

# PUBLIC

## THE LEGISLATIVE COUNCIL SELECT COMMITTEE ON TASWATER OPERATIONS MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART, ON TUESDAY, 3 NOVEMBER 2020.

Mr WES FORD, DIRECTOR, Mr GLEN NAPTHALI, ACTING MANAGER, NORTHERN REGULATIONS BRANCH, and Ms SOPHIE BUTTERY, ACTING SECTION HEAD, WASTEWATER SECTION, ENVIRONMENT PROTECTION AUTHORITY, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

**CHAIR** (Ms Rattray) - Good morning, everyone. Thank you, Glen, Wes and Sophie.

Welcome to the public hearings of the Legislative Council Select Committee on TasWater Operations. As I have previously said, the evidence taken at this hearing is protected by parliamentary privilege, and I remind you that any comments you make outside the hearing may not be afforded such privilege. A copy of the information for witnesses is available. Have you all read that information?

**WITNESSES** - Yes.

**CHAIR** - The evidence you present is being recorded, and the *Hansard* version will be published on the committee website when it becomes available.

By way of introduction, I advise that the procedure we intend to follow today is as follows. You will be provided with an opportunity to speak to your submission, which is the normal process. That is acknowledging, Wes, that you do not have a formal submission, but you certainly may like to share something with the committee, and then the committee will follow with questions.

Thank you very much. Thank you, Wes.

**Mr FORD** - I will commence by introducing my colleagues. First, Glen Napthali. Glen is currently the Acting Manager of the Northern Regulations Branch, which the wastewater section sits in. Glen is substantively the section head for wastewater management in the EPA. Sophie Buttery is the acting section head for the wastewater section, and she is normally one of the regulatory staff who sits within the wastewater section. Both are very experienced in dealing with wastewater, and I will defer to them in terms of detailed technical responses.

**CHAIR** - Thank you.

**Mr FORD** - At the outset, I determined that I would not put in a submission because of the significant complexity of TasWater. Specifically, rather than having a general submission, I figured it was better to take questions, and then take some questions on notice if required, and provide further evidence to the committee following the hearing, rather than leading into the hearing. We could write a 500-page submission on TasWater, which may not be what the committee is really looking for.

At the outset, my understanding is this is the second inquiry in about two or three years. I appeared before a similar inquiry about two-and-a-half to three years ago, to discuss TasWater.

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In the intervening period, a number of things have changed, both for TasWater and for us as a regulator. Regulation of wastewater and regulation of TasWater is a significant part of what EPA does. We have a section of staff who are dedicated primarily to regulating the activities of TasWater. We operate in legislative framework under the Environmental Management Pollution Control Act and that determines, fundamentally, the level of regulation around managing or ensuring that TasWater does not create undue environmental harm to the state through the operations of the management of the wastewater facilities.

We also operate under the State Policy on Water Quality Management 1997 which is the guiding principle policy document for the EPA and the 29 councils on the regulation of water quality. TasWater is a principal user and a principle target for that document. We also work under a number of EPA instruments that have been created for the purpose of regulating components of TasWater's activities, for example biosolids. We will get to that conversation.

Over the last couple of years, we have updated a number of the underlying EPA policy documents around wastewater management, working with TasWater to bring our regulatory regime to a more contemporary position than it had been a number of years ago. That reflects a level of maturity both in the evolution of TasWater as it progresses through a significant upgrade and refurbishment program and dealing with what everyone recognises as significant legacy issues in terms of wastewater treatment.

I acknowledge and remind the committee, we aren't responsible for the regulation of all TasWater's wastewater operations. We regulate the level 2 activities, of which there are 77 wastewater treatment plants. There are about another 33 that are level 1 activities. Level 1 activity is less than 100 kilolitres per day. Those are regulated by the respective councils where they sit.

TasWater has a dual-purpose regulatory function and has to regulate its wastewater treatment facilities against a couple of different criteria. If you wish to explore the level 1 activities, which are principally the smaller towns across the state, you will need to explore those either directly with TasWater or through the respective local government areas. We can talk in the context of the 77 we do regulate.

As you would know through your past experiences in dealing with TasWater, the management of wastewater is a complex beast wherever it is. There are not too many entities in Australia that have somewhere near 100 wastewater treatment plants to operate. TasWater, in the context of the sewerage business in Australia, is one of the most complicated businesses. Many local councils who are responsible for sewerage in Australia are responsible for far fewer plants.

TasWater, with regard to regulating and managing what they have responsibility for, needs to recognise they have a range of different infrastructures and challenges regarding different locations. They have combined systems in Launceston, with reused plants, some very large industrial wastewater treatment plants that need to deal with industrial trade waste as well as the human sewage component. We can talk about some of those things in detail as questions arise.

The relationship with TasWater is positive and constructive. That does not mean that it is 100 per cent compliant and nor does it mean that everything is always operating smoothly.

It runs a large complex business that inherently has issues based on ageing infrastructure, failing infrastructure and a range of significantly incompatible systems, which were inherited by the three predecessor corporations from the councils. Everyone recognises that is a long-term rebuild process that TasWater is going through.

In terms of compliance, we do not work on a basis with TasWater around 100 per cent compliance. Across all of their permit conditions there are 77 plants on somewhere in the order of more than 1000 conditions across those permits. TasWater cannot reasonably, at this point in time, be 100 per cent compliant. Our task as an EPA is to work with them with a fundamental objective of improving compliance but also principally prioritising that improvement to areas where it is most needed.

At this point in time we would rather TasWater focus on significantly problematic areas than areas that might be noncompliant but of a much lower risk. The committee needs to remember in this process in terms of explorations around TasWater and pricing is that we work in a pricing-regulated environment where the amount of money and capital that is available for upgrades for the systems is constrained through the office of the economic regulator process. It does not run like a commercial business that freely decides how it is going to move its capital and what it is going to upgrade.

The system that the government established for the three corporations that led into TasWater ensured under that regulatory model that there needed to be some compromises and trade-offs between regulators to ensure the capital was reasonably spent across the water sector, the sewer sector and the dam safety sector. Does that mean the EPA always has what is seen as high priorities? Well, yes, we have seen the high priorities funded or worked on. But have we always got the level of investment we wanted? The answer to that is, no. That is a challenge from a regulatory point of view because we have to work with the other regulators.

The acceptance of all parties was TasWater's primary responsibility in commencement and its capital investment program had to be focused on quality potable water for Tasmanians. Having largely achieved that objective means more capital can flow into improving wastewater management. Dam safety has been another principle issue for TasWater. No doubt you can talk to them about that. It is another factor of how the capital has had to be expended.

Effectively, we have not had a free rein to be able to hold TasWater accountable to all their non-compliances. That will have frustrated many members of the community. It is somewhat frustrating to me and my staff and it is frustrating to TasWater and their staff. Generally, our experience is they want to do the right thing and they want achieve an improved outcome so we are working together to do that.

On that note, I am happy to take any questions. I have a document that I am happy to table which outlines some of the analysis of the compliance process, effectively in the form of the submission, that might be useful for the committee to refer back to.

**CHAIR** - Thank you that would be very much appreciated.

**Mr FORD** - I will table it at the end and then we will provide it electronically.

**CHAIR** - Remind me that you are going to do that. I will make a note, thank you.

## PUBLIC

Thank you for the overview. When you presented to the previous committee about three years ago it was a completely different focus at the time. It was about moving towards the Government having a more significant role and taking over TasWater. This is more about the operations of TasWater. I just wanted to make that point.

You talked about the changes from three years ago to now. Are you happy to drill down a little more into that? Are you saying TasWater is doing a much better job than it was three years ago? We had the conversation on why the Government was looking to take over. I am interested in what your view on what are those significant changes.

**Mr FORD** - You need to look at it from a context of TasWater as an organisation on a journey that started with an amalgamation of three companies that were regionally based. That of itself was a journey through an amalgamation through the 29 councils' varying facilities. TasWater, I would say, has been on a process of continuous improvement. It has had a range of challenges around ageing infrastructure - how to prioritise that, even how to identify it; how to bring it together; how to manage it as a single system and at the same time how to upgrade.

In upgrading from an EPA point of view you'll hear the term AMT - acceptable modern technology. Our requirements for TasWater are when they upgrade their facility, they don't upgrade their systems to replace them like for like. They have to replace their systems with contemporary, appropriate technology. This is more complex, more expensive, and takes more planning.

We sat down nearly four years ago and started a conversation which resulted in us developing a memorandum of understanding with TasWater. This was fundamentally about agreeing what we were going to collectively focus on from the priorities point of view and putting aside the lower-risk, lower-value non-compliances and effectively parking those.

As a result of that, TasWater looked at its plants and looked at its issues. The top issues, the top plants, generally aligned and it started a process of working out what are the best investments that get the best returns for the community, the best returns for the environment. For example, the construction of the Blackmans Bay wastewater treatment facility has more than doubled the capacity of Blackmans Bay and put it into a significantly modern technology facility. In doing so TasWater was able to decommission the Margate and the Electrona plants that were discharging into the northern part of the Channel. That wastewater discharge is now going into the Derwent through an extended pipe into that system. We have lost a couple of plants out of the system and we have one new, better plant.

Look at what TasWater is currently doing in Longford. Longford has been a problem for TasWater and its predecessors for years, significantly driven by the heavy trade waste load generated by JBS abattoir. TasWater has committed to spending \$40 million-plus to upgrade that plant in order to deal with that level of trade waste. That plant probably carries one of the highest levels of fat content as a trade waste component of any plant in the state. When that new plant is commissioned it will deal with the waste and that is expected to significantly reduce the odour problems in and around both the abattoir and the current wastewater treatment plant. The water quality discharge ultimately into the South Esk will significantly improve as a result of it.

That's just two plants. When you're focusing on 77 you have to make some decisions around what you do with some of these. Over the last couple of years TasWater has had a

significant program to de-sludge its sewage lagoons, which have long-term built up levels of sludge. All of that improves the performance of the individual lagoons.

**CHAIR** - Like cleaning your heat pump out before winter?

**Mr FORD** - Yes, that's right. Or cleaning your compost heap out, or something like that. They are the sorts of things that have been largely left for very long periods by a number of local government operators.

So, TasWater has had to prioritise those. That in itself creates a challenge, as we will inevitably talk about with biosolids. It is what you actually do with the material you take out of these wastewater lagoons. You have to dispose of it. You need a pathway to disposal.

TasWater has had a challenge in its capital planning process, because it has so much to do. The state is constrained by the number of contractors, the number of project managers. TasWater, I think, would like to go faster, and it is not necessarily about cash. It is about all the processes that sit around it. It is about the constraints that are imposed through planning systems, approval systems, design systems, securing contractors. They are having to prioritise that work.

If you look at some of the areas where we deal with things on a routine basis, even though we don't regulate them - the spills from some of the pump stations. These are the things that move the sewage from one point in the system to the next point in the system. As they progressively fail, or need to be replaced, TasWater has invested a significant amount of money to better move sewage through the system, and to remove or reduce the amount of leakages through the system. With a lot of these wastewater or pumping stations, it is really the design. They are designed to be the points of failure, effectively, in the system. When you get heavy rain and they are inundated with fresh water, inevitably that is what fails. The pump station fails, which is why, inevitably, people then see the sewage running out through the manhole cover down the street. There are hundreds of these around the state that are problematic.

TasWater, in installing and centralising its operational facility, and putting in the use of electronic technology and monitoring, these days has a much better handle on its network. It is monitoring it in real time. TasWater, through its agreements with us, is now reporting to us much sooner, which is positive for everyone, because we know if they are reporting to us, they are actually attending to the issue, and they are seeking to move forward. As a consequence of all these things, we are seeing the general level of compliance increasing.

It is probably worth making comment about compliance. At this point, I might get Glen to talk about compliance measures, and the challenge around them. It is very hard, when you have a large organisation with many attributes, to try to determine what is compliance. If you look at our wastewater plant, what are you measuring? We measure the loading of pathogens. We measure the loading of nutrients. We measure suspended solids. A plant might be non-compliant with suspended solids, but compliant with pathogens.

If you ask the community what they want and need out of TasWater, they would all say - you would hope - they want very high compliance on pathogen management, because that is what makes people sick.

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We might be less concerned about sediment loading, or nutrients. You look at places like Pardoe in Devonport. It is the only primary treatment operation, and it takes about 9 per cent of the state's sewage load. In any measure, that is not particularly good - sending 9 per cent of our state sewage out through one system, in a largely untreated manner. But it is going out through a long pipeline into Bass Strait, where the long-term monitoring is not identifying any particular long-term problems. While it might not look very good from an optics point of view, in terms of risk to the community, and risk to the environment, it is actually relatively low. We would rather them work on other locations.

We have had lots of community discussions about places like Macquarie Point. Why wouldn't the EPA make them fix Macquarie Point? From an environmental management point of view, Macquarie Point is actually performing reasonably well. It is not one of the priorities for us.

Others might have a priority view about moving Macquarie Point to another location, but if you look at what something like that does entail, it fundamentally means you have to double the size of Selfs Point in order to take all the waste that is currently going to Macquarie Point up to Selfs Point. Not only are you talking about doubling the capacity of something like Selfs Point, you are also then talking about updating it to acceptable modern technology. The cost associated with that - we have seen various conversations over the years with Treasury and TasWater, but I do not think they are going to get much change out of somewhere between \$150 million to \$200 million to move Macquarie Point and upgrade Selfs Point.

**CHAIR** -Thank you. I am always mindful of the time in this role, Wes. My last question, before I go to other members. You talked about the relationship and sitting down about four years ago talking with TasWater. Can you tell me what sort of conversations you have with the capital development office with regard to prioritising projects?

**Mr FORD** - Maybe I will defer to Glen. This is Glen's bread-and-butter work, along with Sophie's.

**Mr NAPTHALI** - We actually have very little direct interaction with the Capital Delivery Office. Our primary officer-level communications are through a team called Service Performance and Optimisation, headed by Frances Smith, who I believe is going to sit in front of you in a few days. Then, at an even lower-level officer, through their leader of Environmental Performance. It has evolved over time, but it is the original team that EPA and TasWater have worked together on for a number of years. Pretty much every person in both those teams has changed over the years. The Environmental Performance team then provides a conduit into the Capital Delivery Office.

There have been some recent submissions developed by the Capital Delivery Office, submitted to the EPA for assessment, so Geeveston, Cygnet, new outfalls, and work at Selfs Point and Macquarie Point for the redevelopment there.

**CHAIR** -But no real direct -

**Mr NAPTHALI** - No, very limited direct. The assessments team within EPA Tasmania does have some interaction with the Capital Delivery Office at an officer level.

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**CHAIR** - Given their role in TasWater - being the manager, if you like, of those projects - would you expect that you would have a more significant role with them, interaction?

**Mr NAPTHALI** - Difficult to say.

**Mr FORD** - Our understanding is that is largely a contractor provider model. Whoever we are working in the state, and we regulate, it is our preference to work with the owners, rather than necessarily the operators. We have particular issues then, as Glen said, he would talk to Frances. While we had the MOU running, we were meeting very regularly with TasWater, and while we were designing post-MOU process - and that was impacted by COVID - I would meet with Mike Brewster at least twice a year to go through and have the discussion at the highest level. Generally, about on an annual basis, I would talk to the board on the same sort of basis.

We see the Capital Delivery Office as really their contracting arm to deliver the priorities that have been set by the board. CDO should not be setting the priorities. Their job is to roll them out.

**Mr NAPTHALI** - Equally, we do not have a lot of engagement with the project managers. While Blackmans Bay was being developed, my officer met their project director down there maybe half a dozen times over the course of two years. Once it gets to that phase, it is a 'Get on and do the job, boys' kind of task.

Our role is more in the planning of, where is next? What is your next major project? How do you expect to get to a point that you have the right assets in the right locations in the right condition?

**Mr DEAN** - I have questions on the biosolids, if I may - just a general question first. What work has the EPA done in relation to the biosolids that are being delivered to properties for the purposes of land fertilisation? What is the EPA's role in that process?

**Mr FORD** - I will talk on a general level. At a general level in the regulatory sense, biosolids are classed as class 1 or class 2 or, best, often referred to as class 3 but is all still sewerage sludge.

**Mr DEAN** - So, at the time they are delivered to a property, they are a class 3?

**Mr FORD** - They can be. We lay out what the classes are in the biosolids guidelines. That includes the level of contamination they can have from a range of metals and other substances. A class 1 biosolid is generally something that is available or utilised for domestic purposes. Generally, a class 2 biosolid is what is used for an agricultural purpose.

If you are looking at volume, the majority of what TasWater delivers to the agricultural sector is class 2 biosolids. We do not regulate the land spreading of that. It is dealt with under the regulations, but we do not inspect properties or take samples. It is a process that is managed by TasWater through either their contractors or their own operations with the landowners. We don't directly involve ourselves in the land spreading.

**Mr DEAN** - Where these biosolids are being broken down, first of all, in pieces from Foreco in the St Leonards situation, how much faith can you have in that system that paddock contamination is not occurring? We know a lot of those biosolids that have been delivered do

have contaminants in them. They have lots of plastics and a lot of other contaminating products within it. How can you be satisfied with that, from EPAs point of view? I thought it was your function?

**Mr NAPTHALI** - To meet class 2 biosolids, it needs to have an acceptable level of contamination. The current guidelines, which were updated recently, deal with a small suite of metals. It also puts the onus on TasWater as the producer to scan essentially their sewage catchment for key sources of trade waste. If they believe there is a source of trade waste in that catchment, then to management that source specifically for that package of biosolids.

Plastics - for most sewage treatment plants in the state, even the more basic ones, have screens at the inlet that prevent large pieces of material entering. Ultimately, it is up to the community to prevent those materials from entering the sewerage system. We would be very happy if the community stopped putting pieces of plastic, toys and wet wipes down the sewer.

**Mr DEAN** - It doesn't happen.

**Mr NAPTHALI** - It does happen. Assuming it meets the contaminant grade classification, the biosolids also need to meet stabilisation grade classification which means either they have sat in the bottom of a lagoon for a minimum of 180 days - typically, it is 20 years - or it has been through a thermal digestion process, loosely similar to a compost heap.

That material can then be spread at particular thresholds without EPA assessment. That threshold is 50 tonnes per hectare every three years or half of the nitrogen application rate every three years. To go above that threshold, it becomes a level 2 activity and would ordinarily be regulated by the EPA. There has never been a proposal for a direct application to land biosolids above the level 2 threshold.

Recently, the director has issued some approvals to spread biosolids from lagoon systems above that threshold and an assessment was done on the risk. Prior to that, biosolids being spread, the biosolids themselves are tested, the land is tested to assess whether it can actually accept both the nutrient and the contaminant loading so you do not wind up with a contaminated paddock. The last thing we want to do is create contaminated farmland out there.

**Mr DEAN** - If I can use a recent example, the St Leonards property at Dunedin, has the EPA done all the testing that is required? What testing have you done there to ensure that the product being delivered meets all of the specifications? Who does that?

**Mr FORD** - TasWater operates within a regulatory framework where it has responsibility in relation to the utilisation of the biosolids. It is a question you can put back to TasWater as to the level of testing. If you are asking the question in a slightly different way that asks, do we have an auditing program that audits land that biosolids are applied to -

**Mr DEAN** - I have that question down to ask, thank you.

**Mr FORD** - I am reframing the question. The answer is no, we don't. We are not resourced to run that level of the program. All of these things come back to a question of what, as an EPA, we are resourced to do and at what point are others resourced to do the activities.



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**Mr NAPTHALI** - Where some of these larger biosolid activities have taken place and they have been essentially convenient to us we have gone out and done a site visit. Not a formal legal audit but we have done a site visit to check on the operations, rub shoulders with the contractors pre-COVID-19 and ensure that the general environmental duty is being complied with in that situation. Regarding St Leonards, to the best of my knowledge there have been no biosolids delivered to that property.

**Mr DEAN** - No, but it is being a DA.

**Mr NAPTHALI** - There is a proposal for a composting facility that will receive grade B contaminant biosolids that haven't been stabilised sufficiently from this treatment process. It will be composted with wood chips. The compost product is still a biosolids product. It would still be expected to meet stabilisation, pathogen loads, before it is land-spread.

**Mr DEAN** - We are talking about human sewage. We are talking about excreta dried out.

**Mr NAPTHALI** - I would not even say dried out. It is digested. It is a long way from what goes into the network. My previous job - I have been in this role for about four or five years now - was in a laboratory. I have handled hundreds of kilos of biosolids in direct contact. It is not that offensive.

**Mr FORD** - If you think about this in a biological context, at the point that it is suitable to be classified as a biosolid, it is broken down over a period of time. The normal process of biological degradation means that what was sewage is now an inert soil-based material. You have a spectrum between what is treated as raw sewage to what has been part of a lagoon that has been settled and the bacteria have been consuming the biological material, pathogen material.

Going back to your backyard compost heap. Your backyard compost heap starts life with whatever you put in it and ends with what you would call compost. The process of creating biosolids is not that dissimilar. Where TasWater or others have material that is still defined as sewage sludge that cannot be land spread that is directed into a composting facility so you get that breakdown. It is not correct to assert that what is being land spread on biosolids is faecal material.

**Mr DEAN** - If we look at what happened at Plenty - I know there is an investigation under way there and I am not going to talk on that - is the EPA satisfied that the processes in place currently for the distribution of biosolids for land fertilisation from a pollutant and contamination point of view is strong and good enough?

**Mr FORD** - From our point of view I think it is at the moment, yes.

**Mr DEAN** - So it meets all the criteria that you would want to ensure that it is contaminant-free and that the properties which it is being distributed to cannot become polluted in any long-term way?

**Mr FORD** - It is not contaminant free. By definition it is allowed to have contaminants in it. The level of classing process determines how much contamination it can have. Nothing can be contaminant free. The challenge for us as a society is how you manage the long-term

accumulation of those sorts of contaminants and what it means. People have come back to the microplastics question and challenge. There is a challenge for everyone worldwide with how to deal with microplastics. Microplastics are below a level of screening size. This is not material that is necessarily going to be visible to the naked eye. This is sub-1 square millimetre material. It's going to be exceedingly difficult to remove that sort of material. The potential long-term accumulation on some sites could be problematic. It's one of the reasons why Glen talked about keeping the application rate at a minimum, running a rotational basis, not using the same land regularly because there is a potential for contamination. That's just the reality of when you start land-spreading material.

**Ms LOVELL** - I wanted to go back to a couple of the comments that Glen made to clarify some of those points.

You've talked about class 1 and class 2 biosolids. I understand that's to do with the level of contaminants. You also mentioned a level threshold. I believe you said - and this is what I wanted to clarify - that over a level 2 threshold for land spreading -

**Mr NAPTHALI** - That's level 2 from the Environmental Management Pollution Control Act.

**Ms LOVELL** - Okay, and over level 2 the EPA would have a role in that?

**Mr NAPTHALI** - Essentially it becomes an industrial activity.

**Ms LOVELL** - But there hasn't been any application for that above level 2?

**Ms BUTTERY** - We have regulated a number of activities whereby solids have been applied to land above that threshold. That's a number of private properties in St Marys, Latrobe, Bothwell, Richmond and Beaconsfield. They have received biosolids at that rate and we've issued approval on an individual basis for those.

**Mr FORD** - In doing so the challenge for TasWater as a producer and the landowners is, what are you trying to do with the land? If you apply it at a higher rate the comments that Mr Dean made are entirely relevant. Your risk of contamination increases, your risk of land degradation increases, your risk of run-off increases. That's why we regulate those activities.

Generally, in the past, the view of TasWater and predecessor councils has been to apply it at a thinner rate, a smaller amount on smaller parcels but lots of them. There's a real tension for us as a society in this process on how do you deal with this material. It's not going to go away. This is part of the process of having a wastewater operation - you produce biosolids.

**Ms LOVELL** - So the levels, level 2 - I don't have the act in front of me right now - that's to do with the volume and area?

**Mr FORD** - Yes, it's a spreading rate rather than a contamination rate.

**Ms LOVELL** - And does frequency come into it as well?

**Mr FORD** - Yes.

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**Mr NAPTHALI** - On the properties that Sophie mentioned where we have issued environmental approvals under the controlled waste regulations, they're one-off activities. The intent of the Environmental Management Pollution Control Act probably is to manage ongoing industrial-type or commercial-type activities. A one-off application that's not going to happen again for five or maybe 10 years doesn't mesh well with the legislation. The director formed a view that by issuing approvals to spread at a higher rate it increases the nitrogen and phosphorus load to the soil, increase the agronomic benefit and reduces the economic impact for TasWater to move this material. It's unlikely that it's going to happen again.

**CHAIR** - Biosolids? I want to move to trade waste. Thank you, Mr Dean. Any more on biosolids?

**Mr DEAN** - I could occupy the next -

**CHAIR** - As I always say, pick your priority.

**Mr DEAN** - I was just wondering what the priority was.

**CHAIR** - It's always a challenge.

**Mr DEAN** - Yes.

**CHAIR** - I am interested in what role the EPA has in how the volume of trade waste is determined. Is there a role for the EPA in that?

**Mr FORD** - Yes and no. In terms of regulating TasWater, we regulate their outputs. We regulate what they discharge, not what they receive. It is their challenge and their problem to determine how to process what they receive.

Having said that, there are a number of entities we regulate in which we have a particular interest in the waste they generate. Some of that is about minimising the sort of waste that gets into the wastewater system. The whole agricultural sector.

**CHAIR** - Hence the JBS Swift Longford scenario?

**Mr FORD** - I think if you talked to TasWater in detail about their industrial trade waste producers -

**CHAIR** - We are going to need two days with TasWater representatives.

**Mr FORD** - You are, just on trade waste. If you talk to TasWater about the top 30 industrial trade waste producers, the vast majority are the state's primary industry processing sectors; so, the vegetable processors, the fish processors, the dairy processors, the breweries. They all produce a biological material that ends up in a wastewater treatment system that is trade waste.

The challenge for TasWater in that, and generally as a community, is how much should someone pay for that privilege? Do we as a community all have to have a shared cost of the increase of processing somebody's waste that is at a higher level of fat, higher level of biological demand, a higher level of processing, than just your average household sewage?

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In the commercial sector TasWater has been progressively working through the industrial sector about trade waste agreements, seeking to minimise it. Longford is a really interesting example in who pays and how? Fundamentally, there are really two options when you deal with an abattoir like Longford. Either they, as a facility, pre-treat their waste, or they send their waste down the sewer and TasWater treats their waste. Somewhere along the line someone pays.

In the case of Longford, they have a couple of pre-treatment systems. They are proposing to build a covered anaerobic lagoon processes. They have a digester system that takes out some of the material. This conversation that has been going backwards and forwards between TasWater and Longford, for example, around who is going to deal with the treatment of that waste, had Longford put in a covered anaerobic lagoon then TasWater might not have had to make the same level of investment to do the treatment. That is your commercial level of trade waste.

You get to your small scale level of trade waste - your hotels, your bakeries, your restaurants -

**CHAIR** - Your very small business, which is most of Tasmania.

**Mr FORD** - You still have the fundamental question here about who pays for the right to discharge and at what level do they pay?

What TasWater is saying to all its customers is, in effect, we are going to give you where we can, two choices. You either pay by putting in grease traps to improve the quality of your effluent, or you are going to pay at the other end because what you are sending down the pipe is a higher grade. If you think of two premises that produce the same material: One chooses to put in grease traps and provide a cleaner effluent to TasWater. They have chosen to make that investment. Is it fair that the other person pays no additional cost? They may not be able to implement a grease trap, they may not wish to have the capacity to collect their waste on their site, but they may want to dispose of a higher risk effluent to the sewer system and they have to pay.

**CHAIR** - My understanding is that there is no choice now. You actually do comply with the grease trap requirement, and you continue to pay. That has been the issue that small business is grappling with and pushing back on. They are asking you to comply, on one hand, and still asking you for a trade waste component as well. That is double dipping in my view.

**Mr FORD** - That is a conversation you need to have with TasWater.

**CHAIR** - I am just saying. I am interested in your view as a regulator.

**Mr FORD** - I would start with a fundamental view that all of us, as users of TasWater, are not paying for the full costs of the treatment of our effluent, whether that is at a household level or at a commercial level. That is a challenge for an organisation like TasWater, where the users of the system are underpaying in terms of the cost of the delivery of the service.

**CHAIR** - Some of my small businesses, and other members, might argue that is not quite how they see it.

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**Mr FORD** - That's a debate to have with the Economic Regulator. I assume the Economic Regulator will be appearing. They are the sort of questions you can ask about that.

We see it at a gross level. Some of the problems that we, and TasWater, are dealing with in terms of the inadequacies of their system is because of long-term under-investment by the people who use the system.

**CHAIR** - Would it be fair to say that the lower level hospitality small business input, and their infrastructure, is not the issue for TasWater?

**Mr FORD** - That is a question for TasWater.

**CHAIR** - Not for the regulator?

**Mr FORD** - We don't regulate trade waste. It is one of the anomalies of the way the system was created. As odd as it might seem, we regulate the producers of the material, so the abattoirs, and so on, and we regulate the output of TasWater. We don't regulate the transaction between the producer and TasWater. TasWater is actually a regulator in its own right, in that space. Under the Water and Sewerage Corporation process, it determined that it was appropriate that TasWater was also the regulator of the trade waste.

**CHAIR** - Do you see that as being a general fault? If you were better resourced, would it be better that the EPA did that regulation.

**Mr FORD** - I think, at the end of the day, the person who receives the material and has to process the material, really, should have a right to be able to regulate what they receive, and how they receive, and how they charge for it.

**Mr NAPTHALI** - That system is common in other states.

The other comment made about grease traps and the hospitality sector, from my observations, there is a significant disparity between the south, the north and the north west. The further you get away from Hobart, the less the compliance with grease trap requirements.

**CHAIR** - But possibly, often, less impact as well, on the systems.

**Mr NAPTHALI** - I am pretty sure a café in Launceston would produce the same waste as a café in Hobart.

**CHAIR** - That might be a discussion for another time.

**Mr DEAN** - I need to put this statement to you: currently, there exists a situation where TasWater treatment and classifications of its biological waste is carried out mostly by self-regulation and compliance. It can be demonstrated that existing legislation and guidelines are not being complied with. In the Report on the State of the Tasmanian Water and Sewerage Industry 2018-19 issued by the Economic Regulator, on page 55, 6.3.6, it states -

The EPA has determined that reliability of the data provided in 2018-19 AER, is not sufficiently high -

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And it's bloody low, I might add. Sorry, for saying that.

and expects the data quality to improve in subsequent reports.

What does all that mean? What has to happen to change this around?

**CHAIR** - Who wants to take the hard questions?

**Mr FORD** - While Glen is thinking about the details, there is a fundamental challenge that TasWater has, at a systems level, in integrating all their systems. Not only do they have multiple systems, they have multiple data collection systems. We would contend that their ability to provide consistent data across the entire network, and their ability to provide consistent reporting, has not yet been fully achieved, so we seek to hold them accountable for ongoing improvement.

If you break up our relationship with TasWater around where they are causing a real environmental harm issues, versus non-compliance around a whole lot of data management or permit management conditions, a lot of their non-compliances are not actually related to the discharge or the harm. They are related to the inadequacies of their systems, and the sometimes inconsistency of their reporting processes. That is an ongoing frustration for us, but it is also an ongoing frustration for them. This is a case, I would say, of we would like to do better; we just do not have the systems in place to achieve that at this point.

When you come back to the question about capital, if I get a choice of putting the money into rebuilding the Longford wastewater system, or rebuilding a computer system that collects and manipulates data, where as a board would I put my money? The reality is, the board is putting its money on the big capital developments that make the real improvements, not on the systems or the things that might make everyone's life easier.

**Mr NAPTHALI** - Not too far off. The board is trying to do both, in all honesty. You think about the origin of TasWater. We all know it came from 29 councils, three corporations. What that also means is that they have infrastructure that was built over the last 50 to 60 years at various times. What that data comment is really about is flow monitoring, both into and out of their sewage treatment plants, and it is about weights and destinations of biosolids. Previously, that data had been very poor. It has improved significantly since that report was published in the last two years, but it is also about SCADA, this computer network concept.

If you could imagine trying to build a computer network to run this building with equipment you had bought, two bits at a time, over the last 20 years, they are not going to talk to each other, and it is not going to work. That is the SCADA system that TasWater is faced with. I do not know what the acronym SCADA means, but it is process automation.

**Mr DEAN** - I understand some of that. As a result of this, the EPA has made this statement that it is not sufficiently high and expects the data quality to improve. What is the adverse impact of this on the people, on the community, on the country, the state, as a result of this?

**Mr FORD** - If poor data or poor data acquisition results in increased impact on the environment, it is a problem that needs to be fixed. If you look at some of the circumstances where -

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**Mr DEAN** - Sorry to cut you off. So, with the EPA, I take it your responsibility would be to keep a watch on this, monitor that? My question is, you are monitoring it, what adverse impact is that having on the people? You are saying it is not high enough, not good enough and it needs to improve, so what is the actual impact?

**Mr FORD** - It may have no impact. For example, if you had a monitoring inadequacy or a monitoring failure at Devonport, it would have no impact on the people because the discharge is a long ocean outfall into Bass Strait.

**Mr DEAN** - It would have an impact on the fish?

**Mr FORD** - Well, not an impact on the fish. An issue in Devonport is different from Longford, for example. If you had a failure in Longford that resulted in a discharge in Longford, that is then going into the South Esk, potentially the users of water in the South Esk are going to be impacted.

You are actually making decisions about which data monitoring needs to be more accurate - and I would say the stuff associated with discharge into the inland waterways. We have not really talked about discharge levels, but it is covered in the report, and I make some comment in terms of the document I will leave you.

Where TasWater is discharging its effluent into the freshwater environment, that needs to be monitored more carefully, and is of greater risk than where it is discharging into the ocean environment.

**Mr DEAN** - Let us take the Tamar River, then, and Ti Tree Bend. What is the level of harm or adverse impact on it, being released there into the Tamar?

**CHAIR** - A relatively brief response, if that is possible.

**Mr NAPTHALI** - I might go back to the context of Mr Dean's question, which is about data quality. The origin of the statement made in the Economic Regulator's report was reflected by the national performance reporting data, collected by the Bureau of Meteorology. TasWater's data submitted under the NPR has not been an acceptable standard for a number of years. It is well known; it is on the public record.

The EPA does analysis on that data as provided by TasWater, and it is not the sampling data. It is not the weekly, monthly sample collected of the effluent. It is the online automated data. The EPA analyses that data, and presents that analysis in the state-of-industry report. We wanted to make it clear to the public that while we have done the analysis on the data as provided, we are unable to validate or verify the quality of that data. We just do not know.

What it really relates to is that online automated stuff. Flow data is a key issue. We have had a program with TasWater for a number of years to improve their flow metering inlet, outlet, re-use and validation of those flow meters. We are making progress.

What does that mean as far as operating a treatment plant? When you do not know what is coming in, and you do not know what is going out, volumetrically it becomes difficult to balance your process. These are very complex semi-automated to automated systems. They rely on good inputs and outputs.

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**CHAIR** - That would affect how you charge as well. Would that be fair to say?

**Mr NAPTHALI** - No.

**CHAIR** - How TasWater charges and works out the volume. No?

**Mr NAPTHALI** - No. This is at the treatment plant itself. At the gate of the treatment plant there is a flow meter that tells them how much is coming in at a given time, which then tells how much oxygen they need to put into the aeration tank so they get sufficient breakdown. Those sorts of processes is where there are gaps in data.

**Mr FORD** - I just come back to Ti Tree Bend. Tamar is complex because there are a number of inputs into the Tamar. By and large, Ti Tree Bend is probably performing quite well as a plant. You have combined system problems in the Tamar. As the work of the Tamar Estuary and Esk Rivers group has identified over a number of years, the pathogen and nutrient loading that comes into the upper Tamar and the Esks is also significantly contributed to by the agricultural run-off - hence the significant investment in the fencing programs around the riparian strips in the entire catchment has been the single primary factor, I think, that has driven the improvement in the water quality.

I am sure you are familiar with TER's most recent report that water quality in the Tamar has definitely improved, and the health and safety of the water quality in the Tamar has improved. It is not going to be fundamentally better until that combined system, all those retention basins, the upgrades, can occur as part of the Launceston City Deal, which is a decade's worth of work.

**CHAIR** - Thank you. As always we run out of time in these processes. Thank you, we appreciate the tabling of that information.

**Mr FORD** - It is a summary of information, and I will send it through electronically so you have it. It is really a compilation of what is in other reports. If the committee needs any assistance to work their way through our documents on our website - there is a large amount of material on the website, and guidelines are there.

**CHAIR** - And quite easy to navigate, I have found. Thank you.

**Mr FORD** - In a closing note, one of the things that we have been working on is a framework for the sustainable discharge of treated wastewater. The EPA board is dealing with that in about 25 minutes time. That will be a document that we would probably expect to publish relatively soon. Following the discussion with the board I will raise a motion with the board about providing you with a copy with that today, at least as a draft even if it is not finalised by the board. It shows where we are going with this.

**CHAIR** - Thank you very much, Wes, Glen and Sophie. The committee very much appreciates your time and your attendance today.

**Mr FORD** - If you feel you need to recall us on any questions, please do. If you have any questions on notice that you wish to follow up as your process starts to conclude, by all means send those through and we will deal with those.



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**CHAIR** -Thank you, we appreciate that. We may possibly do. Thank you for your time. We will suspend as we now have a private presentation.

**THE WITNESS WITHDREW.**

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### **Mr STEVE OLD, CEO, TASMANIAN HOSPITALITY ASSOCIATION (TAS), WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.**

**CHAIR** - Thank you. You are a seasoned performer in committees in the parliament so you are aware that these are public hearings and that the hearing is protected by parliamentary privilege. I remind you that any comments that you make outside the hearing are not afforded such privilege. You have been provided with a copy of the witness statement, you have acknowledged the secretary has been first class at that. The *Hansard* will be available at a later time. We will invite you to make an overarching statement and if you want to given you have made a submission. Then we will launch into some questions.

**Mr OLD** - Thank you, chair. It is going to be quick. You have my submission so it is in your hands to ask me questions. The main focus for me was that our relationship with TasWater, in fairness to them, has matured over the years. Our first three or four years in dealing with TasWater was a nightmare on behalf of our members. We found them very difficult to deal with. There were a lot of issues. It was fairly confrontational. Over the last 12 months we have found TasWater has matured. I think they have some new staff in there. They appear to have a new management style. They are really good to deal with now. We actually work closely with them.

My membership people work with them on behalf of the industry, talking to them about issues. That does not mean that we get every outcome that we want. All I mean by that is that you can have a conversation with them about an issue a venue has, whether they are members of ours or not, and they will go to the point of looking into it properly and getting back with information and providing us with information on how we fix it.

Recently we had a good one. Ivan, you might have seen it at Ravenswood Over 50s Club, where they looked into an issue and ended up saving that club \$16 000. For a club like that it is a massive issue and a lot of money. We do not always get great outcomes but I mean that we have a relationship with them where they do want to talk to us and work through issues. It doesn't mean the member or the venue gets the outcome that they may have wanted to get but at least we can go back to the venue and say, this is why this is being charged, or this is why this has been done and get the proper advice and explain it properly. For the first few years of dealing with TasWater we could not do that. It was at loggerheads.

Our relationship is a lot better than it used to be. We value that now. It is a lot easier for us to help out members and non-members if we can have a dialogue with TasWater. I want to put on the record it has got a lot better.

**CHAIR** -It was referred to in your submission that there had been an improvement.

**Mr OLD** - I wanted to highlight that because I appreciate, like anyone does, it is easy to kick people. We also have to acknowledge when they are doing good things. They have changed, from our point of view. I am not saying it is perfect but the relationship and the people in there are very good to deal with. We appreciate that. It is probably in your hands now. It is easier if I answer questions, if you are happy with that?

**CHAIR** -In regard to the trade waste, you have said the new standards are significantly greater than originally approved systems. Do you have examples of where the requirement for trade waste and the systems that sit around that have been excessive? I know there has

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reference to a cost of up to \$60 000 and TasWater has said you can borrow the money from TasWater, no interest. That is all well and good but they are not giving it to you, they are actually asking for it to be returned, so that is a cost to a business. I am interested in whether you have any examples of that, or whether you are very comfortable with the requirements at this point in time, albeit that they are significantly greater than previously.

**Mr OLD** - I appreciate that, Chair. Without naming the venue, I was talking to an operator this morning in relation to their trade waste issue. They had to install a grease trap four times the size of their existing grease trap, which was built to the guidelines when the premises were constructed. They did not increase their kitchen waste, but they questioned why the size had to increase fourfold which, as you can imagine, is a massive cost.

This goes back to also the last state election before that. We had a lot of venues that had been told that with trade waste, they had to put in a new system of trade waste and it needs to be three, four, five times bigger than what it was, yet they had not increased their outage waste, et cetera. Again, this goes back to pre-TasWater days, where the answer was basically, 'you have to do it', even though a lot of venues would look at other parts of the country and other parts of the world and say, 'To get the same outcome you want, I can do it this way with this sort of system and it can still deal with the amount of waste I put out'. The answer would come back with 'No, sorry, it needs to be the way we want it to be which is this'.

**CHAIR** - Lack of flexibility.

**Mr OLD** - Lack of flexibility. It put massive cost and massive strain. There was an example of a venue in Salamanca where they walked in and said that they need to put a new grease trap in, it needs to be 'this big'. They said, 'Underneath this floor is blue rock' or whatever it was 'and you can't dig into it'. The answer was something along the lines of 'you just need to work out how you are going to do it'. Again, this was a couple of years ago.

This is where the inflexibility comes in. One question a lot of the operators ask is, 'If I have not increased my outage, why do I need to put a three- or four-times bigger treatment trade waste system in, if I haven't increased anything or made any changes?'. That is a frequent question that we get.

**CHAIR** - Certainly, it was a question put by the Deloraine business community in their compliance.

**Mr OLD** - This same venue said to me that they also had to install a lint controller for their guest semi-commercial laundry, to collect lint and cool the water before it let into the sewer system. His question, which was never answered, was 'Why does it need to cool before it goes into the ponds?'. He could not get an answer. That was a cost of \$35 000 to \$40 000 for the venue. If they did not complete it by a set date, they were going to get penalties, et cetera.

Some venues struggle to get complete answers on a lot of these questions. It is a frustration, like you said, Chair. Even if you say that you are going to get an interest-free loan on it, you still have to pay it back at some point, and you still have to generate that. You are talking about a cost to the business that is not actually money-making. Don't get me wrong. Compliance is key but \$40 000 on a new system that does not bring any money in, you have to find that money some other way-

**CHAIR** - Or the landlord has to has to find that money and pass it on.

**Mr OLD** - Chair, you and I talked about this a couple of years ago in. We had a lot of issues too, where within the hospitality industry, and like many others, a lot of venues are leased so if the cost comes down to 'you have to do this', the lessee will look at the owner and the owner will look back at the lessee. Then the question becomes, 'Who's going to pay for this?' This has caused a lot of fights and issues over the years in relation to the landlord/lessee arrangement.

**Ms LOVELL** - Steve, to recap what you said in your submission and what you have been telling us today. Some of your members have been required to upgrade their trade waste system. We have all had people in our electorates who have had to do this. Part of the issue is that there is no clear understanding around how those assessments are made regarding what is required. Would that be fair?

**Mr OLD** - Yes, and trying to get answers to those queries, because it is a big cost that some businesses cop. If they haven't changed anything, why do they have to do this?

**Ms LOVELL** - Yes, absolutely. Then on top of that, regarding the sewer charges, you have examples of members who have upgraded their system but then have had an increase in their sewer charges when the expectation would have been that in upgrading their system, that it would be a lower load on the system, so those fees should reduce.

**Mr OLD** - That is my understanding. I will admit I am not an expert in this but that is my understanding.

**Ms LOVELL** - That is why I am trying to paraphrase it, so that I can be clear. Again, no real transparency around how those assessments are done, is that fair?

**Mr OLD** - I go back to what I said at the start. Over the last 12 months, they have started to get a better understanding of why some of these things are in place but there are times where operator still says, 'I can't understand why I have to pay. If I haven't made changes to my business and it is no bigger, why am I suddenly made to do all these things bigger at an increased cost?'. They struggle to work out why that should be the case.

**CHAIR** - Following on from that, if I may, once you have completed the trade waste compliance, whether it be a grease guardian or whatever that looks like for a business, the fact that you continue to have to pay the trade waste levy, or a cost incurred, when you are fully compliant, or even a higher charge.

From your members' point of view, are they still the questions that are being not being adequately addressed?

**Mr OLD** - Yes, is the simple answer. Some of them understand that at some point, if you have to make changes to a system, you need to get it upgraded, and that sometimes there is an ongoing cost to maintain that.

The unrealistic expectation on business, as I said, the bit they can't get their heads around, is why they have to make these massively increased changes to their business structure when they can't perceive that there is a need for it, is probably the key issue.

Some of them can understand ongoing payments need to continue, paying a levy or whatever. In some ways you do have to pay a levy to keep the system that you have, just as you pay to get a car on the road and then you still have to pay a levy every year for rego. They can understand, to a certain level. But if I said to you that you need to put something into your building, and it needs to be four times bigger, and it is this big cost, you'd go, 'Nuh, I haven't done anything to my house. Why do I need to do that?' That is what the business operators are describing.

I am not trying to defend TasWater, but I think they have, in some ways, inherited a system that is underdone in so many areas. I think the expectation comes on business that they have to pay for that system that has been inherited and it doesn't work. My members and industry don't believe it is up to them. They are willing to pay for what they believe is theirs, but in some ways they are being made responsible to upgrade things that isn't their issue.

**Ms PALMER** - Just touching on that. Was there an understanding or assumption or expectation that if they did proceed with the compliance side of things, that there would be relief down the track? Is that the sort of assumption that was made? Are you aware if it actually was set out?

**Mr OLD** - I don't know if it was set out or not, to be honest. I would be guessing that it was an assumption. I wouldn't like to say either way. I am not 100 per cent sure, to be honest, in the different cases. I just know that the trade waste issue especially has caused massive issues. I know of a case on the west coast that went through a massive issue. I don't even know if it is rectified for a number of years.

There were cases in Launceston, and other places. It has been a headache. There have been ones in Sorell, there have been ones in Salamanca. All of these sorts of things that have been massive issues for a long time. We still have the issue in Salamanca, where our offices are, down near Rockwell and the Ball and Chain, when if you get heavy rains in Hobart, there are times when raw sewage goes out onto the road.

**CHAIR** - We've had quite a few of those in recent times.

**Mr OLD** - And we've had raw sewage that comes out into Salamanca. That has been issue. You only have to talk to Phil Capon, who used to own the Ball and Chain. If there has been a lot of rain, you can go into our offices and you can smell it out there.

That is not TasWater's fault. They have inherited a very poor under-the-ground structure. I remember chatting to somebody one day who said that the worry they always have is what is underground in places like Battery Point. It has built up that big over the years that they don't think the system under the ground can deal with it adequately. If you investigate it too far, what is the cost going to be? I'd hate to think what it might be.

**CHAIR** - And how you might address it, in this age that we live in.

**Mr OLD** - How you might address it, I guess is the other -

**Mr DEAN** - Just on the fact that they have inherited it. It is their problem. They have to fix it. That's the guts of it.

**Mr OLD** - I'm not defending it, but I think there have to be expectations that there will be some costs that they will have to deal with. I just don't think it is fair that business has to wear it.

**Mr DEAN** - You've covered it in the main. You are right about the grease trap thing. I have had a number of complaints coming my way. It was the inconsistency with it. Businesses were saying that they were treated differently. Another business with a similar output, or even less output was required to put in different and bigger systems.

You are pretty happy now that that is sorted, pretty much?

**Mr OLD** - I think we are on the right track. I am not saying that it is perfect but I think you are right. We used to hear a lot more of inconsistencies: 'This venue was allowed to do this, but we are now being told this'. A lot of venues used to put a bit of work into alternative systems, so when TasWater used say you need to put in a system, and put a pit in three or four times bigger, and they would go away and look at other systems. Marti Zucco, in fact, was very big on this, looking at alternative methods to do it in a far cheaper and easier way. TasWater's reaction was, sorry you have to do what we want you to do. That is what inflamed the issue for businesses.

**Mr DEAN** - That was my next point, and you covered it well - that there were other systems that would have given the similar return that TasWater was looking for, but they were not interested in talking to you in relation to that.

**Mr OLD** - That is my belief, Mr Dean. What our venues told us was exactly what you just said.

**Mr DEAN** - A business at Launceston came to me on exactly that issue. They could have put in the same or a similar system that would give them the right return for TasWater, same output, much cheaper, much better - well, they thought better, but cheaper.

In your position, do you get to meet with the senior people within TasWater every now and again, just to discuss issues and problems and concerns? Do you do that?

**Mr OLD** - Yes, we do, Mr Dean. Mostly, my deputy CEO and my membership manager deal with TasWater on the daily. I talk to them if I guess an issue gets bigger. I need to catch up with them every couple of months. It probably goes back to my first point, which is the relationship, I call it - from a communications point of view - over the last 12 months is far better. We are not experiencing as many high-level issues because we are, I think, nipping them in the bud before they get to that point.

I want to be clear, because I will always be accused, 'Are you making them fix these issues?' No, we are not making them fix the issues. TasWater has just been a lot more open - and it is a credit to the staff - to communicate with the venue. They meet with the venue, they work through the issue, and if the end result is that they have to do X - and that is what they have to do by law and whatever - then I think venues can generally understand that, but it is

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just getting to that. Communication is the key in a lot of things, and TasWater, full credit, has improved that immensely over the last 12 months.

**Mr DEAN** - You are right. They have made lots of changes.

You have also talked, Steve, about the fixed-charge component needs to be reviewed. I would be interested to know whether you have had any success there, or whether you have talked to TasWater on that and what is their position. What you say, really, is pretty right. Why does a very small business have to pay the same amount for fixed charges as a bigger business and so on? I think that is what you are talking about here.

**Mr OLD** - Yes. The simple answer is, I do not think we've got an outcome.

**CHAIR** - Where are you with your negotiations?

**Mr OLD** - To be fair, I think this committee structure will probably get some answers to our questions. If they have not already been answered, they will get followed up and answered through this process. We hope committees like this can be useful in highlighting some of the issues that industry face. I hope that out of this, we will get some answers to some of these.

Yes, the one about fixed costs. Mr Dean talked about this. He said -

I understand that water is a user-pays. I have no issue with this, but to charge me extra because the size of the intake pipe is large - 100 millimetres, my monthly fee \$714.50, plus usage, is a poor system. Just because I am a large user, I am punished not just by the charges of my usage, but due to the size of my pipe.

There are all these venues that see inconsistencies, which just infuriates them. Again, some of this is just hearsay, and other work I have done, there is a bit of a thing that some of the big businesses - and I am talking very big, large industries - get away with not paying anywhere near what they probably should, and other businesses feel they are covering for that. I do not think that is necessarily fair, either.

**CHAIR** - Following on from that, Steve, you said you were not aware of any sit-down, face-to-face discussions. Would that be fair to say?

**Mr OLD** - I have not had any. My membership manager and deputy CEO have ongoing dialogue with TasWater. I do not think we have had, let us say, a fix or a solution to the fixed-water issue that Ivan asked about. I do not think there has been a resolution to it. I do not think it is an easy one to resolve. All I say is there is ongoing dialogue. I have not been part of that dialogue, if that makes sense.

**CHAIR** - You talked about an improved communication process between TasWater and your organisation and your members. We are pleased to hear that, from where I sit. Can you explain how that occurs? Do you have some sort of formal meeting, or do you request that this is what we need to do twice a year, or whatever?

**Mr OLD** - I do not know if it has been a change internally at TasWater, or it's just the personnel change. In fairness I'll probably say it's the personnel changed. We deal with a

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gentleman called Heath Woolley. He's very good at trying to form relationships, not just with us, but with his key stakeholders. I guess the only way he can deal with issues and try to sort them out is actually to have a proper engagement, so he's been good at that. They meet regularly.

**CHAIR** - You have a point of contact.

**Mr OLD** - Yes, and they meet regularly with my membership and core management; I think they meet every couple of weeks to a month. Whenever we have forums around the state, where we try to get industry together to talk about a raft of issues, we offer it out to different groups, and TasWater will now always come along to those, so that they can answer questions from operators as well.

I think the answer to your question is yes, we have regular meetings. I'm just not involved in them, because it's more my membership guys.

**CHAIR** - Because you can't do everything.

**Mr OLD** - No, but my membership guys do. They report back to me that they have really good dialogue and can raise any issue with Heath. As I said, the Ravenswood Over 50s was an example of something they raised. Heath went away and did a heap of work and got a fantastic outcome for the club. Again, it's easy for us to kick people, but I want to put on the record, too, that Heath and his team - it's obviously not just him - in client engagement have been great, and there have been some really good outcomes.

There are still some out there that are not good, but at least, as I said, most businesses are reasonable, if they can get something explained to them why they have to do it. Nine times out of 10, if it gets explained properly so that they can understand it - and whether they agree - they'll accept it.

The previous issues we've had were the explanations. Ivan, as you said earlier, 'This is how you have to do it. There might be 10 other ways but, sorry, this is the only way we know, you've just got to do it.' That attitude annoyed businesses, but it has changed.

**CHAIR** - In the past, there has been some criticism that it's been difficult to find the appropriate contractors to undertake some of these works, and there was a commitment given by TasWater to engage with the businesses that would need to put in a grease trap, or whatever you might need to comply with trade waste, for instance. Are you aware of any lack of contractors that have the appropriate skills, or the knowledge and understanding around compliance?

**Mr OLD** - I honestly don't know. Previously - and I'm probably talking a couple of years ago - I know there was a shortage, so there were delays in getting people out. I'd be lying if I said that it was still the case, because I'm actually not sure. I'm happy to take it on notice and check with my guys.

**CHAIR** - That would be useful, if you have information on that.

I have a second question. I referred to the fact that TasWater has offered for businesses to take out a loan to undertake some of these compliance obligations. I'm just interested if you



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have some understanding of whether your members have taken up that opportunity, and how well that has worked, given that it has obviously been a very difficult time for hospitality and those in the industry. They virtually haven't been operating, so I expect to make those payments back to TasWater has been a real struggle, if they've been able to at all?

**Mr OLD** - I'm not sure how many have taken it up, but you're 100 per cent right. Like every business, hospitality has probably been hit harder over COVID-19 than anything, putting off a lot of staff. I talk about it every day.

We now have the situation with COVID-19 that hospitality businesses are now pretty much facing 100 per cent of their bills, with 50 per cent of their capacity, and a raft of other things. It is becoming increasingly difficult.

This is a roundabout way of answering, but if TasWater becomes very tough on venues, for some it will be the last straw for their survival, and I don't mean that rudely to TasWater.

Coming off the back of COVID-19, businesses in all industries are going to need as much help as they can to get through this.

If you're a business and it is deemed you have to do 'X' upgrade, and you have to do it, then I think TasWater offering to do an interest-free loan is a great initiative. The fact that TasWater do that is better than going to a bank and having to get a loan. In fairness to TasWater, the initiative is great.

I guess you just have to go through the process and say, do you need to do that first? But as I said, the fact that initiative is there for those businesses that are deemed to have to do it, and they've got no choice, then having an interest-free option with TasWater is probably a better outcome than going to a bank.

**CHAIR** - But you're not necessarily aware of the numbers of your members who might have taken that up and whether there has been a request that you must pay now, this is your obligation regardless of the COVID-19 emergency situation.

**Mr OLD** - I probably have not heard any over the COVID-19 period. It has not been an issue that I have heard so much over this COVID-19 six months. There has been a raft of other things we have dealt with during COVID-19. Pre-COVID-19 we used to hear a lot of things about trade waste and being harassed about getting things done to a time line. Again, over COVID-19 there have been a few other issues that they have had to deal with. We have seen TasWater put out a number of initiatives over COVID-19 in trying to assist business, even though a lot of ours I do not think become eligible for little grants. TasWater did put out a few things trying to help. I would be lying if I said I knew how many people got assisted by it.

**Mr DEAN** - It is fair to say over the COVID-19 period TasWater has worked with your members on urgent works and given them some allowances there?

**Mr OLD** - My understanding is from my membership guys is that their relation with TasWater over the COVID-19 period has been good. They have not raised any issues to my level. That means, Ivan, if it got to a point where there was a really serious, tough one they would come to me and say, 'Steve, you need to deal with this one'. I have not had any of those,

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so I assume that TasWater has been pretty open to try to help venues through this tough COVID-19 period.

**Mr DEAN** - My question coming from that would be that when this is all lifted, if it ever gets lifted, will there be a rush with your members to get these works that have been put on hold done?

**Mr OLD** - I would hope not.

**Mr DEAN** - That is the point I am going to make to you. Are there going to be the contractors out there to do it? Have you had that sort of a discussion with TasWater yet?

**Mr OLD** - No I haven't. The comment I would make, Ivan, is out the back of COVID-19, whenever that might be, the last thing the industry needs is TasWater or another authority coming down hard on them. It is the last thing these venues are going to need. As I said, we don't know how long these restrictions will be for. In hospitality we have the situation where 100 per cent of their bills are coming in and they have 50 per cent of their earning capacity, at best.

Bearing in mind we have come off a winter and we are now in the summer. We are in the period that they need to make good money and they are not going to be able to do it. Let's say COVID-19 finishes in March. What ends up happening is they then hit another winter before another summer. Our hospitality venues are going to go through three winters in a row before they get a summer. I would suggest that most hospitality businesses, unless you say COVID-19 finishes in March, are not going to get back to their best earning capacity until potentially September or October 2021. I have said this a few times in the media, I worry that hospitality has not hit the worst of their financial situation. I think that we have not hit that yet.

Many businesses are still trying to hold on and hoping that they can open up again or that they can reach some capacity. I worry that a lot of them are just increasing their debt or prolonging bills. I think this is what you are highlighting, Ivan, about TasWater. I talked about it earlier in COVID-19, when someone says to you, 'Ivan, you owe me \$100, you do not have to pay it for another six months', they are not saying that you don't have to pay it. They are just prolonging it. The debt is still there at some point.

If all a business does is park their debts and push them to another day, my worry is that some day someone is going to start asking for the money. I hope it doesn't get to the situation where if TasWater is holding off on certain issues it doesn't suddenly go, 'bang', post COVID-19 and hit businesses, especially hospitality. We have three winters in a row before my members are going to hit a decent earning capacity. That is going to have a massive impact on young kids, mums and dads returning to work and mature workers who work in our industry. There will be a massive impact in our industry on employment, infrastructure and all those sorts of things. I do not think that we have felt the full pain of the hospitality hit for potentially 12 or 18 months.

**CHAIR** - Steve, I don't think that I have been on a committee where your organisation has not provided some input and it is very welcome.

**Mr OLD** - If there is anything that comes out of the whole deliberation and you want to know more - I will be frank with you, I did not get enough time to go out and chase members

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to find out the issues. If you come out of this and say, 'Steve, could you get us some examples about x or y', I am sure, Chair, you can write to me or ring me and we will get it for you.

In fairness to TasWater, the relationship we have had with them over the last 12 months has been a lot better. I am not getting as many complaints or frustrations as I used to. I am not saying that it is a perfect world because they are still out there. We appreciate and respect the relationship with some of their people now in that they are willing to engage. We struggled for years with that and we do appreciate that. That is a staff-management level, especially to Heath Woolley, who is the manager we deal with. That is by no means saying we get wins on everything. All I say is that it is far easier to explain to a member something if someone takes the time to actually go through and explain it.

I highlight the Ravenswood Over 50s Club, which through the hard work of Heath and his team looking into an issue, they saved the club a potential bill that would probably have put that club under. They could have gone bust as \$16 000 for a community club is massive.

**Mr DEAN** - They were going to go bust, there was no doubt about that.

**Mr OLD** - Heath and TasWater deserve some credit because they have had a few wins like that.

**CHAIR** - It appears that Heath Woolley might well get the employee of the month award after this hearing.

**Mr OLD** - We will be voting for him. If you had this committee two or three years ago, I do not reckon I would have one of those examples to come with. I am sure I have others. It is timely to say that over the last 12 months, they have been really good. I hasten to add, with Ivan's point, that post-COVID-19, whenever that is, we have to make sure that the world does not change.

**Mr DEAN** - Steve, you probably will get the same question from me tomorrow.

**Mr OLD** - I will probably have a lot more to say on that one tomorrow.

**CHAIR** - You have a broader term of reference. The areas that we touched on in your submission and then expanded on today, we very much appreciate. If you go away from here and decide that you have something extra that you would like to provide, or should have said and didn't mention it, then send it through to our committee support who, as you said, have been excellent.

**Mr OLD** - They have been really good to deal with. They take out any hassle of worrying about coming in here for logistics. I say thanks to them because they probably do not get a lot of credit.

**CHAIR** - Thank you. It is very much appreciated. We know that you might have somewhere else very important to be. We will say, on behalf of the committee, thank you very much for your time.

**Mr OLD** - Any time. Thank you very much.

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**CHAIR** - You mentioned that you may have some more information to share when you have more time. You have obviously been under the pump for some time. This committee will not be winding up in the next couple of weeks. We have an exceptional amount of work to do with these references.

**Mr OLD** - That is good to know.

**CHAIR** - We will not get it concluded, that would be fair to say. It's very unlikely that it will be concluded this year. We look forward to being able to fully explore the terms of reference into the new year. We are also running out of time to meet, given our heavy workload.

**Mr DEAN** - The committee would like to know if you know who is going to win the Melbourne Cup to drop it to the committee.

**CHAIR** - Thank you.

**THE WITNESS WITHDREW.**

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**Mr MALCOLM EASTLEY**, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

**CHAIR** - We welcome you to these public hearings of the Legislative Council Select Committee on TasWater Operations and again thank you for taking the time to make a submission. All evidence that is taken here today is protected by parliamentary privilege and I need to remind you that any comments that you may make outside the hearing may not be afforded such privilege. A copy of the witness statement was provided to you by the secretary. Is that correct; do you understand that?

**Mr EASTLEY** - Yes.

**CHAIR** - Thank you. Obviously, the evidence you present is being recorded. A *Hansard* version will be published on the committee's website when it is available and we are livestreaming.

I will provide you with an opportunity to speak and then we'll open it up for questions and we are to finish about 2.30 p.m. Thank you very much, Mr Eastley.

**Mr EASTLEY** - We started with a small petition from all the businesses in Deloraine with some concerns about TasWater. That proceeded through eight meeting. Through that time there were three different managers of trade waste which was a basic problem and three completely different techniques of working the bills out. I would like to run through some of that for you, if you wouldn't mind?

**CHAIR** - Absolutely.

**Mr EASTLEY** - First, the pricing of water is similar to what they do in Melbourne, as we found out later on, in that it's a fixed network charge and then a volume charge. The difference is that Tasmania has a particular problem with their accounting procedure. It's like a pudding-bowl effect. They put all their pieces for the coming budget in a bowl. Usually it's the ongoing works program which will increase their budget. For example, in the last three-year period that increased by 5 per cent so they increased the price of water and sewerage by 5 per cent. They don't do that in Melbourne. They've got a more effective method. They work out the actual cost year by year of both water and sewerage. That depends on things like, for example in Melbourne, this year 30 per cent of water has to be desalinated so that's put their price up. Sewerage actually went down slightly.

In Tasmania, it's the infrastructure section that is driving the prices up. It's risen by 15 per cent over the last three-year period even though the actual cost of water in Tasmania - we're lucky - is fairly static. Every town has a river going through it. It has to be dosed and filtered. There's not much scope there for actual price increases,

What I would like to suggest is that you should run their pricing procedure through the Auditor-General, because the Melbourne situation is that when they charge their actual cost for the sewerage and water, that means that the cost incurred by future growth becomes part of the headworks charge. The thing about that is you can adjust that charge by the length of term of your borrowings.

That has been TasWater's problem all along, and it stems from the old days with local government. They can only borrow money in one spot - that is the government entity, basically, with 10-year terms. That is completely wrong for infrastructure when there -

**Mr DEAN** - TASCORP?

**Mr EASTLEY** - Yes. You cannot imagine the Hydro financing power stations over a 10-year period. That is the basic cause of their problem. It makes looking at their procedures and auditing what is happening much easier. In other words, if I asked today where the dividend that goes to councils comes from, you could not tell me. You do not know whether it comes from borrowings, from the tariff from the customer, or if it comes out of the \$20 million the government gives towards TasWater. It is an issue of how to audit what money is coming in, and where it is spent.

The closest idea I can give you to the actual price of water - our local council, many years ago when Launceston had a costing of \$0.42 a litre, we were paying \$0.73, because they upgraded the plant. If you applied CPI increases to that, the actual cost of good water today would have been about \$0.85; now it is \$1.06 because of that tie-in with the infrastructure, rather than actual costing. That is an important part of that side of it.

The price of water also has a bearing on the price of sewerage, in that TasWater works on the basis of the equivalent tenement situation, and they have adopted a policy of 200 kilolitres per year. We didn't understand for some time how they arrived at that. The traditional method throughout Australia and Tasmania was always a three-person residence using 150 kilolitres a year. We are down in the 140s now; as the price of water went up, people use less water.

What actually happens is that Tasmania has a particular problem in that they are calling it leakage. You will find this in the regulator's reports, in fact. They know how water has been treated, it goes into the reservoirs, and they know how much is paid for on the individual meters, and that would come to \$150 if they took an average of residential meters. They took the other view, and divided the total by the number of connections; then, residential areas that came out to 191 kilolitres per connection, they rounded off to 200.

In effect, in the sewerage rates, we are paying for their leakage - and it is even more difficult than that.

On the mainland, leakage is about 5 per cent or 6 per cent, and that obviously will be partly made up of actual leakage, and partly illegal connections.

**CHAIR** - Where people have tapped in and there is no record of that?

**Mr EASTLEY** - That is where it started from in Tasmania. Logically, using common sense, you can realise it. When connections were done by the councils with no water meters, it was quite easy to put an extra connection to the garden or anything else. Council actually put them in, so you went up to two or three connections to each property. When they put water meters in, they put the one to the house, and no one took any notice of the others. That is what the problem is, and TasWater has made no attempt to find those connections.

**Mr DEAN** - Sorry, are you saying there are still illegal connections?

**Mr EASTLEY** - Absolutely. If you do the arithmetic based on all connections, industrial as well as residential, you get a lesser figure. It comes out to 191, just in residential areas. That tells you that most of the problems are in residential areas and not in industrial areas.

It is quite clear that on the mainland leaks are dealt with the same as Tasmania. You see green patches or water coming out the drains when it should not be and they keep control of that, both TasWater and the mainland.

**CHAIR** - Malcolm, what percentage of the mainland again is the leakage percentage?

**Mr EASTLEY** - Leakage is 5 per cent to 6 per cent overall.

**CHAIR** -Overall, and in Tasmania?

**Mr EASTLEY** - In Tasmania, if you do the industrial as well, it comes out at 20 per cent. If where you do it is residential, 30 per cent of the water goes missing, it is leakage. They call it leakage but obviously 3 per cent or 4 per cent or 5 per cent will be leakage and the rest is illegal connections.

**Mr DEAN** - Are you saying 30 per cent of water is put down as leakage? Is that right?

**Mr EASTLEY** - If it truly was leakage it would be running down the gutters. It is not. It is illegal connections, quite obviously.

**Mr DEAN** - Probably not necessarily down the gutters, but you are right, you would probably see it. Thirty per cent? That is almost a third of the water.

**Mr EASTLEY** - That is right. It is in the reports of the regulator year after year. It is surprising to me that they did not wake up that there is half of the problem. The basic percentage there is quite different. It is 150 versus 200.

There are three problems with their pricing, which being multiplied one after the other just compounds the issue. That is the first one. That affects not only residential areas but it becomes the equivalent tenement part of the pricing for small businesses.

I have given you three different bills. One is mine, residential. I am a pensioner. A comparison with what would happen on the mainland with pricing which was based on volume. We pay \$660 as a fixed component based on 200 kilolitres. In Melbourne we would pay a connection fee of \$250 and we are using a little under 100 kilolitres. We would be saving something like \$300. That would be the difference. The average user being three people, using 150 as a basis, they would be saving about \$200.

Here is part of the problem. It is the equivalent tenement process. It should be seen as normal now that sewerage providers are basing their costing on volume not on fixed charges like that. It is quite wrong for that side of it.

When we move on to working out the pricing on small businesses, you have that initial inflated figure to work on. The modelling base that they use for category 2A, which is most of the small businesses, was discussed first with the managers who implemented this policy. It is

based on a report - they would not tell us where it came from - that purportedly showed that small businesses, small cafes, put out a grease content of 1500 milligrams per litre and it stayed at 400 after the installation of a grease trap. That was compared to residential, with a figure of 100. That is a figure throughout Australia, that treatment plants can cope with 100 with no further charges.

What they did was multiply the treatment cost on the residential side by four to bring up to 400. We queried that. It was completely out of all context of what people believed they were putting out. When we checked and compared it to Victoria we found that they have a completely different view of the effect of grease content in Victoria, I have given you a sheet with the trade waste chart.

**CHAIR** -That's the Yarra Valley reference?

**Mr EASTLEY** - Yes. There is another sheet that shows the risk factor that they base it on. Victoria has done a great deal of work on it and, basically, the higher values are the ones where there is a chemical problem. They have five categories of trade waste coming from \$2000 down to \$313 for their lowest category.

**CHAIR** -That is the City West Water.

**Mr EASTLEY** - City West is the one that is the easiest to understand. They have quite a good website. It's \$313 for the lowest form of trade waste

**CHAIR** -Which is called minor?

**Mr EASTLEY** - It is called minor. For restaurants and other food businesses, it is only \$80, a quarter of that. They realise it is a much lower risk than TasWater is assuming.

Our small businesses endorse that fact and we ask for testing to be done. The first chap refused to do it, but the second trade waste manager was very, very good. She had trouble getting them to do the testing. Eventually they did, but they were not very good at it. I have the list of results there. There is nothing there that indicates that the risk factor is anything like TasWater is accepting, but it indicates that it is a very, very low risk.

Part of the testing we wanted to show was that if the water coming out of existing grease traps is the same as residential, there would be no excuse for charging the fee on top of the grease trap. At that stage, we were saying it should have been one or the other: paying the extra costs involved, or a grease trap. Part of that problem is that they did not do that testing. To this day I say that if a small business is running their business properly with a grease trap, they would be equivalent of a residential so there would be no point in charging the extra fee.

**CHAIR** - You argue that is double dipping. You have installed the required trade waste apparatus, and so you are not dispersing anywhere near out into the system, and so why do you need to be penalised for that on top of having that in place?

**Mr EASTLEY** - Exactly. I will come to the double-dipping real issue later on with one of the other examples.

**CHAIR** -Apologies for getting ahead of myself.



**Mr DEAN** - How much of the grease does a grease trap take out of the water?

**Mr EASTLEY** - In total, Ivan, it is generally about 70 per cent of what can be taken out. It is inefficient because you are adding fresh waste all the time. It has not got the time factor. A grease trap is exactly the same as a treatment plant. It is only efficient in removing the coagulated fat from cooking. Greases and such that floats in the grease trap. The sludge which falls out through the bacterial process is completely irrelevant in a grease trap. It is better removed in the treatment plants because they can control it and remove it right back to the required category.

It really is a case that the grease trap does not do an effective job. It is only effective in removing the floating grease. Our point is that does not happen with most businesses in Tasmania. You might be cooking on a saucepan or a frying pan in a house where your residue goes down the sink, but cooking with a griddle plate in small businesses is the same as your outdoor barbeque. It is scraped and wiped clean. It simply does not go down the drain.

The second part of that is the grease figures encompass both animal fats and cooking oils, which do not coagulate. They are fluid at room temperature and they go down the drain and are better treated at the treatment plant.

If small businesses control their cooking procedures with vat-type oil cooking, which is contained and drained away into drums, and if they are cooking on griddle plates, there is simply no reason to suggest that there is a real problem with grease.

Second, we have concerns about clubs like RSLs, bowls clubs and you can bring pubs into that as well. If people decide not to cook at home, where they don't need a grease trap, but cook a meal combined with a bowls club, for example, the effect on TasWater's is absolutely nothing. It is exactly the same.

My wife caters at the bowls club. They are one of the lucky ones; they own their own building, but they finance themselves, basically on, catering. Their subs for the year are based on \$160. The club subsidises itself on bar sales and cooking. If you take that away, because you have to put a grease trap in, and it can't fit a grease trap in, the subs will go to \$800 according to the bowls club.

**CHAIR** - That would be the effect on the community, if there was a requirement to put in a grease trap: the subs would rise from \$160 annually to somewhere in the vicinity of \$800?

**Mr EASTLEY** - That's what our accountant told us.

**CHAIR** - To cover the costs of running the club?

**Mr EASTLEY** - The cost of installing a grease trap -

**CHAIR** - Varies.

**Mr EASTLEY** - Varies considerably. When TasWater first started talking to us, they assumed it was \$3000. That turned out to be completely untrue. Quite often it is not the grease

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trap; it's the site that's the problem. You haven't got enough fall between the sink - we have one small bakery that has been quoted \$80 000.

**Mr DEAN** - \$80 000? That is probably more than the cost of the building.

**Mr EASTLEY** - \$80 000. At one of the first meetings when - the particular site has a problem in that it is backed up to a cliff face, and it is on a slope. To fit in a grease trap, the cookers have to be put on the other side of the room and rewired. They spent \$30 000 on a new floor when they set the place up. Now they have to rip it up and spend another \$80 000. It breaks your heart.

**CHAIR** - It's the flow-on effect, isn't it?

**Mr EASTLEY** - It is. I have given you a photograph of a building that was a new connection. The lady was dealing with TasWater in Hobart. They told her she had to have a grease trap. The kerfuffle cuts off their access, and cost \$25 000 because they couldn't get the grease trap low enough. When TasWater Launceston did the final inspection, they said that she didn't need a grease trap. I feel sorry for the woman.

Look at the foundation levels of both parts. A takeaway shop could be installed on the left-hand side. There is enough room there to put a grease trap anyway, so she has wasted \$25 000 if it doesn't go ahead. If a takeaway is installed on the left-hand side, she has still wasted \$20 000. It should have been a \$5000 allocation.

When we went to TasWater and said, 'You really need to do something for this lady. She has spent \$25 000 and she has the category 2 connection to make, which includes treatment costs', they said no. They reckon they have saved her money in the long run. When I asked why, they said, 'We are going to forgo the \$300 connection fee for accessing her own grease trap'. That sort of killed the conversation.

That is the sort of thing you don't need to see in a small town where you are interfering with people's lives like that. She was lucky and determined, and went ahead with it. Most people simply would have killed that application off straight away.

**CHAIR** - And said that it's too hard, too costly, and we can't ever get our return, in that instance.

**Mr EASTLEY** - This problem is as much about setting up new businesses, right into the future, as it is about the effect it has on existing businesses at the moment. You will never see another coffee shop put in in Deloraine in another building, if they have to go to this trouble. It just can't be done.

When we found out that they were charging four times the treatment cost, that's for residential which is the basis of the comparison, we compared it to Melbourne. Melbourne, multiplied by two not by four on that risk factor thing, does not charge it out as trade waste. They have a separate category as non-residential sewage and they figure that that would do.

There's also an explanation given in their background sheets which explains what extra cost is involved to TasWater in treating sewage from a small business which has an elevated oil level. That is, it's transported by pipe or pump to the treatment plant, it's skimmed, it's

strained, it's pumped into another container and the pricing is exactly the same up to that point. It's only a matter of reducing the oil content by adding extra water. In other words, diluting it to the required level, or it takes extra time in the treatment for the bacteria to work on it. The cost involved is very little. When they multiplied it by four it was on that basis of what they saw as 400 versus 100 and it was nonsense. TasWater knew all along that it didn't cost four times as much but they did nothing about it.

When first employed it was basically a levy placed on top of the existing water intake. The volume coming into the business is taken as volume going out as waste. They took 80 per cent of the water coming in with 20 per cent being accounted for as in the food or in the drink. The 20 per cent was treated as being trade waste.

They have since now decided that they will consider sewage where there's toilets or a house attached as separate again. The problem with that is they've assessed that on the equivalent tenement basis and added it on top. They haven't subtracted one from the other. If you look at the shop example I've given you, that's the third example of a bill which came to that business. The previous one to that they'd decided that TasWater had made a mistake and corrected it but backdated the thing three years. They got an enormous bill. They corrected the backdating side of it. As you'll see there now you've got something like \$2100 -

**CHAIR** - That's the lighter blue dot?

**Ms LOVELL** - Is that the residents and business one?

**CHAIR** - Total usage 540 kilolitres per year.

**Mr EASTLEY** - Yes. What they've done is take the incoming water, 80 per cent again is trade waste with 20 per cent as used up in drinking but on top of that they've imposed two-and-a-half tenement charges. It means \$500 of the total has been charged out of sewage so you've been charged twice for the same volume of waste. Can you follow that?

**CHAIR** - And then the trade waste category 2(a) of \$233.38.

**Mr EASTLEY** - Per quarter. Annualising that it comes to about \$2100. The problem there is it should be done as a pie chart. You should take the total volume of water coming in to the business, subtract off the residential side as sewage then take the remainder as trade waste, take your 20 per cent off that. I've done the comparison there with the proper ratio of sewage and trade waste as would happen in Melbourne -

**CHAIR** - And there's a \$1200 difference.

**Mr EASTLEY** - That's exactly right. That is true double dipping. They assess the equivalent tenement - not on the volume, as you might think - but they come and inspect the building on the basis of seating area, basically. The owner of this business called me in as a witness when he got TasWater to come and have a look at it again. We had the discussion with the assessors and tried to explain to them that you cannot do that, you cannot charge him both ways - and they maintain that they have been given permission by the regulator to do it.

We are not sure whether the regulator has made a mistake, or whether it is an interpretation by TasWater. It is quite wrong to charge twice in that way. They have had to

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pay that bill. It means that when the council owned the water side of it, that business paid \$300 combined sewerage and water. They are now paying \$3000, and when they comply, they have to put in a grease trap, and the maintenance charge on that in Deloraine is \$1000 a year for getting it pumped out four times. In effect, that will rise from \$300 to \$4000 in actual costs per year.

**CHAIR** - Malcolm, I am always mindful of time through these processes, and I really want to open it up for committee members to ask some questions. You obviously have a very fulsome submission, but is there anything else you would like to point us to?

**Mr EASTLEY** - Yes. I gave you a letter from the CEO which indicates the -

**CHAIR** - That was sent to the Honourable Rebecca White?

**Mr EASTLEY** - That is not really a private letter. Rebecca White tried to support the local businesses and was great in asking for an explanation. That is what came back from the CEO, just pointing out the problems with the manner that TasWater treats it.

First, I do not believe TasWater is meeting the legal requirements. You may know it better than I do, but they are required to - and this is on their own website - follow usual business procedure, and to also have a pricing structure which is competitive. It is simply not true. It is completely different from what happens in Melbourne, and that should be seen as the norm now. Those 5 million people in three areas in Melbourne, they run a similar sort of background way of looking at it. There is no such thing as parity, because different areas have different points of view. They do not meet their legal requirements to parliament to be competitive.

Second, there is a problem with the interest-free loans. At the first meeting we had when they were talking \$3000, they just decided to put in a scheme making \$10 000 available to businesses. That has since risen to \$60 000, and one I've seen gave no upper limit. Whatever it cost could be borrowed - this same sort of position that the Banking Royal Commission came to, with banks offering loans that people could not afford.

If somebody has to take out a \$60 000 loan because of their site specifics, they are paying back \$19 000 a year for four years to pay for that. It is completely over the top, when the actual cost to TasWater of dealing with that waste really is only a matter of adding enough water to dilute the thing, in the ordinary course of events. That is what ordinary councils would have done. If they got a batch of dirtier water than they were happy with, they would dilute it. You do not have to run around charging people ridiculous amounts of money.

The third thing you will notice is that, right from the outset, TasWater said that if one person has to have a grease trap, everyone does, because it is a financial disadvantage otherwise. That was always nonsense. If one person can put one in at \$5000, why would you expect somebody else to put one in at \$60 000 to be disadvantaged?

The second thing is that there is a great number of businesses in Tasmania that are in country towns, country areas that do not have sewerage. They have to have their own septic tanks. They do not have to deal with TasWater, so there is no such thing there.

**Mr DEAN** - Envirocycles are not that easy to deal with, I might add. It is not that cheap.

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**Mr EASTLEY** - No, they are not paying that ridiculous amount every year. It is killing the small businesses.

**CHAIR** - Members, any questions on what Malcolm has already provided? I want to go to another area we have not touched on, but I do not want to have members miss the opportunity.

**Mr DEAN** - Is Melbourne a good comparison, Malcolm? You refer to Melbourne a lot. We were given evidence to this committee earlier that TasWater probably has the greatest problem in this area of any place in the country. It manages, I think, 77 sewage plants, so TasWater has a big impost on it to manage all of these facilities. Melbourne is a greater population. I suspect things can be done differently there, so is that a good comparison?

**CHAIR** - Level one and level two - 77 level two, and 33 level one.

**Mr EASTLEY** - The difference there is that Melbourne pumps their waste a long way - down to Werribee is where one of the plants is, for example. A long way. In comparison, we treat it basically onsite, in every town, like from Deloraine and Westbury, et cetera. We could pump it through to Launceston if it was truly cheaper. What TasWater is saying is that the bigger plants are more efficient, and that is true, there is a saving there.

The other side of the coin is that they should add in that if you are going to do that as a comparison, you have to add the cost of pumping it a long way to the single plant. That is where we have the advantage. We are treating it onsite, doing away with the pumping costs. They are onsite, and they have already been established by councils. TasWater only has to manage them now, and if there was a genuine saving in what they are saying, they would close them down and pump it all through to Launceston.

**Mr DEAN** - In fairness to TasWater, they are managing facilities that really are old in many respects - old facilities requiring a lot of work, and this huge expense bringing these facilities up to a reasonable standard. Ti Tree Bend was a good example of that. It was just a question to you. I guess you have put the comparison figures to TasWater in Melbourne?

**Mr EASTLEY** - Yes, this was part of the discussion. At the last meeting, we did not understand that the leakage factor was a major problem, with the inflated volumes.

**Mr DEAN** - That is an interesting one. What did TasWater say to you in relation to the leakage issue of 30 per cent of their water?

**Mr EASTLEY** - We didn't get to discuss that particular thing. We knew it was too high, and we were talking to them in the way, 'How on earth did you arrive at a figure of 200?' They would not tell us. They would not give us a breakdown on what is the connection charge, and what is the per-litre treatment charge, which is the way they do it in Melbourne.

They just do not understand how they have done their own calculations, as far as I can see. They cannot break it down to that. Obviously, the only fair way to do this is to adopt a system based on the volume of the water used, the equivalent tenement charge. When we went through it with the example I have shown, where I was called as a witness, the assessment team explained it. They go through the business and count the porcelain. That is an error for a start.

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You can either have one toilet, two (male and female), three if it is a disabled, four if you have a staff toilet - so you have a problem there for a start.

You multiply by the floor area, which gives a seating capacity - and in this case they had used the satellite image of the roof line to give the floor area, which covered a four-car garage and everything else.

We could not understand why they did that. We thought that was vindictive. As it turned out, they were allowed to do that. It is in the regulator's guidelines.

It was quite comical. I asked one fellow, 'Who on earth was the fool who thought you could work out water content from the roof line, or the seating capacity?' He said, 'The same fool who designed the rest of the thing'.

We got that one sorted out, and they went back to actually measuring it, but that does not allow for COVID-19 seating or anything else.

If you move to a situation which I thoroughly recommend you suggest, it automatically covers everything. It covers seating capacity. All you have to do is work out the ratio of sewage to trade waste. In other words, what comes from the kitchen and what comes from the bathroom. That is covered in Victoria. They give three different options. You can do it by mutual consent between the owner; you can calculate it, which you would do if you did not have a water meter; and the third version is by measurement.

I have given you a water meter which I bought for \$23. I put it on the bench in front of TasWater and they jumped back. They won't have a bar of it. I cannot understand why. It is the obvious way to measure it. You put it in the line that goes to the bathroom or to the kitchen.  $X+Y=Z$ . You know exactly where the water is coming from, whether it is sewage or trade waste. They will not accept it. In fact, the technical manager of trade waste said, 'You would have to pump it and it would be in an inaccessible place'. I said it was just a water meter. Cut a loop into the poly-piping and mount it wherever you like. It does not have to be a pump. It is the obvious way to do it. I have given it to that particular business. He has not fitted it yet. Instead of that, they are measuring it by seating capacity from the roofline. It is ridiculous. That's what the comparison there is based on. A proper allocation of what is sewage and what is trade waste. It is a ridiculous figure they have come to. They have had to pay that. That is where it stands at the moment.

**CHAIR** - Thank you very much for that explanation. I would like to ask you about the opportunities for irrigation using partly treated wastewater. We do not have a lot of time left but I am interested. You have given us a couple of examples here to do our homework on. Tamworth and Dubbo wastewater shows the benefits. Being a girl from the country, I am always interested in how we can assist the rural sector.

**Mr EASTLEY** - There are two issues we put to them. One is, we have a lot of plants in country areas and are surrounded by agricultural land. Perth, Melbourne and plenty of other places use partly treated water as irrigation water. TasWater does too, in places. It improves the capacity of the treatment plants. In other words, you are getting the sewage out of the system quicker.

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It would be ideal for a situation like we have with Meander Valley at the moment where we have 1100 home sites at Hadspen ready to go in and TasWater cannot give the council an answer as to whether the treatment plant will cope or not, whether it has enough capacity. This is an ideal way to effectively increase capacity.

There is a second thing TasWater should be involved in. The Meander dam services the Meander Valley. Last year it reached its capacity. There was a problem of how much was available for farmers and how much was available for the town. If we could work out a system where farmers took water in the off-season into private storage, it increases the capacity of the dam but there is no one to talk to. It is a management problem. TasWater insists on treating itself as a single entity

**Mr DEAN** - An autonomous body?

**Mr EASTLEY** - Yes, exactly that and they are not really. They are in a different position to anyone else, any other company. They are not a company that should be making a profit. They are owned by the ratepayers and the ratepayers are their customers. Like when the councils owned it, TasWater should be in a break-even situation. If you are making a profit, you are charging too much.

The same with TasWater. They made \$41 million last year, \$20 million was put in by the government, \$10 million or thereabouts was given back as a dividend to the councils. It is just going around. The problem with the dividend is that it goes back to the councils and benefits the whole community. It is not paid for by the whole community. In our council we have all the country areas and towns like Mole Creek, Chudleigh, and so on, that don't have sewerage; they're on septic tanks. They don't contribute to that dividend coming back.

**CHAIR** - So you'd argue that it's not equitable?

**Mr EASTLEY** - It's not equitable. If they did away with the dividend and drew a line between TasWater and the councils it would be fair to say that the councils could replace that money with a slight increase in rates. It would save the town people from paying excessive sewerage rates, in particular small businesses which are hurt the most. They are paying 10 times what they used to pay.

**CHAIR** - Follow up questions, members? Sometimes, questions come after people have left the table, Malcolm. I'm sure you'll understand that as well as anything. We would be more than comfortable sending back to you any further questions that we have. We intend to do a northern hearing event so there may be an opportunity for us to get our head around the detail of what you provided. If we get some questions that come from that we'll be in touch.

**Mr DEAN** - Can I ask Malcolm a question that came out of the previous one with the Tasmanian Hospitality Association? They said the position of TasWater has changed significantly in the past 12 months or so, that they are much more conciliatory now, a much better organisation to work with, a much better organisation to talk to and to get things done. Have you noticed a similar change with the work that you've been doing with them?

**Mr EASTLEY** - In part, Ivan. It's been very patchy. We've had three managers of trade waste we've been trying to deal with. The second was quite good but she was removed from the position while we were trying to talk about the trial results. What we found later on from

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the later ones is that those people who were trying to find a middle position and be flexible no longer can. They were in the situation you've got with the letter there from the CEO.

The problem is there's no proper written evaluation process to go through. One of the people we spoke to, given permission to use their figures, is one of the bigger ones. It is Tall Timbers at Smithton. They have 67 accommodation units without cooking facilities. They have quite a good restaurant but with 67 lots of shower water, toilet water and so on, and a laundry that launders their sheets daily - their wastewater would be cleaner than any household - yet they've had to put in a \$34 000 grease trap and they have to pump that out monthly. There's \$3000 a year in that. It's only treating waste which the Smithton plant was perfectly capable of treating at no extra cost. It's just a volume issue.

There needs to be a proper evaluation process for Tasmanian conditions which mentions volume and oil content. At the moment it's just so confused. The people in charge of trade waste now have their hands tied because there's no proper reference to go to. The photograph I showed you with two different points of view from Hobart and Launceston is typical of that. It's untenable, that sort of nonsense going on.

**Mr DEAN** - Thanks for that, Malcolm, I appreciate that.

**CHAIR** - Thank you very much, Malcolm. We very much appreciate your travelling down from the north to be part of the first tranche of hearings that we're having. I look forward to catching up again soon.

**Mr EASTLEY** - Thank you all for the opportunity.

**THE WITNESS WITHDREW.**



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**Dr KATRENA STEPHENSON**, CHIEF EXECUTIVE OFFICER, AND **Mr DOUGLAS CHIPMAN**, LOCAL GOVERNMENT ASSOCIATION OF TASMANIA, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

**CHAIR** - I welcome you to these public hearings. Obviously you are old hands at this, if you like, or experienced hands, all evidence taken at the hearing is protected by parliamentary privilege and I remind you that any comments made outside of the hearing may not be afforded such privilege.

You have read the copy of the witness information that has been provided?

**WITNESSES** - Correct.

**CHAIR** - Thank you. Also it is being recorded and livestreamed. As soon as *Hansard* becomes available it will be put on the website as well. Thank you.

Our usual practice is that we give an opportunity for an overview. I am not sure who might be doing that. I am not surprised, it is Doug as the owners' representative. Thank you. Then we will go into some questions and I expect that we will finish around 3.30 p.m.

**Mr CHIPMAN** - Thank you, Chair. In the first instance we would like to thank you for the opportunity to meet with the select committee to discuss the operations of TasWater.

Our submission today is made jointly by me as the chief owners' representative and the LGAT CEO on behalf of the 29 council owners of TasWater, noting that some owners have made individual submissions. Where a council has made a direct submission to this committee any omission in our submission on specific comments made by those councils should not be viewed as a lack of support for those councils.

It should be noted that the TasWater constitution provides for the owners' representative to engage a secretariat and executive support to assist in performing its functions. LGAT has now been tasked by the members to provide that support and that secretariat.

The owners of TasWater have no direct responsibility for the operations of the corporation. In accordance with the Corporations Act all decisions relating to the operation of the corporation are to be made by or under the authority of the board. However, the shareholders' letter of expectation provides a vehicle for the owners to communicate and give guidance to the board regarding high level performance expectations and strategic priorities where these do not conflict with TasWater's legislative and regulatory responsibilities. The owners also appoint the chairman and directors of the board, and monitor the board's performance on an annual basis.

It is in the interest of all Tasmanians that their water and sewerage corporations operate on a sustainable basis. Prior to COVID-19, the Government, councils and TasWater, through the 2018 memorandum of understanding (MOU) were working to a sustainable, financial plan which involved capping prices at 3.5 per cent, while accelerating TasWater's capital program, and paying a steady stream of dividends to councils for addressing local government infrastructure.

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Councils and the TasWater board have rightly put the immediate needs of our communities first, supporting the state government via a COVID-19 price rebate, and a further price freeze for customers. However, there is a serious and material long-term financial consequence from COVID-19 that will need to be addressed in TasWater's next Price and Service Plan. Specifically, the capping of prices in Price and Service Plan No 4, needs to be revisited to allow the corporation to recover its long-term financial position and therefore deliver on its promises to customers and councils as owners. As a sector, we intend on engaging with TasWater, and the state government, on how we might jointly achieve this change for the benefit of all Tasmanians.

While the inability to pay dividends has certainly created some tension between the owners and the board, both parties enjoy a robust and professional relationship. This relationship was demonstrated most recently when the owners unanimously adopted the TasWater Corporate Plan 2021-25, following extensive discussions at its meeting in Launceston on 24 September 2020.

Both Katrena and I are happy to take any questions.

**CHAIR** - Thank you. Is there anything you would like to add, Katrena?

**Dr STEPHENSON** - Probably, I would just capture the four key themes that we had in our submission, at a high level.

We had a discussion at a general meeting with the council owners, and based on the feedback and based on that discussion, we identified four themes. They were that local government, as owners of TasWater, is important. We do have influence and we think it is still a strong model. We noted the effect of the dividend policy on council revenues. We have talked about the need in a post-COVID-19 environment to reconsider pricing, to ensure the long-term financial sustainability of TasWater. Finally, we touched on constraints around development and infrastructure expansion related to existing headworks policies, and the lack of a statewide headworks policy, and the work we are doing in that space.

**CHAIR** - Thank you. Can I jump straight to the corporate plan, thank you, Doug. You said that was ticked off on 24 September. Can you give the committee some indication of areas where the corporate plan didn't meet the expectations of council, or was it completely 100 per cent supported? Was anything missing?

**Mr CHIPMAN** - I mentioned we had extensive discussions, and we did. There were a number of questions raised. I guess, the key point of difference is in terms of dividend policy. The councils have taken a double whammy because of COVID-19.

**CHAIR** - They had provided a lot of relief already, to the community.

**Mr CHIPMAN** - The double whammy has been partly that - the relief that the councils have provided, in terms of rates relief, freezing the prices, and also, grants in quite a number of cases. There has already been a big hit to a lot of the councils. Some of the councils are highly dependent on the revenue from their dividends. Those dividends are a return on investment for assets previously owned. In the case of Brighton, 8 per cent of their annual revenue is made up of TasWater dividends. To lose that is a major impact. Many other councils have a significant contribution -

**CHAIR** -Between 3.5 per cent and 8 per cent.

**Mr CHIPMAN** - That is right. There has been a double-whammy. They have lost revenue from that point of view and they have also been very generous with their local communities.

**Dr STEPHENSON** - I guess the concern they have as a consequence of feeling that huge impact over COVID-19 is the vulnerability of their long-term financial plans. We do not know what the COVID-19 future looks like, we do not know what other emergencies might arise and if the dividends can disappear at any time, it makes it very hard in terms of the long-term financial planning.

They either have to disregard them entirely and see them as a bonus when they come, and then there are issues around that in terms of transparency, or they have to include them but then suddenly adapt their budgets when they disappear. They are really struggling to meet the many requirements around long-term financial planning and their sustainability in the face of having such a lack of certainty around the dividends.

**Mr DEAN** - Katrena, that is nothing new. The states and countries have had to do that, haven't they? Everybody has had to do that.

**Dr STEPHENSON** - Yes, but it is the second time for councils that dividends have been impacted. The first time was not in relation to COVID-19. There is not even a minimum -

**CHAIR** - There was direction?

**Dr STEPHENSON** - That was the board's decision in relation to working with the state government around the MOU. It makes it difficult to know how they should transition, when they should transition, particularly when there is pressure, in this case, to keep rates down. At COVID-19 it is zero. When it is not COVID-19 it is always trying to keep rates at CPI or below, which is not always realistic when you are trying to transition your financial plan, particularly if you've suddenly lost 8 per cent of your revenue.

**Mr CHIPMAN** - As part of the discussions, it was recognised that councils are unlikely to see a dividend for the coming financial year, depending on how long the COVID-19 crisis goes of course. That was noted by the owners, but that is the present projections.

There was a second issue raised by the owners that concerned the valuation of the company. Accounting methodologies varied. There was some concern that a recent decision to devalue the company might have been underestimating the money required to replenish ageing stock and look after depreciation. It was made clear to us that the depreciation model used is an accounting mechanism based on projected revenue.

**CHAIR** - That would have taken a fair bit to get your head around. It is not an easy one to really work through, is it? Choosing that model over this model, the two alternative models.

**Mr CHIPMAN** - That is right. There are procedures to follow by virtue of regulation and statutory requirements on companies in the way they value. The complexity for councils

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is that the value of their shareholding varied as well, which had an impact on their own balance sheets. So there was a flow-on effect concerning that along with reduced dividends.

**Mr DEAN** - I am going to ask a general question that relates to your membership base, the 29 councils. They are all members now, aren't they?

**Mr CHIPMAN** - Yes.

**Mr DEAN** - What are the issues that LGAT has brought to you related to TasWater in the last 12 to 18 months? What common issues are they working on or need to try to get results on?

**Mr CHIPMAN** - There have been a number. I will ask Katrena to expand on these. The two key ones are the ones I have spoken about: the dividends and the value of the company and the assets.

Councils have also been concerned that the corporation should operate as efficiently as it can. There has been feedback, for example, that the cost of the plant at King Island was excessive. The vernacular is 'gold plating' some of its projects. We have explored that with the board. I think the owners, by virtue that they adopted the corporate plan, recognise that what has been going on has been reasonable but they want to keep a focus on ensuring that the corporation remains efficient.

**Dr STEPHENSON** - I note that LGAT's role in supporting the owners is very new. In the last 12 months largely the focus has been in a post-COVID environment around dividends.

The other issues that have come up are that a number of our owners would like more detail in the financials. Doug mentioned there was concern around asset renewal and depreciation, which I think has been addressed.

I think there is still concern that the CDO has not reached its full potential. It is not delivering as anticipated yet. We certainly have some questions on that to take to our next meeting to see how that is proceeding.

**Mr CHIPMAN** - We have an AGM tomorrow in Launceston.

**Dr STEPHENSON** - And headworks issues. It is a bit tricky because there is probably -

**Mr DEAN** - Headworks was there when I was in council and that was about 10 years ago.

**Mr CHIPMAN** - We used to have headworks.

**Dr STEPHENSON** - We have not had them for a long time now.

**Mr CHIPMAN** - The state government as an initiative, I think it would be about five or six years ago -

**CHAIR** - It was 2014.

**Mr CHIPMAN** - decided to have a holiday from headworks. That was done with the best of intentions of making it easier for developers to get stuck into their projects and initiate economic activity. Developers are now finding it very hard to initiate projects because the risk is that if all the cost of new infrastructure, for example a connection to TasWater's pipelines or an increase in the size of connections, is borne by the first developer in an area then that developer is subsidising the other developers in the area. There is no capacity to share the load of that infrastructure. TasWater is very keen to ensure that we get a viable, workable headworks policy back again.

**Dr STEPHENSON** - We are the only state at the moment that does not have some form of headworks.

**Mr CHIPMAN** - My discussions with developers are that they understand the importance of headworks and they would like to see it come back as well.

**CHAIR** -But they do not want to be the first mover.

**Dr STEPHENSON** - Similarly, you cannot expect that TasWater bears that cost because then everyone is wearing the cost of a new development and not seeing the benefit.

**Mr DEAN** - You would like to see it come back where it was pre-2014?

**Mr CHIPMAN** - We want to see the policy back. With the benefit of hindsight and time there could be improvements made to it. I do not have any -

**Mr DEAN** - That was going to be my question, Doug. If you are looking back pre-2014, what improvements could be made on that system?

**Dr STEPHENSON** - The Local Government Association is currently doing a big piece of work around headworks, not just around TasWater. We have done a literature review of what goes on in other states where there has been recent legislative changes. We have a survey out with members at the moment. We are also getting feedback in relation to TasWater's PSP, because they have some options. Ideally we would like to see one statewide policy, so there is a consistent approach. We think LGAT can help lead that conversation, certainly from a local government perspective. You also need to engage with other GBEs and the like. It should be consistent. It does take a bit of engagement. We can lead it from a local government perspective, but we will want to work with state government down the track.

**Mr DEAN** - You will obviously come back to government, I suppose. Have you made that approach yet, or are doing it? Where is that at?

**Dr STEPHENSON** - No, we are doing the work first, and then we will use the Premier's Local Government Council as a vehicle to socialise some of that. At the same time, TasWater is also doing some work in this space in relation to PSP4, so we will try to bring all the disparate parts together.

**CHAIR** -Can I explore the CDO matter a little further? Even prior to the establishment of this committee, I personally had some representation around the CDO model and its delivery of projects. I can cite the one that I know - Flinders Island, which has gone nowhere - and others. What input has LGAT had from their member councils around the lack of action since

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the CDO model has been put in place? There has been significant overrun in projects, and some have had machinery taken to the island and brought back again, and nothing happened.

I am interested in what your understanding is, Doug, as the owner's rep, on behalf of your member councils?

**Mr CHIPMAN** - We're aware that the CDO has been an issue. We also convened a meeting recently at the CCF's request and listened to their concerns. As a result of that, we have some questions for the board tomorrow. I think there are three aspects to the CDO that really need to be understood. I speak as an owner, first -

**CHAIR** - So, you have taken off your board hat, and put your owner's hat on?

**Mr CHIPMAN** - I am not a member of the board of TasWater, but I am the chief owner's rep. I am also the representative for Clarence City Council.

It is my understanding that because TasWater was embarking on a very ambitious capital expansion program - look at the projects that were being lined up, for example bringing in the 24 Glasses campaign to ensure all Tasmanians were able to drink potable water, and also projects in the pipeline, for example Macquarie Point and the Launceston combined system - there was a massive new wave of capital works that had to be undertaken.

TasWater would be able to give you more detail on this than me. Several years ago, they recognised that their existing capacity to deliver an expanded capital program just wasn't embedded in the company. They had not inherited the resources for managing so much work, and they needed to do something about it.

They put together what they called the Capital Delivery Office, and it was recognised that they would have to import expertise to get that up and running and operational, and they have contracted some assistance to do that. The mere fact they had to contract in support to be able to deliver this and have this expertise has created some angst in the first place. There was that negative gradient right at the beginning - a negative perception.

Second, the procedures TasWater has had over the years that it inherited from the councils, from the regional water bodies. It has been a long time since there have been modern contract management processes, probably in Tasmania. I imagine some of the GBE's might have it, but there had to be an overhaul of procedures and processes within the way we go about our contracting, the way we go about analysing risk, and so on and so forth.

Once again, the chairman would be in a much better position to explain all this. I am giving an owner's perspective.

**CHAIR** - I was interested in what feedback you were receiving from your own account source.

**Mr CHIPMAN** - As a consequence of modernising their processes and contracting procedures - and maybe there hasn't been enough education with suppliers, but there has been some pushback from the suppliers who haven't understood or been properly briefed on these more modern procedures for contracting.

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The third point that needs to be recognised is that it's taken a couple of years to get the CDO up to speed. They had to start -

**CHAIR** - For them to understand Tasmania - would that be fair to say?

**Mr CHIPMAN** - No, the point I'm trying to make is that they had to get all their processes and everything up and running; they had to become established and get operational.

So, you start the CDO on day one, then they start planning their projects. Complicated sewerage and water projects take a finite time to do all that planning. So, while there was not a lot happening on the ground for the first year or two of the CDO, it's like a duck swimming on the water - it looks as though there's not much happening, but there's a lot of activity underneath, and there was. We are now starting to see a lot of projects, a lot of work, coming out of the CDO.

I think it's really important to understand that transition period, and what's been achieved, by actually developing this expertise in Tasmania to deliver these complex projects, to do the planning - and now we're starting to see the benefit of that.

Not all, but a lot of criticism of the CDO needs to be put into that context.

**CHAIR** - Interesting. I've had some evidence that projects that were already fully completed in planning and sent off to the CDO office were completely rejigged, and doubled the money - but that is something I'll follow up elsewhere.

**Mr CHIPMAN** - Those examples need to be followed up.

**CHAIR** - That's right, but I was interested in what your understanding was.

**Mr CHIPMAN** - And that is my understanding.

**CHAIR** - For instance, with Flinders Council - no concerns that people there are ready to go, and then on your way, and all the machines have gone, and we've done nothing? I find it really interesting that there hasn't been some information fed to the owner's rep with regard to that.

**Mr CHIPMAN** - I've been aware of the situation on King Island as well - but in terms of explaining what and why and so on and so forth, it is really a matter to take up with the chairman of the board, and in fact the CEO, I imagine. I don't have the technical competence or the detailed knowledge of those projects to be able to talk with any authority on those matters.

**CHAIR** - Katrena, you indicated you felt that the governance model that's in place is - forgive me if I don't use the right word - adequate?

**Dr STEPHENSON** - In terms of ownership, you mean?

**CHAIR** - Yes.

**Dr STEPHENSON** - I think a lot of the arguments we made about retaining local government ownership still hold true in terms of it is largely an apolitical model. It ensures local needs have a mechanism to be taken up, so it's not just the biggest, loudest people. There is, through the constitution and the shareholder's letter of expectation, the ability to influence TasWater through the makeup of the board, the chair, through analysing the corporate plan, the annual report, and so forth. So, I think it does provide a genuine community-based oversight, and I think that is important when we look at what can happen in other states.

**Mr CHIPMAN** - If I can just add to that. If you look at the model for TasWater, as opposed to the average GBE, local communities, through their councils, actually get to influence the strategic direction of TasWater, and influence the board. There are reports on a quarterly basis back to those local communities through their councils, and the amount of scrutiny that TasWater endures from that local input and local influence is on top of what a GBE would normally subject itself to through scrutiny, through the parliament, because, as we are here today, we appear at Estimates committees, and so on and so forth.

All the scrutiny that is on a GBE is on TasWater, plus this extra business scrutiny through the communities, via their councils. In that way, it is very robust. It means that local council representatives can participate in, for example, adopting a corporate plan, ask questions, and understand what is going on.

**Mr DEAN** - That was one of the concerns when we first set it up, in the structure we currently have. That was before the government became a part owner of TasWater. Was that our capacity and ability to look at TasWater and follow it through, and to check up on it?

**Mr CHIPMAN** - Can I just clarify, the owners don't have a representative on the board, and neither does the Tasmanian Government have a representative on the board.

The board is an independent, expert board appointed by the owners. I happen to chair the Board Selection Committee, and the Tasmanian Financial Corporation Chair, Mr Tony Ferrall, is also on the Board Selection Committee. Our job is to review the board's performance each year, and when a vacancy occurs, to fill that vacancy. In that sense, the owners, the local communities, as well the state government, through the councils determine the makeup of the board. At the moment, we have a male chair, we have three female members of board and three male members of the board.

**CHAIR** - The member for Launceston would be very pleased to hear about the gender balance.

**Mr CHIPMAN** - We also have a mix of expertise and we have three directors from interstate.

**Mr DEAN** - That brings me to a question, and I don't think you will answer it. The question has been raised. The position has been raised, and the member for Launceston is a good one here too. They see TasWater as being very heavy at the top end, and they see it as being a very costly organisation to run. Have LGAT and your membership ever brought up that issue?



**Mr CHIPMAN** - Absolutely we have. If you look at the cost of, and the operations, of TasWater, against comparable-sized water authorities right across the country, TasWater is incredibly competitive against those benchmarks.

**Dr STEPHENSON** - Which is particularly pertinent because the model is very different here. We have very distributed assets. We have more assets than most water corporations. The fact that they can deliver under that scenario. Population-wise there are similar sized ones, but not with these large dispersed assets, legacy assets, and so forth. That is important. The other thing is that there has been a genuine commitment around efficiency measures and that is incorporated within the budget, and the corporate plan, from memory, Doug.

I don't think they quite hit it under the COVID-19 scenario, but they had certainly made inroads. The owners do maintain an interest in seeing continuous improvement in terms of the operations.

**Mr DEAN** - In fairness to TasWater, your membership is fairly happy with the administration, the position, the setup, within TasWater, and the cost of running it?

**Mr CHIPMAN** - Look, the councils are very unified. I am not sure whether it is totally unanimous.

**Dr STEPHENSON** - No, it's not.

**Mr CHIPMAN** - Certainly there is a deep appreciation and understanding of the model we have at the moment, and we wouldn't want to see it changed.

**CHAIR** - What about the owners' rep being on the board?

**Mr CHIPMAN** - We fearlessly guard and admire the current model, whereby the board is made up of expert directors.

Because the company is structured under the Corporations Act, we are very similar, for example, to Qantas, Commonwealth Bank or Westpac whereby the shareholders get to elect a board, and the board get to run the business. The board also selects a CEO to conduct the operations on their behalf.

In every sense of the word TasWater, we are the shareholders. TasWater is structured under the Corporations Act and the board appoints the CEO.

**Ms LOVELL** - This question is probably a bit out of left field. I am happy if you are not able to answer it or not able to answer it now, that is fine.

An issue has come to our attention through another submission to the inquiry. I guess what I am looking for from you is whether you are aware of this being an issue or whether there is a view on it.

By way of background the submission that came to us described the situation where a person had purchased house and land, had applied for a development application to make some adjustments to that land and found out through that process that there are some TasWater sewerage pipes running through his land that was not recorded on the title. He followed that

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up through the minister and written to find out more about it and was advised that there is no legislative requirement for those assets to be recorded. Some councils do record them as customer practice but that essentially it is the purchaser of the land's responsibility to search TasWater records as well as council records to establish whether there are any of those assets on their land.

That was news to me. I have not come across that before. I am wondering whether that is an issue that you are aware of? Is that something that does come up with councils?

**Dr STEPHENSON** - I have not heard of that before. There are occasions where other matters are not apparent to a purchaser, a land slip being one. It is not required to be recorded on the 337 certificate. The council's obligations are around the 337 certificate.

We have had some advocacy from councils, which we are following up, to expand the remit of the 337. I have not had a particular example of TasWater assets raised. I would need to understand how easy or not that is to link in to 337s. It will be about the absence of that requirement because 337 is a statutory document. It will probably not be the only thing that has slipped through in the past in terms of really expecting the purchaser and their conveyancing lawyer to make sure that these things are known.

**Mr CHIPMAN** - I think normal practice these days would be that there would be an easement on the title. Clearly, this is a legacy issue if it did not have it.

**Ms LOVELL** - That is right. I believe so. Thank you. It has had some fairly significant impacts for him so I was curious to know how widespread that is.

**Dr STEPHENSON** - It has not been raised. It is the sort of thing that might get raised through our planning side of things. I have not heard of that one.

**Ms LOVELL** - Thank you. I appreciate that.

**CHAIR** - A question in relation to the third dot point on your submission around depoliticising the pricing of TasWater service. You did touch on it briefly, Doug, in your opening remarks.

Do you ever see an opportunity really? There will always be pressure on the organisation to hold the costs at what the community see as reasonable, given that the commitment was made a long time ago - I was here when it was made - that we will never see huge increases in water and sewerage costs in this state. A maximum of 10 per cent. We know that it is already around 15 per cent from when the organisation with three entities first started. Do you ever see that opportunity really?

**Mr CHIPMAN** - I think there is a point to make here that is really important. Some customers have had a price decrease in their price of water -

**CHAIR** - I think that would have been 15 per cent is the average.

**Mr CHIPMAN** - Okay, some have had a decrease. I accept that it is 15 per cent as an average. I cannot put my finger on the exact sense of what it should be at the moment.

The underlying principle surely must be that TasWater should be able to recover the cost of providing its services. If it is not, then it is going to be operating at a loss and will not be sustainable. The economic regulator, and I mentioned price and services plan No 4, periodically, it is three years at the moment but it may be going out to five years, reviews the price and service plan for TasWater, analyses the business models and works out what is a fair and reasonable price.

What is really important to understand is over the last few years, TasWater has not been able to charge the 3.5 per cent increase each year that was decided by the economic regulator. That means it is not receiving the income it needs to go about its business normally

**Dr STEPHENSON** - They had factored in the cap under the MOU but COVID-19 has thrown a huge spanner in the works because it has had such a significant financial impact. It seems to us that despite the MOU the PSP process provides an opportunity to reset and to put the organisation back on a sound financial footing.

The economic regulator has to take into account the impact on individuals. That is part of their submission. It is a long process and people make submissions. All the factors are weighed up, not only TasWater's needs but also the community's need. I feel that if there is that strong process, then we should be able to implement the outcome.

**Mr DEAN** - I hear what you say about the charges, that they have not been able to increase as they have wanted to. This concept that we are currently working with was sold to the public and to members of the parliament that the consumer would see lower prices or controlled prices. That has not been delivered.

If you talk to the community now, they are beside themselves with what they see as the increases in the costs for sewerage, water and infrastructure. They keep saying, they still get the same bill from the council for rates. On top of that now, they get an increasing account from TasWater. That is the position.

I am not quite sure how we go with this. The regulator is obviously watching all of this very closely, but it is a pretty sad situation.

**Mr CHIPMAN** - Different communities have different experiences in this. Under the council ownership model, a number of councils subsidised their rates by charging extra on the water and underwriting their rates using it. Other councils did it the other way around. There has been an equalisation in that regard.

TasWater has been going for nearly six years and 15 per cent over six years compounded is probably not an unreasonable expectation.

**Dr STEPHENSON** - It is important to remember, the first reforms started in 2007, when the first promises were made. In 2020, the environmental standards, the infrastructure standards and the development standards have changed significantly. Of course that is going to have an impact on costs. It is the same reason that when amalgamations of councils happened in other states, it does not reduce rates; what you are getting is a better service, better infrastructure and modern standards across the broader community.

You cannot unravel this, but to hold on to a promise made in 2007, 13 years later, does not make sense to me. We see it in waste, in all sorts of things, the standards we are having to deliver to, do push the costs up.

**Mr CHIPMAN** - It is hard to imagine, within that 15 per cent, we have had 28 towns in Tasmania now drinking potable water. We have had that 'glasses' campaign. All of that has been absorbed and developed. We have a new waste treatment plant at Kingborough, for example. It is hard to see a lot of these things would ever have happened under council ownership. Not only that, but to have achieved all of that within that 15 per cent, assuming the 15 per cent figure is right, over six years is quite an achievement.

**Mr DEAN** - I do not disagree with that. This is what a lot of the councils were saying, that we would be paying to bring these other councils up to a standard we already have.

**Mr CHIPMAN** - And that is an issue -

**Mr DEAN** - That is what has happened and that is an issue.

**Mr CHIPMAN** - Yes, it is.

**Dr STEPHENSON** - That is particularly an issue when there are no dividends because there were some that had much higher value assets.

**Mr DEAN** - I think it is going well but we have to try to get our constituents on side.

**Dr STEPHENSON** - It is fair to say, isn't it, Doug, that those councils that had very strong assets to begin with are probably the ones that feel most aggrieved around the dividend issues.

**CHAIR** - Any other questions, members? It was a very good submission. It is the first day of hearings. I am not sure how far we will get this year given that the parliament has a fairly heavy work schedule in front of us.

**Mr DEAN** - You partly answered it before but what is the position of local government and some of these councils that are so dependent on the dividend? What is the likely position if those dividends are not paid for another 12 months? How will we feel it?

**Mr CHIPMAN** - The council has three options. It can go into debt to cover the shortfall in revenue. It can cut its services. Or it can keep operating at a loss.

**Dr STEPHENSON** - Or to increase rates.

**Mr CHIPMAN** - Or increase rates, yes.

**Dr STEPHENSON** - Usually it is a combination of them.

**Mr DEAN** - You cannot continue to run at a loss because the Auditor-General might have a say in that.

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**Dr STEPHENSON** - The Auditor-General will clearly make allowances for the COVID-19 impact. There will be an expectation to start to return to more normal processes and outcomes. They are the levers.

**Mr DEAN** - Has your membership come to you and asked you to stand up on this? Have they said they need these dividends and what are you going to do for them?

**Mr CHIPMAN** - We have advocated to the board very strongly. The board is very understanding but the board has realities to face. The owners understand that COVID-19 has been the source of a lot of this problem. When I say double whammy financially as a result of COVID-19, Katrena touched on it as well, it has been a double hit. The dividends used to be \$30 million to councils. Under the MOU they dropped to \$20 million and now they have disappeared altogether for a short period of time. There has been a double whammy on the councils.

The disappointment, the anger in some cases, has been manifest. Understandably so. The situation that has drawn us into this is also understood, but it does not reduce the anger to some extent.

**Dr STEPHENSON** - One of the disappointments both from a council perspective around rates and around TasWater was - it is not a scenario we have been in before - taking a broadbrush approach to relief rather than a hardship-based approach to relief meant the impact was much higher. If it was applied on a hardship basis for rates and for TasWater remissions or capping it would be a narrower financial impact. Hindsight is a wonderful thing but we would not want to see these big broadbrush measures again because they are too far-reaching in their impact. You are not necessarily helping those most in need and you are reducing the pool of money available for recovery activity.

**Mr CHIPMAN** - It is such an important point. Because of the policy that was adopted by the GBEs as well as TasWater and some of the councils to provide relief across the board for small businesses, for example, some small businesses are doing better and they got relief as well. It does not make sense.

**CHAIR** - On page 3 of the submission, you talk about the establishment of an expert advisory group to support the chief owner representatives. From what I read that seems to be a fairly new arrangement - so in a couple of sentences, where are you with that?

**Mr CHIPMAN** - Thanks for the opportunity to explain that. Actually, the constitution of the company provides for the opportunity for the owners collectively to have a secretariat.

**CHAIR** - You mentioned that in the first part.

**Mr CHIPMAN** - LGAT has been tasked by its members to do that. In providing their service, the secretariat has commissioned an expert advisory group. I'll ask Katrena to speak to that, but the purpose of it is to enable the owners to engage in a more rigorous and intellectual way with the board on some of the many issues.

**CHAIR** - To know what questions to ask?

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**Mr CHIPMAN** - For example, we've just been through this exercise of having the corporate plan to look at. We now have the annual report to look at, and we can measure the performance in the annual report against the shareholder's letter of expectation.

**CHAIR** - You know they only ever put good things in annual reports, Doug. They don't ever put the bad things in. You've got to look for those.

**Mr CHIPMAN** - It's nice to have an expert advisory group. Katrena?

**Dr STEPHENSON** - There are a number of points of interface that the owners, under the shareholder letter of expectations, can do, but they require a fair bit of effort and expertise, and so we sought nominations for this expert advisory group. The advisory group can also commission work, so there's a work plan.

The first piece of work was to review the annual report against the shareholder letter of expectations, which we had to turn around quite quickly, because we'd only established the group about a week before it was due - but it will do things like undertake a review of the shareholder letter of expectations. It will look at developing the owner's inputs into the prices and services plan. It will review the corporate plan and provide advice to the board/owner group about where there might be concerns or questions that we need answered prior to their approval of some of those key points.

So, it's about building the capability of owners, generally, to understand and interrogate some of these key documents.

**CHAIR** - So we'll see that as a yearly line item in the financials?

**Dr STEPHENSON** - Eventually. At the moment it's unfunded, but it will be funded in the next budget by members in the LGAT budget.

**CHAIR** - I didn't expect the TasWater board would be funding that, so thank you.

**Dr STEPHENSON** - We may talk to them about that opportunity down the track.

**Mr CHIPMAN** - There is provision that they can offer support for the owner's secretariat, so that is something we'll be talking to them about.

**CHAIR** - Thank you so much. It's very much appreciated. I know we've stood in the way of the 'race that stops the nation', but this committee felt this was more important, so I hope you haven't missed out on anything.

**Dr STEPHENSON** - It's no fun this year anyway, because there's no fashions on the field.

**CHAIR** - On behalf of the committee, we'd particularly like to thank you both for coming along today. The submission is very detailed and much appreciated.

Katrena, we would particularly like to wish you all the best in your new role, and wherever we come across you -

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**Dr STEPHENSON** - I'll still be traipsing around local government, I'm sure.

**CHAIR** - I am sure you will. I know you have been a wonderful CEO for LGAT. I remember meeting you when I first came to this place.

**Dr STEPHENSON** - We won't talk about how long ago that was.

**CHAIR** - Your journey has certainly been an interesting one.

**Mr DEAN** - LGAT has done the right thing, in my view, in appointing your successor as well. It saves time and I think it needs to happen.

**Dr STEPHENSON** - A very wise GMC.

**CHAIR** - Thank you very much. We will stop the broadcast.

**THE WITNESSES WITHDREW.**