Well, stormwater is not a matter for TasWater, it is a council issue, and we recognised that -

Mr VALENTINE - I realise that, but I am interested in the fact that once you find these things, you are simply not going to be able to say, okay, disconnect. You need to have some dialogue going on between you and the councils.

Mr THEO - Absolutely, and I think that is why it is a collaboration with property owners, councils and TasWater, all coming together to find a solution. If there is not reticulated drainage in the area, we understand why customers have connected their stormwater to sewer but the sewer was not designed for that purpose. Disconnecting them on Monday might mean that they reconnect on Wednesday. The only way we are going to find a long-term solution is to work together

PUBLIC

Mr VALENTINE - That is right, so that means that you are going to have to approach, possibly, the Commonwealth government to get some grants to actually do these major works that are going to be needed. It is not going to be local councils that are going to want to -

Mr THEO - I do not know what the exact answer is going to be other than that we need to work together to look at a sustainable way forward. If we do not, the implications of that are we will continue to have wet weather spills and, in some instances, the impact of a wet weather spill is on private property and we do not want that to be occurring.

Mr VALENTINE - It is a big issue, there is no question about that. Just a question about your profitability. It is a profitable business, but it is a bit concerning that the rate of increase in both your sales revenue and your profitability are growing at a much faster rate than underlying inflation. Your increase in profitability is about 10 per cent?

Mr THEO - Yes.

Mr VALENTINE - And inflation is running at 7 per cent, but you are actually pulling 10 per cent at the moment. How are you going to minimise the impact on households if you keep doing this? It is going to make matters worse for a lot of people who are really struggling out there.

Mr THEO - I will ask Kane to provide a bit more detail, but I would just like to make this point: our customers have price surety. Their prices are capped at 3.5 per cent for the next four years. I do not know of any other organisation that actually has made that commitment. We are also regulated by the Economic Regulator who has determined, in fact, they actually determined that we could be charging 3.71 per cent, but we have chosen to only go to 3.5 per cent so that gives customers price surety for the next four years. Kane, is there anything else you might want to add?

Mr INGHAM - Yes, I think in comparing both of those years there are probably a couple of things to point out. The price increase from 1 July 2021 was 3.5 per cent, it was not 10 per cent, and within the revenue numbers, there includes things like -

Mr VALENTINE - It goes from last year's annual report through to this year's and the spread is 10 per cent.

Mr INGHAM - Yes, but it includes developer contributions, which is variable and can change year on year. Just to reiterate George's point, it is 3.5 per cent and that was at the start of the last financial year and that will be the same for the next four years, which is the span of the next pricing and services plan that has been agreed with the regulator.

Mr VALENTINE - Okay, well, it is \$351 million roughly, up to \$386 million, so -

Mr INGHAM - I think too, if you look at net profit based on our financials, it is 62, but underlying is 31, and I think that is also -

CHAIR - Do not forget the .9.

PUBLIC

Mr WILLIE - Over the years, we have had a fair bit of feedback about how the structure of infrastructure charges for new developments disadvantages first movers and holds back some developments. Can you talk through the new developer charges policy that will apply from 2023 and do you believe it will resolve this issue?

Mr DERBYSHIRE - Our new policy does remove first mover disadvantage. TasWater will take the investment required to service that new development. For argument's sake, let's say it's 1000 new properties that are going to be connected. If the developer is just looking at a parcel of 200, they will essentially fund 20 per cent of that cost.

Mr WILLIE - Okay; so you wear the cost until the others come on line?

Mr DERBYSHIRE - Until the second or third developer comes along, correct. That's in most scenarios. There are some high-risk scenarios where we do not believe there would be future developments, so there could be some out of sequence development that occurs. In that case, the developer would fund the full cost.

Mr WILLIE - I understand TasWater has made a commitment to the EPA that includes an uplift in environmental compliance at 20 sites across the state. Where are those 20 sites, and can you provide some details on the general concerns that the EPA had?

Mr THEO - The good news is that we are moving towards the right direction, when it comes to overall compliance. I'll hand over to Fran Smith to reply.

Ms SMITH - We have assessed the 22 sites we came to assess based on the risk to the environment. It's not directly the compliance, but it's the risk we are having to environment. It's part of our wastewater risk management plan. I don't have the list in front of me, but it includes things like Geeveston and Dover, and there are 22 sites around the state. Sometimes it's about changing the outfall, so we have committed to make a step change in the risk where we are impacting the environment. It does not necessarily mean it will be a full upgrade, but will make a step change in the risk.

Mr WILLIE - Can we have a look?

Ms SMITH - Yes, happy to provide a list.

CHAIR - What about the estimated volume of spills?

Mr WILLIE - Or the number of spills in the last financial year, that were reported to the EPA? That would be good.

Ms SMITH - As a separate question?

CHAIR - Do you have a volume?

Ms SMITH - We have the number of spills and each spill has a different volume.

CHAIR - But you don't have a total?

PUBLIC

Mr THEO - When it comes to spills we need to differentiate between a dry weather spill versus a wet weather spill. When the sewerage system is inundated by wet weather it's impossible to actually calculate a number. When we have a dry weather spill, we know how many events we have and roughly the volume on a per event basis, and we can always tally that up.

Mr WILLIE - So you will provide that to the committee?

Ms SMITH - Yes.

Ms WEBB - A few questions about the Bryn Estyn rebuild - can you briefly touch on where that's up to, when it will be completed and the estimated final costs?

Mr THEO - Bryn Estyn will be completed mid next year and I should ask Tony who is looking after that project to talk to a bit of detail there.

Mr WILLMOTT - The project is currently at around 70 per cent complete. We are on target, so we will be finishing before the end of the financial year. We are hoping to commence commissioning of the plant around 14 July next year. The project has been going very well; all civil structures are complete and we are currently in the mechanical and electrical phase where we are installing all the kit around the site. We had an overall cost of \$244 million; that also included a number of upgrades to some noncompliance issues around our power supply there. It was about \$244 million; still on budget.

Ms WEBB - Looking at the Greater Hobart water supply, last year we had stage one water restrictions around this time; 13 December I think it was. Can you confirm whether those water restrictions that were put in place were imposed only on residential customers, or also commercial customers?

Mr DERBYSHIRE - I assume it was residential.

Mr WILLMOTT - And commercial customers, across Hobart.

Ms WEBB - But not the irrigation schemes that draw out from the same area?

Mr DERBYSHIRE - We work very closely with Tas Irrigation to manage when they do take water from that system. We meet weekly with them through summer, and manage their demand for their irrigation customers.

Ms WEBB - Was a restriction put on the amount that was planned to be taken across the period for irrigation, or did they take the planned amount across that time?

Mr DERBYSHIRE - I think it's more about managing the demand and when it's taken, rather than a restriction per se.

Ms WEBB - Still looking at the same area, the water supply. We know there can be taste and odour issues, blue-green algae issues, turbidity and those sorts of water quality issues that can be affecting the Derwent water supply. Have any of those issues been apparent this year, looking into this season, that would potentially present problems?

PUBLIC

Ms SMITH -We monitor blue/green algae and taste and odour throughout the whole year and there are currently no triggers to show that in Hobart.

Ms WEBB - We're not expecting to have a similar situation this summer?

Ms SMITH - The treatment plant can treat for taste and odour; and the new treatment plant particularly will be easily treated for taste and odour. We have a taste panel that monitors it weekly. It can change with weather changes, but currently we're not foreseeing anything.

CHAIR - I have a supplementary on that.

Mr WILLIE - We've had a significant amount of rain over the winter break. Are you expecting Hobart to be placed on water restrictions over the summer, given that the new system doesn't come online until July?

Mr DERBYSHIRE - We always carefully monitor the system for any changes, but at the moment we're not forecasting to put on water restrictions this year in Hobart. We do also get an added benefit of the Bryn Estyn upgrade early - before July, we get some pre-clarification tanks that means we can treat the water better.

Ms WEBB - I had a further one on a similar area, because it's still relating to the Derwent area and the potable water that comes out for Hobart. As we were just talking about, the South East Irrigation Scheme takes potable water out of that system, and obviously that's been treated, so there's been some cost involved in treating that water, which is then taken off for irrigation, rather than being used in the Hobart community. Does TasWater receive revenue that accommodates the cost of treating and providing it, so, we're coming out at least neutral, if not ahead?

Mr DERBYSHIRE - We've had a long standing with Tasmanian Irrigation. They have an irrigation contract with us to take water from the Hobart drinking water system. Tasmanian Irrigation has been working very hard to try to reduce on the Hobart water system. They've invested some millions of dollars. It's probably more of question for Tas Irrigation, but the South East Irrigation Scheme is their plan to actually remove their connection from the Bryn Estyn water treatment plant.

Ms WEBB - Yes, we have them later and I will be asking these questions. However, the question I had for you, which didn't quite get answered, is about the water they're taking at the moment. It's potable water that's being treated. My question was about the revenue that TasWater receives for that, as part -

CHAIR - Or foregoes -

Ms WEBB - of the agreement. Is TasWater and the public subsidising the potable water that's being taken out to be used for irrigation?

Mr DERBYSHIRE - We receive revenue, yes, from Tas Irrigation. I couldn't speak to the exact costs associated with that supply. Irrigation and water for producing electricity is not called up under the act. It's actually not a regulated activity.

PUBLIC

Ms WEBB - I'm not sure how that last comment relates to my question, but the question I asked was, you know the volume that's taken out for irrigation. You know how much it costs you to treat water per megalitre. The cost of treating the water, which then goes to irrigation, is that recouped through the revenue received?

Mr DERBYSHIRE - I think it's spread across the entire customer base.

Ms WEBB - So, the Hobart community is currently paying for water that is being treated to be potable and then taken to be used for irrigation?

CHAIR - Is that all Tasmanians, or just for Hobart?

Mr DERBYSHIRE - All Tasmanians. It's postage stamp pricing.

Mr THEO - The price for potable water is the same across the entire state, but I think we can come back to you later, about the specifics. We don't have them in front of us. TasWater does pay for the water. If you're asking, are they paying 100 per cent of the cost to produce the water from Bryn Estyn, we'll have to come back to you.

Ms WEBB - Thank you, I'd like that. I'd like to understand the pay-off.

CHAIR - Question on notice, secretary, thank you. I will go to Ms Howlett.

Ms HOWLETT - Thanks, Chair. Could you give me an update on the Penna Recycled Water Scheme; and an update on Orford and Coles Bay if possible?

Mr IRELAND - Okay, I think, Matt, you're across that detail.

Mr DERBYSHIRE - Yes, so we were lucky enough to secure \$5 million from the federal Government's National Water Grid Fund to remove any discharges from Pittwater. That's part of the Penna Recycled Water Scheme, where we will be sending an additional 100 million litres of recycled water to irrigation. We just need a little bit more information on Orford and Coles Bay, what kind of detail would you like there?

Ms HOWLETT - With Orford I think there was a sewerage network upgrade that was occurring.

Mr WILLMOTT - I can answer that question. For Orford, the upgrade is in relation to the pump station network that is on the foreshore. The detailed business case has just been completed, with an estimated cost of around \$10 million. We will also be installing some emergency storage along the network so that we can hold it back and then pump once the rainfall abates. That's imminent - for construction in the 2023-24 financial year.

CHAIR - Do you have any concerns about the significant borrowing? It's big infrastructure I know, and you have that big commitment to the Capital Delivery Office (CDO).

Mr THEO - I will ask Kane to answer that question. Over the next four years we are investing over \$900 million in capital to deal with problems that we have across the state.

PUBLIC

What you may not be aware of is that we have over 11 000 kilometres of pipe under the ground. We have 110 sewerage treatment plants and we have 60 water treatment plants and close to 1000 pump stations to serve a community of not more than 500 000 people.

CHAIR - Pretty important people, though.

Mr THEO - They are very important people. But it demonstrates to us that we have too many assets for the number of customers - or we don't have enough customers for the number of assets. The reason I'm raising it, is because they are assets we need to either maintain or figure out we don't need and there's a better way of getting things done. That goes to the heart of the capital works program. So, to your question about affordability and can we afford the program to deliver the services we're committed to delivering - Kane, over to you.

CHAIR - So, it's your job to find the money, Kane.

Mr INGHAM - Exactly. Borrowings have increased and that's really from the capital program we have in place and we expect borrowings to increase to about \$1.1 billion by the time we finish the -

CHAIR - I wrote that down.

Mr INGHAM - The key message is - can we afford it? Yes, we can. We have strong operating cashflows to be able to fund the debt. Also, if you look at our peers across the country having a gearing ratio of about 60 per cent, which is ultimately what it will get to, is not abnormally high. Back to your first question - are we concerned? No, we're comfortable that we are able to fund that level of debt.

CHAIR - I will ask the same question.

Mr BURROWS - Is the board comfortable?

CHAIR - Yes, is the board comfortable?

Mr BURROWS - The full profile of our gearing in our borrowings is not inconsistent with what we have been saying for probably the last three or four years. There's nothing in it, in terms of the forward trajectory, that worries the board. We're comfortable with our capacity to pay the dividends and meet our obligations in terms of delivering the capital works programs and the customer affordability triangle.

CHAIR - What about the CDO arrangement? How is that going? Do you have them sorted out yet? That's the question.

Mr THEO - The CEO and TasWater are doing a brilliant job in delivering the capital program. Tony can talk to the details but one of the things that I am very pleased about is the amount of work that's going to Tasmanian businesses. Tony, you have the stats on that. I am very proud that the bulk of the work.-

CHAIR - There's been a change in the way that some of those projects have been delivered.

PUBLIC

Mr THEO - Historically? I don't know about the history.

CHAIR - I know all about the history.

Ms ARMITAGE - I do too.

Mr VALENTINE - A lot of people on this side know about the history.

Mr THEO - All I know is that between 2019 and now, something like 93 per cent of the total number of projects - and we have done over 900 projects - have gone to local Tasmanian businesses.

Mr WILLMOTT - Packages and projects, that's correct.

Mr THEO - Do you want to elaborate on that?

Mr WILLMOTT - Yes. We need to be a little bit careful about how we rate or do not rate the CDO. TasWater realised years ago that we had to make a step change in the delivery of our program. Our projects were routinely around eight months behind; we had a high incidence of safety issues on site and we also realised that a number of our people needed support to take the next step in their career.

Since the CDO has been on board, yes, the market was not very happy, as you have indicated; but we also needed to see that step change in that performance. Over the last few years we have seen a significant uplift in our program. Without the CDO, we would not have delivered the number of projects that we have, to date. We find the relationship has been quite successful. The market now will admit that the level of expenditure we put out the door would not have happened without the Capital Delivery Office. I fully support the CDO. Sure, it was a change at the time. People did not like it, but we had to go through that.

CHAIR - But also, the organisation has taken back some of the smaller projects, and taken it away from the CBO.

Mr THEO - That is correct.

CHAIR - And TasWater actually implementing them and that has made a big difference. Is that correct?

Mr THEO - That is correct. TasWater took back a couple of years ago the high volume, low complexity work, that is the sausage factory type work if I could use that term.

CHAIR - I think it might have been after a committee inquiry of this House?

Mr THEO - Okay.

CHAIR - We would like to take some credit for it anyway.

Mr THEO - Yes, I think we had already got on the front foot to take that work back out until we realised that the systems around the CDO were too complex for that minor type renewals work. I am accountable for all of the capital programs, I have the minor works team

PUBLIC

inside my area. I also have the CDO. We categorise the projects and place them into the most appropriate area.

Mr WILLIE - There is obviously a lot of communication with the things we are talking about today and you are dealing with a lot of stakeholders. How many public relations positions do you have within the organisation?

Mr THEO - Public relations? You mean stakeholder management?

Mr WILLIE - Dealing with stakeholders, communications.

Mr THEO - I can get that number to you.

Mr WILLIE - I am happy for you to take it on notice, if you like.

Mr THEO - I think I should be able to give you that number in the next few minutes.

Mr WILLIE - In the hearing? Yes, that is good. I have some questions on hydrogen, et cetera. Has TasWater entered into any agreements with hydrogen proponents to supply water?

Mr DERBYSHIRE - No formal agreements at this stage.

CHAIR - No formal agreements?

Mr DERBYSHIRE - No formal agreements at this stage.

Mr WILLIE - You are having discussions with proponents?

Mr DERBYSHIRE - We are working with ReCFIT with supporting the Bell Bay hydrogen hub.

Mr WILLIE - What is your policy in terms of pricing?

Mr DERBYSHIRE - It is actually the same as our standard development policies. If somebody wants to purchase water from TasWater, we have an agreement where they will fund the infrastructure upgrades required to supply that water, provided there is capacity in the network. That is the situation we are dealing with Bell Bay.

Mr WILLIE - Right. Do you have any expected time lines? I know you are only in discussions, but are there some -?

Mr DERBYSHIRE - It varies depending on the proponent. There is certainly a lot of competition to secure water and electricity in Bell Bay at the moment. Without any formal agreements, it is hard to put an exact date on it.

Mr WILLIE - I imagine you are working with Tasmanian Irrigation also?

Mr DERBYSHIRE - Correct.

PUBLIC

Mr WILLIE - Where will the water come from to supply Bell Bay?

Mr DERBYSHIRE - At the moment, with TI's Tamar irrigation scheme going through feasibility and planning stages, they are not expecting to put water down to Bell Bay until 2026. TasWater does have some excess capacity in its networks in winter where we can supply treated water to Bell Bay.

Mr WILLIE - Before then?

Mr DERBYSHIRE - Yes, in the interim and we also have some raw water storage available in Curries River Dam.

Mr VALENTINE - Looking at your borrowings, page 74 of the annual report, over the 2021-22 year, borrowings by TasWater have increased substantially. Current liability borrowings have increased by 14.8 per cent.

CHAIR - That question was just asked.

Mr VALENTINE - I am sorry. Are you sure?

CHAIR - Yes. Well, you answered, it didn't you, Kane?

Mr VALENTINE - The non-current. I have gone to non-current as well?

Mr INGHAM - I can answer more questions.

CHAIR - No, we do not need a repeat. I asked about that. It was the \$1.1 billion into the future.

Mr VALENTINE - No, I was going to ask how they are going to handle the debt that comes with rising interest rates.

Mr INGHAM - We have a debt strategy where we are always looking at periodically rolling the debt forward in batches to minimise the impacts of escalating interest rates. It is a challenge given the environment.

Mr VALENTINE - It is a big challenge. Eventually it will impact on what your end price is and households are going to have to stump up. It is a big increase.

Mr INGHAM - Yes. And you can see with the packages of debt we have. They mature, some greater than five years. The strategies that have been put in place will help mitigate the impacts of that. It is just something we are going to continually manage through as we look at the market and how that changes and evolves.

Mr VALENTINE - Yes, a noncurrent \$632.879 million, it is a lot of money to have borrowed and I just ask that question.

Ms ARMITAGE - If I can go back to sewerage spills into the Tamar River, how many notifications has TasWater received in the last financial year from the EPA with regard to sewerage spills into the Tamar River? The EPA obviously notifies TasWater

PUBLIC

Ms SMITH - We notify the EPA if we spill.

Ms ARMITAGE - No, but my understanding was that the EPA also come to TasWater to monitor it.

Ms SMITH - There are occasions they ask for further information and very rarely does it escalate to an infringement notice. They can ask us for further information. We are typically trained to provide that at the point in time, into the Tamar particularly because it is the combined sewerage system. The system is actually designed to spill, so we are more obligated to report a dry weather spill than a wet weather spill. The Tamar itself is a little bit more complicated than others.

Ms ARMITAGE - Do you have a figure for the spills you had in the last financial year?

Mr SMITH - We do, I do not have it in front of me.

Ms ARMITAGE - That is okay, we will take it on notice. The other question I would have is with regard to Macquarie Point. We have been talking about borrowings, sewage spills, and all of the work happening in Launceston to do with treatment plants to try to correct the issue of sewage going into our Tamar River, which makes it a third-world river, but where is the removal of the wastewater treatment plants at Macquarie Point at?

Mr THEO - We have a commitment to turn Macquarie Point off by September to October 2025. We are out in the market at the moment finalising design consultants. Did you want to add anything else to that?

Mr WILLMOTT - We are into the detailed design phase and very early in the process but we certainly expect to ramp things up in the next 18 months.

Ms ARMITAGE - September to October 2025, so when is the Launceston system to be fully operational to stop the sewerage going through the Tamar River? What year is that likely to be completed? The work that is actually happening now to the new treatment plants to stop the spill into the Tamar River of sewage. Obviously, I have had information in the past, when is that likely to be completed? Is that before or after 2025? Launceston - the sewage spills that go into the Tamar.

Mr THEO - The combined Launceston Improvement Project?

Ms ARMITAGE - Possibly, the one that is supposed to stop the sewage going into the Tamar River, I guess my question is to clarify; is it going to happen before the aesthetic removal of the treatment plans at Macquarie Point or a health aspect of taking sewage out of a river in Launceston? Is that going to happen before Macquarie Point or after Macquarie Point?

Mr WILLMOTT - What you are referring to is the Tamar Estuary River Health Action Plan (TERHAP).

Ms ARMITAGE - There are a few different names to all the different ones, every time I get a different name.

PUBLIC

Mr WILLMOTT - Then there is the Launceston Sewer Improvement Program, I will talk about TERHAP first. TERHAP, we have already completed the first project, which is in St John Street on the esplanade there completed just recently, two weeks ago. We have now started the Margaret Street diversion works which is sort of near Kings Park, we have started that, which is now in construction. We have four other projects which should wrap up around 2024-25. It is around the same time as those projects and that it is the funded progress.

Ms ARMITAGE - These will prevent raw sewage and we know it is raw sewage, going into our Tamar Rivers, will that prevent that?

Mr WILLMOTT - That is correct, what that does is redirects that sewage to Tea Tree bends through its treatment plant, so that it is treated there.

Ms ARMITAGE - You can guarantee that will happen prior to Macquarie Point's aesthetic removal of tanks?

Mr WILLMOTT - We have full funding and our team is working on it 100 per cent of the time to get that work done. Two projects, one already complete, the second one in construction, which is around \$10 million and then the other one is sequentially after that. We will be installing a number of large rising sewer mains, some new sewage pump stations and that will take that load, which does end up out of the combined system into the river.

Ms ARMITAGE - So, the time frame is going well?

Mr WILLMOTT - It is around the same time. It is, yes.

Ms ARMITAGE - I will continue to ask.

CHAIR - We have a supplementary on Macquarie Point and then I'm going to Ms Webb.

Mr WILLIE - The state Government announced in 2018 that they'd remove the treatment plant at Macquarie Point within four years. What's caused the delays? Also, I'm interested in the funding split because my understanding is it's not a strategic decision of local government because it's operational. It's a strategic decision of the state Government to move that out for development. I am interested in what contributions the state Government is making and whether there have been any additional costs since that 2018 announcement?

Mr THEO - There's a debt arrangement in place with government for the funding. I think it was \$100 million the state Government was providing and TasWater was providing about \$30 million -

Mr WILLMOTT - It was \$40 million.

Mr THEO - for the relocation of that treatment plant and the treatment of that sewerage at Selfs Point. That was the estimate back in 2016. That estimate in the last six years is not the same number, but we have just finished the detailed business case and will be going out to market in the new year for construction to actually make that happen.

Mr WILLIE - Do you have some updated costs or funding splits?

PUBLIC

Mr THEO - We do have updated costs, but it's really important that we are mindful that we are going to be in a competitive market very soon for construction bids and we don't want to end up creating an environment where people price to that. I am sensitive to that but, at the appropriate time, we will be clearly informing.

CHAIR - The committee could write to you and you could provide us that information and we will hold that in a confidential form.

Mr THEO - I just don't want to create -

CHAIR - We understand.

Mr THEO - I respect that. We just don't want to create - we want to get the best outcome for Tasmanians at the end of the day.

Mr WILLIE - Yes. We all do, but if you've given that commitment you could write to us and we'll privately -

CHAIR - That will be kept in confidence.

Ms WEBB - Thank you. I have a couple of questions. I'm interested in the modern slavery reporting that TasWater does - which is good to see it done - to comply with that Commonwealth law for the last couple of years. The statements that are available on your website, I note, talk about having processes to identify and then monitor and manage risks in terms of modern slavery through your supply chain. Can you just talk in a little bit more detail about that approach and what strategic process you use?

Ms SMITH - We have spent time updating our templates and all of our procurement methodology. Any right for tender processes request that, particularly of companies that are required to have their own modern slavery statement. We review the type of companies where we think there are risks. There is quite a lot of supporting evidence to show what type of areas, like low wages. We recognise that we have a role to play. We are in the early stages of the education of our staff, but we have these templates in place.

Ms WEBB - I'm interested because your 2020-21 statement acknowledges there are risks, potentially through the alliance that you've got in place with CPB Contractors Pty Ltd and UGL Engineering Pty Ltd, but you haven't identified any modern slavery risks as a result of the alliance. What process do you use to reassure yourself of that?

Ms SMITH - The question is that we ask our alliance partners to provide their statement on modern slavery.

Ms WEBB - So, on the basis of those partners' statements?

Ms SMITH - Yes, on the basis of that.

Ms WEBB - You mentioned training of staff, is that something that is actively occurring at the moment, and if so, which staff? Your contract staff, I'm assuming - the people who deal with partnerships.

PUBLIC

Ms SMITH - That's in progress or in planning. The focus would be on our procurement staff first up or the people dealing with contracts, the people are potentially most likely to observe unusual behaviour that could trigger them to even be aware that modern slavery is an option.

Ms WEBB - One final thing on that. I know that you have your statement up on your website and it's really good to see in the policy. It's not in your annual report. Is it something you would consider including in your annual report as a matter of more public disclosure on that in an ongoing way?

Ms SMITH - Yes, absolutely.

Ms WEBB - That would be good to see. It fits well with your principle three in your annual report. Thank you.

Ms ARMITAGE - My question is with regard to cybersecurity. Given that our state's water supply is, I presume, managed by technological systems, do you think that addressing and auditing your cybersecurity systems and processes should be a high priority? If so, what are you doing about it?

Mr BURROWS - Fundamentally, it is. It has been part of one of our strategic risks for quite a number of years.

Ms ARMITAGE - It is becoming such an issue isn't it? What are you doing to proactively address this?

Mr BURROWS - We have a cybersecurity strategy and that has been in place for a while now. We discussed it as recently as this month around our fraud program and the board has encouraged the executive to accelerate our forward spend which was about \$5 million, I think. Basically, to front end load it.

Ms ARMITAGE - You are adequately resourced?

Mr BURROWS - Yes, and to the extent that we aren't, then we will be, because it is a material risk for all businesses. It is an area where the board's attention is focused.

CHAIR - Can I have the staffing numbers for TasWater? I note that there is some excessive leave. Can I have some explanation about that?

Mr THEO - Overall numbers in the annual report are about 940-odd staff, full-time equivalents. Excessive leave: two years of COVID-19 have not helped; people have not been able to go away on holidays.

CHAIR - How do you manage that?

Mr THEO - I think the first thing is in dialogue with our people saying, if you haven't taken a holiday in the last 12 months or two years, you need to.

CHAIR - On your way.

PUBLIC

Mr THEO - Well, yes, we try not to be as blunt as that but the reality is, if you haven't had a break for the best part of 18 months, you need to take a break. We have leave management plans in place for all those individuals.

CHAIR - Dam safety, two at risk. What does that mean? They are about to burst? Who has to be worried?

Mr DERBY - Pet Dam and Ridgeway Dam are two dams that are still above the LoTs. When TasWater was formed, in round numbers it was approximately 12 to 15 dams that were above LoTs. We have invested more than \$60 million in removing those dams above LoT.

Mr VALENTINE - LoT, what is that?

Mr DERBY - Sorry, limit of tolerability (LoT). In the interim, while we are waiting for those capital investment projects to come through to remove the dams from above LoT we have a number of mechanisms to reduce the risk, like increased surveillance on those dams. We monitor is there is any movement. We have early flood warning detections systems set up and SCADA to monitor dam levels.

CHAIR - People somewhere near them can be at ease. Thank you.

Mr WILLIE - There may be some crossover here with what the member for Launceston was raising. Infrastructure Australia said in 2016 that noncompliant ageing and poorly performing sewerage treatment plants in Hobart, Launceston and Devonport are contributing to public health and environmental outcomes that do not meet contemporary standards. They then put Tasmanian sewerage upgrades in Devonport, Launceston and Hobart on its priority list. What progress has been made by TasWater to progress these projects through Infrastructure Australia? I do have information here where it says that it is due in the early stage proposal, even though it was added in 2016.

Mr THEO - I am not sure about progressing those projects through Infrastructure Australia. What I can tell you, and I guess the asset manager, Matt, can talk to it with a bit of detail. TasWater has spent hundreds of millions of dollars upgrading its treatment facilities. I think 60 per cent of our spend today has been on compliance related matters. If you go back to 2013 to 2022, more plants are complying than ever have been. Matt, is there anything else you can add to that?

Mr DERBYSHIRE - The Launceston Sewerage Improvement Project is targeted at that outcome. There are planned works in our capital program for Pardoe which is the sewerage treatment plant that services Devonport. Macquarie Point is one of the treatment plants in Hobart that services the community down here.

There are a number of projects in our capital works program and they are significant. I should say that information actually came from TasWater. We are trying to lobby government to seek additional funding where it is needed. We do not need it, we are going to get on and do the job ourselves but that body does seek projects of state and national significance for consideration of funding.

PUBLIC

Mr WILLIE - That is my next question. Is it the state government's role to lobby Infrastructure Australia or is it TasWater's to try to progress these through the Infrastructure Australia process?

Mr DERBYSHIRE - As I said, we do have plans to address those projects.

Mr VALENTINE - Climate change - something we heard from the previous people, the owners who came before us, put forward about climate change needing to be in the shareholders' letter of expectation and I am reading this guiding principle here.

CHAIR - Hence we got that.

Mr VALENTINE - I do not actually see, it is very possibly dealt with in the second last dot point: adopts principles of corporate social responsibility; or, achieve improvements across social, environmental and economic domains. About the only thing I can see in there that relates to climate change. I would have thought, given it is a significant issue and very high on the community's agenda, it might have had greater involvement. Unless you can point me to some other area in the statement of expectations it is dealt with, what are you doing to actually address it and what can we expect?

Mr BURROWS - In relation to the SLE, that is going through a sort of annual review process. The extent it is not overtly mentioned in there, then certainly there is opportunity to do that, I cannot quite recall.

Mr VALENTINE - We can expect it in the next one?

Mr BURROWS - I have not seen the draft with the recommended mark-ups, but certainly that is something we can put on the table as obviously it is an important issue for the community and TasWater. In terms of climate change and climate adaptability, the board and management have been working through that process and developing policies and a protocol on where we would like to take that from a strategic point of view.

Mr THEO - We have two documents, one being climate change and adaptation and the other being our climate strategy. I am pleased to say TasWater has been involved and aspirational with respect to its environmental strategy. We actually want to reduce by 2050 100% of the nitrogen phosphorous going into receiving waterways. That is going to drive innovation and a new way of thinking. We actually want to grow the amount of renewable energy we can generate off our treatment plants from now around about 7 per cent to over 30 per cent over the next 20-30 years.

There two examples I am providing to actually demonstrate there is a strategy in place on climate change and we are looking to do more in that circular economy area. With respect to climate change and adaptation, again, we have a document and a view on understanding what climate is doing to TasWater and the manner on which it provides services back to communities. We want to make sure we are well positioned to be able to adapt and respond to as climate changes. There has been a lot of thinking to date already, and what will come out of that process as a response to things like flooding events to make sure we do not have infrastructure below flood levels in the future that are close to rivers or on the foreshores, as an example.

PUBLIC

Mr VALENTINE - What about your own operations, like the vehicles and things you are using, and transitioning to other power sources? Are you also looking at that?

Mr THEO - Yes, and for us we run a heavy fleet of trucks and the like, certainly our vehicles.

CHAIR - Massive utes driving around, you see them everywhere.

Mr THEO - Converting to hybrid and electric vehicles and even charging them out of our sewage treatment plants by leveraging the methane is all on the to-do list. For us, it is a matter of timing - not if, but when - and the input on timing is making sure we are not just pursuing an ideological response, but doing it on the basis of good financial management.

Mr BURROWS - Our intent is to provide a better disclosure in relation to where we are at about climate change and adapt to it in our annual report.

Mr VALENTINE - I look forward to next year's, but we will not be here to deal with you.

CHAIR - In regard to the environmental regulations on page 58 of your annual report, it talks about a number of the corporation's sewage treatment plans are not fully compliant with effluent discharge licenses set by the EPA. How many do not fully comply, and do any fully comply, and how many? I am happy to put that as a question if that would be helpful.

The last one is the Bicheno sewage treatment plant. It says that directors are not aware of any breaches during the year. Apparently, that is in conflict between the statement and the statement about noncompliance of licences set by the EPA. How is noncompliance with a licence set by the EPA not a breach of environmental regulations? Again, I can put that into - unless you want to just give me something quickly.

Ms SMITH - I think the EPA accept we are on a journey. We inherited a lot of assets that are not compliant. There are some parameters we do not meet and we report on that. But a breach for the EPA is a serious, purposeful incident that we could reasonably have prevented. I think there is a slight difference there. But happy to send a better answer.

CHAIR - Does TasWater receive any fines for that?

Ms SMITH - There are occasional infringement notices, or show cause notices and it leads to occasional fines, yes.

CHAIR - Very many fines?

Mr THEO - I think last financial year there were none. This year there were a couple of fines as a consequence of failure to report in a timely manner.

CHAIR - Do members have any questions they would like to put and we can follow up in writing?

Mr WILLIE - Just the PR staffing one I asked earlier.

PUBLIC

CHAIR - Yes, thank you.

Ms WEBB - I had some I have sent through to the secretary that related to earlier when we were talking about the Tas Irrigation cost. Also related to that last year at Estimates, you tabled a copy of the best endeavours water transfer agreement between TasWater and Tas Irrigation. Is there an updated version of that you could table for us this year?

Mr DERBYSHIRE - No, that contract has not been updated as yet.

Ms WEBB - Okay, so same from last year?

Mr DERBYSHIRE - Correct.

Ms WEBB - And it was tabled last year?

Mr DERBYSHIRE - Correct.

CHAIR - In light of that, on behalf of the committee, I would very much like to extend our thanks to you all for taking time out of everyone's busy schedule to be here today. All the best to those who have new positions. It is really encouraging and we will be looking outside of, in the next two years, when we have you again before this committee and this House. We will be watching with interest some of those very important projects come to fruition. We would like to offer our best wishes for the Christmas festive season coming up, and also wish you a safe and happy new year.

THE WITNESSES WITHDREW

Sitting suspended at 1.03 p.m.