

Julie Thompson

From: John Martin [REDACTED]
Sent: Friday, 8 September 2017 4:02 PM
To: two
Subject: FW: Legislative Council Select Committee -Taswater Ownership 8th sept 2017
Attachments: Legislative Council Select Committee -Taswater Ownership 8th sept 2017.docx

Good Afternoon Natasha,

Please find attached my submission to the Legislative Council Select Committee on

TasWater Ownership.

If you require any further details please contact me .

My address is;

John Martin
[REDACTED]
[REDACTED]
[REDACTED]

I would appreciate being able to appear before the committee , if possible next Thursday 14th September, in Launceston.

Yours Sincerely

John Martin

Legislative Council Select Committee

TasWater Ownership

Submission

John Martin

8th September 2017.

Introduction

I have professionally been involved in the Local Government Industry as a Council manager/adviser/consultant for over 39 years. This includes being engaged by 6 small to medium size Councils and a short period of time as a senior adviser to the Department of Premier & Cabinet.

During that time, I have been involved in the water and sewerage reforms that were originally undertaken and the changes that have been made since as a council manager representative. As a member of the Implementation Joint Steering Committee (IJSC) back in 2008/09 I was actively involved in the legislative and regulatory requirements and agreements that occurred between State and Local Governments.

Despite the challenges and difficulties that occurred during those early times, both parties were able to reach a positive outcome in the future delivery of water and sewerage services across the state. As with any major reform of this nature there were always going to be some difficulties going forward, as for example, evidenced by the original four corporations model, but now morphed into Taswater some three or so years ago.

From my observations and involvement I consider Taswater are now delivering and operating in an extremely competent, independent and professional manner in the interests of the Tasmanian community.

It is therefore disheartening and disappointing to observe the hostile, aggressive approach that is being taken by the State Government to Taswater and Local Government on the Taswater ownership issue the Select Committee is inquiring and reporting on.

Whilst timeframes are quite short for submission preparation on this extremely important and complex matter I make the following comments and observations. These are made from personal and professional involvement and knowledge and the plethora of commentary that has been reported on in the media from all parties.

Terms of Reference.

- 1. The benefits, disadvantages and challenges associated with the Tasmanian Government's proposal to take control of TasWater.**

(a) General Comments

This submission will also provide some relevant historical information and comment that is relevant to the challenges that TasWater inherited and is currently addressing.

I consider this attempt by the State Government to take control of TasWater is politically and financially driven.

Over the last 12 months the attacks by the State Government, particularly by the Treasurer, on Local Government, TasWater and their representatives have been appalling. This whole saga has been characterised by political opportunism, character denigration, a distortion and misrepresentation of facts, Government spin and rhetoric and a media circus which has all led to the worst deterioration of State/Local Government relationships that I have witnessed.

This issue has created conflict and divisiveness between two levels of Government that is detrimental to the Tasmanian community. This lack of leadership, misinformation, vested interests and divisiveness has naturally filtered down to all levels of the community which is already struggling in many areas to meet cost of living expenses.

This is a poor look nationally and is totally unnecessary, particularly when there has been an excellent opportunity to work together to attract the required State/Australian Government funding (some \$400M) that has been identified for over 10 years.

The cost of living in Tasmania will be increased and exacerbated if this legislation and takeover of TasWater by the State Government is allowed to occur.

Substantial resources are now being wasted by both levels of Government due to this hostile and aggressive approach by the State Government. The resources and energies being consumed in this matter would have been far better directed in compiling the necessary business case submission to the Australian Government for Funding.

The lack of leadership in this funding area is really disappointing as eight years ago Infrastructure Australia (IA) were supportive of this approach. I recall a positive meeting with the CEO of IA and with the Tasmanian Water and Sewerage Executive Chairman, Mr Geoff Willis, during this time, but the priority of this matter by both levels of Government particularly the State, has not received the support or follow up that is required.

(b) Effects on Local Government

The reduction of dividends to Local Government, from over \$2B worth of community owned assets is already significant due to decisions voluntarily entered into with TasWater by member Councils.

The current offer from the government is to only pay the already reduced dividends of \$20m for 10 years and a 50 percent share thereafter, which could be nothing.

It is worth noting that these dividends are used by Councils to pay for community services and projects. These would otherwise not be provided for or rate increases would be needed to maintain.

The effects on Local Government are really quite simple;

- (a) The already reduced dividends currently require either reduced services or rate increases;
- (b) Further reduced dividends will require reduced services or increased rates;
- (c) Future "profits" or dividend shares, which may or may not occur, will require the same.

Therefore it is likely that ratepayers will have to pay more as I have rarely seen communities/Councils reduce the services they currently enjoy.

This will eventually be another blatant example of cost shifting from State to Local Government.

Another indirect effect on Local government is the sustainability of the current number of Councils in Tasmania, i.e. Amalgamation, shared services, resource sharing, which appears clearly on the Government's agenda.

2. Any other matters incidental thereto

(a) Background.

During the many Water and Sewerage reform discussions and meetings that occurred between State and Local Government in 2008/09, it appeared quite clear that the State Govt through their State Treasury representatives always desired to have ownership of Tasmania's water and Sewerage services as a GBE utility.

When it was evident that this was not possible, extensive legislation and regulation was enabled that continues to see TasWater as an extremely highly regulated authority that continues to this day.

The ensuing period also saw the demise of the four regional service providers which some might say, particularly the shared services provider, was set up to fail. As previously mentioned this changed and we now have the state-wide entity TasWater.

It is worth noting;

- (a) Both State and Local governments were always aware that some \$350M - \$400M worth of additional funding for capital works would be required from the Australian and or State Governments. This funding was always recognised as essential for the wastewater treatment capital works required in Tamar and Derwent rivers and the Southern beaches projects, for example.
- (b) Australian/State government funding for water and sewerage capital investment is not an unreasonable or "new" request as it has been occurring for many Tasmanian Councils for decades.
- (c) As part of the Initial reform agreements the State Govt agreed to support and work with Local Government to attract Australian Government funding.

- (d) Unfortunately, due to relatively low inaction by both levels of Govt, this imperative to attract funding has not occurred to the extent required. Recent efforts by TasWater to attract \$400m over 10 years from the State and Australian Governments would appear to have been politically manipulated by the State Govt as part of the fictional 'crisis'.
- (e) The monetary reserves of Councils were not transferred over to the new utilities which naturally contributed to early cash flow problems and eventual timeframes for asset replacement.
- (f) Many projects were subsequently "put on hold "during this transitional period which naturally held back future improvement works.
- (g) A number of Councils, although advised to the contrary, changed/amended their rating structures in the year prior to the changeover, which also created financial problems for the new entities.

Whilst the preceding includes some historical comment there are also some very relevant points in regards to the current circumstances of today. It also highlights some significant challenges for the new entities to meet and others, particularly the funding, which still needs to be addressed.

(b) Performance

It is my view that TasWater, who have only been in existence for some three years or so, have performed extraordinarily well in meeting their operational and capital requirements and planning for the future.

The 2015/16 Economic Regulator's report, as outlined by TasWater, advertisement, The Examiner, March 31st 2017;

" Water Quality ...99.2% of TasWater's customers enjoy high quality water that meets Australian Drinking Water Guidelines....100 % will be able to drink water straight out of the tap by August 2018'

Lowest prices....Tasmanians enjoy some of the lowest water prices in the country. The Economic Regulator has confirmed Australian Govt data that TasWater's bills are the lowest on a litre-for-litre basis of any comparable water utility in Australia.

Highest Investment....Current and future generations of Tasmanians will benefit from the highest investment per property on capital development of any water utility in Australia....26% increase in spending on infrastructure to a total of \$129M.

Customer focus....88% of calls to TasWater's new centrally located customer and network operations centre are answered within 30 seconds. The operator then has the capacity to alert repair crews anywhere in the state 24 hours a day.

Recycled water use is up...

Environmental compliance is up...

Sewerage compliance is up – now at 84.2%”

The Chairman also notes in this advertisement;

“We do not shy away from the fact that there is work to do, but the independent report goes to show that consistent with its plan, TasWater is getting on with the business of improving Tasmania’s water and sewerage Infrastructure.”

Since that time there have been various examples of completed water treatment infrastructure works in various small towns around Tasmania. A review of TasWater’s website also shows some 45 water and sewerage improvement projects TasWater will be investing in around the state.

It is also noted that TasWater are working closely with the various government environmental and health agencies and that...” *The Environmental Protection Authority has not issued TasWater with a single Environment Protection Notice relating to any outfall from sewerage treatment plants over the past two years...”* (Miles Hampton, Mercury, 30th August 2017.

I would hardly suggest that this is evidence of a “crisis” in these services and that TasWater are actual getting on with the job that they were set up to undertake on behalf of the Tasmanian community.

This is without mentioning the wide diversity of operational tasks, minor projects , regulatory health and environmental requirements, technical and engineering matters that the workforce are addressing every single day .

Summary

1. It is my view that the Taswater ownership issue is politically and Treasury driven. This is evidenced by an aggressive and hostile approach by the State Government and the manipulation and distortion of information that is currently being used to mislead the community.
2. Local ratepayers will eventually have to pay more rates under the proposed takeover and/or have reduced services. It is the hundreds of thousands of residential ratepayers across Tasmania that will be adversely affected if this legislation passes.
3. There will be less transparency and accountability to the community if this legislation is passed and TasWater becomes another Government Business Enterprise (GBE). This would allow for the manipulation of the GBE for political purposes and have its coffers raided at any time by current or future State Governments.
4. A cooperative approach to address the identified shortfall in funding of \$400m (e.g. \$40m p.a. over 10 years) is still and always has been required.

5. Local Government and TasWater appear to be still be taking a "work with us approach "which is to be commended. The unexpected misleading, distorted and aggressive, hostile approach that has been undertaken by the State Government needs to be abandoned.
6. It would appear to me that the informed and well documented strategies, projects and plans that have been professionally put together by TasWater have far more substance than the rushed " after the event" projections of the State Government.
7. The Tasmanian Community deserves a far better approach to this matter than what we have seen displayed to date.
8. The Local Govt association of Tasmania and TasWater have both provided positive, credible and professional information and commentary in regards to this proposed unnecessary takeover by the State Government. I support their views.
9. Due to the preceding information and comment I would recommend to the committee to not support the Taswater Ownership Legislation that would see the transfer from the Local Govt to the State Govt.