

SUBMISSION TO LEGISLATIVE COUNCIL COMMITTEE
Subject TasWater : Ownership and Operations.

The following submission is made by M.J.Eastley but on behalf of all the hotels, cafes and coffee shops in Deloraine . These are identified on the attached petition which was used in a meeting held at Westbury on 16 – 8 – 2017 with 4 Senior representatives of TasWater , and this submission reflects my views formed at that meeting. A request has been made on 2 occasions to the Economic Regulator to discuss the financial aspects , but has been so far ignored.

If it is at all possible we would like to request a face to face meeting with the committee members to explain the depths of the problems.

Conclusions :

(a) That the most important issue is that changes are made to the way that TasWater conducts its operations and finances, regardless of who actually owns the business .

(b) That TasWater has shown that the present management team lack the business acumen and experience needed to achieve its stated objectives of being fair and providing service at the lowest possible prices. A change of ownership is the obvious answer given the intractable stance we have seen by staff.

(c) That the office of the Economic Regulator has to work in conjunction with TasWater to change the business model to ensure that finance is used in a way that minimises annual charges . The legality of the double-dipping issue must be dealt with .

Executive Summary :

(a) Trade waste ; the policy is unfair , overstates the true costs to TasWater , and appears to be based on badly selected data. TasWater has shown no regard for the Tasmanian hospitality industry or it's ability to pay given the seasonal nature in this state.

(b) Finance ; the 3 year operational plans with the object of fully funding within 10 years clearly fails to give the lowest cost of services , and is the main reason for past rate rises and future rises of 5% for each of the next 5 years. The policy of forcing developers to install main line infrastructure and then gift it to TasWater is double-dipping and should be changed , with finance to be changed to a longer time frame .

THE ISSUES

(a) Trade Waste ; using Deloraine as an example , small businesses already pay water and volume charges as we all do , and then a similar charge for

discharge water . The grease traps required smell in operation , smell even worse when being pumped out , and are not ideal in a main street.

(1) The volume of water involved is only a fraction of the total town waste , and is essentially only washing up water . TasWater maintain that the risk is main line blockages with congealed fats , but Deloraine has never had a blockage due to grease , and never will due to the level of fall in the main street. Any data that TasWater have in regard to fats or oils in waste water seem to have been taken in problem areas on the mainland (by their own admission , an example would be waste where there is a high density of , say , Italian cooking) and have no relevance in Tasmania .

(2) TasWater website description of Cat 1 waste (residential) indicates that no pre-treatment is necessary , but the small business waste classed as Cat 2 is in our experience logically expected to be better than , and certainly no worse than , residential waste in the average home . Businesses capture their cooking oils as there is a market for it , and are less likely to flush coffee grounds etc. than are homes.

(3) Is unfair in that such units will not be able to be placed in CBD areas in Hobart or Launceston , where shops are conjoined .

(4) The grease traps become redundant as soon as the underlying problem of capacity at the main treatment plant is fixed . It is more appropriate that the grease is treated at that main plant than this expensive option where the grease has to be pumped out regularly and taken to Launceston to be treated anyway .

(5) The cost of installing these units on site far exceeds any possible cost benefit to TasWater at the treatment plants . The quoted costs so far have varied from \$3,000 for a simple site to \$5 – 10,000 for difficult sites , some have heritage issues , and some seem to be impossible. TasWater is recommending that these traps be pumped out every 3 months , and that is an additional cost of a minimum of \$400 per year if truck costs can be shared , or \$800 if they cannot.

(b) Finance ;

The second aspect that deserves a fresh approach is the TasWater business model and the requirement that developers fund basic infrastructure and then gift it to the TasWater corporation . This is double dipping , since from that point on the developer has to pay normal water and sewerage charges . These charges are made up of three components ;

(1) Administration costs , which should be reducing with only one body involved.

(2) Treatment costs , steady , or possibly reducing with upgraded and more efficient plants coming on line.

(3) Construction cost component .. This significant component is that which has been responsible for the recent major rises in charges and is the reason TasWater has requested future rises of 5% per year for each of the next 5 years.

When questioned about the double dipping , their answer is that they recognise that double dipping is illegal , but that they are paying off debt and not infrastructure. When that debt is from constructing the infrastructure , it would seem that there is a real risk that a disgruntled developer will test that policy, and if found to be illegal will cause real problems,

I believe that it is important that TasWater take responsibility for funding their own infrastructure within the serviced areas , and developers responsibility to end at their boundary. It was Councils that first introduced the requirement for developers to pay for the installation and then gift it when the task became beyond their individual capabilities , and this has continued under their ownership of TasWater. It was never fair , and the effect was to stifle growth , with some developments not proceeded with on cost grounds , and those that did pushing up land and building costs as the developers recovered the costs. Local experience is that it has taken 10 years of inflation running at 2 – 3% to reach a point where the blocks appear to be 30% cheaper than when first put on the market , before the development made economic sense to buyers.

With the help of the Economic Regulator , a business plan should be developed that gives TasWater 3 income streams to pay for infrastructure :

- (1) Some percentage of costs from state or federal stimulus packages .
- (2) The existing component of charges that is for construction .
- (3) That TasWater take full responsibility for their own infrastructure and fund the remaining proportion by using the 10 year loan process currently endorsed by the Municipal Councils for developers , with refinancing as appropriate at the end of the first 10 year period , bearing in mind that it is to finance projects with a 50 year expected life span .


This is a very generous business plan and we would see :

- (1) Developers achieve the same return from lower land package prices.
- (2) A boost to the building industry flowing from that.
- (3) A faster take up of connections , which will benefit both TasWater and Councils , that is , a faster expanding rate base .
- (4) Funding over a longer period will mean lower annual costs in charges , and an ability to bring upgrades forward .
- (5) The initial 10 year loans can be commercial , but if the Government provides that capital it is not money spent but lent , and as it is repaid can be used again , thus forming the basis of a rolling infrastructure fund.

I believe that TasWater and the Economic Regulator should be required to give all these issues proper consideration , as it is in their respective constitutions that their actions are fair and provide the cheapest service to customers .

I look forward to any opportunity to explain more fully at a meeting.

Yours Faithfully ,
M.J.Eeastley



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