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Meander Valley Council

W O R K I N G   T O G E T H E R

Our Ref: S08-18-005

5 September 2017

Hon Rosemary Armitage
Chair
TasWater Inquiry
Parliament of Tasmania
Parliament House
HOBART TAS 7000

By Email

Dear Chair

RE: Legislative Council Select Committee TasWater Ownership

At our May 2017 Council meeting Meander Valley Council agreed that:

a) ***(we do) not support the State Government's proposal to take control of TasWater for the following reasons:***

1. ***The lack of adequate and appropriate information being made available.***
2. ***The uncertainty that the dividend guarantees of the State Government will actually be honoured by the State Government or future State Governments.***
3. ***Concerns regarding the future viability of TasWater under the State Government proposal.***
4. ***It does not appear to be in the best interests of the Meander Valley community.***

The points made in the resolution remain valid and unresolved.

The State Government has provided a number of headline reasons for the initiative but has not been able to articulate a clear argument to support those headlines.

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What started as a 'crisis' requiring urgent action finally settled on the promise that the State could do it faster, better and cheaper. The State Government claims that:

- The existing ten year capital works program can be reduced to five years,
- They will reduce the increase cost of water bills,
- There will be no material impact on the revenue currently received by the company's shareholders.

These claims have not yet been backed by rigorous financial modelling. However, what has been clearly articulated is that it will cost $160M from consolidated revenue to support the proposed change.

Our view is that such a significant investment and disruptive change must be based on an unequivocal business case. The argument should be able to clearly articulate the benefit for the community. This proposal must be evidenced by something more than just "high-level financial modelling from treasury".

The report from Infrastructure Tasmania commissioned by the State Government to provide clear evidence of the initiatives benefits, unfortunately only cast more doubt on the benefits and raised more questions about the ability of the State Government promise to fix the 'problem' faster, better and cheaper. The clear takeaway from the report is that the State Government may need an open cheque book to reduce the timeframe for the capital works program.

It also fails to mention that no matter how much funding is invested to reduce the capital works program there will still be a $500M backlog of capital works, requiring commitment and careful management at the end of the 5 year 'accelerated' program.
The most critical gap in the report, however, is that it doesn't actually ask or address the following question:

What is the actual problem?

The Infrastructure Tasmania report doesn't analyse the counter arguments put by TasWater during the current debate, that there is a responsible, sustainable, 10 year capital works program in place.

What are the real benefits, of putting an organisation, already undergoing significant change, under additional pressure to, reduce the timing of the program by two to three years while spending more to achieve this reduction?

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The Infrastructure Tasmania report raises concerns around risk relating to workforce capability. Sadly it appears that considerable resources would be sourced from interstate to accelerate to works program, meaning the economic benefits would flow to non-Tasmanians. The report also raises the very significant pre-planning and approval processes that must be undertaken before the 5 year capital works program can commence. This raises obvious question of how much time the ten year plan will actually be reduced by?

There also remain inherent concerns around the long term viability of TasWater being exposed to considerable more debt ($600M), and no capacity to raise revenue to pay for that debt. It is one thing to have a balance sheet capable of borrowing, it is another thing to repay that debt without impact on customers, and if there are to be no impact on customers, who will be paying off the debt, particularly after 2024/25?

Is there an expectation that local government distributions will be reduced even further, and what impact will this have on the delivery of local services and infrastructure or the need to increase rates. The bottom line is that someone will have to pay.

It is therefore imperative that the Committee must be completely satisfied that the claims and re-assurances that Tasmanian Government claim the changeover will support are valid. It is my view that the Committee, if they believe the change of ownership is warranted, request or commission longer term financial modelling to support the change of ownership argument, and demonstrate it is in the best interest of all Tasmanians.

In conclusion, I suspect most Tasmanians would rather the $160M of government spending be committed to essential health and education needs, rather than, based on the best information available so far, looks to be at best a two to three year reduction in capitals works timeframe.

I have also attached for your information a recent article I provided to the Meander Valley Gazette newspaper and would be more than happy to meet with the Committee if required.

Yours faithfully

Craig Perkins
MAYOR