TW HPRM ref: 17/90658

8 September 2017

The Secretary
Legislative Council Select Committee TasWater Ownership
Parliament of Tasmania
Parliament House
HOBART TAS 7000

Dear Secretary,

TasWater would like to present this submission to the Legislative Council Select Committee into the ownership of TasWater. As the subject of this inquiry, it is only appropriate that TasWater be given the opportunity to state its case for the continuation of the current ownership model.

I urge you to read this document. It presents clear evidence that not only is TasWater successfully getting on with the job, but that the State Government's proposal will have a negative impact on Tasmania's economy.

We look forward to discussing these matters in person.

Yours Sincerely

Miles Hampton
Chairman

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Submission to the Legislative Council Select Committee

The concept of ownership of TasWater by State Government

The benefits, disadvantages and challenges associated with the Tasmanian Government's proposal to take control of TasWater, and other matters incidental thereto.

TasWater

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EXECUTIVE SUMMARY

This submission is made to the Legislative Council Select Committee inquiry into the concept of ownership of TasWater by the Tasmanian State Government. It addresses the Committee's terms of reference by examining the State Government's premise for assuming ownership and the benefits it has claimed will result.

No justification for a takeover

The State Government's primary justification for its proposed takeover is that a "water and sewerage crisis" exists and is damaging the state's economic interests. This claim is not supported by the facts, is at odds with the actions of industry regulators and should be dismissed.

While there remain many challenges to fixing the state's water and sewerage infrastructure, there is also a professionally developed and carefully considered long term plan, a record of achievements and a means of funding that plan which does not rely on any external funding. The existing ownership and governance model protect TasWater from undue political influence in decision-making, facilitates the equitable allocation of resources across the state on a priority basis and is delivering tangible, measurable benefits for Tasmanians.

Takeover benefits analysis

The State Government has claimed that a new State Government-owned water and sewerage business will result in lower prices, will be fairer to everyone and will deliver solutions faster. In the absence of any financial modelling from the State Government, TasWater has used the limited amount of information made publicly available to assess the veracity of these claimed advantages.

The key findings are:

- **Prices** – the State Government's promised price savings to customers are well in excess of those possible in the period described. While price increases will be reduced for a limited period, up to $548 million in additional debt will be incurred, $140 million will need to be transferred from other essential services, and Council services will potentially have to be cut back or rates increased, none of which is necessary under the current ownership model.
- **Fairness** – the State Government's proposal risks the creation of significant intergenerational inequity with an unnecessary debt burden for future generations, removes the independence of the Tasmanian Economic Regulator from the process of setting prices, and creates the opportunity for politicisation of the infrastructure investment process.
- **Faster –** the proposed three year acceleration profile is unrealistic, unnecessary and can be expected to drive up the cost of the current program. While the State Government claims local contractors will benefit, the opposite is more likely to occur.

Benefits of current ownership model

In contrast to the State Government's rhetoric, under the stewardship of the current independent skills-based Board and Councils over the four years since formation, TasWater has:

- Successfully merged four regional corporations into a single statewide operation
- Been nationally recognised as a leader in safety and staff development
- Been recognised as having the lowest litre-for-litre bills in the country for comparable sized water utilities
- The highest grade of service in the country for comparable sized water utilities
- Invested $413 million in capital improvements with the current capital expenditure per property being the highest in the country for comparable sized water utilities

- Increased the percentage of customers receiving compliant drinking water from 94% to 99.4%, completed major upgrades to 23[1] drinking water systems, removed Public Health Alerts[2] from 17 towns and is on track to have 100% of customers receiving compliant drinking water by August 2018
- Permanently removed headworks charges to stimulate economic activity
- Received approval by the Tasmanian Economic Regulator of its recommendation for a statewide pricing regime, which has seen the majority of customers across the state paying the same price for the same service
- Increased effluent compliance (81.4%[3] to 86%), improved recycled water compliance (69% to 79%), reduced sewerage odour complaints by 50%, increased beneficial use of biosolids (56% to 99.8%) and reduced the number of dry weather sewage spills by over 50%
- Delivered $10.7 million of annualised productivity savings and is on track to lift this to $21 million per annum by the end of its 10 year plan
- Developed the first comprehensive Long Term Strategic Plan for the state's water and sewerage systems.

These achievements collectively benefit the environment, the economy and the health of all Tasmanians.

Trade waste claims

Trade waste is the single biggest contributor to environmental non-compliance. By simultaneously criticising TasWater for both sewage non-compliance and for doing something about it, the State Government has demonstrated it does not understand the realities of trade waste. By addressing the issue, TasWater is simply meeting its legislative obligations and unless the State Government plans to relax environmental compliance laws any new Government Business Enterprise will need to meet the same obligations and report to the same regulators.

Brand damage claims

In preparing this submission, TasWater has looked for data that corroborates the State Government's claim that the state's water and sewerage system has damaged Tasmania's clean, green brand. There is none. All evidence is clear that Tasmania's clean green image is growing stronger.

Conclusion

The State Government's proposed takeover should be rejected on the basis that:

- There is no evidence to support the claim of a crisis
- There has been inadequate due diligence undertaken by the State Government to support its claimed advantages of a takeover
- The current governance model is demonstrably effective, has delivered substantial benefits to the state and there is no evidence to believe that this will not continue to be the case into the future
- TasWater risks becoming another Government Business Enterprise dependent upon ongoing funding injections by the state, drawing resources away from other much needed community services.

[1] Four of which were upgraded by the former regional corporations, also under Council ownership.
[2] Public Health Alerts include Boil Water Alerts and Do Not Consume Notices.
[3] This is TasWater's 2014-15 result as no result recorded for 2013-14.

1. BACKGROUND

1.1 Context and challenges

Scale factor

Despite Tasmania's small size and population, and due in part to the geographical dispersion of the communities it services, TasWater has a disproportionately large amount of water and sewerage infrastructure to maintain and upgrade. This was confirmed by a 2015 benchmarking study by Water Services Association Australia[4] of 19 water utilities across Australia and New Zealand, which serve 78% of Australia's serviced population and 30% of New Zealand's serviced population. TasWater was found to have:

- Less than 3% of the population
- 37% of the sewage treatment plants (STP)
- 38% of the water treatment plants (WTP)
- 18% per cent of the dams.

This is further reinforced when specific comparisons are made with other large Australian water utilities, as shown in the table below.

Utility	Year formed	WTPs	Properties per WTP	STPs	Properties per STP	Properties serviced
TasWater	2013	74	2,736	113	1,575	202,478
Sydney Water	1995	9	211,000	25	74,080	1,899,234
Barwon Water	1994	8	18,875	11	12,364	151,418
Hunter Water	1991	6	40,333	19	12,158	242,277

TasWater's operations need to be understood in this context, because the large number of small-scale assets creates higher costs than for similar water utilities interstate. Additionally, a large proportion of TasWater's assets are ageing and in poor condition.

Tasmania's smaller population also provides a lower revenue base and one which is rightfully price sensitive, given Tasmania's lower wages and sensitivities about the cost of living. TasWater is acutely aware of the requirement to balance the needs of customers to have affordable pricing, with funding the ongoing efforts to improve its levels of service, evidenced by the fact that TasWater currently has the lowest litre-for-litre bills for comparable utilities across Australia (those with 100,000+ customers) [5].

Four years of operation

The scale and program breadth challenges are further exacerbated by the relative immaturity of TasWater, being formed only four years ago, when compared with interstate counterparts, the majority of which have been in existence for decades.

This shorter life span directly impacts key inputs critical for the rapid acceleration and efficient delivery of a robust capital program. Key examples of this include the requirement for reliable data and mature processes, essential for an organisation with the scale and number of customers that TasWater serves.

[4] Water Services Association of Australia (2015), *2014-15 Opex Benchmarking Study – Industry Report*, Third Horizon, December.
[5] Australian Government, Bureau of Meteorology (2017), *National performance report 2015-16: urban water utilities*, Melbourne, March.

The other key challenge for TasWater has been the evolving regulatory and reporting requirements, which commenced with the formation of the former corporations and have become more stringent with the formation of a single statewide corporation.

Over the course of the past four years TasWater has had to merge of four corporations while:

- delivering better customer service outcomes
- reducing costs
- building new statewide processes
- developing a new culture to underpin the business
- reducing its public risk profile
- making the workplace safer for employees
- lifting regulatory compliance
- accelerating its capital program
- addressing historical customer pricing inequities
- building for the first time in Tasmania's history, a comprehensive long term plan for the state.

In its first year TasWater successfully merged the four former corporations into a single statewide entity while maintaining a focus on its customers.

In the second year it delivered on savings targets while making major improvements in safety, fault response times and sewage spill reductions.

In the third year of operations it used the learnings and knowledge gained in the first two years of operation to build a 10 year plan to address Tasmania's water and sewerage infrastructure challenges.

In the fourth year it set out to develop actions that will see the removal of all long standing Public Health Alerts by August 2018 and entered into a Memorandum of Understanding[6] with the Environment Protection Authority that will see investments in upgraded sewerage infrastructure directly linked to improved compliance outcomes.

1.2 Governance

TasWater is a corporation established in 2013 in accordance with the *Water and Sewerage Corporation Act 2012* (WSCA)[7]. The principal objectives of the corporation as set out in the WSCA 2012 are:

a) to efficiently provide water and sewerage functions in Tasmania
b) to encourage water conservation, the demand management of water and the re-use of water on an economic and commercial basis
c) to be a successful business and, to this end –
   (i) to operate its activities in accordance with good commercial practice
   (ii) to deliver sustainable returns to its members
   (iii) to deliver services to customers in the most cost-efficient manner.

[6] Environment Protection Authority, (2016) *Memorandum of Understanding on public wastewater management*, Hobart, November
[7] *Water and Sewerage Corporation Act 2012*

The WSCA states that each of the principal objectives of the corporation is of equal importance, meaning TasWater must balance the competing interests of:

- The community – through providing essential services at a reasonable price
- Regulators – compliance and service standards
- Its owners – delivering returns and supporting economic growth
- Its employees – providing a safe place to work
- Its financial sustainability over the longer term
- The interests of both today's and tomorrow's stakeholders, ensuring intergenerational equity.

TasWater is governed by an independent Board of Directors, which determines priorities in accordance with the requirements of the WSCA, its Constitution and the Shareholders' Letter of Expectations. Board members are appointed according to skills-based criteria, also outlined in TasWater's Constitution and the Shareholders' Letter of Expectations. The Board provides regular reports to the Owner's Representative Group, comprising one representative from each Tasmanian Council.

In addition to the WSCA, TasWater must comply with these laws, codes and regulations:

- *Water and Sewerage Industry Act 2008*[8]
- *Environmental Management and Pollution Control Act 1994*[9]
- *Public Health Act 1997*[10]
- *Land Use Planning and Approvals Act 1993*[11]
- *Water and Sewerage Industry (Pricing and Related Matters) Regulations 2011*[12]
- *Tasmanian Water and Sewerage Industry Customer Service Code*[13]
- *Water and Sewerage Industry (Customer Service Standards) Regulations 2009*[14]

A key challenge for TasWater and its Owners has been the evolving regulatory and reporting requirements, which commenced with the formation of the former corporations and have become more stringent with the creation of a single statewide corporation[15]. Many of the standards that were acceptable prior to the 2008 reforms are no longer acceptable. These regulatory and reporting requirements have been a key driver of investment along with the age and condition of much of the infrastructure.

[8] *Water and Sewerage Industry Act 2008*
[9] *Environmental Management and Pollution Control Act 1994*
[10] *Public Health Act 1997*
[11] *Land Use Planning and Approvals Act 1993*
[12] *Water and Sewerage Industry (Pricing and Related Matters) Regulations 2011*
[13] Office of the Tasmanian Economic Regulator, (2010), *Tasmanian Water and Sewerage Industry Customer Service Code*, Hobart
[14] *Water and Sewerage Industry (Customer Service Standards) Regulations 2009*
[15] For example, prior to 2009 the Council-owned water and sewage treatment plants were regulated, but were not held accountable to the same Environmental Protection Notice licence conditions from the EPA as TasWater now is.

TasWater activities are subject to oversight by the following independent bodies.

Body	Function
Tasmanian Economic Regulator (TER)	Responsible for the economic regulation of the water and sewerage sector, requiring TasWater to comply with a number of service standard obligations issued by the regulator.
The Environment Protection Authority (EPA)	The EPA's purpose is to regulate development and activity that may impact on environmental quality and to promote best practice, sustainable environmental management.
The Department of Health and Human Services (DHHS)	Issues the Tasmanian Drinking Water Quality Guidelines and regulates drinking water quality, including determining when Public Health Alerts are introduced and removed.
The Department of Primary Industries, Parks, Water and Environment (DPIPWE)	Regulates water licensing and dam permits for all Tasmanian rivers, to ensure dam owners meet their dam safety responsibilities
Tasmanian Ombudsman	Oversight of complaints about Tasmanian State or Local Government administration.
Tasmanian Fire Service (TFS)	TasWater is obligated to provide fire-fighting capacity, in consultation with TFS.

1.3 History

This is a simple timeline of water and sewerage reforms in Tasmania.

2005	Tasmania becomes a signatory to the National Water Initiative, a Council of Australian Governments national blueprint for water reform, intended to better manage water demands.
2008-09	Three regional corporations were formed in late 2008 – Southern Water, Cradle Mountain Water and Ben Lomond Water, with a fourth shared service business, Onstream – and commenced trading on 1 July 2009.
2009-13	The three regional corporations focused on: • Delivering compliance implementation plans • Introducing a new billing system • The roll out of water metering • Gaining approval and implementing their first Price and Services Plan.
2012	Facilitated by Local Government Association Tasmania[16], Owner Councils in all regions agreed to create a single water and sewerage corporation to gain a range of benefits, efficiencies and savings.
2013	TasWater was formed and registered as a proprietary limited company under the *Corporations Act 2001*[17] and commenced trading on 1 July 2013.

Some of TasWater's workers have already lived through multiple iterations of reform to Tasmania's water and sewerage functions. From the days of separate Council ownership, to the three regional corporations, to the creation of TasWater, and now they are faced with the possibility of yet another round of reform.

The State Government's proposed takeover is at best an unwelcome distraction for them. Employees must cope with uncertainty about their future conditions and unwarranted changes to the evidence-based planning and processes that TasWater has put in place over the past four years. At worst, the rhetoric around the takeover is upsetting, particularly when the State Government has criticised workers for damaging the environment, economy and Tasmania's reputation.

[16] Local Government Association of Tasmania, 28 March 2012, General Meeting Minutes,
[17] *Corporations Act 2001*

1.4 Ownership and distributions

Distribution payments to TasWater's Council owners are comprised of the following three payments.

- **Dividends**
  Consistent with the principal objectives of the corporation as set out in the WSCA, TasWater is required to "… deliver sustainable returns to its members". Dividends represent that return.
- **Guarantee fees**
  TasWater is obliged to pay guarantee fees in accordance with the WSCA and its Constitution.
- **Tax equivalents**
  TasWater is obliged to pay tax equivalent payments in accordance with the WSCA and its Constitution.

1.5 Customer information summary

Indicators	2013/14	2014/15	2015/16	2016/17
Population receiving water supply services	444,703*	428,400*	433,913*	418,598
Connected residential properties - water supply	185,293	178,500	180,263	181,999
Connected non-residential properties - water supply	15,219	22,027	22,215	22,950
Average annual residential water supplied (kL/property)	178.98	172.13	176.23	178.77
Population receiving sewerage services	409,349	378,809*	383,476*	369,369
Connected residential properties - sewerage	162,359	157,837	159,310	160,595
Connected non-residential properties - sewerage	12,580	18,612	18,589	19,082
Volume of water supplied - residential (ML)	33,163	30,726	31,768	32,537
Volume of potable water supplied - residential (ML)	32,731	30,403	31,430	32,098
Volume of non-potable water supplied – residential (ML)	432	323	338	438
Volume of water supplied - commercial, municipal and industrial (ML)	20,108	22,017	20,615	22,937
Volume of potable water supplied – commercial, municipal and industrial (ML)	18,518	18,831	19,708	22,210
Volume of non-potable water supplied – commercial, municipal and industrial (ML)	1,590	2,464	714	727
Volume of water supplied – agricultural irrigation	2,014	3,287	4,617	2,678

*Based on 2011 census data of 2.41 residents per connection rather than 2017 census data of 2.30 for 2016/17

1.6 Infrastructure information summary

At June 2017, TasWater was responsible for the following infrastructure.

Water	Sewerage
• 204,949 water connections • 6,284km of water mains • 295 water distribution storage facilities (tanks) • 218 water pumping stations • 320 dams	• 113 sewage treatment plants (STPs): 34 Level 1 STPs and 79 Level 2 STPs[18] • 179,677 sewerage connections • 4,745 km of sewer mains • 752 sewage pumping stations

1.7 Key planning and reporting documents

Under the current model, TasWater's investment priorities are developed through a carefully considered process overseen by its Board, Owners, and Regulators. Key planning and reporting documents are listed below.

Description	Purpose	Driver
Corporate Plan	Identifies goals, objectives, future priorities and means to track TasWater's performance. Required under section 13 of the *Water and Sewerage Corporation Act 2012*.	External
Price and Services Plan	A commitment to a set of outcomes and prices to be delivered over a set regulatory period.	Regulatory
10 Year Capital Investment Plan	A planned and prioritised approach to the upgrading of infrastructure, demonstrating longer term financial sustainability, beyond the three years captured in the Corporate Plan.	Internal
Long Term Strategic Plan	Gives direction to the business over a 20 year period. Was driven out of Frontier Economics review of Price and Service Plan 2 process as an improvement opportunity.	Internal
Annual Report	Provide public information on TasWater's performance in a given financial year.	Regulatory
Annual Drinking Water Quality Reports	Provide public data on compliance with Australian Drinking Water Guidelines.	Regulatory
Annual Environmental Compliance Report	Provide public data on compliance with Environment Protection Authority licensing.	Regulatory
Annual Dam Safety Management Report	Provide public data on compliance with dam safety guidelines.	Regulatory
Annual Performance Report	Delivered to the Office of the Tasmanian Economic Regulator for the State of the Industry Report and National Water Indicators.	Regulatory

[18] TasWater's STPs are classified based on their size: anything less than 100 kilolitres is Level 1; anything over 100 kilolitres is Level 2. This should not be confused with the type of treatment they provide, only their size.

2. THE PREMISE FOR A TAKEOVER

2.1 PREMISE: The state's water and sewerage systems are in crisis

When the State Government announced the proposed takeover, it claimed justification on the basis that the sector was in crisis and that the State Government needed to act[19]. This claim is contradicted by the following facts.

- Neither the EPA nor the DHHS, the two of TasWater's regulators most responsible for overseeing public health, have ever declared there to be a crisis.
- All drinking water Public Health Alerts will be removed within two months of the proposed State Government takeover.
- As of August 2017, 99.4% of Tasmanians receive drinking water they can safely drink from the tap and this will be 100% by August 2018.
- TasWater has a comprehensive Long Term Strategic Plan (LTSP) in place which has been endorsed by the Tasmanian Economic Regulator, DHHS, DPIPWE and EPA. The LTSP covers a 20 year period, with every project in its first 10 years directly linked to an improved outcome.
- While TasWater sewage treatment plants are not fully compliant, that non-compliance is not widespread. This is evidenced by the fact that the EPA has not issued a single Environment Infringement Notice relating to discharges or sewer spills since August 2015 (two minor fines for breaches of construction permits were issued in June 2017).
- TasWater has worked with the EPA to put a Memorandum of Understanding[20] in place which sets out the path to compliance and the clear consequences for TasWater of failing to follow this path.

TasWater is currently addressing the state's water and sewerage deficiencies by executing its fully funded plan in a considered and responsible manner, balancing the needs of a diverse range of stakeholders and agreed to by its regulators.

2.2 Other justifications used by the State Government to support their claim of a crisis

Justification: Only one sewage treatment plant is fully compliant with its licence

As evidence of a crisis, the State Government has repeatedly cited the metric that only one of TasWater's 79 Level 2 sewage treatment plants is fully compliant with its EPA licence. Frequency of plant testing depends on the receiving environment. This ignores the fact that environmental compliance is not measured as a simple pass-or-fail metric. A plant tested 52 times a year may have water samples tested against eight parameters. If any one of those 416 individual tests fails, the plant is deemed non-compliant for the full year, irrespective of whether the failed test may have had no harmful impact on the environment.

This metric is not reported nationally as it is considered an unreliable indicator of comparative performance.

[19] Gutwein, P, (Treasurer), (2017), CEDA Speech, 20 February
[20] Environment Protection Authority, *op.cit*.

It is more useful to measure environmental compliance as a percentage of the total volume of sewage passing through TasWater's systems in a given period. This allows tracking of progress as while moving towards better environmental outcomes. As can be seen below compliance is above 80% and steadily improving.

	2013-14	2014-15	2015-16	2016-17
Sewage volume compliance (EPA measure)	Not recorded	81.4%	84.2%	86.0%

Justification: Sewer overflows have increased 2014/15 to 2015/16.

	2013-14	2014-15	2015-16	2016-17
Sewer overflows	645	164	201	134

This is correct but it needs to be understood that sewer overflows can vary significantly from year-to-year, depending on the frequency and severity of rainfall events. Seeking to draw inferences by comparing year-on-year data is simply inappropriate.

A more appropriate measure is the number of dry weather spills, which have decreased from 155 to 66 since 2013-14.

Justification: Water mains breaks increased from 2014-15 to 2015-16.

	2013-14	2014-15	2015-16	2016-17
Water mains breaks per 100km	35	28	33	48
Water main breaks (Total)	2,056	1,753	2,051	3,021

It is important to recognize that the number of water main breaks may have nothing to do with the state of the infrastructure. As noted by the Bureau of Meteorology (BOM)[21], this metric provides only a partial indication of the customer service provided and the condition of the network, as there are many other factors that can influence the number of breaks, including soil type, rainfall and pipe material, as well as the age and condition of the network.

Customer research has indicated that customers are prepared to accept the current level of interruptions to supply if it means water quality can be improved faster. This feedback has been taken into account in TasWater's project prioritization process where the focus of the water and sewerage mains investment program is on using innovative techniques to extend the life of underground mains and minimising the risk of breaks in areas which have the highest potential impact on customers.

Justification: Sewer mains breaks and chokes increased from 2014-15 to 2015-16.

	2013-14	2014-15	2015-16	2016-17
Sewer mains breaks and chokes per 100km	50	57	61	45

This is correct, however the result is well inside the 2015-16 service standard of 104 breaks per 100 kilometres that has been established by the Tasmanian Economic Regulator and the EPA. Further, it fell substantially in 2016-17.

The BOM also note a range of factors that can cause breaks and chokes, including soil type, pipe material, sewerage configuration and age, tree root intrusion, the management of trade waste, the volume of sewage flows and rainfall. Similar results also occur in far more mature water businesses. For example, in 2015-16 Sydney Water experienced 58.4 breaks per 100 kilometres.

[21] Bureau of Meteorology, *op.cit*.

Justification: Sewer overflows are seven times the national average

TasWater voluntarily reports all sewage overflows to the EPA. This is one of many differences in compliance reporting across Australia. Straight comparisons between states are highly unreliable and as a result the BOM has decided to no longer use this metric.

It is deemed unreliable due to two factors: reporting requirements vary between states and it is often very difficult to determine the amount of sewage that has overflowed into the environment.

On the mainland, different regulatory requirements can mean that smaller overflows are not reported. This reduces the interstate average and makes it appear that their utilities perform much better than TasWater.

For example, sewerage utilities in Western Australia only report overflows of 10,000 litres in some circumstances and in Victoria only report overflows to land over 50,000 litres, unless there is a public health risk or media interest. Queensland reports dry weather sewage overflows of 10,000 litres, or spills with a public health of environmental risk.

TasWater is currently working with the EPA to finalise a spills notification procedure and is quite rightly focussed on the impact of sewerage spills on specific environments, so that upgrades can be prioritised. Not all environments are as sensitive or important for people or industry.

The State Government has implied that TasWater's higher rate of sewerage spills is because of its ageing infrastructure and slow response to replacing it. The BOM Report lists many other risk factors for sewage spills beyond infrastructure age including rainfall, temperature, tree-root intrusion, trade waste, and soil type. Indeed, it is highly possible that even if TasWater had state-of-the-art sewerage infrastructure, Tasmania may always live with a higher rate of sewerage spills because of higher risk of flooding and tree-root intrusion.

Justification: Unbilled water levels are above national benchmarks

The amount of unbilled water[22] for water remains well above national benchmarks, however reducing unbilled water takes significant investment and extensive investigations in order to reach national levels. Most mainland water utilities have had many more years to address the issue, have far fewer drinking water systems and better infrastructure which is less geographically dispersed.

The highest percentages of unbilled water can often be found in the small towns which are being addressed as part of TasWater's Regional Towns Water Supply Program. The learnings to date are that while historical leakage from aged pipes and ground movement is a factor, so too is the fact that a number of inherited underground pipes are not recorded on any documentation and therefore there is no metering of customer use.

The Regional Towns Water Supply Program also involves conducting extensive investigations and following up with new infrastructure and new meters. This systematic approach will ultimately reduce the level of unbilled water over a reasonable time frame

Justification: Oyster production is being impacted by TasWater's lack of attention to the importance of the industry

The State Government has said that the Tasmanian brand suffers when oyster farmers have to shut down production due to sewage 'released' into the environment[23], and that Tasmania's oyster industry needs "21st century water and sewerage infrastructure to prosper" [24].

[22] Drinking water that leaves the water treatment plant but is not billed to customers, referred to as 'non-revenue water' in the industry.
[23] Gutwein, P (Treasurer), *op. cit*
[24] Humphries, A., (2017), 'State Government visits oyster farm to spruik TasWater takeover', *The Mercury*, 23 March, accessed 6 September 2017

Minimising the risk of oyster production shutdowns has been a priority for TasWater since its formation. TasWater's Shellfish Risk Mitigation Plan is a long term program of operational improvements and capital investments which prioritise work in areas adjacent to shellfish leases. As part of this plan, TasWater has worked closely with peak body Oysters Tasmania on a range of opportunities to reduce the frequency and impact of production shutdowns. This has included innovative meat-testing methodologies to reduce shutdown periods, implementation of early warning systems to reduce potential losses, reducing stormwater inflows and infiltration into the sewerage network, and upgrades to key infrastructure and centralised alarming and monitoring of at risk infrastructure.

To date over $10 million has been spent on upgrading sewage pump stations, networks and telemetry systems to provide early warning of a potential sewage overflow. Additional storage capacity has also been built to reduce the risk of sewage overflows during high intensity rainfall events.

In the past three years, a total of eight oyster production shutdowns have occurred as a result of wet weather sewage overflows, which in turn resulted from high intensity rainfall events. It is important to understand that:

- It is not feasible to prevent every sewage overflow due to high intensity rainfall events, due to the high cost of this infrastructure, so instead pump stations and associated infrastructure are being designed not to overflow unless the rainfall intensity is greater than that expected once in every five years
- It is not just a matter of spending money on new infrastructure, rather the issue is complicated by stormwater inflows and infiltration which must be addressed in a systematic manner
- While shellfish leases are predominantly located in 10 zones around the state, the risk of overflows can emanate from any one of 15 sewage treatment plants, 102 sewage pump stations and approximately 280 km of sewer mains, all of which are located in these high risk zones.

For more information on the Shellfish Risk Mitigation Plan, see Appendix A.

Justification: Complaints are rising

	2013-14	2014-15	2015-16	2016-17
Complaints per 1,000 properties	6.5*	11.6	14.3	12.3

In 2014 as a result of an internal review, it was determined that the definition TasWater used for what constituted a 'complaint' was not in line with its customer code. As a result the definition was realigned, resulting in the significant difference between the 2013-14 results and the following years.

The 2015-16 result was driven by an algae outbreak in the Derwent River which resulted in a significant increase in the number of drinking water taste and odour complaints rising. A new carbon dosing plant was fast tracked for Hobart's main water treatment plant at Bryn Estyn and to date has successfully treated the annual reoccurrence of the algae, which has now become the norm.

TasWater, unlike most of the comparator utilities across Australia, is significantly reliant on run-of-river water as distinct to water sourced from reservoirs or dams. In this circumstance, it is inevitable that from time-to-time drinking water quality issues will arise.

The majority of recent drinking water quality complaints relate to drinking water odour, taste and colour, issues that are collectively known as aesthetic quality issues. There is no doubt that these incidents have become more prevalent in recent times, predominantly as a result of algae growth in source water catchments and rivers, but TasWater has responded immediately, investing significant funds to address these issues across the state.

2.3 Conclusion

The State Government's claim of a crisis is demonstrably false. Yes, there is much to be done, but there is no crisis. For the State Government to claim otherwise is to ignore the advice from its own regulatory bodies, and to ignore the significant progress made by both TasWater and its predecessor regional corporations in progressively upgrading the state's water and sewerage systems in a careful, planned and affordable manner – work that is being undertaken with little to no assistance from the State or Australian governments.

More detail about what has actually been achieved in the four years since the formation of TasWater can be found in section 4.1 of this document.

3. CLAIMED BENEFITS OF A TAKEOVER

When the State Government announced the proposed takeover, it claimed justification on the basis that its plan would be cheaper, fairer and faster. The discussion below examines these main claimed benefits as well as some of the State Government's lesser claims.

3.1 CHEAPER: Prices will be lower under State Government ownership

Aside from the claim that Tasmania's water and sewerage sector is in crisis (see section 2.1), the claimed benefit[25] of lower prices has been a centrepiece of the State Government's proposal to takeover TasWater. TasWater acknowledges that the State Government's proposed legislation will grant it the power to keep prices lower in the short term, but adds that this will only be achieved at a cost to the State Budget, the financial viability of the new water and sewerage corporation, the financial sustainability of Councils, and debt faced by future generations of Tasmanians.

The State Government has not provided any financial modelling on how it will achieve its two goals of accelerating the capital investment program and keeping prices lower, but it is obvious that increasing spending without sufficient revenue to recover the cost will lead to increased debt.

In the absence of any financial modelling by the State Government to demonstrate how it will achieve its two goals of accelerating the capital investment program and keeping prices lower, TasWater has completed its own modelling based on what little information is publically available (for more information, see section 5.1).

The State Government has stated, "Under our plan, prices will be lower than currently projected, saving average Tasmanian households up to $550 over the next six years"[26].

The claimed reduction is materially overstated as per the table blow. TasWater has used a typical annual residential bill of 176 kilolitres (the average residential use in 2015) to model the cumulative difference between TasWater's proposed pricing and the upper and lower price increases provided by the State Government.

Scenario	PSP3 - proposed			PSP4 - proposed		
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
WST Bill - 2.75%	-$21.59	-$57.20	-$107.53	-$171.63	-$250.31	-$344.47
WST Bill - 3.5%	-$21.59	-$57.20	-$107.53	-$162.24	-$221.57	-$285.79

Even using the State Government's minimum possible price increase, the saving over six years is substantially less than $550. Under the State Government's draft legislation, the actual difference over the six year period is between $286 and $344 in total, or an average of between $12 and $14 per quarterly bill across the six year period.

For full details of TasWater's modelling of customer prices, see Appendix B.

While TasWater currently proposes prices that will assist with funding a carefully planned capital expenditure program, in contrast these minor savings are completely divorced from the increased funding required for the State Government's acceleration of TasWater's 10 Year Plan.

Over the full period of the State Government's plan, debt could climb to $1.44 billion, compared to the forecast $891 million under the TasWater plan. This equates to additional debt of $2,674 per customer which, along with the corresponding incremental interest estimated at between $485 and $537 per customer, will have to be accounted for until paid (for more information, see Section 5.1).

[25] Tasmanian Government media release, (2017), *Independent Regulator's report slams TasWater performance*, 29 March

[26] Tasmanian Government media release, (2017), *Time running out to make a submission to the Legislative Council TasWater inquiry*, 3 September

Additionally, the potential $1.44 billion of debt does not take into account the risk of still more debt being incurred due to acceleration of the program (see section 3.3 below). Further, the State Budget will lose $140 million in funds over the proposed seven year transition period, which is money that could otherwise be spent on essential State Government services.

The net effect is that in the short term water and sewerage prices will be marginally lower, but with an expectation of increased debt and associated interest payments there could be significant ongoing pressure on the State Budget, the operating and capital expenses of TasWater's successor, and ultimately on customers.

Current price setting arrangements

Under the current legislative framework, TasWater does not determine prices. Instead, it makes submissions through the Price Determination Investigation process to TER, which has deterministic powers. The recommendations from TasWater to TER are arrived at using what is known as the 'building block approach', adding operating costs, depreciation and a return on assets. TER requires TasWater to use the building block approach and TasWater's Price and Service Plan (PSP) is therefore a direct result of applying TERs directions.

In developing PSP3[27], TasWater consulted customers and stakeholders to explain the size of the infrastructure challenge and to gauge their reaction to proposed price rises. The survey found:

- 41% of respondents supported five per cent per annum price increases
- 23% preferred a two per cent per annum increase
- 16% preferred that prices stay the same.

It is clear that more than two-thirds of customers accept the need for price increases above inflation, providing the money is used to fix infrastructure wisely.

In an effort to balance customer expectations and TasWater's obligations, PSP3 proposes a 4.6 per cent annual increase (not the 5% claimed by the State Government[28]). Price increases will then reduce to 3.7 per cent in PSP4 and PSP5 (4% on average over the eight years commencing 1 July 2018) and thereafter increase in line with the consumer price index.

TasWater is legislatively required to set cost reflective prices[29], however at present prices are substantially below full cost recovery. This has been a deliberate decision to keep price rises at an affordable level for customers. This approach has been consistently understood and approved by the TER and TasWater's Long Term Strategic Plan puts it on a path to fully cost reflective pricing by 2024-25[30].

According to the Bureau of Meteorology's *National Performance Report 2015-16*[31] TasWater currently has the lowest litre-for-litre bills for comparable utilities across Australia (100,000+ customers). Further TasWater's modelling indicates that at the end of the 10 Year Financial Plan, typical residential prices will still be at or below the national median for comparative businesses.

Even so, TasWater understands that a modest price rise may still be difficult for some customers. So there is a Financial Hardship Policy in place that is periodically reviewed in consultation with customers, stakeholders and the TER to ensure it is fair and reflects best practice.

[27] TasWater, (2017) Draft Price and Services Plan 3, Hobart
[28] Tasmanian Government media release, (2017) *Tasmanian households will save under TasWater takeover*, 23 April
[29] Section 6 of the *Water and Sewerage Corporation Act (2012).*
[30] Based upon TasWater internal modelling of revenues using the price path scenario its LTSP
[31] Bureau of Meteorology, *op.cit*.

3.2 FAIRER: The State Government will make prices fairer for everyone

Postage stamp pricing

This claim[32] is made on the premise that TasWater's current pricing is unfair. However, one of the TasWater Board's first strategic decisions was to recommend to the TER a single statewide pricing regime for all of Tasmania on the basis of increased fairness and equity across the state. This is sometimes referred to as 'postage stamp pricing'.

Significant pricing inequities previously existed across and within customer segments, as a result of long standing historical pricing differences between municipalities and regions. This could see customers in the same street potentially paying different prices for the same services. This had serious ramifications for businesses with high water and sewerage input costs, which meant that they were unable to compete on an equal basis. While not all inequities have been removed to date, significant progress has been made to ensure that businesses are not being disadvantaged by these sort of historical pricing inequities

Removing the cross-subsidisation of residential customers by commercial customers and transitioning to target tariffs has meant that prices in some regions have increased, but others have fallen. This was particularly beneficial for the north-west region of the state, which saw a drop of over 23.74% (or $102.54) in tariffs when PSP2 commenced in 2015. Since 2014-15 the number of sewage customers on target tariff has been lifted from 36.9% to 95.2% with water customers lifting from 77.8% to 95.5%. While it is technically feasible to further accelerate the rate at which customers are brought to target tariff, the *Water and Sewerage Industry Act 2008* requires that the Tasmanian Economic Regulator limits the rate of any price change to avoid price shocks.

Potential for political interference

The State Government's draft legislation will grant significant powers to the new Minister for Water and the Treasurer to exercise direct control over the selection and prioritisation of capital projects. TasWater's successor will be required to prepare a new 10 year infrastructure investment plan, and both the Minister and Treasurer will not only need to be consulted during the plan's development, but they must also grant approval before it can be implemented.

Currently, TasWater prioritises its capital expenditure using a strategic framework to assign quantitative measures to each project, using weighting to emphasise the particular outcomes customers have told described as more important, based on TasWater's customer research (for more information, see section 4.1).

The State Government's proposed approach will instead allow the Minister and Treasurer to potentially override customer priorities, giving them the power to pick and choose projects. This renders the prioritisation of capital projects an inherently unfair process, as high-profile politically beneficial projects in particular electorates are prioritised over less-glamorous or smaller projects that would go directly to addressing customer concerns.

[32] Tasmanian Government media release, *op. cit*

Future debt

Further, by removing TasWater's requirement to operate in a financially sustainable manner and proposing to accumulate increased debt, the State Government's proposal will place an unnecessary debt burden on future generations, asking them to pay in the long-term for what will amount to only short-term gains. This runs counter to the concept of intergenerational equity.

3.3 FASTER: The State Government will fix the infrastructure sooner

Overview

Developing a sustainable capital expenditure program of the size and complexity of TasWater's is an integral part of the PSP process, and is developed within the limits determined by acceptable annual price increases, as approved by the Tasmanian Economic Regulator, and TasWater's financial sustainability metrics as a business.

In contrast, the State Government has instructed Infrastructure Tasmania to consider "no financial constraints" to accelerating TasWater's capital program, without providing any financial modelling[33].

In one sense, additional funding for acceleration of capex would be beneficial. However, faster outcomes should not be at the expense of quality or common sense. The limited detail provided by the State Government on its proposal to takeover TasWater provides no analysis of the risks in acceleration.

TasWater's full response to the Infrastructure Tasmania report is included in Appendix C.

The risks

Project management is based upon three interlinked factors: time, cost and quality. Acceleration or fast tracking of projects inevitably involves taking risks on cost and quality.

Under the State Government's proposal, TasWater's capital program will be brought forward by three years, meaning that $451 million dollars of additional capital investment will need to be undertaken in a five year period between 2018-19 and 2022-23. This acceleration will add an average of $90 million per annum to TasWater's planned expenditure over the period, or a 54% increase in average expenditure. Given the extent of acceleration being sought, it is inevitable that there will be a commensurate increase in the cost to deliver the program and/or a reduction in the quality of the delivered projects.

The financial impact of such acceleration has not been factored into TasWater's modelling (as detailed in section 5.1), however it would not be unreasonable to assume that the costs of acceleration could range between 10% and 25%. Such an outcome would likely result in either the new corporation requiring significant ongoing funding transfers from the State Budget or the capital program being curtailed, thereby defeating the purpose of the acceleration in the first place.

When to fast track

The fast tracking that the State Government is proposing is usually only considered when there is some form of crisis or other form of associated benefit that outweighs the risks associated with fast tracking. Given the clear evidence that there is no crisis (see section 2.1) and the State Government has not provided any other valid reasons for fast tracking the program, the risks are not justified.

[33] Tasmanian Government, Infrastructure Tasmania, (2017), *Accelerated infrastructure investment delivery in Tasmania's water and sewerage sector*, Hobart, July

In effect, Tasmanians are being asked to accept $550 million in additional debt (noting that with the State Government's planned acceleration, debt could be significantly higher), $140 million being transferred from other sectors of government, in exchange for some projects being delivered three years earlier (some of which may have little direct benefit for the majority of the population) and a small, short term reduction in bills which could easily be swallowed up by the impact of the fast tracking.

Impractical capital profile

The Infrastructure Tasmania Report[34], which was prepared some four months after the State Government's takeover announcement, is the only documentation publicly available which sets out an alternative accelerated capital expenditure profile, albeit one that is impractical and will not be realised.

Unlike TasWater's carefully considered program, which incorporates a ramping up and ramping down period, the Infrastructure Tasmania profile drops from $276 million to $100 million in the course of a single year. Projects cannot suddenly be cut off in such a manner without reducing or not completing the full scope of many projects. In addition, even if it were practical to do so, the impact of an immediate $176 million reduction on the private contracting market would be significant.

Therefore some form of ramping down will need to occur which will result in either:

- A number of the State Government's currently planned acceleration projects not being completed in their five year time frame, hence the planned five year acceleration program will be delayed and move closer to the TasWater program
- The capital expenditure levels in the five year acceleration period will have to be increased even further to allow for the ramp down period, thus the risks of poor quality and cost over-runs are further exacerbated.

3.4 Claimed benefit: Local contractors will be better off

The State Government claims that local contractors will benefit from its accelerated capital investment program, by creating 1,000 jobs for Tasmanians[35]. This claim omits that the State Government's seven year plan and TasWater's 10 Year Plan contain the same scope of works with the same net employment opportunity. The difference lies in the timeframe.

TasWater regularly works with national contractors but given Tasmania's size and limited labour pool, the State Government will need to attract a higher proportion of interstate contractors if they are to complete the same work in less time. The sudden influx of funds coupled with the extra demand generated by a fast tracked timeline is likely to cause inflated tender prices for the period.

The State Government asserts its experience and general expertise in managing infrastructure projects will stand it in good stead to oversee the work of TasWater[36]. However, the expertise to plan and manage the delivery of sustainable drinking water and sewerage solutions that meet regulatory requirements requires highly specialised skills, deep knowledge of the regulatory system, and processes and structures to support that programmed approach which, in Tasmania, currently sit within TasWater. This has come about partly as a result of the reforms initially collecting specialists from across Tasmania into the four regional corporations and then further concentrating them into one organisation with the formation of a single statewide entity.

[34] *Ibid*.
[35] Tasmanian Government media release, *op.cit*.
[36] Infrastructure Tasmania, *op. cit*.

While some might claim that private sector participants could manage the program on behalf of the State Government, this could lead to significant delays to program delivery while new management arrangements are put in place and the risk of increased costs to customers.

It has also been suggested by Infrastructure Tasmania that work could be outsourced to Entura and Tas Irrigation. TasWater already works with both these organisations, engaging them in their areas of specialist knowledge in their respective fields, however neither possess the specialised knowledge or workforce required by TasWater to design and build drinking water and sewerage infrastructure to meet regulatory standards.

Under TasWater's 10 Year Plan, there is more time to build up the additional skilled workforce required to deliver the works program and there will be less incentive for inflated tender prices. The net result is that it is more likely that specialist skills will remain in Tasmania and Tasmanian-based businesses will be significant beneficiaries over the long-term.

3.5 Claimed benefit: State Government will facilitate current unfunded major projects

Specifically, the State Government has referred to the relocation of the Macquarie Point Sewage Treatment Plant and the Launceston Combined Sewerage System Strategy, projects which TasWater has made a strategic decision not to fund (see section 4.5).

> "By completing the existing 10-year works program within five years of taking over the business, we will also be able to commence work sooner on stage 2 projects including the Launceston storm-water project, and Macquarie Point." [37]

This statement fails to acknowledge that neither Macquarie Point nor the Launceston Combined Sewerage System Strategy are actually part of the State Government's plan. The only documentation released by the State Government is the Infrastructure Tasmania report into the acceleration of TasWater's capital investment program, and there is only a passing mention of either project as things that could possibly be funded outside the proposed timeframe.

> "*Assuming* there are no financial constraints and there is continuing investment in the order of $100 million per annum, a concerted effort *may be* [emphasis added] possible in the years freed up to take significant steps to eliminating or substantially reducing the backlog. Alternatively, projects such as the combined stormwater and sewerage system in Launceston and the removal of the Macquarie Point wastewater treatment plant to allow full development of the old railyards site…" - Infrastructure Tasmania[38]

With no further detail on the timing of these major projects, no clear timeline, and only assumptions about financial constraints, there appears to be no basis to the State Government claim that its plan will facilitate current unfunded major projects.

[37] Tasmanian Government media release, (2017), *Infrastructure Tasmania confirm Government's plan to fix TasWater will work*, 19 July

[38] Tasmanian Government, Infrastructure Tasmania (2016) *Financing the Decommissioning of Macquarie Point Wastewater Treatment Plan*, Hobart, September

4. CLAIMS AGAINST CURRENT OWNERSHIP

4.1 Claim: Not enough has been achieved under Council ownership of TasWater

There has been considerable media scrutiny of TasWater's performance for the past several years, particularly of changes in pricing and the many water and sewerage issues TasWater was essentially created to fix. Unfortunately, most people do not have a ready understanding of what is required to operate, maintain and upgrade water and sewerage systems of the scale for which TasWater is responsible. Against this backdrop, it is easy for the State Government to get traction with such a simple claim[39] when the explanation is complex and comprised of many parts.

First, it takes time for a large, technically based corporation such as TasWater to develop momentum and for that to be accurately reflected in performance metrics. TasWater began this process in 2013, when most similar-sized utilities interstate began this journey decades ago. The reality is that a huge amount has been achieved in only four years, across 12 key areas.

Achievement 01: Merging four businesses into one

In TasWater's first year, it successfully merged the four former corporations into a single statewide entity. This was a major task involving the following activities[40], some of which are still ongoing:

- Design and implementation of a new statewide operating model
- Restructuring the organisation to fit the new operating model and reducing the management teams from three to one
- Alignment of three Enterprise Agreements with considerably different terms and conditions
- Delivering annualized ongoing savings of $2.5 million in the first year, increasing to $6 million in year two
- Developing a single statewide Price and Service Plan, thereby introducing consistent pricing across the former regions
- Maintaining customer service levels throughout such a significant change period
- Creating consistent statewide processes
- Building a statewide capital delivery model and methodology
- Addressing significant data gaps.

Achievement 02: Workplace health and safety

Since the commencement of TasWater, it has become a leader in safety. Through the Zero Harm program the business has achieved an 81% reduction in the Lost Time Injury Frequency Rate from 20.5 at the commencement of TasWater to 3.8 as at the end of June 2017, and a 73% reduction in the Total Recordable Injury Frequency Rate from 50.2 to 13.7.

In 2015, the business completed a Major Hazards Study to identify the highest fatality risks. At that time the Potential Loss of Life (PLL) factor was one fatality in every 6.62 years. Through the Fatality Risk Reduction Program work done to date, TasWater has improved the PLL to 1 in every 17.09 years, and with the completion of its current initiatives TasWater expects to see this further improve to 1 in 27 years.

The work that the business has done in measuring the high risk factors and calculating the PLL has been recognised by water industry utilities nationally and through the Water Services Association of Australia TasWater has helped lead the establishment of a benchmark profile for the business.

[39] Gutwein, P, (Treasurer), *op. cit*.
[40] TasWater (2014), *Annual Report 2013-14*, Hobart

TasWater has also been recognised for its work in health and safety both at the state and national level. In 2015, the business received four awards at the State Worksafe Awards:

- Workplace Health and Safety Leadership Award
- Best Workplace Health and Safety Initiative Award
- Beyond Compliance Award
- The Best Overall Employer Award.

In 2016, TasWater again received two individual awards, for Health and Safety Representative of the Year and Best Individual Contribution to Health and Safety. In addition, TasWater was recognised at the national level at the 2016 Australian Water Industry Awards, winning the National Water Industry Safety Excellence Award for innovation.

Achievement 03: Improved customer service

The following key customer service outcomes have been delivered since TasWater's formation:

- TasWater currently has the highest grade of service in the country for comparable utilities, according to the Bureau of Meteorology's *National Performance Report 2015-16*[41]
- Post-contact customer survey satisfaction levels have exceeded 90% for the past two years
- First point resolution of customer issues has grown from 52% in 2014-15[42] to 81% in 2016-17
- Formal complaints processed within 10 days has improved from 86% in 2014-15[43] to 93% in 2016-17
- Average time taken to attend sewage spills, breaks and chokes has dropped from 61 to 53 minutes
- Development of a statewide asset management tool (Maximo) that provides accurate information and analysis of the water and sewerage infrastructure will enable more immediate and agile responses to issues affecting customers
- In November 2016, TasWater opened its Operations Control Centre in Devonport, giving it a centralised overview of TasWater's assets in real time, using remote telemetry to monitor infrastructure, capturing information from across the sewerage and water systems and using this to direct work crews to where they are needed.

Achievement 04: Improved drinking water compliance

In August 2016, TasWater announced its intention to remove all Public Health Alerts from water supplies in small towns throughout Tasmania, through the Regional Towns Water Supply Program, and gave itself two years to complete this task. This timeline was determined following a letter written to the State Government in May 2016, to explain the cost and difficulties associated with delivering drinking water to small towns, and to request funding. After the State Government made it clear that no funding was available, TasWater revised its approach and launched an accelerated capital investment program – known as 24 Glasses.

In justifying the takeover of TasWater, the State Government has claimed TasWater is taking too long to complete this work[44]. It is accurate that the first analyses of Tasmania's small towns were made prior to 2010. But it is only since the creation of a statewide water utility in 2013 that the problem could be tackled equitably, on a statewide basis.

[41] Bureau of Meteorology, *op.cit*.
[42] Metric was introduced in in 2014-15.
[43] Metric was introduced in in 2014-15.
[44] Tasmanian Government media release, (2017), *30 percent price rise in water and sewage bills not acceptable*, 22 February

Other key drinking water outcomes over the past four years include the following.

- The percentage of systems that comply with Australian Drinking Water Guidelines has increased from 94% in 2013-14 to 99.4% in August 2017 and is on track to be 100% by August 2018[45].
- *E.coli* detections have been reduced from 31 in 2013-14 to 9 in 2016-17. Microbiological contamination of drinking water is considered the greatest risk to public health, so regular microbiological testing is carried out. The water industry standard is to test for indicator bacteria called *E.coli*. If *E.coli* is present in the water, it is a good indication that other pathogens may also be present.
- Improved fluoridation performance, up from 91% in 2013-14 to 97% in 2016-17.
- Over $213 million has been invested in drinking water system upgrades from 2013-14 to 2016-17.

Furthermore, between when the regional corporations were formed in in June 2009 and August 2018, major upgrades will have been completed for 48 drinking water systems benefiting 25,395 customers. Refer to Appendix D for details.

Achievement 05: Improved sewage and environmental compliance

TasWater has never hidden the fact that environmental compliance levels are below expectations. Since its creation in 2013, TasWater has agreed with the EPA and the DHHS to maintain an initial focus on drinking water projects, sewage overflows in sensitive areas and reducing sewage odours that directly impact the amenity of local communities. TasWater readily acknowledges that environmental compliance is not yet at the levels Tasmanians expect, but with time and the proper allocation of resources this will be achieved.

However, TasWater has made progress in the following areas:

- Dry weather sewage spills have steadily declined from 155 to 66 per annum
- The percentage of treated sewage volume compliant with EPA requirements has grown from 81.4% in 2014-15[46] to 86% in 2016-17[47]
- Recycled water compliance has grown from 69% in 2014-15[48] to 79% in 2016/17
- Sewage odour complaints have reduced from 274 to 137 per annum
- Trade waste customers with current consents/contracts has increased from 16% to 99%
- The percentage of biosolids beneficially reused has increased from 56% to 99.8%
- Over $10 million has been invested in asset improvements to reduce the risk of sewage spills into areas with shellfish leases
- Over $187 million has been invested in sewerage system upgrades from 2013-14 to 2016-17.

There has also been a number of significant sewerage upgrade projects undertaken, including commencement of the $51 million Kingborough Sewerage Upgrade Project, the single largest project yet undertaken by TasWater, a new $10 million sewage treatment plant at Rosebery and the decommissioning of the Taroona Sewage Treatment Plant.

[45] Public Health Alerts have thus far been removed from Lilydale, Ellendale, Jacksons Road and Nicholls Rivulet, Fingal, Tunbridge, Scamander, Whitemark, Avoca, Mole Creek, Lady Barron, Ringarooma, Legerwood, Branxholm, Derby, Winnaleah, Pioneer and Mountain River.

[46] Statewide data is not deemed reliable for 2013-14, hence there is no result available for this year.

[47] The EPA compliance figure is less stringent than the TasWater figure which records an improvement from 42% in 2013-2014 to 50% in 2016-2017.

[48] Statewide data is not deemed reliable for 2013-14, hence no result for this year are available, being the first year of operating on a statewide basis.

In November 2016, TasWater established a three year Memorandum of Understanding (MoU)[49] with the EPA to achieve accelerated environmental compliance by 2019. The initiatives stemming from this MoU are considered mandatory with the EPA empowered to issue enforcement action should TasWater fail to meet them. The agreed approach will allow TasWater to prioritise works that provide the biggest benefit in the fastest possible timeframe.

There are two main strategies. The first involves a concentrated focus on improving the 13 largest sewage treatment plants by volume, which have the highest impact on their surrounding environment. The other main strategy involves a focus on improving the 20 sewage treatments plants which present the highest risk in terms of environmental harm.

There are usually no quick fixes for sewerage systems. In fact, TasWater deliberately *underspent* its sewerage budget from 2015-2016 by $50.8 million, deeming it wiser to spend more time in analysis and planning so expenditure was targeted on maintenance and upgrades that would deliver the greatest improved outcomes for customers. From 2018-2021 however, TasWater is planning to spend a further $117 million on upgrading sewage treatment plants.

Achievement 06: Delivering economic benefits

As noted in section 3.1, TasWater and its owners are acutely aware of TasWater's responsibilities to keep customer bills as affordable as possible and removing historical inequities between customer groups and regions. In addition, as a sole provider of an essential service, and with one of the biggest capital investment programs in Tasmania, TasWater has a responsibility to stimulate the economy and deliver economic benefits to the state.

That is why TasWater's Board decided to permanently remove headworks charges following the ending of the State Government's two year headworks holiday. Although it meant that between $3-5 million per annum in revenue would be foregone, the decision was made independently and specifically to stimulate economic development.

To date, TasWater has focused on moving customers onto a statewide pricing regime, whereby everyone pays the same price for the same service, and providing a level ground for those businesses with high water and sewerage input costs to compete in a fairer environment.

While TasWater is obliged to move all customers to the target price by 1 July 2020, as noted in section 3.1, pricing is not yet fully cost reflective. Rather, TasWater submission has recommended a pricing regime to the TER that only seeks to recover enough revenue to ensure it is in a sustainable position, and therefore able to continue the program of necessary maintenance and renewal in a way that will produce continuing economic benefit within the state.

Achievement 07: Capital investment program

TasWater faces an enormous challenge in upgrading or replacing infrastructure that is aging or in poor condition. It simply is not possible to address all of these challenges in the short-term, given the amount of projects and scale of expenditure required.

Nonetheless, since formation, TasWater has invested $413 million in capital projects throughout Tasmania. In fact, TasWater's water and sewerage capital expenditure is currently the highest per property of any comparable water utility in Australia[50].

[49] Environment Protection Authority, *op. cit.*
[50] Bureau of Meteorology, *op.cit*.

	TasWater capex 2015-16	Median national capex 2015-16	Median national capex 2014-15	Lowest national capex 2015-16
Water capex per property	$347	$126	$142	$44
Sewerage capex per property	$328	$232	$209	$50

Developing a sustainable capital expenditure program of the size and complexity of TasWater's is an integral part of the Price and Service Plan process (see section 2.1), and happens within the limits determined by acceptable annual price increases and financial sustainability metrics as a business. To put it simply, TasWater can only expect to raise so much revenue and must spend it in a strategic manner, based on customers' priorities.

In preparing the third Price and Services Plan (PSP3) for the period from 2018-19 to 2020-21, TasWater extensively surveyed customers and stakeholders on a range of topics related to investment priorities. Based on this feedback, TasWater then used a strategic framework to assign quantitative measures to its capital projects, linking each project to customers' preferred outcomes and using weighting to emphasise the outcomes TasWater's customers have indicated are most important, being:

- Safe drinking water
- Meeting environmental standards for treated wastewater discharges
- Ensuring water security
- Maintaining dam safety.

TasWater can then prioritise capital projects from different asset classes (comparing the need for water projects against the need for sewerage projects, for example) in a consistent manner, by comparing their relative costs and contribution to measures of success for each customer outcome. This produces a list of Priority Projects, which is monitored and updated as required.

For PSP2, the Tasmanian Economic Regulator authorised expenditure of $330 million for the three years from 2015-16 to 2017-18. In fact, TasWater is actually forecast to exceed its PSP2 capex budget, with those additional costs informing ongoing discussions with the regulator. This additional expenditure is primarily the result of the August 2016 promise to remove all Public Health Alerts from regional town water supplies by August 2018.

The most recent complete annual capex program was 2016-17, with a budget of $105 million. As at 30 June 2017, cash expenditure was slightly under that at $104.4 million, with 394 capital projects delivered, including 21 Priority Projects.

The capital program for 2017-18 is comprised of 51 Priority Projects and 20 programs, with a budget allowance of $135.3 million.

Over the three years of the next Price and Service Plan (PSP3), TasWater is planning to spend $467 million, a budget which will be finalised as part of the PSP3 discussions with the Tasmanian Economic Regulator.

Achievement 08: Productivity improvement

Productivity measures have been at the heart of TasWater's operations since its formation in 2013. One of the reasons for merging the three regional water corporations and Onstream was to achieve savings through increased efficiency and productivity gains.

To date TasWater has generated $10.7 million in annualised savings. In addition a further $2.2 million was generated in the lead up to the formation of TasWater with the merger of Onstream into the regional corporations.

In January 2016, a Productivity Improvement Program (PIP) was commenced with a brief to further reduce costs. The PIP is currently targeting a further $11 million which if successful would result in total annualised savings of $21.7 million since formation. Without this commitment to improved productivity, price increases for customers would be substantially greater than what has occurred to date and what is anticipated into the future.

Achievement 09: Dam Safety Management

As of July 2017, TasWater is responsible for 320 dams, including water and wastewater storages, lagoons and weirs which fall within the definition of a dam under the *Water Management Act 1999*[51]. A major and ongoing task is documenting every dam, as TasWater is still developing data on many of its dams for which there is little information.

Dam safety is determined using a scale from the Australian National Committee on Large Dams (ANCOLD) for each dam, which consider both the likelihood of failure and the scale of consequence arising from a failure of the dam. From TasWater's portfolio, 37 dams have to date been assessed as having a consequence category of 'Significant' and above, and 11 dams currently sit outside ANCOLD's Limit of Tolerability (LOT) (a national system used by engineers for measuring the risk to life posed by the failure of a dam), reduced from 14 in 2013-14.

To address this, TasWater has developed a Dam Safety Improvement Program to progressively reduce the number of dams that exceed the LOT, with two already removed in the past year.

A considerable amount of resource and expertise is required to safely manage TasWater's extensive dam portfolio. TasWater has identified approximately $43 million to be spent on improving dam safety over the coming PSP3 period.

By the end of PSP3, TasWater will have implemented permanent solutions for eight of the remaining dams which do not meet ANCOLD LOT, with the final dam being addressed by 30 June 2021. In the intervening period all dams will be managed using appropriate interim risk management controls, however this is not considered to be acceptable long term practice.

Achievement 10: Long Term Strategic Plan

With some infrastructure in use for 100 years or more, TasWater must take a long term approach to investing in planning, building and operating water and sewerage systems for both current and future generations of Tasmanians.

TasWater has therefore developed a 20-year Long Term Strategic Plan (LTSP)[52] which sets the outcomes the business intends to deliver from 2018 to 2037. This is a first for Tasmania, and provides both a vision and a path to long term sustainability in the water and sewerage sector.

The LTSP allows TasWater to systematically focus on each challenge in the short term, without losing sight of its long term aims. Of course, TasWater cannot anticipate everything it may face over the long term. The LTSP is a starting point that reflects customer and stakeholder preferences at the time of development, and will be regularly reviewed. It is a flexible framework for engaging with customers, stakeholders and regulators to prioritise water and sewerage outcomes over the next 20 years.

Achievement 11: Developing and maintaining robust service standards

The service standards proposed to be included in PSP3 reflect customer feedback that TasWater's focus should be on maintaining and improving compliance outcomes in water quality, environment and dam safety. In response, the business is targeting progress in areas where potential asset failures have the most negative impact on customers.

[51] *Water Management Act 1999*
[52] TasWater, (2017), *Long Term Strategic Plan 2018-2037*, Hobart

Maintaining service standards also means getting the most out of TasWater's existing infrastructure and assets, otherwise there is a risk of overinvestment in renewing underground pipes, when they could otherwise continue to be used. TasWater is researching the options for extending the life of its existing infrastructure, as has been done successfully overseas. Over the next three years, it also plans to continue improving the quality of its data and investigating solutions which extend asset life.

Achievement 12: **Training and development – building local skills and capability**

Over the past four years, TasWater has built the capability of its workforce through a focus on skills development. Over 82% of employees have undertaken training for nationally recognised skills units. In addition, nearly 200 employees have already graduated with a formal qualification and another 50 will graduate in October 2017. When TasWater commenced, the completion rates for such training were sitting at 30%. It is now achieving average completion rates above 90%, much higher than the national average of 58%.

As a result, the business was recognised for its work in developing employees at the 2016 Tasmanian Training Awards, where TasWater won the Tasmanian Large Employer of the Year Award. Subsequent to this, TasWater was selected as one of the top three national finalists in the same category at the Australian Training Awards.

Priorities going forward

TasWater's Long Term Strategic Plan (LTSP) sets goals that will address these issues and others. Based on customer priorities, TasWater plans to deliver these while maintaining moderate price increases and keeping debt at a prudent level.

The key outcomes for customers by end of the first 10 years of the LTSP period are:

- Ongoing microbiological compliance of 100% for drinking water systems
- Effluent compliance of 93% by volume
- All dams are deemed safe in accordance with Australian standards by 2022-23
- Unplanned water supply interruptions, and sewer main breaks and chokes reduced to average levels for large Australian water utilities
- Annual productivity savings of $21.7 million[53]
- A managed transition to cost-reflective pricing, with price increases trending to the consumer price index rate of increase or less from 2027-28 and beyond.

Trend Graph Summaries

A copy of performance trends for TasWater's KPIs since formation is provided in Appendix E.

Draft 2016-17 Annual Report

Given the recent focus by the State Government on performance, a draft[54] copy of TasWater's 2016-17 Annual Report is appended to this submission in Appendix F.

[53] $3.8 million of this target was delivered in 2016-17.

[54] Finalisation of the 2016-17 Annual Report is subject to acceptance by the Owner Councils General Meeting of 9 November 2017.

4.2 Claim: Tasmania's brand is being damaged as a result of the state of the infrastructure

The State Government continues to refer to Tasmania's water and sewerage system as "third world" and claims it is damaging Tasmania's brand[55]. However, the April 2017 Brand Tasmania survey made it clear that Tasmania's clean green image is growing stronger[56].

The results of the survey, taken from December 2016 to February 2017, were "overwhelming positive" indicating that:

- Perceptions of Tasmania were rated at an average of 8.5 out of 10
- 80% of respondents believed Tasmania's reputation is improving
- Respondents rated their confidence in the State's future at 7.6 out of 10
- The words used most often to describe Tasmania were: beautiful, clean, and natural.

The concept of "brand" is about how something is perceived in the marketplace regardless of whether that perception is correct. With little evidence to support the claim that TasWater is damaging Tasmania's brand, the State Government's frequent mischaracterisation of water and sewerage as "third world" is likely to do more damage to the Tasmania's clean, green image both locally and interstate than the actual condition of the state's water and sewerage infrastructure.

4.3 Claim: The current ownership model is inherently flawed

The State Government's claim that Council ownership is a key reason for the "crisis" in Tasmania's water and sewerage sector[57] is at odds with the evidence.

Governance and accountability

TasWater is governed by a professional, skills-based Board that is accountable to its Owner Councils, the tier of government closest to the people and most in tune with the specific needs of the diverse communities TasWater services. This model facilitates the delivery of long-life, intergenerational assets in an equitable way across the state rather than in a way that is susceptible to the targeted political expediencies of the State Government of the day.

Current governance arrangements are in accordance with the London Economics Report[58] that preceded Tasmania's water and sewerage reforms in 2008, and align with national water industry best practice for independent economic regulation.

Under the current arrangements:

- If the required number of owners do not accept Board decisions they can change the Shareholders' Letter of Expectation or choose to remove the Board
- The TER, EPA and DHHS each have prescriptive powers and a range of punitive actions available to them in the course of their regulatory functions
- It is arguable that no other government-owned entity in the state is subject to as much oversight as TasWater under the current model, given its reporting obligations to owners, the State Government (via its attendance at Government Business Enterprise Scrutiny hearings and publication of its annual report), and regulators through its performance reports and pricing plans
- TasWater's operations remain steadily focused on prudent engineering-based solutions and are not vulnerable to unwarranted political interference or election cycles.

[55] Tasmanian Government media release, (2017) *Fixing Tasmania's water and sewerage infrastructure*, 7 March
[56] Tasmanian Government, Brand Tasmania, (2017), *Brand Health Survey 2016*, April
[57] Gutwein, P (Treasurer), *op. cit*
[58] London Economics, (1995), *Water, sewerage and drainage review – Tasmanian Roles and Function Committee Final Report*, September 1995

Decision making by the TasWater Board

At no time in TasWater's history has any individual Council sought advantage by having the capital works program unduly favour its position. They have recognised that TasWater and its regulators must set priorities based on a comprehensive, whole-of-system view.

Affordability, water quality, environmental compliance, service standards, financial sustainability, returns to owners, transitioning to equitable full cost recovery are just a few of the competing objectives that must be balanced by the TasWater Board.

4.4 Claim: Returns to Councils cannot be justified

The State Government has simultaneously characterised returns to Councils as unjustifiable, and then guaranteed them for the next 10 years funded directly from the State Budget. The claim that Council returns are unjustifiable[59] overlooks the fact that they are a legal requirement of TasWater's operations (see section 1.2) and reflect decades of investment by Councils. The State Government's proposed plan effectively compensates Councils with $140 million for an asset valued at $1.585 billion. In no way can this be construed as fair and adequate compensation to owner Councils.

When water and sewerage reforms first occurred in 2009, as an inducement to agree to the transfer of their infrastructure, Councils were guaranteed dividends. Under Council of Australian Government guidelines, they would also receive loan guarantee fee payments and income tax equivalent payments. Collectively dividends, loan guarantee fees and income tax equivalent payments are referred to as 'distributions'.

At the time, Treasury assessed that those Councils making profits were earning $24 million annually from returns from water and sewerage infrastructure.

For the first five years of operations, legislation mandated that distributions up to $24 million were to go to those Councils that had been making a profit from water and sewerage operations, and that only distributions beyond $24 million would be shared between all Councils.

In the move to TasWater in July 2013, Councils were assured that the foreshadowed merger savings of $5 million would be added to the $24 million, making the first year of distributions $29 million.

Those who currently argue against the payments to Councils:

- Forget the history and promises made
- Overlook issues of equity between Councils
- Fail to recognise that the legislative framework envisaged returns to Councils,
- Ignore that in 2016 Councils agreed to forego over $150 million in returns, making them the only level of government to contribute to Tasmania's water and sewerage.

4.5 Claim: TasWater is holding back major projects

Specifically, the State Government makes this claim in relation to the relocation of the Macquarie Point Sewerage Treatment Plant (STP) and addressing the issues associated with the Launceston combined sewerage and stormwater system[60], and more recently regarding the proximity of the Cameron Bay STP to MONA's planned development.

In 2015, TasWater finalised a $1.8 billion plan to address many infrastructure shortcomings over a 10 year period. This plan included the Macquarie Point STP and Launceston's combined system. TasWater referenced this plan when it approached the State and Australian Governments for funding assistance in August 2015.

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[59] Gutwein, P (Treasurer), *op. cit*

[60] Thomas-Wilson, S., (2017), *Legislation to let State Government assume ownership of TasWater is made public*, *The Mercury*, 23 July

In seeking external funding, TasWater was of the view that its customers should not fund these projects. While TasWater does not oppose their implementation, there is no justification for making water and sewerage customers pay, since they will not make a significant contribution to customers' stated priorities (see section 3.2). There is also no mechanism for TasWater to recover the costs of such developments under the *Water and Sewerage Industry Act 2008*.

Notwithstanding this, TasWater continues to work cooperatively with governments and other key stakeholders to assist with these developments.

Macquarie Point STP

This is one of TasWater's more compliant STPs and with minor expenditure could continue to operate successfully for many decades.

TasWater's investigation of the proposed relocation has indicated the likely cost to be around $140-150 million, for which sewage flows would be redirected to an upgraded Selfs Point STP, which could form a major component of a future Hobart Sewerage Improvement Project.

It is TasWater's view that if the State Government wishes the plant to be relocated it should fund the relocation. However, to the extent TasWater and its customers derive a benefit from the relocation, TasWater has consistently stated it is prepared to contribute to the cost. This view was supported by the State Government's own department, Infrastructure Tasmania in its report, *Financing the Decommissioning of Macquarie Point Wastewater Treatment Plan*.

Launceston Combined System

In Launceston around 30% of stormwater is directed into the TasWater-owned sewerage network. The majority of Launceston's sewerage system takes a standard approach to the separation of sewage from stormwater, however the older sections in the CBD and parts of Invermay are combined. Ordinarily this creates no issues, but when it rains the volume of stormwater can be such that the combined sewage system diverts a diluted mix of stormwater and untreated sewage directly into the Tamar River. This occurs on average between 60-70 days each year.

Public perception of the Launceston combined system is that this is a major source of pollutants into the Tamar River. However, a 2015 study by Natural Resource Management North[61] found that close to 100% of all pollutants into the Tamar River are caused by rainfall runoff from diffuse sources[62], rather than point sources[63] such as the combined sewerage system.

More specifically:

- Close to 100% of the flow and total suspended solid loads come from diffuse sources
- Diffuse sources contribute approximately 70% of the Tamar total nitrogen load, with STPs and aquaculture making up the majority of remaining portion (22% and 6% respectively)
- Diffuse sources contribute to a lesser extent to the Tamar's total phosphorous load, but are still the main source (~55%) of loads, with STPs contributing approximately 35% and less than 1% contributed by the combined system
- 70% of pathogen loads in the Tamar River come from these same diffuse sources, with the combined system contributing 26% of the remaining load, together with 4% from STPs.

[61] NRM North, (2015), *Tamar Estuary and Esk Rivers Catchments Water Quality Improvement Plan*, Launceston
[62] Meaning the pollutants are collected in rainfall events when the rain water flows over land and into the river.
[63] Meaning pollution from specific points, including effluent outfalls, industry, waste treatment etc.

A recent independent study by the Beca engineering consultancy identified a range of possible solutions that would either partially or fully address the problem, but in this circumstance it is TasWater's view that it would be inequitable for its customers to fund these projects. However, as with Macquarie Point, to the extent that TasWater derives a benefit it would be prepared to make a contribution.

Cameron Bay STP

TasWater owns the Cameron Bay STP at Berriedale, next door to the MONA site.

Over time, other uses have been permitted to encroach upon the 400 metre buffer zone that is the standard recommended attenuation distance reflected in the Glenorchy Interim Planning Scheme 2015[64].

If a party wants to undertake development to enable certain activities or uses which are classified as "sensitive" within that 400 metre buffer zone, there may be the potential for environmental harm (e.g. odour impact). The GIPS requires that the party seeking development approval demonstrates that this potential harm is eliminated, mitigated or managed.

This is the situation that MONA finds itself in: part of MONA's current site which it has publicly announced its wishes to develop is within the buffer zone and clearly has the potential to be impacted by emissions from TasWater's STP.

It is possible for uses to occur within the 400 metre buffer zone in certain circumstances, but there may be additional cost or other impacts associated with the developer's compliance with the requirement to control the potential for environmental harm. However encroachment into the buffer zone may increase the risk of complaints regarding emissions from the STP, which in turn may lead to TasWater being subject to financial penalty or orders to expend funds that it would not, but for the encroachment, be required to undertake.

It is TasWater's position that it, or more particularly its customers, should not be required to bear the burden of such increased expenditure linked solely to the development in proximity to its plant.

However, TasWater is committed to working with developers, including MONA, to try and find solutions that will support a mutually agreeable outcome without unfairly burdening Tasmanian water and sewerage customers.

4.6 Claim: TasWater is not adequately leveraging its balance sheet

The Treasurer has publicly stated for some time that TasWater could leverage its balance sheet by taking on more debt.[65]

TasWater has always intended to take on more debt. Its difference with the Treasurer's approach is the rate at which that debt is accumulated and the size of the debt accrued.

TasWater's approach is based on expert independent advice and carefully balances a range of factors to ensure it is sustainable in the long term. This approach is expected to leave TasWater with a debt of just under $891 million by the end of the current 10 year period. In contrast, the State Government's approach will see the new water and sewerage entity encumbered with up to $1.4 billion in debt (refer section 5.1 for further information).

[64] Tasmanian Government, Tasmanian Planning Commission, (2015), *Glenorchy Interim Planning Scheme 2015*, Hobart
[65] Tasmanian Government media release, *op.cit*.

4.7 Claim: TasWater's approach to trade waste is damaging Tasmanian business

Since the State Government announced its intention to takeover TasWater, it has claimed that trade waste compliance costs are having a "devastating" effect on small businesses[66].

Trade waste is the single biggest contributor to sewage non-compliance in Tasmania and TasWater is required under state legislation to deal with it effectively. TasWater's approach is consistent with the national approach and is not asking more of Tasmanian businesses than any other jurisdiction.

Trade waste must be dealt with at the source. Any claim that simply upgrading sewerage infrastructure will somehow prevent the problem misrepresents the issue. Trade waste usually refers to fats, oils and grease which can accumulate in and block sewerage systems, damaging pipes and treatment plants. Trade waste also includes hydrocarbons, which can actually explode inside sewerage infrastructure such as pump stations and treatment plants. Sewerage systems are not designed for this waste and it is a risk to both transport and treat safely.

It is the responsibility of each business to dispose of its own trade waste appropriately. This can be achieved through a range of means, from the proper handling of waste on site, to the installation of simple pre-treatment systems such as basket arrestors in sinks to capture solids, or by installing grease arrestors (aka 'grease traps').

TasWater started its statewide trade waste inspection and compliance program in March 2016, with the aim of increasing customer awareness of trade waste and improving compliance levels. By May 2017, TasWater had inspected approximately 2,700 trade waste customers. The majority of these businesses (approximately 1,450) were found to be compliant. The remaining businesses were given 18 months to comply with their legal obligations to install appropriate pre-treatment systems.

For some businesses, the cost of meeting compliance is minor (for example, $200-$300 for the installation of a basket arrestor). For others, the cost may be in excess of $20,000 for the installation of a grease arrestor, depending on the physical constraints onsite. TasWater acknowledges this is a significant cost, particularly for small businesses, but this not being imposed on customers without warning. Businesses are being given 18 months (540 days) from the time they receive initial notification to become compliant. In other states, the compliance period can be far shorter. For example, Sydney Water provides 21 days for commercial operations to comply with its trade waste requirements and just seven days for an industrial trade waste customer who breaches the conditions of their agreement. Meanwhile, Victoria's South East Water allows six months. In both cases these utilities also apply fines, a move which TasWater has yet to adopt.

It is also important to note that in March 2017 during the development of TasWater's third Price and Services Plan submission (PSP3), business and residential customers were extensively surveyed to gauge sentiment on who should bear the costs of treating trade waste. The results were:

- 84% of business and residential customers supported only those businesses generating trade waste paying for treatment
- 77% of business supported only businesses generating trade waste paying for treatment
- 10% of all customers supported trade waste costs being shared across all customers.

If the State Government is serious about protecting the environment, it will continue to support the trade waste program. Instead, it has simultaneously criticised TasWater for both sewage non-compliance and for doing something about it.

In practical terms, there is unlikely to be any change to trade waste compliance under State Government ownership, as there has been no stated intention to change the legislation and any organisation that replaces TasWater will need to meet the same obligations and report to the same regulators.

[66] Tasmanian Government media release, (2017), *TasWater takeover to tackle trade waste issues*, 16 August

4.8 Claim: No potential for Commonwealth funding under current ownership

TasWater sought funding from the Australian Government for water and sewerage prior to the 2016 federal election. The State Government has since stated that the Australian Government will not provide TasWater with funding under its current ownership by Councils[67].

In fact, there is a long history of the Australian Government directing funding to Councils, through State Governments, for water and sewerage upgrades. For example, Clarence City Council was provided with a $10.5 million grant from the Australian Government for the Clarence Recycled Water Scheme in 2007-08.[68]

Similar funding arrangements are made regularly interstate, with just one example being Queensland's Wide Bay Water on the Fraser Coast, which has received nearly $10 million in Australian Government funding from 2006 to 2010. As recently as July 2017, the Australian Government was celebrating the opening of a new sewage treatment plant for Mareeba, Queensland which was made possible through $6 million of Commonwealth funding[69].

In addition, TasWater's predecessor regional water corporations each received Commonwealth grants for the following projects.

Project	Australian Government Department	Tasmanian Water and Sewerage Corporation	Amount	Deed dated
Huon Valley Regional Water Scheme	The Department of Environment, Water, Heritage and the Arts	Southern Region	$12,000,000	16/12/2009
Water Metering Tasmania	The Department of Sustainability, Environment, Water, Population and Communities	Southern Region	$5,000,000	9/11/2011
		Northern Region	$2,500,000	9/11/2011
		North Western Region	$2,500,000	9/11/2011
Modernisation and Extension of Hydrologic Monitoring Systems Program	The Bureau of Meteorology	North Western Region	$200,000	17/08/2010
		Southern Region	$108,450	16/09/2009
		Common services	$281,917	9/09/2009

This claim by the State Government is demonstrably false.

4.9 Claim: There is independent endorsement of the State Government's plan

In July 2017, the State Government released a report from Infrastructure Tasmania, *Accelerated infrastructure investment delivery in Tasmania's water and sewerage sector*[70], claiming it provided an independent third party endorsement of the State Government's planned acceleration of TasWater's 10 Year Plan. This document was accompanied by a review from pitt&sherry.

In preparing their report, Infrastructure Tasmania was instructed to consider "no financial constraints" to accelerating TasWater's capital program, with no requirement to provide any financial modelling. Given these broad terms of reference, Infrastructure Tasmania found the requested acceleration was possible, simply by adapting TasWater's own plan. Even so, the report contained no details on how the State Government would ensure the availability of the required

[67] *Tasmania Talk with Brian Carlton*, (2017), radio broadcast, LAFM, Launceston, 17 May
[68] Clarence City Council, (2008), *Annual Report 2007/2008*, Hobart
[69] Australian Government media release, (2017), *Waste no more with new treatment plant opening in Mareeba*, 29 July
[70] Infrastructure Tasmania, *op. cit*.

time or resources to deliver the more than 600 projects in TasWater's 10 Year Plan. Infrastructure Tasmania offered only equivocal endorsement with phrases like, "program objectives needing to be set" and TasWater's successor needing a "fit for purpose procurement strategy", both of which would recreate processes TasWater already has in place.

Independent consultant pitt&sherry offered a more objective appraisal, although it also clearly stated that the limited amount of information provided to them "makes it difficult to undertake a rigorous assessment of the Plan". Importantly, pitt&sherry's review recognised that deploying any capital works program, and certainly one as large as TasWater's, is difficult and complex.

The closest statement pitt&sherry makes to an endorsement of the State Government's approach describes it as "reasonable… given the amount of information provided", while warning it "is not without risk" and underscoring the importance of planning, approvals and scoping, "which takes significant effort and resource prior to delivering the works".

Neither document provides straightforward endorsement of the State Government's planned acceleration, and both are equivocal even under a "no financial constraint" rubric.

5. DISADVANTAGES OF A STATE GOVERNMENT TAKEOVER

5.1 Financial modelling demonstrates poor outcomes for customers

Basis for analysis

With no financial modelling provided from the State Government, TasWater has prepared a financial comparison of the proposed takeover plan to its own 10 Year Financial Plan. This modelling uses the latest information available on the proposed takeover which includes the following documents:

- *Water and Sewerage Tasmania Bill 2017*[71]
- *Water and Sewerage Tasmania (Consequential and Transitional Provisions) Bill 2017*[72]
- *Accelerated infrastructure investment delivery in Tasmania's water and sewerage sector*, Infrastructure Tasmania, July 2017[73].

In addition to TasWater's own plan, it has modelled a further four scenarios based on interpretations of the State Government's stated plans. TasWater has also modelled the impact of these scenarios on pricing and the differences in customer bills over the coming years.

Full details of TasWater's financial modelling are included in Appendix G.

TasWater plan

Modelling of the TasWater Plan is based on the following primary inputs:

- Capital expenditure as per TasWater's 10 Year Financial Plan
- 3.7% fixed charge and 2.5% volumetric charge price increases, as per PSP2 to 2017-18
- 4.6% price increases, as per PSP3 submission from 2019-2021
- 3.7% price increase from 2022-2026
- Demand growth factor of 0.3%
- Continued requirement to pay income tax equivalents at 30%.
- Continued requirement to pay government guarantee fees at 0.6%
- Distributions to Councils payable at $30 million to 2017-18 and $20 million from 2019-2026.

Government plan

Given the lack of certainty associated with the State Government's plan, TasWater has modelled four scenarios which reflect possible financial outcomes, arising from the inputs publically provided by the State Government to date.

The State Government has proposed to cap annual tariff increases at between 2.75% and 3.5%.

While the Infrastructure Tasmania report assumes capital expenditure of $100 million per annum for the last three years of the plan, the State Government's '*Government accelerated infrastructure plan-2016-17 to 2025-26 plus future potential major projects'*[74] noted a maximum expenditure in the final three years of $150 million per annum to allow for future major projects. Given the stated intention to address major projects such as the Macquarie Point STP relocation and the Launceston Combined System, this would appear to be the more feasible scenario. Although it could be argued that $150 million per annum would be inadequate to fund the addition of these major projects, TasWater has chosen to only model the State Government's published information.

[71] *Water and Sewerage Tasmania Bill 2017*
[72] *Water and Sewerage Tasmania (Consequential and Transitional Provisions) Bill 2017*
[73] Infrastructure Tasmania, *op. cit*.
[74] As presented to Local Government Association of Tasmania by Treasurer Peter Gutwein on 7 April 2017.

It should also be noted that the capital expenditure profile in the Infrastructure Tasmania report makes no allowance for any potential increases in costs associated with program acceleration, as outlined in section 3.3. TasWater has made no attempt to model this scenario, however it remains a substantial risk under the State Government's plan that could result in financial outcomes which are considerably worse than those modelled below.

State Government modelled scenarios

A summary of the four scenarios is provided below:

Scenario 1 Min Tariff Inc Minimum price increases plus minimum capital expenditure	**Scenario 2 Max Tariff Inc** Maximum price increases plus minimum capital expenditure
• Capital expenditure profile per Infrastructure Tasmania's report • 2.75% price increase in 2018-2019 • 3.5% price increase in 2020-2021 • 2.75% price increases from 2022-2026 • Demand growth factor of 0.3% • No income tax equivalents payable from 2019-26 • No government guarantee fees payable from 2019-26 • No dividends to Council owners paid from 2019-2026, as they are directly funded from the State Budget.	• Capital expenditure profile per Infrastructure Tasmania's report • 2.75% price increase in 2018-2019 • 3.5% price increases from 2020-2026 • Demand growth factor of 0.3% • No income tax equivalents payable from 2019-2026 • No government guarantee fees payable from 2019-26 • No dividends to Council owners paid from 2019-2026, as they are directly funded from the State Budget.
Scenario 3 Min Tariff Inc + Inc Capex Minimum price increases and increased capital expenditure	**Scenario 4 Max Tariff Inc+ Inc Capex** Maximum price increases and increased capital expenditure
• As per above but with $150 million capital expenditure per annum to account for major projects from 2024-2026, as per Infrastructure Tasmania's report	• As per above but with $150 million capital expenditure per annum to account for major projects from 2024-2026, as per Infrastructure Tasmania's report.

Please note that there are minor variances in the FY17 and FY18 financial statements for the State Government scenarios compared to the TasWater Plan as a result of Infrastructure Tasmania utilising a slightly different capital expenditure profile in their plan for FY17 and FY18 compared to the TasWater plan.

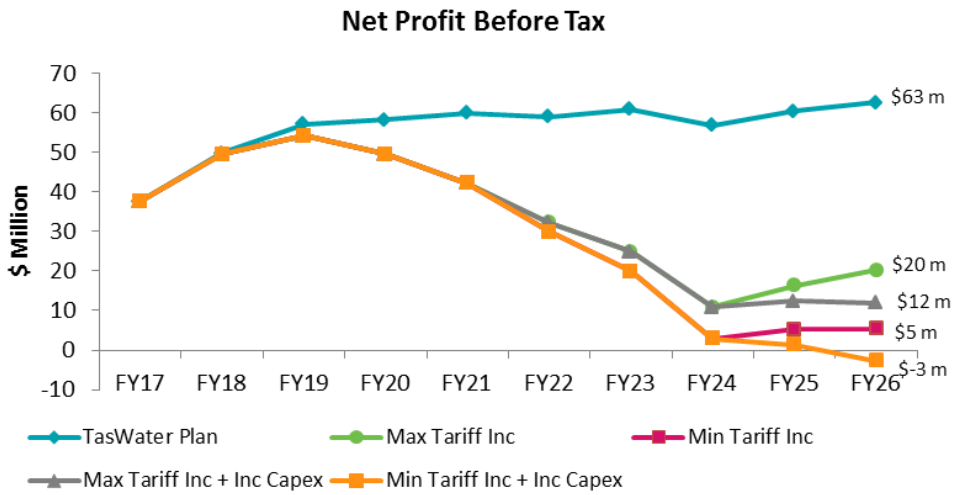
Net Profit Before Tax (NPBT) outcomes

Under the State Government plan, if price increases are capped at the minimum 2.75% then under Scenario 3 listed above TasWater's successor will lose money from 2025-26 and need further financial support.

Alternatively, if price increases are capped at the maximum 3.5% under Scenario 4, TasWater's successor will make a small profit, but it will only take a minimal lift in interest rates for it to be losing money and need further financial support.

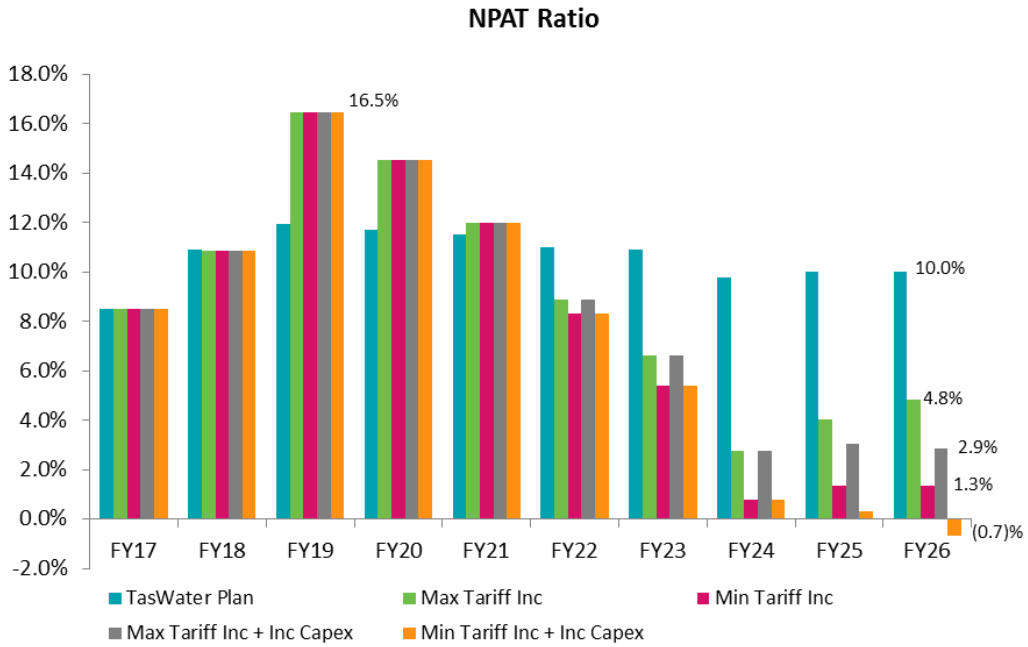
Net Profit Before Tax (NPBT) could fall as low as a $3 million loss in 2025-2026 under the State Government plan, despite the State Government releasing its obligation to pay income tax equivalents and government guarantee fees.

The State Government claims payments to Councils beyond 2024-2025 will equal 50% of profit, but if there is no profit there will be no payment.



Net Profit After Tax (NPAT) Ratio

Under the Government Plan, the NPAT ratio[75] falls to as low as -0.7%. This is significantly below the industry comparisons highlighted in the Bureau of Meteorology's *National Performance Report 2015-16*, which highlights a median NPAT ratio of 15.4% for major utilities. In fact, it would be the only major utility with a negative NPAT ratio, making it the worst performer of the group. It should not be forgotten that this negative NPAT ratio occurs after the State Government has already relaxed its own requirement to pay Income Tax Equivalents, Government Guarantee Fees and dividends directly from the GBE. If these charges were payable, consistent with most other major water utilities and TasWater's ongoing requirement, then the NPAT ratio would be -3.7% representing a net loss after tax of $14.8 million.

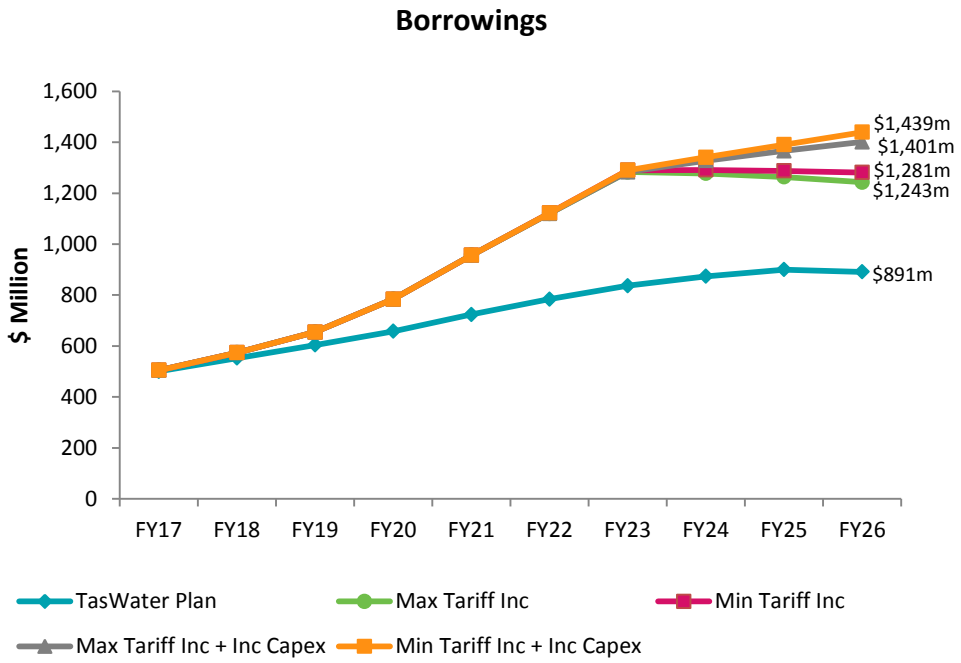


[75] NPAT ratio equals NPAT/Total Income for Utility

Borrowings

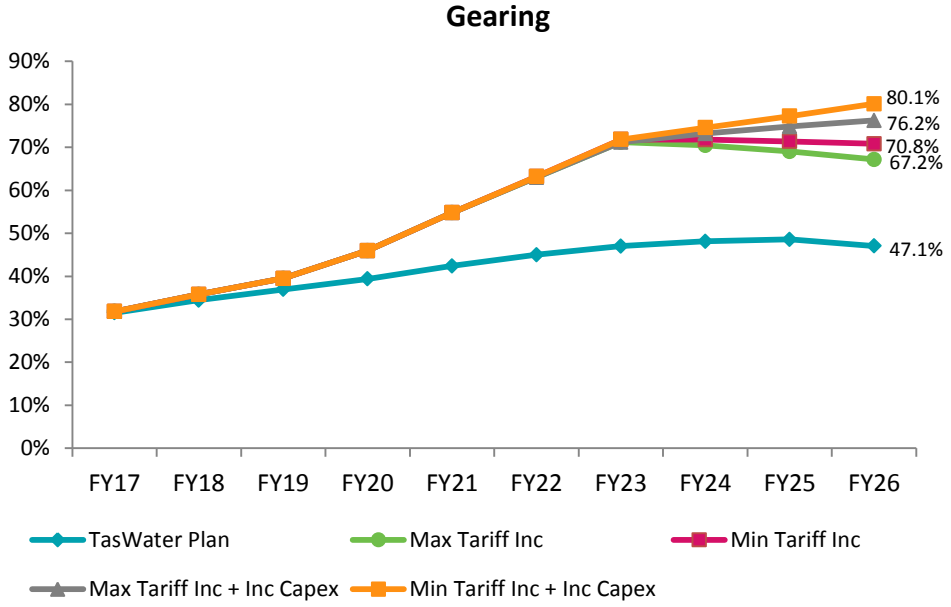
Worst case borrowings under the State Government plan at $1.44 billion are 62% higher than the peak level of borrowings reached under the TasWater plan and represent an additional $548 million in debt which equates to an additional debt of $2,675 per customer.

The difference, along with any additional interest, will need to be funded by customers



Gearing

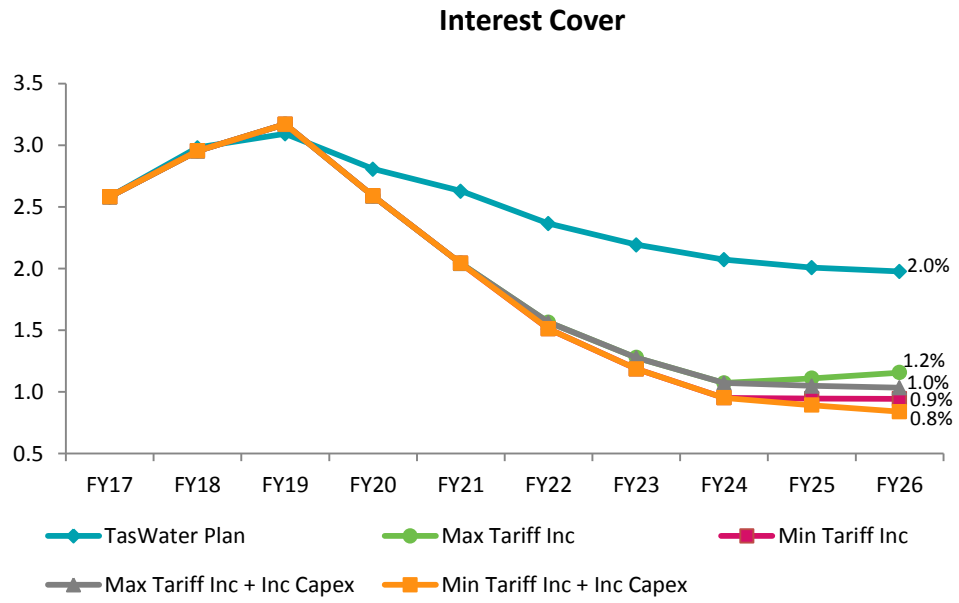
Under the State Government plan the level of gearing could peak as high as 80.1% in 2025-2026. The highest level of gearing under the TasWater plan peaks at 48.6% in 2024-2025.



Interest Cover Ratio

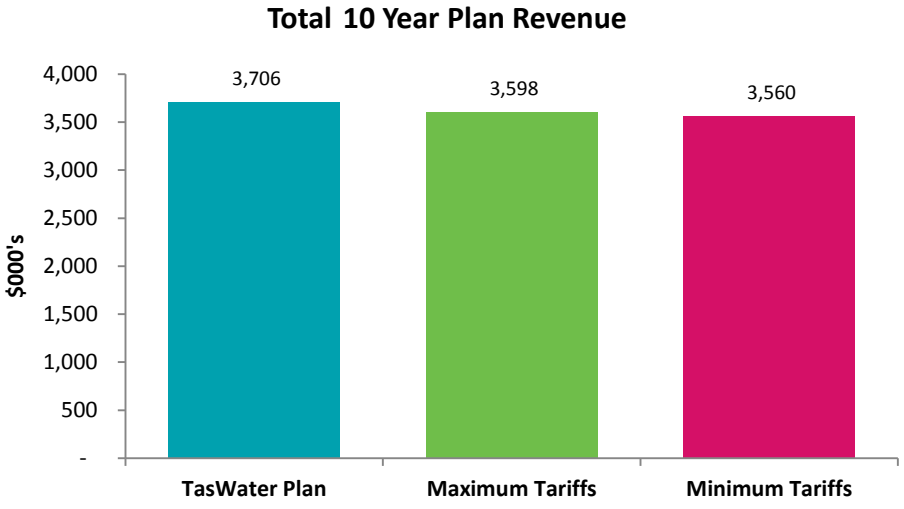
TasWater's policy is to maintain a level of debt financing that can be serviced by the cash generated from its operations, avoiding calls from the State Government or customers for further cash, which in the case of customers would appear as increased charges.

The primary indicator of a corporation's debt financing capability is its interest cover ratio (ICR). TasWater's ICR has been set on the basis of independent expert advice, taking into account the ICRs of similar businesses operating across Australia, the potential impact were interest rates to increase, and revenue certainty. On this basis TasWater's ICR has been set at a minimum of two times. Under the State Government plan ICR could fall as low as 0.8, which indicates insufficient revenue to satisfy interest expense. This is despite the State Government claiming it will target a ratio of 2.0 times as a GBE[76].



Revenue

There is minimal difference between the revenue collected under the TasWater and State Government plans. Under the maximum tariff proposal (3.5%), the State Government collects only $107 million less revenue over the 10 year period than TasWater, but accumulates up to $548 million of additional debt.



[76] As presented to Local Government Association of Tasmania by Treasurer Peter Gutwein on 7 April 2017.

5.2 An end to independent regulation

TasWater is one of the most heavily regulated organisations in Tasmania (see section 1.2), which is as it should be. As a single statewide provider of an essential service, TasWater must report to and work with a range of bodies.

By giving itself the power to direct the capital expenditure of TasWater's successor (see section 6.1), the State Government will be able to dismiss the views of regulators, including the Department of Health and Human Services, and the Environment Protection Authority (EPA).

In the case of the EPA, TasWater has spent the past four years working within an environment of increasing regulation, ensuring that regulatory reform is maintained. In contrast, Infrastructure Tasmania has criticised the EPA, another State Government department, calling its approvals process "a risk to delivery of the capital program within the proposed timeframes"[77].

Additionally, the State Government will effectively sideline the role of the Tasmanian Economic Regulator, giving itself the right to countermand any pricing determination by the regulator. This is at odds with Australia's national system of independent bodies setting prices for utility service providers.

According to Frontier Economics, "oversight of water businesses by independent economic regulators has been and continues to be a major driver of improved productivity and service standards by water businesses."[78]

That the State Government should choose to step outside the national approach puts it out of alignment with the Council of Australian Government's National Water Initiative, to which Tasmania became a signatory in 2005, which effectively started the process of Tasmania water and sewerage reforms (see section 1.3).

5.3 Winding up TasWater and starting yet again

The State Government's plan will likely cause loss of traction on the capital program, as employees try to duplicate work that is already done and already in place.

The Infrastructure Tasmania report states that a new water and sewerage GBE would need to identify and design a new program delivery model, new governance arrangements and a new procurement strategy, all within its first 12 months, while at the same time trying to maintain a program of accelerated expenditure. In contrast, TasWater already has all of these elements in place.

The Infrastructure Tasmania report makes no allowance for transition time into the new organisation. What is being proposed is far more than a mere corporate rebrand and, as TasWater knows firsthand, it takes time to complete the legal and corporate processes necessary to establish a new GBE.

The State Government's plan carries unnecessary risk, increased expense and likely loss of traction on the capital program as they try to duplicate work that is already done and already in place.

[77] Infrastructure Tasmania, *op. cit*.
[78] Frontier Economics, (2014), *Improving economic regulation of urban water*, August

5.4 Impact on Council services

Beyond 2025 the State Government has agreed that Councils will receive 50% of all profits instead of dividends. TasWater modelling of the State Government's plan indicates that TasWater's successor will be making negligible profits or even losses, and therefore will have little to no capacity to pay dividends beyond 2025.

The Local Government Association of Tasmania's submission to the Legislative Council provides more detail on the impacts of what is effectively a very significant funding cut for Councils. TasWater reiterates that Councils provide many essential and important community services for their ratepayers and the greater Tasmanian community, from rubbish collection to internationally renowned events, and it is ratepayers and the greater Tasmanian community that will suffer if services are cut or rates increase in response to the State Government's plan.

As noted in section 4.4, Councils have already accepted a reduction in their returns of $150 million and are the only level of government which has provided TasWater any funding toward addressing Tasmania's water and sewerage infrastructure.

6. KEY RISKS ASSOCIATED WITH A TAKEOVER

6.1 Politicising of infrastructure priorities

What is being proposed to replace TasWater is not a typical Government Business Enterprise (GBE), because under the State Government's proposed legislation, the Minister for Water and the Treasurer will effectively assume direct control of Tasmania's water and sewerage.

The Treasurer and Minister will have the power to jointly direct the GBE on any area of operation. This power of direction is general and broad in nature, not specific, which is unlike the power to direct Hydro under the *Hydro Electric Corporation Act 1995*[79], which only relates to the acquiring of a power generating plant and the Basslink infrastructure. This power opens the new GBE to the potential for political interference.

For example, if the Macquarie Point Development Corporation made a request to amend the Sullivans Cove Planning Scheme to facilitate the redevelopment of the Macquarie Point site, the State Government could direct the new GBE not to exercise its power to make submissions to Council.

As noted in section 3.2, the legislation requires the preparation of a 10 year infrastructure investment plan, which must comply with the Treasurer's instructions in both form and substance. The Treasurer and Minister must be consulted during the preparation of the plan, and must also approve the plan. The State Government can effectively order the new corporation to do or not do whatever it wants.

Combined with the lack of any requirement to run the new GBE in a financially sustainable manner, this will allow the State Government to require certain projects be done ahead of other projects. The projects will be funded by increased debt and/or payments from the State Budget, effectively cross-subsidising development projects, such as the relocation of the Macquarie Point or Cameron Bay STPs, at the expense of basic services for Tasmanian families.

6.2 Short term focus

The notion of deliver faster improvements to water and sewerage infrastructure is obviously attractive, however when planning for infrastructure which needs to last for generations it is important that sufficient time be allowed for proper planning and a focus on developing optimal whole-of-life solutions. It is important that this research is undertaken to ensure that community's money is invested wisely for the benefit of current and future generations.

TasWater must assess possible solutions based on forecast costs across the entire life of the infrastructure and undertake risk assessments. Larger projects typically take a minimum three to four years to undertake the necessary studies, solution analysis, planning, approvals, design, letting of tenders, and finally construction. Unnecessary attempts to fast track the program will risk the development of solutions that will have to be revisited, thereby costing more than what would have occurred if progressed in a considered manner. There are many examples around the country of fast tracked projects which are not fit for their original intended purpose.

Many of the 600-plus projects in the TasWater 10 year plan will each take several years to research the most appropriate solution, further time to design the works, to call for and consider tenders, and gain planning and environmental approvals. All this must occur before construction can begin. Speeding up delivery without investing considerable work into due diligence will risk inferior solutions and significant waste. This is the substance of pitt&sherry's warning that any proposed plan must commit "significant effort and resource prior to delivering the works".

[79] *Hydro Electric Corporation Act 1995*

6.3 Costs of delivery rise

As noted, the State Government's stated intention is to set its own customer prices, grant broad powers of direction to the Treasurer and Minister for Water, and to assume "no financial constraints" in the acceleration of TasWater's 10 Year Capital Investment Plan.

The implication of these steps is the loss of TasWater's current cost-conscious culture with a culture in which productivity and efficiency are secondary considerations to pre-determined outcomes. It is perhaps inevitable that these outcomes could be subsumed into the political cycle, making water and sewerage a perpetual election issue, with no requirement to make operating or capital costs realistic or sustainable.

7. CHALLENGES

7.1 The legality of the takeover

TasWater has raised concerns over the ability of the State Government to legislate a change in ownership and has requested that it put its legal advice into the public forum.

Despite numerous assurances that the proposed legislation is constitutionally valid, the State Government has not provided any evidence to back this up, nor has it released its legal advice to enable appropriate scrutiny of its position.

As such, the issue of legality must be considered 'live'.

Councils and TasWater will consider their next steps in terms of challenging the legality of the takeover once they have seen the final legislation and the Legislative Council has determined whether it is prepared to pass the bills.

It is concerning however, that the proposed legislation includes a mechanism under which the State Government may retrospectively deduct from the moneys payable to Councils any expenses which it determines to be "unreasonable". Section 25 of the *Water and Sewerage Tasmania Bill 2017* makes it clear that it is open for the State Government to determine that any expenditure in challenging the proposed takeover is "unreasonable", thereby enabling the State Government to penalise the current owners for any such action being undertaken.

8. CONCLUSION

On the basis of the evidence presented in this submission, TasWater concludes that the proposed takeover of TasWater is unjustified on the basis of either a “crisis in water and sewerage” or that of a “failed ownership”.

It is clear that TasWater’s regulators do not consider the sector to be in crisis. Equally, it is clear that under Council ownership the intended protective and facilitative functions of TasWater’s regulatory and governance structure have been preserved.

Further, it is clear that each of the State Government’s proposed benefits of being cheaper, fairer, and faster are uncertain, and carry with them unacceptable levels of risk, considering the absence of detail necessary for due diligence – or as pitt&sherry called it, “rigorous assessment”.

On these bases, TasWater recommends the Legislative Council reject the State Government’s proposal.

9. RECOMMENDATIONS

- TasWater recommends the Legislative Council vote down the proposed legislation on the grounds that it is not sound.
- That TasWater's Chief Owners Representative, Chairman and CEO are invited to attend the hearings.

APPENDICES

Appendix A: Shellfish Risk Mitigation Plan September 2016 update

Appendix B: Modelling of customer pricing

Appendix C: TasWater's response to Infrastructure Tasmania report

Appendix D: Drinking water system upgrades

Appendix E: Performance Trend Graphs

Appendix F: DRAFT 2016-17 Annual Report

Appendix G: Financial modelling

APPENDIX A: SHELLFISH RISK MITIGATION PLAN SEPTEMBER 2016 UPDATE

Protecting Tasmania's shellfish industry

Update September 2016

Pacific Oyster Farm racks.
Photo courtesy of Oysters Tasmania.

TasWater has a multi-million dollar plan to reduce the impact of sewage spills on the Tasmanian shellfish industry.

Currently, TasWater has $12.2 million committed to upgrading sewerage infrastructure in Tasmania's world-renowned shellfish growing areas. The Shellfish Risk Mitigation Plan identifies a further $15 million in projects for shellfish growing areas during TasWater's next funding cycle (July 2017 – June 2019).

Earlier this year, TasWater completed its Shellfish Risk Mitigation Plan. This is a business-wide collaborative plan to update systems across the entire organisation, all with the aim of improving outcomes for the Tasmanian shellfish industry.

TasWater is also spending an additional $700,000 in operational costs within shellfish growing areas, to improve maintenance and operations on sewage systems.

Goals of the Shellfish Risk Mitigation Plan:

- Safeguard public health
- No product withdrawals
- Minimise the economic impact of our operations on the shellfish industry.

TasWater's challenge

In a perfect world, sewerage infrastructure and shellfish leases would not coexist, but this was the situation TasWater inherited in 2013. As a legacy from the former structure of 29 different local governments running water and sewerage, TasWater inherited an enormous number of assets, many of them old and underperforming.

To explain, in a survey of 19 water utilities in Australia and New Zealand (representing 80 per cent of the rate paying population), TasWater was found to have:

- Less than three per cent of the population
- A total of 37 per cent of the sewage treatment plants
- A total of 38 per cent of the water treatment plants
- A total of 18 per cent of the dams.

TasWater simply does not have the resources to manage and fix all of these assets at once. We must prioritise and use our available resources where we need them the most.

Of TasWater's 112 sewerage systems, 15 are in shellfish growing areas. Of our 722 sewage pump stations, 102 are near shellfish leases. The Shellfish Risk Mitigation Strategy ensures these assets are prioritised among the rest of TasWater's work.

How does the plan work?

The Shellfish Risk Mitigation Plan is applied across TasWater's ongoing programs and prioritises any work within shellfish growing areas.

For example, upgrading sewer pump stations is crucial to preventing spills throughout the state. While only 14 per cent of all Tasmania's pump stations are in shellfish areas, having this plan means these pump stations are prioritised within the upgrading programs.

Other examples include:

- Up to 26 per cent of the pump station renewal program's budget has been spent in shellfish areas
- A total of 38 per cent of all new electrical switchboards installed in pump stations are in shellfish areas
- A total of 24 per cent of all remote control and monitoring systems have been installed in shellfish areas
- Similarly, while just six per cent of Tasmania's gravity pipelines are in shellfish areas, TasWater has spent over 18 per cent of the CCTV inspection budget in those areas
- Hydraulic modelling of entire sewerage systems is a valuable tool for future planning and of the 16 systems modelled in 2014–16, seven were in shellfish areas
- Every sewage system is different, so TasWater is developing specific system management plans and in August 2015, the top 10 systems identified as highest priority across Tasmania included six within shellfish areas
- Of the top five sewerage systems prioritised for work within the Inflow and Infiltration Rectification Program, two are within shellfish areas.

Other benefits from the Shellfish Risk Mitigation Plan include:

- Quicker responses to incidents
- A preventative maintenance strategy and better operations in shellfish areas
- Improved understanding of rainfall, storms and water flowing into shellfish areas.

TasWater is committed to improving outcomes for oyster growers. We will continue to work with business, regulators and the community to ensure public health is protected and to enable Tasmania's economy to prosper.

Above and below: Pacific Oyster Farm racks. Photos courtesy of Oysters Tasmania.

Faster re-opening following spills

Currently, a mandatory 21 day shutdown is needed in the event of an uncontrolled sewage spill, but TasWater is helping to find out if it is possible to reopen growing areas faster than this.

We have contributed $90,000 to a research project by the South Australia Research and Development Institute, to develop a test for bacteriophage after an uncontrolled spill. A similar system is used in the US and resulted in growing areas being reopened just seven days after a spill.

This research is scheduled to finish in March 2018 and we will provide further information in due course.

Staying in touch

TasWater hopes to maintain a positive relationship with Tasmania's shellfish growers and industry. If you have questions regarding TasWater's work in your area, contact the TasWater Customer Call Centre on 13 6992.

APPENDIX B: MODELLING OF CUSTOMER PRICING

Customer pricing models

This information should be read in conjunction with TasWater's financial modelling, as provided in section 5.1.

1. Indicative Residential Bill - TasWater's current pricing scenario

Typical household consumption - KL

Charge	PSP3 - proposed			PSP4 - 10 yr Financial Plan		
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Fixed water charge (20mm connection)	$344.64	$360.49	$377.07	$391.02	$405.49	$420.49
Variable water charge per kL	$1.07	$1.12	$1.17	$1.21	$1.26	$1.30
Fixed sewerage charge per connection	$661.32	$691.74	$723.56	$750.33	$778.09	$806.88
Total bill	$1,194	$1,249	$1,307	$1,355	$1,405	$1,457
Annual fixed increase	4.6%	4.6%	4.6%	3.7%	3.7%	3.7%
Annual variable increase	4.6%	4.6%	4.6%	3.7%	3.7%	3.7%
Annual overall increase (nominal)	4.6%	4.6%	4.6%	3.7%	3.7%	3.7%

2. Annual price increase assumptions

Assumes average consumption of 176 kL for 20mm connection

TasWater scenario	PSP3 price increase as per current proposal. PSP4 and beyond as per 10 Year Financial Model.
Bill 2.75%	FY19 2.75%; FY20-FY21 3.5%;2.75% to FY2027
Bill 3.5%	FY19 2.75%; FY20-FY21 3.5%; 3.5% to FY2027

3. Indicative Residential Bill - as Water and Sewerage Tasmania (Consequential and Transitional Provisions) Bill 2017 @ 2

Typical household consumption - KL **176**

Charge	PSP3 - proposed			PSP4 - 10 yr Financial Plan		
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Fixed water charge (20mm connection)	$338.71	$350.56	$362.83	$372.99	$383.43	$394.17
Variable water charge per kL	$1.05	$1.08	$1.12	$1.15	$1.18	$1.21
Fixed sewerage charge per connection	$649.94	$672.69	$696.23	$715.73	$735.77	$756.37
Total bill	$1,173	$1,214	$1,256	$1,291	$1,326	$1,363
Annual fixed increase	2.80%	3.50%	3.50%	2.80%	2.80%	2.80%
Annual variable increase	2.50%	3.50%	3.50%	2.50%	2.50%	2.50%
Annual overall increase (nominal)	2.75%	3.50%	3.50%	2.75%	2.75%	2.75%

4. Indicative Residential Bill - as Water and Sewerage Tasmania (Consequential and Transitional Provisions) Bill 2017 @ 3

Typical household consumption - KL **176**

Charge	PSP3 - proposed			PSP4 - 10 yr Financial Plan		
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Fixed water charge (20mm connection)	$338.71	$350.56	$362.83	$375.53	$388.67	$402.28
Variable water charge per kL	$1.05	$1.08	$1.12	$1.16	$1.20	$1.24
Fixed sewerage charge per connection	$649.94	$672.69	$696.23	$720.60	$745.82	$771.93
Total bill	$1,173	$1,214	$1,256	$1,300	$1,346	$1,393
Annual fixed increase	2.80%	3.50%	3.50%	3.50%	3.50%	3.50%
Annual variable increase	2.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Annual overall increase (nominal)	2.75%	3.50%	3.50%	3.50%	3.50%	3.50%

5. Indicative typical residential bills

Scenario	PSP3 - proposed			PSP4 - 10 yr Financial Plan		
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
TasWater current Scenaro	$1,194.28	$1,249.35	$1,306.55	$1,354.89	$1,405.02	$1,457.01
WST Bill - 2.75%	$1,172.69	$1,213.74	$1,256.22	$1,290.80	$1,326.34	$1,362.85
WST Bill - 3.5%	$1,172.69	$1,213.74	$1,256.22	$1,300.18	$1,345.69	$1,392.79

6. Typical residential bill, savings compared to TasWater's current pricing scenario

Scenario	PSP3 - proposed			PSP4 - 10 yr Financial Plan		
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
WST Bill - 2.75%	-$21.59	-$35.61	-$50.33	-$64.09	-$78.69	-$94.16
WST Bill - 3.5%	-$21.59	-$35.61	-$50.33	-$54.71	-$59.33	-$64.22

7. Typical residential bill, cumulative difference to TasWater's current pricing scenario

Scenario	PSP3 - proposed			PSP4 - 10 yr Financial Plan		
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
WST Bill - 2.75%	-$21.59	-$57.20	-$107.53	-$171.63	-$250.31	-$344.47
WST Bill - 3.5%	-$21.59	-$57.20	-$107.53	-$162.24	-$221.57	-$285.79

8. Typical residential bill, average quarterly price difference to TasWater's current pricing scenario (FY19-24)

Scenario	Qtrly Variance
WST Bill - 2.75%	-$14.35
WST Bill - 3.5%	-$11.91

APPENDIX C: TASWATER'S RESPONSE TO INFRASTRUCTURE TASMANIA REPORT

Response to Infrastructure Tasmania's proposal to accelerate TasWater's capital investment plan

Introduction

The limited detail provided by the State Government's on its proposal to takeover TasWater is a recipe for financial disaster, and more of the water and sewerage problems TasWater was created to fix. Based on an analysis of Infrastructure Tasmania's *Accelerated infrastructure investment delivery in Tasmania's water and sewerage sector*, the accompanying review by pitt&sherry and the Department of Treasury's assessment, the State Government's plan is to borrow money to pay inflated prices for mainland contractors to rush through projects, without sound financial management.

The State Government has instructed Infrastructure Tasmania to consider "no financial constraints" to accelerating TasWater's capital program, without providing any financial modelling to show the impact on the state budget, the debt burden it will impose on TasWater's successor, or long-term impacts on customer prices and distributions to Councils.

The extent of the government's financial analysis is to copy TasWater's own plan, shift some of the funding to columns on the left, and to create yet another new water and sewerage body, when instead it could work with us and directly inject funding into TasWater.

Given Tasmania's size and limited labour pool, the State Government will need to attract mainland contractors to meet demand, with the likelihood that prices will increase in response to a sudden influx of cash. It is also suggested that work be outsourced to Entura and Tas Irrigation, both of which already work with TasWater, although neither has the specialist workforce with the skills to design and build drinking water and sewerage infrastructure. The State Government contends its experience and expertise in managing infrastructure will stand it in good stead to oversee the work of TasWater. However, the ongoing engineering and scientific logistics of delivering drinking water and protecting the environment are highly specialised disciplines, even more so in Tasmania given the mix of urban and rural populations in geographically dispersed and varied locations.

With very little detail available in the plan, the attached review from pitt&sherry finds it hard to endorse the State Government's approach. The best it can offer is a statement that the plan is "reasonable… given the amount of information provided", while warning the plan "is not without risk" and underscoring the importance of planning, approvals and scoping, "which takes significant effort and resource prior to delivering the works". This is hardly a ringing endorsement.

All of this, to cut TasWater's existing, fully funded and sustainable infrastructure plan from 10 years to seven years – not the halving to five years which is continually advertised by the State Government – when we're already one year in and delivering real results for Tasmanians right now with the removal of health alerts in small towns.

Planning and project delivery

Many of the 600-plus projects in the TasWater 10-year plan will each take several years to research the most appropriate solution, further time to design the works, to call for and consider tenders, and gain planning and environmental approvals. All this must occur before construction can begin. Speeding up this delivery without investing considerable time into due diligence risks inferior solutions, poor outcomes and significant waste.

But there is no detail from the State Government on how it will ensure the availability of both the required time and necessary resources. Instead, the report is deliberately vague, and padded with phrases like "program objectives needing to be set", and needing a "fit for purpose procurement strategy".

Such bureaucratic jargon demonstrates that it is nothing more than a "plan to make a plan".

In contrast, TasWater's plan is already in place and delivering results. Our customer's bills are among the lowest in Australia and future price increases are modelled to be kept as low as possible while providing funding for a sustainable, long-term program of ongoing works.

It is clear that if the State Government wants to provide additional funding, it does not have to own TasWater to do so, unless it is focussed on political advantage rather than sustainable results

Financial modelling

The State Government has not provided any detailed economic modelling of the impacts of its proposal. There is no cost benefits analysis, no explanation or assessment of the impact of increased debt on the state budget, or modelling of an expected spike in construction over the coming years and the subsequent slump in activity expected in 2024.

In addition, the State Government offers unlimited funding for a hurried capital works program while claiming it can keep customer bills lower than TasWater's proposed pricing plan, but offers no information on exactly when, how and who will ultimately pay.

Without this detailed financial modelling, there can be no genuine understanding of how such debt will impact customers' prices beyond the next election cycle. We only have an assurance to keep prices down in the short term by deferring debt into the future.

This report leaves too many questions unanswered. What are the full costs and benefits of the State Government's proposal? How does it compare to other options? How will the costs be allocated across the beneficiaries? What are the intergenerational impacts?

Instead of focusing on these difficult long-term questions, the State Government's plan appears to fixate on short-term promises and easy messaging leading into an election.

Governance

The State Government's report claims that a new water and sewerage GBE would need to identify and design a new program delivery model, new governance arrangements and a new procurement strategy, all within the first 12 months, while at the same time recruiting replacement expertise and trying to maintain a program of accelerated expenditure.

In contrast, TasWater already has all of these elements in place. The State Government's plan carries unnecessary risk, increased expense and likely loss of traction on the capital program as they try to duplicate work that is already done and already in place.

Additionally, it is concerning that Infrastructure Tasmania has criticised the Environment Protection Authority, another State Government department, calling its approvals process "a risk to delivery of the capital program within the proposed timeframes". It appears the government is suggesting either that the EPA should relax its standards or find other ways to cut corners.

Infrastructure Tasmania also criticises the TasWater Board for being "highly risk adverse", but calling for a relaxation of risk assessment and rushing of internal approvals is a recipe for future water and sewerage problems, with undersized, inappropriate and poorly thought-through infrastructure that does not meet Tasmania's future needs. TasWater is not prepared to risk the health and water security of our customers.

TasWater's workforce

The State Government's report includes open criticism of TasWater's workforce, claiming the organisation lacks expertise and capability. The fact is that TasWater are the experts when it comes to water and sewerage in Tasmania – not Entura, not Tas Irrigation, not the State Government or any other organisation. To many staff, the State Government appears to neither understand the scope of work proposed nor appreciate the skills required to get the job done.

This is a major blow for the more than 800 TasWater employees, many of whom are fatigued after years of reform to the sector. They are now facing even more uncertainty about another round of reform, rushed through to meet an unreasonable political deadline.

pitt&sherry review

The review provided by pitt&sherry is far from a ringing endorsement of the State Government's plan, but is instead a string of warnings, assumptions and qualifications. It clearly states that the limited amount of information provided "makes it difficult to undertake a rigorous assessment of the Plan".

Deploying any capital program – certainly one as large and comprehensively planned as TasWater's – is always complicated. Yet the State Government has promised to lift TasWater's capital program from a planned $154 million to $195 million in the first year alone, with no knowledge of the individual projects it proposes to bring forward.

pitt&sherry recognises this, noting "that the success of capital delivery is determined by the upfront planning, approvals and scoping…[which] takes significant effort and resource prior to delivering works". An acceleration of capital works will only make this more difficult and more complex.

Given the State Government has identified the EPA approvals process as a possible roadblock to accelerated capital works, pitt&sherry has correctly identified a need to provide additional resourcing to the EPA. However, the State Government's plan makes no mention of this, nor its cost or long-term implications.

Comparison with interstate utilities

In an effort to justify its proposed takeover, the State Government has benchmarked TasWater's capital works expenditure against four other water utilities: Sydney Water, Australia's largest water service provider; Barwon Water; Hunter Water; and Gold Coast Water. But a comparison of capital expenditure alone is unhelpful, because each water utility operates within a completely different environment. It is not a comparison of 'like with like'.

As the figures below demonstrate, TasWater has a disproportionately high number of assets, including water and sewerage treatment plants per property, while servicing a much smaller population across a far larger area. In this context, TasWater's capital spend per property is much higher than other utilities.

Utility	WTPs	Properties per WTP	STPs	Properties per STP	Properties serviced	Properties per employee	Capital spend per property	Year started
TasWater	74	2,736	113	1,575	202,478	215	$637	2013
Sydney Water	9	211,000	25	74,080	1,899,234	700	$359	1995
Barwon Water	8	18,875	11	12,364	151,418	463	$528	1994
Hunter Water	6	40,333	19	12,158	242,277	495	$414	1991

*Data for Gold Coast Water is currently not available.

These basic equations of a small customer base and a disproportionate amount of assets to manage and maintain, are at the heart of TasWater's ongoing Price and Services Plans, designed to deliver

upgrades to our infrastructure at a sustainable pace, without unduly impacting our customers with higher bills or future debt.

Further, pitt&sherry's review notes that some of the difficulties currently experienced by TasWater are not unusual for a utility at this stage of maturity, being among the youngest in Australia. If that is the case, then why start again by creating yet another water and sewerage utility?

Launceston

TasWater, the single largest holder of specialist knowledge and experience on the Launceston sewerage system, has not been invited by the State Government to join the new Tamar Estuary Management Taskforce.

TasWater fully understands the challenges of Launceston's sewerage problems, with potential solutions expected to cost hundreds of millions of dollars. Yet this new taskforce intends to spend six months finding solutions without including TasWater as a member of the committee.

Despite the State Government's proposal to take over TasWater, its plan has no additional funding allocated for Launceston. TasWater has consistently sought funding from both the State and Australian Governments so it can collaboratively work towards improvements.

Unfortunately, in the statements from the State Government there also appears to be confusion over the actual problems faced by the Tamar River and their solutions.

For example, despite the limitations of the combined system of storm water and sewage throughout the CBD and Invermay, overflows during heavy rain contribute just five per cent of the pollutants in the Tamar River. The rest are from agriculture, industry and environmental runoff. Separating the combined system will not significantly improve the river's health, which has been outlined in studies already undertaken by NRM North.

The combined system should also not be confused with the Launceston Sewerage Improvement Project, which would close seven older sewage treatment plants and divert their flows via new pipelines to one new plant, to be built at Ti Tree Bend.

TasWater has an existing program to monitor the combined system and fund renewal works where needed. This is run in collaboration with City of Launceston and NRM North, to better inform discussion about the combined system and to guide future capital investment.

Drinking water compliance

Clean drinking water is available to 99 per cent of TasWater's customers. In August 2016, TasWater made a public commitment to address water quality issues and remove public health alerts in small towns across Tasmania.

As of July 2017, five towns have had their public health alerts removed:

- Whitemark
- Scamander
- Avoca
- Mole Creek
- Lady Barron.

Branxholm, Ringarooma, Derby, Legerwood and Winneleah will all follow soon. Each of these towns has had major works completed by TasWater in recent months and water quality testing is now underway. By August 2018, just one year away, 100 per cent of TasWater's customers will have the clean drinking water they expect and deserve.

Sewage compliance

The statement that only one in 79 sewage treatments is fully compliant with environmental standards is deliberately misleading. This is like saying a student has failed because her report card doesn't have straight A's. In fact, in 2015-16 around 84 per cent of the total volume of sewage treated by TasWater was compliant to EPA parameters. However, TasWater acknowledges this is still not good enough.

In 2016, TasWater reached an agreement with the EPA to concentrate our efforts on a handful of our worst-performing sewage treatment plants, where the greatest improvements can be made. These include the sewage treatment plants being closed down as a part of the $51 million Kingborough Sewerage Upgrade Project, now underway and due to for completion by the end of 2018.

The causes of sewage spills are largely out of TasWater's control. These include flooding, power outages, trade waste, tree roots and soil movement, as well as ageing under-sized infrastructure.

By 2018, TasWater will have completed its project to deliver clean drinking water to the one per cent of Tasmanians in small towns who have been going without. This will leave us with the capacity and resources to focus on sewage.

APPENDIX D: DRINKING WATER SYSTEM UPGRADES

WATER SYSTEM UPGRADES

COMPLETED

	System	Year	BWA/DNC	Connections
1	Campbell Town	2013	BWA	593
2	Distillery Creek	2010	BWA	17,743
3	Ouse Hamilton	2015	BWA	137
4	Westbury/Hagley/Exton	2014	BWA	1137
5	Bracknell	2014	BWA	199
6	Fingal	2014	BWA	308
7	Tunbridge	2016	BWA	111
8	Scamander	2016	BWA	626
10	Nicholls Rivulet	2015	BWA	50
11	Jacksons Road	2015	BWA	27
12	Swansea	2011	BWA	804
13	Waratah	2016	BWA	182
14	Queenstown	2010	N/A	1614
15	Lilydale	2013	BWA	220
16	Ellendale	2015	BWA	88
17	Whitemark	2016	BWA	222
18	Avoca	2017	DNC	125
19	Mole Creek	2017	BWA	270
20	Lady Barron	2017	BWA	168
21	Ringarooma	2017	BWA	184
22	Winnaleah	2017	DNC	108
23	Branxholm	2017	BWA	206
24	Derby	2017	BWA	165
25	Legerwood	2017	BWA	95
26	Pioneer	2017	DNC	11
27	Mountain River	2017	BWA	2
				25,395

SYSTEM UPGRADES UNDERWAY

	System	Target for completion	BWA/DNC	Connections
28	Grassy	FEB 2018	N/A	169
29	Currie	FEB 2018	N/A	522
30	Rosebery	AUG 2017	N/A	680
31	Gretna	DEC 2017	BWA	74
32	Cornwall	AUG 2018	BWA	50
33	Epping Forest	AUG 2018	BWA	33
34	Gladstone	AUG 2018	BWA	88
35	Herrick	AUG 2018	BWA	27
36	Judbury	AUG 2018	BWA	105
37	Mathinna	AUG 2018	BWA	86
38	Rossarden	AUG 2018	DNC	99
39	Wayatinah	AUG 2018	BWA	77
40	Colebrook	AUG 2018	BWA	86
41	Conara	AUG 2018	BWA	59
42	Bronte Park	AUG 2018	BWA	70
43	Gormanston	AUG 2018	BWA	35
44	Rocky Creek	AUG 2018	BWA	188
45	Fentonbury	AUG 2018	BWA	165 (collectively)
46	Westerway	AUG 2018	BWA	
47	National Park	AUG 2018	BWA	
48	Maydena	AUG 2018	BWA	169

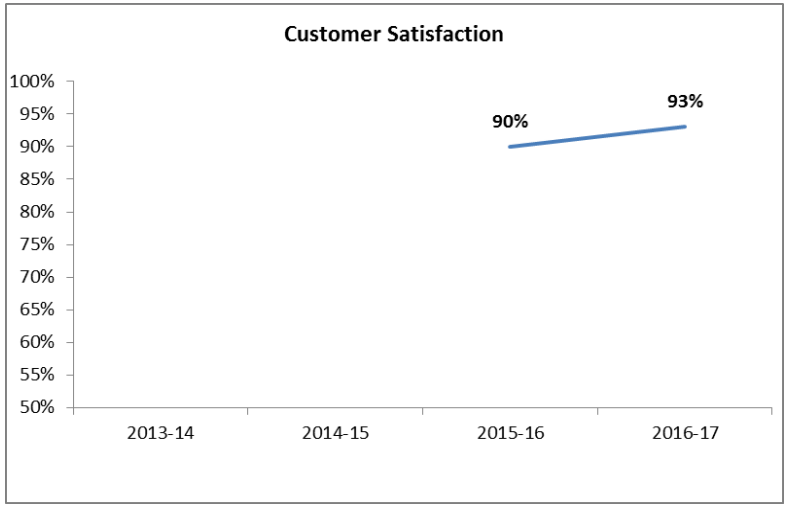
APPENDIX E: PERFORMANCE TREND GRAPHS

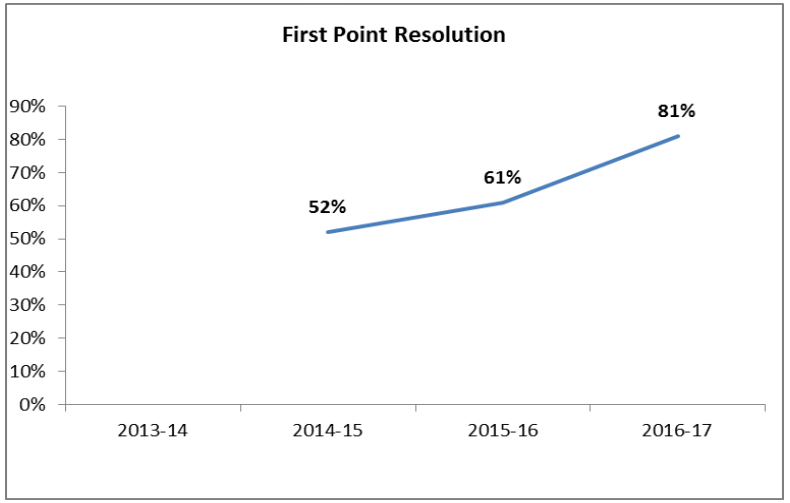
KPI Trends – FY 2013-14 to FY 2016-17

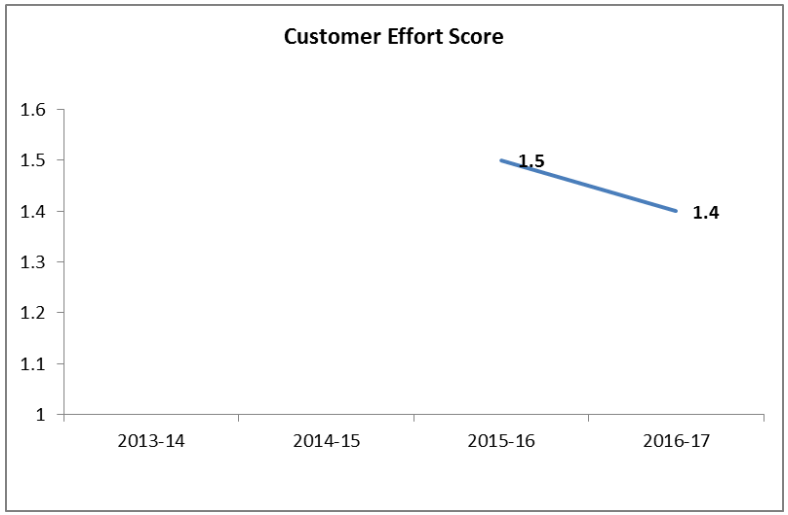
September 2017

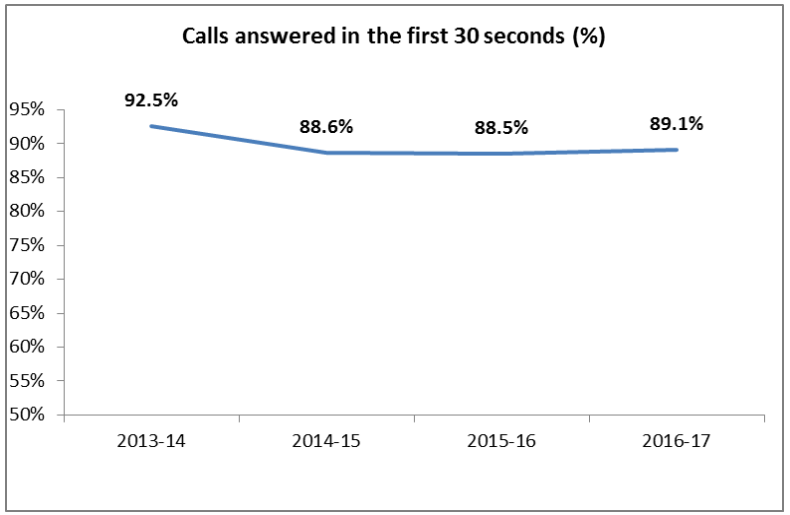
Taswater

Customer Satisfaction

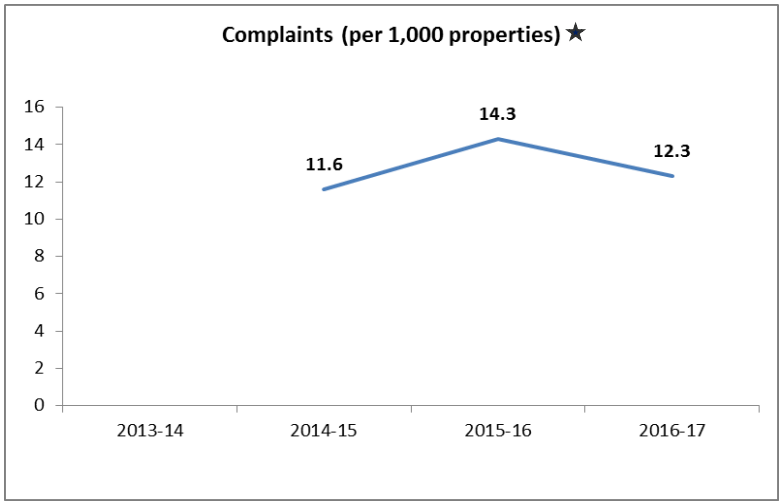


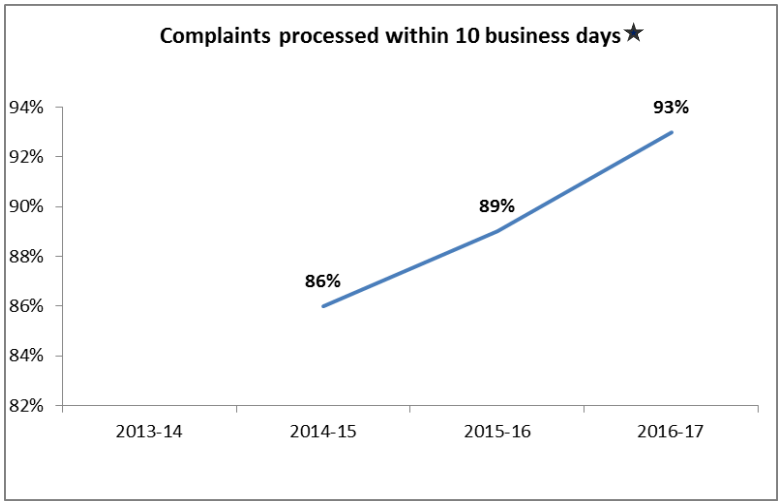


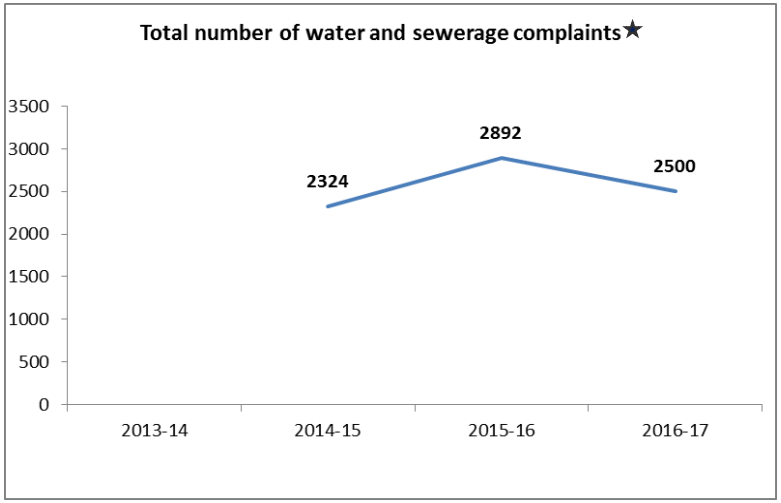


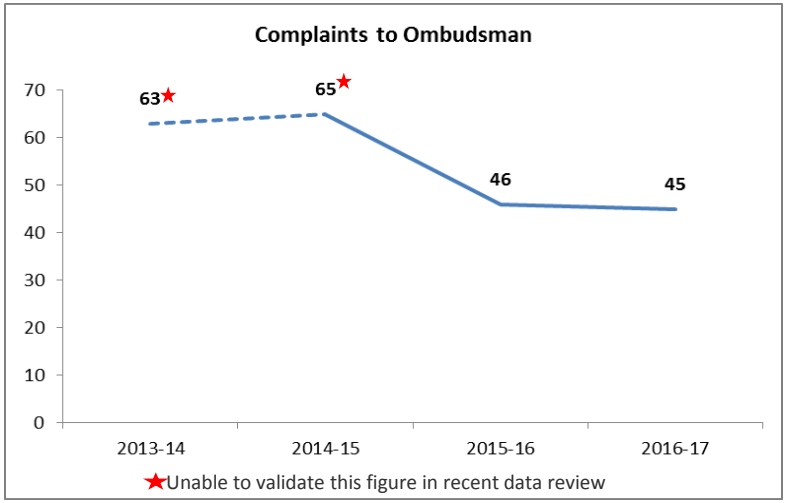


Complaints



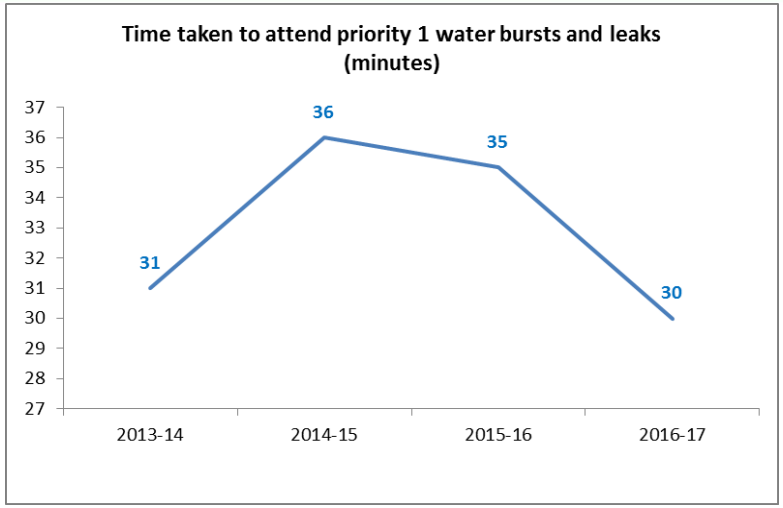


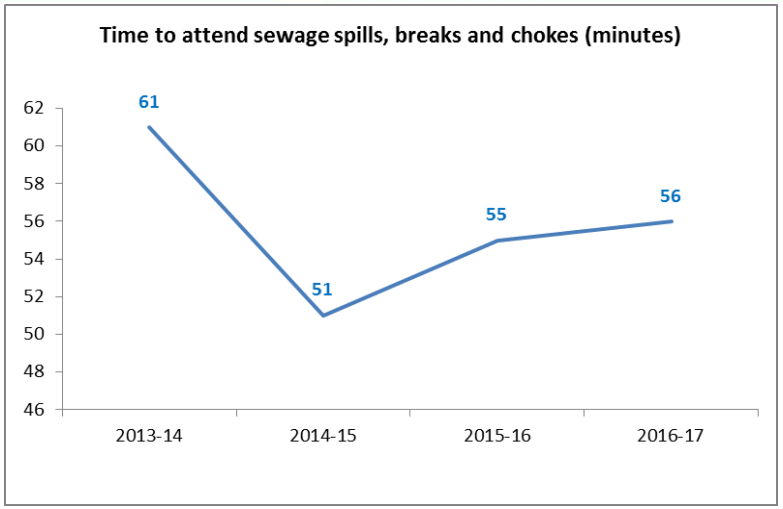


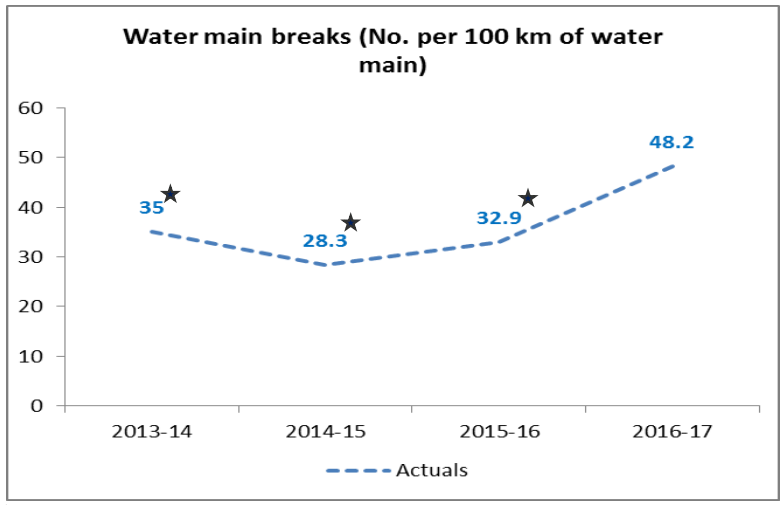


★FY2013-14 data not included due to a material change in definition of KPI, i.e. not all complaints were registered in accordance with the Customer Code

Service Standards

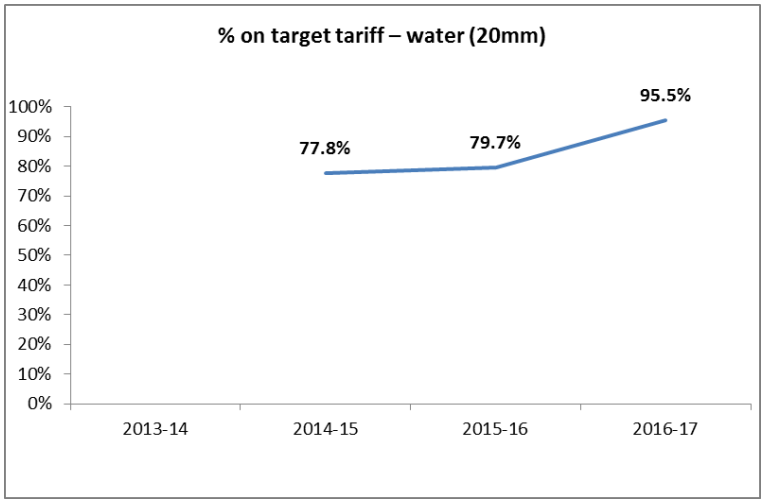


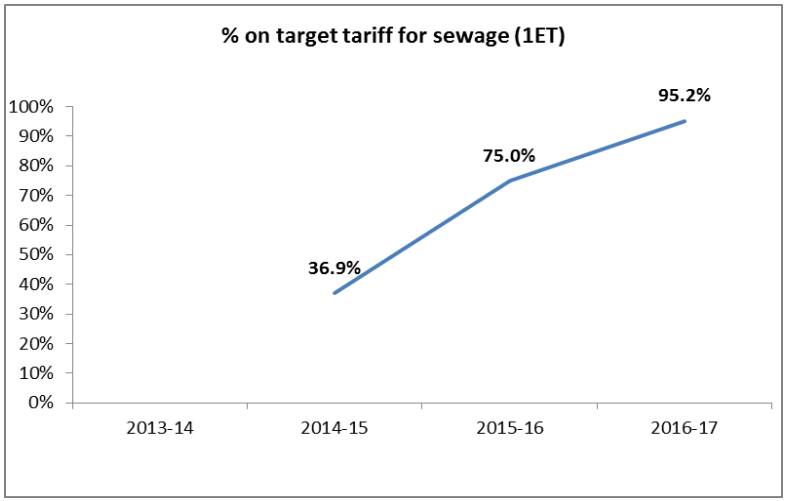




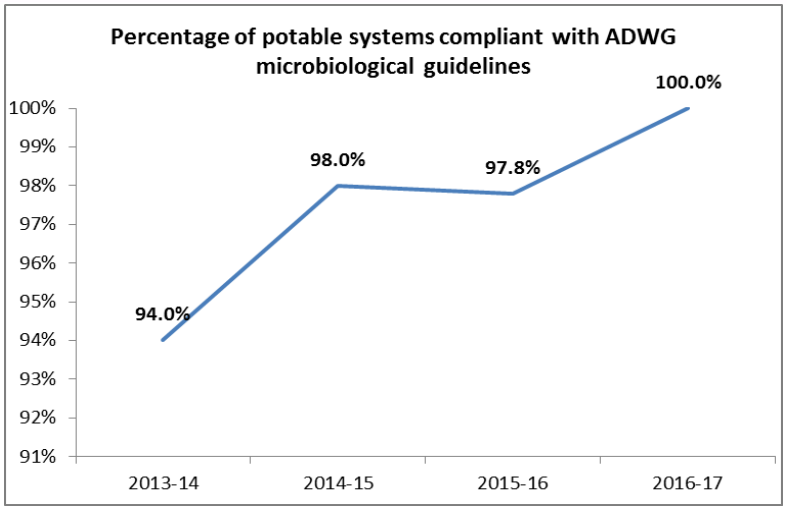
★ Data from 2013-14 till 2015-16 has been deemed unreliable based on recent external audit and hence was not published in the NPR data set. Maximo was introduced in Jan 2017 to improve data quality (6 months only)

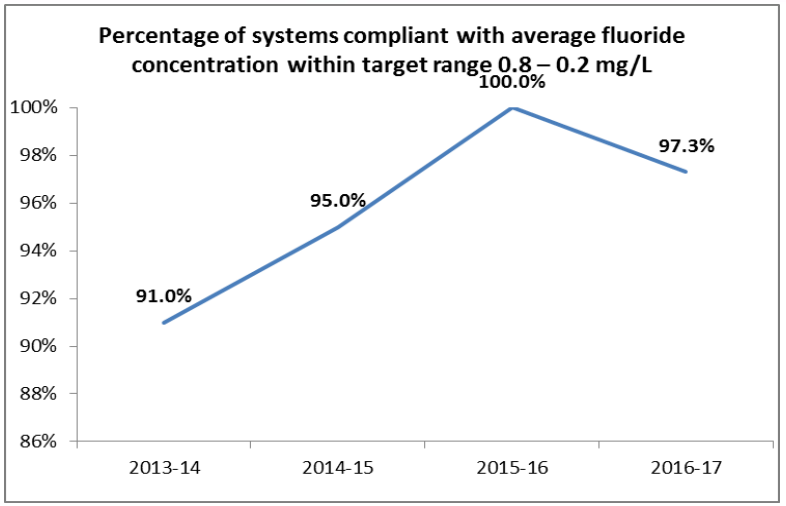
Tariffs

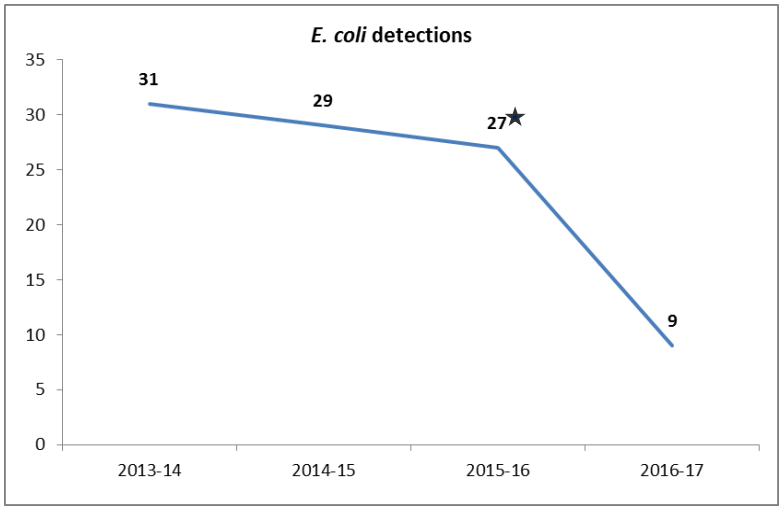

% on target tariff – water (20mm)
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
77.8%
79.7%
95.5%
2013-14
2014-15
2015-16
2016-17


% on target tariff for sewage (1ET)
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
36.9%
75.0%
95.2%
2013-14
2014-15
2015-16
2016-17

Drinking Water

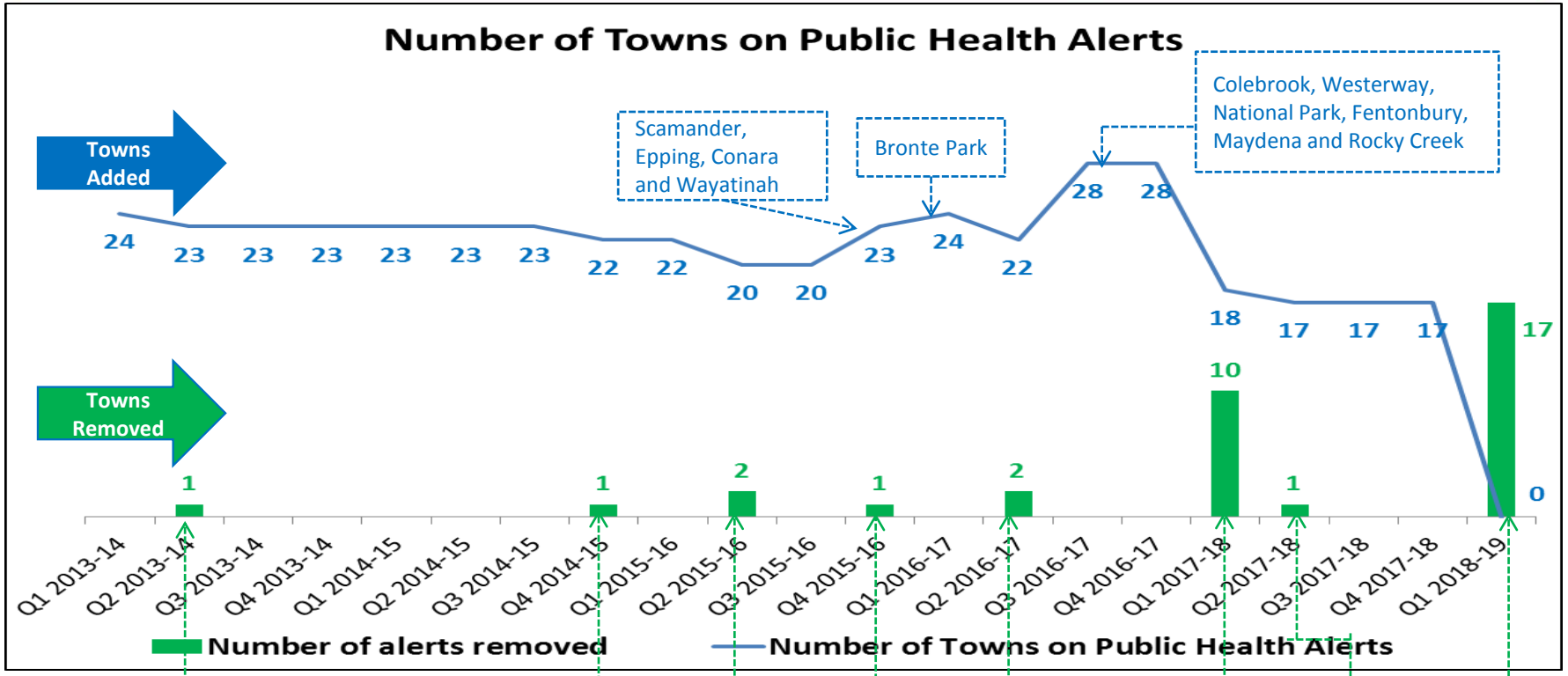






★Total of 31 detections for the year however only 27 were from compliance monitoring points.

Drinking Water - Progress update on removal of BWAs and DNCs



Scamander, Epping, Conara and Wayatinah

Bronte Park

Colebrook, Westerway, National Park, Fentonbury, Maydena and Rocky Creek

Lilydale

Ellendale

Fingal, Jacksons Road and Nicholls Rivulet

Tunbridge

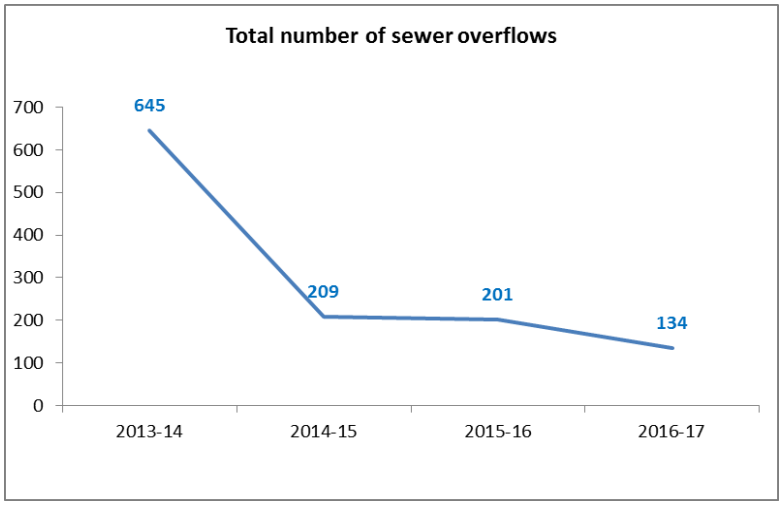
Scamander and Whitemark

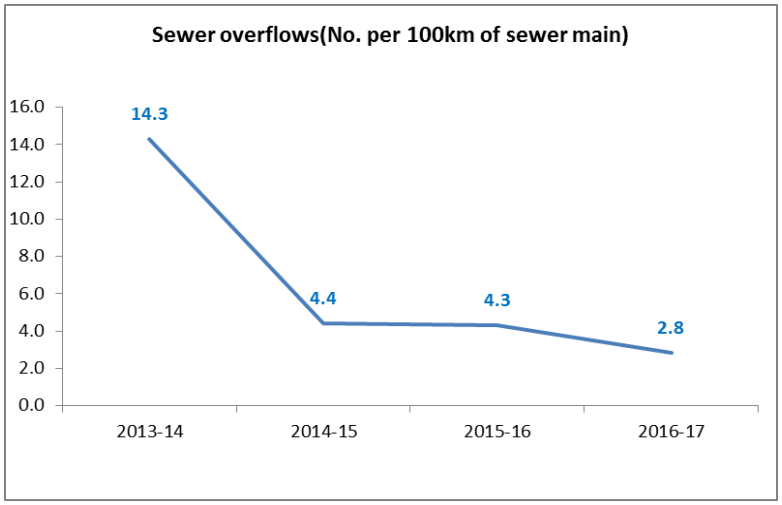
Avoca , Mole Creek, Lady Barron , Ringarooma, Legerwood, Branxholm, Derby and Winnaleah
Scheduled Aug 2017
Pioneer and Mountain River

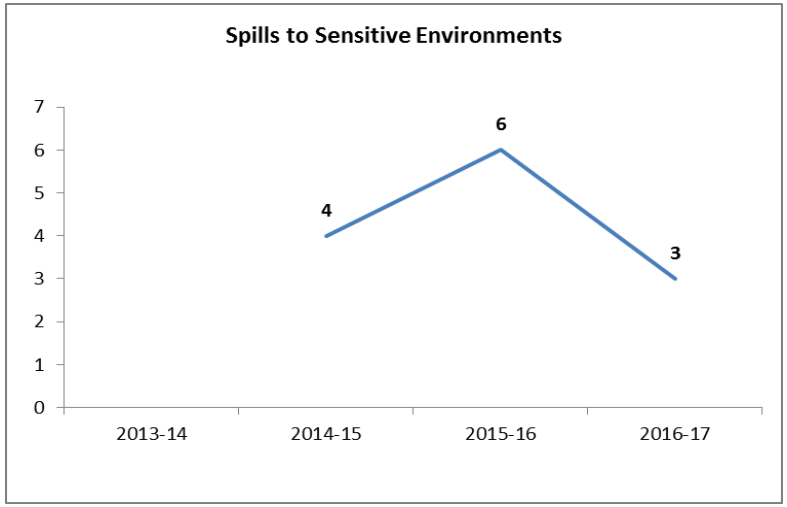
Scheduled Dec 2017
Gretna

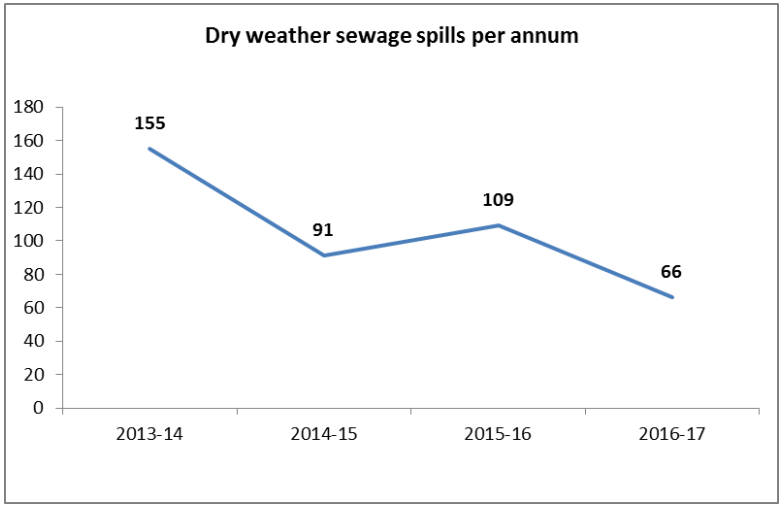
Scheduled Aug 2018
Cornwall, Epping Forest, Gladstone, Herrick, Judbury, Mathinna, Rossarden, Wayatinah, Conara, Bronte Park Colebrook, Gormanston, Rocky Creek, Fentonbury, Westerway, National Park and Maydena

Sewage Overflows

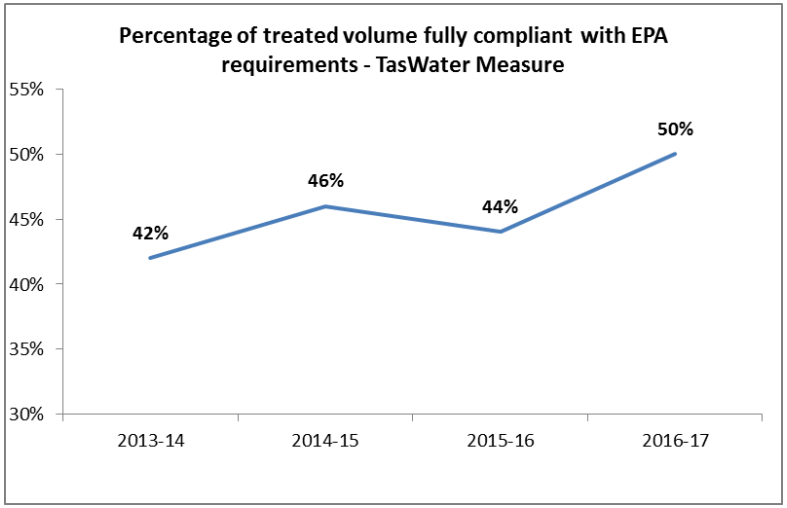


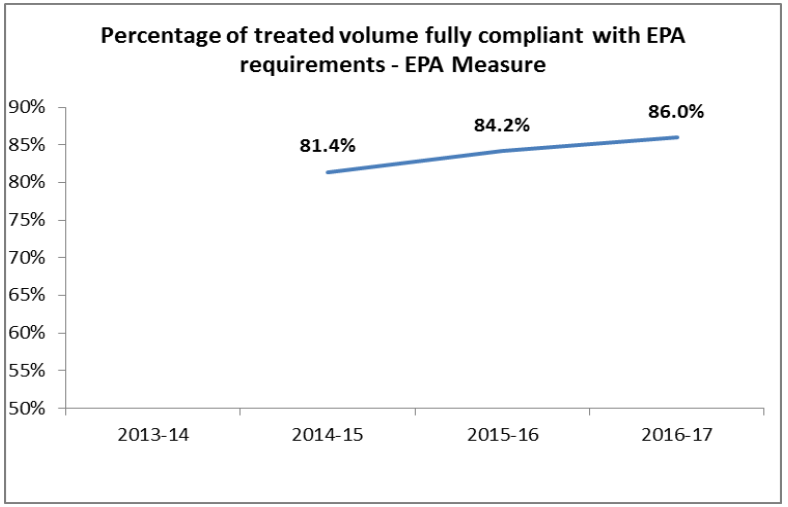


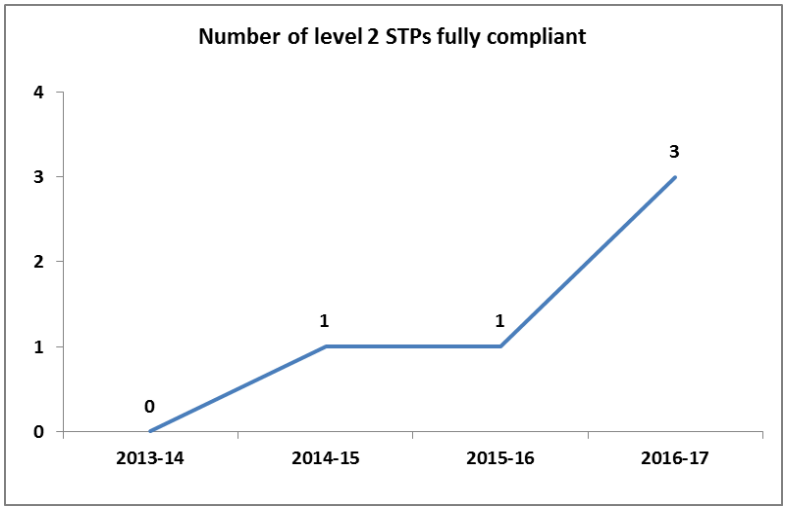


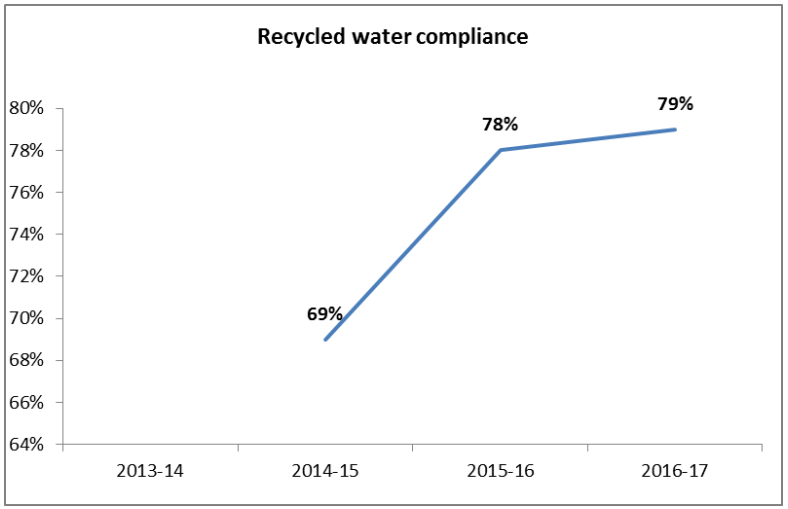


Sewage Compliance

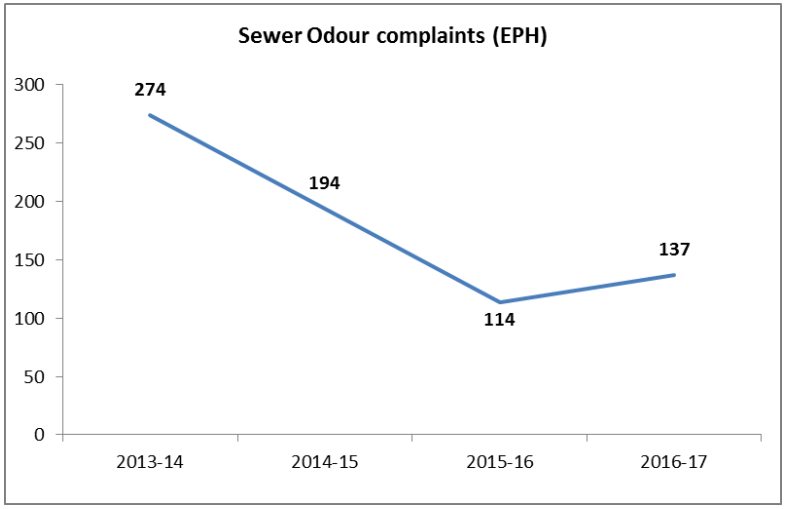


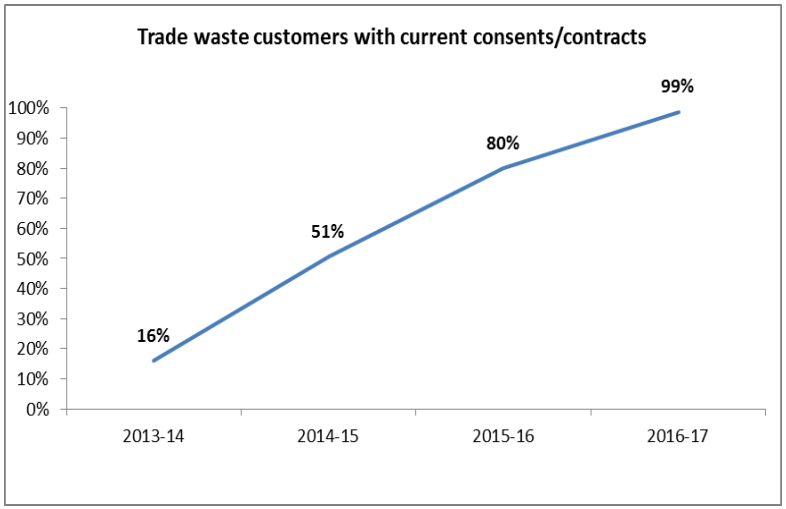


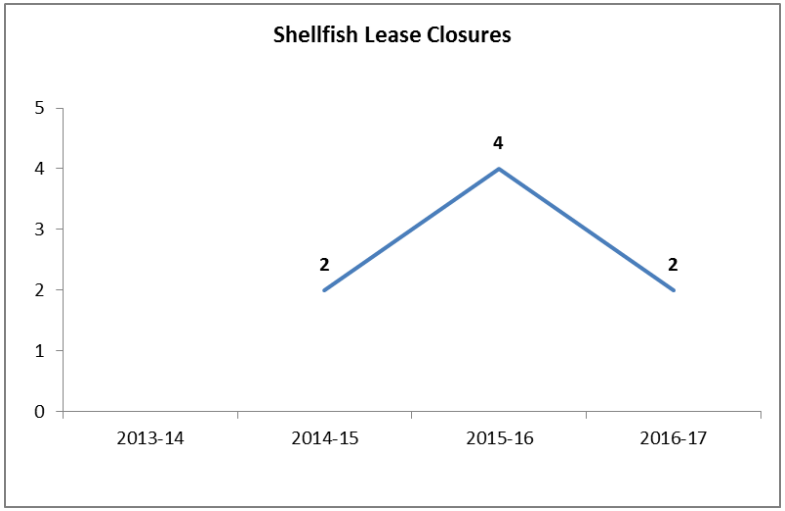


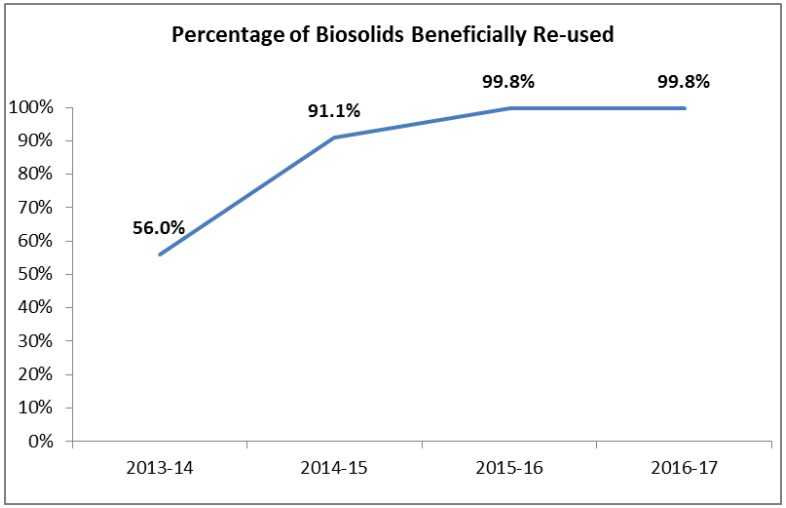


Sewage Compliance (continued)

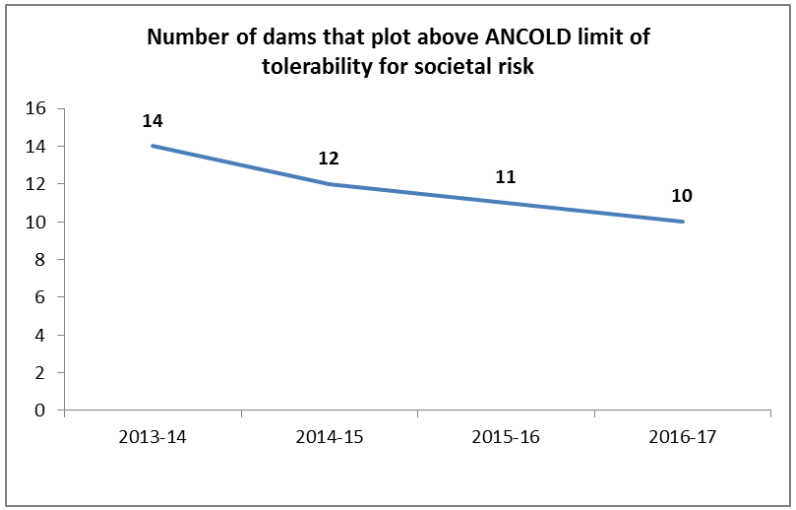


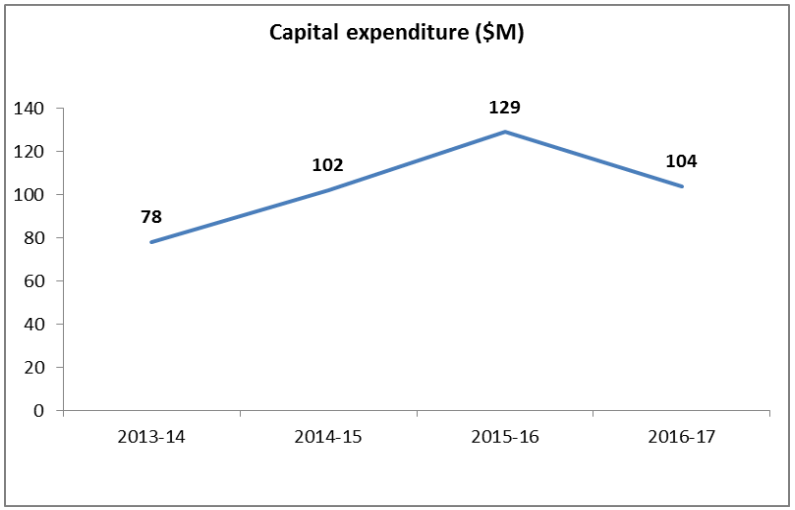


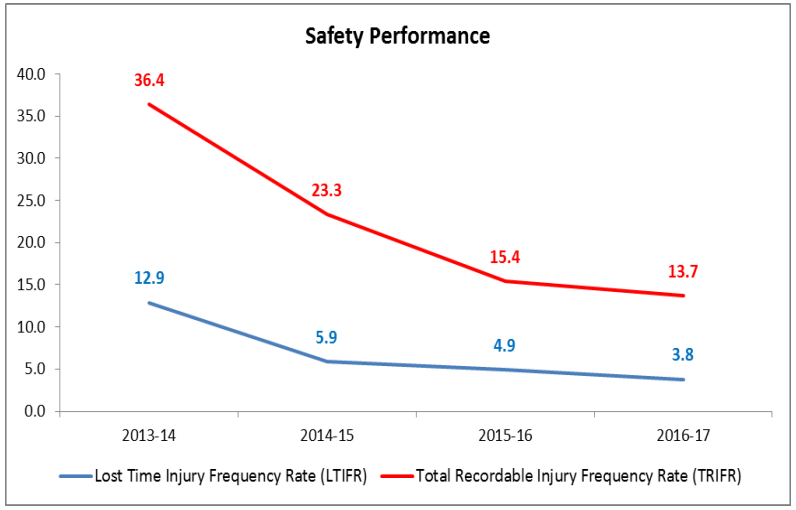




Miscellaneous







APPENDIX F: DRAFT 2016-17 ANNUAL REPORT

24/7/365

DELIVERING
WATER AND
SEWERAGE SERVICES
TO TASMANIANS
24/7/365

2016
2017
ANNUAL REPORT

taswater


Stuart
ZERO
HARM

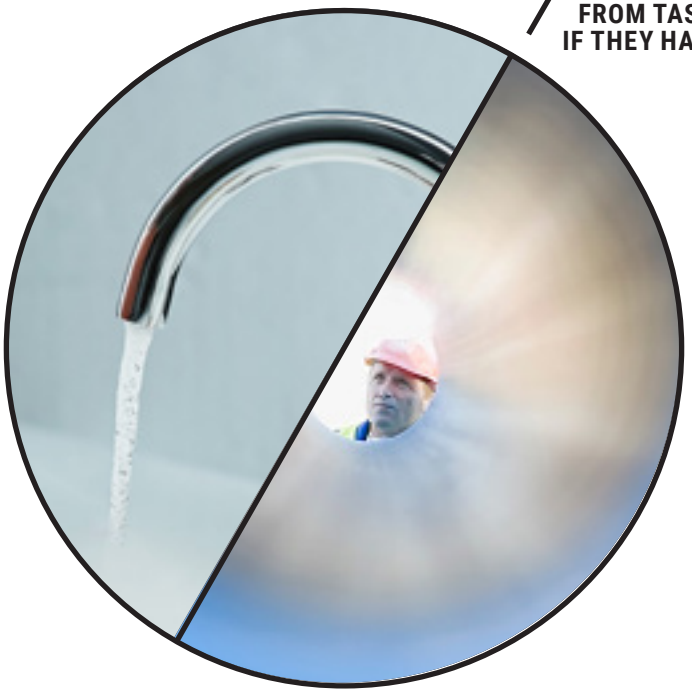
CONTENTS

Inside cover: Stuart Bain at Pet Dam, south of Burnie.

WELCOME

24/7/ 365

EVERY DAY, TASWATER'S 200,000+ CUSTOMERS RIGHTLY EXPECT THAT: WATER WILL COME OUT OF THEIR TAP, THEIR SEWAGE WILL BE TAKEN CARE OF, THEIR TAP WATER IS SAFE TO DRINK AND TASTES GOOD, AND THAT SOMEONE FROM TASWATER IS THERE TO HELP IF THEY HAVE A PROBLEM.



Our 2016-17 Annual Report details our accomplishments, challenges and operational improvements in line with our Corporate Plan, vision and values.

Every day, TasWater works 24/7/365 to meet our customers' expectations by:

- Producing 196 million litres of drinking water
- Collecting 137 million litres of sewage
- Maintaining 6,231 kilometres of water mains and 4,716 kilometres of sewer mains (combined, this is equal to the distance from Hobart to New Delhi)
- Answering 440 customer calls and resolving 81 per cent in that first phone call (that is one every three minutes, 24 hours a day, seven days a week, 365 days a year).

ABOUT TASWATER

TasWater is an incorporated company providing water and sewerage services to homes and businesses across Tasmania. Our core aims are to:

- Reliably source, treat and deliver quality drinking water to our customers
- Collect, transport and treat sewage and trade waste, and safely return wastewater to the environment.

We commenced operations on 1 July 2013 following the merger of the three former regional Tasmanian water and sewerage corporations (Ben Lomond Water, Cradle Mountain Water and Southern Water), and the common services provider Onstream. The merger involved the managed transfer of $1.54 billion in water and sewerage assets and 842 full time employees to the new corporation.

We were established under the *Water and Sewerage Corporation Act 2012* and the *Corporations Act 2001*. In addition, we operate under a range of other legislative and regulatory instruments including the:

- *Water and Sewerage Industry Act 2008*
- *Environmental Management and Pollution Control Act 1994*
- *Public Health Act 1997*
- *Land Use Planning and Approvals Act 1993*
- *Water Management Act 1999*
- TasWater's Constitution
- Shareholders' Letter of Expectations.

We are owned by 29 Tasmanian councils who receive returns through dividends, tax equivalent payments and guarantee fees.

OWNER'S REPRESENTATIVES GROUP

The Owners' Representatives Group (ORG) is comprised of one representative from each of the 29 member councils. The functions, duties and responsibilities of the ORG are outlined in TasWater's Constitution and the Shareholders' Letter of Expectations.

[1]Their duties include the selection and appointment of Directors, preparation of the Shareholders' Letter of Expectations, and liaison between member councils and the TasWater Board.

Our owner councils and representatives during the year were:

Council name	Owner's representative
Break O'Day Council	Mayor Mick Tucker
Brighton Council	Mayor Tony Foster AM OAM JP
Burnie City Council	Mayor Anita Dow
Central Coast Council	Mayor Jan Bonde
Central Highlands Council	Mayor Deirdre Flint OAM (dec) (part year) Deputy Mayor Lana Benson (part year)
Circular Head Council	Deputy Mayor Jan Bishop
Clarence City Council	Mayor Doug Chipman
Derwent Valley Council	Mayor Martyn Evans
Devonport City Council	Alderman Grant Goodwin
Dorset Council	Mayor Greg Howard
Flinders Council	Councillor Gerald Willis
George Town Council	Mayor Bridget Archer
Glamorgan Spring Bay Council	Mayor Michael Kent
Glenorchy City Council	Mayor Kristie Johnston (part year) Commissioner Sue Smith (part year)
Hobart City Council	Lord Mayor Alderman Sue Hickey
Huon Valley Council	Mayor Peter Coad (part year) Commissioner Adriana Taylor (part year)
Kentish Council	Mayor Don Thwaites
Kingborough Council	Mayor Steve Wass
King Island Council	Councillor Royce Conley
Latrobe Council	Mayor Peter Freshney
Launceston City Council	Mayor Albert van Zetten
Meander Valley Council	Mayor Craig Perkins
Northern Midlands Council	Mayor David Downie[1]
Sorell Council	Mayor Kerry Vincent
Southern Midlands Council	Mayor Tony Bisdee OAM[2]
Tasman Council	Deputy Mayor Kelly Spaulding
Waratah-Wynyard Council	Mayor Robby Walsh
West Coast Council	Mayor Phil Vickers
West Tamar Council	Councillor Richard Ireland

1 Chief Representative
2 Deputy Chief Representative

ON BEHALF ON THE TASWATER BOARD, I AM PLEASED TO PRESENT THE TASWATER ANNUAL REPORT 2016–17.

MILES HAMPTON
CHAIRMAN

This year we continued to focus on our service delivery with improvements across a number of important performance metrics, including water quality, water service delivery, sewage compliance and sewerage service delivery. We acknowledge in some areas it will take several years before core performance metrics will align with national benchmarks, however it needs to be understood that comparable utilities are between 10-20 years ahead of us in the reform journey. Nevertheless, in just four years we have made significant improvements to the services we offer.

At the same time we delivered on $104 million in capital improvements across a wide range of projects addressing compliance, growth and renewal during this financial year. Included among the major projects was the commencement of the $51 million Blackmans Bay Sewage Treatment Plant. Since establishment in 2013 we have spent $413 million on capital projects.

Heath Mayne working on a reticulation pipe repair in Kingston.

The net profit after tax of $28.6 million was ahead of the previous year ($25.3 million). The result, which was impacted by one-off restructuring costs, represents a modest return, but is important in ensuring our ability to self-fund our long term plan.

We continue to focus on achieving a sensible balance across a range of competing objectives. It is pleasing that our regulators recognise the challenge this brings, and are also prepared to work with us in making a significant contribution to finding that balance.

In 2015-16 TasWater prices were the lowest in Australia for comparable water and sewerage utilities. We expect the 2016-17 national benchmarking report will confirm that our prices remain in the lowest quartile.

In 2015-16, TasWater capital investment per household outstripped all other similar utilities across Australia. We expect that the 2016-17 national benchmarking report will confirm that has continued. This level of investment per household is not only necessary but must increase if we are to deliver the outcomes our customers, owners and regulators expect.

Over the past four years we have made significant headway in our understanding of the water and sewerage needs across the state. The expertise of our experienced and talented water scientists and engineers has allowed us to develop a sensible, engineering-based plan to address our challenges in a way that builds long-term capacity, keeps customer bills affordable and does not encumber the business with unsustainable debt.

In August 2016 we announced our fully-funded $1.55 billion, 10-year plan to address Tasmania's infrastructure needs. The plan does not depend

on State or Federal funding – instead, it requires TasWater to find increased savings through greater efficiency and productivity gains. Since the reform occurred we have already secured significant operational cost savings, but are targeting further savings as part of our effort to keep tariff increases as low as possible.

As part of our 10-year plan we also announced that we will be reducing the dividends paid to our owner councils, to ensure we can deliver improved outcomes in a sensible timeframe. It is pleasing to note that they accepted and endorsed this decision.

The 10-year plan is now in place and rolling out across Tasmania. The initial focus is to remove all permanent Public Health Alerts (PHAs) from regional towns around the state. At the end of this financial year, 99.2 per cent of TasWater's customers could safely drink water straight from the tap, and this will be extended to 100 per cent of our customers by the end of August 2018.

Our other major objective is to improve the performance of sewage treatment plants (STPs) to ensure we are working towards compliance with current environmental standards. In the past year, TasWater and the Environment Protection Authority (EPA) agreed on a strategy to concentrate first on improving the 13 largest STPs by volume, or those that have the highest impact on their surrounding environment. Focusing on volume and impact, rather than simply the number of compliant plants, allows us to make the biggest difference in the fastest way.

Andrew Hooper and Robert Emery laying new infrastructure in Latrobe.

In March 2017 the State Government announced its intention to introduce legislation to take over TasWater. In doing so it claimed that water and sewerage services in Tasmania were in crisis, although neither the Tasmanian Department of Health and Human Services (DHHS) nor the EPA had ever asserted that any critical situation existed.

On behalf of TasWater's dedicated and hard-working staff and our owner councils, I have defended our record and assured the Tasmanian community that we have a sensible, fully-funded 10-year plan to address infrastructure shortcomings.

We remain confident that our plan appropriately balances improved compliance, time frames and price increases.

I acknowledge the extraordinary effort of the TasWater team to remain focused on the task at hand. The determination to deliver our 2016-17 plan in challenging circumstances reflects much credit to their professionalism and commitment.

Finally, I thank my fellow Directors for their support and guidance throughout a year of significant achievement.

FROM ITS INCEPTION IN 2013, TASWATER HAS BEEN DETERMINED TO ESTABLISH A CUSTOMER FOCUSED ORGANISATION.

MICHAEL BREWSTER
CEO

CUSTOMER AND COMMUNITY PERFORMANCE

From its inception in 2013, TasWater has been determined to establish a customer focused organisation. To do this, we focus on how we can keep customer bills affordable while still allowing the organisation enough scope to get on with the job of fixing Tasmania's water and sewerage infrastructure and delivering the services our customers expect.

I am pleased to report that customer satisfaction is currently tracking at 93 per cent as compared to our target of 70 per cent. Recently, the Report on Australian Water Utilities conducted by the Australian Bureau of Meteorology reported that 89 per cent of calls to our call centre were answered within 30 seconds. This both exceeds our target of 85 per cent and ranks TasWater as the best in Australia of any similar sized water utility.

The State of the Industry Report released in March 2016 shows all measures related to service interruptions are trending in the right direction. These are good results, but we do not shy away from the fact that there is more to do.

We have recently submitted a draft of our third Price and Service Plan (PSP3), an important part of which is to identify gaps in our service and improve our customer understanding and engagement.

To prepare the PSP3 we not only built on the learning and knowledge gained in our first three years of operation, but also undertook exhaustive research to identify what our customers want and expect us to deliver as their water utility. We conducted more than 500 telephone surveys, six focus groups and 20 discussions with major customers and peak bodies right across the state. These insights formed the basis of our PSP3 submission to the economic regulator, as well as informing the direction and outcomes in our Long Term Strategic Plan.

WATER AND ENVIRONMENTAL OUTCOMES

Thanks to the dedicated efforts of our staff, we are on track to deliver on our public commitment to remove 12 PHAs by the end of August 2017, with the remaining 16 PHAs scheduled for removal by the end of August 2018.

While removing drinking water PHAs is a key objective for TasWater, it is equally important that we reduce the need for temporary PHAs. To that end, we have placed considerable effort into

reducing the potential causes of *E. coli* detections, which can lead to temporary PHAs. It is therefore pleasing to see a 67 per cent reduction in the number of *E. coli* detections during this financial year.

In terms of infrastructure improvements, the pipeline from Fingal to Avoca is now operational, and has reduced the number of water systems we operate. Coming from such a dispersed and varied base, it is important that we seek to rationalise and consolidate our assets wherever possible to reduce our operating costs.

Pet Dam, located south of Burnie.

The number of dams that plot above the ANCOLD (Australian National Committee on Large Dams) limit of tolerability (LoT) for societal risk was 10 at the end of the financial year, with important works completed at the Margaret Street Detention Basin one of many undertaken during this period. Further scheduled works are expected at the Flagstaff Gully Dam, while the Conglomerate Dam upgrade is scheduled for completion in March 2018.

The Sewerage System Optimisation Program that commenced in January 2017 will improve volumetric compliance from 45 per cent to 65 per cent by the end of 2019 by focusing on the largest systems by volume where most of the non-compliance occurs, as well as the plants that have the highest localised environmental impacts.

The Environment Protection Authority (EPA) has agreed to this approach, which allows us to improve regulatory compliance by focusing first on the plants that have the greatest impact on compliance.

COMMERCIAL AND ECONOMIC

TasWater's net profit after tax for the 2016-17 financial year was $28.6 million, compared to a budgeted result of $26.3 million. We have always sought better, more efficient ways of working and have generated over $10 million in ongoing cost reductions since TasWater was established in 2013, including $3.8 million in 2016-17. As we build new infrastructure or upgrade existing non compliant infrastructure our operating costs rise, therefore it is essential that we offset these increased operating costs with efficiency gains to ensure our customers' bills remain as low as possible.

Looking forward, we are on track to further increase the level of annualised savings to $21 million by the end of our first 10-year plan. The majority of these savings will be achieved by reducing spend on electricity, chemicals, goods and services, while also ensuring we are delivering services that meet our customer's needs in a cost effective manner.

TasWater continues to actively foster positive working relationships with our industrial and commercial customers, ensuring we are all working towards improved customer operational efficiency, trade waste compliance, and reduced impact on the environment and TasWater's sewerage infrastructure. By the end of the 2016-17 financial year, 97.8 per cent of our industrial customers were operating under an Industrial Trade Waste Agreement (ITA), as compared to 80 per cent in the previous year. Similarly, 75 per cent of our almost 4,000 commercial customers had been inspected under our statewide Commercial Compliance Program by the end of 2016-17, demonstrating solid progress since the program commenced in March 2016.

OUR PEOPLE AND CULTURE

TasWater's 2016-17 safety results were in line with our targets, reflecting our ongoing commitment to make Zero Harm an integral part of our corporate identity and everyday culture.

Our rolling Lost Time Injury Frequency Rate (LTIFR) was 3.8, representing a 22 per cent decrease from the previous year, while the Total Recordable Injury Rate (TRIFR) was 13.7 for the same period. Our safety statistics are trending favourably, and based on current performance we are well on the way to achieving our key safety performance indicators in the year ahead.

Finally, to our people – employees, Executives and Directors – we acknowledge the work you do and thank you for your efforts to help TasWater make a positive difference to Tasmania.

OUR YEAR IN REVIEW

JULY 2016

- Assumed ownership and running of Bronte Park water and sewerage assets

AUGUST 2016

- TasWater Board announced a 10 year fully-funded plan to upgrade Tasmania's water and sewerage infrastructure, including removing PHAs from 28 Tasmanian towns by August 2018
- Partnered with Engineers Australia to become a Professional Development Program (PDP) partner, supporting TasWater graduates to become Chartered Engineers

SEPTEMBER 2016

- Awarded Large Employer of the Year at the Skills Tasmania Training Awards

TasWater's 2017 trainees at Bryn Estyn Water Treatment Plant; James Maddock, Jak Murphy, Thomas Stegink, and Manan Abrol.

Kate Blizzard and Cathy Cuthbertson representing TasWater at the 2016 Australian Training Awards.

OCTOBER 2016

- Barrington Water Treatment Plant (WTP) awarded Best Tap Water in Australia 2016 by the Water Industry Operators Association of Australia (WIOA)
- Semi-finalist in the Tasmanian Community Achievement Awards for the customer education campaign "Save Each Drop"
- Awarded WorkSafe Awards for Health and Safety Representative of the Year, and Best Individual Contribution to Work Health and Safety
- Finalist in the Australian Training Awards, Large Employer of the Year– Australian Government
- Presented prizes statewide for TasWater's National Water Week poster competition

NOVEMBER 2016

- Permanent Boil Water Alert (BWA) lifted from Scamander after 10 years of alerts, making it the first in TasWater's 24glasses project (www.24glasses.com.au)
- Do Not Consume Notice (DNC) lifted in Whitemark

- Over 100 TasWater employees relocated to the newly-refurbished Steele Street site in Devonport, centralising the Network Operations Centre (NOC), and Customer Service Centre (CSC)
- Celebrated 86 staff graduating with a variety of formal qualifications thanks to support from TasWater
- TasWater mechanical engineer Mark Rippon wins 2016 Young Water Professional of the Year Award (Gary Ingram Memorial Award from the Australian Water Association)

DECEMBER 2016

- Sponsored the Royal Flying Doctor Service "Right as Rain" initiative to improve health outcomes in rural and regional towns around Tasmania
- Selected UTAS engineering students join TasWater to undertake their three-month Internship Program
- Filling and testing of the new water storage tanks at Tolosa Street, Glenorchy, as part of the Tolosa Water Supply Upgrade Project

JANUARY 2017

- Supported Big Monkey Theatre Company's performance of Alice in Wonderland as part of TasWater's Community Small Grants Program

FEBRUARY 2017

- UTAS science student Olivia Wilson is awarded TasWater's prestigious Steve Balcombe Scholarship for 2017

MARCH 2017

- Mole Creek WTP completed and producing water
- TasWater community engagement and education staff met with King Island residents, to mark the start of the $17.4 million King Island Water Scheme
- Richmond's sewage pumping station (SPS) and main upgrade began

APRIL 2017

- Long-term testing at the Rosny STP resulted in optimised chemical usage and the phasing-out of redundant equipment, saving TasWater $48,000 in the 2016-17 financial year

MAY 2017

- Ringarooma WTP started producing water, and when testing is completed will supply drinking water to Ringarooma, Legerwood, Branxholm, Winnaleah and Derby
- Sod turned on the Kingborough sewerage upgrade project. Costing over $50 million, this will be TasWater's single largest infrastructure project to date, with three sewage treatment plants being decommissioned and their flows diverted to an upgraded Blackmans Bay Sewage Treatment Plant

New water storage tanks at Tolosa Street, Glenorchy.

- Work to upgrade the Conglomerate Dam in Queenstown commenced
- Works began on Bicheno's new underground sewage pump station (SPS), which will improve capacity when completed in late 2017
- New water meters installed in Wynyard, Somerset and Yalla as part of an ongoing statewide renewal program

JUNE 2017

- TasWater Community Small Grants Program awarded $20,000 to seven Tasmanian community groups, aimed at improving quality of life in their local areas
- TasWater employee Adela Parnell awarded the 2017 Institute of Public Works Engineering Australia (IPWEA) 2017 "Young Emerging Leader Award" for Tasmania.

OUR PERFORMANCE

Chris Lovegrove, Regional Water Service Operator, checking pressure at Legerwood.

BELOW IS A SELECTED OVERVIEW OF TASWATER'S KEY PERFORMANCE INDICATORS, TAKEN FROM ACROSS THE BUSINESS.

CUSTOMERS AND COMMUNITY

MEASURE
CUSTOMER SERVICE

KPI
Percentage of calls answered in 30 seconds
TARGET 85.0%

2015-16	88.7%
2016-17	89.1%

KPI
Total complaints per 1,000 connected properties
TARGET 9

2015-16	14.3
2016-17	12.3

KPI
Percentage of complaints processed within 10 business days
TARGET 90.0%

2015-16	88.7%
2016-17	93.2%

KPI
Development application processed within 10 business days
TARGET 98.0%

2015-16	99.2%
2016-17	99.5%

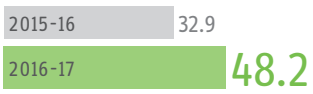
KPI
Building and plumbing applications processed within 10 business days
TARGET 98.0%

2015-16	99.6%
2016-17	99.8%

MEASURE
SERVICE INTERRUPTION AND RESPONSE

KPI
Sewer main breaks and chokes per 100km
TARGET 52.0

KPI
Water main breaks per 100km
NO TARGET



KPI
Average time to attend sewage spills, breaks and chokes (minutes)
TARGET 60.0

KPI
Average time to attend priority 1 bursts and leaks (minutes)
TARGET 60.0

WATER AND ENVIRONMENT

MEASURE
WASTEWATER COMPLIANCE

KPI
Percentage of volume fully compliant with EPA requirements
TARGET 52.0%

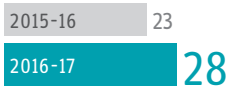
KPI
Trade waste customers with current consent/ contracts
TARGET 80.0%

KPI
Reportable dry weather sewage spills
TARGET 110

MEASURE
DRINKING WATER COMPLIANCE

KPI
Percentage of potable systems compliant with ADWG microbiological guidelines
TARGET 98.0%

KPI
Towns on long-term BWAs or DNCs
TARGET 13



KPI
E. coli detections
TARGET 30

[1] A total of 31 detections for the year, however only 27 were from compliance monitoring points.

COMMERCIAL AND ECONOMIC

MEASURE
FINANCIAL PERFORMANCE

KPI
Net profit after tax ($'000s)
TARGET $26,300

KPI
Sustainable cost savings ($'000s)
TARGET $3,500

KPI
Total overdue debt as % of rolling revenue
TARGET 4.6%

KPI
Interest cover ratio
TARGET >2.0

MEASURE
PROGRESS AGAINST CAPITAL PLAN

KPI
Capital expenditure ($'000s)
TARGET $105,000

PEOPLE AND CULTURE

MEASURE
SAFETY PERFORMANCE

KPI
Lost Time Injury Frequency Rate
TARGET 4.0

KPI
Total Recordable Injury Frequency Rate
TARGET 15.0

KPI
Safety interactions
TARGET 250

KPI
Notifiable incidents
TARGET 5

MEASURE
WORKS COMPENSATION CLAIMS

KPI
Number of claims
TARGET NOT APPLICABLE

KPI
Claims value ($'000s)
TARGET NOT APPLICABLE

MEASURE
ANNUAL LEAVE TAKEN

KPI
Number of employees with leave balances in excess of 40 days
TARGET 160

MEASURE
SICK LEAVE

KPI
Average sick days per FTE
TARGET <9.4

MEASURE
WORKFORCE NUMBERS

KPI
Permanent employees, contact, fixed term, and labour hire (FTEs)
TARGET 919

CUSTOMERS AND COMMUNITY

BUILDING CONFIDENCE AND TRUST

THE TASMANIAN FIRE SERVICE'S 230 BRIGADES AROUND TASMANIA ARE RESPONDING TO HOUSE FIRES, ALARM CALLS, ROAD CRASHES, BUSHFIRES AND VEHICLE FIRES

9AM

09:00

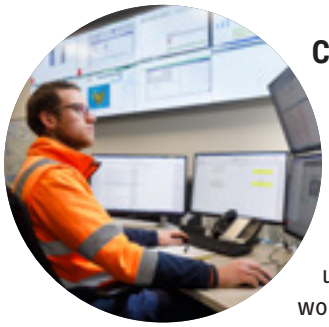
ON AVERAGE, TASWATER'S 24 HOUR CONTACT CENTRE HAS ALREADY RECEIVED AND RESPONDED TO 180 CALLS FROM OUR CUSTOMERS, AND RESOLVED 81 PER CENT OF THEM ON FIRST CONTACT.

TasWater has the fastest response to customer calls of all comparable water authorities in Australia, with 89 per cent of calls to our contact centre answered within 30 seconds. Our fully trained operators then have the capacity to deploy repair crews anywhere in the state, 24 hours a day, every day.

At TasWater we are continually striving to understand the needs of our customers, to ensure the services we provide meet or exceed their expectations. We do this by making the most of every customer interaction - whether it be speaking with one of our Customer Service Officers over the phone, liaising with our staff in the field, or attending a community meeting for one of TasWater's projects.

Key service achievements from the 2016-17 financial year include:

- Relocating an expanded Network Operations Centre (NOC) and Customer Service Centre (CSC) to a newly refurbished single-site in Devonport in November 2016
- Introducing tablets for use in the field resulting in less paperwork and increased efficiency
- Implementation of monitoring via the NOC on 21 previously unmonitored sewage pump stations across the state
- Working towards improved cyber security and operability within the NOC.



CUSTOMER SERVICE 24/7/365

Josh Brown at the NOC, which supports TasWater customers and field staff 24 hours a day, 365 days a year.

TasWater has been undertaking significant works to centralise our customer services during the 2016-17 financial year, the final stage of which was the relocation of our CSC and NOC to the newly refurbished Steele Street facility in Devonport in November 2016.

The CSC provides statewide support to our customers 24 hours a day, seven days a week, 365 days a year. We are here when our customers need us, and our statistics reveal a high overall level of satisfaction with TasWater's customer service delivery:

Percentage of customers satisfied with the level of service received	93%
Percentage of calls answered in 30 seconds	89%

Regarded as TasWater's nerve centre, the NOC is truly a 24 hour operation and provides:

- Detailed monitoring of TasWater's water and sewerage assets, with the aim of pre-empting issues and increasing the efficiency of resource utilisation
- Monitoring of critical alarms
- Management of after-hours callouts for high priority issues
- Safety and fatigue management for remote TasWater workers
- Weather advice to reduce the hazards to TasWater staff and contractor resulting from severe weather events.

Combining the NOC and CSC on a single site has resulted in more accurate and timely reporting of performance and reduced response times. We are then able to use our performance data to refine and improve our processes, ultimately allowing us to deliver a more consistent customer service experience.

CUSTOMER COMMUNICATIONS

The overall grade of service (GOS) across 24 hours, seven days a week, for the financial year was 89 per cent. This positively exceeds the Office of the Tasmanian Economic Regulator's (OTTER) target of 85 per cent.

Our customer services team received a total of 294,647 customer contacts for the financial year (162,553 voice, 21,759 face to face at our shop fronts, 79,335 via e-mail and 31,000 via the postal service).

We received 8,459 customer contacts outside normal business hours, less than the number of contacts received in a single month during business hours.

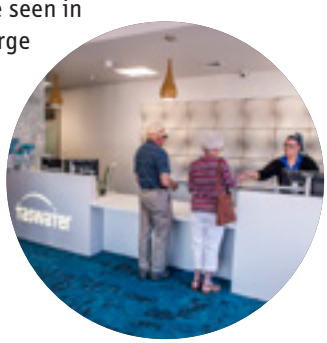
FROM COMPLAINT TO RESOLUTION

When a customer takes time to give us feedback, we take the opportunity to listen and fully understand their concerns. Our complaints are managed by our Customer Resolutions Team, who focus on resolving the customer's issues in a helpful and timely manner.

TasWater aims to respond to feedback within 10 days. During the year in review we were able to do so 93 per cent of the time, a five per cent improvement on 2015-16. Where we cannot respond in 10 days, we work with our customers to agree an alternative time frame.

There were 63 customer matters registered with the Tasmanian Ombudsman at 30 June 2017, a 16 per cent reduction from 2015-16. Of these enquiries, 45 were passed on to TasWater officers for review - with just two of those submitted to the Chief Executive Officer. All of these enquiries were subsequently resolved.

When we need to make a change based on a customer's feedback, we listen, we seek to understand, and we make the changes required to improve the customer's experience. An example of this approach in action can be seen in our interactions with George Town resident Malcolm Graske – see the case study on page 15 for more information.



Customers visiting our new Steele Street shopfront in Devonport.

BILLING

Our goal is to issue customer accounts at the same time every quarter. Over the past 12 months 99 per cent of our bills were issued on time.

As part of our focus to reduce operational costs and our impact on the environment, we continue to encourage customers to adopt eBilling as their preferred payment method, when convenient. At the end of the 2016-17 financial year, 13 per cent of our customers' bills were issued via email or BPAY, as compared to 8 per cent in 2015-16. Similarly, 3 per cent of customers chose to settle their bill by direct debit, as compared to just over 1 per cent in 2015-16.

SUPPORTING OUR DEVELOPERS

Timely processing of development, building and plumbing applications continues to be a key performance indicator for TasWater. We continue to support the Tasmanian construction industry, with 99 per cent of all applications processed within our 10 business day timeframe in 2016-17.

During this period TasWater also worked closely with the Director of Building Control to streamline the process for identifying development applications that are exempt from TasWater's processes. Building services providers now make a determination as part of the preliminary assessment of a project without the need to make an application to TasWater.

WORKING WITH OUR TRADE WASTE CUSTOMERS

At the end of the 2016-17 financial year, 75 per cent of our almost 4,000 commercial customers had been inspected under our statewide Commercial Compliance Program. Taswater works individually with these customers, assessing their business activities for trade waste and pre-treatment systems. Once assessed, we give our customers 18 months to implement any required changes - up to five times longer than comparable interstate water utilities.

Similarly, all but one of our industrial customers now operate under an Industrial Trade Waste Agreement (ITA), exceeding our desired target of 80 per cent. Many have made substantial commitments to improve their trade waste quality by implementing a combination of cleaner production improvements and capital expenditure on pre-treatment equipment.

Trade waste compliance ultimately benefits the environment, reduces the risk of spills and service interruptions, and is a key enabler for TasWater to meet its licence obligations.

COMMUNITY ENGAGEMENT

Good community engagement is about providing a voice to those affected by our capitals works programs, infrastructure issues, or changes in service and policy. Our programs meet international best practice standards and aim to deliver better outcomes through a combination of face to face meetings, phone calls, community meetings, emails, letters, traditional media, social media and our dedicated YourSay website.

During the year we facilitated 36 community meetings across the state as part of approximately 30 ongoing TasWater capital works projects, including:

- Regional Towns Water Supply Program – which involves removing PHAs from 28 regional towns by August 2018
- Blackmans Bay STP and proposed pipeline route – part of the Kingborough Sewerage Strategy
- Gretna, Glenora and Bushy Park – which involved meeting with residents to discuss whether they wanted to receive water that meets Australian Drinking Water Guidelines via the system being constructed at Gretna (with the majority of residents voting to go ahead).

CASE STUDY: COMMUNITY ENGAGEMENT

MALCOLM GRASKE
GEORGE TOWN RESIDENT

TasWater recently completed an upgrade of the sewage pump station off The Strand in George Town to help minimise the risk of sewage flows entering sensitive receiving waters.

The original pump station was immediately in front of Mr Graske's property, and during the upgrade TasWater staff liaised with Mr Graske and other nearby residents to minimise the visual impact of the upgraded infrastructure.

The new sewage pump station in front of Mr Graske's property.

Our people have had a significant level of engagement with residents over the past two years and a number of changes were made to the above-ground components of the original design. These included the installation of a special bollard instead of a vent pole and the use of grass-covered pavers instead of bitumen sealing.

"The TasWater engineers listened to residents and were responsive to our concerns," Mr Graske says. "Everyone's goal was to achieve the most favourable aesthetic result, within the constraints of the job. We worked through things a step at a time and we had a better-than-average rapport with TasWater. Now that the job is finished, we're satisfied that a good result has been achieved."

WATER AND ENVIRONMENT

PROVIDING SAFE DRINKING WATER AND SEWERAGE SERVICES

02:00

TASWATER ON-CALL CREWS ARE MOBILISED AND ON SITE REPAIRING A BURST WATER MAIN WITHIN 60 MINUTES OF NOTIFICATION

A VISITOR TO SCAMANDER IS UP LATE GETTING A DRINK OF CLEAN, SAFE WATER STRAIGHT FROM THE TAP

2AM

To ensure water is safe and clean TasWater performs more than 180,000 compliance tests every year – approximately 129,000 water compliance and 51,000 for effluent compliance. The results of our water tests are published each year in the TasWater Annual Water Quality Report.

DRINKING WATER QUALITY

TasWater engaged in a wide variety of initiatives to improve the quality of the drinking water we supplied to our customers during the financial year:

- Planning the roll-out of our Regional Towns Water Supply Program, which sees TasWater committing to the removal of PHAs from all those Tasmanian towns affected by BWA or DNC notices
- Optimisation of WTPs to maximise operational efficiency, including increased removal of taste and odour compounds at Bryn Estyn near New Norfolk
- Increased real-time monitoring of WTPs to ensure we are providing high quality water to our customers

- Establishment of a Water Systems Optimisation Team to accelerate improvements in water quality and reduce public health risks
- Program to reduce the number of *E. coli* detections, resulting in a 67 per cent reduction
- Conducting catchment assessments to assess risk across our 70 drinking water catchments
- Participating in the Lake Trevallyn Algal Bloom Monitoring Program (in partnership with NRM North, Hydro Tasmania, West Tamar Council, Meander Valley Council and the Institute for Marine and Antarctic Studies Launceston) to enable early response to algal activity in Lake Trevallyn to minimise health and aesthetic issues.

Additionally, TasWater's Barrington WTP was awarded Best Tap Water in Australia in October 2016 by the WIOA.

SIGNIFICANT INFRASTRUCTURE IMPROVEMENTS

- Ringarooma Valley Water Scheme:
  - Construction of the Ringarooma WTP started in November 2015, and was completed in April 2017. The plant has been supplying treated water to the five connected townships (Ringarooma, Legerwood, Branxholm, Derby and Winnaleah) since May 2017. PHAs in this five-town system are due to be lifted in the first quarter of the 2017-18 financial year
  - The pipeline from Derby to Winnaleah commenced in October 2016, and was completed in February 2017 (pipelines from Ringarooma WTP to Ringarooma, Legerwood, Branxholm and Derby were previously completed in December 2015)
- Construction of the Rosebery WTP commenced in January 2016, and was ongoing during the 2016-17 financial year. The plant is due for completion in early 2018
- A new WTP was completed at Whitemark in August 2016. Treated water was made available to the town in September 2016, and the DNC lifted in November 2016
- After significant upgrades and testing at Scamander's WTP and associated infrastructure, the BWA for the town was lifted in November 2016
- Lady Barron WTP was completed and functioning, including testing, commissioning and Proof of Performance testing in August 2016. Treated water has been available to Lady Barron township since mid-August 2016, with the BWA due to be lifted in late July 2017
- Construction of a pipeline to transfer water from the Fingal WTP to Avoca was completed in March 2017. Water sampling commenced at the same time, with Avoca's DNC due to be lifted in the first quarter of 2017-18
- The new WTP was completed at Mole Creek in November 2016, including commissioning and Proof of Performance testing. TasWater undertook reticulation network improvements in early 2017 and has been supplying treated water to Mole Creek since February, with chlorinated water introduced in April. Mole Creek's BWA is due to be lifted in July 2017
- In April 2017 the new pipeline between Gretna and Bushy Park commenced construction, and is scheduled to be completed in September 2017
- The King Island water pipeline project started construction in May 2017, and forms part of the larger King Island Water Infrastructure Project, which is anticipated for completion in late 2018.

ENVIRONMENTAL COMPLIANCE AND IMPACT

Nicholas Lovegrove, Regional Water Services Operator, sampling water in Legerwood.

During 2016-17 we have been working with the EPA on a combined approach to improve our environmental performance. In December 2016 we signed a Memorandum of Understanding (MoU) with the EPA that outlines an agreed approach for the next three years. Key actions under this MoU are:

- **Big 13** - To improve our environmental compliance KPI from 45 per cent to 65 per cent volume compliance by the end of 2019. This action focuses on improving compliance in the 13 statewide STPs that collectively treat approximately 70 per cent of Tasmania's sewage volume
- **Top 20** - To reduce significant risks, the focus was on four key areas of environment risk (pathogens, toxicants, nutrients and odour) at 20 sites. Risk assessments for these key areas have been completed and agreed actions identified.

To progress these actions we have established a Sewer System Optimisation Team, comprised of scientists, process engineers and operational staff. The team will deliver the above Big 13 and Top 20 MoU projects and identify other actions to achieve rapid improvement in our performance. These projects will be given a high priority for completion in the three year period.

ENVIRONMENTAL REPORTING

We report to the EPA annually on our performance with respect to wastewater and environmental management through the production of annual environmental reports.

TasWater owns and operates 79 Level 2 STPs licensed under the EPA, and 34 Level 1 STPs licensed by local councils. The 13 largest by volume of the Level 2 STPs now undertake weekly compliance sampling to see greater gains in compliance and track performance.

Key details reported during 2016-17 include:

- Effluent volume fully compliant with Level 2 licence discharge limits increased to 50 per cent (from 44 per cent in 2015-16)
- Compliance of effluent parameters tested increased to 86 per cent (from 84 per cent in 2015-16)
- Volume of effluent reuse decreased to nine per cent (from 10 per cent in 2015-16)
- The majority of biosolids also continue to be sent for beneficial reuse, with less than 0.2 per cent sent to landfill.

TasWater received two Environmental Infringement Notices during the 2016-17 financial year from the EPA, totalling $1,570 in fines. Both were issued on 30 June 2017 and consisted of two breaches at construction works for the new outfall in to the Meander River. The works were found to be in contravention of conditions CN1 and CN2 of the applicable permits (PA/15/0110 and 9233) relating to section 51(b) of the *Environmental Management and Pollution Control Act* 1994. The breaches arose from:

- Failure to submit a Construction Environmental Management Plan (CEMP) in advance of commencing the construction works to establish a new discharge outfall into the Meander River, and failing to adequately address prescribed environmental management criteria in the CEMP once submitted – breach of CN1
- Failing to notify the EPA prior to construction commencing – breach of CN2.

To avoid further events of this nature, TasWater is focusing on improving the internal governance processes of all infrastructure projects. These improvement initiatives include:

- The refinement of project management plans, with particular attention to EPA requirements such as the need for a CEMP
- Continuing refresher training
- Augmenting the current internal audit program.

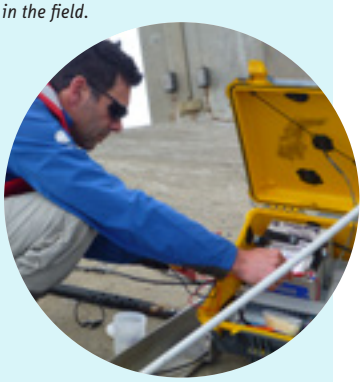
CASE STUDY: DERWENT ESTUARY PROGRAM

CHRISTINE COUGHANOWR, DERWENT ESTUARY PROGRAM

The Derwent Estuary Program (DEP) works in collaboration with state and local governments, commercial and industrial organisations, and a range of community groups, with the aim of monitoring, protecting and enhancing the quality and values of the River Derwent, from its upper reaches to the sea.

TasWater is a major partner and sponsor, liaising with the Derwent Estuary Program in support of its varied initiatives to reduce water pollution, conserve habitats and species, monitor river health and promote greater use and enjoyment of the foreshore.

DEP staff processing samples in the field.



Director Christine Coughanowr says that TasWater and the DEP have recently been working together on catchment monitoring of the Derwent above TasWater's Bryn Estyn water treatment plant, upriver from New Norfolk.

"The River Derwent is the source of the majority of Hobart's drinking water," Ms Coughanowr says. "In 2016 we began a new 12 month monitoring program of water quality in the river, working closely with TasWater as well as Hydro Tasmania and NRM South, sampling water quality in the Derwent and tributaries at a variety of sites above Bryn Estyn," Ms Coughanowr says.

A previous study in 2011 had identified higher nutrient levels in the water. The ongoing monitoring in the new program will help inform best-practice management to mitigate pollution.

TasWater fully supports cooperative monitoring programs that enable a whole-of-catchment picture to emerge, improving opportunities to manage the issues that affect river water quality.

OUR PEOPLE AND CULTURE

BUILDING CULTURE FOR THE LONG TERM

CHILDREN ACROSS TASMANIA ARE HEADING HOME FROM SCHOOL

3PM

15:00

SENIOR TASWATER STAFF ARE PASSING ON SKILLS AND KNOWLEDGE ESSENTIAL FOR A SUSTAINABLE WATER AND SEWERAGE INDUSTRY NOW AND FOR FUTURE GENERATIONS.

At TasWater we believe that opportunities for professional development are essential for attracting and retaining the best employees. We offer a range of nationally recognised mentoring and training opportunities right across the business, increasing expertise and capability within our state.

IMPROVING SAFETY

Every employee has the right to return home safely at the end of their working day. At TasWater we have the long-term goal of achieving zero harm and protecting the health and wellbeing of all our people. Over the last 12 months we have continued to embed the ideas, beliefs and practices within our organisation that will help us ensure that safety is a long term, prominent part of our culture.

SAFETY PERFORMANCE

In 2016-17, the rolling Lost Time Injury Frequency Rate (LTIFR) was 3.8, which is a 22 per cent decrease compared to the 2015-16 result of 4.9. This shows a decreasing trend as compared to last financial year, and comes in under the Corporate Plan LTIFR target of no more than four (4.0).

The Total Recordable Injury Frequency Rate (TRIFR) was 13.7, an 11 per cent decrease from 15.4 per cent (2015-16), and falling under our Corporate Plan target of no more than 15. The number of regulatory reportable safety incidents decreased from seven in 2015-16, to a total of five by the close of the 2016-17 financial year.

RECOGNITION AND REWARD

Key to achieving sustainable improvements in TasWater's safety culture and performance is providing consistent recognition and reward for positive behaviours.

TASMANIAN WORKSAFE AWARDS 2016

The WorkSafe Tasmania Awards recognise Tasmanian businesses, organisations and individuals who lead the way in work health and safety, health and wellbeing, and return to work.

Martin Judd and Nigel Cure accepting their WorkSafe awards.

In 2016-17, TasWater submitted entries into five categories with two achieving first place and another two being recognised as finalists:

- Health and Safety Representative of the Year Award – Nigel Cure, Remote Networks
- Best Individual Contribution to Work Health and Safety Award – Martin Judd, Health and Safety Service Delivery (North)
- Best Solution to a Work Health and Safety Issue Award (finalist) – Darren Lord, Hypochlorite Handling System
- Best Work Health and Safety Management System Award (finalist)– TasWater Fatal Risk Program.

ZERO HARM

Two key initiatives in our Zero Harm suite of health and safety programs were progressed over the 2016-17 financial year:

1. **Contractor Safety Management Program**
   As the TasWater capital program grows we have introduced a comprehensive contractor management program, to safeguard the workers engaged by our contractors and ensure they have safety standards equivalent to those enjoyed by TasWater employees. Further, that this program aims to ensure that contractors and TasWater are meeting their obligations the *Work Health and Safety Act 2012*.
2. **Fatality Risk Reduction Program**
   The TasWater Fatality Risk Reduction Works Program continued to focus on reducing the top three safety risks for the business - electricity, vehicles and mobile plant, and unauthorised access.

Electricity
The Electrical Safety Improvement Program saw all remaining sites in phase two of the electrical remedial works completed in financial year. The Electrical Safety Committee has:

- Developed a TasWater standard for working on or near low voltage equipment referencing all appropriate legislation and industry standards in consultation with TasNetworks
- Conducted a pilot program of isolation from all forms of energy (including electrical) at Ti Tree Bend STP, Pumping North and Blackmans Bay STP.

Vehicles and mobile plant
We completed an audit of the TasWater fleet, including vehicles, trucks and trailers. Statutory deficiencies were immediately rectified and long term solutions for vehicle improvements were identified. All outcomes have been incorporated into the Fleet Management Review Project currently underway.

Unauthorised Access
The Fencing Upgrade Program saw the completion of 19 sites across the state during the 2016-17 financial year. The program was created after a number of incidents involving unauthorised public access to TasWater sites, and has upgraded 64 sites since it commenced in 2015-16.

BUILDING CAPABILITY

TasWater is dedicated to ensuring we have skilled people who can deliver on our commitment to our customers. The business also makes increasing capability within the state a key priority - to ensure we have the skills, knowledge and technical expertise to ensure a long term, sustainable water and sewerage sector that supports our economy. To meet these commitments the organisation has a diverse range of programs and initiatives open to our employees.

Project Management Capability
Building on the success of the inaugural Project Management Capability Development Program, TasWater has embarked on a second round in 2016-17.

The program involves four workshops spread over two days across the state, with participants working on real TasWater projects to build a common base of skills, knowledge and expertise in project management across all areas of the business.

To date, 71 employees have successfully completed Certificate IV in Project Management, with 48 at the Diploma level.

TasWater Internship Program
Eight students across both engineering and corporate disciplines have been employed at TasWater over the summer university vacation period in our Internship Program. Mentored by experienced senior professionals, the students gained valuable workplace experience.

TasWater Graduate Development Program
TasWater has signed up with Engineers Australia to become a Professional Development Program (PDP) partner, where we support our graduates to become Chartered Engineers, increasing skills and qualifications within the state.

Intern Jak Murphy with Project Manager Stephen Dadswell.

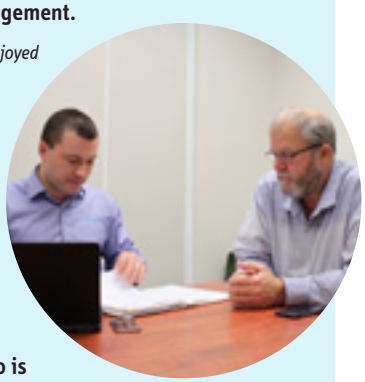
Water Treatment Traineeship Program
This program focuses on developing the capability of our water operators and is critical in developing a highly technical, skilled Tasmanian workforce now and for the future. This program provides employment and career opportunities in regional and remote areas of Tasmania. 20 trainees (new and existing employees) of all ages from all over the state commenced this key program during the financial year.

People Leaders' Forum
Our inaugural People Leaders' Forum was held in Launceston in December 2016, which consisted of all people leaders across the organisation coming together for the first time.

CASE STUDY: PEOPLE AND CULTURE

GENESIS MEIR-ANDERSON, TASWATER

Genesis joined TasWater in 2006 as an apprentice plumber. During the past 11 years, as well as completing his plumbing apprenticeship, he has continued a successful program of training with us, achieving his Certificate II in Business Systems, Certificate II in Construction, Certificate III in Water Operations and most recently, a Certificate IV and Diploma in Project Management.



Genesis Meir-Anderson has enjoyed working closely with Senior Project Manager Randal Muth.

His experience with TasWater is clear proof of the positive impact that ongoing training can have on the career path of a keen and highly-motivated employee who is seeking to further his career.

TasWater has provided ongoing support to Genesis, assisting him to make the move from our outdoor workforce in the Service Delivery area to be now working alongside TasWater Project Managers in our Asset Portfolio, Planning and Delivery Division.

"The training I have completed has changed my life," he says. "After starting out as a plumber, I am now off the tools and well on the way to building a long-term a career pathway with TasWater, consolidating my learning by spending time on the job receiving mentoring support from some very experienced project managers."

COMMERCIAL AND ECONOMIC

PROVIDING AFFORDABLE, POSITIVE, AND SUSTAINABLE SERVICE

RESTAURANTS BEGIN ORGANISING THEIR EVENING MENUS, PREPARING LOCAL PRODUCE AND TASMANIAN SEAFOOD

4PM

16:00

TASWATER STAFF ARE SAMPLING WATERWAYS, INLETS AND STREAMS ENSURING WE MEET THE HIGH STANDARDS NECESSARY TO SUPPORT THE ECONOMY AND LIFESTYLE OF OUR ISLAND STATE.

In addition to compliance testing, TasWater carries out extensive operational testing of inlets, raw water, groundwater, and other ambient water to gauge the environmental impact of our operations.

PRODUCTIVITY IMPROVEMENT

TasWater's Productivity Improvement Program ramped up from 1 July 2016, with the focus on keeping our customers' bills affordable.

TasWater is always seeking better ways to operate, and this is reflected in the more than $10 million of savings that have been achieved since we were established in 2013. However during the year in review we have also increased efforts to boost productivity and savings, ensuring we remain efficient and sustainable into the future.

This financial year we have delivered $3.8 million in operational cost reduction and $3.3 million in revenue enhancements, which has enabled us to work with the regulator to ensure our customers' bills remain affordable. The key projects that have supported this outcome are:

Initiative	FY 2016-17 Savings	FY 2017-18 Budgeted	Comment
Laboratory Review	$0.6M	$0.4M	Consolidation of our laboratory services and new contract for external testing
Centre-led Procurement	$0.3M	$1.7M	Improving the way we purchase our goods and services
Service Delivery Rapid Review	$0.8M	$3.5M	Reviewing what we do and how we deliver it
Power Cost Efficiencies	$1.1M	$0.0M	Reviewing our tariff and bills to ensure we are getting value for money
Revenue Enhancement	$3.3M	$1.0M	Continuing to review our customer data to ensure accuracy in billing data

The team is committed to delivering $21 million in savings by the end of our 10-year plan and we will continue to focus on where we can add value and enhance performance.

RISK MANAGEMENT

In late 2015 Deloitte undertook a project to assess the maturity and performance of TasWater's risk management framework in the context of better practice and peer organisations as part of the 2015-16 Annual Internal Audit Plan.

Cherie Woolley and Louise Lieschke undertaking training at TasWater's Customer Service Centre, which supports TasWater customers 24 hours a day, 365 days a year.

Guy Kearnes, Water Services Operator, sampling at the Smithton Sewage Treatment Plant.

The objective for the project was to provide an enhanced understanding of the current state of our risk management maturity and to identify a desired target state, along with gaining insights into contemporary industry-based better practice. The risk management maturity of the four prior corporations was assessed in 2011 and this has been used as the baseline to assess progress since.

The TasWater Board re-assessed strategic risks and identified the top five as being:

1. **Water quality and public health risk**
   TasWater may provide unsafe drinking water resulting in a serious public health incident and/or impact on the Tasmanian economy
2. **Worker and public safety risk**
   Employees, contractors or members of the public may be seriously injured or killed due to TasWater work practices or exposure to serious hazards at our workplaces
3. **Environmental and third party risk**
   Sewerage system processes, infrastructure failures or other routine business activities may result in serious or material environmental harm, impact on third parties and/or have adverse reputational or regulatory impacts
4. **Asset failure risk**
   Critical assets may fail due to the age of the assets and/or inadequate asset management, including dam failure (excluding failures resulting in environmental harm)
5. **Business continuity risk**
   TasWater may be unable to adequately respond to and provide service continuity after an incident such as a bushfire, failure of critical infrastructure, process or a severe weather event.

MEETING THE CHALLENGE

In response to these risks, TasWater regularly reviews our Risk Management Plan and conducts emergency management exercises. In the past year we have:

- Formally trained 19 staff members as incident controllers
- Developed, improved and implemented plans to reduce the likelihood and impacts of incidents such as drinking water contamination, sewer spills, floods and storms, bushfires, and dam emergencies
- Conducted a number of major scenario-based emergency exercises to practise and improve our ability to manage incidents using the Australasian Inter-Service Incident Management System (AIIMS)
- Actively participated in regional, state and national emergency planning committees to build stronger relationships with emergency services, local government, government agencies and other critical infrastructure providers
- Declared, responded to and managed a large number of events ranging from *E. coli* detections in the water supply, sewer odours and spills, incidents with potential significant reputational impact and IT/communications outages.

Mark Abela and Craig Wills participating in emergency response training.

CASE STUDY: COMMERCIAL AND ECONOMIC PERFORMANCE

DAN RODEN, CHAIRMAN, OYSTERS TASMANIA

Dan Roden, Chairman of Oysters Tasmania, acknowledges that the relationship between the industry and Tasmania's water and sewerage utilities hasn't always been smooth in the past. However he is pleased to report that things have changed for the better over the past year, with TasWater investing considerable funds to mitigate the impact of spills into sensitive waters around the state.

"Oysters Tasmania has collaborated with TasWater to identify those areas most at risk from spills, which occasionally occur after periods of heavy rainfall," Mr Roden says. "In a series of well-attended meetings with growers, TasWater listened to our concerns and explained their plans to increase capital expenditure and upgrade infrastructure in response to the industry's needs."

A good example of how TasWater customers benefit from our incident management process was the prompt response to the risk of a spill in Pittwater, an important oyster growing area affected by heavy rains in mid-2016.

"To prevent a spill, TasWater arranged to truck effluent from the Cambridge sewage treatment plant, which may not have been able to cope with the increased inflow, to TasWater's Rosny plant. A convoy of trucks worked around the clock until the risk was over, and no spillage occurred.

Implementing these measures resulted in four spills being prevented during 2016-17. As a single spill would generally result in 21 days where growers cannot market their product, TasWater effectively prevented 84 outage days for Tasmanian oyster growers.

"It proved that TasWater is not only acutely aware of the needs of our shellfish industry, but also ready to take action to support us," Mr Roden said.

GOVERNANCE

6PM

HOUSEHOLDS ARE LOOKING AT THEIR BUDGETS, PRIORITISING SPENDING BASED ON THEIR NEEDS AND AVAILABLE FINANCES

TASWATER IS DOING THE SAME, CAREFULLY BALANCING THE SPENDING NEEDED TO MEET OUR OBLIGATIONS WITH KEEPING CUSTOMER BILLS AS AFFORDABLE AS POSSIBLE.

18:00

Tasmanians are benefiting from the highest investment per property on capital development of any water authority in Australia with $104 million spent delivering 394 capital projects in 2016-17. At the same time Tasmanians enjoy some of the lowest prices in the country, with TasWater's bills being the lowest of any comparable water utility in Australia on a litre-for-litre basis.

LEGISLATIVE AUTHORITY

The Tasmanian Water and Sewerage Corporation Pty Ltd, trading as TasWater, was established under the *Water and Sewerage Corporation Act 2012* (WSCA). It was incorporated on 5 February 2013 as a proprietary limited company under the *Corporations Act 2001*, owned in equal shares by the 29 Tasmanian councils. Its constitution was adopted on incorporation and ratified by the owners at a general meeting on 16 May 2013.

The WSCA prescribes our objectives as:

- To efficiently provide water and sewerage functions in Tasmania
- To encourage water conservation, the demand management of water and the re-use of water on an economic and commercial basis
- To be a successful business and, to this end:
  - Operate our activities in accordance with good commercial practice
  - To deliver sustainable returns to our members
  - To deliver water and sewerage services to customers in the most cost-efficient manner.

PRINCIPAL ACTIVITIES

Our principal activities during 2016-17 were:

- Providing water and sewerage services for residential and commercial customers throughout Tasmania
- Undertaking maintenance, upgrading and development works on water and sewerage assets and preparing strategic development plans for the future.

ROLE OF THE BOARD

The Board of Directors are responsible for the corporation's overall corporate governance. The Board performs this role by:

- Governing the corporation in accordance with the requirements of the WSCA, including meeting its objectives under that Act
- Providing entrepreneurial leadership of the corporation within a framework of prudent and effective controls which enable risks to be assessed and managed
- Setting the corporation's strategic aims, ensuring the necessary financial and human resources are in place for the corporation to meets its objectives and reviewing management performance
- Setting and monitoring strategic requirements for effective financial reporting and risk management
- Setting the corporation's values and standards and ensuring that its obligations to its shareholders and others are understood and met
- Appointing the Chief Executive Officer and monitoring performance
- Ensuring the corporation complies with its constitution as well as all applicable laws and relevant instruments, including the Shareholders' Letter of Expectations.

The Board has determined which matters it will manage exclusively, with the remainder delegated to the CEO and various officers within the corporation.

CORPORATE GOVERNANCE FRAMEWORK

Corporate governance is the system by which the activities of the corporation are controlled and coordinated in order to achieve its desired outcomes.

TasWater has voluntarily adopted the ASX's *Corporate Governance Principles and Recommendations* (ASX Principles) as the basis for its corporate governance framework.

As it is not a publicly listed company, not all of the ASX Principles are relevant and in some areas TasWater's governing legislation, context and structure preclude it from complying with those principles. Where this occurs, TasWater has sought to recognise the intent of the ASX Principles in its policies and practices, while remaining compliant with its obligations under other applicable instruments.

The WSCA mandates other specific governance features, including the composition of the Board, rights and responsibilities of our owner councils, and formally displaces specific sections of the *Corporations Act 2001*. In most other ways, the Board's powers, obligations, rights and responsibilities are similar to those of other privately-owned, large proprietary limited companies.

A summary of our compliance with the ASX Principles is included later in this section.

TasWater Board 2016-17: Ms Sally Darke, Mr Nick Burrows, Mr Peter Lewinsky, Mr Miles Hampton, Ms Sibylle Krieger, Dr Helen Locher, and Mr Tony Kelly.

BOARD STRUCTURE

The WSCA prescribes the composition of TasWater's Board. All Directors, including the Chairman, are non-executive and independent in terms of their external relationships with the corporation.

Chairman: Mr Miles Hampton, B.Ec (Hons), FCPA, FCIS, FAICD
Appointed: 1 February 2013
Reappointed: 1 February 2015

Mr Hampton was the Chairman of Southern Water, Ben Lomond Water, Cradle Mountain Water and Onstream from 2011-13 and a director of all four entities from 2008.

He was previously Chairman of the bulk water authority, Hobart Water, from 2005-2009.

Mr Hampton is a former member of the Tasmanian Planning Commission and the Infrastructure Advisory Council.

Mr Hampton is currently Chairman of MyState Limited.

For more than 20 years, Mr Hampton was the Managing Director of ASX-listed agribusiness Roberts Limited until his resignation in 2006.

He has been a Director of Australian Pharmaceutical Industries Ltd, The Van Diemen's Land Company, Forestry Tasmania, Impact Fertilisers Pty Ltd, Ruralco Holdings Ltd and Money3 Corporation Ltd.

Nick Burrows, B.Com, FAICD, FCA, FGIA, FTIA, F Fin
Appointed: 26 March 2015
Reappointed: 1 March 2017

Mr Burrows is currently Chairman of TasTAFE, and a member of the boards of Australian Seafood Industries Pty Ltd, Clean Seas Tuna Ltd, Metro Tasmania Pty Ltd, and Peloton Global Pty Ltd. He also acts as an independent adviser to a number of other boards and committees.

Prior to the restructure of the Tasmanian water and sewerage corporations, he was a Director of Southern Water from 2011-2013.

Mr Burrows has over 30 years' commercial experience in Tasmania's public, government and local government sectors focusing on corporate governance and strategic, commercial, financial and risk management oversight, underpinned by his background as a chartered accountant and registered company auditor.

Sally Darke, B.Ec, FAICD
Appointed: 1 January 2016

Ms Darke is currently Chairperson of the Tasmanian Community Fund, Chairperson of the Scotch Oakburn College, and Non Executive Director of TasPorts. She is also past Chairperson, Director and advisor to the Board of B&E Ltd.

Ms Darke has more than 25 years of experience in human resources and corporate governance in the financial, infrastructure, education, sporting and community sectors with an emphasis on regulated industries. For 10 years she was also a Director in the advisory practice of KPMG.

Vincent (Tony) Kelly, CPEng, Dip Civ Eng, MAICD
Appointed: 1 March 2016

Mr Kelly has in excess of 40 years' experience in the water industry and was previously Managing Director of Yarra Valley Water (2003-2014). He is an Adjunct Professor at the University of Technology Sydney and a member of the board of WaterLinks. In addition, he has held numerous positions on water industry and not-for-profit bodies, including Chairman of WaterAid Australia, the Savewater Alliance and the Victorian Water Industry Association's Sustainability Taskforce.

Tony has recently provided advice to the Victorian state government on water policy and to utilities on long term water supply security.

Sibylle Krieger, LLB (Hons), LLM, MBA, FAICD
Appointed: 1 March 2013
Reappointed: 1 March 2015

Ms Krieger has over 35 years of broad commercial experience as a lawyer, economic regulator and non-executive director. She was a partner in two large commercial law firms for 22 years.

Ms Krieger spent six years as a tribunal member of the principal New South Wales economic regulator (IPART) which deals with a wide range of regulated sectors, including water. She is currently Chair of Xenith IP Group Limited (ASX:XIP), a director of MyState Limited (ASX:MYS), a director of the Australian Energy Markets Operator Limited (AEMO), a trustee of Sydney Grammar School and a director of its Foundation. She was formerly a director of Sydney Ports Corporation and Allconnex Water and a Trustee of the Royal Botanic Gardens and Domain Trust in Sydney.

In addition Ms Krieger serves as a member of the Energy Security Taskforce established by the Tasmanian Minister for Energy in June 2016 following an energy crisis in Tasmania caused by a combination of drought and the prolonged failure of Basslink.

Peter Lewinsky, B.Ec, MBA, FCA, FAICD, SF FinSia
Appointed: 1 March 2013
Reappointed: 1 March 2014
Reappointed: 1 March 2017

Mr Lewinsky is currently Chair of Holmesglen Institute, TAL Superannuation Ltd, and the Australian Centre for the Moving Image. He is also a member of the board of Ambulance Victoria, and of various government audit committees.

Mr Lewinsky has conducted his private consulting practice since 1991 and has extensive experience in governance, strategic planning, organisational change, financial management and risk management. He is also an honorary board member of the Emmy Monash Home for the Aged.

Dr Helen Locher, B.Sc., M.Env.Sc., PhD (Civil Engineering), GAICD
Appointed: 1 March 2016

Dr Locher has in excess of 25 years' experience in working both within Australia and overseas on environmental, social and sustainability issues, with a particular focus around water resource management and sustainable regional development.

She is a member of the Resource Management and Planning Appeals Tribunal and has previously held Board roles on the Environment Protection Authority and the former Resource Planning and Development Commission.

DIRECTORS' MEETING ATTENDANCE 2016-17[1]

	Board		Audit & Risk Committee (AAR)		Capital Works Committee (CWC)		Environment & Public Health Committee (EPH)	
	Eligible	Attended	Eligible	Attended+	Eligible	Attended+	Eligible	Attended+
Miles Hampton (Board Chair)	13	12	-	2+	-	4+	-	4+
Nick Burrows (AAR Chair)	13	13	4	4	-	4+	4	4
Sally Darke	13	11	4	4	-	4+	4	3
Vincent (Tony) Kelly	13	13	4	3	4	4	-	3+
Sibylle Krieger (EPH Chair)	13	11	-	1+	4	4	4	4
Peter Lewinsky (CWC Chair)	13	10	4	3	4	4	-	3+
Dr Helen Locher	13	12	-	4+	4	4	4	4

1 Does not include matters dealt with by circular resolution at either committee or board level

+ Denotes attendance by Directors who are not members of the relevant Board Committee

AUDIT AND RISK COMMITTEE

TasWater's Audit and Risk Committee (AAR) comprises four independent Directors. The committee is chaired by Mr Nick Burrows and met four times during the year.

The Board has approved the committee's charter, which is reviewed annually. Under the charter, the committee assists the Board by reviewing, monitoring and overseeing matters relating to external reporting, risk management and internal controls, external and internal audit functions and compliance with all legislative and regulatory obligations.

The committee approves the strategic internal audit plan to ensure planned audit activities are aligned to key business risks. Internal audit reports are provided to the Audit and Risk Committee at scheduled meetings.

During 2016-17, the committee considered a number of matters including financial and accounting policies, compliance and risk management. The committee also oversaw delivery of a comprehensive internal audit program designed to inform the Board and management on key business and control risks.

The committee has ongoing communication with external and internal auditors.

See page 40 for the Auditor's Independence Declaration.

CAPITAL WORKS COMMITTEE

The Capital Works Committee (CWC) comprises four independent Directors. It is chaired by Mr Peter Lewinsky. The Committee met four times during the year.

In accordance with its charter approved by the Board, CWC assists the Board by reviewing, monitoring and overseeing matters relating to strategic asset management and capital investment activities. Its major focus in 2016-17 was to:

- Review and recommend to the Board for approval TasWater's policies and high-level frameworks for asset monitoring, capital planning, business case evaluation and approval and capital works delivery
- Review strategic asset assessments (including dam safety assessments)
- Review and recommend the three year rolling and annual capital works plans to the Board for approval
- Review and recommend major projects for Board approval
- Monitor and overview the implementation of the capital works program, the effectiveness of policies and processes and staff training and accountability relating to capital works planning and delivery.

ENVIRONMENT AND PUBLIC HEALTH COMMITTEE

The Environment and Public Health (EPH) Committee comprises four independent Directors. It is chaired by Ms Sibylle Krieger. The Committee met four times during the year.

In accordance with its charter approved by the Board, EPH assisted the Board by reviewing, monitoring and overseeing matters relating to environmental management and compliance and public health performance and compliance.

Its major focus in 2016-17 was:

- Ongoing improvement in water quality, particularly in relation to developing system improvements for the removal of PHAs from regional towns
- Understanding the impacts of trade waste on TasWater's operations and stakeholder implications in moving toward contemporary trade waste management
- Understanding the impact of the business on the natural environment through increased scientific assessments of the impact of sewage treatment plants on receiving waters.

THE BOARD SELECTION COMMITTEE

The Board Selection Committee is a committee of the Owners' Representatives Group. In accordance with TasWater's Constitution it comprises eight Owners' Representatives and the Board Chair. The committee's main function is to select and appoint Directors, ensure the skill mix of the Board is appropriate, evaluate Board and committee performance and maintain and implement the Board remuneration framework. The Board Selection Committee met once during the year.

CORPORATE GOVERNANCE DISCLOSURE OBLIGATIONS

The following table summarises TasWater's compliance with ASX Principles. It provides the specific disclosures required where these are not included elsewhere in this Annual Report.

Principle 1 – Lay solid foundations for management and oversight *Companies should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.*	
The respective roles and responsibilities of TasWater's Board and management are disclosed.	✓
Those matters expressly reserved to the Board and those delegated to management are disclosed.	✓
TasWater undertakes appropriate checks before appointing a person or putting forward to shareholders a candidate for election as a Director.	✓
TasWater provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director.	✓
TasWater has written agreements with each Director and senior executive setting out the terms of their appointment.	✓
The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.	✓
TasWater has a Diversity Policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the progress in achieving them.	✓
The Board Selection Committee periodically evaluates the performance of the Board, its committees and individual Directors and discloses annually whether a performance evaluation was undertaken in the reporting period.	✓
TasWater has a process for periodically evaluating the performance of its senior executives and discloses annually whether a performance evaluation was undertaken in the reporting period in accordance with that process.	✓
Principle 2 – Structure the Board to add value *Companies should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.*	
The process of recruiting Directors is undertaken by a Board Selection Committee in accordance with the WSCA, comprising representatives appointed by the Owners' Representatives in each of the three regions and the Board Chairman The Board Selection Committee has a charter that is regularly reviewed Succession planning for the Board is managed by the Board Selection Committee in consultation with the Board Chairman.	⚠
The Board Selection Committee has a skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.	✓
The Board solely comprises independent Directors.	✓
Directors disclose any interests and the register of interests is reviewed at least annually.	✓
Directors undergo an induction program when appointed and appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their roles are provided.	✓
Principle 3 – Act ethically and responsibly *Companies should act ethically and responsibly.*	
The Board has a Directors' Code of Conduct and TasWater employees have a Code of Conduct.	✓
The codes of conduct applicable to Directors and employees are published on TasWater's website.	✓
The current profile of TasWater's Board and workforce is explained in this annual report.	✓
Principle 4 – Safeguard integrity in corporate reporting *Companies should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.*	
The Board has an Audit and Risk Committee comprising four independent non-executive Directors.	✓
The Chair of the Audit and Risk Committee is an independent non-executive Director who is not the Board Chairman.	✓
The Audit and Risk Committee Charter is published on TasWater's website.	✓
The Directors' qualifications and experience are disclosed in this annual report.	✓
The Audit and Risk Committee meeting schedule is disclosed in this annual report.	✓
The CEO and General Manager Finance & Commercial Services provide declarations that the financial records are compliant with appropriate accounting standards and give a true and fair view of the financial position and performance of TasWater.	✓
The Auditor-General is invited to attend TasWater's Annual General Meeting.	✓
Principle 5 – Make timely and balanced disclosure *Companies should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.*	
Our key governance documents prescribe quarterly meetings between the Chairman and Owners' Representatives, formal quarterly reporting of performance and other key matters and two General Meetings of Owners' Representatives each year.	✓
This is augmented by the Board's continuous disclosures policy encompassed in its Shareholders Relations Policy.	⚠
Principle 6 – Respect the rights of shareholders *Companies should respect the rights of its shareholders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.*	
TasWater's key governance documents are published via the website.	✓
TasWater holds quarterly meetings and biannual general meetings with the Owners' Representatives.	✓
The Owners' Representatives receive quarterly reports.	✓
The Owners' Representatives general meetings and quarterly meetings provide forums for shareholders to communicate with TasWater.	✓
The Shareholder Relations Policy, Owners' Representatives Code of Conduct and Owners' Representatives Group's Charter facilitate effective communication between TasWater and the Owners' Representatives and are published on the TasWater website.	✓
Owners' Representatives and owner councils are able to receive communication from and provide communication to TasWater electronically.	✓

Principle 7 – Recognise and manage risk *Companies should establish a sound risk management framework and periodically review the effectiveness of that framework.*	
TasWater's Risk Management Framework has been established and undergoes periodic review.	✓
TasWater has an Audit and Risk Committee comprising four independent non-executive Directors, chaired by an independent non-executive Director that oversees risk.	✓
The Audit and Risk Committee Charter is published on the website.	✓
The number of Audit and Risk Committee meetings held and the Directors' attendance figures are disclosed in this annual report.	✓
The Audit and Risk Committee review the risk management framework at least annually.	✓
The internal audit arrangements are published in this annual report.	✓
Management provided its assurances and formal declarations to the Board regarding the status of risk management and internal control systems. Confirmation of this can be found in the Directors' Declaration accompanying the financial reports.	✓
The Board is informed of any material exposure to economic, environmental and social sustainability risks and how those risks are managed	✓
Principle 8 – Remunerate fairly and responsibly *Companies should pay Director remuneration sufficient to attract and retain high quality Directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for shareholders.*	
The Board holds responsibility for human resources and remuneration policies.	✓
The Board Charter is published on the website.	✓
Directors have taken advice from independent expert advisors as required. No remuneration advisors undertake other work for management.	✓
Under the enabling legislation, remuneration for Directors is the responsibility of Owners' Representatives and the Board Selection Committee. Disclosures in Principle 2 above explain the composition of the Board Selection Committee.	⚠
The Remuneration Report, incorporated in the Directors' Report, provides further detail on TasWater's remuneration policies.	✓
TasWater does not have an equity based remuneration scheme.	✗

✓ Complies
✗ Processes not compliant or not applicable
⚠ Principle adapted to meet TasWater's context but is consistent with the intent

Public interest disclosures 2016-17	
The number and types of disclosures made to TasWater during the year and the number of disclosures determined to be a public interest disclosure.	1[1]
The number of disclosures determined by TasWater to be public interest disclosures that it investigated during the year.	1
The number and type of disclosed matters referred to TasWater by the Ombudsman for investigation.	0
The number and type of disclosures referred by TasWater to the Ombudsman for investigation.	0
The number and type of investigations taken over from TasWater by the Ombudsman.	0
The number and type of disclosed matters that TasWater has declined to investigate.	0
The number and type of disclosed matters that were substantiated upon investigation and the action taken on completion of the investigation.	0
Any recommendations made by the Ombudsman that relate to TasWater.	0

[1] *The disclosure related to alleged improper conduct*

Right to information requests 2016-17	
The number of applications for assessed disclosure made to TasWater.	20
The number of applications for assessed disclosure refused by TasWater and the basis for refusal.	1[1]
The number of applications for assessed disclosure determined by TasWater.	17[2]
The number of determinations where the information applied for was provided in full.	15[3]
The number of applications for internal review and the outcome of those reviews.	3[4]
The number of applications for external review and the outcome of those reviews.	1[5]

[1] *Section 17(1) – deferment of provision of information*

[2] *This includes applications received prior to 1 July 2016 which had not been responded to in the prior financial year*

[3] *In two instances, information containing the personal information of a third party was not provided*

[4] *One request for internal review was without grounds under the Act. One internal review was completed during the financial year, upholding the original decision. One additional request for an internal review was received but had not been completed prior to 30 June 2017*

[5] *The external review was resolved without review by the Ombudsman. TasWater's original decision was not overturned.*

Personal information protection complaints 2016-17	
The number of complaints relating to failure to protect personal information made to TasWater.	3[1]

[1] *All complaints were satisfactorily resolved with the individuals concerned*

FINANCIAL REPORT

TASMANIAN WATER AND SEWERAGE CORPORATION PTY LTD

1 JULY 2016 TO 30 JUNE 2017

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

The Directors of Tasmanian Water and Sewerage Corporation Pty Ltd, trading as TasWater (the Corporation), present the Financial Report of the Corporation for the financial year ended 30 June 2017. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

LEGISLATIVE AUTHORITY

The *Water and Sewerage Corporation Act 2012* (WSCA) was given Royal Assent on 11 December 2012. The Act provided for the establishment and incorporation of the Corporation, and for the transfer of the assets, rights, liabilities, obligations and employees of the four corporations established under the *Water and Sewerage Corporations Act 2008* (trading as Ben Lomond Water, Cradle Mountain Water, Southern Water and Onstream) to the Corporation on 1 July 2013 following the cessation of the trading activities of these four corporations.

TasWater was formed on 5 February 2013 under the *Corporations Act 2001* and pursuant to the WSCA. It is governed by the Corporation's Constitution.

The principal objectives of the Corporation are as follows:

A. To efficiently provide water and sewerage functions in Tasmania;

B. To encourage water conservation, the demand management of water and the re-use of water on an economic and commercial basis;

C. To be a successful business and, to this end:

   i. To operate its activities in accordance with good commercial practice; and

   ii. To deliver sustainable returns to its members; and

   iii. To deliver water and sewerage services to customers in the most cost-efficient manner.

Each of the principal objectives of the Corporation is of equal importance.

PRINCIPAL ACTIVITIES

The principal activities of the Corporation during the course of the financial year were:

- The sourcing, treatment and reliable delivery of quality drinking water to our customers; and
- The collection, transportation, treatment and safe return of wastewater to the environment.

REVIEW OF OPERATIONS

The Corporation reported a profit after tax of $28,591,573 for the year ended 30 June 2017 (2016: $25,310,222).

A more detailed review of the Corporation's operations during the year is contained elsewhere in the Annual Report.

ENVIRONMENTAL REGULATIONS

The Corporation's operations are subject to various environmental regulations under both Commonwealth and State legislation. The Board has the responsibility to monitor compliance with environmental regulations. Apart from the failure of the majority of the Corporation's STPs to regularly comply with effluent discharge licences set by the EPA, and two minor fines received in June 2017, the Directors are not aware of any other significant breaches during 2016-17. The Corporation is implementing a Wastewater Management Plan agreed with the EPA and monitored by the Board, that outlines initiatives and implementation schedules to address the Environmental Regulator's priorities with respect to these non-compliances.

DRINKING WATER SYSTEMS

The Board has the responsibility to monitor compliance with drinking water regulations. The Directors are not aware of significant breaches during the year covered by the report, in terms of new Boiled Water Alerts issued by the Health Regulator. The majority of the Corporation's drinking water systems comply with the health guideline values contained in the Australian Drinking Water Guidelines (2011) as specified in the Tasmanian Drinking Water Quality Guidelines. The Corporation is implementing a Drinking Water Quality Management Plan agreed with the Department of Health and Human Services and monitored by the Board, that outlines initiatives and implementation schedules to address the non-compliant systems.

DAM PORTFOLIO

The Corporation manages its dams using a Dam Portfolio Risk Assessment process, in accordance with the Australian National Council on Large Dams (ANCOLD) Dam Safety Management Guidelines 2003. The Directors are not aware of any new breaches during the year covered by the report. Dams that are known to exceed these guidelines are being managed under mitigation plans agreed with the Tasmanian Dam Safety Regulator and monitored by the Board. An annual report is provided to the Dam Safety Regulator regarding the status of all dams with a rating of significant hazard or above and sets out the program of works for the following financial year. The Corporation has an obligation to immediately advise the Regulator of adverse developments in dam status.

DIVIDENDS

On 28 February 2017 the Board of the Corporation approved the payment of an interim dividend of $7,496,372 (2016: $7,341,988). This interim dividend was paid on 28 February 2017.

On 28 June 2017 the Board approved the payment of a further dividend of $11,960,171 (2016: $12,990,468), which was paid on 30 June 2017.

EVENTS AFTER BALANCE DATE

There have been no matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect the Corporation, its operations, results of operations or state of affairs in the reporting period.

LIKELY FUTURE DEVELOPMENTS

In February 2017, the State Government announced its intention to take over the Corporation, with the claim that water and sewerage services in Tasmania are in crisis. They propose to create a new government business enterprise to commence operations from 1 July 2018.

Additional information on other likely future developments in the operations of the Corporation is included in the Chairman's Report and CEO's Report within the Annual Report.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration Report
This remuneration report, which forms part of the Directors' Report, sets out information about the remuneration of the Corporation's Directors and its senior executives for the financial year ended 30 June 2017. The prescribed details for each person covered by this report are detailed below under the following headings:

- Director and senior executive details
- Remuneration policy
- Relationship between the remuneration policy and the Corporation's performance
- Remuneration of Directors and senior executives
- Key terms of employment contracts.

Director and Senior Executive Details
The following persons acted as Directors of the Corporation during or since the end of the financial year:

- Mr Miles Hampton (Chair)
- Mr Nick Burrows
- Ms Sibylle Krieger
- Mr Peter Lewinsky
- Ms Sally Darke
- Mr Vincent (Tony) Kelly
- Dr Helen Locher.

Except as noted, the named Directors held their current positions for the whole of the financial year and since the end of the financial year.

Other details regarding Directors and their attendance at board meetings and relevant committee meetings are provided elsewhere within the Annual Report.

The term 'senior executive' is used in this remuneration report to refer to the following persons:

Senior executive	Title	Commencement	End Date
Mr Michael Brewster	Chief Executive Officer	1/7/13	
Mr Dean Page	General Manager Finance and Commercial Services Acting General Manager Retail and Customer Services	19/8/13 27/3/17	26/3/17
Ms Cathy Cuthbertson	General Manager People and Safety	9/9/13	
Mr Andrew Moir	General Manager Asset and Product Management	2/9/13	
Dr Dharma Dharmabalan	General Manager Works and Delivery	30/9/13	
Mr Glen Jameson	General Manager Operations and Maintenance	9/9/13	28/7/16
Ms Eleanor Bray	General Manager Retail and Customer Services	23/9/13	24/3/17
Ms Ailsa Sypkes	General Manager Legal and Governance	28/4/14	
Ms Juliet Mercer	General Manager Corporate and Community Relations	22/8/16	
Mr Benny Smith	General Manager Service Delivery	5/12/16	
Mr Tony Willmott	Acting General Manager Service Delivery	18/7/16	2/12/16
Mr Jason Browne	Acting General Manager Finance and Commercial Services	27/3/17	

Except as noted, each of the senior executives named held their positions for the whole of the financial year.

Remuneration Policy
Senior executives' remuneration
The Board has approved a remuneration framework that was developed after advice from independent remuneration specialists, and benchmarked nationally. The framework applies to senior executives, line managers and specific professional or expert positions and the CEO is obliged to work within its parameters.

The remuneration of senior executives is based on Total Employment Cost to the Corporation. Components of remuneration can include cash and non-cash alternatives as well as any fringe benefits tax incurred. No equity-based components are offered as part of any remuneration.

Non-executive Directors' remuneration
Under the WSCA, the statewide Owners' Representative Group (ORG) is responsible for determining the remuneration framework for non-executive Directors. The Selection Committee of the ORG makes its determination of the remuneration framework based on the recommendation of the Selection Committee, as described in the Constitution. The Selection Committee is then responsible for determining the remuneration for each director within the parameters of that framework.

Non-executive Directors are remunerated by way of fixed fees and superannuation payments as required by legislation. No other leave, termination or retirement benefits are accrued or paid to Directors.

Directors are also entitled to reimbursement of expenses incurred while attending to Corporation business.

Non-executive Directors' remuneration was reviewed in the period and increased by the Consumer Price Index (CPI).

Relationship between the Remuneration Policy and the Corporation's Performance
The Corporation's remuneration policy has been designed to align the objectives of senior executives with business objectives. The CEO and all senior executives are appointed under employment contracts. Performance objectives are established and assessed annually. The CEO's performance against objectives is reviewed by the Board at least annually. For other senior executives the CEO reports to the Board at least annually.

Remuneration of Directors and Senior Executives
The following table of benefits and payments details the components of remuneration for each person that acted as a Director or Senior Executive of the Corporation during or since the end of the financial year:

2017 Non-executive Directors	Short-term Benefits		Post Employment Benefits		
	Salary $	Other Long Term Employee Benefits $	Superannuation $	Termination Benefits $	Total $
Mr Miles Hampton	109,589	-	10,411	-	120,000
Mr Nick Burrows	63,599	-	6,042	-	69,641
Ms Sibylle Krieger	64,863	-	6,162	-	71,025
Mr Peter Lewinsky	61,102	-	5,805	-	66,907
Ms Sally Darke	59,802	-	5,681	-	65,483
Mr Vincent (Tony) Kelly	57,911	-	5,322	-	63,233
Dr Helen Locher	57,911	-	5,494	-	63,405
Total	**474,777**	**-**	**44,917**	**-**	**519,694**

2016 Non-executive Directors	Short-term Benefits		Post Employment Benefits		
	Salary $	Other Long Term Employee Benefits $	Superannuation $	Termination Benefits $	Total $
Mr Miles Hampton	113,804	-	10,811	-	124,615
Dr Dan Norton AO (term expired 29/2/16)	43,559	-	4,138	-	47,697
Mr Brian Bayley (term expired 29/2/16)	43,559	-	4,138	-	47,697
Mr Nick Burrows	64,975	-	6,173	-	71,148
Ms Sibylle Krieger	61,096	-	5,804	-	66,900
Mr Peter Lewinsky	62,917	-	5,979	-	68,896
Ms Sally Darke (appointed 1/1/16)	29,364	-	2,790	-	32,154
Mr Vincent (Tony) Kelly (appointed 1/3/16)	21,804	-	2,071	-	23,875
Dr Helen Locher (appointed 1/3/16)	21,804	-	2,071	-	23,875
Total	**462,882**	**-**	**43,975**	**-**	**506,857**

2017 Senior executives	Short-term Benefits		Post Employment Benefits		
	Salary $	Other Long Term Employee Benefits $	Superannuation $	Termination Benefits $	Total $
Mr Michael Brewster	458,043	8,419	31,802	-	498,264
Mr Dean Page	282,103	11,357	25,739	-	319,199
Ms Cathy Cuthbertson	214,163	1,758	24,310	-	240,231
Mr Andrew Moir	296,334	15,390	27,477	-	339,201
Dr Dharma Dharmabalan	267,198	(1,427)	24,503	-	290,274
Mr Glen Jameson (resigned 28/7/16)	22,985	(11,711)	1,644	41,492	54,410
Ms Eleanor Bray (resigned 24/3/17)	199,267	(25,032)	20,232	42,250	236,717
Ms Ailsa Sypkes	219,433	8,809	20,846	-	249,088
Ms Juliet Mercer (appointed 22/8/16)	196,882	8,044	17,885	-	222,811
Mr Benny Smith (appointed 5/12/16)	133,198	9,212	12,654	-	155,064
Mr Tony Willmott (18/7 - 5/12/16) (Acting)	77,036	9,317	7,318	-	93,671
Mr Jason Browne (27/3 -30/6/17) (Acting)	64,489	11,778	6,126	-	82,393
Total	**2,431,131**	**45,914**	**220,536**	**83,742**	**2,781,323**

2016 Senior executives	Short-term Benefits		Post Employment Benefits		
	Salary $	Other Long Term Employee Benefits $	Superannuation $	Termination Benefits $	Total $
Mr Michael Brewster	425,070	15,453	39,605	-	480,128
Mr Dean Page	262,928	(1,524)	24,299	-	285,703
Ms Cathy Cuthbertson	212,148	9,045	24,072	-	245,265
Mr Andrew Moir	284,703	11,719	26,375	-	322,797
Dr Dharma Dharmabalan	265,856	3,652	24,380	-	293,888
Mr Glen Jameson	233,679	6,919	20,833	-	261,431
Ms Eleanor Bray	234,937	12,830	21,430	-	269,197
Ms Ailsa Sypkes	212,372	6,071	20,178	-	238,621
Total	**2,131,693**	**64,165**	**201,172**	**-**	**2,397,030**

- Salary includes base salary and where applicable vehicle allowances and non-monetary remuneration benefits
- Termination benefits include payments in lieu of notice.

Key terms of Employment Contracts

Senior executive staff

The employment terms and conditions of senior executives are formalised in Individual Employment Agreements.

Consistent with legislated requirements, senior executives receive a superannuation guarantee contribution of 9.50 per cent (2016: 9.50 per cent). Some individuals may choose to sacrifice part of their salary to increase payments towards superannuation. Upon retirement, senior executives are paid employee benefit entitlements accrued to the date of retirement.

Terms of employment require the senior executive or the Corporation to provide a minimum notice period prior to termination of contract, subject to conditions of the *Fair Work Act 2009*, where applicable. The length of notice varies between Individual Employment Agreements, however is generally three to six months. Under certain circumstances senior executives may be paid a redundancy, the level of which is dependent on individual contractual arrangements.

Non-executive Directors

Appointment conditions for non-executive Directors are specified in both the WSCA and formal letters of appointment. These include:

- Each term of appointment must not exceed three years;
- A director may be re-appointed for further terms not exceeding three years each;
- A director can be appointed by consecutive terms for a maximum of 10 continuous years from the date of first appointment. The 10 year period may only be extended by Special Majority of the Selection Committee;
- Either the independent Director, the Corporation or the ORG may terminate the relationship on three months' notice or immediately in certain situations; and
- The Corporation is to ensure that it has appropriate Directors' and Officers' liability insurance.

Further information about the remuneration of Directors and senior executives is set out in Note 14 to the financial statements.

Indemnification of Directors and Officers

During the financial year, the Corporation paid a premium in respect of an insurance policy covering the liability of all current Directors and Officers of the Corporation.

The Corporation has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Corporation against a liability incurred as such by an officer or auditor.

Proceedings on Behalf of the Corporation

No person has applied for leave of the Court to bring proceedings on behalf of the Corporation or intervened in any proceedings to which the Corporation is a party for the purpose of taking responsibility on behalf of the Corporation for all or any part of those proceedings.

The Corporation was not a party to any such proceedings during the year.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 40.

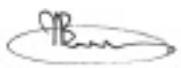
Rounding of amounts

The Corporation is of a kind referred to in ASIC Class Order 2016/191, dated 24 March 2016, and in accordance with that Class Order, amounts in the Financial Report and Directors' Report have been rounded to the nearest thousand dollars ($'000), unless otherwise stated.

This Directors' Report is signed in accordance with a resolution of Directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the Directors

Miles Hampton
Chair



Nick Burrows
Director

24 August 2017

AUDITOR'S INDEPENDENCE DECLARATION

Tasmanian Audit Office

Level 8, 144 Macquarie Street, Hobart, Tasmania, 7000
Postal Address: GPO Box 851, Hobart, Tasmania, 7001
Phone: 03 6173 0900 | Fax: 03 6173 0999
Email: admin@audit.tas.gov.au
Web: www.audit.tas.gov.au

22 August 2017

The Board of Directors
Tasmanian Water and Sewerage Pty Ltd
PO Box 1060
GLENORCHY TAS 7010

Dear Board Members

Auditor's Independence Declaration

In accordance with section 307C of the *Corporations Act 2001*, I provide the following declaration of independence.

As the auditor of the financial report of Tasmanian Water and Sewerage Corporation Pty Ltd for the financial year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
(b) any applicable code of professional conduct in relation to the audit.

In accordance with the *Corporations Act 2001* a copy of this declaration must be included in the Directors' report.

Yours sincerely

Rod Whitehead
Auditor-General

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DIRECTORS' DECLARATION

24 August 2017

FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017
DIRECTORS' DECLARATION

The Directors declare that for the financial year ended 30 June 2017:

a) The attached financial statements and notes thereto comply with accounting standards;

b) The attached financial statements and notes thereto give a true and fair view of the financial position and performance of the Corporation;

c) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001* (Cth);

d) In the Directors' opinion, there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable; and

e) The Directors have been given the declarations as set out in Section 295A of the *Corporations Act 2001* (Cth) from the Chief Executive Officer and General Manager Finance and Commercial Services for the financial year ended 30 June 2017.

Signed in accordance with a resolution of the Directors made pursuant to s.295 (5) of the C*orporations Act 2001* (Cth).

Miles Hampton
Chair

Nick Burrows
Director

INDEPENDENT AUDITOR'S REPORT

Tasmanian Audit Office

Independent Auditor's Report

To the Members of Tasmanian Water and Sewerage Corporation Pty Ltd

Report on the Audit of the Financial Report

Opinion

I have audited the financial report of the Tasmanian Water and Sewerage Corporation Pty Ltd (the Company) which comprises the statement of financial position as at 30 June 2017, the statements of comprehensive income, changes in equity and cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In my opinion, the accompanying financial report of the Company is in accordance the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

I conducted the audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

The *Audit Act 2008* further promotes the independence of the Auditor-General. The Auditor-General is the auditor of all Tasmanian public sector entities and can only be removed by Parliament. The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of the Company on 22 August 2017 and included in the Directors' Report, would be in the same terms if provided to the directors at the time of this auditor's report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Why this matter is considered to be one of the most significant matters in the audit	**Audit procedures to address the matter included**
Valuation of Water and Sewerage Infrastructure *Refer to note 10*	
Property, plant and equipment included material long-life water and sewerage infrastructure assets recognised at fair value and carried at $1.61bn at 30 June 2017. The fair value of these water and sewerage assets was determined using an income valuation methodology based on discounted cash flows. The projected cash flows are discounted to present value using a discount rate based on a real pre-tax weighted average cost of capital (WACC). The calculation of fair value is judgemental and highly dependent on a range of assumptions and estimates, such as the discount rate, perpetuity factor, expected revenue growth, operating expenditure growth rate, renewal capital expenditure and WACC.	• Assessing the scope, expertise and independence of experts engaged by management to provide advice on the Company's water and sewerage infrastructure asset valuation methodology. • Evaluating the appropriateness of the valuation methodology applied by management to determine the fair value of the water and sewerage infrastructure assets and also considering whether it was consistent with Australian Accounting Standards • Testing whether the cash flows used in the valuation model were consistent with the most recent Corporate Plan approved by the Board. • Critically assessing the forecast cash flows and other key inputs and assumptions in the valuation model. Where possible, we corroborated market related assumptions by reference to external data. • Testing, on a sample basis, the mathematical accuracy of the valuation model's calculations. • Challenging management's process for reviewing and adopting the valuations, and discussing this with those charged with governance. • Evaluating the adequacy of disclosures made, including those regarding key assumptions used, in light of the requirements of Australian Accounting Standards.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's Directors' Report for the year ended 30 June 2017, but does not include the financial report and my auditor's report thereon.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the directors, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

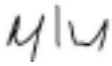
Report on the Remuneration Report

Opinion on the Remuneration Report

I have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2017. In my opinion, the Company's Remuneration Report, presents fairly, in all material respects, the remuneration of key management personnel of the Company for the year ended 30 June 2017.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report. My responsibility is to express an opinion on the Remuneration Report, based on my audit conducted in accordance with Australian Auditing Standards.



Rod Whitehead
Auditor-General

Tasmanian Audit Office

28 August 2017
Hobart

TASMANIAN WATER AND SEWERAGE CORPORATION PTY LTD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Notes	2017 $'000	2016 $'000
REVENUE			
Sales Revenue	5	290,741	273,196
Other Revenue	5	24,742	31,270
Initial Recognition of Assets	5	-	4,866
Total Revenue		**315,483**	**309,332**
EXPENSES			
Raw Materials and Consumables	6	21,589	22,325
Depreciation and Amortisation Expenses	6	68,134	69,995
Employee and Related Expenses	6	96,890	86,643
Operations and Maintenance Expenses	6	49,387	49,323
Administration Expenses	6	19,732	19,472
Finance Expenses	6	18,893	18,783
Asset Revaluation Decrement	6	-	6,593
Total Expenses		**274,625**	**273,134**
Net Profit before Income Tax Equivalents Expense		**40,858**	**36,198**
Income Tax Equivalents Expense	7.1	(12,266)	(10,888)
Net Profit after Income Tax Equivalents Expense		**28,592**	**25,310**
OTHER COMPREHENSIVE INCOME:			
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT AND LOSS			
Actuarial (Loss)/Gain on Defined Benefit Plans		1,709	(3,908)
Change in Asset Revaluation Surplus		-	34,448
Income Tax Relating to Components of Other Comprehensive Income	7.2	(513)	(9,162)
Total Other Comprehensive Income		**1,196**	**21,378**
Total Comprehensive Income for the Year		**29,788**	**46,688**

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

TASMANIAN WATER AND SEWERAGE CORPORATION PTY LTD
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Notes	2017 $'000	2016 $'000
CURRENT ASSETS			
Cash and Cash Equivalents	9.1	2,852	2,748
Receivables	9.2	48,755	40,682
Inventories	9.3	5,695	5,587
Prepayments		2,826	2,726
Assets Classified as Held for Sale	9.4	-	565
Total Current Assets		**60,128**	**52,308**
NON-CURRENT ASSETS			
Receivables	9.2	1,034	1,255
Property, Plant & Equipment	10	2,032,266	1,985,155
Intangibles	11	20,309	14,630
Deferred Tax Assets	7.4	39,703	44,126
Total Non-current Assets		**2,093,312**	**2,045,166**
Total Assets		**2,153,440**	**2,097,474**
CURRENT LIABILITIES			
Payables	12.1	22,919	22,838
Current Tax Liability	7.3	737	1,417
Employee Benefits	13	20,869	15,723
Borrowings	12.2	75,784	98,031
Unearned Income	12.3	1,686	1,778
Other Current Liabilities	12.4	4,142	1,504
Total Current Liabilities		**126,137**	**141,291**
NON-CURRENT LIABILITIES			
Employee Benefits	13	10,945	12,855
Borrowings	12.2	399,118	332,252
Unearned Income	12.3	31,205	32,577
Other Non-current Liabilities	12.4	992	3,787
Total Non-current Liabilities		**442,260**	**381,471**
Total Liabilities		**568,397**	**522,762**
Net Assets		**1,585,043**	**1,574,712**
EQUITY			
Retained Profits		33,115	22,784
Asset Revaluation Reserve		24,114	24,114
Contributed Equity		1,527,814	1,527,814
Total Equity		**1,585,043**	**1,574,712**

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

TASMANIAN WATER AND SEWERAGE CORPORATION PTY LTD
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Notes	2017 $'000	2016 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers & Other Sources		304,089	296,410
Payments to Suppliers and Employees		(200,261)	(202,209)
Grant Funds		-	5,000
Headwork Charges		499	144
Interest Received		48	58
Interest Paid		(15,728)	(15,213)
Loan Guarantee Fees Paid to Owner Councils		(1,507)	(2,426)
Income Tax Equivalents Paid to Owner Councils	7.3	(9,036)	(7,242)
Net Cash inflow from Operating Activities	**9.1**	**78,104**	**74,522**
CASH FLOWS USED IN INVESTING ACTIVITIES			
Payments for Property, Plant & Equipment		(94,462)	(117,162)
Interest Paid for Capital Works		(2,527)	(1,870)
Payment for Capitalised Employee and Direct Costs		(6,848)	(9,615)
Contributions Received		-	-
Proceeds from Sale of Property, Plant & Equipment		669	515
Net Cash outflow used in Investing Activities		**(103,168)**	**(128,132)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings		214,351	239,241
Repayment of Borrowings		(169,726)	(174,699)
Dividends Paid to Owner Councils		(19,457)	(20,332)
Net Cash inflow from Financing Activities		**25,168**	**44,210**
Net increase / (decrease) in Cash and Cash Equivalents		**104**	**(9,400)**
Cash and Cash Equivalents at the Beginning of the Year		**2,748**	**12,148**
Cash and Cash Equivalents at the End of the Year	**9.1**	**2,852**	**2,748**

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

TASMANIAN WATER AND SEWERAGE CORPORATION PTY LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Notes	Retained Profits $'000	Asset Revaluation Reserve $'000	Contributed Equity $'000	Total Equity $'000
Balance as at 30 June 2015		**20,542**		**1,527,814**	**1,548,356**
Net Profit after Income Tax Equivalents Expense		25,310	-	-	25,310
Dividends Paid		(20,332)	-	-	(20,332)
Other Comprehensive Income		(2,736)	24,114	-	21,378
Balance as at 30 June 2016		**22,784**	**24,114**	**1,527,814**	**1,574,712**
Net Profit after Income Tax Equivalents Expense		28,592	-	-	28,592
Dividends Paid		(19,457)	-	-	(19,457)
Other Comprehensive Income		1,196	-	-	1,196
Balance as at 30 June 2017		**33,115**	**24,114**	**1,527,814**	**1,585,043**

The above Statement of Changes in Equity should be read in conjunction with the accompanying note.

TASMANIAN WATER AND SEWERAGE CORPORATION PTY LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

1. GENERAL INFORMATION

1.1 COMPANY DETAILS

Tasmanian Water and Sewerage Corporation Pty Ltd (the Corporation), trading as TasWater, is a propriety limited company incorporated in Australia. The address of the Corporation's registered office is 169 Main Road, Moonah, Tasmania.

The Corporation is owned by the 29 Councils in Tasmania:

- Break O'Day Council
- Brighton Council
- Burnie City Council
- Central Coast Council
- Central Highlands Council
- Circular Head Council
- Clarence City Council
- Derwent Valley Council
- Devonport City Council
- Dorset Council
- Flinders Council
- George Town Council
- Glamorgan Spring Bay Council
- Glenorchy City Council
- Hobart City Council
- Huon Valley Council
- Kentish Council
- Kingborough Council
- King Island Council
- Latrobe Council
- Launceston City Council
- Meander Valley Council
- Northern Midlands Council
- Sorell Council
- Southern Midlands Council
- Tasman Council
- Waratah-Wynyard Council
- West Coast Council
- West Tamar Council.

The Corporation operates as an entity under the *Corporation Act 2001* and in accordance with the WSCA and the *Water and Sewerage Industry Act 2008* (WSIA).

The principal activities of the Corporation are the provision of water and sewerage services for residential and commercial customers throughout Tasmania.

1.2 STATEMENT OF COMPLIANCE

This Financial Report is a general-purpose financial report, prepared in accordance with the *Corporations Act 2001* (Cth), relevant Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board (AASB). The Financial Report also complies with International Financial Reporting Standards (IFRS) and Interpretations adopted by the International Accounting Standards Board.

The Financial Report was approved by the Board of Directors on 24 August 2017.

1.3 BASIS OF PREPARATION

The Financial Report is prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is based on the fair values of the consideration given in exchange for the assets. All figures unless indicated otherwise are reported in Australian dollars.

The Corporation is of a kind referred to in ASIC Class Order 2016/191, dated 24 March 2016, and in accordance with that Class Order amounts in the Financial Report are rounded off to the nearest thousand dollars ($'000), unless otherwise stated.

1. GENERAL INFORMATION (continued)

1.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the application of AASB standards, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

The most significant accounting estimates undertaken in the preparation of this financial report relate to:

- Useful lives of assets
- Fair value of infrastructure, land, buildings and leasehold improvements
- Asset impairment
- Accrued revenue, in particular unbilled water sales and the amortisation period of government grants
- Restoration and rehabilitation provisions
- Defined benefit obligations
- Contingent assets and liabilities.

1.5 NOTE TO READER

The notes to the Financial Statements include information that is required to understand the Financial Statements and is material and relevant to the operations, financial position and performance of the Corporation.

Information is considered material and relevant if, for example:

- The amount in question is significant because of its size or nature
- It is important for understanding the results of the Corporation
- It helps explain the impact of significant changes in the Corporation
- It relates to an aspect of the corporation's operations that is important for its future performance.

The notes have been grouped into sections to help readers understand how the Corporation strategy is reflected in the financial performance and position of the Corporation:

- General Information
- Our Business Performance
- Our Asset Platform
- Our People
- Our Funding Structure and Management of our Financial Risks
- Other Important Information.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. The Corporation does not intend to adopt any of these pronouncements before their effective dates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standard / Interpretation	Summary	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending	Impact on financial report
AASB 9 Financial Instruments	The key changes include the simplified requirements or the classification and measurement of financial assets, a new hedging accounting model and revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 January 2018	30 June 2019	The preliminary assessment has not identified any material impact arising from AASB 9. We will continue to monitor and assess.
AASB 15 Revenue from Contracts with Customers	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 January 2017	30 June 2018	The changes to the revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on services revenue and contract modifications. Our preliminary assessment is that we do not expect that the way we account for core revenue will change as a result of the new standard.
AASB 16 Leases	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 January 2018	30 June 2019	The assessment has indicated that most operating leases will be on balance sheet, recognition of lease assets and lease liabilities will cause net debt to increase. Depreciation of lease assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus. The amounts of cash paid for the principal portion of the lease liability will be presented within financing activities and the amounts paid for the interest portion will be presented within operating activities in the cash flow statement.

2.2 GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

1. Where the amount of gst incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
2. For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

2.3 COMPARISONS WITH PREVIOUS YEAR

When necessary comparative figures are adjusted to conform with changes in presentation in the current year.

2.4 OTHER ACCOUNTING POLICIES

Significant other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

3. EVENTS AFTER BALANCE DATE

There have been no matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect the Corporation, its operations, results of operations or state of affairs in the reporting period.

4. OPERATING SEGMENTS

The following is an analysis of the Corporation's revenue, expenses and results from continuing operations by reportable segment:

Segment Results Year Ended 30 June 2017	Water $'000	Sewerage $'000	Other $'000	Total $'000
Revenue				
Service Charges (including Trade Waste)	76,058	136,174	84	212,316
Usage Charges (including Trade Waste)	52,514	6,991	1,456	60,961
Government Funded Concessions	4,487	4,068	-	8,555
Government Grants and Compensation	1,381	-	-	1,381
Interest Received	252	278	1	531
Other	16,707	14,537	495	31,739
Total Revenue	**151,399**	**162,048**	**2,036**	**315,483**
Expenses				
Operations and Maintenance	25,098	45,675	203	70,976
Employee Related Expenses	47,497	49,112	281	96,890
Administration	9,579	10,059	94	19,732
Depreciation	34,842	32,673	619	68,134
Interest Expense	10,127	8,539	227	18,893
Revaluation Decrement	-	-	-	-
Total Expenses	**127,143**	**146,058**	**1,424**	**274,625**
Profit Before Tax (continuing operations)	**24,256**	**15,990**	**612**	**40,858**
Income Tax Expense	7,282	4,800	184	12,266
Profit After Tax (continuing operations)	**16,974**	**11,190**	**428**	**28,592**

Segment Results Year Ended 30 June 2016	Water $'000	Sewerage $'000	Other $'000	Total $'000
Revenue				
Service Charges (including Trade Waste)	73,862	124,409	91	198,363
Usage Charges (including Trade Waste)	51,903	5,780	1,908	59,592
Government Funded Concessions	4,407	3,997	-	8,404
Government Grants and Compensation	5,139	2,225	59	7,423
Interest Received	304	312	1	617
Other	14,978	19,494	462	34,934
Total Revenue	**150,593**	**156,219**	**2,521**	**309,332**
Expenses				
Operations and Maintenance	34,871	36,452	325	71,648
Employee Related Expenses	43,221	43,081	342	86,643
Administration	9,549	9,799	123	19,472
Depreciation	35,685	33,549	761	69,995
Interest Expense	10,203	8,360	221	18,783
Revaluation Decrement	2,979	2,973	641	6,593
Total Expenses	**136,508**	**134,214**	**2,413**	**273,134**
Profit Before Tax (continuing operations)	**14,085**	**22,005**	**108**	**36,198**
Income Tax Expense	4,236	6,619	33	10,888
Profit After Tax (continuing operations)	**9,849**	**15,386**	**75**	**25,310**

4. OPERATING SEGMENTS (continued)

Recognition and measurement
The Corporation has voluntarily adopted AASB 8 Operating Segments. The disclosure requirements of AASB 8 do not apply to the Corporation as they are only applicable to entities with publicly traded shares and debentures, however the Corporation believes the voluntary disclosure of segment information will assist readers to better assess and understand the Corporation's financial performance.

Information reported to the Corporation's CEO for the purposes of resource allocation and assessment of segment performance is predominantly focused on the provision of two regulated services, water and sewerage. Information relating to a third segment, other, is also provided and incorporates non-regulated services such as reuse and irrigation. Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. With the exception of property, plant and equipment, no asset and liability information is reported to the Chief Executive Officer for the purposes of resource allocation and assessment of segment performance. Property, plant and equipment information is provided in Note 10.

5. REVENUE AND OTHER INCOME

The components of revenue and other income for the year ended 30 June are as follows:

	2017 $'000	2016 $'000
SALES REVENUE		
Water - Service Charge	74,344	72,174
Sewerage - Service Charge	133,212	120,819
Water - Usage Charges	51,863	51,344
Irrigation Income	629	1,172
Trade Waste Income	10,166	9,480
State Government Funded Concessions	8,555	8,404
Other Fees and Charges including New Connections	11,972	9,803
Total Sales Revenue	**290,741**	**273,196**
OTHER REVENUE		
Contributed Assets and Headwork Charges	18,850	21,923
Government Grants	1,381	7,423
Insurance Recovery - Flood Event	2,450	-
Other	2,061	1,924
Total Other Revenue	**24,742**	**31,270**
INITIAL RECOGNITION OF ASSETS		
Assets not previously recognised	-	5,428
De-recognised Assets	-	(562)
Initial Recognition of Assets	**-**	**4,866**
Total Revenue	**315,483**	**309,332**

Recognition and measurement
Revenue is measured at the fair value of the consideration received or receivable.

Sale of Water
Fixed water charges are either billed monthly or quarterly and are recognised on a monthly basis. Variable water sales are recognised when water is metered as passing from the Corporation's distribution system to the customer. Unbilled water sales is an estimate of the value of water supplied to the customer between the date of the last meter reading and the year end, and is included in water income within sales revenue and in the Statement of Financial Position as a receivable.

5. REVENUE AND OTHER INCOME (continued)

Sewerage Income

Fixed charges for the collection and treatment of sewerage are either billed monthly or quarterly and are recognised on a monthly basis. Variable sewerage charges (Industrial customers) are recognised when waste is metered as passing from the customer to the Corporation's collection system. Unbilled sewerage income (including trade waste) is an estimate of the value of sewerage treated on behalf of the customer between the date of the last meter reading and the year end, and is included in sewerage income within sales revenue and in the Statement of Financial Position as a receivable.

Grants

Grants are recognised when received or when the Corporation obtains control over the assets comprising the contributions. Government grants of a revenue nature are recognised as income over the periods necessary to match related costs. Government grants related to assets are recognised in the Statement of Financial Position as a deferred liability and are recognised as revenue on a systematic basis over the useful life of the asset.

Customer Contributions and Developer Charges

Customer contributions and developer charges received for no consideration are recognised at fair value and treated as revenue when received unless they are directly associated with an incomplete capital project, in which case they are included as a liability and capital work in progress in the Statement of Financial Position and recognised when the project is completed.

6. EXPENSES

The components of expenses and other income for the year ended 30 June are as follows:

	2017 $'000	2016 $'000
RAW MATERIAL AND CONSUMABLES		
Power Costs	11,641	11,908
Chemicals	7,388	7,890
Water Commission Rights	2,560	2,527
Total	**21,589**	**22,325**
DEPRECIATION EXPENSES		
Infrastructure Assets	58,583	60,812
Buildings & Leasehold Improvements	838	861
Other Assets	6,662	6,196
Total	**66,083**	**67,869**
AMORTISATION EXPENSES		
Intangibles	2,051	2,126
Total	**2,051**	**2,126**
Total Depreciation and Amortisation Charges	**68,134**	**69,995**
EMPLOYEE AND RELATED EXPENSES		
Remuneration and On-Costs	94,695	92,439
Less Capitalised Salaries	(6,848)	(9,615)
Restructure Costs	5,601	-
Other Employee and Related Expenses	3,442	3,819
Total	**96,890**	**86,643**
OPERATIONS AND MAINTENANCE EXPENSES		
Maintenance and Planning	35,891	38,919
Property Costs	6,996	5,646
Motor Vehicles	2,828	2,918
Flood Recovery Expenses	1,264	-
Other Operations and Maintenance	2,408	1,840
Total	**49,387**	**49,323**

6. EXPENSES (continued)

	2017 $'000	2016 $'000
ADMINISTRATION EXPENSES		
Insurance	1,743	1,500
Billing costs	2,817	2,750
Property Costs	1,479	1,428
Information Systems and Communications	5,282	4,962
Regulatory Fee	2,547	2,573
Other Administration	5,864	6,259
Total	**19,732**	**19,472**
FINANCE EXPENSES		
Interest Expense - Borrowings	18,456	17,867
Loan Guarantee Fee Expense (paid to Owner Councils)	2,581	2,433
Less Amount Capitalised[1]	(2,527)	(1,870)
Interest Expense - Superannuation	383	353
Total	**18,893**	**18,783**
ASSET REVALUATION DECREMENT		
Revaluation decrease on Land	-	5,706
Revaluation decrease on Non-infrastructure Buildings	-	887
Total	-	**6,593**
Total Expenses	**274,625**	**273,134**

[1] Average capitalisation rate is 4.73 per cent per annum (2016: 5.14 per cent per annum)

Recognition and measurement

Leased Property, Plant and Equipment

Leases of property, plant and equipment are classified as operating leases where the lessor retains substantially all of the risks and benefits of ownership. Lease payments are charged against profits in equal instalments over the accounting periods covered by the lease terms, except where an alternative basis would be more representative of the patterns of benefits to be derived from the leased property.

Finance Expenses

Finance expenses directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Included in finance expenses is the Loan Guarantee Fee (LGF) which is administered by the Department of Treasury and Finance. The purpose of the LGF is to neutralise the competitive advantage of the Corporation having access to funding through the Tasmanian Public Finance Corporation (Tascorp). The LGF is payable to Owner Councils.

All other finance expenses are recognised in the Statement of Comprehensive Income in the period in which they are incurred.

Flood Event

Infrastructure assets across northern and north western Tasmania suffered significant damage due to the severe weather and flooding event in June 2016. The Corporation outlaid $3.6 million to address the damage caused. The recovery costs were a combination of capital items ($2.3 million) and operating costs ($1.3 million). Total insurance recoveries were $2.5 million.

7. INCOME TAX EQUIVALENTS

7.1 INCOME TAX EQUIVALENTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME

	2017 $'000	2016 $'000
Current tax equivalents	8,356	6,235
Adjustments recognised in the current year in relation to the current tax of prior years	-	(242)
Deferred tax equivalents	3,910	4,653
Prior year adjustments in relation to deferred tax	-	242
Total income tax equivalents expense	**12,266**	**10,888**
Attributable to continuing operations	**12,266**	**10,888**

The prima facie income tax equivalents on pre-tax accounting profit from operations reconciles to the income tax equivalents in the financial statements as follows:

Profit from continuing operations	40,858	36,198
Income tax equivalents calculated at 30%	12,257	10,859
Non-deductible expenses	9	29
	12,266	**10,888**
Adjustments in current year in relation to the current tax of prior years	-	-
Income tax equivalents expense	**12,266**	**10,888**

The tax equivalent rate used in the reconciliation above is the national tax equivalent rate of 30 per cent payable by Australian national tax equivalent entities on profits under Australian tax law.

7.2 INCOME TAX RECOGNISED DIRECTLY IN EQUITY

The following current and deferred tax equivalents were charged directly to equity during the period:

Deferred tax - actuarial loss/(gain) on defined benefit scheme	(513)	1,172
Deferred tax - (gain)/loss on revaluation of land and buildings	-	(10,334)
	(513)	**(9,162)**

7.3 CURRENT TAX EQUIVALENT ASSETS AND LIABILITIES

Opening balance liability / (asset)	1,417	2,666
Reversal of over provision for tax in prior year	-	(242)
National tax equivalent payable	8,356	6,235
Instalments paid - in respect of prior years	(1,417)	(2,424)
Instalments paid - current year	(7,619)	(4,818)
Closing balance liability / (asset)	**737**	**1,417**

7.4 DEFERRED TAX EQUIVALENT ASSETS

Deferred tax equivalent assets comprise		
Tax losses - revenue	10,424	12,085
Temporary differences	29,279	32,041
	39,703	**44,126**

7. INCOME TAX EQUIVALENTS (continued)

Taxable and deductible differences arise from the following:

30 June 2017	Opening Balance $'000	Charged to Income $'000	Charged to Equity $'000	Acquisitions/ Disposals $'000	Closing Balance $'000
DEFERRED TAX EQUIVALENT ASSETS					
Provisions	11,461	773	(513)	-	11,721
Tax losses	12,085	(1,661)	-	-	10,424
Property, plant & equipment	9,179	(2,178)	-	-	7,001
Other	11,401	(844)	-	-	10,557
	44,126	**(3,910)**	**(513)**	**-**	**39,703**
Attributable to continuing operations	**44,126**	**-**	**-**	**-**	**39,703**

30 June 2016	Opening Balance $'000	Charged to Income $'000	Charged to Equity $'000	Acquisitions/ Disposals $'000	Closing Balance $'000
DEFERRED TAX EQUIVALENT ASSETS					
Provisions	9,679	610	1,172	-	11,461
Tax losses	13,609	(1,524)	-	-	12,085
Property, plant & equipment	22,234	(2,721)	(10,334)	-	9,179
Other	12,661	(1,260)	-	-	11,401
	58,183	**(4,895)**	**(9,162)**	**-**	**44,126**
Attributable to continuing operations	**58,183**	**-**	**-**	**-**	**44,126**

Gross cumulative tax equivalent losses of $34,748,215 (2016: $40,284,879), tax effect $10,424,465 (2016: $12,085,464) were brought to account as a deferred tax asset. Included in the cumulative tax equivalent losses are losses transferred from Southern Water, Ben Lomond Water and Cradle Mountain Water at the inception of the Corporation. The utilisation of transferred losses is limited by the 'available fraction' method. The Corporation's carry forward losses are classified as an asset on the basis of certainty of recouping the loss at some time in the future.

Recognition and measurement

Income tax equivalents expense on the profit for the year comprises current and deferred tax. Income tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance date, and any adjustment to tax payable in respect of previous years.

Income tax equivalent payments are distributed to Owner Councils in accordance with the Corporation's Constitution.

Deferred tax is provided using the balance sheet liability method and represents the temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the Financial Report. Deferred tax assets relating to deductible temporary differences and tax losses are only brought to account when their realisation is probable.

8. DIVIDENDS

On 28 February 2017 the Board of the Corporation approved the payment of an interim dividend of $7,496,372 (2016: $7,341,988). This interim dividend was paid on 28 February 2017.

On 28 June 2017 the Board approved the payment of a further dividend of $11,960,171 (2016: $12,990,468), which was paid on 30 June 2017.

Dividends paid were distributed in accordance with each member's equity proportions for distribution purposes as documented in Schedule 3 of the Corporations' Constitution.

8. DIVIDENDS (continued)

Recognition and measurement
Dividends payable are recognised when approved by the Board of the Corporation. In accordance with accounting standards final dividends are not recognised in the financial statements unless they are declared prior to the balance date.

9. CURRENT ASSETS

9.1 CASH AND CASH EQUIVALENTS

	2017 $'000	2016 $'000
Cash at Bank and on Hand	2,852	2,748
	2,852	**2,748**

The reconciliation of net profit after tax to net cash provided by operating activities for the periods ending 30 June is as follows:

	2017 $'000	2016 $'000
Net Profit before Income Tax Equivalents	40,858	36,198
Depreciation and Amortisation Expense	68,134	69,995
Grants of assets	(1,381)	(2,423)
Loss on Sale of Non-current Assets	(30)	571
Contributed Assets	(17,898)	(19,739)
CHANGES IN ASSETS AND LIABILITIES		
(Increase) Decrease in Receivables	(7,009)	10,714
(Increase) Decrease in Inventory	(108)	(406)
(Increase) Decrease in Prepayments	(100)	(834)
Increase (Decrease) in Payables	498	(3,486)
Increase (Decrease) in Employee Benefits	4,430	(8,321)
Increase (Decrease) in Unearned Income	(97)	(682)
Increase (Decrease) in Other Liabilities	(157)	177
Income Tax Equivalents Paid	**(9,036)**	**(7,242)**
Cash Inflows from Operating Activities	**78,104**	**74,522**

The reconciliation of cash and cash equivalents for the periods ended 30 June is as follows:

Cash at Bank and on Hand	**2,852**	**2,748**
Cash as per Statement of Cash Flows	**2,852**	**2,748**

Recognition and measurement
Cash and cash equivalents includes cash on hand and in banks and investments in money market instruments which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis. Cash assets are brought to account at amortised cost.

9. CURRENT ASSETS (continued)

9.2 RECEIVABLES

	2017 $'000	2016 $'000
Current Receivables		
Trade receivables	35,302	30,610
Less allowance for impaired trade receivables	(4,010)	(4,002)
Unbilled water and sewerage income	11,981	10,746
Other current receivables	5,482	3,328
	48,755	**40,682**
Non Current Receivables		
Deferred payment receivables	1,034	1,255
	1,034	**1,255**
Total Receivables	**49,789**	**41,937**

An ageing analysis of receivables is provided in Note 16.4

	2017 $'000	2016 $'000
Movement in allowance for impaired trade receivables		
Opening balance	(4,002)	(3,507)
Increase in allowance	(685)	(852)
Reversal of prior year write off	(10)	(38)
Amounts written off during the year	687	395
Closing balance	**(4,010)**	**(4,002)**

Recognition and measurement
Trade receivables comprise residential, commercial, industrial, reuse and irrigation customers and other sundry debtors. Settlement terms for customers range from 14 to 31 days from invoice date. Receivables include unbilled water and sewerage income.

Trade receivables are recognised at their amortised cost less an allowance for impairment losses. Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Receivables are individually assessed for impairment based on objective evidence from historical experience adjusted for conditions existing at each balance date. Impairment of receivables is calculated as a percentage of overdue receivables balances at year end after taking into account specific customer segments with reference to past payment experience. Debts are written off when collection is no longer probable.

9.3 INVENTORIES

	2017 $'000	2016 $'000
Stores and consumables	6,147	5,918
Less allowance for obsolete stock	(452)	(331)
Total	**5,695**	**5,587**

Recognition and measurement
Inventories comprise treated water on hand, where material, and stores and materials used in the construction of new works and for the repair and maintenance of existing assets. All inventories are valued at the lower of cost or net realisable value. Costs are assigned to inventory quantities on hand at balance date on a weighted average cost basis. Inventories include goods held for distribution at no or nominal cost in the ordinary course of business operations.

9. CURRENT ASSETS (continued)

9.4 ASSETS CLASSIFIED AS HELD FOR SALE

	2017 $'000	2016 $'000
Land and Buildings	-	565

Recognition and measurement
Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales for such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

10. PROPERTY, PLANT AND EQUIPMENT

	2017 $'000	2016 $'000
INFRASTRUCTURE ASSETS - WATER		
At Fair Value	982,001	965,247
Accumulated Depreciation	(117,925)	(88,228)
	864,076	877,019
INFRASTRUCTURE ASSETS - SEWERAGE		
At Fair Value	862,513	830,800
Accumulated Depreciation	(114,615)	(85,855)
	747,898	744,945
FREEHOLD LAND		
At Fair Value	83,184	82,954
BUILDINGS AND LEASEHOLD IMPROVEMENTS		
At Fair Value	25,843	25,693
Accumulated Depreciation	(3,160)	(2,322)
	22,683	23,371
OTHER ASSETS		
At Cost	49,632	46,173
Accumulated Depreciation	(21,050)	(15,141)
	28,582	31,032
WORK IN PROGRESS		
At Cost	285,843	225,834
Total	**2,032,266**	**1,985,155**

10. PROPERTY, PLANT AND EQUIPMENT (continued)

Recognition and measurement
The Corporation uses the revaluation model in accordance with AASB 116 Property, Plant and Equipment and measures fair value in accordance with AASB 13 Fair Value Measurement .

Infrastructure, Freehold Land and Building assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment losses, where applicable. The initial cost is determined as the purchase value of the asset at the date of acquisition plus costs incidental to the acquisition. Developer contributions received for no consideration are recorded at fair value. The cost of fixed assets constructed by the Corporation includes the cost of all materials used in construction, applicable finance expenses and the cost of direct labour on the project. Internal labour and other related costs may also form part of the project cost.

Other Assets are stated at cost less accumulated depreciation and accumulated impairment adjustments. Other Assets include motor vehicles, furniture, fittings, telemetry equipment and IT hardware.

The Corporation recognises subsequent costs in the carrying amount of the fixed asset, or recognised as a new fixed asset, only when it is probable that the future economic benefits embodied within the item will flow to the Corporation and the cost of the item can be measured reliably. All other costs are recognised in the Statement of Comprehensive Income as an expense as incurred.

Depreciation
Depreciation of property (other than land), plant and equipment is calculated on an individually assessed economic life using the straight-line method of depreciation, so as to write off the net cost (or previously revalued amounts) of each asset over its expected useful life. The economic life of property (other than land), plant and equipment is reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The assessed economic life of property, plant and equipment is summarised as follows:

- Dams / Earthworks 100 – 135 years
- Pipelines 30 – 140 years
- Civil / Structural 30 – 100 years
- Other Infrastructure 5 – 40 years
- Buildings 40 – 85 years
- Leasehold Improvements 2 – 10 years
- Other Assets 2 – 25 years.

10. PROPERTY, PLANT AND EQUIPMENT (continued)

Movements in Carrying Amounts

Asset Group ($'000)	Infrastructure Assets - Water at Fair Value Level 3	Infrastructure Assets - Sewerage at Fair Value Level 3	Freehold Land at Fair Value Level 2	Freehold Land at Fair Value Level 3	Buildings & Leasehold Improvements at Fair Value Level 2	Buildings & Leasehold Improvements at Fair Value Level 3	Other Assets at Cost	Assets under Construction at Cost	Total
Net Book Value as at 1 July 2016	877,019	744,945	80,611	2,343	15,920	7,451	31,032	225,834	1,985,155
Contributed Assets at Fair Value	10,112	6,939	220	-	-	-	-	-	17,271
Derecognised assets	-	-	-	-	-	-	-	-	-
Additions at Cost	-	80	19	-	4	-	1,558	95,424	97,085
Transfers from Work in Progress	6,564	25,280	-	-	146	-	3,425	(35,415)	-
Transfers between Asset Classes	144	(91)	-	-	-	-	(53)	-	-
Disposals	(40)	(395)	(9)	-	-	-	(718)	-	(1,162)
Net revaluation adjustments	-	-	-	-	-	-	-	-	-
Assets transferred to other fair level values	-	-	-	-	-	-	-	-	-
Assets transferred to Held for Sale	-	-	-	-	-	-	-	-	-
Depreciation Expenses	(29,723)	(28,860)	-	-	(838)	-	(6,662)	-	(66,083)
Net Book Value as at 30 June 2017	**864,076**	**747,898**	**80,841**	**2,343**	**15,232**	**7,451**	**28,582**	**285,843**	**2,032,266**
Net Book Value as at 1 July 2015	923,354	706,391	-	50,047	-	29,415	31,645	137,536	1,878,388
Contributed Assets at Fair Value	9,058	10,039	5,428	-	-	-	-	-	24,525
Derecognised assets	-	-	(562)	-	-	-	-	-	(562)
Additions at Cost	3,603	5,355	-	-	-	231	2,501	111,690	123,380
Transfers from Work in Progress	8,035	9,064	-	680	-	498	6,293	(23,392)	1,178
Transfers between Asset Classes	(36,243)	44,286	-	(55)	-	(5,754)	(2,398)	-	(164)
Disposals	(95)	(71)	-	(147)	-	(22)	(813)	-	(1,148)
Net revaluation adjustments	-	-	27,853	-	(136)	-	-	-	27,717
Assets transferred to other fair level values	-	-	47,892	(47,892)	16,056	(16,056)	-	-	-
Assets transferred to Held for Sale	-	-	-	(290)	-	-	-	-	(290)
Depreciation Expenses	(30,693)	(30,119)	-	-	-	(861)	(6,196)	-	(67,869)
Net Book Value as at 30 June 2016	**877,019**	**744,945**	**80,611**	**2,343**	**15,920**	**7,451**	**31,032**	**225,834**	**1,985,155**

10. PROPERTY, PLANT AND EQUIPMENT (continued)

Fair Value Hierarchy
All assets and liabilities for which fair value is measured are categorised within the fair value hierarchy, described as follows, and based on the lowest level inputs that are significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Revaluations
Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

Any revaluation increase is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in net profit in the Statement of Comprehensive Income, in which case the increase is credited to profit to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation is recognised in net profit in the Statement of Comprehensive Income to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

In measuring the fair values of fixed assets, Freehold Land and Buildings (inclusive of leasehold improvements) are determined by independent valuers every three to five years, while the fair value of its water and sewerage infrastructure assets is assessed annually, as at the end of each reporting period. The water and sewerage infrastructure assets are assessed more regularly due to the sensitivity of the fair value of these asset classes to changes in data inputs, assumptions and estimates adopted in the valuation technique.

Freehold Land and Building Assets
All freehold land and non-infrastructure buildings were valued at 30 June 2016 by Jardine Lloyd Thompson Pty Ltd (JLT) using a fair value approach. The fair value measurement of the freehold land and buildings has been categorised as either Level 2 or Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques. Level 2 of the hierarchy applies where the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

All land and residential buildings were valued utilising the direct comparison approach using evidence derived from the analysis of recent sales of similar properties to the subject property. The sales were analysed on both a sales price per square metre of land area and building area where applicable. The capitalised income approach was utilised where the building would be predominantly bought by investors. The building was assessed by applying a yield to the potential rental return from the building based on market evidence analysed by JLT. Where market based evidence of fair value is not applicable due to the specialised nature of an asset the depreciated replacement cost approach has been used which takes into account physical deterioration, functional, and economic obsolescence. Assets valued using the depreciated replacement cost approach have been categorised as a Level 3 value.

Infrastructure Assets
Due to the specialised nature of the Corporation's infrastructure assets, fair value is estimated using the income approach (based on discounted cash flows). This involves discounting the forecast stream of cash flows to both debt and equity investors at a weighted average cost of capital (WACC), which represents an estimated hypothetical market participant's discount rate.

As at 30 June 2017, the Corporation compared the carrying value of infrastructure assets to a range of fair values calculated using the income approach. The range has been established by progressively modelling sensitivities to key significant unobservable inputs to generate a series of future cash flows.

The Corporation's infrastructure asset valuation methodology was reviewed by an independent expert during the financial year. The independent expert considered the approach taken by the Corporation to be in line with Australian accounting standards.

10. PROPERTY, PLANT AND EQUIPMENT (continued)

Based on the outcomes of the fair values determined under this approach, the Corporation has determined that the existing carrying values are the most representative of the fair value of the water and sewerage infrastructure assets as at the end of the reporting period. As such no valuation adjustment was required.

The fair value of the infrastructure assets have been categorised as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique. Level 3 of the fair value hierarchy applies where there is a lack of an active market for the asset resulting in significant unobservable inputs being used to measure fair value.

The following table shows the key significant unobservable inputs used in the valuation technique and the relationship of each input on fair value measurement of the Corporations infrastructure assets and buildings and improvements located at treatment plants. The Corporation has established upper and lower fair value thresholds for each Cash Generating Unit by progressively modelling the below sensitivities.

Unobservable input	Basis for Inputs 30/06/2016	Basis for Inputs 30/06/2017	Range of Sensitivities to Base Considered	Relationship of unobservable inputs to fair value
Discount Rate	Real pre-tax weighted average cost of capital of 4.75% per annum. The Risk Free Rate of 3.45% was calculated as the simple averages of the 10 year Commonwealth Government bond rate over the previous 40 business days and over the last 10 years rate.	Real pre-tax weighted average cost of capital of 4.55% per annum. The Risk Free Rate of 3.44% was calculated as the simple averages of the 10 year Commonwealth Government bond rate over the previous 40 business days and over the last 10 years rate.	None	The higher the discount rate, the lower the fair value.
Perpetuity Factor	10 year discount period with a terminal value, based on a perpetuity factor of 22.46, applied for subsequent years.	10 year discount period with a terminal value, based on a perpetuity factor of 23.51, applied for subsequent years.	None	The higher the perpetuity factor, the higher the fair value.
Expected revenue growth	Based on most recent revenue forecast and Corporate Plan estimates, incorporating average revenue increases over the discounting period of 3.98% for the Water CGU and 5.27% for the Sewerage CGU.	Based on most recent revenue forecast and Corporate Plan estimates.	Fixed Water Revenue Growth range 3.57% to 3.91% Fixed Sewerage Revenue Growth range 3.50% to 3.84%	The higher the revenue growth rate, the higher the fair value.
Nominal average cost increase	Based on most recent expenditure forecast and Corporate Plan, incorporating nominal average cost increase of 2.50% per annum.	Based on most recent expenditure forecast and Corporate Plan, incorporating nominal average cost increase of 2.50% per annum.	None	The higher the nominal average cost increase, the lower the fair value.
Nominal Labour increase	Based on most recent expenditure forecast and Corporate Plan, incorporating nominal average labour increase of 3.00% per annum.	Based on most recent expenditure forecast and Corporate Plan, incorporating nominal average labour increase of 3.00% per annum.	None	The higher the nominal average labour cost increase, the lower the fair value.
Renewal capital expenditure	Capital expenditure as per most recent forecast and Corporate Plan. The renewal spend is split 36% to Water and 64% to sewerage.	Capital expenditure as per most recent forecast and Corporate Plan.	Water Renewal range 14% to 24% Sewerage Renewal range 76% to 86%	The higher the renewal capital spend, the lower the fair value.

10. PROPERTY, PLANT AND EQUIPMENT (continued)

Cost Disclosure

AASB 116 'Property, Plant and Equipment' requires that, when an asset class is carried at fair value, disclosure must be made of the carrying amount that would be recognised had it been carried under the cost method.

If property, plant and equipment were measured at depreciated replacement cost the carrying amounts at 30 June 2017 would be as follows:

As at 30 June 2017: Asset Group ($'000)	Infrastructure Assets - Water	Infrastructure Assets - Sewerage	Freehold Land	Buildings and Leasehold Improvements	Other Assets	Assets under construction	Total
Depreciated Replacement cost	1,628,153	1,690,521	63,979	28,058	65,543	285,843	3,762,097
Accumulated depreciation	(357,418)	(401,292)	-	(6,338)	(54,345)	-	(819,393)
Net Carrying Amount	**1,270,735**	**1,289,229**	**63,979**	**21,720**	**11,198**	**285,843**	**2,942,704**

As at 30 June 2016: Asset Group ($'000)	Infrastructure Assets - Water	Infrastructure Assets - Sewerage	Freehold Land	Buildings and Leasehold Improvements	Other Assets	Assets under construction	Total
Depreciated Replacement cost	1,611,373	1,658,708	63,749	27,908	61,331	225,834	3,648,903
Accumulated depreciation	(303,274)	(338,482)	-	(6,338)	(41,956)	-	(690,050)
Net Carrying Amount	**1,308,099**	**1,320,226**	**63,749**	**21,570**	**19,375**	**225,834**	**2,958,853**

The Corporation deemed cost as at 1 July 2014 to be the depreciated replacement cost as noted above. If plant and equipment were measured using the cost model the carrying amounts at 30 June 2017 would be as follows:

As at 30 June 2017: Asset Group ($'000)	Infrastructure Assets - Water	Infrastructure Assets - Sewerage	Freehold Land	Buildings and Leasehold Improvements	Other Assets	Assets under construction	Total
Cost	2,904,675	2,556,957	63,979	28,616	66,766	285,843	5,906,836
Accumulated depreciation	(1,633,940)	(1,267,728)	-	(6,896)	(55,568)	-	(2,964,132)
Net Carrying Amount	**1,270,735**	**1,289,229**	**63,979**	**21,720**	**11,198**	**285,843**	**2,942,704**

As at 30 June 2016: Asset Group ($'000)	Infrastructure Assets - Water	Infrastructure Assets - Sewerage	Freehold Land	Buildings and Leasehold Improvements	Other Assets	Assets under construction	Total
Cost	2,887,895	2,525,144	63,749	28,466	62,554	225,834	5,793,642
Accumulated depreciation	(1,579,796)	(1,204,918)	-	(6,896)	(43,179)	-	(2,834,789)
Net Carrying Amount	**1,308,099**	**1,320,226**	**63,749**	**21,570**	**19,375**	**225,834**	**2,958,853**

11. INTANGIBLES

COMPUTER SOFTWARE AND SYSTEMS DEVELOPMENT	2017 $'000	2016 $'000
At Cost	24,552	10,646
Accumulated Amortisation	(8,266)	(6,215)
	16,286	**4,431**
WORK IN PROGRESS		
At Cost	**4,023**	**10,199**
Total	**20,309**	**14,630**

Intangibles	Software $'000	Work in Progress $'000	Total $'000
Net Book Value as at 1 July 2016	4,431	10,199	14,630
Additions at Cost	183	7,547	7,730
Transfers from Work in Progress	13,723	(13,723)	-
Transfers between Asset Classes	-	-	-
Disposals	-	-	-
Amortisation Expenses	(2,051)	-	(2,051)
Net Book Value as at 30 June 2017	**16,286**	**4,023**	**20,309**
Net Book Value as at 1 July 2015	5,586	3,393	8,979
Additions at Cost	809	7,984	8,793
Transfers from Work in Progress	-	(1,178)	(1,178)
Transfers between Asset Classes	164	-	164
Disposals	(2)	-	(2)
Amortisation Expenses	(2,126)	-	(2,126)
Net Book Value as at 30 June 2016	**4,431**	**10,199**	**14,630**

Recognition and measurement

Acquired separately

Separately acquired intangible assets comprise costs associated with the purchase and development of computer software. Intangible assets are initially recorded at their cost of acquisition. Cost is determined as the purchase value of the asset at the date of acquisition plus costs incidental to the acquisition, including direct labour costs.

Internally-generated

Internally-generated intangible assets comprise development costs associated with the development of specific business management systems. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- The intention to complete the intangible asset and use or sell it
- The ability to use or sell the intangible asset
- How the intangible asset will generate probable future economic benefits
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

11. INTANGIBLES (continued)

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in Statement of Comprehensive Income in the period in which it is incurred.

Amortisation

Amortisation of intangible assets is calculated on an individually assessed economic life using the straight-line method of amortisation, so as to write off the net cost (or previously revalued amounts) of each asset over its expected useful life. The estimated useful life of computer software is between two and 10 years.

12. CURRENT AND NON-CURRENT LIABILITIES

12.1 PAYABLES

	2017 $'000	2016 $'000
Trade Creditors	9,073	10,975
Accrued Expenses	13,846	11,863
Total	**22,919**	**22,838**

Recognition and measurement

Trade Creditors

Trade creditors are recognised at amortised cost when the Corporation becomes obliged to make future payments resulting from the purchase of goods and services. Trade creditors are unsecured and are usually settled with 30 days of recognition.

Accrued Expenses Provisions

Provisions are recognised when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

12.2 BORROWINGS

All borrowings have been transacted through the Tasmanian Public Finance Corporation (Tascorp), other than a $500,000 loan provided by one of the Corporation's Owners which was repaid on 26 June 2017. The borrowings from Tascorp are secured by a floating charge over revolving assets and a fixed charge over all other collateral.

	2017 $'000	2016 $'000
Current Borrowings	75,784	98,031
Non-current Borrowings	399,118	332,252
Total	**474,902**	**430,283**

12. CURRENT AND NON-CURRENT LIABILITIES (continued)

Credit Facilities

At 30 June the Corporation had access to the following finance facilities:

	2017 $'000	2016 $'000
MASTER LOAN BORROWING LIMIT - TASCORP		
Facility	560,000	475,000
Less used / committed	(474,902)	(430,283)
Unused Facility	**85,098**	**44,717**
CORPORATE MASTERCARD		
Facility	300	300
Less used / committed	(38)	(43)
Unused Facility	**262**	**257**

12.3 UNEARNED INCOME

	2017 $'000	2016 $'000
CURRENT		
Government grants	1,371	1,381
Customer contributions	201	297
Other	114	100
	1,686	**1,778**
NON-CURRENT		
Government grants	31,205	32,577
Total	**32,891**	**34,355**

12.4 OTHER LIABILITIES

	2017 $'000	2016 $'000
CURRENT		
Provision for Rehabilitation	4,142	1,504
NON-CURRENT		
Provision for Rehabilitation	992	3,787
Total	**5,134**	**5,291**
MOVEMENT IN PROVISION		
Opening Balance	5,291	5,114
New provisions raised	296	445
Outflows during the year	(119)	(208)
Re-measurement	(334)	(60)
Closing balance	**5,134**	**5,291**

Recognition and measurement

The Corporation assesses on an annual basis whether there is an obligation to establish a provision for site rehabilitation taking into account plant or other activity which has been decommissioned during the year and plans to decommission in future years. The amount to be provisioned will include the cost of necessary works to rehabilitate the site to conditions nominated in statute or government regulations or to satisfy community or other expectations. When appropriate the future rehabilitation costs may be discounted by a present value technique.

13. EMPLOYEE BENEFITS

	2017 $'000	2016 $'000
CURRENT		
Annual Leave[1]	8,759	8,009
Long Service Leave[1]	7,404	6,865
Accrued Day Off[1]	231	243
Provision for Restructure[1]	3,958	-
Defined Benefit Superannuation - RBF	517	606
	20,869	**15,723**
NON-CURRENT		
Long Service Leave[1]	1,851	2,079
Defined Benefit Superannuation - RBF	8,584	9,619
Defined Benefit Superannuation - Quadrant	510	1,157
	10,945	**12,855**
Total[1]	**31,814**	**28,578**

[1] The employee benefits provision at 30 June 2017 included attributable on-costs and superannuation of $3,080,623 (2016: $2,842,949).

Recognition and measurement

Wages, Salaries, Annual Leave, Long Service Leave, Accrued Days Off and Time in Lieu

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, accrued days off and time in lieu when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits that are expected to be settled within 12 months of the reporting date, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits that are not expected to be settled within 12 months of the reporting date are measured at the present value of the estimated future cash outflows to be made by the Corporation in respect of the services provided at reporting date.

Superannuation

The Corporation also contributes to a number of complying accumulated benefits superannuation funds in accordance with the *Commonwealth Superannuation Guarantee (Administration) Act 1992*. Contributions are expensed as they are made.

14. COMPENSATION OF KEY MANAGEMENT PERSONNEL

	2017 $'000	2016 $'000
Directors		
Short-Term	474,777	462,882
Other Long-Term	-	-
Post Employment (superannuation)	44,917	43,975
Termination Benefits	-	-
	519,694	**506,857**
Other Key Management Personnel		
Short-Term	2,431,131	2,131,693
Other Long-Term	45,914	64,165
Post Employment (superannuation)	220,536	201,172
Termination Benefits	83,742	-
	2,781,323	**2,397,030**
Total	**3,301,017**	**2,903,887**

Further details on the remuneration of key management personnel can be found in the remuneration report which forms part of the Directors' Report.

15. SUPERANNUATION AND DEFINED BENEFIT PLAN

15.1 INTRODUCTION

The Corporation makes contributions to two defined benefit superannuation plans, Quadrant Superannuation Scheme (Quadrant) and the Retirement Benefits Fund (RBF). Quadrant was transferred into Tasplan with effect from 1 December 2015, via a successor fund transfer that leaves the Corporation's superannuation obligations substantially unchanged. Disclosures regarding employees in RBF and in two sub-funds of Quadrant, namely the Hobart City Council Defined Benefits Fund and the Launceston City Council Fund, are provided below in notes 15.2 to 15.5.

The Corporation also makes superannuation contributions for a number of its employees to another Quadrant sub-fund, the Quadrant Defined Benefits Fund. The Quadrant Defined Benefits Fund is a multi-employer sponsored plan, where the Fund's assets and liabilities are pooled and are not allocated by employer. The actuary is therefore unable to allocate benefit liabilities, assets and costs between employers. As provided under paragraph 34 of AASB 119 Employee Benefits, the Corporation does not use defined benefit accounting for these contributions.

In addition, the Corporation contributes to other accumulation schemes on behalf of a number of employees. However the Corporation has no ongoing responsibility to fund any deficiencies that may occur in those schemes.

During the year the employer made the required superannuation contributions for all eligible employees to an appropriate complying superannuation fund as required by the *Superannuation Guarantee (Administration) Act 1992*.

15.2 DESCRIPTION OF THE DEFINED BENEFIT SUPERANNUATION PLANS

Quadrant and RBF are defined benefit funds where members receive benefits on ceasing employment that are (at least in part) calculated as a multiple of the member's final average salary. Benefits from the Quadrant Fund are paid as lump sums while RBF's benefits may be paid as lump sums or as pensions. No new employees join either of these defined benefit funds.

Quadrant is a complying superannuation fund within the provisions of the *Income Tax Assessment Act 1997* and the *Superannuation Industry (Supervision) Act 1993* such that the fund's taxable income is taxed at a concessional rate of 15 per cent.

15. SUPERANNUATION AND DEFINED BENEFIT PLAN (continued)

The Tasmanian Government has undertaken to operate RBF in accordance with the spirit of the Superannuation Industry Supervision (SIS) legislation in a Heads of Government Agreement. As an exempt public sector superannuation fund the Fund is not subject to any minimum funding requirements. RBF is a complying superannuation fund within the provisions of the *Income Tax Assessment Act 1997* such that the Fund's taxable income is taxed at a concessional rate of 15 per cent. RBF also operates under the *Public Sector Superannuation Reform Act 2016* and the *Public Sector Superannuation Reform Regulations 2017*. The Trustee boards of both funds have a legal obligation to act solely in the best interests of fund beneficiaries. The Trustee's roles include administration of the fund; management and investment of the fund assets; and compliance with laws and agreements.

The most significant risks relating to the defined benefits are:

Investment risk
The risk that investment returns will be lower than assumed and employers will need to increase contributions to offset this shortfall.

Salary growth risk
The risk that wages or salaries will rise more rapidly than assumed, increasing defined benefit amounts and the associated employer contributions.

Inflation risk
The risk that inflation is higher than anticipated, increasing RBF pension payments and the associated employer contributions.

Benefit options risk
The risk that a greater proportion of members who joined RBF prior to 1 July 1994 will elect the pension option, which is generally more costly than the alternative lump sum option.

Pensioner mortality risk
The risk that pensioner mortality is lighter than expected resulting in RBF pensions being paid for a longer period.

Legislative risk
The risk that legislative changes could be made, increasing the cost of providing the defined benefits.

15.3 FUNDING ARRANGEMENTS

Quadrant
In 2016-17, the Corporation contributed 12.5 per cent (LCC Defined Benefits Fund) or 11 per cent (HCC Defined Benefits Fund) of relevant employees' gross income to Quadrant to fund the defined benefit obligations. Assets accumulate in the Fund to meet member benefits as they accrue, and if assets within the Fund are insufficient to satisfy benefits payable, the Corporation is required to meet its share of the deficiency.

Rice Warner Pty Ltd undertook the last triennial actuarial review of the Fund at 30 June 2014. The review disclosed that at that time the net market value of assets available for funding member benefits was $66,310,000, the value of vested benefits was $57,475,000, the surplus over vested benefits was $8,835,000, and the value of total accrued benefits was $58,093,000. These amounts relate to all members of the Fund (not just Corporation employees in the Fund) at the date of valuation. No separate asset or liability is recorded in Quadrant's financial statements for Corporation employees. The financial assumptions used to calculate the accrued benefits for the Fund were a net investment return of 7 per cent per annum and salary inflation of 4 per cent per annum.

The actuarial review concluded that:

1. The value of assets in Quadrant was adequate to meet the liabilities of the Fund in respect of vested benefits as at 30 June 2014.
2. The value of the assets of Quadrant was adequate to meet the value of the liabilities of the Fund in respect of accrued benefits as at 30 June 2014.
3. Based on the assumptions used, and assuming the employers contribute at the levels recommended by the actuary, the value of the assets is expected to continue to be adequate to met the value of the liabilities of the Fund in respect of vested benefits at all times during the period up to 30 June 2017.

15. SUPERANNUATION AND DEFINED BENEFIT PLAN (continued)

For TasWater, the actuary recommended future Corporation contributions of 12.5 per cent of salaries from 1 July 2015 for employees in the LCC Defined Benefits Fund and 11 per cent of salaries from 1 July 2015 for employees in the HCC Defined Benefits Fund. The next full triennial actuarial review of the Fund will have an effective date of 30 June 2017 and is expected to be completed late in 2017.

RBF
Members entitlements in the RBF are partly funded in advance, to the extent of members' contributions. The balance of the cost of members benefits is post-funded by the Corporation at the time the member receives a benefit. The present value of members accrued superannuation liabilities less the value of the assets in the fund is an unfunded liability.

15.4 ACTUARIAL ASSUMPTIONS

As at 30 June 2017, the Corporation's actuaries (GM Actuaries Pty Ltd in the case of Quadrant and Mercer (Australia) Pty Ltd in the case of RBF) conducted a valuation of the Corporation's defined benefit superannuation liabilities. The difference between the value of these benefits and the market value of the assets for the relevant members determines the Corporation's superannuation liability (if fund liabilities exceed the assets) or asset (if fund assets exceed the liabilities). The main actuarial assumptions used to assess the Corporation's superannuation liability or asset were:

Principal Actuarial Assumptions as at Balance Date	Quadrant 2017	Quadrant 2016	RBF 2017	RBF 2016
Discount rate (*)	3.40%	3.10%	4.35%	3.55%
Expected salary increase rate	3.00%	3.00%	3.00%	3.00%
Expected pension increase rate	n/a	n/a	2.50%	2.50%
Expected rate of increase compulsory preserved amounts	n/a	n/a	3.00%	4.50%

(*) For Quadrant, this is a gross of tax discount rate.

The discount rates have been determined based on the estimated yield of a corporate bond with a duration of 6.1 years (Quadrant) and 15.0 years (RBF), based on the approximate duration of the relevant liabilities. The Corporation's actuaries have also made assumptions regarding the decrement rates (e.g. mortality and retirement rates), based on those used at the most recent actuarial valuation of each fund.

Sensitivity Analysis of Significant Actuarial Assumptions
The defined benefit obligations for both Quadrant and RBF as at 30 June 2017 under several scenarios are presented below. Scenario A and B relate to discount rate sensitivity. Scenario C and D relate to expected pension increase rate sensitivity. The defined benefit obligation has been recalculated by changing the assumptions as outlined below, while retaining all other assumptions.

Quadrant	Base Case	Scenario A	Scenario B	Scenario C	Scenario D
		-0.5% pa discount rate	+0.5% pa discount rate	-1.0% pa pension increase rate	+1.0% pa pension increase rate
Discount rate	3.40% pa	2.90% pa	3.90% pa	3.40% pa	3.40% pa
Pension increase	3.00% pa	3.00% pa	3.00% pa	2.00% pa	4.00% pa
Defined benefit obligation ($'000s)	**15,293**	**15,623**	**14,998**	**14,680**	**16,106**

RBF	Base Case	Scenario A	Scenario B	Scenario C	Scenario D
		-1.0% pa discount rate	+1.0% pa discount rate	-1.0% pa pension increase rate	+1.0% pa pension increase rate
Discount rate	4.35% pa	3.35% pa	5.35% pa	4.35% pa	4.35% pa
Pension increase	2.50% pa	2.50% pa	2.50% pa	1.50% pa	3.50% pa
Defined benefit obligation ($'000s)	**10,988**	**12,176**	**9,993**	**10,154**	**11,950**

15. SUPERANNUATION AND DEFINED BENEFIT PLAN (continued)

15.5 DETAILED DISCLOSURES

Assets are not held separately for each entity but are held within each fund for the fund as a whole. For Quadrant, the fair value of the fund assets in respect of Corporation employees is separately identified via Quadrant's administration and accounting records. For RBF, the fair value of fund assets was established by allocating the total fund assets to each entity in proportion to the value of each entity's funded liabilities, calculated using the assumptions outlined in this report. The fair value of fund assets includes no amounts relating to any of the entity's own financial instruments or any property occupied by, or other assets used by, the entity.

Statement of financial position results as at 30 June - Net liability/(asset)	Quadrant		RBF		Total	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Present value of defined benefit obligation at end of year	15,293	15,558	10,988	11,931	26,281	27,489
Less fair value of Fund assets at end of year	14,783	14,401	1,887	1,706	16,670	16,107
Deficit/(surplus)	510	1,157	9,101	10,225	9,611	11,382
Unrecognised past service cost	-	-	-	-	-	-
Unrecognised net (gain)/loss	-	-	-	-	-	-
Adjustment for limitation on net assets	-	-	-	-	-	-
Net superannuation liability/(asset)	510	1,157	9,101	10,225	9,611	11,382
Current net liability/(asset)	-	-	517	606	517	606
Non-current net liability/(asset)	510	1,157	8,584	9,619	9,094	10,776
Total net liability/(asset)	**510**	**1,157**	**9,101**	**10,225**	**9,611**	**11,382**

Expense Recognised in the Statement of Comprehensive Income	Quadrant		RBF		Total	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Current service cost	524	433	129	117	653	550
Expense recognised in employee related expenses	524	433	129	117	653	550
Net Interest cost	31	(49)	352	402	383	353
Expense recognised in net financing costs	31	(49)	352	402	383	353
Total Expense recognised in the Statement of Comprehensive Income	**555**	**384**	**481**	**519**	**1,036**	**903**

Amounts Recognised in Other Comprehensive Income	Quadrant		RBF		Total	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Cumulative amount of actuarial (gains)/ losses at end of prior year	2,182	(315)	413	(998)	2,595	(1,313)
Actuarial (gains)/losses recognised during the year	(708)	2,497	(1,001)	1,411	(1,709)	3,908
Cumulative amount of actuarial (gains)/ losses at end of current year	**1,474**	**2,182**	**(588)**	**413**	**886**	**2,595**

15. SUPERANNUATION AND DEFINED BENEFIT PLAN (continued)

Reconciliation of Fair Value of Scheme Assets	Quadrant		RBF		Total	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Fair value of plan assets at beginning of the year	14,401	14,560	1,706	1,882	16,107	16,442
Employer contributions	494	537	603	330	1,097	867
Contributions by plan participants	242	279	49	48	291	327
Taxes and expenses paid	(164)	(164)	(16)	(18)	(162)	(182)
Benefits paid	(1,661)	(1,157)	(782)	(449)	(2,443)	(1,606)
Expected return on plan assets (including interest income)	365	549	327	(87)	692	462
Expected assets at year end	13,695	14,604	1,887	1,706	15,582	16,310
Actuarial gain/(loss) on assets	1,088	(203)	-	-	1,088	(203)
Individual plan assets at year end	**14,783**	**14,401**	**1,887**	**1,706**	**16,670**	**16,107**
Actual return on plan assets[1]	1,453	346	327	(87)	1,780	259

[1]As separate assets are not held for each entity, the actual return includes any difference in the allocation to each entity.

Present Value of the Defined Benefit Obligations	Quadrant		RBF		Total	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Present value of defined benefit obligations at beginning of the year	15,558	13,374	11,931	10,508	27,489	23,882
Current Service Cost	524	433	129	117	653	550
Interest cost	396	499	410	489	806	988
Contributions by plan participants	242	279	49	48	291	327
Taxes and expenses paid	(146)	(164)	(16)	(18)	(162)	(182)
Benefits paid	(1,661)	(1,157)	(782)	(449)	(2,443)	(1,606)
Expected defined benefit obligations at year end	14,913	13,264	11,721	10,695	26,634	23,959
Actuarial (gain)/loss on liabilities	380	2,294	(733)	1,236	(353)	3,530
Present value of defined benefit obligations at end of the year	**15,293**	**15,558**	**10,988**	**11,931**	**26,281**	**27,489**

The defined benefit obligation consists entirely of amounts from plans that are wholly or partly funded.

Historical information	Quadrant		RBF		Total	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Present value of defined benefit obligation at end of the year	15,293	15,558	10,988	11,931	26,281	27,489
Less fair value of plan assets at end of the year	14,783	14,401	1,887	1,706	16,670	16,107
Deficit/(surplus)	**510**	**1,157**	**9,101**	**10,225**	**9,611**	**11,382**
Experience adjustments loss/(gain) - plan liabilities	574	1,352	343	(190)	917	1,162
Experience adjustments (gain)/loss - plan assets	1,088	(203)	-	-	1,088	(203)

The experience adjustment for Fund liabilities represents the actuarial loss/(gain) due to a change in the liabilities arising from the Fund's experience (e.g. membership movements, salary increases and indexation rates) and excludes the effect of the changes in assumptions (e.g. movements in the bond rate).

Expected Contributions - Financial Year Ending 30 June 2018

The estimated employer contributions for the following financial year are $465,000 to Quadrant and $517,000 to RBF.

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation for the Corporation is 6.1 years for Quadrant and 10.3 years for RBF.

16. FINANCIAL INSTRUMENTS

16.1 MANAGING FINANCIAL RISK

The Corporation's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Corporation uses different methods to measure and manage the different financial risks. The Board has the primary responsibility to set appropriate policies to manage these risks. This note presents information about the Corporation's exposure to each of these risks, and the objectives, policies and processes for measuring and managing risk.

16.2 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Categories of financial assets and financial liabilities at balance date were:

Financial Instruments	30 June 2017 Carrying Amount $'000	30 June 2016 Carrying Amount $'000
Financial Assets		
Cash and cash equivalents	2,852	2,748
Receivables	49,789	41,937
Total Financial Assets	**52,641**	**44,685**
Financial Liabilities		
Payables at amortised cost	22,919	22,838
Borrowings at amortised Cost	474,902	430,283
Total Financial Liabilities	**497,821**	**453,121**

Recognition and measurement

Financial assets and financial liabilities are recognised when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

A. Financial Assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through the Statement of Comprehensive Income', 'held-to-maturity' investments, 'available-for-sale' financial assets and 'loans and receivables'. The Corporation does not currently hold, nor is it likely to hold, any financial assets classified 'at fair value through the Statement of Comprehensive Income' or 'held-to-maturity' investments. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. Loans and receivables exclude statutory receivables.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Impairment losses are recognised in Statement of Comprehensive Income.

B. Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through the Statement of Comprehensive Income' or 'other financial liabilities'. Currently the Corporation does not hold financial liabilities classified 'at fair value through the Statement of Comprehensive Income'.

16. FINANCIAL INSTRUMENTS (continued)

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

16.3 INTEREST RATE RISK

The objectives of the Corporation's interest rate risk management policy are to contain the potential adverse financial impact from unfavourable movements in interest rates, predominantly associated with interest bearing liabilities, and to capture the potential for reducing costs by management of the Corporation's debt. The Corporation's interest rate risk is managed by setting borrowings with terms and maturity structures which reflect the medium and longer term capital requirements and tariff structures of the Corporation. The aim of interest rate risk management is to minimise the longer term cost of borrowings by adopting debt portfolio maturities and to spread debt between fixed and floating instruments. Debt is sourced from Tascorp and is managed within a range of Board approved limits with debt levels and interest being monitored regularly. The Corporation has not engaged hedging as part of its financial risk management strategy.

The Corporation has minimal exposure to cash flow interest rate risks through its cash and deposits, term deposits and bank overdrafts that are at floating rates.

The following table details the Corporation's exposure to interest rates risk as at 30 June 2017.

As at 30 June 2017	Variable interest rate $'000	Fixed interest rate maturing in:			Non-interest bearing $'000	Total carrying amount $'000	Weighted average interest rate
		< 1 year $'000	1 – 5 years $'000	> 5 years $'000			
Financial Assets							
Cash at Bank	2,852	-	-	-	-	2,852	1.75%
Receivables	-	-	-	-	49,789	49,789	-
Total	**2,852**	**-**	**-**	**-**	**49,789**	**52,641**	**-**
Financial Liabilities							
Payables	-	-	-	-	(22,919)	(22,919)	-
Borrowings	(23,150)	(52,634)	(218,213)	(180,905)	-	(474,902)	4.61%
Total	**(23,150)**	**(52,634)**	**(218,213)**	**(180,905)**	**(22,919)**	**(497,821)**	
Net Financial (Liabilities) Assets	**(20,298)**	**(52,634)**	**(218,213)**	**(180,905)**	**26,870**	**(445,180)**	**-**

16. FINANCIAL INSTRUMENTS (continued)

As at 30 June 2016	Variable interest rate $'000	Fixed interest rate maturing in: < 1 year $'000	1 – 5 years $'000	> 5 years $'000	Non-interest bearing $'000	Total carrying amount $'000	Weighted average interest rate
Financial Assets							
Cash at Bank	2,748	-	-	-	-	2,748	2.00%
Receivables	-	-	-	-	41,937	41,937	-
Total	**2,748**	**-**	**-**	**-**	**41,937**	**44,685**	**-**
Financial Liabilities							
Payables	-	-	-	-	(22,838)	(22,838)	-
Borrowings	(46,900)	(51,131)	(160,483)	(171,269)	(500)	(430,283)	4.87%
Total	**(46,900)**	**(51,131)**	**(160,483)**	**(171,269)**	**(23,338)**	**(453,121)**	**-**
Net Financial (Liabilities) Assets	**(44,152)**	**(51,131)**	**(160,483)**	**(171,269)**	**18,599**	**(408,436)**	**-**

The table above highlights that the Corporation's total exposure to variable interest rates at 30 June 2017 was a net liability of $20,297,616 (2016: $44,152,123).

There is sufficient volatility in interest rates and it is reasonably possible rates may change over the next 12 months. The table below shows the impact on profit after tax and equity of a 0.50 per cent increase and a 0.50 per cent decrease in interest rates.

Interest Rate Sensitivity	30 June 2017 Profit after tax higher/(lower) 0.5% increase $'000	30 June 2017 Profit after tax higher/(lower) 0.5% decrease $'000	30 June 2016 Profit after tax higher/(lower) 0.5% increase $'000	30 June 2016 Profit after tax higher/(lower) 0.5% decrease $'000
Cash and Cash Equivalents	10	(10)	10	(10)
Interest Bearing Liabilities - Variable	(81)	81	(164)	164
Total	**(71)**	**71**	**(154)**	**154**

16. FINANCIAL INSTRUMENTS (continued)

16.4 CREDIT RISK

Exposure to credit risk arises from the potential default of a counterparty, with respect to the Corporation's financial assets. Financial assets include cash and cash equivalents, trade and other receivables. As identified in Note 16.2, the Corporation's maximum exposure to credit risk at reporting date was $50,168,745 (2016: $44,685,272).

Credit risk is measured at fair value. All receivable balances are monitored on an ongoing basis. Trade receivables consist of a large number of customers and industries over the region. The Corporation does not hold any collateral over any trade receivable.

For cash at bank it is the Corporation's policy to only deal with Australian banks with a minimum Standard and Poor's long term credit rating of A. The rating of counterparties are monitored on an ongoing basis.

Provision for impairment is recognised for receivables when there is objective evidence that the receivable is uncollectable. Usually this refers to default of payment, customer hardship or other financial difficulty.

The ageing of the Corporation's receivables at reporting date was:

	30 June 2017		30 June 2016	
Receivables	**Gross $'000**	**Impaired $'000**	**Gross $'000**	**Impaired $'000**
Not past due	40,718	(1,386)	37,400	(1,050)
0 - 30 Days	4,019	(311)	3,458	(264)
31 - 60 Days	807	(60)	918	(91)
61 - 90 Days	819	(83)	1,007	(122)
91 Days and over	7,436	(2,170)	3,156	(2,475)
Total	**53,799**	**(4,010)**	**45,939**	**(4,002)**

16.5 LIQUIDITY RISK

Liquidity Risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

While the Corporation has a negative working capital position of $66,008,535 at 30 June 2017 its operating cash flows are strong. The deficiency in working capital is due to the existence of current borrowings of $75,783,700 with short term maturities. These debt maturities will be refinanced in line with the Corporation's treasury policy which seeks to spread interest rate risk by having 1/10th of the portfolio repricing on an annual basis. If the current borrowings are excluded the working capital is $9,775,165.

The following tables identify the contractual maturities on rollover of financial liabilities at reporting date. The figures are undiscounted cash flows, including both principal and interest payments.

As at 30 June 2017	**3 months or less $'000**	**3 - 12 months $'000**	**1 - 2 years $'000**	**2 - 5 years $'000**	**> 5 years $'000**	**Total $'000**
Payables	22,919	-	-	-	-	22,919
Borrowings	28,778	65,036	65,685	199,797	195,352	554,648
Total	**51,697**	**65,036**	**65,685**	**199,797**	**195,352**	**577,567**

As at 30 June 2016	**3 months or less $'000**	**3 - 12 months $'000**	**1 - 2 years $'000**	**2 - 5 years $'000**	**> 5 years $'000**	**Total $'000**
Payables	22,838	-	-	-	-	22,838
Borrowings	61,285	53,449	66,900	136,834	189,308	507,776
Total	**84,123**	**53,449**	**66,900**	**136,834**	**189,308**	**530,614**

16. FINANCIAL INSTRUMENTS (continued)

16.6 FOREIGN EXCHANGE RISK

The Corporation is exposed to an insignificant foreign currency risk relating to purchases of supplies and consumables from overseas. While there is a limited amount of purchases denominated in foreign currencies the risk is further reduced by a short term time frame between commitment and settlement. Should a significant foreign currency exposure arise the Corporation is authorised to enter into a derivative instrument to limit the effect of foreign currency movements. The Corporation did not enter into any derivative instruments during the year.

16.7 NET FAIR VALUE

At balance date the Corporation did not hold any financial instruments which have been measured at fair value and recognised on the Statement of Financial Position. At 30 June the Corporation was not carrying any financial assets or liabilities which were tradeable on an active market with reference to quoted market prices. The Corporation had not entered into any derivatives or forward foreign currency contract at balance date. Accordingly there are no financial instruments to report in the Level 1, 2 or 3 of the fair value hierarchy for 30 June 2016. The Corporation has not disclosed a movement schedule for Level 3 items in the hierarchy as there have been no transactions for the year ended 30 June 2016. The fair value of financial assets and financial liabilities at year end were:

	30 June 2017		30 June 2016	
Category	Total carrying amount per the Statement of Financial Position $'000	Aggregate net fair value $'000	Total carrying amount per the Statement of Financial Position $'000	Aggregate net fair value $'000
FINANCIAL ASSETS				
Cash at Bank	2,852	2,852	2,748	2,748
Receivables	49,789	49,789	41,937	41,937
Total	**52,641**	**52,641**	**44,685**	**44,685**
FINANCIAL LIABILITIES				
Borrowings	474,902	488,402	430,283	455,448
Payables	22,919	22,919	22,838	22,838
Total	**497,821**	**511,321**	**453,121**	**478,286**

The methods and assumptions used to determine these net fair values of the financial assets and liabilities are as follows:

Cash, cash management and term deposits – the carrying amount approximates fair value due to the short-term nature of the instrument;

Receivables, trade creditors and accruals – the carrying amount approximates fair value;

Borrowings - are carried at amortised cost which is different to net fair value due to market rate sensitivity of the debt portfolio as at 30 June 2017. Borrowings held until maturity are paid at the carrying amount.

16.8 CAPITAL MANAGEMENT POLICY

The Corporation has established a Capital Expenditure Program necessary to achieve our business and Regulatory objectives as outlined within our Price and Service Plan (2017-18 to 2019-20) and our Long Term Strategic Plan (2017-18 to 2036-37). The Corporation manages capital to achieve those objectives within financially prudent gearing thresholds while being mindful of providing acceptable returns to shareholders.

17. RELATED PARTY DISCLOSURES

17.1 BOARD DIRECTORS

The Board Directors during the financial year ended 30 June 2017 and up to the date of this report were:

- Mr Miles Hampton (Chair)
- Mr Nick Burrows
- Ms Sibylle Krieger
- Mr Peter Lewinsky
- Ms Sally Darke
- Mr Vincent (Tony) Kelly
- Dr Helen Locher.

17.2 KEY MANAGEMENT PERSONNEL AND DIRECTOR TRANSACTIONS

There were no loans made by the Corporation to key management personnel and their related parties during the financial year.

Some key management personnel, or their related parties, transacted with the Corporation in the reporting period as owners of properties to which the Corporation provides water and sewerage services. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel.

There were no related party transactions requiring disclosure.

18. COMMITTMENTS

18.1 CAPITAL COMMITTMENTS

Capital commitments as at 30 June 2017 but not provided for in the financial statements were as follows:

	2017 $'000	2016 $'000
Payments within 1 year	78,545	30,754
Payments 1–5 years	774	-
Payments longer than 5 years	-	-
Total	**79,319**	**30,754**

RECONCILIATION OF CAPITAL COMMITMENTS

Buildings and infrastructure	78,874	26,225
Plant and equipment	80	146
Intangibles	365	4,377
Other	-	6
	79,319	**30,754**

18. COMMITTMENTS (continued)

18.2 LESSEE EXPENDITURE COMMITTMENTS

	2017 $'000	2016 $'000
Lease payments expensed during the period	1,180	1,056
Operating Lease Commitment		
Payments within 1 year	999	983
Payments 1-5 years	2,778	2,422
Payments longer than 5 years	2,184	2,434
Total	**5,961**	**5,839**

Future lease commitments represent payments due on current operating leases for the Corporation's office accommodation, information technology, office equipment and motor vehicles. The IT and office equipment leases are cancellable but incur a penalty of the present value of future lease payments. There is no documented option to purchase the leased assets on expiry of the leases.

18.3 LESSOR INCOME AGREEMENTS

	2017 $'000	2016 $'000
Lease income recognised during the period	415	445
Operating Lease Commitment		
Income within 1 year	407	345
Income 1-5 years	954	992
Income longer than 5 years	304	583
Total	**1,665**	**1,920**

Future lease commitments represent income receivable in relation to operating leases for office accommodation and land.

19. CONTINGENT ASSETS/LIABILITIES

The Corporation was not aware of any contingent assets or liabilities at the time of finalising the financial report other than the items listed below.

Damages from Contractor

Prior to 30 June 2009 an Owner Council dismissed a contractor who had been engaged to design and construct a sewage treatment plant. The contractor took action against the Council, with Ben Lomond Water becoming involved after 1 July 2009. The dispute moved to arbitration and Ben Lomond Water was awarded damages in the amount of $1.346 million. A significant proportion of that amount was previously estimated to be due to design defects and covered by a relevant insurance policy held by the contractor. The contractor subsequently entered into voluntary administration. Following a meeting of the creditors, and a subsequent application by TasWater to the Federal Court, a Liquidator was appointed. The Liquidator agreed to, and TasWater funded, litigation against the insurer for recovery of the insured portion of the damages awarded at arbitration. The matter went to hearing in early April 2017 and in late June 2017 the Court ordered that the insurer pay an amount of $1.786 million to TasWater, plus costs. In early July 2017 the insurer advised its intention to appeal to the Full Court of the Federal Court. Due to the pending appeal the awarded amount has not been recognised in these accounts.

20. RENUMERATION OF AUDITORS

	2017 $'000	2016 $'000
FINANCIAL STATEMENT AUDIT SERVICES		
Annual external statutory audit fee	126	117
Annual external regulatory audit fee	15	-
	141	**117**

LIST OF ACRONYMS AND ABBREVIATIONS

Term	Description
AAR	Audit and Risk Committee
ADWG	Australian Drinking Water Guidelines
AMIS	Asset Management Information System
AMP	Asset Management Plan
ANCOLD	Australian National Committee of Large Dams
ASX	Australian Securities Exchange
AWA	Australian Water Association
BWA	Boil water alert (public health alert)
CEMP	Construction Environmental Management Plan
CEO	Chief Executive Officer
CWC	Capital Works Committee
DHHS	Department of Health and Human Services
DNC	Do not consume (public health alert)
DWQMP	Drinking Water Quality Management Plan
EPA	Environment Protection Authority
FSMS	Field Service Management System
FY	Financial year
GIS	Geographic information system
GST	General sales tax
ISO 555001	Framework for an asset management system to manage the life cycle of a business' assets
LTIFR	Lost Time Injury Frequency Rate

Term	Description
NATA	National Association of testing Authorities, Australia
NOC	Network Operations Centre
ORG	Owners' Representatives Group
OTTER	Office of the Tasmanian Economic Regulator
PHA	Public health alert
PLL	Potential Loss of Life
PSP2	Price and Service Plan July 2015-June 2018
PSP3	Price and Service Plan July 2018-June 2021
Q1	Quarter 1 of financial year
Q2	Quarter 2 of financial year
Q3	Quarter 3 of financial year
Q4	Quarter 4 of financial year
SAMP	Strategic Asset Management Plan
SCADA	Supervisory control and data acquisition
SPS	Sewage pumping station
STP	Sewage treatment plant
UTAS	University of Tasmania
WIOAA	Water Industry Association of Australia
WSCA	*Water and Sewerage Corporation Act 2012* (Tas)
WTP	Water treatment plant

Front and rear cover: Lake Barrington in Tasmania's north-west.
Image courtesy of Rowing Tasmania.

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APPENDIX G: FINANCIAL MODELLING

Financial Modelling - TasWater Plan

Income Statement (000's)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Revenue										
Fixed Charges	218,990	229,142	240,595	253,212	266,495	277,856	289,705	302,060	314,945	328,382
Volumetric Charges	59,922	64,706	67,921	70,027	72,203	74,447	76,763	79,143	81,240	83,393
Services & Consulting Revenue	5,060	4,855	5,098	5,225	5,356	5,490	5,627	5,768	5,912	6,060
Headworks	250	-	-	-	-	-	-	-	-	-
Contributed Assets	12,000	12,240	12,485	12,734	12,989	13,249	13,514	13,784	14,060	14,341
Government Grants	1,549	1,549	1,549	1,549	1,549	1,549	1,549	1,549	1,549	1,549
Sundry Revenue	11,918	6,232	6,348	5,423	4,501	3,581	3,662	3,745	3,830	3,917
Total Revenue	**309,689**	**318,723**	**333,995**	**348,172**	**363,093**	**376,172**	**390,819**	**406,049**	**421,536**	**437,642**
Expenses										
Chemicals, Power & Royalties	24,513	25,057	26,146	26,749	27,366	27,998	28,644	29,306	29,982	30,675
Materials & Services	35,549	32,995	33,655	34,328	35,015	35,715	36,429	37,158	37,901	38,659
Salaries & Related Personnel Expenditure	87,415	88,179	90,988	95,032	99,242	103,623	108,182	112,927	117,864	123,001
Administration Costs	35,796	30,958	29,632	29,493	29,374	29,277	29,203	29,153	29,126	29,123
Total Expenses	**183,273**	**177,189**	**180,421**	**185,602**	**190,996**	**196,613**	**202,459**	**208,544**	**214,874**	**221,459**
Earnings before Interest & Depreciation	**126,416**	**141,534**	**153,574**	**162,570**	**172,096**	**179,559**	**188,360**	**197,505**	**206,662**	**216,183**
Loan Guarantee Fee (LGF)	2,599	2,910	3,105	3,624	3,947	4,341	4,704	5,018	5,240	5,399
Interest Expense	16,271	17,696	18,626	20,454	23,532	26,476	28,247	36,191	36,969	39,684
Depreciation	69,952	71,176	74,737	80,285	84,734	89,662	94,585	99,478	104,000	108,468
Net Profit before Tax	**37,594**	**49,753**	**57,106**	**58,207**	**59,883**	**59,080**	**60,824**	**56,819**	**60,453**	**62,631**
Tax	11,278	14,926	17,132	17,462	17,965	17,724	18,247	17,046	18,136	18,789
Net Profit after Tax	**26,316**	**34,827**	**39,974**	**40,745**	**41,918**	**41,356**	**42,577**	**39,773**	**42,317**	**43,842**

Financial Modelling - TasWater Plan

Balance Sheet (000's)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Current Assets										
Cash and Cash Equivalents	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Receivables	54,667	57,594	60,469	63,355	66,385	69,052	71,828	74,716	77,652	80,708
Inventories	5,699	5,813	5,929	6,077	6,229	6,385	6,544	6,708	6,876	7,048
Total Current Assets	**62,865**	**65,907**	**68,898**	**71,932**	**75,114**	**77,936**	**80,872**	**83,924**	**87,028**	**90,256**
Non Current Assets										
Property, plant & equipment	2,064,095	2,129,918	2,211,537	2,296,873	2,396,160	2,490,353	2,578,414	2,647,358	2,709,699	2,738,872
Deferred Tax Asset	43,470	43,096	42,965	42,844	42,734	42,635	42,548	42,473	42,410	42,360
Other	1,968	2,007	2,048	2,099	2,151	2,205	2,260	2,317	2,374	2,434
Total Non Current Assets	**2,109,533**	**2,175,021**	**2,256,550**	**2,341,816**	**2,441,044**	**2,535,193**	**2,623,222**	**2,692,147**	**2,754,484**	**2,783,666**
Total Assets	**2,172,398**	**2,240,928**	**2,325,448**	**2,413,748**	**2,516,158**	**2,613,129**	**2,704,094**	**2,776,071**	**2,841,512**	**2,873,922**
Current Liabilities										
Borrowings	155,067	168,074	181,007	194,476	210,877	226,006	239,093	248,342	254,977	252,756
Employee Benefits	19,001	19,167	19,777	20,407	21,057	21,728	22,420	23,134	23,871	24,632
Payables	24,662	25,155	25,658	26,299	26,957	27,631	28,322	29,030	29,755	30,499
Unearned Income	1,317	1,237	1,156	1,075	994	913	833	752	671	671
Current Tax Liability	518	813	818	846	888	868	911	811	902	956
Total Current Liabilities	**200,564**	**214,446**	**228,416**	**243,104**	**260,773**	**277,146**	**291,579**	**302,069**	**310,177**	**309,514**
Non Current Liabilities										
Borrowings	345,202	384,223	423,021	463,429	512,630	558,018	597,280	625,025	644,932	638,267
Employee Benefits	15,546	15,682	16,181	16,697	17,229	17,777	18,344	18,928	19,531	20,153
Unearned Income	31,489	30,021	28,553	27,085	25,618	24,150	22,681	21,214	19,746	18,197
Total Non Current Liabilities	**392,237**	**429,925**	**467,755**	**507,212**	**555,477**	**599,945**	**638,305**	**665,167**	**684,209**	**676,618**
Total Liabilities	**592,801**	**644,371**	**696,171**	**750,315**	**816,249**	**877,091**	**929,884**	**967,236**	**994,386**	**986,132**
Net Assets	**1,579,597**	**1,596,557**	**1,629,277**	**1,663,433**	**1,699,909**	**1,736,038**	**1,774,210**	**1,808,836**	**1,847,125**	**1,887,790**
Equity										
Retained Earnings	27,669	44,629	77,349	111,505	147,981	184,110	222,283	256,908	295,198	335,862
Reserves	24,114	24,114	24,114	24,114	24,114	24,114	24,114	24,114	24,114	24,114
Contributed Capital	1,527,814	1,527,814	1,527,814	1,527,814	1,527,814	1,527,814	1,527,814	1,527,814	1,527,814	1,527,814
Total Equity	**1,579,597**	**1,596,557**	**1,629,277**	**1,663,433**	**1,699,909**	**1,736,038**	**1,774,211**	**1,808,836**	**1,847,126**	**1,887,790**

Financial Modelling - TasWater Plan

Cash Flow Statement (000's)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Cash Flows from Operating Activities										
Receipts from Customers	283,408	302,007	317,087	331,003	345,525	358,708	372,980	387,828	402,991	418,696
Payments to Suppliers & Employees	(201,950)	(197,426)	(202,172)	(208,084)	(215,315)	(220,826)	(226,346)	(231,441)	(237,342)	(241,076)
Refund from ATO	21,722	21,292	23,380	24,242	26,116	26,049	25,764	24,815	24,429	21,622
Interest Received	-	-	-	-	-	-	-	-	-	-
Interest Paid	(19,271)	(20,696)	(22,379)	(25,683)	(29,290)	(33,658)	(38,041)	(42,254)	(45,869)	(49,063)
LGF Paid	(1,569)	(2,822)	(3,007)	(3,365)	(3,786)	(4,144)	(4,523)	(4,861)	(5,129)	(5,320)
Income Tax Equivalents Paid	(7,116)	(9,465)	(9,815)	(10,123)	(10,611)	(10,432)	(10,891)	(9,834)	(10,733)	(11,423)
Other Paid	(1,755)	(1,927)	(1,939)	(2,110)	(2,014)	(2,051)	(2,036)	(2,013)	(1,970)	(1,939)
Net Cash from Operating Activities	**73,470**	**90,964**	**101,154**	**105,879**	**110,625**	**113,646**	**116,907**	**122,240**	**126,377**	**131,498**
Cash Flows from Investing Activities										
Payments for Property, Plant & Equipment	(123,973)	(126,575)	(147,081)	(154,619)	(172,235)	(170,386)	(166,301)	(155,536)	(150,343)	(120,883)
Proceeds from Payments for Property, Plant & Equipment	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450
Net Cash Flows from Investing Activities	**(122,273)**	**(125,125)**	**(145,631)**	**(153,169)**	**(170,785)**	**(168,936)**	**(164,851)**	**(154,086)**	**(148,893)**	**(119,433)**
Cash Flows from Financing Activities										
Proceeds from Borrowings	69,986	52,028	51,731	53,878	65,601	60,517	52,349	36,994	26,543	-
Repayment of Borrowings	-	-	-	-	-	-	-	-	-	(8,887)
Dividends Paid	(21,431)	(17,867)	(7,254)	(6,589)	(5,441)	(5,227)	(4,404)	(5,148)	(4,027)	(3,178)
Net Cash Flows from Financing Activities	**48,555**	**34,161**	**44,477**	**47,290**	**60,160**	**55,290**	**47,944**	**31,846**	**22,516**	**(12,065)**
Net Movement in Cash for the Year	**(248)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Opening Cash Balance	2,748	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Closing Cash Balance	**2,500**	**2,500**	**2,500**	**2,500**	**2,500**	**2,500**	**2,500**	**2,500**	**2,500**	**2,500**

Financial Modelling - TasWater Plan

Summary of Distributions to Owners (000's)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Loan Guarantee Fees	1,453	2,668	2,931	3,289	3,947	4,341	4,704	5,018	5,240	5,399
Tax Equivalents	7,116	9,465	9,815	10,123	10,611	10,432	10,891	9,834	10,733	11,423
Dividend	21,431	17,867	7,254	6,589	5,441	5,227	4,404	5,148	4,027	3,178
Total Distribution	**30,000**	**30,000**	**20,000**	**20,000**	**20,000**	**20,000**	**20,000**	**20,000**	**20,000**	**20,000**

Financial Modelling - Maximum Tariff Increases

Income Statement (000's)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Revenue										
Fixed Charges	218,990	229,142	236,089	244,986	254,221	263,805	273,751	284,074	294,788	305,907
Volumetric Charges	59,922	64,706	67,294	69,784	72,368	75,047	77,826	80,708	83,647	86,694
Services & Consulting Revenue	5,060	4,855	5,098	5,225	5,356	5,490	5,627	5,768	5,912	6,060
Headworks	250	-	-	-	-	-	-	-	-	-
Contributed Assets	12,000	12,240	12,485	12,734	12,989	13,249	13,514	13,784	14,060	14,341
Government Grants	1,549	1,549	1,549	1,549	1,549	1,549	1,549	1,549	1,549	1,549
Sundry Revenue	11,918	6,232	6,348	5,423	4,501	3,581	3,662	3,745	3,830	3,917
Total Revenue	**309,689**	**318,723**	**328,862**	**339,703**	**350,984**	**362,720**	**375,929**	**389,628**	**403,785**	**418,467**
Expenses										
Chemicals, Power & Royalties	24,513	25,057	26,146	26,749	27,366	27,998	28,644	29,306	29,982	30,675
Materials & Services	35,549	32,995	33,655	34,328	35,015	35,715	36,429	37,158	37,901	38,659
Salaries & Related Personnel Expenditure	87,415	88,179	90,988	95,032	99,242	103,623	108,182	112,927	117,864	123,001
Administration Costs	35,796	30,958	29,632	29,493	29,374	29,277	29,203	29,153	29,126	29,123
Total Expenses	**183,273**	**177,189**	**180,421**	**185,602**	**190,996**	**196,613**	**202,459**	**208,544**	**214,874**	**221,459**
Earnings before Interest & Depreciation	**126,416**	**141,534**	**148,440**	**154,101**	**159,987**	**166,107**	**173,471**	**181,084**	**188,912**	**197,008**
Loan Guarantee Fee (LGF)	2,599	2,936	-	-	-	-	-	-	-	-
Interest Expense	16,271	17,885	19,504	22,612	29,144	37,321	44,560	58,775	58,192	59,502
Depreciation	69,952	71,176	74,737	82,046	88,725	96,516	104,016	111,507	114,428	117,355
Net Profit before Tax	**37,594**	**49,537**	**54,199**	**49,442**	**42,119**	**32,270**	**24,894**	**10,802**	**16,292**	**20,151**
Tax	11,278	14,861	-	-	-	-	-	-	-	-
Net Profit after Tax	**26,316**	**34,676**	**54,199**	**49,442**	**42,119**	**32,270**	**24,894**	**10,802**	**16,292**	**20,151**

Financial Modelling - Maximum Tariff Increases

Balance Sheet (000's)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Current Assets										
Cash and Cash Equivalents	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Receivables	54,667	57,594	59,463	61,695	64,011	66,415	68,909	71,497	74,173	76,950
Inventories	5,699	5,813	5,929	6,077	6,229	6,385	6,544	6,708	6,876	7,048
Total Current Assets	**62,865**	**65,907**	**67,892**	**70,272**	**72,740**	**75,300**	**77,954**	**80,705**	**83,549**	**86,497**
Non Current Assets										
Property, plant & equipment	2,070,627	2,153,396	2,285,803	2,462,410	2,675,142	2,868,898	3,054,796	3,057,423	3,057,406	3,054,741
Deferred Tax Asset	43,470	43,096	42,965	42,844	42,734	42,635	42,548	42,473	42,410	42,360
Other	-	-	-	-	-	-	-	-	-	-
Total Non Current Assets	**2,114,097**	**2,196,493**	**2,328,768**	**2,505,253**	**2,717,876**	**2,911,533**	**3,097,344**	**3,099,896**	**3,099,816**	**3,097,102**
Total Assets	**2,176,962**	**2,262,400**	**2,396,660**	**2,575,526**	**2,790,616**	**2,986,833**	**3,175,297**	**3,180,601**	**3,183,365**	**3,183,599**
Current Liabilities										
Borrowings	156,208	173,493	193,694	225,990	269,160	310,061	350,853	349,364	345,853	340,729
Employee Benefits	19,001	19,167	19,777	20,407	21,057	21,728	22,420	23,134	23,871	24,632
Payables	24,662	25,155	25,658	26,299	26,957	27,631	28,322	29,030	29,755	30,499
Unearned Income	1,317	1,237	1,156	1,075	994	913	833	752	671	671
Current Tax Liability	518	808	-	-	-	-	-	-	-	-
Total Current Liabilities	**201,705**	**219,859**	**240,285**	**273,772**	**318,169**	**360,333**	**402,428**	**402,280**	**400,151**	**396,531**
Non Current Liabilities										
Borrowings	348,625	400,478	461,081	557,970	687,481	810,182	932,560	928,092	917,558	902,187
Employee Benefits	15,546	15,682	16,181	16,697	17,229	17,777	18,344	18,928	19,531	20,153
Unearned Income	31,489	30,021	28,553	27,085	25,618	24,150	22,681	21,214	19,746	18,197
Total Non Current Liabilities	**395,660**	**446,180**	**505,815**	**601,752**	**730,328**	**852,110**	**973,585**	**968,234**	**956,835**	**940,538**
Total Liabilities	**597,365**	**666,039**	**746,100**	**875,524**	**1,048,496**	**1,212,442**	**1,376,013**	**1,370,514**	**1,356,986**	**1,337,069**
Net Assets	**1,579,597**	**1,596,360**	**1,650,559**	**1,700,002**	**1,742,120**	**1,774,391**	**1,799,285**	**1,810,087**	**1,826,380**	**1,846,530**
Equity										
Retained Earnings	27,669	44,432	98,631	148,074	190,192	222,463	247,357	258,159	274,452	294,602
Reserves	24,114	24,114	24,114	24,114	24,114	24,114	24,114	24,114	24,114	24,114
Contributed Capital	1,527,814	1,527,814	1,527,814	1,527,814	1,527,814	1,527,814	1,527,814	1,527,814	1,527,814	1,527,814
Total Equity	**1,579,597**	**1,596,360**	**1,650,559**	**1,700,002**	**1,742,120**	**1,774,391**	**1,799,285**	**1,810,087**	**1,826,380**	**1,846,530**

Financial Modelling - Maximum Tariff Increases

Cash Flow Statement (000's)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Cash Flows from Operating Activities										
Receipts from Customers	283,408	302,007	312,959	323,188	334,129	345,519	358,373	371,707	385,501	399,801
Payments to Suppliers & Employees	(202,603)	(199,121)	(206,600)	(216,656)	(226,328)	(230,736)	(236,341)	(225,281)	(231,418)	(238,050)
Refund from ATO	22,375	22,987	27,808	32,814	37,129	35,960	35,759	18,655	18,505	18,596
Interest Paid	(19,271)	(20,885)	(23,257)	(27,841)	(34,902)	(44,503)	(54,354)	(64,838)	(67,092)	(68,881)
LGF Paid	(1,569)	(2,835)	-	-	-	-	-	-	-	-
Income Tax Equivalents Paid	(7,116)	(9,405)	-	-	-	-	-	-	-	-
Other Paid	213	(1,901)	(1,898)	(2,059)	(1,961)	(1,801)	(2,037)	(2,014)	(1,970)	(1,939)
Net Cash from Operating Activities	**75,438**	**90,847**	**109,011**	**109,445**	**108,067**	**104,439**	**101,399**	**98,230**	**103,526**	**109,527**
Cash Flows from Investing Activities										
Payments for Property, Plant & Equipment	(130,505)	(143,522)	(191,265)	(240,080)	(282,198)	(269,490)	(266,019)	(93,723)	(90,931)	(90,482)
Proceeds from Payments for Property, Plant & Equipment	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450
Net Cash Flows from Investing Activities	**(128,805)**	**(142,072)**	**(189,815)**	**(238,630)**	**(280,748)**	**(268,040)**	**(264,569)**	**(92,273)**	**(89,481)**	**(89,032)**
Cash Flows from Financing Activities										
Proceeds from Borrowings	74,550	69,138	80,804	129,186	172,681	163,601	163,170	-	-	-
Repayment of Borrowings	-	-	-	-	-	-	-	(5,957)	(14,045)	(20,495)
Dividends Paid	(21,431)	(17,913)	-	-	-	-	-	-	-	-
Net Cash Flows from Financing Activities	**53,119**	**51,225**	**80,804**	**129,186**	**172,681**	**163,601**	**163,170**	**(5,957)**	**(14,045)**	**(20,495)**
Net Movement in Cash for the Year	**(248)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Opening Cash Balance	2,748	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Closing Cash Balance	**2,500**	**2,500**	**2,500**	**2,500**	**2,500**	**2,500**	**2,500**	**2,500**	**2,500**	**2,500**

Financial Modelling - Maximum Tariff Increases

Summary of Distributions to Owners (000's)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Loan Guarantee Fees	1,453	2,681	-	-	-	-	-	-	-	-
Tax Equivalents	7,116	9,405	-	-	-	-	-	-	-	-
Dividend	21,431	17,913	-	-	-	-	-	-	-	-
Total Distribution	**30,000**	**30,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Financial Modelling - Minimum Tariff Increases

Income Statement (000's)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Revenue										
Fixed Charges	218,990	229,142	236,089	244,986	254,221	261,930	269,873	278,058	286,492	295,181
Volumetric Charges	59,922	64,706	67,294	69,784	72,368	74,581	76,862	79,212	81,583	84,025
Services & Consulting Revenue	5,060	4,855	5,098	5,225	5,356	5,490	5,627	5,768	5,912	6,060
Headworks	250	-	-	-	-	-	-	-	-	-
Contributed Assets	12,000	12,240	12,485	12,734	12,989	13,249	13,514	13,784	14,060	14,341
Government Grants	1,549	1,549	1,549	1,549	1,549	1,549	1,549	1,549	1,549	1,549
Sundry Revenue	11,918	6,232	6,348	5,423	4,501	3,581	3,662	3,745	3,830	3,917
Total Revenue	**309,689**	**318,723**	**328,862**	**339,703**	**350,984**	**360,379**	**371,087**	**382,115**	**393,425**	**405,073**
Expenses										
Chemicals, Power & Royalties	24,513	25,057	26,146	26,749	27,366	27,998	28,644	29,306	29,982	30,675
Materials & Services	35,549	32,995	33,655	34,328	35,015	35,715	36,429	37,158	37,901	38,659
Salaries & Related Personnel Expenditure	87,415	88,179	90,988	95,032	99,242	103,623	108,182	112,927	117,864	123,001
Administration Costs	35,796	30,958	29,632	29,493	29,374	29,277	29,203	29,153	29,126	29,123
Total Expenses	**183,273**	**177,189**	**180,421**	**185,602**	**190,996**	**196,613**	**202,459**	**208,544**	**214,874**	**221,459**
Earnings before Interest & Depreciation	**126,416**	**141,534**	**148,440**	**154,101**	**159,987**	**163,766**	**168,628**	**173,571**	**178,551**	**183,614**
Loan Guarantee Fee (LGF)	2,599	2,936	-	-	-	-	-	-	-	-
Interest Expense	16,271	17,885	19,504	22,612	29,144	37,321	44,652	59,095	58,908	60,819
Depreciation	69,952	71,176	74,737	82,046	88,725	96,516	104,016	111,507	114,428	117,355
Net Profit before Tax	**37,594**	**49,537**	**54,199**	**49,442**	**42,119**	**29,929**	**19,960**	**2,970**	**5,216**	**5,440**
Tax	11,278	14,861	-	-	-	-	-	-	-	-
Net Profit after Tax	**26,316**	**34,676**	**54,199**	**49,442**	**42,119**	**29,929**	**19,960**	**2,970**	**5,216**	**5,440**

Financial Modelling - Minimum Tariff Increases

Balance Sheet (000's)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Current Assets										
Cash and Cash Equivalents	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Receivables	54,667	57,594	59,463	61,695	64,011	65,956	67,960	70,025	72,143	74,324
Inventories	5,699	5,813	5,929	6,077	6,229	6,385	6,544	6,708	6,876	7,048
Total Current Assets	**62,865**	**65,907**	**67,892**	**70,272**	**72,740**	**74,841**	**77,005**	**79,233**	**81,518**	**83,872**
Non Current Assets										
Property, plant & equipment	2,070,627	2,153,396	2,285,803	2,462,410	2,675,142	2,868,898	3,054,796	3,057,423	3,057,406	3,054,741
Deferred Tax Asset	43,470	43,096	42,965	42,844	42,734	42,635	42,548	42,473	42,410	42,360
Total Non Current Assets	**2,114,097**	**2,196,493**	**2,328,768**	**2,505,253**	**2,717,876**	**2,911,533**	**3,097,344**	**3,099,896**	**3,099,816**	**3,097,102**
Total Assets	**2,176,962**	**2,262,400**	**2,396,660**	**2,575,526**	**2,790,616**	**2,986,374**	**3,174,348**	**3,179,129**	**3,181,335**	**3,180,974**
Current Liabilities										
Borrowings	156,208	173,493	193,694	225,990	269,160	310,531	352,435	352,773	351,891	350,297
Employee Benefits	19,001	19,167	19,777	20,407	21,057	21,728	22,420	23,134	23,871	24,632
Payables	24,662	25,155	25,658	26,299	26,957	27,631	28,322	29,030	29,755	30,499
Unearned Income	1,317	1,237	1,156	1,075	994	913	833	752	671	671
Current Tax Liability	518	808	-	-	-	-	-	-	-	-
Total Current Liabilities	**201,705**	**219,859**	**240,285**	**273,772**	**318,169**	**360,803**	**404,010**	**405,689**	**406,189**	**406,099**
Non Current Liabilities										
Borrowings	348,625	400,478	461,081	557,970	687,481	811,594	937,304	938,318	935,673	930,890
Employee Benefits	15,546	15,682	16,181	16,697	17,229	17,777	18,344	18,928	19,531	20,153
Unearned Income	31,489	30,021	28,553	27,085	25,618	24,150	22,681	21,214	19,746	18,197
Total Non Current Liabilities	**395,660**	**446,180**	**505,815**	**601,752**	**730,328**	**853,521**	**978,329**	**978,460**	**974,950**	**969,240**
Total Liabilities	**597,365**	**666,039**	**746,100**	**875,524**	**1,048,496**	**1,214,325**	**1,382,339**	**1,384,149**	**1,381,139**	**1,375,339**
Net Assets	**1,579,597**	**1,596,360**	**1,650,559**	**1,700,002**	**1,742,120**	**1,772,049**	**1,792,010**	**1,794,980**	**1,800,195**	**1,805,635**
Equity										
Retained Earnings	27,669	44,432	98,631	148,074	190,192	220,121	240,082	243,052	248,267	253,707
Reserves	24,114	24,114	24,114	24,114	24,114	24,114	24,114	24,114	24,114	24,114
Contributed Capital	1,527,814	1,527,814	1,527,814	1,527,814	1,527,814	1,527,814	1,527,814	1,527,814	1,527,814	1,527,814
Total Equity	**1,579,597**	**1,596,360**	**1,650,559**	**1,700,002**	**1,742,120**	**1,772,049**	**1,792,010**	**1,794,980**	**1,800,195**	**1,805,635**

Financial Modelling - Minimum Tariff Increases

Cash Flow Statement (000's)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Cash Flows from Operating Activities										
Receipts from Customers	283,408	302,007	312,959	323,188	334,129	343,637	354,020	364,718	375,699	387,001
Payments to Suppliers & Employees	(202,603)	(199,121)	(206,600)	(216,656)	(226,328)	(230,736)	(236,341)	(225,281)	(231,418)	(238,050)
Refund from ATO	22,375	22,987	27,808	32,814	37,129	35,960	35,759	18,655	18,505	18,596
Interest Paid	(19,271)	(20,885)	(23,257)	(27,841)	(34,902)	(44,503)	(54,446)	(65,158)	(67,808)	(70,198)
LGF Paid	(1,569)	(2,835)	-	-	-	-	-	-	-	-
Income Tax Equivalents Paid	(7,116)	(9,405)	-	-	-	-	-	-	-	-
Other Paid	213	(1,901)	(1,898)	(2,059)	(1,961)	(1,801)	(2,037)	(2,014)	(1,970)	(1,939)
Net Cash from Operating Activities	**75,438**	**90,847**	**109,011**	**109,445**	**108,067**	**102,556**	**96,956**	**90,920**	**93,008**	**95,410**
Cash Flows from Investing Activities										
Payments for Property, Plant & Equipment	(130,505)	(143,522)	(191,265)	(240,080)	(282,198)	(269,490)	(266,019)	(93,723)	(90,931)	(90,482)
Proceeds from Payments for Property, Plant & Equipment	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450
Net Cash Flows from Investing Activities	**(128,805)**	**(142,072)**	**(189,815)**	**(238,630)**	**(280,748)**	**(268,040)**	**(264,569)**	**(92,273)**	**(89,481)**	**(89,032)**
Cash Flows from Financing Activities										
Proceeds from Borrowings	74,550	69,138	80,804	129,186	172,681	165,484	167,613	1,353	-	-
Repayment of Borrowings	-	-	-	-	-	-	-	-	(3,527)	(6,378)
Dividends Paid	(21,431)	(17,913)	-	-	-	-	-	-	-	-
Net Cash Flows from Financing Activities	**53,119**	**51,225**	**80,804**	**129,186**	**172,681**	**165,484**	**167,613**	**1,353**	**(3,527)**	**(6,378)**
Net Movement in Cash for the Year	**(248)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Opening Cash Balance	2,748	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Closing Cash Balance	**2,500**	**2,500**	**2,500**	**2,500**	**2,500**	**2,500**	**2,500**	**2,500**	**2,500**	**2,500**

Financial Modelling - Minimum Tariff Increases

Summary of Distributions to Owners (000's)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Loan Guarantee Fees	1,453	2,681	-	-	-	-	-	-	-	-
Tax Equivalents	7,116	9,405	-	-	-	-	-	-	-	-
Dividend	21,431	17,913	-	-	-	-	-	-	-	-
Total Distribution	**30,000**	**30,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Financial Modelling - Maximum Tariff Increases + Increased Capital Expenditure

Income Statement (000's)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Revenue										
Fixed Charges	218,990	229,142	236,089	244,986	254,221	263,805	273,751	284,074	294,788	305,907
Volumetric Charges	59,922	64,706	67,294	69,784	72,368	75,047	77,826	80,708	83,647	86,694
Services & Consulting Revenue	5,060	4,855	5,098	5,225	5,356	5,490	5,627	5,768	5,912	6,060
Headworks	250	-	-	-	-	-	-	-	-	-
Contributed Assets	12,000	12,240	12,485	12,734	12,989	13,249	13,514	13,784	14,060	14,341
Government Grants	1,549	1,549	1,549	1,549	1,549	1,549	1,549	1,549	1,549	1,549
Sundry Revenue	11,918	6,232	6,348	5,423	4,501	3,581	3,662	3,745	3,830	3,917
Total Revenue	**309,689**	**318,723**	**328,862**	**339,703**	**350,984**	**362,720**	**375,929**	**389,628**	**403,785**	**418,467**
Expenses										
Chemicals, Power & Royalties	24,513	25,057	26,146	26,749	27,366	27,998	28,644	29,306	29,982	30,675
Materials & Services	35,549	32,995	33,655	34,328	35,015	35,715	36,429	37,158	37,901	38,659
Salaries & Related Personnel Expenditure	87,415	88,179	90,988	95,032	99,242	103,623	108,182	112,927	117,864	123,001
Administration Costs	35,796	30,958	29,632	29,493	29,374	29,277	29,203	29,153	29,126	29,123
Total Expenses	**183,273**	**177,189**	**180,421**	**185,602**	**190,996**	**196,613**	**202,459**	**208,544**	**214,874**	**221,459**
Earnings before Interest & Depreciation	**126,416**	**141,534**	**148,440**	**154,101**	**159,987**	**166,107**	**173,471**	**181,084**	**188,912**	**197,008**
Loan Guarantee Fee (LGF)	2,599	2,936	-	-	-	-	-	-	-	-
Interest Expense	16,271	17,885	19,504	22,612	29,144	37,321	44,560	58,775	60,818	65,097
Depreciation	69,952	71,176	74,737	82,046	88,725	96,516	104,016	111,507	115,728	119,955
Net Profit before Tax	**37,594**	**49,537**	**54,199**	**49,442**	**42,119**	**32,270**	**24,894**	**10,802**	**12,366**	**11,956**
Tax	11,278	14,861	-	-	-	-	-	-	-	-
Net Profit after Tax	**26,316**	**34,676**	**54,199**	**49,442**	**42,119**	**32,270**	**24,894**	**10,802**	**12,366**	**11,956**

Financial Modelling - Maximum Tariff Increases + Increased Capital Expenditure

Balance Sheet (000's)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Current Assets										
Cash and Cash Equivalents	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Receivables	54,667	57,594	59,463	61,695	64,011	66,415	68,909	71,497	74,173	76,950
Inventories	5,699	5,813	5,929	6,077	6,229	6,385	6,544	6,708	6,876	7,048
Total Current Assets	**62,865**	**65,907**	**67,892**	**70,272**	**72,740**	**75,300**	**77,954**	**80,705**	**83,549**	**86,497**
Non Current Assets										
Property, plant & equipment	2,070,627	2,153,396	2,285,803	2,462,410	2,675,142	2,868,898	3,054,796	3,107,423	3,156,106	3,200,841
Deferred Tax Asset	43,470	43,096	42,965	42,844	42,734	42,635	42,548	42,473	42,410	42,360
Total Non Current Assets	**2,114,097**	**2,196,493**	**2,328,768**	**2,505,253**	**2,717,876**	**2,911,533**	**3,097,344**	**3,149,896**	**3,198,516**	**3,243,202**
Total Assets	**2,176,962**	**2,262,400**	**2,396,660**	**2,575,526**	**2,790,616**	**2,986,833**	**3,175,297**	**3,230,601**	**3,282,065**	**3,329,699**
Current Liabilities										
Borrowings	156,208	173,493	193,694	225,990	269,160	310,061	350,853	361,864	371,509	380,284
Employee Benefits	19,001	19,167	19,777	20,407	21,057	21,728	22,420	23,134	23,871	24,632
Payables	24,662	25,155	25,658	26,299	26,957	27,631	28,322	29,030	29,755	30,499
Unearned Income	1,317	1,237	1,156	1,075	994	913	833	752	671	671
Current Tax Liability	518	808	-	-	-	-	-	-	-	-
Total Current Liabilities	**201,705**	**219,859**	**240,285**	**273,772**	**318,169**	**360,333**	**402,428**	**414,780**	**425,807**	**436,086**
Non Current Liabilities										
Borrowings	348,625	400,478	461,081	557,970	687,481	810,182	932,560	965,592	994,528	1,020,853
Employee Benefits	15,546	15,682	16,181	16,697	17,229	17,777	18,344	18,928	19,531	20,153
Unearned Income	31,489	30,021	28,553	27,085	25,618	24,150	22,681	21,214	19,746	18,197
Total Non Current Liabilities	**395,660**	**446,180**	**505,815**	**601,752**	**730,328**	**852,110**	**973,585**	**1,005,734**	**1,033,805**	**1,059,203**
Total Liabilities	**597,365**	**666,039**	**746,100**	**875,524**	**1,048,496**	**1,212,442**	**1,376,013**	**1,420,514**	**1,459,612**	**1,495,290**
Net Assets	**1,579,597**	**1,596,360**	**1,650,559**	**1,700,002**	**1,742,120**	**1,774,391**	**1,799,285**	**1,810,087**	**1,822,454**	**1,834,409**
Equity										
Retained Earnings	27,669	44,432	98,631	148,074	190,192	222,463	247,357	258,159	270,526	282,481
Reserves	24,114	24,114	24,114	24,114	24,114	24,114	24,114	24,114	24,114	24,114
Contributed Capital	1,527,814	1,527,814	1,527,814	1,527,814	1,527,814	1,527,814	1,527,814	1,527,814	1,527,814	1,527,814
Total Equity	**1,579,597**	**1,596,360**	**1,650,559**	**1,700,002**	**1,742,120**	**1,774,391**	**1,799,285**	**1,810,087**	**1,822,454**	**1,834,409**

Financial Modelling - Maximum Tariff Increases + Increased Capital Expenditure

Cash Flow Statement (000's)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Cash Flows from Operating Activities										
Receipts from Customers	283,408	302,007	312,959	323,188	334,129	345,519	358,373	371,707	385,501	399,801
Payments to Suppliers & Employees	(202,603)	(199,121)	(206,600)	(216,656)	(226,328)	(230,736)	(236,341)	(230,281)	(236,418)	(243,050)
Refund from ATO	22,375	22,987	27,808	32,814	37,129	35,960	35,759	23,655	23,505	23,596
Interest Paid	(19,271)	(20,885)	(23,257)	(27,841)	(34,902)	(44,503)	(54,354)	(64,838)	(69,718)	(74,476)
LGF Paid	(1,569)	(2,835)	-	-	-	-	-	-	-	-
Income Tax Equivalents Paid	(7,116)	(9,405)	-	-	-	-	-	-	-	-
Other Paid	213	(1,901)	(1,898)	(2,059)	(1,961)	(1,801)	(2,037)	(2,014)	(1,970)	(1,939)
Net Cash from Operating Activities	**75,438**	**90,847**	**109,011**	**109,445**	**108,067**	**104,439**	**101,399**	**98,230**	**100,900**	**103,932**
Cash Flows from Investing Activities										
Payments for Property, Plant & Equipment	(130,505)	(143,522)	(191,265)	(240,080)	(282,198)	(269,490)	(266,019)	(143,723)	(140,931)	(140,482)
Proceeds from Payments for Property, Plant & Equipment	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450
Net Cash Flows from Investing Activities	**(128,805)**	**(142,072)**	**(189,815)**	**(238,630)**	**(280,748)**	**(268,040)**	**(264,569)**	**(142,273)**	**(139,481)**	**(139,032)**
Cash Flows from Financing Activities										
Proceeds from Borrowings	74,550	69,138	80,804	129,186	172,681	163,601	163,170	44,043	38,581	35,100
Repayment of Borrowings	-	-	-	-	-	-	-	-	-	-
Dividends Paid	(21,431)	(17,913)	-	-	-	-	-	-	-	-
Net Cash Flows from Financing Activities	**53,119**	**51,225**	**80,804**	**129,186**	**172,681**	**163,601**	**163,170**	**44,043**	**38,581**	**35,100**
Net Movement in Cash for the Year	**(248)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Opening Cash Balance	2,748	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Closing Cash Balance	**2,500**	**2,500**	**2,500**	**2,500**	**2,500**	**2,500**	**2,500**	**2,500**	**2,500**	**2,500**

Financial Modelling - Maximum Tariff Increases + Increased Capital Expenditure

Summary of Distributions to Owners (000's)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Loan Guarantee Fees	1,453	2,681	-	-	-	-	-	-	-	-
Tax Equivalents	7,116	9,405	-	-	-	-	-	-	-	-
Dividend	21,431	17,913	-	-	-	-	-	-	-	-
Total Distribution	**30,000**	**30,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Financial Modelling - Minimum Tariff Increases + Increased Capital Expenditure

Income Statement (000's)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Revenue										
Fixed Charges	218,990	229,142	236,089	244,986	254,221	261,930	269,873	278,058	286,492	295,181
Volumetric Charges	59,922	64,706	67,294	69,784	72,368	74,581	76,862	79,212	81,583	84,025
Services & Consulting Revenue	5,060	4,855	5,098	5,225	5,356	5,490	5,627	5,768	5,912	6,060
Headworks	250	-	-	-	-	-	-	-	-	-
Contributed Assets	12,000	12,240	12,485	12,734	12,989	13,249	13,514	13,784	14,060	14,341
Government Grants	1,549	1,549	1,549	1,549	1,549	1,549	1,549	1,549	1,549	1,549
Sundry Revenue	11,918	6,232	6,348	5,423	4,501	3,581	3,662	3,745	3,830	3,917
Total Revenue	**309,689**	**318,723**	**328,862**	**339,703**	**350,984**	**360,379**	**371,087**	**382,115**	**393,425**	**405,073**
Expenses										
Chemicals, Power & Royalties	24,513	25,057	26,146	26,749	27,366	27,998	28,644	29,306	29,982	30,675
Materials & Services	35,549	32,995	33,655	34,328	35,015	35,715	36,429	37,158	37,901	38,659
Salaries & Related Personnel Expenditure	87,415	88,179	90,988	95,032	99,242	103,623	108,182	112,927	117,864	123,001
Administration Costs	35,796	30,958	29,632	29,493	29,374	29,277	29,203	29,153	29,126	29,123
Total Expenses	**183,273**	**177,189**	**180,421**	**185,602**	**190,996**	**196,613**	**202,459**	**208,544**	**214,874**	**221,459**
Earnings before Interest & Depreciation	**126,416**	**141,534**	**148,440**	**154,101**	**159,987**	**163,766**	**168,628**	**173,571**	**178,551**	**183,614**
Loan Guarantee Fee (LGF)	2,599	2,936	-	-	-	-	-	-	-	-
Interest Expense	16,271	17,885	19,504	22,612	29,144	37,321	44,652	59,095	61,534	66,414
Depreciation	69,952	71,176	74,737	82,046	88,725	96,516	104,016	111,507	115,728	119,955
Net Profit before Tax	**37,594**	**49,537**	**54,199**	**49,442**	**42,119**	**29,929**	**19,960**	**2,970**	**1,290**	**- 2,755**
Tax	11,278	14,861	-	-	-	-	-	-	-	-
Net Profit after Tax	**26,316**	**34,676**	**54,199**	**49,442**	**42,119**	**29,929**	**19,960**	**2,970**	**1,290**	**- 2,755**

Financial Modelling - Minimum Tariff Increases + Increased Capital Expenditure

Balance Sheet (000's)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Current Assets										
Cash and Cash Equivalents	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Receivables	54,667	57,594	59,463	61,695	64,011	65,956	67,960	70,025	72,143	74,324
Inventories	5,699	5,813	5,929	6,077	6,229	6,385	6,544	6,708	6,876	7,048
Total Current Assets	**62,865**	**65,907**	**67,892**	**70,272**	**72,740**	**74,841**	**77,005**	**79,233**	**81,518**	**83,872**
Non Current Assets										
Property, plant & equipment	2,070,627	2,153,396	2,285,803	2,462,410	2,675,142	2,868,898	3,054,796	3,107,423	3,156,106	3,200,841
Deferred Tax Asset	43,470	43,096	42,965	42,844	42,734	42,635	42,548	42,473	42,410	42,360
Total Non Current Assets	**2,114,097**	**2,196,493**	**2,328,768**	**2,505,253**	**2,717,876**	**2,911,533**	**3,097,344**	**3,149,896**	**3,198,516**	**3,243,202**
Total Assets	**2,176,962**	**2,262,400**	**2,396,660**	**2,575,526**	**2,790,616**	**2,986,374**	**3,174,348**	**3,229,129**	**3,280,035**	**3,327,074**
Current Liabilities										
Borrowings	156,208	173,493	193,694	225,990	269,160	310,531	352,435	365,273	377,548	389,852
Employee Benefits	19,001	19,167	19,777	20,407	21,057	21,728	22,420	23,134	23,871	24,632
Payables	24,662	25,155	25,658	26,299	26,957	27,631	28,322	29,030	29,755	30,499
Unearned Income	1,317	1,237	1,156	1,075	994	913	833	752	671	671
Current Tax Liability	518	808	-	-	-	-	-	-	-	-
Total Current Liabilities	**201,705**	**219,859**	**240,285**	**273,772**	**318,169**	**360,803**	**404,010**	**418,189**	**431,845**	**445,654**
Non Current Liabilities										
Borrowings	348,625	400,478	461,081	557,970	687,481	811,594	937,304	975,818	1,012,643	1,049,555
Employee Benefits	15,546	15,682	16,181	16,697	17,229	17,777	18,344	18,928	19,531	20,153
Unearned Income	31,489	30,021	28,553	27,085	25,618	24,150	22,681	21,214	19,746	18,197
Total Non Current Liabilities	**395,660**	**446,180**	**505,815**	**601,752**	**730,328**	**853,521**	**978,329**	**1,015,960**	**1,051,920**	**1,087,906**
Total Liabilities	**597,365**	**666,039**	**746,100**	**875,524**	**1,048,496**	**1,214,325**	**1,382,339**	**1,434,149**	**1,483,765**	**1,533,560**
Net Assets	**1,579,597**	**1,596,360**	**1,650,559**	**1,700,002**	**1,742,120**	**1,772,049**	**1,792,010**	**1,794,980**	**1,796,269**	**1,793,514**
Equity										
Retained Earnings	27,669	44,432	98,631	148,074	190,192	220,121	240,082	243,052	244,341	241,586
Reserves	24,114	24,114	24,114	24,114	24,114	24,114	24,114	24,114	24,114	24,114
Contributed Capital	1,527,814	1,527,814	1,527,814	1,527,814	1,527,814	1,527,814	1,527,814	1,527,814	1,527,814	1,527,814
Total Equity	**1,579,597**	**1,596,360**	**1,650,559**	**1,700,002**	**1,742,120**	**1,772,049**	**1,792,010**	**1,794,980**	**1,796,269**	**1,793,514**

Financial Modelling - Minimum Tariff Increases + Increased Capital Expenditure

Cash Flow Statement (000's)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Cash Flows from Operating Activities										
Receipts from Customers	283,408	302,007	312,959	323,188	334,129	343,637	354,020	364,718	375,699	387,001
Payments to Suppliers & Employees	(202,603)	(199,121)	(206,600)	(216,656)	(226,328)	(230,736)	(236,341)	(230,281)	(236,418)	(243,050)
Refund from ATO	22,375	22,987	27,808	32,814	37,129	35,960	35,759	23,655	23,505	23,596
Interest Paid	(19,271)	(20,885)	(23,257)	(27,841)	(34,902)	(44,503)	(54,446)	(65,158)	(70,434)	(75,793)
LGF Paid	(1,569)	(2,835)	-	-	-	-	-	-	-	-
Income Tax Equivalents Paid	(7,116)	(9,405)	-	-	-	-	-	-	-	-
Other Paid	213	(1,901)	(1,898)	(2,059)	(1,961)	(1,801)	(2,037)	(2,014)	(1,970)	(1,939)
Net Cash from Operating Activities	**75,438**	**90,847**	**109,011**	**109,445**	**108,067**	**102,556**	**96,956**	**90,920**	**90,382**	**89,815**
Cash Flows from Investing Activities										
Payments for Property, Plant & Equipment	(130,505)	(143,522)	(191,265)	(240,080)	(282,198)	(269,490)	(266,019)	(143,723)	(140,931)	(140,482)
Proceeds from Payments for Property, Plant & Equipment	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450	1,450
Net Cash Flows from Investing Activities	**(128,805)**	**(142,072)**	**(189,815)**	**(238,630)**	**(280,748)**	**(268,040)**	**(264,569)**	**(142,273)**	**(139,481)**	**(139,032)**
Cash Flows from Financing Activities										
Proceeds from Borrowings	74,550	69,138	80,804	129,186	172,681	165,484	167,613	51,353	49,099	49,217
Repayment of Borrowings	-	-	-	-	-	-	-	-	-	-
Dividends Paid	(21,431)	(17,913)	-	-	-	-	-	-	-	-
Net Cash Flows from Financing Activities	**53,119**	**51,225**	**80,804**	**129,186**	**172,681**	**165,484**	**167,613**	**51,353**	**49,099**	**49,217**
Net Movement in Cash for the Year	**(248)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Opening Cash Balance	2,748	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Closing Cash Balance	**2,500**	**2,500**	**2,500**	**2,500**	**2,500**	**2,500**	**2,500**	**2,500**	**2,500**	**2,500**

Financial Modelling - Minimum Tariff Increases + Increased Capital Expenditure

Summary of Distributions to Owners (000's)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Loan Guarantee Fees	1,453	2,681	-	-	-	-	-	-	-	-
Tax Equivalents	7,116	9,405	-	-	-	-	-	-	-	-
Dividend	21,431	17,913	-	-	-	-	-	-	-	-
Total Distribution	**30,000**	**30,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**