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THE HOUSE OF ASSEMBLY SELECT COMMITTEE ON TASMANIAN WATER AND SEWERAGE CORPORATIONS MET IN COMMITTEE ROOM 1, PARLIAMENT HOUSE, HOBART, ON WEDNESDAY 7 DECEMBER 2011.

Mr ALLAN GARCIA, CHIEF EXECUTIVE OFFICER, LOCAL GOVERNMENT ASSOCIATION OF TASMANIA, WAS CALLED AND EXAMINED.

CHAIR (Mr Gutwein) - Mr Garcia, thanks for your time this morning. As you would be aware, we have had the water corporations in front of us. Miles Hampton has made a presentation in regard to the move to a one corporation model. We asked Miles to make to this committee the same presentation he provided to LGAT some months earlier.

Our understanding was that LGAT and its member councils were going through a process of discovery in regard to seeking the views of councils, understanding the model that Mr Hampton had proposed with the outcome being that at some stage a consensus view might be arrived at. Would you be able to provide this committee with an update on that process?

Mr GARCIA - Miles was invited along to a general meeting. The councils did not have any information and were not aware that Miles was going to come forward. The reason for that being, I suppose, we did not want to have media speculation around what was there. So the councils got it all at once, everyone understood on the same day that same message from Miles. So it was a bit cold. That is extraordinarily unusual at an association meeting as you would appreciate where generally there is papers and everything else. So for many councils that came as a surprise. It was their first inkling of it but in the room there was a general thought that, okay, if the chairman is bringing himself forward and putting this data on the table then it is worthwhile listening to.

Subsequent to that, of course, there was the question that this is his opinion but is that verifiable. To help in that process, Miles, myself and Barry Easter then went on a regional road show and we spoke to councils more about the issue of what had been explained to the mayors and general managers at the general meeting. Other councillors were invited along to those meetings as well as officers of councils, so there was a broader understanding provided and lots more questioning around not just the money aspect, the savings, but potential governance arrangements, what could or could not occur. Miles outlined those in his presentation to you.

Following that, the proposition came, particularly out of the south, that this is a person's opinion and, whilst we employ this person as the chairman of the board, we acknowledge and accept that we do not have a universal board position and that this is Miles speaking as the chairman. Is there a need for some sort of verification, some sort of robustness to what he has put on the table? So the southern councils in particular were seeking to have some due diligence done of Miles' work.

The difficulty with the association in this process, and forgive me for diverting, is that under the legislation we have no role. We have no relationship with owner councils per se; they just happen to be shared members, so our position has been trying to facilitate an outcome.

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With regard to the due diligence the discussion was had with Miles to say that if a group of councils are going to go out and get some due diligence for their regional outcome to test the veracity of your data and your numbers, would it not be appropriate indeed for the corporation to undertake the due diligence. They have the information, they have the access to the people, the numbers et cetera; what is someone outside going to do? So ultimately Miles agreed that that be done. If we were going to do it for one region clearly it was important to do it for all regions; no point otherwise. The intent there was to be able to demonstrate whether or not those savings that had been surmised by the chair were in fact valid, or what impact would there be on each of the corporations, and indeed down to a member council level what would be the impact on their equity arrangements, future dividend streams and the like. So the due diligence effectively was a brief provided by Miles to Deloitte and Deloitte then, I suppose, tested the assumptions, ran their own process, tested veracity and I think they ultimately concluded that indeed Miles was a little on the conservative side. There were potential other benefits et cetera. That information has subsequently been provided to councils as has been a document fundamentally on the governance issues. Those documents were not provided prior to the last general meeting.

Mr HIDDING - What documents on the governance issues.

Mr GARCIA - There is a document that I prepared which was basically saying that in the event we move to a single corporation there are a range of matters that can be considered. They include things like board selection.

Mr HIDDING - I just wondered who authorised it.

Mr GARCIA - Okay. Those documents were put out after the last general meeting. So we have had two general meetings. One was with Miles giving his presentation. Then we had another one where we put a proposition on the table that councils support in principle the movement to one entity subject to these other matters being verified. Ultimately the councils concluded that they did not want that. They wanted to defer any decision, in principle or otherwise, until such time as they had the documentation.

In summary of where councils are at, it is very difficult to get a solid position. I would love to be able to say to you that they are all supportive of one entity or they are not. The reality is that in the south there is more a leaning towards a single entity outcome - a leaning, not a conclusion. The north - probably a single entity outcome. The north-west - absolutely not a single entity outcome. The north-west councils would consider a more robust and local government-centric corporation for the north-west as being a better outcome for them. That is probably as per our submission to you guys in the first round when we talked about three regional entities, different governance arrangements, stronger local government input. They are still very much of that view that this is what they should have for the north-west coast, although that is not definitive and they have not determined it, but that is where they are talking. They have significant concerns about employment outcomes on the north-west coast so that if you have a single entity and make the assumption, as everyone seems to, that it becomes Hobart-centric then suddenly you will lose key people out of the north-west coast.

Mr HIDDING - What kind of people are they talking about?

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Mr GARCIA - They talk about a broad breadth of people. I think the proposition is that you would take out things like the duplication of a finance guy and your IT guy. You would still have your chief operations guy. You would replace the CEO with the chief operations guy. I am not going to comment on the view. I think it is pretty unfounded. I think you would still say there is a corporation here that is largely doing things and from the perspective of doing things on the ground you are going to need a skill set. You probably should never lose that skill set.

Mr BEST - Miles was saying there are other opportunities perhaps for the north-west where they could actually pick up in certain administration areas.

Mr HIDDING - They could go upwards.

Mr GARCIA - The reality is that if you collapse the common services corporation you are going to have bits and pieces that need to be done and it doesn't matter where they are done. For instance, we could run HR out of the north-west coast. I do not know if you want to separate all your corporate functions. I think the safety net there is that you could probably write ratios of employment into your shareholders' letters of expectation. They have at least to be maintained unless it is demonstrated that there are significant benefits from shifting away. You are not going to keep a workforce, lets say in the south, at a ratio number if it is delivering inefficiency. You are going to do something about that, but you need a transparent process. Certainly a couple of the regional directors on the north-west coast are very strong on that issue. One has resigned and gone out the door and said 'not happy'.

That paints a picture of where the councils are at.

CHAIR - Employment outcomes is a concern for the north-west. Were there any other key concerns they had?

Mr GARCIA - Not particularly stated. A document I wrote a long time ago that sort of justified how you have three regions is now being used. There is a lot of weight being put on that in terms of what it does. I think the north-west is very concerned about a broader economic outcome. So it is not just employment. It is about having something that is robust in the north-west coast that has identity, that has linkages to industry, that has linkages to economic development. I think their concerns are that if the north-west gets rounded up into a larger corporation then some of their priorities might slip, whereas they have some modicum of say at the present time, as all do. As Miles indicated, there is not a lot of new work going to happen outside what is required under the regulatory environment anyway. It is not as if we are going to see mass amounts of new work coming on board. That said, I think the concern of the north-west in particular is that loss of control. They have not had it to date. The view generally of councils is that in a new set of governance arrangements they want to have - control isn't the word because I do not think they are going to have control - but a better communication with those entities. They have not got it now. They are very concerned that if it goes to one they will never have it. So it is almost loss of identity and loss of that corporation as a catalyst, if you will, for bringing other skills to the region. So if you have a good solid basis of employment and capability I think the council is saying, there is one so if we need to have an engineering fraternity there is at least a solid base there. We do not want to lose

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that. It is not just employment; it is general economic development. The coast is in pretty much a sort of an economic rut.

Mr BEST - It is a strange mix really because we have dairy and all that sort of stuff happening but then other things like real estate. It is a bit of a mixed bag.

Mr GARCIA - I think that is their worry; they are seeing it as being a loss to their overall economic capability.

CHAIR - Do they accept the proposition of Mr Hampton, and he has made it to this committee as well, that in large part for the ongoing capital works required to bring our existing stock up to contemporary standards the decision-making process will largely be through directives from the EPA and that that work load is relatively evenly spread across the State. Are they understanding of that or concerned about that?

Mr GARCIA - I think Miles has made that very clear everywhere he has gone. Don't worry about your wish list. There is something here that says basically that notwithstanding your infrastructure was in pristine and perfect condition, the regulator has a view that perhaps it needs a bit more,

CHAIR - Hansard might record a bit of irony there.

Mr GARCIA - That indeed there is a level which it must come to now. I think it is fair to say that the regulator previously was not as robust about some of these standards as was required.

Mr HIDDING - There wasn't a regulator.

Mr GARCIA - No. What we are now seeing with the new corporations is the new capability that there is a standard now and Miles has made it very clear everywhere he has gone. That standard dictates the spend and the spend in a large part is going towards meeting those regulatory obligations.

Mr HIDDING - The priorities right themselves.

Mr GARCIA - The priorities largely right themselves. I think still there will be within that process of course the capability to extend, expand and the like but they are relatively minor. Mostly those things are probably on the books now because councils probably had their decade plan in a large part. I do not envisage that we are going to see a satellite city in Oatlands that is going to suddenly require water treatment plants and stuff like that. So I think in a large part what is on the table now is quite well known. The types of things I envisage will happen in the next five to seven years that are going to be, if you will, the more sexy works are going to be more the integration and rationalisation. So instead of having four water treatment plants you are going to see how you can integrate them to be one and how you are going to pump and pipe and the like. So I think it is those built in efficiencies that are going to be more the trend than suddenly a pipeline 100 kilometres down the road and a new water treatment plant.

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In answer to your question, I think the coast gets that. The message is being delivered and this is, I suppose, a general perception of how owner councils want to see themselves represented to the corporations with this direction and this 'control'.

CHAIR - I am wondering whether we could get a copy of that paper you wrote on the governance model.

Mr GARCIA - I'm more than happy to send that down.

CHAIR - Could you articulate how a governance model could look under a one corporation model?

Mr GARCIA - My paper did not land on a definitive because, through our general meetings, there was clearly a view among my members that a definitive was probably not what they wanted. I was particularly cautious about at least giving the principles as to what that might be. The document covers, under the present legislation, things like board selection. Presently board selection goes through a process that involves the State Government. Why does it involve State Government? It should not involve State Government. We are talking about corporations owned by local government so those persons who should make the decisions about their board should be local government. They own it. So the first proposition is to take away State Government engagement in that and have a selection process that involves the owners.

I do not think there is any issue as to who that is. If it is regionally represented people, and I think the proposition is that it could be done on an equity basis, you do a person from the north-west, a person from the north and maybe two from the south. That might be your selection committee or you might determine that you want some independent people in that process as well. But it is largely driven by local government still utilising similar things before where you might have a process of advertisement or a consultant assisting in that process but certainly not requiring the likes of the Secretary of Treasury to be involved in the process. From the Secretary of Treasury's perspective, he sits there saying, 'Why am I here'. I think that is self-fulfilling.

In terms of the board itself, certainly if we were going to a single entity I do not think there is any significant proposition that there should be any shift away from a skills-based board, although I hear murmurings from time to time about would it not be good if we had some local government people on there.

Mr HIDDING - With their special skills.

Mr GARCIA - I think we are still talking about a skills-based board and I think some might say that perhaps some of those parties could bring particular skills to the board.

Mr HIDDING - Let us face it, everybody owns skills. Quite frankly, if there was somebody on there without full-on corporate skills but was a long-term genuine player in local government in Tasmania I would not see that as a bad thing. I would have thought that that set of skills could well match somebody who has done a director's diploma.

Mr GARCIA - I think generally speaking on that type of board you are talking about people with at least business acumen, people who have an engineering background, people who

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have some water background, people who possibly know how to run an infrastructure business, people who actually understand governance and running an organisation of that size. There is a skill set. It could be that elected members fulfil those requirements. That has not been a push, by the way. That is just murmurings. Generally speaking there is a predilection towards a board of skilled people.

Mr HIDDING - Where the system falls over, of course, is where there is a rotation or even an unofficial rotation whereby various mayors come onto a board simply because it is their turn. I do not think that meets the test of modern corporate management.

Mr GARCIA - And therein lies the issue of the robustness of the selection committee. The robustness of the selection committee should be able to say it is nobody's turn; they are there because they have the skill set necessary at this point in time where the business is at, so the board is skills-based.

Regarding number, the sorts of things that have been talked about have been an equity-based representation on the board. The south has largely 50 per cent the business and, say, 25 per cent in the north and 25 per cent in the north-west. You might have two members from the south as representatives, one from the north, one from the north-west, supplemented by two who are of course all skills and not council people, and two others. You might have an independent chair or you might not, but a board of six to seven with some representation through regional equity is the model that people are tending to like and favour.

Mr HIDDING - If you went for that model - say two south and one and one - then country Tasmania could easily miss out through two urban representatives down south. Therefore you have three urban representatives and one that represented country Tasmania, whether it is north, south, west or east, because so much of this expenditure is going to be outside of urban areas. It would ensure that there was -

Mr GARCIA - If I was involved in the selection process of somebody in the south, let us say, I am not thinking of where they are from. I am trying to get the skill set so I am after Jack, who has run a water corporation and he is my representative. He is not the Hobart City Council alderman or past alderman or anything like that, so he is not necessarily bringing a big-end-of-town view to the process. I am looking for a skill set particularly. I am not looking for someone who representing a council.

CHAIR - On a skills-based board it would appear to me that if you geographically link selection to that board then you could, in a sense, end up with not the best skill set on the board. For example, if the two best people to provide those director services are based on the north-west coast, by linking it to a geographically based model the skills-based test becomes largely academic, or certainly limiting.

Mr GARCIA - Let's make an assumption that the two best people in the whole of the State were from the north-west coast, the reality could be that that selection panel says, 'Okay, the first best guy is from the north-west and let's take that nomination and put it there, remembering that we have others, so we are not saying it is purely regional-based'. The second best person may still be the second best person in the whole State and may not be a regional representative but they bring the skill set to match and you can put them up, if you will, as the independent person.

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Mr GUTWEIN - Okay, that makes sense.

Mr GARCIA - I think there is some capability there to do that but it becomes a bit limiting if suddenly the other two best are from the north and you are still basing it on equity. So back at the selection process probably one of the people, as is currently the case, is the chairman of the board, except in the case where you select the chairman. The chairman must have a say on the balance of that skill set and the balance of those capabilities on the board. You do not need three candle-stick makers and three butchers. You need to have a saddler and something else, so you need a wide variety. The chair should not have veto but the chair should at least be influential in, 'I have to run this damn thing and I need to have the right people on board'.

CHAIR - Absolutely.

Mr MORRIS - So do we then assume that the geographic distribution is a guide rather than a rule?

Mr GARCIA - My principles in the paper suggest that it could be done on the basis of regional. The councils, as owners, have to have a say at the end of the day. It would be a beautiful thing if you could present 10 people that had the expertise and the skill - it would not matter what they were - and you had 29 councillors in a room voting yes, no or otherwise, but I do not think that is going to be a very practical outcome. We had small steps. We had 32 entities into three and a half in the last reform process. We are contemplating a situation where we are moving to one. There is still a lot of angst about the fact that we went from 32 to three and a half or four. We might go for the pure model now and get it absolutely right but I think the important thing is that the local government are the owners. Let's not get away from the fact that the local government are the owners. They were not happy with the last outcome, notwithstanding that it was a negotiated outcome that delivered most of the things they wanted, but there were still concerns. So I think the regional model may not be the absolute, it may not necessarily give you the purest outcome, but I think there needs to be an acknowledgement of the fact that the councils are the owners and should have a say.

CHAIR - With the three regional boards and the four boards in the current structure, with the owners' representatives then representing the regional councils in their discussions with those boards, one of the key issues raised right across the State was that the owners of the corporations felt that they had all the responsibilities of being an owner but none of the rights.

Mr GARCIA - Absolutely right.

CHAIR - How could you solve that and what model would you use to interact with the board and the 29 owner councils?

Mr GARCIA - You will be aware that under the old bulk water arrangements there were committees, if you will, of councils in the region that actually met to discuss their issues. They talked to and they had a direct relationship with the board. The proposition I suppose, and Miles would have outlined it which is one way around it, is that you would have a regular meeting. So your single board, your chairman and your CEO would be

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meeting on a regular basis with the committee of regional councils. On the north-west coast you would have nine representatives who would be the water and sewerage representatives with whom the CEO and the board chair would meet at least quarterly. That would mean that they are revolving around having those meetings and then twice yearly you would have your AGM which would be an-all councils meeting, and you would have another one which would be your corporate plan sign-off; your strategy sign-off. In a year you would have six opportunities - quarterly plus two - to have that direct interface with your CEO and your chair. That is not to say that the board of itself would not meet in various places.

The rigour, I suppose, is around what would be the role. Do we transform the current role of the owners' representatives to that grouping? I think we do. Basically this is a communication exercise. It is not whether or not those quarterly meetings need to have a significant role in terms of how the corporation is run. A lot of that is going to be understanding why the corporations are doing what they are doing. Why is that project there? These are the priorities. We understand that so it is a reporting arrangement as well.

The owners' representatives did a fabulous job, as I understand, with the limited capability they had to be able to represent the interests of the councils. There is absolutely no criticism of anyone involved in that process and if councils were critical of them, it is probably a bit unfair because they had a job to do. I think it fell down particularly where problems were made outside of local government because you were not having that relationship with your owner councils but I think with the regional groupings of councils and them electing their representative - I think in large part that would be the mayor in most cases - coming together with the board chair and the CEO six times a year - four in the regions and two other times - you would get the communication. You would be understanding of the regulatory environment, how that is driving the process, and get a better understanding of the pricing regime. All those issues are capable of discussion where they really do not happen now.

CHAIR - That is a process that we have heard from Miles as well and that certainly seems to give councils more opportunity for two-way communication.

Mr GARCIA - I think that is critical here. It is communication.

CHAIR - With 29 councils sitting down to write a letter of expectation to you, how do you see that process?

Mr GARCIA - Beautifully. It happens now. It took a while, didn't it, Jason?

I think you have a template there now that probably says a whole range of things. They are not going to change much. They are not going to change drastically. You are going to have things in there that are going to be marginal that are going to require some sort of negotiation. There are some councils that believe that as an owner council it is their God-given right to have their six priorities within that level of expectation. That is difficult, so 29 councils operate in the association on a consensus basis. Not every council wins every time so in that process I do not see it being too much different. We are talking about a range of shareholders putting up their hand for priorities and dealing through a letter of expectation.

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CHAIR - That's fine. Whilst LGAT does not have a prescribed role under the legislation to play with this, would you see LGAT being the forum, that those 29 councils would come together and perhaps through the course of a year along with your current meeting schedule you would have a meeting that dealt with the 29 councils and their expectations for the corporations?

Mr GARCIA - There is certainly a requirement for somebody to take a role in terms of simple things. With something as simple as a board member resigning, we need to get the selection committee together. Who is going to do that? Does it fall to the corporate secretary? Is it the representative of the owners? How does that work? Presently some of that sits in the STCA in the south and NTD in the north and Cradle Coast in the north-west. I do not think if you move to a single entity that is valid. We are not putting our hand up and wanting to buy a role in the process but I think it is obvious that we could and should take that role as the coordinator, the facilitator, of owner meetings if need be, extraordinary meetings, circumstances where the selection committee does need to be brought together. It is not a corporate secretary role. It is more a support role for the owners.

CHAIR - I guess the critical issue that has struck me in regard to the coordination of this is that somebody needs to be responsible. Let us say that the owners were uncomfortable with some particular aspect that the corporation had engaged in. Somebody has to be responsible for calling that meeting of the owners in the first place and LGAT appears to be ideally placed.

Mr GARCIA - We become obvious, that is right. At the present time we dip our toe in the water because we are not owners. We are not the owners' people, it happens that we share membership, owners and members, but we are very cautious to push agendas because we do not really have a role. We could have a role. We are not saying we shouldn't have a role. I think it is obvious that there needs to be something that brings these little bits and pieces together and we are placed best to do that.

CHAIR - Would there need to be a change to your constitution in regard to putting in place a process? For example, let us just say there were a number of complaints from councils that they are unhappy with where the corporations were at. What mechanism do you see as being the right mechanism for LGAT to call a meeting of the 29 councils to discuss this issue? Would you need to have a provision within your constitution if, for example, two councils from the south and two councils from another region raised a particular issue? You would not want to be calling a meeting of all 29 councils if you only had one or two people complaining about a certain issue. Has thought been given to that?

Mr GARCIA - There would need to be a change to our constitution because at the present time our processes revolve around a series of general meetings that we have - roughly quarterly. We have a capacity under our constitution to call a special meeting, which we have done for water and sewerage issues in the past. I think if we were going to take on a definitive role with regard water and sewerage that we would probably contemplate having specific provisions around that to deal with those matters. The reason being, let us assume Glenorchy stays out of the association as it is not a member now, but it is an owner. While we may not be able to deal with it within a context of our membership, it is an owner and if the owners determine the association was the appropriate vehicle to do

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this coordination and facilitation and bringing together, then we would certainly not want to have a circumstance where Glenorchy could not attend. Currently when we have these water and sewerage-type meetings and Miles and others come along, we invite Glenorchy into the room. We do not exclude them. Some of my members would prefer that - 'They don't pay the money, why should they get anything?'. My view is that they are an owner and at the end of the day we are talking about owner issues not association issues.

Peter, yes, I think the cleanest way to deal with it would be for us to amend our constitution to facilitate what was necessary to ensure that the owners' requirements were met.

Mr MORRIS - On the assumption that we move down this path, there is the question of timing. We had a bit of a discussion with Miles around that but it was somewhat inconclusive. My feeling is that given that the corporations have largely been off the front pages for the last six months - and that is a positive thing; they are getting on with their work without so much distraction - to bring about an immediate change would be again quite disruptive for the corporations. What is your feeling around the timing? The earliest possible time would be, and my feeling is it may be too soon, the end of this financial year but perhaps more likely the following one so that you have an 18-month planning period given there is some work to be done.

Mr GARCIA - The end of this financial year is impossible. It is impossible now. I think we would have had to have done a lot more work with the State in terms of legislation and a whole bunch of other processes. I think that window has gone. We have not got councils yet agreeing on anything, remember.

Notwithstanding what recommendations this committee might make - and I have a fair idea, I think, what they would be - I am not suggesting to you that universally there would be support from all councils at this point in time, bearing in mind what the chairman was trying to put forward was a proposition that was local government led that could be taken to the Government on the basis of the fact that a single entity was considered to be an okay thing with them, an okay thing with the Opposition; I am not sure about you guys. If local government wanted a single entity, I think everyone would say, 'single entity'.

The window, I suppose, for local government has been if it chose to open that window, it could not so much dictate terms but negotiate terms in its favour. So the window for mine in terms of when this should happen largely depends on when councils get their decision making here.

1 July was the proposition. It can't happen by 1 July. Certainly from Miles's perspective, he has opened up a debate and I would expect it has caused some significant consternation in his own corporations with his employees in particular. You might notice there is a little amalgamation debate happening around councils at the moment, and employees in councils get a bit frustrated. So we understand how much consternation it all causes.

Mr HIDDING - However, it is a very important discussion to have because regarding this notion that it is an uncomfortable process and therefore let's put it out for another 18

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months so that we can ease into it quietly, in that 18-month period the corporation is in limbo. It knows something is going to happen. The good people that are there do not know whether they have a job or not necessarily. They know that there is going to be a restructure of the whole thing. We would be condemning the corporations to 18 months of limbo, which is classic public sector nonsense. If a corporation today announced that it was going to collapse four of its subentities into one company, it would do it in a very short period of time. You are saying 1 July next year is wrong and not doable. In the corporate world it is absolutely doable and we are now talking about being in the corporate world. All we are lacking is some political will for it actually to come about.

Mr GARCIA - My reason for saying that is not so much the will, it is more about the legislative process. There is a significant amount of work to be done and as owners of the entities, local government deserves the respect to be consulted on that process. The first process was such a problem to councils because the respect was not shown in terms of a number of processes within that frame. So I am saying to you that of course it could be done by 1 July. There is no reason that with the wave a pen it could not be done. If you want to bring your owners along with you, make sure you consult with them.

Mr HIDDING - Are those owners not worried about 18 months of limbo?

Mr GARCIA - There is a supposition that it has to be a financial year. It does not have to be a financial year. You can create an entity in August. So let us get away from the notion that it is 18 months or six months. I think the issue from councils' perspective would be - and I expect from anyone who is involved in this process - the next time we do this let us make sure we get it right. If that takes three months, fantastic. If it takes six months, fine. If it takes 12 months, that is fine as well. I agree with you. Let us not dillydally. Let us not keep people in limbo. Let us not have bureaucracy take over the process. Let us make sure we get the damned thing right and if that takes till September or October, let's start the thing on 1 October.

CHAIR - Really there are two parts to this. One, as I see it, is actually councils to a point where they can agree in principle that either this is the right way forward or it is not the way forward.

Mr GARCIA - Correct.

CHAIR - The second part of it then is ensuring that negotiations occur that the final legislations meets the aims and objectives of councils as owners.

What is the process now that LGAT is involved in or that you understand the corporations are involved in to move councils to a point where sometime soon in the near future we will get to that point where in-principle agreement either way will be achieved?

Mr GARCIA - Sometime soon in the near future is a nice concept.

At our last general meeting we had a proposition that perhaps we need to come out and have another chat about how this is going to go. Where it is at the moment is councils have this information and they are contemplating what they do with it. It is fair to say that a number of councils are not sure what they should do with it. So on a financial side they are saying, "That looks okay to me. I have a number there that says that it is positive

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for me in 10 years' time. There are some assumptions there. Am I sure about those assumptions? Have I got clarity about that?" So I think there is a bit more that needs be done in terms of satisfying councils that notwithstanding in the envelope which says they will be, say, \$10 million better off in 10 years, is that right? Am I comfortable with that?

I think on the governance one there are some councils who are saying the sort of model we have talked about, single entities, six or seven people, regional representation or otherwise looks okay. There are a number of other councils who would like to strip it back and say, 'The good old days when we used to control stuff'.

You asked what is the process. The process from here is that we asked the question did you want us to come out and talk to you more before Christmas? The answer was no. So we are bringing a working group of mayors together to say what is the process from here and how do we get this clarity for going forward? That would be January at best. So, yes, there is not a pure process at the present time because the councils had not received the data in terms of the numbers or the governance model. There was some open-endedness about it. We at the association are cautious about being seen to drive this process. The chairman would be very keen for us to drive the process but we also have a membership that gets very concerned about associations driving agendas that are not in the interests of members. We are betwixt and we are between.

CHAIR - Herding cats.

Mr GARCIA - Yes, herding cats. It is a difficult situation. The other matters around governance, when I send the paper down the thing that we are basically saying is apart from those, select the board, get the board, do the communication; we are fundamentally saying there is no role for government in this process. There is no role for the Treasurer in terms of allocation of dividends. There is no role for Parliament necessarily to oversight this stuff. There is no role for the State Government to play umpire in this process. We are saying these are legislative things. These are local government owned. There should be mechanisms in place that provide sufficient safeguard and adequacy to be able to do that. At the margins they may be matters that need to be negotiated with the State Government to give the comfort that this now fairly big organisation with a significant wealth -

Mr HIDDING - You can't provide much comfort in that it is going to be established by legislation. The next parliament can de-establish. It is just one of those things. You can put in the second reading speech the intention of the Parliament at this point is that it be a local government entity. That is as far you can go.

Mr GARCIA - That is all it can be, Rene. That is like a council. You might not be a council tomorrow.

I think the issue is at points presently you have to go and get the permission of the Treasurer to do this. You have to get permission to change the constitution. I think you can still have those safeguards without it necessarily being a call-up to parliament to let you change that. What I am saying is whilst we are suggesting there should not be State Government involvement, there still needs to be the accountability and the transparency and those requirements that ensure that suddenly the owners don't say we don't want

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these corporations and we are going to strip them out. There still needs to be that safeguard.

In the main we are saying we do not believe there needs to be a State Government interface, but at the margins there might need to be some things that provide, as there are with councils. A council has an act that says you can do this, this and this. There may need to be still some things within legislation that need to be negotiated.

CHAIR - I think the point that Mr Hidding made was very valid in regard to certainty for people in the corporations. I think there are two distinct time frames. One is achieving in-principle agreement. If there is a meeting held in January or early next year, how long do you think that process will need to be for it to allow councils to have undertaken their own due diligence, bearing in mind that some may not want to undertake due diligence for whatever their reason. They may be completely opposed to going down this path. What time frame do you think it will be until we get an answer back?

Mr GARCIA - At best I expect February. That would be really my hand on heart; February would be the best we would do and that would be optimistic.

CHAIR - That is a reasonable time frame. I thought it would be a little bit longer than that.

Mr GARCIA - It could very well be.

Mr HIDDING - If they knuckle down they can do it.

Mr GARCIA - The issue becomes where are you coming from? For those who want to do it, we can meet a February deadline. For those who do not want to do it, let us say May or October, or pick another number.

Mr HIDDING - Or they might have a priority to frustrate the process as well. There is always that.

CHAIR - You have raised with us today certainly from the north-west point of view that they have major concerns about the employment outcomes and also the linkages to economic development issues on the coast. If the mayors come together in January and begin discussing this, have you had any discussions with the State Government at this stage about whether or not Treasury or Economic Development or, I guess, even Miles Hampton are prepared to come to the table? There may need to be some negotiation or discussion throughout February before we even get to any sort of in-principle agreement. Are those processes in place at the moment or have they been thought through as to the availability of the key people to have those discussions?

Mr GARCIA - No so much in the context of the issues specifically raised. The discussion we have had with the Government to date has been very, I suppose, high level, to say, 'If we head down a single-entity path, will you make available the resources in the relevant department' - which invariably will be Treasury - 'to work through a legislative process that gets us to a point within a time?' And the answer, 'Tick that box'.

Have we discussed the issue of the economic development ramifications of a shift from a regional to a single entity with DED, I personally - and with respect - don't think they

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would have the first clue about what that might mean, and necessarily what we would bring to the table. I am not being critical of them but I think in the context of what it is that the north-west thinks is the issue, vis-a-vis how you might address the issue, might be problematic in itself.

I think there is a matrix of issues on the coast that are not unique. As Brenton said, there are some things happening in the far north-west that are going absolute gangbusters that are going to create so much call for infrastructure and effort on the State that it is going to be difficult. The broad issue about how you address things, all the infrastructure is still going to be there, all the people operating on the infrastructure; I think it is a perception issue.

Mr BEST - I think there is a concentration of more skilled people in Launceston and Hobart than in the north-west because it is so sparse. There is a feeling that if they have someone, they do not want to lose that.

Mr GARCIA - I think that is valid. I do not know how you address that issue. I know councils are very precious about the people they attract. If they get someone great, they want to keep them and invariably they will move.

But Peter, no, we have not got those ducks in a row in terms of those other issues beyond the legislative process and certainly the discussions with the Secretary of Treasury have been, 'Any time you are ready to go, we will press a button, but we are not there'.

CHAIR - I am just thinking about recommendations that we might make in regard to government making available the necessary resources to help through this process.

Mr GARCIA - Certainly there is an issue in terms of us needing to make sure of the legislation process and understanding that. The first time we did this there was a big team from Treasury but it was an establishment process, whereas this time it is more cutting, trimming, collapsing. I think there are still some verification issues around what we might want as local government and what may be appropriate in terms of broad public interest, so we might say, 'Hands off' but the reason it is there is to ensure a level of accountability. Glibly, I will say rubbish we can deal with that but there may be good reason. But again, I think that is in Treasury. I do not think that is a problem.

Regarding the broader issue of concerns of the coast and what that might mean, I expect Economic Development are up there every day of the week talking about those issues. I do not think it is a unique issue, that you would necessarily need to have resources out of another agency going and giving comfort and love to people on the north-west coast. I think this is largely a legislative exercise. It may very well be that if government had a mind to, some of the assumptions and some of things could be modelled by Treasury or something. I do not know. You guys have had evidence provided to you that there are certain things and you have made certain assumptions. I do not know whether the veracity of any of those has been tested other than the chairman coming in with numbers very similar to yours. Even regarding Treasury, it was due diligence that was done by someone external and it did not really work because the numbers were not right on the basis of the numbers going in.

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I do not know that there is a lot more help that is going to be required of government other than that legislative process.

Mr MORRIS - And not getting in the way.

Mr GARCIA - In large part, yes.

CHAIR - Are there any final comments you would like to make?

Mr GARCIA - I do not believe so. I do not think this is absolute from the local government perspective at the present time. There is certainly a mood to change from what there is. Certainly I think regarding the previous evidence we provided in terms of unravelling the three or four that are there now and having separate things, that is certainly the predilection of one region in particular. In large part I think we have still got some work to do to ensure that councils as owners are comfortable with the shift to a single model. I cannot say to you at the present time I have absolute confidence that that will be the case. What I am saying to you is they are evaluating that at the moment on the basis of the information provided them.

I think the governance issues are probably important but secondary to the process of what does this actually mean to us as a council. It is a bit like the STCA report on council amalgamations. What will it mean to my community? How do I understand that? I think there is a bit of work to be done yet in council land in terms of that understanding. If it gets imposed from another place of course then that is a different outcome but I think at the present time if it is up to councils, they will want to make sure that they are in a position that when they commit to something they can hand on heart turn to their community and say, 'We have done the right thing here'.

Prices will continue to go up but with those savings that come, the councils have a decision whether they want to take those dividends or actually give something back, vis-a-vis not lowering prices but reducing the rising levels. We have noticed that they are not massive savings but over a period of time they could be significant contributions back to, if you will, the ratepayers or to the customers.

Mr MORRIS - Allan, in relation to really a southern issue, the full move to two-part pricing that is coming at the end of the financial year, how does that appear to be going? That is going to create a bit of a shock in the system as well, isn't it. I just wonder whether that coming on is going to be a distraction from the bigger task or whether that is so locked in now that even if there is a public outcry and a bit of screaming around council tables that may not distract.

Mr GARCIA - I think it is going to distract. It is a bit like the first time you receive your water bill; it is going to distract. But it is an operational matter. It is in play so I do not think it should detract. There is still going to be a lot of consternation. Basically you pay for the water you use. I think it is a pretty simple concept, but the reality is that on the basis of what people have been paying it is going to be extraordinary when they receive this significant bill.

Mr MORRIS - For some people.

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Mr GARCIA - The question is are there going to be, and I am not privy to this, any transition arrangements? If I had a bill that was, say, \$400 a quarter and under a usage scheme it is going to be massive, is there a cap? Should we cap in transition? I do not know what has happened previously. I think that is an issue that has been a fundamental platform of the reform, that people should pay for the water they use. The infrastructure provision should be based around that on a cost-reflective basis and, no, in the south we have not had that in the past but we are going to get it. If you went and knocked on anyone's door in Hobart and said, 'What we are going to do in future is not have you pay your electricity bill on the basis of what you use but we are going to do it on the basis of the value of your house', they would be up in arms. They would absolutely decry that. It is not a difficult concept to say here is another utility and you use it and it has been a different charging model, but it is the same as everything else you use.

Mr MORRIS - But there is still quite some resistance within some councils in the south to the whole notion.

Mr GARCIA - Yes.

CHAIR - Even though they all signed up on pricing.

Mr GARCIA - Yes, and it is probably best that I do not comment on that. Individual councils have individual views on that.

Mr MORRIS - All I wanted to know was really whether that was likely to be a disruptive influence in this process.

Mr GARCIA - I do not believe so. I think when two-part pricing or when meters and two-part pricing come into effect, yes, there will be a massive outcry. Yes, there will be councils and there will be people who get bills that will say, 'Ooh, ah' but at the end of the day I think that it has been a fundamental platform. It is in train and it needs to follow through. We should not contemplate not doing it on the basis that we might be having a structural reform.

Mr MORRIS - No, no.

CHAIR - Mr Garcia, thank you very much for your time.

Mr GARCIA - Thank you and apologies from Barry. He was keen to be here.

THE WITNESS WITHDREW.