

DRAFT SECOND READING SPEECH

HON. PETER GUTWEIN MP

Water and Sewerage Tasmania Bill 2017

check Hansard for delivery

Madam Speaker

The legislation that the Hodgman Liberal Government is introducing today puts into effect the Government's plan to take control of Tasmania's water and sewerage industry.

It is undeniable that local government ownership and control of TasWater has resulted in unacceptable outcomes for the Tasmanian community and the environment.

The Tasmanian community expects and deserves better. The Government's plan to fix Tasmania's water and sewerage infrastructure will build a better future for Tasmania. It will protect our brand, improve public health outcomes and will also be good for our economy and will keep prices lower.

Two Bills have been introduced to this House to implement the Government's plan, the Water and Sewerage Tasmania Bill 2017 and the Water and Sewerage Tasmania (Consequential and Transitional Provisions) Bill 2017.

The reforms in these two Bills will deliver better infrastructure sooner and at lower prices for Tasmanians than under the current arrangements.

The reforms to water and sewerage pricing are contained in the Water and Sewerage Tasmania (Consequential and Transitional Provisions) Bill 2017. The Second Reading Speech for that Bill will set out the pricing reforms in more detail.

Madam Speaker, the Tasmanian people have been waiting too long for water and sewerage services to reach an acceptable standard. We know that the three regional corporation model, together with the common services corporation, had not been successful.

It is now clear the current model, with 29 separate owners has also not been successful and has failed the people of Tasmania. The members of the Owners' Representatives' Group, to whom TasWater is accountable on behalf of the councils, have not had access to the expert advice necessary to sufficiently monitor the performance of the business, advise councils and set the direction for the business. Tellingly, I offered the owner's access to the Department of Treasury and Finance during 2015 to receive this advice but it was not taken up. Under State control that important advice will be available and provided.

As a result, TasWater has not been subject to the level of scrutiny required to ensure that its focus is on delivering the quality of water and sewerage services the Tasmanian community deserves.

Madam Speaker, it is not acceptable that more than eight years after the reforms commenced, Tasmania's water and sewerage industry continues to face significant challenges in meeting its environmental and public health obligations.

The Tasmanian Economic Regulator, in his 2015-16 State of the Industry Report, highlighted the need for urgent action to address the level of non-compliance in Tasmania's water and

sewerage sector. In his report, the Regulator states that despite significant investment in terms of both expenditure and effort, drinking water quality and environmental compliance do not meet the standards required for contemporary water and sewerage networks.

There are still too many towns on boil water alerts and do not consume alerts. Tasmania's water and sewerage assets are deteriorating faster than they can be replaced and the performance of TasWater remains behind its interstate counterparts in both service standards and reliability.

It is unacceptable that, in 2015-16, TasWater failed to consistently achieve compliance with its regulatory discharge limits, with only one of its 79 wastewater treatment plants being fully compliant and only 24 reporting compliance above 90 per cent. 17 of its sewerage treatment plants were classified as substantially non-compliant, which is less than 75 per cent compliant, with their discharge to waters limits for sewage effluent.

Since 2009-10, compliance with regulatory discharge limits for sewage effluent has worsened by around eight per cent. This highlights that TasWater's sewerage assets continue to fail to meet environmental standards, leading to poor environmental outcomes for the State.

Tasmania's wastewater infrastructure is failing to cope with demand and this is resulting in continued instances of raw sewage being released into the environment. This is also unacceptable.

This puts at risk Tasmania's enviable reputation and indeed our brand for having a clean and safe environment.

It is not acceptable that visitors to our State need to check if tap water is safe to drink and the water is safe to swim in, for residents to fill plastic bottles from communal water tanks in order to have clean water in their homes or for oyster farmers to have to shut down production due to sewage released into the environment.

Madam Speaker, there have been accusations that these concerns are confected and that TasWater's progress has been satisfactory. It is only necessary to read the reports of the independent Tasmanian Economic Regulator and Environment Protection Authority to dismiss these accusations.

Madam Speaker, councils have received around \$207 million in financial returns from TasWater and its predecessors. This is \$207 million that could have been used to address sewerage spills, or provide towns with potable drinking water.

This shows that under council ownership, TasWater has operated with a priority to provide returns to its owners rather than investing in infrastructure investment for the people of Tasmania.

Local government has increasingly looked to the Australian and State Governments to address the problems inherent within its own business, all the while continuing to receive dividends and other financial returns.

Madam Speaker, I point out that it was the Board of TasWater, not its owners, who made the decision to cap and reduce returns over a 10 year period to accommodate its current 10 year investment plan. This decision was opposed by members of local government at the time.

This all shows that local government, as owners, have received the benefits of ownership but has not exercised the responsibility of ownership.

This is why, Madam Speaker, the Government has decided to assume ownership and control of TasWater and for the new government business to commence operations on or before 1 July 2018.

The Government is confident that this will facilitate a faster solution to the problems created from the decades of underinvestment in vital water and sewerage infrastructure in this State. The Government will have the single focus of fixing Tasmania's water and sewerage infrastructure whilst keeping prices low.

There are a range of measures in the Bill that will enable the remainder of TasWater's 10 year investment plan to be brought forward and completed within five years of Government ownership. TasWater has a strong balance sheet and considerable capacity to do more and under State Government ownership the new government business will.

After its accelerated infrastructure investment program, the new government business will continue to invest significantly in capital assets. This means that, over the period of TasWater's 10 year plan, the business will invest around \$1.8 billion, compared to the \$1.5 billion planned under TasWater's plan.

Infrastructure Tasmania has prepared a report that included a re-profiling of TasWater's draft infrastructure investment program of around \$1.5 billion to achieve this outcome.

Infrastructure Tasmania reported that, while there will be challenges, there are numerous precedents for the delivery of a program of this size over a similar timeframe by other water utilities and other capital intensive businesses in Tasmania and across Australia.

Importantly, Infrastructure Tasmania found that this program is deliverable. This finding was independently confirmed by pitt&sherry, a well-established and highly reputed engineering and construction business in Tasmania.

The new government business will be able to draw on the strength of its financial position to increase investment to get the works done sooner and, under State Government ownership, borrowing costs will be lower.

While the Government does not expect that the proposed program of works will require support from the State Government's balance sheet, we are prepared to use our strong financial position to support the business should that be required.

The Government will continue to provide concessions to eligible water and sewerage customers at a cost of approximately \$10 million per annum.

Importantly, under these reforms, all non-economic regulation including environmental, public health, dam safety and water regulation will be retained.

Madam Speaker, I will now set out the key provisions in the Bill.

The Bill establishes a new Government Business Enterprise, with objectives that include the efficient and effective supply of water and sewerage services and ensuring sustainable investment in water and sewerage infrastructure.

Madam Speaker, the Bill contains provisions to transfer the employees, assets, rights and liabilities of TasWater to the new government business.

The terms and conditions of employment, including recognition of entitlements such as long service leave, will be retained and no employee will lose their job as a result of the transfer. The Bill allows for employees to be transferred to the new business before all the assets, rights and liabilities are transferred.

The Treasurer is responsible for determining the day or days when employees are transferred, and for determining the one day when all the assets, liabilities, rights and the remaining employees will be transferred. On this day, the new business commences providing water and sewerage services.

The new business will be issued with a Ministerial Charter in which the Shareholding Ministers, namely the Treasurer and the Minister for Primary Industries and Water, will set the expectations of the business.

The business will be required to prepare and submit to the Shareholding Ministers a 10 year infrastructure investment plan, along with its corporate plan. The infrastructure investment plan is required to be consistent with the Ministerial Charter, with the key focus to promote the efficient, effective and sustainable long-term investment in water and sewerage infrastructure in this State. This infrastructure investment plan, once approved by both Ministers, is to be publicly released.

In order to ensure that the activities of the business are focussed on meeting the needs of the community, the Bill provides the Shareholding Ministers with a power of direction. This will ensure the focus of the business is on increasing investment to improve infrastructure whilst keeping prices lower. Any direction given will be transparent and publicly reported on the website of the corporation as well as in the annual report.

Madam Speaker, the Bill contains an anti-privatisation provision to ensure that the water and sewerage assets that are owned by the people of Tasmania remain in public hands. The Government will not be privatising water and sewerage services in this State.

Under the Bill, the new business will also be prohibited from selling, leasing or disposing of any of its assets or land, except where the sale, lease or disposal of assets relates to the maintenance, repair, upgrading or replacement of its infrastructure.

The Bill guarantees payments to councils of \$20 million per annum for the seven year period from 1 July 2018 to 30 June 2025. These payments are to be made from the Consolidated Fund and will allow the business to use its retained earnings to support its infrastructure investment plan.

The annual payments will be paid to each council in the proportions specified in Schedule 1 of the Bill, which reflects the shares that now apply to the returns each council receives from TasWater.

As councils will continue to receive the same payments that they would have received under TasWater's 10 year plan, there is no reason why council rates will need to rise as a result of the transfer of ownership.

Following this seven year transition period, councils can expect to receive payments from the business equal to half of its profits for the previous financial year. This payment is derived from the business's financial statements that are audited by the Auditor-General.

The Bill provides a mechanism whereby the Board may specify a lower adjusted payment for a financial year if the Board considers that making the standard payment would prevent the business from meeting its objectives or achieving its corporate plan, or meeting its statutory obligations.

An adjusted payment may also be specified if the Board considers that the standard payment would result in the liabilities of the business exceeding its assets or materially prejudice its ability to pay its creditors.

If no adjusted payment is specified, the councils will receive the standard payment later in that financial year.

The Bill requires the business to specify both the standard payment and, if relevant, the adjusted payment in its annual report. If an adjusted payment is specified, the Board must also include a statement of reasons for the adjusted payment in its annual report.

Madam Speaker, if an adjusted payment amount has been specified, the Treasurer will be required to make an order that contains the adjusted payment amount and the statement of reasons and lay this order before each House of Parliament in early November each year.

The Bill ensures that members of the Government Business Scrutiny Committee will have the opportunity to question the business on its estimated adjusted payment, if one is specified, before the order can be considered for disallowance as this cannot occur until March of the following year.

If the order is disallowed by either House, the councils receive the standard payment. If the order is not disallowed in either House, the councils receive the adjusted payment.

The councils will therefore always receive half the business's profit, unless both Houses of Parliament agree to the councils receiving the alternative amount. These payments will also be paid to each council in the proportions specified in Schedule 1 of the Bill.

The Bill provides that the new business is not to pay dividends, government guarantee fees and income tax equivalent payments to the Government at any time. This allows the business to use its earnings to support its infrastructure investment plan, once the payment to councils has been made.

This confirms the Government's policy of not allowing governments, including this Government, to benefit financially from the transfer of TasWater to State Government ownership.

It also allows prices to customers to be lower than under the current arrangements. Last year, for every \$100 that customers paid to TasWater, \$10 was passed on to the owner councils.

Madam Speaker, the Bills have been prepared by the Office of Parliamentary Counsel and the Government has sought advice from the Solicitor-General in the preparation of this legislation. The Government is confident that the legislation is legally valid and will withstand any constitutional challenge under section 109 of the Constitution.

The new business will be responsible to pay all the reasonable costs incurred by TasWater for its remaining tasks after it ceases to provide water and sewerage services, including the costs of the Board, the costs relating to the preparation and audit of its final annual report and any costs associated with its deregistration under Corporations Law.

The draft Bill includes the repeal of the *Water and Sewerage Corporation Act 2012* as this Act will no longer be needed once the final tasks have been completed.

The reforms have the support of the Tasmanian Chamber of Commerce and Industry, the Property Council, TasCOSS, the Tasmanian Hospitality Association, the Tourism Industry Council of Tasmania, the Master Builders Association, the Tasmanian Small Business Council and, most importantly, the broader Tasmanian community.

Madam Speaker, the Government is confident that the reforms set out in this legislation will deliver the results and the necessary investment in water and sewerage infrastructure that the community deserves.

Clean water and a reliable sewerage service are important to our brand, to our economy, our environment and for our public health.

Madam Speaker, I commend the Bill to the House.