



PARLIAMENT OF TASMANIA

TRANSCRIPT

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE A

Tasmanian Water and Sewerage Corporation Pty Ltd

Tuesday 3 December 2024

MEMBERS

Hon Ruth Forrest MLC (Chair);
Hon Dean Harriss MLC;
Hon Sarah Lovell MLC;
Hon Cassy O'Connor MLC; and
Hon Bec Thomas MLC

WITNESSES IN ATTENDANCE

Kevin Young, Chair

George Theo, TasWater Chief Executive Officer

Tony Willmott, General Manager Project Delivery

Matthew Derbyshire, General Manager Sustainable Infrastructure Services

Kane Ingham, Chief Financial Officer

Wayne Johnston, Mayor of Meander Valley, and Chief Owners' Representative

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The committee resumed at 11. 17 a.m.

CHAIR - Welcome. We have TasWater representatives across the table and the owner representative, Mayor Johnston, on the screen for TasWater. Thank you for your appearance today. We will try to manage the questions between both of you throughout the two hours we've got together. I will ask you all to introduce yourselves. I'll start with Wayne as the Mayor and owner rep.

Mayor, did you want to make some opening comments?

Mr JOHNSTON - If that's okay with you, Chair.

CHAIR - Then I will go to the chair after. If the CEO wants to say something as well, we'll come to you. If you could introduce yourselves first, then I will come back to you, Wayne.

Mr JOHNSTON - Sure. Wayne Johnston, Mayor of Meander Valley, and Chief Owners' Representative. Do you want me to continue with my introduction?

CHAIR - No, I'll get these people at the table to introduce themselves and then we'll move on.

Mr YOUNG - Kevin Young, Chair of TasWater as of 1 December, but I've been on the board of TasWater for four years.

CHAIR - Which means we show no mercy.

Mr THEO - George Theo, Chief Executive of TasWater.

Mr INGHAM - Kane Ingham, Chief Financial Officer.

Mr WILLMOTT - Tony Willmott, General Manager of Project Delivery.

Mr DERBYSHIRE - Matt Derbyshire, General Manager of Sustainable Infrastructure Services.

CHAIR - Thank you. Over to you, Wayne.

Mr JOHNSTON - Good morning. Thank you for the invitation to appear before you today. My apologies I can't be there in person due to a prior arrangement before the date was known.

I was appointed to the role of Chief Owners' Representative of the Owners' Representative Group of TasWater in February 2023. The Owners' Representative Group comprises an appointed representative, generally a mayor or councillor of each of our 29 owner-councils and the Tasmanian government. The role of the Owners' Representative Group includes giving guidance on the owners' high-level performance expectations of the board of TasWater through the shareholders' letter of expectations and through the corporate plan, which is approved by the Owners' Representative Group annually. We receive reports from the TasWater board on the organisation's performance, including an annual report, half yearly report, general meetings of the Owners' Representative Group. As Chief Owners'

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Representative, my responsibility includes conveying and sharing general meetings of the Owners' Representative Group, liaison and consultation with the TasWater board chair on TasWater issues that are required to be talked about. I speak on behalf of the owners when I say that we have a strong confidence in the governance in the organisation, with particular feedback over the last few years of how much owners value the increased information sharing from the organisation at our meetings throughout the year. The board, and George as CEO, and the entire executive, are available and open to questions from the floor. That openness and transparency has been commended by owner councils.

On that note, I'm pleased to respond to any questions the committee may have.

CHAIR - Thank you. Welcome to the chair.

Mr YOUNG - My name is Kevin Young, new chair of TasWater.

Before I give an opening statement, I just wanted to pay credit to the previous chair, Steve Gumley - you've been in the role, Steve Gumley AO, and took the organisation leadership at a difficult time, with COVID in Tasmania, Australia and around the world, and worked your way through that. Also put in place a new focus on delivery of infrastructure, with the construction delivery office and projects - major projects including Bryn Estyn, with \$243,000,000 delivered before time and on budget. Some great achievements that have been done there.

Wayne has covered corporate governance of the organisation because we're not a GBE or a SOC. We're formed under the *Water and Sewerage Corporation Act 2012* Tasmania, and also we're covered by the *Federal Commonwealth Corporations Act*. We're interesting in that 90 per cent of our shareholding, of course, is the 29 councils and 10 per cent with the Tasmanian government.

I think just looking forward, you know, we've got a new strategy in place that we want to deliver for customers, the community and the environment. It is all about unlocking water's full potential for Tasmania, with four key themes - customer value, we're better together (or working together), a healthy environment, and water forever.

I also welcome any questions. I think George, the CEO, might want to add some.

Mr THEO - I have a couple of opening remarks, if I might be able to make those. Thank you for the opportunity to be here this morning.

In the way of some opening remarks, it might help with your questions, or maybe even some of the answers you might be seeking.

TasWater was formed in 2013. In the last financial year, TasWater invested about \$269 million in water and sewerage infrastructure, and over the last 10 years, TasWater has invested \$1.5 billion in infrastructure across the state. That includes King Island and Flinders Island as well.

TasWater is proposing to invest, in the next five years, in the order of about \$1.9 billion. Now, that investment that's been made to date, and the investment that needs to be made over the next five years, is basically responding to what has been decades of underinvestment in

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water and sewerage across the state. It is what it is, and we are simply responding to the situation we face.

I'd just like to remind the committee, it wasn't until 2018 - just six years ago - that the last of the permanent 'boiled water' 'do not consume' notices were removed. Not having lived in Tasmania at the time, I'm well informed that there were 24 towns across the state that had 'do not consume' and 'permanent boiled water' alerts.

TasWater's investment over the last 10 years has meant that those boiled water notices no longer exist. However, we need to make sure we maintain those treatment plants so we don't find ourselves in a similar position into the future.

For the last six years, TasWater has provided water to the community of Tasmania that is 100 per cent microbiological compliant with the Australian Drinking Water Guidelines. That's something that did not happen prior to 2018.

We are now turning our attention to reducing leakage, and it is something that we've been talking about openly in the public domain. Twelve months ago, leakage was about 28 per cent. Twelve months later, June this year, it was about 24.5 per cent. We're on a journey of reducing leakage to about between 10 and 13 per cent over the next six years, to 2030.

We're also turning our attention to sewage treatment. I think it's really important that we are mindful not to recreate the crisis we inherited with respect to water quality in the sewage treatment space. I think that's very important to be mindful of. We have 110 sewage treatment plants across the state. That's 1770 connected customers for every treatment plant we operate.

The investment we're making in Selfs Point, which is currently on foot, will allow us to decommission the Macquarie Point sewage treatment plant, which is an ageing plant and a poor-performing plant, but it will also enable us to decommission a further three plants in the years to come as a consequence of the Selfs Point upgrade.

As I close, I just want to inform the committee that over the last 18 months we've had extensive dialogue with our community regarding our price and services plan, referred to as PSP 5, which takes effect 1 July 2026.

Just two weeks ago, the Water Futures Deliberative Panel, which is a representative group of 45 customers that were sourced from over 3000 applications, 45 customers that represent all parts of Tasmania. TasWater or I receive their report where they made seven recommendations to TasWater. Our board will formally receive that report in February next year. One of the recommendations our customers made was to protect and improve the environment and water security.

In closing, I want to make the point that we must face our reality and not ignore it. Our reality is we are responding to decades in underinvestment. We need to ensure that we maintain our water treatment plants into the future and we need to respond to what is a large number of sewage treatment plants that are non-compliant with their licences.

I want to close by saying, we would be pleased to take any questions from the committee. Thank you.

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CHAIR - I might just start and, perhaps to you first, Wayne, and then I'd appreciate the input from TasWater reps at the table. To start with, your capital program you talked about, you spent \$239 million in the last year, but the budget was 250, so, it was a little bit underdone. I also want to note the equity from the state has all been provided, the \$200 million has been provided.

When that when that occurred in 2018, when the decision was made and then 2019 onward the funds were put in, it was on the basis of the same indicators that were present then, a lot of capital-intensive business, the MOU that was reached at that time and there was some concern about the dividends were too high given the level of capital expenditure required dividends to council, I mean, to the owners, to clear the backlog. There was community concern. There was also concern of the government, including takeover threats at that time. I'm sure people will recall that. The MOU was struck to contribute \$200 million in equity over 10 years, which has all been provided now, a bit ahead of time.

From what the information that George has said, they're looking at your borrowings getting back to that same level that was the situation in 2018. There is still a lot of capital expenditure to continue, acknowledging what's been done. Wasn't the aim of the MOU to fix this, Wayne, so that we wouldn't need the ongoing support from government. When we look at how much of the equity contribution is given - like in 2023-24 it was \$50 million each year - but \$24 million in each of those years went back to councils by way of dividend, which is basically half of it.

Aren't we in the same position now as we were in 2018 that saw that MOU struck and the equity contributions required and there's still this concern about the level of dividends back to owners?

Mr JOHNSTON - Chair, I wasn't a mayor until the end of 2018, that may well have been before my time when the MOU was signed, but I may be wrong there. We have to consider that obviously COVID came in 2020 and fully understand that TasWater made a decision back then regarding the dividend that they pay back to the owners. We have obviously in the last two to three years had open conversations with TasWater on dividends that are paid back and there are still some councils that have concerns. There are also councils out there that have concerns about the increasing amount of the borrowings of the organisation going forward, but that's always been explained very well by the executive. I guess the other thing to consider at the moment is the PSP 5, which was talked about there before, coming into play, which possibly has been a handbrake in the finances of the TasWater going forward. I can't really talk about the MOU, Chair, because I wasn't there, so, I'm going to throw out to the actual -

CHAIR - Before we throw it to them, can I just ask you that, if we're a similar situation now in terms of the amount of dividends going back to the owners and the capital requirement and the increased borrowings that we see projected, is there likely to be either a consideration from councils for the owner reps that dividends are reduced again? Or reduced or the government stepping in to basically fund the dividends. Otherwise the organisation is going to be borrowing to pay dividends.

Mr JOHNSTON - Yes, I understand what you're saying. I think something else that's, from a council point of view, we are seeing new infrastructure put in place. We talk about Bryn Estyn and the others. We're seeing infrastructure being built, so, we're actually seeing where the money's been spent. There's not the concern at the moment from the owners' rep that I'm

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getting. Yes, it's there in the background that we've cut down on our returns to councils but there's still a level of confidence within the owners of the organisation going forward.

CHAIR - Yes, well, the dividends in 2021 were \$10 million and then in 2023, in the last three years 2022, 2023 and 2024 were \$24 million. They're not going backwards, they went up significantly.

Mr JOHNSTON - They did, yes. They did. Again, we sit as owners of an organisation and we've got confidence in the decisions they're making, Chair.

CHAIR - Even if it means they've got to borrow to pay the dividend?

Mr JOHNSTON - Well, I come from private enterprise and unfortunately, I've got to borrow lots of times to actually step forward. Again, as I said, some of our members are concerned at the level of borrowings that TasWater has, but pretty confident in the competency of the people that sit across from your table that they will do the right thing by us.

CHAIR - Maybe they can address their minds to that and I'll come to Cassy after they've addressed their minds to that.

Mr THEO - I'd like to take that question if it's okay?

CHAIR - Yes.

Mr THEO - The first thing is the \$200 million that the government invested in TasWater was to accelerate a capital works program. If you recall, a moment ago I mentioned that in the last 10 years TasWater's invested so far \$1.5 billion. So, only 200 of that was funded by government. The rest of it is funded by TasWater through borrowings from TASCORP.

The other thing I'd like to - again it's really important we get the message right. TasWater does not borrow to pay dividends. We pay dividends out of underlying profits, so, TasWater is on track to deliver underlying profits of about \$32 million this year. That is exclusive. Underlying profits are exclusive of developer contributions, which are for the express purpose of funding growth or part funding growth.

The other point. There was another point I wanted to make which I forget, which I'll come back to, but I just wanted to make the point that we don't borrow to pay underlying profits. The other point I wanted to make just came back to me is that the level of dividend that we are paying - and you made a comparison to I think 2021 - in those years, they were the COVID years, where councils deferred their dividend payments and we are paying that back over five years in \$4 million special dividends. I think I might ask the CFO to elaborate on that, but, from memory, I believe we're in year four of a five-year period where we're paying back an extra \$4 million per year, which brings it up to about \$24 million in total per year.

CHAIR - It's \$24 million over the last three years has been paid after 2021. Yeah, well, not increase, because of COVID. It was \$20 million in 2019, \$10 million in 2020 COVID, I imagine, 2021 COVID. So, then we got 24, 24 and 24. So, you got another year of 24, is that right?

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Mr INGHAM - Yes, that's correct and that'll finish 25/26, that repayment of the reduction in those COVID years.

CHAIR - Why do we see the dividends been going forward then?

Mr INGHAM - Well, I mean, in our corporate plan, we're forecasting an increase in dividends, but they're always subject to assessment by the board annually to make sure that is one we can afford to pay the dividends. Then we have the underlying profit to be able to support levels of dividends that we're proposing. So they're always subject to that review and that assessment.

CHAIR - So, there's no risk or there may be a risk that the profits will be inadequate to pay the owners' reps what they're expecting?

Mr INGHAM - No, because we'll make that assessment at the time. I mean, one thing that we need to do as an organisation is make sure that we're generating sufficient cash flows to be able to service the level of debt that we do. We're always looking at that and making that assessment. If there's ever a point in time where we can't do that, well, dividends will have to reduce to be able to do that. But right here and now that doesn't need to happen and we're confident we can continue to be able to fund the level of debt that we have now and what we're projecting.

Mr YOUNG - Chair, I might make a couple of comments as the chair of TasWater. Dividends are discussed on a year by year basis, having a look at the financial performance of the company. We're subject to independent price regulation. Whether we pay a dividend or we don't pay a dividend makes no difference to prices. Prices are set to give us a -

CHAIR - Yes, but it can make a difference to your capital expenditure.

Mr YOUNG - No. No it can't. So just to clarify, prices are based on our operations expenditure at appreciation and a return on capital. That's set by the independent regulator. If we get that right, at the end of the year, we make a net operating profit. After tax, we make a profit. I've been involved in water corporations all around Australia, UK, overseas. So yes, if you make a profit, you decide whether you can pay a dividend. We look at the financial sustainability of the company. We are lightly indebted compared to other water utilities across Australia. We are high credit rating, we're an investment grade company, really strongly financially stable. So yes, we look at that on a year by year basis.

Now the capital program is an interesting one. The independent price regulator will put a pricing submission in next year. They will go through our capital program and they'll say, 'These projects are worthwhile investing in for the community and these projects are not. So we're not letting you go ahead with those projects. This is the capital program you should do'. Now recently, I was talking to the community engagement committee and there were some questions on dividend and they said, 'Well, could you use that dividend to invest in capital that the regulator says that you shouldn't invest in? The things that you'd like to do, but he says it's not worthwhile'. I said, 'Well, we could, but the regulator has said these are the projects that are not worth the community investing money in. I'm not sure I would invest my money on those projects'.

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Look, the other way of looking at it and this is just a broader community perspective is that we pay dividends to the councils and the councils use that money to invest in projects that they think will be worthwhile for their customers, which in fact is our customers. So, one of the questions I got asked under the community engagement was could you decide not to pay a dividend to councils? Then the councils could decide if they still want to do those works, but they could do it by increasing rates.

CHAIR - Or they can get the grants direct from government.

Mr YOUNG - Or they could get the grants direct from government. But in the end, it's a zero-sum game. So we've got the same customer base, TasWater, the councils and for the money we want to get the best outcome for the community. I know councils want to use their dividends to achieve great things for their customers and that's what we want to do, and are pricey. If we do it well, it gives us a profit at the end of the year and it will be a year by year discussion to say, 'Can we meet the commitments under our capital program given everything else - Can we pay a dividend? Can we stay investment grade?' And if we can, we do, as is the case for all utilities right around Australia, around the world.

CHAIR - So you're - just on this point for - so the underlying profit last year was \$33 million?

Mr YOUNG - Yes.

CHAIR - Yeah, the 24 were paid out in dividends.

Mr YOUNG - Yes.

CHAIR - So, there's not a lot left after that.

Mr YOUNG - No, we would, we hold that money as retained earnings within the company. We would build up our reserves in that, but we still have money that we spend on our capital program.

CHAIR - And next year, it's still to go out to about \$30 million in dividends. So, unless you improve your profitability, it's going to be really tight.

Mr YOUNG - And if it is, we'll have the conversation with the shareholders and say, 'Look, we've got some principles here of how we pay dividends and how we set them and what our results are, what our capital program is' and then it will be, you know, discussed on a year-by-year basis.

CHAIR - Cassy?

Ms O'CONNOR - Thanks Chair. We just had TASCORP in here for some questions. On page 55 of the TASCORP annual report is client advances to their customers and TasWater's 2024 client advance which is a borrowing, is that correct?

Mr YOUNG - Yes.

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Ms O'CONNOR - It is about \$833 million, but the borrowings in your annual report are \$866 million. Who else does TasWater borrow from?

Mr INGHAM - Only TASCORP, so I don't understand the discrepancy there. I have to

Ms O'CONNOR - So, the discrepancy for 2024 is \$34 million and the discrepancy for 2023 is \$41 million between TASCORP's client advances and what is detailed as borrowings in the TasWater annual report.

Mr INGHAM - Sometimes within the financial statements there's - it's stated what facility is available, so it might be what's available to us and what we need - haven't necessarily taken up. I'd need to understand that a bit more to be able to answer it, but to be clear, we don't borrow from anyone else but TASCORP.

Ms O'CONNOR - Okay, but, so to be clear, in this year, TasWater has borrowed \$866.2 million - no, sorry, on top of last year's borrowings, the extra borrowings of TASCORP are what - this year through - TasWater are what, sorry?

Mr THEO - Our debt as of 30 June this year is \$866 million.

Ms O'CONNOR - Okay and have there been conversations with TASCORP about financing capacity -

Mr THEO - Yes.

Ms O'CONNOR - Because they've just announced they're going to undertake a review of TT-Line's capacity?

Mr THEO - Yes.

Ms O'CONNOR - So what's the conversation with TASCORP? Because this is, you know, I mean, nudging a billion dollars worth of borrowings.

Mr INGHAM - It can - look it's significant and it's going to grow, you know, with our capital program, we expect it to more than double over the next five years. So, we think it's - it will, you know, by the end of 2028-29, be around \$1.9 billion.

Ms O'CONNOR - And TASCORP's aware of that?

CHAIR - Yes.

Mr INGHAM - Yes. We share our planning with them and you know, one of the key conversations that we have with them is about our ability to service the debt and be able to generate, you know, operating cash flows, to be able to continue to fund that level of debt. We get an annual increase in our debt limits. So, every February, March, we present our projections to them and request an increase and they consider that and consider our projection and approve that. So, it's reviewed on an annual basis. Yep.

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Ms O'CONNOR - And in terms of the company's planning, what's the end game? Is the debt just going to keep increasing or is there a body of capital works -

Mr INGHAM - Yeah.

Ms O'CONNOR - That once they're complete, you won't have this debt for carrying it?

Mr INGHAM - It certainly won't increase to the same level that it's increased in the last couple of years and what we think it will increase over the next five years. As George mentioned in his opening, we're investing really heavily in particular in sewer over the next five to 10 years. So, we think it's likely that it will flatten out at some point. Probably the one thing I would mention is our gearing. So, you know, we do constantly look at our level of debt to our total net assets and the percentages around that and we benchmark that against our peers and make sure also that it's within the ranges that TASCORP allows us to have it. We are again in conversation with them about that consistently and our debt to equity ratio is about 30 per cent at the moment. When you compare that to our peers on the mainland, that's very low. On average, their debt to equity ratio is around 47 per cent. A lot of our peers are a lot higher and very highly geared. What that means is there's room for us to further borrow against our assets. Our projections say by the time we get to the end of 2028-29 it will be around 45 per cent, which will be comparative to some of those mainland counterparts.

Ms O'CONNOR - Do you expect that to be something close to a peak for borrowings?

Mr INGHAM - The range we aim for is around 45 to 55 per cent. It might increase, but we wouldn't want to see it go higher.

Ms O'CONNOR - That's a debt to equity ratio you're talking about?

Mr INGHAM - Yes.

Ms O'CONNOR - That is 45 to 50 per cent.

Mr INGHAM - Yes, 55 per cent.

Ms O'CONNOR - Fifty-five per cent.

Mr INGHAM - Forty-five to 55 per cent. At the moment our projections are saying around that 45 per cent by the end of 2028-29.

Ms O'CONNOR - The obvious question from the average Tasmanian water and sewerage user will be, given the level of debt the entity will be carrying within five years, what does that mean for the prices they pay for their water and sewerage services?

Mr THEO - That's the purpose behind independent economic regulations. We're working through that process as we speak. Our board will consider what prices would look like from 1 July 2026 in about April next year. We will then submit a proposal - that's what it is, a proposal - to the economic regulator. The economic regulator will then engage in dialogue with TasWater and the community. We welcome that dialogue. That dialogue will run for the best part of 12 months. The economic regulator will make a decision prior to 30 June 2026 for adjustments to prices come 1 July 2026. Any borrowings we make go back into water and

sewerage infrastructure to deliver services for the community, address environmental issues and improve water security. Depending on where you live in the state, you could be having water restrictions on a more frequent basis than in other parts of the state. One of the questions we need to answer is how often communities in Tasmania should be going into water restrictions. That's a conversation we'll be having with our community as part of this process.

The money we borrow goes into water and sewerage infrastructure. If the economic regulator turns around and says you can only have so much, we then have to retrofit our capital works program to align with what we are allowed to generate in terms of revenue and what we are allowed to borrow. It means the issues that need to be addressed, particularly in sewage treatment, and we have had many conversations with the EPA, we would have to go back and realign how quickly we can address many of those issues on the back of sewage treatment plants not being compliant. In the end, there's a balancing act between price increases, how much you can borrow, how much you can fix and how quickly you can fix these things. Remember, we are still in catch-up mode. We're hopeful that in six- or seven-years' time, post-prices and services plan 5, we are in a maintain CapEx mode, not a catch-up CapEx mode. It's really important, as Kane said earlier, there is an acceleration of investment over the next five years, but we are hopeful beyond that it will be a maintained environment, not a continued catch-up environment.

Ms O'CONNOR - Thank you for that. When TasWater presents to the economic regulator in preparation for the 1 July 2026 decision, all financial information is put before the regulator, including for example, the projection of the debt the company will be carrying within five years' time. That clearly must form part of the regulator's determination on pricing. I gather what you're saying is it's not a simple equation, but the more the company has to borrow to invest in capital, ultimately there has to be a flow-on effect on prices and bills, is that correct?

Mr THEO - That is correct. One hundred per cent correct.

Ms O'CONNOR - How do you restrain that? I guess it is the regulator's task, isn't it?

Mr THEO - The regulator's job is to ensure TasWater is prudent and efficient in the work it sets out to do. Their job is not to second guess the objectives of our community. The expectations and obligations we have to the dam's regulator, Department of Health and also to the EPA. That's why it's a balancing act. We are very mindful of what increases mean for Tasmanians. That's why we have a TasWater Assist program. For those individuals, those families who are finding it tough, we're there to support them. And our TasWater Assist program is exactly for that purpose, and we're very mindful of it.

CHAIR - The regulator does give you a cap that you can charge; you don't have to charge the full amount.

Mr THEO - That is correct. The regulator will say you can price up to X percent. But I was just going to say, whether you choose to price at X percent, which is what the regulator would determine, or a lower number, the implications of whatever decision you make mean you can't invest in addressing a number of issues we have before us.

If I keep on the example of sewage treatment, instead of addressing issues over the next 10 to 15 years, it might be 20 to 30 years. And if we're saying that's okay, that's okay.

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What I can tell you is our 45 customers who were on the panel that provided me with a report two Saturdays ago have actually said we need to do more in the environment. And we'll be responding to that, but it's up to the economic regulator in the end to determine what price will look like on the back of a proposal, and linking that proposal to what do you get for that money.

Ms O'CONNOR - TasWater will put a proposal to the economic regulator and that proposal will say our costs have increased, our borrowings have increased, necessarily, there will need to be an increase in water and sewerage prices?

Mr THEO - Correct.

Ms LOVELL - Thank you. Chair. How many customers are on your TasWater Assist program at the moment?

Mr THEO - I actually have that information. Let me have a quick look.

Whenever you're trying to find a number, you can't find it. I actually do have it. TasWater Assist is 1282.

Ms LOVELL - How does that compare with previous years? Have you seen an increase?

Mr THEO - Last year was about 919. But if you look at the 1282 customers who are on TasWater Assist, when you put that into context, we have about 230,000 roughly, water customers. It ends up being about 0.5 per cent.

Having said that, one of the things is that unfortunately people feel embarrassed to actually ring and say I need help, we're very mindful of that. We actually do look for signs and signals and we're trying to make it easy for people. We don't want people feeling embarrassed because they need to ask for support. We find customers who have been paying on time every time for a long time, something happens in their personal circumstance, which changes. That's why TasWater Assist is so important. We're there to support people when they're in need.

Ms LOVELL - Thank you. I had some questions about a project, I think it was called a data installation project, undertaking a review of infrastructure that customers have on their property and bills and charges being applied. It was supposed to be running through to 2025, but was wound up earlier this year.

Mr THEO - Are you referring to Revenue Assurance? The term you use is not familiar to me.

Ms LOVELL - Okay. Well, that's the term that's been given to me. It was a project, as I understand, it was supposed to review bills and charges that customers were receiving compared with the infrastructure that they have on their property. That was wound up ahead of schedule earlier this year with around 20 people involved in that project.

Mr THEO - That was a project that was started a few years back. It's the Revenue Assurance Project, that's how we know it. Basically, because we inherited a whole bunch of data - if I could put it that way - from 29 councils. And, because pricing is based on equivalent tenements, which we're moving away from as part of our proposal to the economic regulator,

to price on the size of the water meter and the volume of water you use, which makes it a lot easier to process and people to understand.

The organisation embarked on a project that was prior my time, on reviewing the data that came in and to therefore make adjustments that was commensurate with the equivalent tenements for that customer, which meant some customers received a reimbursement because the data we had that was transferred to TasWater was not what matched with what was actually out there. The reverse happened in some instances. That project came to an end, as you said, earlier this year.

Ms LOVELL - Did it come to an end because the work was completed or was there another reason?

Mr THEO - Yes, pretty much so.

Ms LOVELL - In terms of overcharges that were identified through that project, how many overcharges were there? Was that a significant number?

Mr THEO - I don't have the exact number. What I can tell you is that when that information became obvious, we wrote to those customers and spoke about the overcharge and I don't remember the exact specifics but their guidelines which said how far back you go with respect to when we owed the customer money. When the customer owed us money there were also guidelines as to how far back you could go as well. The two didn't match. The benefit for the customer was, how far back you went was far greater than how far we would go if we were owed money as in TasWater.

Ms LOVELL - In terms of the overcharges, was it residential customers, commercial customers or was it both?

Mr THEO - It was both.

Ms LOVELL - Can you provide information? Would you be willing to take that on notice in terms of how many customers there were?

Mr THEO - Yes, if the question is how many residential customers and how many non-residential customers had the benefit of a reimbursement, if you want the absolute numbers then we can provide that but off the top of my head I don't know what the number is.

Ms LOVELL - Are you aware of any other overcharges or potential overcharges that have been identified any other way with any customers?

Mr THEO - Apart from the revenue assurance project, we always ensure that our bills, which go out every 90 days, and we put out 1.3 million bills a year, are accurate. Sometimes a meter is not read because of accessibility issues and therefore there's an estimate if the customer calls and says, 'my actual meter read is x ', we correct that. Apart from an estimate or a skip read because we physically can't get to the meter, that would be the circumstance upon which there might be a difference, but that is corrected.

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Ms LOVELL - Is that the same for residential and non-residential customers? Particularly some of the non-residential customers are using big amounts of water and their usage would be much higher. Is that the same process?

Mr THEO - It tends to play out more in the residential space than in the non-residential space.

Ms LOVELL - As in the reading of the meters?

Mr THEO - Having to skip the recent meter read. Depending on the industrial customers, for example, if a meter is below ground and it happened to have rained two to three days before we are due to do a meter read and the meter is underwater, we physically can't do a read at that point in time. When it comes to large industrial customers that consume large volumes of water, we work really hard to make sure that their bill is reflective of what's gone through the meter.

Ms LOVELL - You are confident that is the case at the moment?

Mr THEO - I believe so and if there is an error where we've overestimated or did not take an actual read, then that is corrected. It's corrected in terms of a credit back to the customer and reflected in their subsequent bill.

Ms LOVELL - Thank you. You talked about the price and servicing plan; that's the work being done and underway at the moment. We talked about moving towards a different model like a discharge factory. Is that the right terminology?

Mr THEO - Yes.

Ms LOVELL - Which is based on the actual usage. I know there's been a project over a number of years now around rollout of new meters; are they the meters that are required for moving to that discharge factor model?

Mr THEO - One of the things customers have been telling us is that they'd like a larger proportion of their bill to be variable, which means that they can control the size of their bill. TasWater has inherited a pricing structure that basically means that 84 per cent of the bill is fixed, which is the service charge, and 16 per cent is variable. We're currently doing some modelling, which will be part of our pricing submission to the economic regulator. The economic regulator also called it out as part of PSP 4 for TasWater to look at alternative pricing models. We're looking at a model that may deliver and we're still working through the detail that may deliver the variable component of the bill from moving from 16 per cent to 35 per cent.

Now, in order to do that, what that means is we will price on the size of the water meter at a property and both the volume of water going through the water meter and then when it comes to the sewerage component of the pricing, we would apply discharge factor. They are common, they are used around the country and it basically says, 'If I live in a multi storey building, residential tower, the reality is 90 per cent of the water that comes through my water meter goes down the drain'. There are different discharge factors applying for different customer cohorts and industry types. If there's a water meter at a sporting field, you would assume that 90 per cent of the water that goes through that meter goes on to the fields as opposed to into the clubhouse. So, those discharge factors are consistent, they're common and we are applying those in our modelling. We're currently undertaking to actually land on a

position that satisfies our customers' wishes to ensure more of the bill is variable and we'll be seeking board approval early next year, which will then find its way into our pricing submission to the regulator.

Ms LOVELL - In terms of the infrastructure of the meters that are required, does that depend on a particular type of meter or the meters that you have currently across the system?

Mr THEO - No, the meters we have at the moment serve that purpose. What we are working and moving towards, and Matt might want to provide some further information, is that we currently have what I would refer to as semi-smart meters. What I mean by that is, metering is pretty straightforward; you either walk up to it and record the reading. in TasWater's case you can drive down the street and the software will ping the meters as you drive down the street and will capture the data.

We want to move away from that over the next decade and we're beginning with a trial of about 10,000 digital meters in the next six months whereby we have the meter send data once a day to TasWater and that is a true digital medium. The reason we want to do that is because it will allow us to provide a customer benefit back, in that if we notice abnormal consumption for that individual customer, they may very well have a hidden leak and they don't know about it, so if we can inform that customer, let's say in real time, it might be a 24-hour delay. There's no bill shock for that customer. That's one of the reasons we're looking at these digital meters. Again, to go back to your question, in order for our pricing model to work the current meters we have are sufficient.

Ms LOVELL - The digital meters - have they started being rolled out yet or are they still looking at those?

Mr THEO - I might ask you, Matt, to talk to that.

Mr DERBYSHIRE - It's gone to market in the last couple of weeks. The expression of interest has gone out and expect that to come back with submissions in the next few weeks with the time frame of starting to install digital meters next calendar year.

Ms LOVELL - That's gone out to market for someone to come in and install those meters?

Mr DERBYSHIRE - We're actually open to models, but it will be supply, potentially installation, potentially maintenance.

Ms LOVELL - Can your own workforce not install the meters or is that -

Mr THEO - They could - but I think it depends on what business model at the end of the day we want to sign up to. I want to keep it pretty open because some providers will not only provide the meter, they'll also provide the software which will allow the customer to be able to look at their meter read.

One of the things we want to do is, installation is pretty straightforward, but it's the benefits you get post-installation. The question for us is, do we want to invent our own or do we want to leverage what already exists in the market and services that have been provided to hundreds of water utilities around the world and leverage that benefit, as opposed to creating

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our own? As Matt says, we're open to what the final solution is. In the end, what we're after is what's best for community.

Mr DERBYSHIRE - Just to add to that, if the partner installs the meter, you want them to live it up and make sure that it's communicating with the communication network and that we're getting that data from the customer back to TasWater.

Ms LOVELL - Okay. In terms of the meters you're using currently, do you have data on the current failure rate of your meters?

Mr THEO - Yes, we do and that's one of the reasons we're doing about, Tony, 20,000 metre replacements this year. I think we increased our meter replacement program to about 10 million a year. It's to do two things. One is -

CHAIR - It is \$10 million, not 10 million meters.

Mr DERBYSHIRE - Dollars - \$10 million a year with replacing -

Ms LOVELL - You said 10 million. Yes.

Mr DERBYSHIRE - We're spending \$10 million on replacement.

Mr THEO - What did I say? 10 million meters?

CHAIR - No, you didn't but it was unclear. I'll just clarify.

Mr THEO - My apologies. We're investing \$10 million per year replacing approximately 20,000 metres per year.

Mr DERBYSHIRE - Yes, that's better.

Mr THEO - Sorry and the reason we're doing that is because, again prior to my time, my understanding is for the bulk of Tasmanian properties metering was installed within a short window. Now we're about year 15, year 14 and those meters need to be replaced, which is what we're going through. We also want to create a situation where we're not replacing, let's say, 90 per cent of the meters every 15 years in one hit. We want to have a smooth profile. The investment we'll be making over the next few years is to actually accommodate not only those meters where the - they're referred to as the MIUs (meter interface units) that might be faulty within the meter, it, you can still read it, you've just got to walk up to it as opposed to driving down the street. We want to replace those meters and we also want to make sure we're smoothing the profile of the number of meters we will be replacing on an ongoing basis and don't have these spikes and troughs on a regular basis.

Ms LOVELL - Can you provide for the committee the current failure rate?

Mr THEO - I don't have the information in front of me, but we can, we can certainly tell you how many MIUs are not working. I want to emphasise that means you can't take the read while you're driving down the street, you can still take a read by walking up to it.

CHAIR - They're still working, but not in the way -

Mr THEO - Correct. You can still walk up to it and record the reading it. You just can't record the reading from the comfort of the vehicle as you're driving down the street.

Ms LOVELL - How confident or what testing measures are in place to make sure that the reading you're getting is accurate whether you're getting that as you drive down the street or reading it manually?

Mr THEO - Yes. Every water meter has to meet the - and I'm going to get the name wrong - the Australian Weights and Measures (National Standards), I think they're called. It's plus or minus 2 per cent variability. When meters are read inaccurately, they normally under-read, not over read, so the customer gets the benefit in an under-read. We make sure that with all our new meters there's a batch of new meters sampled independently to TasWater that goes to an independent laboratory to confirm that they are within that plus or minus 2 per cent tolerance. When we replace water meters, part of our and part of Matt's team activities - or it's the other Matt - is to actually take a sample of those meters being replaced and send them to the lab for testing to make sure we are optimising our meter replacement program. We don't want to be replacing metres that are still accurate. We definitely want to be replacing those meters when they start to go outside their tolerance as quickly as possible.

Ms LOVELL - Okay. In terms of the installation of the new meters, are you confident that's being done and is compliant with the manufacturer's and TasWater's metering standards?

Mr THEO - Yes.

Ms LOVELL - You've got measures in place.

Mr THEO - Yes, one of the conditions of contract of procuring meters is they must abide to the Australian Standards.

Ms LOVELL - Okay. Thank you

Ms THOMAS - Thank you. I have some questions about developer contributed assets and developer charges. I note on page 120 of the annual report, it explains that developer charges are collected from developers to fund the incremental costs to the corporation that are associated with the connection of new developments to the corporation's infrastructure. Could you provide some information to explain how these developer charges are calculated, how and when they are advised to developers and who do they apply to? Do they apply to new developments only or also upgrades to existing premises, businesses, things like that?

Mr THEO - Yes. Essentially developer charges apply both to infill development and also brownfield development. What I mean by that is new subdivisions, emerging communities on the outskirts, as well as infill development where there's existing infrastructure. Our development services team sits down and works through that process with the developers to ensure that developer charges are appropriately struck. Matt, I might ask you to talk about how that happens.

Mr DERBYSHIRE - First of all, there's a standard charge to connect to our network, which covers the cost of things like upgrades at the treatment plant around the state. If the development that we're talking about requires an upgrading capacity to say the pipeline or a

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pump station, the developer funds that portion of the upgrade to cater for the growth. If TasWater chooses to, they may increase the size of those assets and we would pay the appropriate proportion of those costs to cater for future growth we see occurring in that catchment.

Ms THOMAS - Say someone converts a premises to a new type of business, but no new internal plumbing infrastructure is required, would that?

Mr DERBYSHIRE - If it's a change in the type of business that's operating. For example a restaurant may require a trade waste agreement because they're going to be discharging more than what would just be domestic waste.

Ms THOMAS - Okay. If it's a relatively small development in terms of change of use, is it a matter of they're not confronted with that cost until they get the permit and the information back from TasWater through the development permit from council?

Mr DERBYSHIRE - Typically, the council would be the referral party to TasWater. Once they received the development application, they would come to TasWater, we would make an assessment on the impact of the change on our network and then we would refer that information back through council to the person who submitted the DA.

Ms THOMAS - In that case, there's no direct liaison with TasWater in the initial planning for development stages. It could come as quite a shock to a someone who's trying to set up a business.

Mr DERBYSHIRE - There absolutely can be. We really encourage people to reach out as soon as they think they're going to have a change to land, building or a facility. The sooner they do get in contact with us, the sooner we can provide advice back on how to best service their development.

Ms THOMAS - If they haven't done that because they weren't aware that any sort of water or sewerage upgrades would have been required given their use of the existing infrastructure they thought to be sufficient, if it does come as quite a shock, how is it then explained? Is there information provided to explain to the developer how that amount has been calculated and what the costs are?

Mr DERBYSHIRE - Standard charges for things like trade waste are all on our internet, so they're all accessible. The DA is typically pretty early on in the process and we would provide conditions back on the development application for the developer. In the case of a brewery, we might advise they need to construct a tank on site to hold back trade waste we didn't want discharged to our network. Same with a grease trap for a restaurant, that the grease is contained, it doesn't go into the network. Ultimately, we're trying to protect our pumping stations from fats, oils and greases, which can cause overflows and spills to the environment.

Mr YOUNG - I was going to say that makes perfect sense. You get cases where a big warehouse is bought by someone, they're going to convert it into a boutique brewery. Very early in the process they say your water supply is not going to meet your needs. You've got a significant increase in water supply. You need bigger pipes for the discharges you're going to have. Early in the process it's flagged to say you'll need to pull more from the TasWater system and that should lead to a discussion about prices and what it's going to cost.

Mr DERBYSHIRE - One of the things with the legacy of TasWater is we do have 110 sewage treatment plants around the state. It's not like a big urban Sydney or Melbourne where it can absorb that growth. One large development in a catchment can tip a treatment plant over the edge.

Ms THOMAS - I'm thinking back to the older days, when there would've been council planning officers who would've perhaps spoken to applicants about these types of conditions. Now it's sort of second hand. Is there a role, or some sort of better communication avenue, whereby planning officers are making applicants aware at an earlier stage, do you think? Is this an issue where TasWater is having developers come to them with shock and horror about costs that they hadn't anticipated, prohibiting business?

Mr DERBYSHIRE - I hope not. Again, we always encourage developers to speak to us as early as possible, but I think the DA is pretty early in the process. We condition the DA, we put our contact details on it, and we have to turn that DA around in a legislated 14 days, so the information does flow back to the developer pretty quickly.

CHAIR - Did you have something in this area, Cassy?

Ms O'CONNOR - I'm happy to wait. I want to talk about Macquarie Point.

CHAIR - I wanted to go to some of the staff matters. In terms of your safety performance, the recordable injury frequency rate was reported 10 against a target of less than 8. Can you talk us through a bit what occurred there?

Mr YOUNG - The bulk of our injuries are what I refer to as chips, slips and strains. It's not where we would like it to be. We don't want people hurting themselves in the workplace. A lot of those injuries are a consequence of inattention. We're constantly in a phase where it's about education, it's about awareness, it's about making sure that people do not inadvertently cause themselves harm, especially when they are carrying out repetitive tasks.

The other day we had an employee step off a kerb and channel, and sprained an ankle, just walking home. They're the sorts of things that are happening.

I'm pleased to say that when it comes to high criticality risks, we manage those very well. It's the garden variety-type injuries where someone hasn't warmed up after a lunch break and strained a muscle in their body, or they may have slipped or tripped over something, that is the bulk of those injuries.

CHAIR - Are there any more serious incidents in those 10?

Mr YOUNG - Not in terms of a TRIFR (total recordable injury frequency rate). Although we did have a contractor early in the year cut an electrical cable, which was quite serious, but that was a contractor working alongside one of the TasWater employees, which we dealt with. That is the most serious injury. In that particular instance, there was a failure to adhere to documented processes and the training that TasWater provides. There were multiple barriers of breaches in that particular event.

CHAIR - How many workers do you have on workers compensation at the moment?

Mr THEO - I don't have the exact number. I can get that for you.

Actually, I do have a note here. In terms of WorkCover claims for the current year, we have about 10 cases.

CHAIR - What's your total workforce?

Mr THEO - About 928, 930.

CHAIR - The information you have about your breakdown of your workforce here. You identified a gender split. What's your gender pay gap?

Mr THEO - At a macro level across the whole organisation, we don't have a pay gender gap issue.

Mr INGHAM - I can talk to that. The gap is 12 per cent. Males are paid 12 per cent more than females. I guess the national gap is 21 per cent, so we're outdoing that. When we dug a bit deeper into the numbers, a lot of that's driven by a portion of our workforce where there is a larger portion of males, which is in our operational area, and they have access to things like additional penalties and overtime that is pushing that up. There are other cohorts of our workforce where we find females are paid more than males. Yes, there's some context there.

Mr THEO - Just to that point, if I may, at our senior leadership team level the cohort of women are paid, on average, more than the men - at a senior officer level.

CHAIR - Okay, so it's variable across the business, but 12 per cent pay gap overall. In those areas where there's a contributing factor, which you've outlined a bit, what are you doing to try to overcome that?

Mr THEO - That's predominantly being driven out of our operations area, where the majority of people out in the field, responding to bursts and sewer blockages, and mechanical and electrical issues.

CHAIR - Electricians, plumbers.

Mr THEO - Yes, all that. We don't employ plumbers, to be correct, but we do employ people who fix broken pipes. It's predominantly a male workforce. What are we doing about it? It starts with the way we place ads, and opening up the organisation to 50 per cent of the workforce that would not otherwise look at a career in these areas. It starts from the executive through to senior leaders through to team leaders to be open to the fact that there's a cohort - 50 per cent of the workforce - that we should be accessing. We need to make sure we're not placing ads in a manner that makes it difficult for women to apply because ads are written in such a way that don't appear to be family-friendly, or they say things like -

CHAIR - Shouldn't they be family-friendly for the men, too? Men have children.

Mr THEO - Absolutely. I think historically, rightly or wrongly, it's been the women who have carried the lion's share of raising a family. We're very mindful, and we have gender-neutral family policies.

It starts with making sure that we place ads that do not stop women from applying for jobs because they read like 'you need to be a man to apply for the job'. We've started that process. I'm pleased to say we have a number of women who have actually joined our field operations, and we are actively looking to grow that. However, we're always going to do it on the back of merit, and I think that's really important.

CHAIR - You can understand why I ask the question when I look across the table.

Mr THEO - Yes. Just to answer your question, our board has five females on it; the executive has two females. The people you see at the table - it's probably me being presumptuous, but it was really just to have people at the table that reflect the questions that were asked in prior years. My apologies for that.

Ms LOVELL - I had a question. I looked at the *Hansard* from last year's hearing, which was in the House of Assembly, and I couldn't find a discussion on this, so apologies if it was covered. At the beginning of last year, there were new work health and safety regulations introduced at a national level around identifying and addressing psychosocial risks and hazards. What work did TasWater undertake? First thing was to undertake an assessment. Did you undertake that assessment? Then, what work has come out of that?

Mr THEO - Yes, we have undertaken that assessment. What came out of that is a series of actions to comply with the national requirements. There's a body of work, and there's a detailed action plan that has been put in place to ensure we are well positioned to not only comply - and you're not doing it for the simple reason of complying; you're doing it because it's the right thing to do. Yes, we have assessed it, yes, there is an action plan that we've put in place, and whenever matters have been brought to our attention, those matters are addressed.

We also have a whistleblower policy. We have an external third party that can take any inquiries or complaints in, on anonymity, if people don't want to go through the internal grievance process.

Ms LOVELL - Would you be willing to share the action plan with the committee? Is that something we could table?

Mr THEO - Absolutely.

Ms LOVELL - Thank you. I'm happy to move on, if that's the case.

Ms O'CONNOR - I have two areas I'd like to ask some questions about. The first is in relation to the sewerage tanks at Macquarie Point. The annual report says that 'early works and planning have been underway this year', and the budget next to that is \$30.4 million. The state contributed, according to the annual report, \$20 million in November last year. What early works and planning have led to - well, how are the early works and planning going and what is the timeline for completion of this project?

Mr WILLMOTT - Yes, I'm really pleased to advise that we're not just in early works any more, we're in construction. So, we've commenced around eight weeks ago at Selfs Point with the new sewage treatment plant construction works there. Around six weeks ago, we commenced on Mac Point itself. I don't know if you've noticed a big crane that's in the air

down there at the moment. That's us. We have started drilling the secant piles for the pump station. We've got around 12 of the 120 completed so far and we've done around 600 of the piles out at Selfs Point of the 5000 we have to do on that site. So, here we are in construction.

Ms O'CONNOR - Thank you so much for that. So, the total cost, according to the annual report, will be around \$314 million. To date, the state has contributed \$20 million of the \$224 million it's committed towards the project. What is TasWater's understanding of the rollout of those funds from the state?

Mr WILLMOTT - Each year we'll receive around \$20 million - off the top of my head - and we'll see the balance of that at the end of the project. So -

Mr INGHAM - It's linked to milestones.

Mr WILLMOTT - and linked to milestones, of course. Yes, that's right.

Ms O'CONNOR - Oh, I see. So, the state government will -

Mr INGHAM - Progressively pay it.

Ms O'CONNOR - Progressively pay it. What's the projected completion date for the closure of the tanks at Macquarie Point?

Mr WILLMOTT - Yes, we've planned to be completed treating at Mac Point by the end of 2026, so, we're seeing currently that the Selfs Point treatment plant be finished around mid-2026. So, we'll start to cut over the flows from Mac Point to Selfs Point then and, by the end of the year, we'll be finished treating at that site. It'll be decommissioned by then. That'll be just the demolition to happen there. It won't take very long.

Ms O'CONNOR - Just to clarify, the balance of the remaining of the state government's commitment is expected to be paid to TasWater on completion of the project.

Mr WILLMOTT - Correct.

Ms O'CONNOR - My next question relates to water restrictions. One recent summer we had water restrictions on drinking water in and around Hobart. No restrictions on irrigators, I note. Are we still irrigating in the south of southeast with potable water?

Mr THEO - Yes, we are. I think there's two questions in that. The first question, as I understood it, is there's been no water restrictions in the last couple of years. That's as a result of the upgrade at Bryn Estyn that occurred and completed just over a year ago.

You would recall that Hobart was in a situation historically where it'd be raining and would have to place some people on water restrictions because the old treatment plant could not cope with the raw water quality coming down the river. That's now a thing of the past.

In terms of Tasmanian Irrigation and irrigators having water from Bryn Estyn, that is correct. That is about 10 per cent by volume. We are in the process - and Kane can talk to it - to execute a contract, if you like, which will progressively take TI off Bryn Estyn over the next 10 years at best. The first five years, they'll be covering cost of production, then five years after

that the long run marginal cost, but essentially that time frame has been put in place to allow the scheme to be expanded and, you know, the federal government money was made available recently to expand that scheme. So, we are expecting, through the commercial arrangements we've put in place, for TI to be less reliant on Bryn Estyn.

One of the spin-off benefits that comes from upgrading Selfs Point is that once that's done and, potentially with a further investment on the back end, we can create nine billion litres of class A water: climate-independent water source for irrigation purposes. I'm pretty excited about that, and we'll be having those conversations with the relevant stakeholders in the coming months and, hopefully, there'll be some interest in that because that is a true circular economy where, instead of putting nutrient-rich water into a river, we could actually be piping it down to irrigators for growing crops and growing production.

Ms O'CONNOR - That leads me to my next question. TasWater is a member of the Rural Water Use Strategy Roundtable, which in part came out of some science that was undertaken in the former Department of Primary Industries, Parks, Water and the Environment, which was a temporal and spatial patterns of river health report which showed that all our major river systems are under enormous stress and in decline. What has TasWater been able to bring to the table for the Rural Water Use Strategy and the need to better look after our rivers so that we can have a number of the objectives that you describe in the annual report, which is like water forever. You would recognise that we need to treat our rivers better.

Mr THEO - Yes. Matt, would you like to take that?

Mr DERBYSHIRE - With the Rural Water Roundtable, there's a lot of information sharing going on, there's a lot of stakeholders in catchments around Tassie that take water from rivers. Hydro, TasWater, TI, there's a number of participants, including EPA, the NRMs around the state. All the stakeholders' catchments are getting around the table, sharing information but also having input into government.

On your question around how do we reduce our impact on rivers and waterways, part of our 2050 goal is to actually use all our effluent as recycled water across the state. We're driving down nitrogen and phosphorus, we want to grow recycled water for irrigation and also potentially commercial customers around the state. That's our contribution to trying to maintain healthy waterways. We can drive down our extraction.

The other part of it is driving down leaks. George talked about the 28 per cent coming down to 24.5 per cent leakage. We're on a journey to around 13 per cent by 2030. Those types of things. Educating customers around being water efficient, water wise, driving down their consumption because we do use more water in Tassie. I think it's because we're having longer showers, probably because we're trying to warm up in winter. They're the types of things that we can do to reduce our reliance on actually extracting water from riverways.

Ms O'CONNOR - Thank you. That's good to know. How does TasWater plan to deal with some of the issues that have been experienced by other water entities in using recycled water that has PFAS chemicals in them? There are whole areas in the United States where they've used recycled water and basically poisoned farm lands because they haven't properly taken the PFAS chemicals out of them. Is TasWater aware of that issue and does it have tech or plans in place to deal with it?

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Mr THEO - We certainly are aware of the issue. I'm very pleased to say that we undertook, I think in the last few months we did 1960 tests of raw water quality for PFAS. I think it's about 5 or 6 compounds within that PFAS family that are nasties. I'm happy to say we did not detect it, but we will.

Ms O'CONNOR - It's in make-up and all sorts of things people put on and in their bodies.

Mr THEO - Yes.

Ms O'CONNOR - Presumably it's there.

Mr THEO - It's in sewage, yes. I was referring to drinking water. In terms of the raw water quality that comes into the treatment plant that we then treat and put out as drinking water, I can say that in the raw water quality as of maybe a month or two months ago when we concluded our testing we did not detect any PFAS, but we expect to detect it. I think we've got to be open to that.

Once we do detect it, you just introduce another treatment train to actually remove that compound from the drinking water. That comes at an expense. The National Health and Medical Research Council as we speak has a full public consultation on what PFAS level should be. They adopted the US standards, which is about four parts per trillion, not billion. To put into context, four parts per trillion is the equivalent of one drop of PFAS in five Olympic-size swimming pools. That's the level of testing we're doing.

Ms O'CONNOR - It's still toxic.

Mr THEO - Then there's exposure and how much you have to drink for it to cause a health implication and all those sorts of things. But, once we detect it, we will respond in accordance with whatever limits the National Health Medical Research Council sets, which are also enforced by the Department of Health in Tasmania.

In terms of sewerage, we're mindful of that and the National Environment Management Plan (NEMP 3). Did you want to talk to that, Matt? I seem to be doing all the talking. I know it's in your backyard.

Mr DERBYSHIRE - As George said, NEMP 3 comes into effect, at the end of this calendar year. It's not far away, and then regulators in the states will adopt a timeframe for utilities to come into line with NEMP 3. It won't be at the end of the year and all of a sudden, we have to comply.

To your question on technology. There are technologies emerging that can deal with PFAS in the sewerage treatment plant. Also, we have a biosolids road map at the moment which we are looking at. This is a solution for sludge from treatment plants where we would likely end up building a facility that essentially burns the sludge and turns it into Biochar, which can be used as a fertiliser in agriculture. It knocks out the PFAS and other biological hazards in the sludge.

Ms O'CONNOR - Thank you for that. My last question on this line of questioning.

Just upstream from Bryn Estyn, there are two salmon hatcheries, which have had an impact on water quality in Hobart, in the past. And as I understand it from previous questions across the table to TasWater, sort of scrubbers, have been put in at Bryn Estyn in part, to deal with hatchery solids. Is that correct? How does TasWater mitigate for the upstream effects of those hatcheries?

Mr THEO - Irrespective as to whether they're hatcheries or just general activity within the catchment as all our catchments are open, there's activity that occurs. What we focus on is what's the raw water quality coming down. We have documented procedures and processes which depending on the raw water quality, determines our response. Whether it's current treatment process or increasing carbon activated carbon to remove some of those compounds, it just depends on what's coming down the river and we respond appropriately.

We take the view that irrespective of what's happening upstream, we've got to be able to cope with what's coming into the treatment plant. What comes out of the treatment plant is a compliant drinking water.

Mr DERBYSHIRE - I add too, there's a risk assessment done on all the catchments around Tasmania based on urban development, what type of agriculture is going on in the area. And then in alignment with the Australian Drinking Water Quality Guidelines, that dictates the number of barriers we need to have in place to make sure the water is safe for our customers. Regardless of whether it's agricultural or aquaculture, urban development, the Australian Drinking Water Quality Guidelines guide that the treatment processes that were installed at Bryn Estyn.

Ms O'CONNOR - Does TasWater test for any agricultural chemicals in its drinking water? Simazine, atrazine, any of the triazine family, or any other commonly used agricultural chemicals?

Mr DERBYSHIRE - Yes.

Mr THEO - I was going to say if my chief scientist was here, he'd be able to tell you straight away.

Matt, you said yes, but I'm happy to take that on notice and come back to you.

Mr DERBYSHIRE - They're done monthly.

Mr THEO - It's done monthly.

Ms O'CONNOR - Testing for a range of agricultural chemicals is undertaken monthly?

Mr THEO - Is that right, Matt?

Mr DERBYSHIRE - Yes.

Ms O'CONNOR - Can I put that question on notice and ask what chemicals you test for?

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Mr THEO - We can do that. I'm just trying to recall whether it's published in our Annual Drinking Water Report.

If there's a particular chemical you have in mind, please let us know. Otherwise, we can tell you the list of chemicals we test for.

Ms O'CONNOR - Thank you.

Ms THOMAS - I wanted to ask about your enterprise agreement process. I understand it expired on 30 June this year and there's been some negotiations occurring. Can you provide an update on where that's at and what any issues have been?

Mr THEO - Yes. Our workforce voted up rollover agreement a few months back which expires 30 June next year. That's in place and the commission signed off on that. That was linked to a 5.1 per cent increase and a \$1400 sign on bonus. We're now in interest based bargaining. I think we've had three meetings, along with the employee delegates. It's been facilitated by an ex-commissioner of the Fair Work Commission. As I mentioned, it's interest based bargaining to make sure that we're bargaining on interest that are important to both the employer and the employee. The feedback I'm getting that is a constructive process to date and we're hopeful we'll be in a position to put in an agreement to be voted upon by the employees sometime in March, April next year.

Ms THOMAS - Okay, and given that's been perhaps a bit more of a drawn-out process than was anticipated, how has that impacted on morale in the workforce.

Mr THEO - I think uncertainty is not good for anybody. One of the things we also have to understand is that salary increases are paid for by the community. We also have to be able to demonstrate we are efficient in providing services to the community. We work expeditiously, but it takes two sides to agree to an outcome and get a successful yes vote. I'm happy to say though, that with respect to the rollover agreement, we had something like 85 per cent plus of our employees vote yes. Because we've got four agreements, one of them I think was over 90 per cent. It wasn't a weak yes like 51 per cent where 50 per cent of the workforce still not happy after an agreement has been rolled over. The overwhelming majority voted to the extension. Now we're working with, as I said, the delegate group to actually lock in an agreement post 30 June next year.

Ms THOMAS - I guess it's hard not to vote for a rollover agreement though because what's the alternative if there's no deal agreed on the table, but I appreciate that feedback. This might be more question for you Kevin, how clearly the EA process applies to the broader workforce, but how is then the senior executive increase? What's the process for that as opposed to the EA process?

Mr YOUNG - Generally they're not too far apart, apart from what is agreed with the workforce and what we apply. I think every so many years we do do an independent review of the value of the position and Mercer analysis. We look at where it fits within other companies within Tasmania and across the board. We'll take that into account to decide how positions are set and what the enumeration should be and what's fair.

Ms THOMAS - What increases did the senior executive team receive in the last year?

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Mr YOUNG - I don't have that information in front of me. I'm happy to take that on notice. I think that the average of what these senior executives got was around 5 per cent in line with the -

Mr THEO - Yes, 5.1 - 5.2 was around the average.

Mr YOUNG - The difference there is its performance based. While the average would be this, some might get slightly more, some might get less depending on their performance during the year, but the average is in line.

Mr THEO - I think if you go to the annual report and look at it, it's misleading because of entitlements that get accrued and it throws people off thinking that increases are more than what they actually are.

Ms LOVELL - Yes, there is a base salary though.

Mr THEO - Yes there is, it really depends what you look at. Tony, you might want to talk to that, but people sometimes go to the annual report, pick the numbers in the wrong rows and come to the wrong conclusion, is all I'm flagging.

Ms LOVELL - If you're happy to take it on notice, you can provide the percentages, that would be great.

Mr DERBYSHIRE - While there's a pause, can I go back to the pesticide question. We test for 20 pesticides quarterly.

Ms O'CONNOR - Okay.

Mr YOUNG - That's in HLMC guidelines that we use.

Ms O'CONNOR - That is really good to hear. I did put the question on notice, however.

Mr YOUNG - We'll come back to you with a list of the 20 that we test for. It's very rare for us to get a detection, very rare.

Ms O'CONNOR - Oh really?

Mr YOUNG - Yes.

Ms O'CONNOR - Things have changed, then. Ten or 15 years ago, my former colleague, Tim Morris, used to have lots of evidence of triazines found in water supplies. Well, rivers.

CHAIR - Can I go back to the matter of the employee payment and their agreement? Can you tell us how much external legal costs have been paid in relation to the agreement, first to the point of the rollover agreement and then continuing throughout this new interest-based bargaining approach?

Mr THEO - We've had legal support leading up to the rollover agreement because you obviously need to go through a process. I'll take on notice how much that cost us because I don't

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have the number before me. Happy to provide what legal costs were leading up to the agreement. In terms of post agreement, we're now in bargaining so we don't have any legal support other than one of the TasWater employees has a legal background, but that's an internal employee who's part of the bargaining group.

CHAIR - You've got a general counsel and company secretary. Is that the person who you're referring to?

Mr THEO - No, the manager of industrial relations.

CHAIR - The general counsel and company secretary wasn't the person who provided the legal advice leading up to the rollover agreement? It was outsourced? I am trying to clarify that.

Mr THEO - Yes, it's a specialised field and you want external independent advice as you're going through these processes.

CHAIR - We'll put that on notice too.

Mr THEO - Sure.

Ms LOVELL - Earlier we touched on use of contractors or subcontractors. Can you provide the number of occasions in the last year when you have outsourced work or used contractors or subcontractors rather than using your own workforce?

Mr THEO - We generally use subcontractors for specialised work. It also addresses peaks in workload. The last thing you want to be doing is letting people go when you have a downturn in volume of work. If you look at civil infrastructure, as an example, repairing water mains and clearing sewers, I'd say 90 to 95 per cent is TasWater employees. We contract external companies that provide specialist equipment support like hydro excavation units, which helps with non-destructive excavation in highly sensitive areas. We contract that out. Traffic management, we contract that out. It's not our core business. The majority of work is done by internal staff.

Ms LOVELL - Are you able to take the number of occasions on notice?

Mr THEO - I am not sure exactly what the question is.

Ms LOVELL - What is the number of occasions that you've contracted in work?

Mr THEO - We would have agreements with third party contractors to provide support when we need it. We respond to about 14,500 activities.

Ms LOVELL - What I'm asking specifically is, perhaps if we put aside the specialised work that you've talked about because obviously you don't have a workforce that's trained up to do that all the time, but you talked about some peak periods where you might have that support come in. On how many occasions have you engaged contractors or subcontractors to come in and do that support work?

Mr THEO - We'll give you a number. In many instances, they're also providing support for existing TasWater crews.

Ms LOVELL - Have there been occasions where existing staff have had subcontractors buddied up with them to learn how to do things, essentially be trained in that job?

Mr THEO - Yes, it's part of having a workforce that is able to meet peak workloads. In many instances, subcontractors have already been trained up given their backgrounds and the companies that they work for. In other instances, we ensure that there is an on-the-job training process if that's required. Again, it's all about being in the position that if we have a really hot summer and the number of breaks and leaks were to double, we need to be able to respond to that because no one is going to say thank you for taking two or three days to get to a leak. We need to be ready for those eventualities and that's why we ensure that we have external capability to be able to call upon when we need it. But as I said, you know, we employ over 400 people in operations, which is - actually more than that - almost 50 per cent of the workforce in TasWater is field-based.

CHAIR - Can I just ask about some of your corporate governance matters? In terms of board recruitment, there's been a bit of a turnover on the board just recently, but what requirements do you have around board's evaluation and how often is it done and by what mechanism? That's maybe a question for you, Kevin.

Mr YOUNG - Yeah. So, our letter of expectations from the shareholders covers a number of areas, but one of those is on board performance and the requirement is that there's an annual assessment of board performance. The recent one has just come in, and will be supplied to the shareholders and that would look at how the performance is - the performance of the board is rated across different areas and that will be reviewed by the board members and also the executive and that's normally undertaken external, independent of the business. I think last year was KPMG -

Unknown - That's correct.

Mr YOUNG - Was selected to undertake that work.

CHAIR - So, does that encompass things like not just how many board meetings you've turned up and whether you turn up to your committee meetings and things like that?

Mr YOUNG - No, it's a major survey that we'd look at the performance of the committees as the information, what's the relationship between management and the board, the performance of the chair. You know, it is a complete survey of all aspects to do with board performance and then we review that on an annual basis and then we would get together and we would say what are the key areas that we need to improve. We've been doing that for as long as I've been on the board with an action plan and then we would check that at each of the meetings and saying what have we got in place at the moment to address the key aspects that came out of that board performance and I'm - currently, will be working with the board on that at the present time.

Now, I have to say there will be areas of action that we need to improve, but the overall score, that the board performance is quite high, as high as any one and any board that I've worked on.

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CHAIR - Is that report provided, fully? You know, the full report with no redactions or bits sanitised - to the owners - and maybe Wayne can answer that - but is that provided?

Mr YOUNG - I'm not - but because I've been in the role for, I think, two days -

CHAIR - Yep.

Mr YOUNG - I have not been involved in that process before, so I'm not sure what -

CHAIR - So, I'll ask Wayne, then. Yep.

Mr YOUNG - But I am aware that it is provided to the owners' representatives for review.

CHAIR - So, Wayne, do you get a full report?

Mr JOHNSTON - I haven't seen the one from KPMG that Kevin's referring to. That's been done in the past. Yeah. I just haven't seen that one.

CHAIR - So, then as the owners' rep, are you confident that there is a rigorous government framework around the board that includes evaluation, both self-evaluation as well as external evaluation on a timely manner?

Mr JOHNSTON - I am actually confident with that. That's occurring in other organisations that I've been involved with. The level of professionalism that I see in the board and the openness in the last two or three years is great to see, Chair.

CHAIR - So, just in terms of - TasWater's an interesting beast to scrutinise because of the ownership structure. Would you be willing to provide a copy of that last report that was done to the committee?

Mr YOUNG - Chair, I'd - happy to take that on notice and look what has been past practice and also look at the timing and provide you with information back.

CHAIR - Yeah.

Ms THOMAS - TasWater also does have a board selection committee and I recall being a member of that seeing a copy of that KPMG review report.

Mr YOUNG - Okay.

CHAIR - All right.

Ms THOMAS - It is provided to the board selection committee is my recollection, if I recall that correctly, Wayne.

Mr JOHNSTON - Look and it may well be - my apologies - but it's one of those things that may have come by and slipped through for me.

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Mr YOUNG - That would be my recollection as well, but I'm happy, Chair, to take that on and come back and say whether that -

CHAIR - All right. Yep.

Mr YOUNG - My recollection would be, provided to that - the owners' representative committee.

CHAIR - In terms of professional development for board members, is that part of the deal? Like, does that happen?

Mr YOUNG - It does and it's reviewed I think, Chair, to each of the directors in a discussion and I think on occasions there has been some recommendations for different directors to undertake a different development.

CHAIR - Who checks that's happened?

Mr YOUNG - That would be the responsibility of the company secretary and myself.

CHAIR - So, you do check that they've actually undertaken that training?

Mr YOUNG - I believe that's the case. But, again, I'm only in this role -

CHAIR - I know you're a new chair. Fair enough.

Mr YOUNG - That is my understanding. It is discussed at a board level and it's reviewed and there's a budget put in place for that.

CHAIR - Is there also a budget to provide for professional development for the executives?

Mr THEO - There is. We have a training and development budget for all our people within TasWater. All our people within TasWater are subject to a personal development plan and a performance plan. We always look at identifying common development needs across the organisation. We always look to procure those services in an efficient way to address needs. Yes, there is a training and development plan for not only the executives but everyone within the organisation.

CHAIR - Regarding board recruitment, how do you promote diversity on your board? I'm not just talking about gender diversity, I'm talking about all forms of diversity.

Mr YOUNG - As a board selection, I think that's probably a question for -

CHAIR - The owner reps?

Mr YOUNG - Yes, because as my understanding is that from our viewpoint, there's a full analysis of the skills assessment of what we need across the board that is put forward and there is a discussion at the owner reps selection committee. A full interview process goes through. I recently went through that process and was asked to take on the role.

CHAIR - Wayne, if I can ask you then. In the board selection, how do you promote and encourage diversity of the board membership?

Mr JOHNSTON - This is a skills-based board obviously. We look at the skills that sit around the table. We employed an external consultant, a recruitment organisation, to look at and help us identify the candidates that may have the skills that need to come in. As was stated earlier on, there is a larger percentage of female representation on the board at the moment and that was identified. We advertise across Australia to look at who we want to fill that role and we look at the strategy of the organisation and the board members that we need to put in place. That recruitment process went through, obviously, with the recruitment of the new chair, but also with the recruitment of an incoming board member very shortly.

CHAIR - I understand the need for a skills-based board. All these government businesses should have a skills-based board, but, when you look at the pictures of all of them, they're all pale-skinned, all about a similar generation. With all due respect to the people on the board, how do you actively promote age diversity, cultural and linguistic diversity, all the other forms of diversity that would make for a more diverse board with the skills?

Mr JOHNSTON - With the skills. I can't recall the advertisement that went forward, but obviously the positions are open for anyone to apply for. Therefore, we don't distinguish or are not ruling out any class or ethnic group that might put their role forward. We're actually after people who have the skills to fill the board positions.

CHAIR - It is a fact that people tend to see people who look like them more favourably. We had TASCORP in just before you and that's a pretty specialised area. You're a little bit more limited in your scope there. There are skills that this board require that are not as hard to find as TASCORP, for example.

Mr JOHNSTON - Again, back to the ad that went out. I'm trying to think of the number of candidates that we had for the board position across Australia. It might have been 160-odd reduced down to a selection. We're not excluding anyone, in my view. I can't answer that question any better. It's those who put their hand up. How do we get people to put their hand up if they don't see the ads? I don't understand your line of questioning, to be quite honest. I mean, it's an open process.

Mr YOUNG - Chair, I'm trying to answer. It's not, you're not talking about gender diversity because there are seven directors, five of them are female and only two are male. Yes, we've got a majority of female directors. Yours are broader on the diversity.

CHAIR - Yes, like people with disability, indigenous people, culturally and linguistically diverse people. Unless we start seeing these people on our board, we never see them.

Mr YOUNG - I understand.

Ms O'CONNOR - I wanted to ask about climate and your projections around future climate impacts, because we're seeing water levels dropping or being precarious in hydro catchments. We're seeing impacts on the rivers that run into water treatment systems. We've had water restrictions. What kind of planning is there for the impacts of climate, which is going to dry out the island, particularly on the west coast and in the central highlands?

Mr THEO - I'll ask Matt to talk to that in a second. I made reference earlier about our water security plan, and that takes a long-term view, and we'll be engaging community in those conversations.

Matt, you might want to talk to some of the detail that's gone behind being in a position to have those conversations. What I will say is that it's not raining where it used to rain and we are very mindful of that. We are very aware that we need to be in a position to respond to climate changes that are occurring and be in a position to provide a secure source of water to community in perpetuity.

Matt, you might want to talk to some of the details and the work that we've been doing.

Mr DERBYSHIRE - Essentially, we use an adaptive planning approach with a 50-year planning horizon that considers everything in climate change. Not just the amount of precipitation falling on Tasmania but also sea level rise, wind events that we saw a couple of months ago that knocked out power to more than 50 of our sites, extreme temperature days. Those things are factored in. I'm eagerly awaiting part of the work that the Rural Water Roundtable is doing, which is to update the climatic model for Tasmania that is very out of date. I think that's due next calendar year. Then we will feed that into our catchment yield analysis, and then respond accordingly.

The other approach that we take is all options on the table. That doesn't mean just building more dams around Tasmania. It considers everything from desalination to purified drinking water and everything in between.

So, everything's on the table. Obviously, it has to make sense financially. But, it's not just a financial question. It's about how do we ensure that our customers have water when they need it, when they turn their tap on or flush their toilet around Tassie. That water security strategy will be consulting with our customers further on to make sure that we've got it right,

At the moment, the draft water security strategy talks about no more than one water restriction every 10 years; no more than three months of a water restriction; and the last one is - going to evade me right now.

At the moment, we know we've got work to do - that only about 50 per cent of our customers could satisfy all three of those water security measures. But, that adaptive planning approach that we take over 50 years will essentially move all of our customers to that required level of service in the water security strategy.

Mr THEO - I want to add one thing. I know before you said, look, in the next five to 10 years we'll have a peak, you know, we're catching up on under investment of the past and then we'll flatten off. I think that's true. But what we don't know in that 10 years-plus is the adaptive approach to climate change and how hard it will hit and what that will mean.

Depending on that could mean that we need to invest. We are so fortunate that in Tasmania we're living off the assets that were built by our parents and grandparents. They built those after the First and Second World Wars, and they're still the majority of assets that we're using. They built them at a time, I think, when they didn't have as much money, but they invested in infrastructure that we're living off now.

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Ms O'CONNOR - They built them very well.

Mr THEO - They built them very well, and we owe them a debt of gratitude. We need to do the same and not say we will pass this on to our grandchildren for the future to say, 'Well, you pick up the tab, then.' There's a balance to be achieved there.

CHAIR - We might need to wrap it up unless there is anything really pressing and urgent.

Thanks for your time today and thanks, Wayne, for hooking in. Appreciate your time. We'll send those few questions on notice to you.

The witnesses withdrew.

The committee suspended at 1.05 p.m.