



PARLIAMENT OF TASMANIA

LEGISLATIVE COUNCIL SELECT COMMITTEE

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# GOVERNMENT BUSINESSES SCRUTINY COMMITTEE 'B' 2022

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## Report with Minutes of Proceedings

### Members of the Committee:

Hon Rosemary Armitage MLC (Deputy Chair)  
Hon Jane Howlett MLC  
Hon Tania Rattray MLC (Chair)  
Hon Rob Valentine MLC  
Hon Meg Webb MLC  
Hon Josh Willie MLC

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**LEGISLATIVE COUNCIL SELECT COMMITTEE  
GOVERNMENT BUSINESSES SCRUTINY COMMITTEE “B”**

**MINUTES**

**TUESDAY, 29 NOVEMBER 2022 AND WEDNESDAY 30 NOVEMBER 2022**

**TUESDAY, 29 NOVEMBER 2022**

The Committee met at 01:30 pm in Committee Room 1, Parliament House, Hobart.

**Present:**

*Ms Armitage* (Deputy Chair)

*Ms Howlett*

*Ms Rattray* (Chair)

*Mr Valentine*

*Ms Webb*

*Mr Willie*

**Apologies:**

*Nil*

**In Attendance:**

Mr Simon Scott (Co-Secretary)

Ms Julie Thompson (Co-Secretary)

**Confirmation of Minutes**

The Committee **RESOLVED** that the Minutes of the Meeting on Thursday, 27 October 2022 were and true and accurate record.

**Correspondence**

**Outwards**

The Committee **RESOLVED** to endorse the following outgoing correspondence:

1. Letters dated 1 and 2 November 2022 inviting written submissions/comments from relevant stakeholders.
2. Letters sent 1 November 2022 to relevant Ministers and Chairs providing meeting details for GBB hearings on Wednesday, 30 November 2022.
3. Email dated 16 November 2022 to Richard Ireland, Owners Representatives Group, TasWater providing meeting details for GBB hearings on Wednesday, 30 November 2022.
4. Letter dated 21 November 2022 to Dr Stephen Gumley AO, Chair, TasWater providing meeting details for GBB hearings on Wednesday, 30 November 2022.

### **Incoming**

The Committee **RESOLVED** to receive the following incoming correspondence

1. Letter dated 24 November 2022 from Dr Stephen Gumley AO, TasWater advising that Nick Burrows, Board Chair Audit and Risk Committee will be attending in his place.

### **Correspondence (Informal Stakeholders) (IN-CAMERA)**

The Committee **RESOLVED** to receive the incoming correspondence from stakeholders.

### **Stakeholder Meetings**

At 01:32 pm the Committee commenced informal discussions with stakeholders.

The meeting was suspended at 4:45 pm until 9:00 am on Wednesday, 30 November 2022 in Committee Room No. 2, Parliament House, Hobart.

## **WEDNESDAY, 30 NOVEMBER 2022**

The Committee met at 09:00 am in Committee Room 2, Parliament House, Hobart.

### **Present:**

*Ms Armitage* (Deputy Chair)

*Ms Howlett*

*Ms Rattray* (Chair)

*Mr Valentine*

*Ms Webb*

*Mr Willie*

### **Apologies:**

*Nil*

### **In Attendance:**

Mr Simon Scott (Co-Secretary)

Ms Julie Thompson (Co-Secretary)

### **AURORA ENERGY**

At 09:00 am the following witnesses appeared before the Committee:

Hon Guy Barnett MP	Minister for Energy and Renewables
Mary O’Kane	Chair
Nigel Clark	Chief Executive Officer
Jane Chisolm	Chief Financial Officer
Andrew Crozier	Chief Digital and Product Officer
Alistair Burke	Acting Chief Customer Officer

Minister Ferguson and Ms Kane provided a brief overview and the Committee proceeded to questions.

### **Question on Notice**

1. How many customers did not receive a bill when they should have and how many received two bills at the same time? (JW)

The witnesses withdrew at 11:00 am

The Committee suspended at 11:01 am

The Committee resumed at 11:18 am

### **TASMANIAN WATER AND SEWERAGE CORPORATION**

At 11:18 am the following witnesses appeared before the Committee:

#### **Owners Representatives Group**

Richard Ireland                      Councillor, West Tamar Council

Ben Morris                              Director Sector Services, LGAT

Mr Ireland provided a brief overview and the Committee proceeded to questions.

### **Questions on Notice**

Nil

The witnesses withdrew at 11:45 am.

The Committee suspended at 11:45 am.

The Committee resumed at 12:00 noon.

### **Board and Executive**

Nick Burrows	Board Chair of Audit and Risk Committee
George Theo	Chief Executive Officer
Matt Derbyshire	General Manager Asset Management Services
Joanna Giannini	General Manager People, Culture and Safety
Kane Ingham	Chief Financial Officer
Fran Smith	Acting General Manager Governance & Assurance
Tony Willmott	General Manager Project Delivery

Mr Burrows and Mr Theo provided a brief overview and the Committee proceeded to questions.

### **Questions on Notice**

1. TasWater diverts a substantial volume of portable water to the Tas Irrigation South-eastern Irrigation Scheme (SEIS). In relation to this:
  - What volume of water was provided to the SEIS in 2021-22? (MW)
  - How much revenue did TasWater receive from Tas Irrigation for this water in 2021-22? (MW)
  - Did the revenue received cover the costs of treatment of the water provided to the SEIS? (MW)
2. Provide the number of public relations positions. (JW)
3. How many dry weather spills into the Tamar River in this financial year. (RA)

4. Provide updated funding costs or funding splits in relation to Macquarie Point Treatment Plant project (to be provided in-camera). (JW)

The witnesses withdrew at 1:04 pm

The Committee suspended at 1:04 pm

The Committee resumed at 02:00 pm

#### **TASRACING PTY LTD**

At 02:00 pm the following witnesses appeared before the Committee:

Hon Madeleine Ogilvie MP	Minister for Racing
Gene Phair	Chair – TasRacing Board
Andrew Jenkins	Acting Chief Executive Officer
Daron Heald	Chief Financial Officer

The Minister and Chair provided brief overviews and the Committee proceeded to questions.

#### **Question on Notice**

1. Define what unsuitable for rehoming means as there is a separate line for euthanised and behavioural problems - GAP. (RA)

The witnesses withdrew at 03:33 pm

The Committee suspended at 03:33 pm

The Committee resumed at 3:45 pm

#### **PORT ARTHUR HISTORIC MANAGEMENT SITE AUTHORITY**

At 3:45 pm the following witnesses appeared before the Committee:

Hon Madeleine Ogilvie MP	Minister for Heritage
Grant O'Brian	Chair – PAHSMA Board
Melinda Percival	Acting Chief Executive Officer
David Nelan	Chief Financial Officer
Sarah Jane Brazil	Director Conservation & Infrastructure

Minister Ogilvie and Chair provided a brief overview and the Committee proceeded to questions.

#### **Question on Notice**

1. Cascades Female Factory Historic Site – provide details as to whether energy efficiency at this site could be improved through the installation of solar panels. (JW)

The witnesses withdrew at 04:27 pm

The Committee suspended at 04:27 pm

The Committee resumed at 04:30 pm

## **TASMANIAN IRRIGATION PTY LTD**

At 04:30 pm the following witnesses appeared before the Committee:

Hon Jo Palmer MLC  
Samantha Hogg  
Andrew Kneebone  
James Hipwood

Minister for Primary Industries and Water  
Chair – Tasmanian Irrigation Pty Ltd Board  
Chief Executive Officer  
Chief Financial Officer

The Minister provided a brief overview and the Committee proceeded to questions.

### **Questions on Notice**

1. Provide details for each scheme so far developed, the finalised capital cost and the capital cost contributed by irrigators via the purchase of irrigation entitlements. Can this information be provided on both a per megalitre basis and a total for each scheme. (RV)
2. Identify what proportion of irrigation entitlements, in total and within each scheme, are held by individuals and companies which do not have any direct investment in agriculture within the scheme area. (RV)
3. Farm Water Access Plans – please provide an explanation as to why Farm WAPs are not available in the public domain in some form? (MW)

The witnesses withdrew at 05:30 pm

The Committee suspended at 05:30 pm

The Committee resumed at 05:31 pm.

The Committee **AGREED** that responses to questions on notice be due close of business, Thursday, 8 December 2022.

The Committee **AGREED** that the Committee next meet at 08:30 am on Thursday, 15 December 2022 and the Report be presented out-of-session to the President on or before Friday, 16 December 2022.

### **Adjournment**

At 05:38 pm the Committee adjourned.

**DATE:**

**15/12/2022**

**CONFIRMED**



**CHAIR**

## **APPENDIX – TRANSCRIPTS OF PROCEEDINGS**





# **PARLIAMENT OF TASMANIA**

## **TRANSCRIPT**

### **LEGISLATIVE COUNCIL**

### **GOVERNMENT BUSINESS SCRUTINY COMMITTEE B**

**Aurora Energy Pty Ltd**

**Wednesday 30 November 2022**

### **MEMBERS**

Hon Rosemary Armitage MLC (Deputy Chair)

Hon Jane Howlett MLC

Hon Tania Rattray MLC (Chair)

Hon Rob Valentine MLC

Hon Meg Webb MLC

Hon Josh Willie MLC

## **WITNESSES IN ATTENDANCE**

**Hon. Guy Barnett MP**, Minister for State Development, Construction and Housing, Minister for Energy and Renewables, Minister for Veterans Affairs.

**Ms Mary O’Kane**, Chair

**Mr Nigel Clark**, Chief Executive Officer

**Mr James Chisholm**, Chief Financial Officer

**Mr Andrew Crozier**, Chief Digital and Product Officer

**Mr Alistair Burke**, Acting Chief Customer Officer

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**The committee met at 8.59 a.m.**

**CHAIR** (Ms Rattray) - Minister, I would like to welcome you here as your portfolio responsibility for Aurora. We have at the table, starting on my right, Meg Webb MLC, Jane Howlett MLC, Rosemary Armitage MLC, Tania Rattray as the Chair, Rob Valentine MLC and Josh Willie MLC. Our secretariat support is with us as well. Thank you.

Minister, we'd like you to introduce your team at the table and we'd also invite you to make an opening statement.

**Mr BARNETT** - Thank you, Madam Chair and members of the committee. It's a pleasure and honour to be here for Aurora Energy GBE scrutiny hearings. I'd like to welcome Prof. Mary O'Kane on my left, and I know she's familiar to many of you around the table and I'm very grateful for her leadership over many years with Aurora Energy. Likewise, to the new CEO, Nigel Clark, who's had vast experience on the mainland at Momentum Energy in New Zealand for six years and much experience across the energy landscape. We're very grateful that Nigel's been able to take up that role.

**CHAIR** - Welcome, and congratulations, and your first GBE scrutiny?

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

**CHAIR** - We will keep that in mind.

**Mr BARNETT** - This is a first. I want to put on record my thanks to Rebecca Kardos who many of you know as the former CEO. She did a great job for Aurora Energy as well.

Aurora plays a critical role in the Tasmanian Government's renewable energy plans. As a Government, we are committed to continuing to put downward pressure on electricity prices and to empower the people and businesses of Tasmania with the information and tools they need to save money by managing their energy usage and reduce their bills.

We have had tough times. The cost of living is a priority for Tasmanians, and we've responded to that in a targeted and comprehensive way with the Winter Energy Bill Buster payment - \$180. More than 94 000 Tasmanians benefited from that \$11.2 million investment from the taxpayers, and I'd like to acknowledge Aurora Energy in that regard.

On the 1 July this year, aurora+ has been available at no additional charge to customers. It's an important initiative to help Tasmanians save money on their energy usage and reduce bill shock. Likewise, I'm pleased to announce today that some 50 000 Tasmanians are now taking advantage of the aurora+ - an increase from 34 000 in June, which is a terrific milestone. I'm also pleased to announce that in the past month, Aurora has completed more than 50 per cent of the advanced meter rollout across the state for customers in Tasmania. It is significant progress on the Government's commitment to deliver meters to the state by 2026.

The Australian Government has indicated that it intends to announce plans to curb the volatility in the National Electricity Market before Christmas - quite possibly, next week. I want to stress today that it's important that Tasmania's energy policy needs to be informed

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and coordinated with the actions of the Australian Government to avoid duplication, confusion and unintended consequences such as fuelling inflationary pressures.

The Your Energy Support (YES) program - I know members around the table are very familiar with that. It's been very successful again this past year, providing affordable payment plans, tailoring energy saving advice and protection from disconnection.

In October, the Tasmanian independent regulator confirmed that Tasmania has the lowest, or amongst the lowest, regulated prices in the country. The Government continues to work with Aurora Energy to keep downward pressure on prices. I want to thank the team at Aurora Energy for a strong year helping to support the delivery of clean, reliable and affordable renewable energy.

**CHAIR** - Thank you, minister. You didn't introduce the rest of the people at the table so would you please do that? It's very useful for *Hansard* as well.

**Mr BARNETT** - Absolutely. I welcome, Nigel Clark; James Chisholm, the Chief Financial Officer; Alistair Burke, the Acting Chief Customer Officer; and Andrew Crozier, the Chief Digital and Product Officer.

**CHAIR** - That's a large title.

**Mr BARNETT** - Yes. We have some great minds at the table.

**CHAIR** - Thank you. Is there any way that you might be able to quieten your computer because if it dings for two hours - you're obviously a busy minister, but every email that comes in -

**Mr BARNETT** - We'll sort that out, Chair.

**CHAIR** - Thank you.

**Mr BARNETT** - I will pass to the Chair of Aurora Energy, Mary O'Kane.

**Prof. O'KANE** - I'm pleased to appear as the Chair of the Board of Aurora Energy. When we reflect on the year we've just been through, I'm proud of the way that Aurora has continued to support its customers and community and our staff in a time of great change and uncertainty.

I'm also proud of the ongoing resilience of our people and their unwavering commitment to provide Tasmanians with the assurance that Aurora Energy is reliable, affordable and we are investing in the state's future. The challenges of the pandemic are still being felt as we entered the last financial year. However, Aurora's efforts and passion to provide value to Tasmanians and invest in the state's future leaves us with a lot to celebrate.

That said, from a financial perspective, the volatility in the wholesale energy market has had impacts on how Aurora, as a retailer, met our commitment to the shareholders. We recorded an underlying net loss, before tax, of \$11.9 million, and a profit after tax of \$3 million.

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In a tough year also for our customers, we have also remained true to who we are, Tasmanians supporting Tasmanians. In 2021-22, Aurora, alongside the Tasmanian Government - and as noted by the minister - helped to keep bills down for Tasmanians on low incomes with continued contributions to the NILS Energy Saver Loan and Subsidy which provides subsidised access to energy efficient products, a really important initiative.

We also continue to assist residential and small business customers through, what we used to call our COVID-19 Customer Support Fund, recently renamed the Customer Support Fund as it has gone wider in its net. It includes providing more than \$400 000 in direct bill credits to assist over 850 local businesses in COVID-19-affected industries.

To encourage engagement with the Your Energy Support - the YES program - we extended the payments for the program covering one fortnightly payment each quarter up to \$200 for those keeping up with their scheduled payment plans.

We know there are challenging times still ahead for homes and businesses, given the current cost of living pressures, but as a proud Tasmanian owned and operated company, we have shown that we committed to doing what we can to help, however long it takes.

In these testing times, and amid so much change, I am pleased to report the business also managed to progress its strategy to provide better support to Tasmanians' experiences with purchasing energy. Aurora customers are benefiting from Aurora's ongoing investment in the development of new capabilities to empower customers to control and manage their energy use with several enhancements to aurora+, the service aurora+ delivered in 2021-22.

Importantly, the aurora+ service fee was removed as at 1 July 2022 to encourage more Tasmanians to control and manage their energy usage. We know that using aurora+ can reduce the impacts of bill shock and address energy affordability issues. You just heard that we have passed the 500 000 mark of people taking up aurora+ and we are very proud of that.

**CHAIR** - Is that 50 000?

**Prof. O'KANE** - Sorry, that's right. I am used to operating in another state. Thank you.

Internally, we have worked hard to support the wellbeing of our people. Our ongoing emphasis on employee wellbeing, supported by flexible ways of working between office and home, helped produce strong results across both our cultural engagement measures, most notably an average annual engagement score of 73 per cent.

As I indicated, our financial performance for 2021-22 was below expectation and we recognise that we, along with all Australian energy businesses, still face a period of heightened risk as energy markets enter a period of increasing wholesale prices, increased competition and greater uncertainty as the energy system transits to more renewables, less fossil fuels, as we as a nation tackle the challenge of climate change.

On the upside, however, 2021-22 saw positive movement on the onerous contract provision relating to Cattle Hill, as a result of material increases in the forward market prices and the forecast economic value that Aurora Energy could obtain from the product. Should market conditions continue, it is expected that the remaining years of the long-term contract

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will be reassessed - as in the money - and the onerous contract provision will no longer exist at 30 June 2023.

It's fair to say that change and uncertainty will continue to characterise our operating environment. However, we welcome the opportunities that inevitably arise from change and we know that to remain relevant to our Tasmanian customer base, and to be competitive in an increasingly competitive market, we must continue to keep a relentless focus on helping Tasmanians keep energy costs manageable. Thank you.

**CHAIR** - Thank you very much and I'll now invite Mr Willie to open the questioning.

**Mr WILLIE** - Thank you Chair. The first issue I would like to raise, minister, is one that I wrote to you about talking about bill shocks. It concerns the retail energy platform HubCX. Is it still the case that a third of your customers haven't been rolled into that system? What was the cause of that? Could you offer a bit more explanation about those issues?

**CHAIR** - You have had the heads-up on that question already.

**Mr BARNETT** - Yes. It is an operational matter for Aurora Energy. We are attempting to respond to the member. That is a matter for Aurora Energy. I will see if our new CEO or somebody at the table can assist with the details of that question.

**Mr CLARK** - We are well on the way to the HubCX transition. The majority of our small customers are now on HubCX. We have an end date of 30 June 2023 to be targeted complete in moving from two systems onto one system. But as far as the specifics on how many are left to transition over, Andrew Crozier would have the details, so we can cover that. However, we are well progressed.

**Mr WILLIE** - What has caused the delay for the third or so that -?

**Mr BARNETT** - Thanks very much for the question. I will pass back to the CEO.

**Mr CLARK** - I will let Andrew handle that. I would not phrase it as 'we are well delayed'. We are in a transition of a billing engine. They are always complex matters, and we have clear plans to deliver by 30 June next year. Andrew can cover the specifics of what remains, thanks Andrew.

**Mr CROZIER** - Thank you. The way that we have gone about this billing transformation, which is a highly complex project for any business, and not least an energy organisation, is that we have phased the migration of customers over time in order to try to reduce the potential impact on customers. We want to ensure that as we brought different customer cohorts across to the new system, we could identify if there were any customer experience impacts and would be able to resolve and remediate them quickly, and then move on to different of customers as we go.

There has never been any expectation, certainly from a delivery perspective, that we would move our customers across, in what would be termed as a 'big bang' migration, where all customers would be moved across at one go. Severe challenges that can come with doing that kind of thing, where you move everybody across, you can have severe issues. I have worked on a number of billing transformations across a number of industries and a number of

countries, and a number of those have gone about a 'big bang' approach. While that does allow you to get things done quickly, it can have quite severe impacts on customers because of the various different scenarios that you have with different customer groups.

Aurora decided a number of years ago to roll out their migration process, where we are bringing customers across over time, and as Nigel said, our intent is that we will have completed that process by the end of this financial year in June.

**Mr WILLIE** - Where I'm going with this, minister, you're well aware from my letter, I've had quite a number of constituents who didn't receive bills on time, and some received two bills at once. Can you outline how many didn't receive a bill, and how many received two bills at the same time?

**Mr BARNETT** - Thanks for the question. I will ask the CEO.

**Mr CLARK** - Andrew.

**Mr CROZIER** - Again, I would reference the fact that any project of this nature of moving customers from one billing platform to another billing platform is highly complex in nature and unfortunately, invariably, it involves some customer impacts. Over the past number of years, Aurora has worked really hard, and the approach that we have taken has been specifically designed in order to try to minimise and mitigate that kind of impact.

We can say that less than 5 per cent of our customers have had a material impact like you are describing for our bills. I know there have been other numbers quoted in the media, but those numbers absolutely were not true. We have identified where those customers have been impacted. We have been entirely proactive in communicating with them to let them know, and if any customer is financially disadvantaged in respect to receiving a couple of bills, or a bill being quite late, and therefore building up, there are programs in place, and the opportunities that we have been very proactive in working on to ensure that they are not financially disadvantaged. If they need to have an opportunity to break up their bill or for us to find a way for them to pay it off over time, then that is something that we absolutely would do.

We would do that regardless of whether we are in a migration situation, or we're just dealing with customers who are trying to pay down debt. As a Tasmanian-owned business, as a company where we are all Tasmanians, our primary focus is on ensuring that we are helping our fellow Tasmanians pay off their energy bills in an effective and efficient manner.

**Mr WILLIE** - Minister, how are you communicating with customers? I have had constituents who are quite distressed. They have received two bills at once, there is a big shock, they might be a pensioner or have limited means to address that bill. How are you communicating with them? Some who have appeared in my office haven't had a lot of communication.

**Mr BARNETT** - Thank you very much for the question. It is a good question. It is also an important response from Aurora Energy and likewise the Government. We encourage people to reach out to Aurora Energy. Aurora Energy have a YES program. They do a very good job, I have seen how they operate and they want to help, they want to assist. Andrew outlined that quite well in his earlier response. It is a really important part of the culture and

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ethos of Aurora Energy that they want to help Tasmanians and the customers to actually respond, to get on track, to respond to any queries and to try to deal with them.

I have seen it in action, personally, as a minister, on a number of occasions and likewise, I know that is part of the culture. Nigel, the CEO and/or Andrew might want to provide more information to that important policy and cultural position at Aurora Energy.

**CHAIR** - Can you also give us some indication of what 5 per cent in numbers looks like, ballpark figure, 5 per cent of what?

**Mr CROZIER** - As of this moment, we have migrated approximately 190 000 customers of our entire base, so the 5 per cent would really add to that. To be truthful, it can be quite difficult to identify exactly when there are issues related to migration, because all billings systems have issues to some extent all the time. The big number of customers who have been migrated who have had some kind of an issue over the migration period is 5 per cent, but a proportion of that potentially would have happened anyway, it is just the nature of the billing system being quite complex.

Specifically, to the communication and the question in that area is that whenever we identify that a customer has had any kind of impact, we are proactively emailing or communicating with them. We are using our channels, whether it's social media or other avenues through our call centre to ensure the customers are aware, if they do need any help or if there are any issues with their bills, that as soon as they reach out to us we are proactive in engaging them. If we know there has been an issue, that we will try and do everything we can to make sure it does not have any impact on them.

**Mr WILLIE** - I am reflecting the experience of constituents and it does not kind of marry up with what is being said on communication. They are in shock when they get double bills. I am seeking some clarity and transparency; how many customers are yet to roll over to HubCX and how many receive double bills?

**Mr CLARK** - We can certainly answer the question on how many remain to roll over.

**Mr CROZIER** - We have around 280 000 customers, and as mentioned we have migrated in the range of 190 000. We have around about 90 000 customers to migrate over the next 7 months.

**Mr WILLIE** - And the customers who received a double bill, specifically?

**Mr BARNETT** - I am not sure we have that, but we will check with the CEO and or Andrew, if you can?

**Mr CROZIER** - I do not have that, specifically.

**Mr CLARK** - We do not have that exact number.

**Mr WILLIE** - Could you take that on notice, minister?

**CHAIR** - Is that something you drill down into, actually put each complaint or inquiry into a certain box?



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**Mr CLARK** - Absolutely, we have a complaint handling process, there are very clear processes. Obviously, as you would imagine complaints come in the retail business for many different reasons, one would be potentially late bills or double bills and absolutely that process covers the customers feedback.

**CHAIR** - That data is available to the member?

**Mr CLARK** - As far as our complaints, yes, we have that complaint information.

**CHAIR** - We will make a note of that one.

**Mr WILLIE** - I have a couple of questions on the database, please. Minister, how much did the billing system cost, including the implementation costs? If I could add to that, who is providing the database? In the financial report it says it is classed as a service, Aurora does not own the database and if we could have some information about the costs and who is doing it?

**Mr CROZIER** - I question whether the actual cost of their implementation is commercial in confidence, if I am allowed down to that number I will. Specifically, the question as to who we are migrating to, our historic platform is an Oracle platform, what we have moved to, and what you have kind of described here is a software as a service platform provided by a company out of Melbourne called Hansen. Their product which you have referenced a couple of times is called Hub CX.

We are moving from Oracle, which is an on-premise platform to Hansen, which is a software as a service platform, specifically, because the vast majority of technology these days is moving to a service BS model where we physically do not need to own the system anymore. Therefore, for us, over time, there should be a number of benefits where, for example, it is that company's responsibility to ensure they are keeping that system up to date with whatever kind of new advancements may happen in technology, as well as the regulatory burden on us to have to make changes specifically to assist in what we own and maintain is reduced.

We have transitioned purposely three years ago away from an on-premise model to a software as a service model. The brand that was chosen three or four years ago in order to be the platform for that billing system is called Hansen and their product is HubCX.

**Mr WILLIE** - I understand the commercial in confidence sensitivities, minister, but this is a government-owned entity. We should be able to know a rough cost of what the new data base is costing.

**Mr BARNETT** - There are different reasons for commercial in confidence, but that is a matter for Aurora Energy. I will see if the CEO, Andrew, can add to that answer. If you need to check it then you should feel to check it and we might be able to respond by 11.00 a.m.

**CHAIR** - We can come back to that if you need to have a conversation.

**Mr BARNETT** - I will check with the CEO, Andrew.

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**Mr CLARK** - Our concern would be commercial in confidence. It is a contractual arrangement and it would not be something we would air publicly because of the nature of the contract.

**Mr WILLIE** - We have seen a number of data breaches with large companies, minister. What confidence do you have with this new service provider that they can keep Tasmanian customers' data safe?

**Mr BARNETT** - You have asked a good question that applies across government in terms of cybersecurity. Keeping information safe, certainly as a government, that is an important matter for us across government. Those matters have been discussed at the highest level. In terms of the specifics for Aurora Energy, I will pass to the CEO.

**CHAIR** - The fine is pretty excessive now after some federal legislation.

**Mr CLARK** - We have a rigorous cybersecurity program and I will get Andrew to elaborate a little bit further. Certainly, the recent events have reminded every enterprise as to the thoroughness of your program. We have a thorough program both covering on-premise and on-site systems, but also external providers such as Hansen as per your question. Andrew, would you like to add some more colours to the nature of a full cyber program that we take very seriously?

**Mr CROZIER** - First of all, it is our responsibility to make sure all our vendors are technically competent when it comes to cyber. Hansen would be vetted along with every other vendor we choose to work with that touches customer or business information. As Nigel has indicated, we do have a rigorous and robust process on how we manage cyber. To be frank, the threat and the danger associated with cyber is something which is growing as we have all seen over the past number of months and years.

Some of the activities Aurora undertakes are, for example, we have our own dedicated cybersecurity leads employed by the business who are trained and qualified to the highest standards in respect to dealing with issues. We have various forms of software in defence in place in order to monitor potential threats and actions and to be able to qualify them, based on what might come through, in order for us to be able to respond. Whenever we do any activity with any third-party vendor we go through rigorous security testing of their platforms of their capabilities, to understand their policies and processes and to ensure they match back to the level of capability and quality that would be required by Aurora. That is a fundamental part of any of our technology processes, whether it is for the billing system or any other.

Cybersecurity, as the person whose responsibility for technology lies with me, is the thing that keeps me up late at night. It is an increasing threat, as we have seen; however, at Aurora we take it incredibly seriously. We understand the impact, the danger it could have and the importance of the information we hold. We pride ourselves in having the highest level of process and rigour ensuring that we are doing everything we possibly can to keep the business and customer information safe.

**Mr BARNETT** - Can I add to that, because it is a really important question, it is important to Government. This is a matter for the board as well as an operational matter. So, to the chair, on cybersecurity and the importance of it.

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**Ms O'KANE** - It is a very important matter with the board. It is discussed quite frequently there. We have of course, the board audit risk and compliance committee. It is a regular topic there. We are audited - we have our auditors and we are externally audited by the Auditor-General. We discuss all of those matters with him.

We do take it seriously. We are concerned about the future. We are vigilant. And we try to keep ourselves educated. We have partnered with the Joint Cyber Security Centre to ensure we are up to date on what the issues are, and what new issues are coming on to the table. However, I am concerned that it will be something we will increasingly face over the next few years.

**Mr WILLIE** - My final question - is the database rollout on time and on budget? I know you can't answer the cost, because it is commercial in confidence, but it is on budget and on time?

**Mr BARNETT** - I will pass on to the CEO; but my understanding is that through to 30 June next year, in terms of the roll out, and that is the plan.

**CHAIR** - Seven months to go.

**Mr BARNETT** - That is right. I will pass this to the CEO and/or Andrew.

**Mr CLARK** - As far as timing, 30 June is the baseline projection time for us to complete the project. So, as we sit here today, that is our firm timing working with Hansen. As far as the budget - approved by the board - the project currently sits within that budget, yes.

**CHAIR** - Thank you.

**Ms ARMITAGE** - The member for Elwick mentioned some of the issues that happened with the rollout. What other teething problems did you have with the rollout, apart from the ones that were mentioned?

**Mr BARNETT** - Thanks for the question and again back to you, Andrew.

**Mr CLARK** - It is probably best for Andrew to respond.

**Mr CROZIER** - I go back to the fact that what we have effectively entirely replaced the core technology on which our business is based. Fundamentally, as an energy retailer, we are here to collect money on behalf of the energy system. In order to do that we use a billing system; and although this is my first job working in energy, I have been here for three years, and it surprises me every day the level of complexity that exists in that space.

**CHAIR** - Try our job sometime.

**Mr CROZIER** - The Oracle system has been there for ten years or more, and when we left it and moved that across, almost everything has to be replaced and rebuilt. Therefore, there are a number of areas where you will see challenges. Rebuilding and renewing your operational processes which sit underneath the billing system is something we had to monitor and ensure.

Training staff on how to use an entirely new system, whenever they have become very used to and comfortable with the platform over very many years, causes a number of different challenges.

The billing system is integrated to almost everything else we do. So, whenever you move it and lift it, invariably, all the other things that we touch have to be changed or adjusted. We have a program, we have been very diligent and rigorous as we move, trying to identify the challenges and impacts that flow out of the system.

That is one of the reasons why we have chosen to do it over a period of time, rather than doing it in what is a traditional big bang approach. There have been a number of small operational changes or impacts on staff understanding and knowledge which we have been close to try to pick up and adjust, but I would probably struggle to give you any specific examples that weren't too detailed.

**Ms ARMITAGE** - To follow up, minister, with regard to staff. How has that affected your staff? Have you had staff going on stress leave with the number of calls they have been getting and difficulties dropping calls, because they have not have been able to manage them, when they have been coming in and they have had no breaks between calls?

Has that strongly impacted on staff? How have you dealt with that?

**Mr BARNETT** - Thanks for the question.

**Mr CLARK** - We have two groups of staff, if you like. There are new staff who have only ever known the Hub system, so, they are delighted with the system and they are operating within that system.

We then have staff that cross over the two systems, so they have the CCMB -the old system- and the new. Are they stressed? Look, certain people in a business get stressed every time you do a billing system transition, because as it was explained by Andrew, not everything works perfectly on day one.

**Ms ARMITAGE** - Have you had an increase of workers compensation or people going on stress leave?

**Mr CLARK** - No. As far as our core processes, the way we run the call centre, the rostering of staff, and all those processes, they have carried on per normal. So, no, we have not had an increase in stress or staff leave, or the like. Most of our new staff are very excited about the functionality of HubCX.

**Ms WEBB** - I wanted to come back to follow up on some questions from the member for Elwick around the transition and the impact on customers, to clarify a couple of things. You mentioned the five per cent of the 190, I take it. So, just shy of 10 000 customers who have had some form of blip, as that transition occurred, which would be understandable with a big, new system. Included in that five per cent would be people who have been double-billed?

**Mr BARNETT** - Thank you. I will put that question as an operational matter to the CEO and/or Andrew, perhaps, to outline an answer to that question.

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**CHAIR** - We had a significant outline to that question earlier.

**Ms WEBB** - No, we don't need an outline, it is a straightforward question.

**Mr BARNETT** - Just to respond to the question.

**Ms WEBB** - Double bills, and they are included in that five per cent?

**Mr CLARK** - I will actually get Alistair to respond, which will in part answer your question raised earlier about complaints and that goes to double bills.

**Mr BURKE** - Thank you. In terms of double bills, the issue that arises sometimes is that customer bills can be delayed. That is ultimately the issue, rather than double-billing. I think that the correct way to frame it is that sometimes customers might get a bill delayed, which then flows into a subsequent bill. It is actually very hard to get a specific number around a concept of double-billing, because it is very dependent on individual customers and their individual billing cycles.

What we can talk to, is the number of customers who have reached out to us with a direct issue around this, which we categorise as a complaint relating to billing and late bills. We also cast the net quite wide in terms of how we define a complaint, to make sure that we're getting a full range of customer views around these types of issues so that we know where the pain points are and we can take appropriate action.

In terms of complaints for the prior financial year around delayed bills, which talks to this issue, there were just over 1400 complaints out of 280 000 customers. That represents about 16 per cent of all complaints related to delayed bills. Quite a small number in terms of the overall customer base. That being said, we do acknowledge that any time a customer receives bills in compressed time frames, that creates challenges and contributes to customers coming up with challenges to pay. As Andrew alluded to earlier, we really encourage any customers who do feel that they have impacted by billing migration, or have had bills that are too close together, to reach out and talk to us, because we do have a number of options and ways that we can support customers in that scenario to help mitigate the impacts that they are facing.

**Ms WEBB** - Thank you. To be clear, 1400 through your complaints system that were related to late, what we call double bills, but, delayed bills? As a result of the transition - that is part of the 9500 or so - that is the five per cent you indicated were being impacted.

Earlier in the answers, the implication was that having identified that people were being impacted, Aurora was reaching out proactively, not waiting for complaints. In terms of reaching proactively, did you reach proactively to the 9500, the five per cent, or was that identified through complaints?

**Mr BURKE** - We definitely try to keep track of any customers who might have their bill currently delayed. Obviously, we can then proactively reach out to them. The challenge with the migration, their complexity, sometimes, is that it can be difficult to actually clear some of the errors that are causing the bill to not be sent out. We endeavour to track any customers that haven't had their bill when they should have, and we have been sending proactive

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communications out to those customers. That might be by email, SMS as well, depending on what the customer's preference is in terms of their communication.

We absolutely endeavour to reach out to any customers who we've identified have not received their bill, and proactively let them know, and also encourage them to call us directly to address any of those issues. Naturally, we also have the complaint process at the other side, as a reactive measure to try to identify any things we may have missed proactively.

**Ms WEBB** - The proactive number that you reached out to in terms of delayed bills was what number?

**CHAIR** - Would you have that detail?

**Mr BURKE** - Obviously over the course of a 12-month period, different customers might be impacted at different times. We would do regular communications every so often, whether it be on a monthly basis to the group of customers we identify are impacted at that period of time; so it's very difficult to pull out the data that says we sent 'x' amount of emails or SMS's throughout the year.

**Ms WEBB** - My final one on that is in terms of any articulation across the YES program. In terms of customers impacted by blips like delayed bills as part of the transition, how many customers may have entered the YES program because of that transition process? Do you have that figure available?

**Mr BARNETT** - Thanks for the question.

**Mr BURKE** - We don't track. There's a range of reasons why customers might enter our YES program and we make sure that we try to identify any of those triggers. One of them might be customers having challenges paying their bill. However, it's important to highlight that the migration itself might not be the sole reason why customers are having challenges paying their bill; so we don't track that measure specifically but we do make sure that we have those handover points. If any customer complaint comes in, for example, and we identify that that customer might have challenges paying their bill, we will make sure that we have that arrangement to pass them on to our dedicated YES team and then we'll work with the customer around the different options and support we can provide.

**Ms WEBB** - Was there an observed increase in the YES program participants around the time of the transition? I'm trying to see if there was anecdotal evidence - even if you don't collect the data in terms of entering to the YES program - identifying transition as a trigger point. Was there a way that you can observe whether you think that had an impact?

**CHAIR** - Perhaps that information went back to the board? I would expect that it probably did.

**Mr BARNETT** - Let's ask the CEO to answer the question.

**Mr CLARK** - Yes, I can answer that question - there was no discernible increase in people entering the YES program through our system transition.

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**Ms HOWLETT** - Minister, can you inform the committee how Aurora Energy is helping customers who may be experiencing family and domestic violence and require additional support?

**Mr BARNETT** - Thank you for the question. As a government, we take this very seriously as does Aurora Energy. I know Aurora Energy will have more to say about this shortly because they're getting feedback from stakeholders.

Aurora Energy meets with customer advocates such as Anglicare and Council on the Ageing. Over the past year, that's helped inform the development of family violence and domestic violence policy and support for customers impacted in these types of situations. It's very important.

In late 2021, Aurora Energy started the journey of creating a policy and I'm pleased to announce that it was approved last month, in October this year. It's designed to support customers experiencing domestic violence, including family violence and elder abuse, resulting in energy affordability issues. They've committed to that, including training that will be rolled out to frontline staff, including how to identify customers experiencing family violence and domestic violence and the treatment of immediate scenarios.

Aurora Energy's family violence policy has been developed independent from and in advance of the work undertaken by the Australian Energy Market Commission, which is intended to come into effect in May next year. This was raised at the Energy Ministers' meeting a couple of months ago and will, no doubt, be raised again in advance of May next year. It's an important issue across Australia but Aurora Energy is ahead of the game. I will pass to the CEO to add to that answer.

**Mr CLARK** - A lot of work has been done in the last year, building towards the release. We have recently taken it to the board and had approval. Aurora recognises that this is an issue in the community. We hold valuable customer information, so to have the safeguards and protections for people who find themselves in such a situation is crucial, and we are pleased that we have got to this point of the policy release.

**Mr VALENTINE** - In opening statements, mention was made of the Cattle Hill power purchase agreement. In the figures that were looked at, the liability for that is about \$28 million over a decade. Explain to us what the benefit is to Tasmanians through Aurora making those sorts of purchases with such losses involved? Some would say it is a handout to private enterprise of about \$5 million a year. Can you explain the machinations on that and the rationale? People would be interested in hearing that.

**CHAIR** - The member is interested, and his team.

**Mr BARNETT** - Yes of course. I will pass to the chair in a moment because it is an important matter that did have to be considered by the board and its policy position. Obviously a very important matter for Aurora Energy which has improved and will continue to improve. It is a position likewise for the Government to support more renewable energy in Tasmania and to improve energy security. On the back of 2015-16 you will remember energy security was a challenge for, not just the Government, but for the state after the Basslink outage.

**CHAIR** - It would be fair to say it was a debacle.

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**Mr BARNETT** - It was a very challenging time for all of us, not just in Government and Aurora, but across the board. Energy security is a top priority. We have now two new wind farms, as you know, Cattle Hill and Granville Harbour. That has improved our energy security in addition to our hydro storages. In terms of the details, I will pass to the chair to add to that.

**Prof. O'KANE** - Thank you minister. You have really touched all the policy points that are relevant to it. Obviously, like many renewable energy projects it had a bumpy ride through, where we will see longer term benefits in the energy security and in the energy mix. In terms of the detail and how we are coming out of the onerous phase, I will pass to our CFO.

**Mr CHISHOLM** - The contract we have in place is there to meet our obligations under the renewable energy trading scheme. That contract was entered in to back in about 2018-19. Subsequent to that contract being struck, the forward prices on large scale generation certificates dropped. That is what caused that initial recognition of the onerous contract. Subsequent to that, that onerous provision has been unwinding as we have seen LGC prices lift. Most recently in the current financial results we have seen that lift by \$13 million. The onerous provision carried in the balance sheet at the end of the last financial year is \$6 million, and based on current forward prices -

**Mr VALENTINE** - It has gone from \$28.851 million down to six?

**Mr CHISHOLM** - And we expect it to be zero at the end of this year.

**Mr BARNETT** - Thank you for the question, I will pass to the CEO.

**CHAIR** - \$6.8 million to be exact. That is closer to seven than it is to six.

**Mr CHISHOLM** - \$6.8 million and we expect it to be zero at the end of the financial year.

**Mr VALENTINE** - What obligations do we have with renewable energy certificates? Can you explain that to us? Why Aurora has obligations in that regard?

**Mr CHISHOLM** - Well, there is a renewable energy trading scheme that is federal legislation. Every retailer has these obligations.

**Mr VALENTINE** - Every retailer has that obligation?

**Mr CHISHOLM** - Yes.

**Mr VALENTINE** - Okay. Thank you.

**Mr BARNETT** - To add to the answer, the CEO would like to add.

**Mr CLARK** - To add further, there are actually two schemes we comply with as well. There are LGCs and there are RETs which have been long established schemes federally that we have to comply with. That is why you have forward purchases, so we can try to bring them best price points for our consumers.



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**Mr VALENTINE** - This was considered the best way to achieve that?

**CHAIR** - At the time.

**Mr BARNETT** - At the time, yes.

**Mr VALENTINE** - Or a way with fewer other options.

**CHAIR** - We have a supplementary on this one, Ms Webb?

**Ms WEBB** - The federal government was reviewing the RETs. Did Aurora make a submission or get involved in that review at all?

**Mr BARNETT** - I do not recall Aurora making a submission. That sort of review would be from the Tasmanian Government. I will check with the CEO, however, if that is okay?

**Mr CLARK** - No, we did not make a submission.

**Ms WEBB** - Okay, thank you.

**CHAIR** - Mr Valentine, and then I am going to start moving around, two questions each so everyone gets a fair go.

**Mr VALENTINE** - 14 questions are not going to go far, are they?

**CHAIR** - I will come back to you.

**Mr VALENTINE** - Profit before tax is improved from the negative \$7.7 million in the 2019-20 noted in the 2021 report, to \$4.3 million in 2021-22, in this year's report. In the last twelve months, it has fallen by 84 per cent. Can you explain the turnaround in profit in 2021-22, when compared to the performance achieved in this year's report?

**Mr BARNETT** - It is set in the annual report and in terms of the answer to that question, it is probably best, for the Chief Financial Officer, unless the CEO, wants to.

**Mr VALENTINE** - To go from \$27 million down to \$4.3 million is a significant drop.

**Mr CHISHOLM** - The key driver of that change has been the results we have seen in the market of the last quarter of the year, through the high wholesale prices, the volatility we saw through the last quarter has had a significant impact on our financial results.

**Mr VALENTINE** - What is happening to turn that into a more positive story?

**Mr CLARK** - There is a combination of things, obviously, the last quarter of the last financial year was quite extraordinary. You would recall how the forward price and spot price escalated rapidly, you then had the intervention of EMO directing in the market. It was quite an extraordinary circumstances. For us to ensure Aurora is on a sound financial footing, we have risk management policies, approved with the board which looks after the wholesale hedging. We have arrangements through the mechanisms in Tasmania, where we can hedge our regulated base, which is the majority of our customers.

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Protecting the wholesale risks in the business is paramount and we have strong policies to do that. We also maintain very tight cost control, the way that we run the business. As you know, we make up close to only 12-13 per cent of the overall bills, the part we can impact is on the smaller part. We take very consciously to run as efficiently as we can to lower those costs that make up Auroras cost to serve. We believe those foundations are what will see us return to a more profitable number than the prior year.

**Mr VALENTINE** - Can I add a corollary question to that?

**CHAIR** - As long as it is not the one I am going to ask.

**Mr VALENTINE** - It noted that the money market revenue over the same period, this is the period 2019-20 to 2021, there was \$547 000, it declined from \$547 000 to just \$21 000. Can explain the fall in the money market revenue and what impact that is going to have on Aurora?

**CHAIR** - You probably need to go to the other end of the table

**Mr CHISHOLM** - Clarification on money market.

**Mr VALENTINE** - It is coming from note B1(a) on page 51 in last year's annual report, I can give you last year's annual report if you want.

**CHAIR** - While you are finding that question, mine was about the more competition in the market, is that affecting the revenue of the business?

**Mr BARNETT** - Again, this is a question best for the chair or the CEO, they might want to add we have now six retail electricity providers in Tasmania. This is a significant increase to what we have had, competition is definitely increased. I am not sure if the chair might want to add something.

**Prof. O'KANE** - Competition has increased and we are focusing very heavily on it. It is not having a big impact but we are seeing it and we are seeing it more over time and we have to be ready for yet more.

**CHAIR** - Tasmanians are not used to having another option. Is that something that eventually they will think, 'Oh that might be worth looking at'?

**Prof. O'KANE** - Absolutely, they might. That is one of the reasons we have to keep a relentless focus on serving customers and making sure that we are a very reliable provider.

**CHAIR** - Thank you.

**Mr VALENTINE** - We are looking at note B1(a) on page 51 of last year's annual report, the 2020 figure is \$547 000. It drops to \$21 000 as noted in this year's annual report.

**Mr CHISHOLM** - The money market investments, the business managers, it is working capital. It has financing facilities with TASCORP but day to day, we manage the money overnight. We put money on deposit to try to manage that working capital so this is just a

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reflection of how much money we hold in on deposit versus having drawn down against our banking facilities. There will be an interest rate component in that too, if you have a drop in interest rates from 2020 to current that will have another impact as well.

**CHAIR** - Is there interest now? I didn't even think there was any interest going about. Thank you.

**Ms HOWLETT** - Minister, how many people have completed Aurora's YES (Your Energy Support) program this year? Can you please provide some details on the support processes for customers experiencing financial vulnerability to help manage their power bills?

**Mr BARNETT** - It is a very important program. I am very proud of Aurora Energy and what they do with the YES program. I've visited on many occasions and met with those behind the telephone line who provide support to vulnerable Tasmanians who want to get back on top of their electricity bills. They do a great job. It is all about providing affordable payment plans, tailored energy saving advice and protection from disconnection and more.

You have asked about the numbers as well. With the expanding reach and impact of the program, it has enabled 938 electricity customers to successfully get on top of their energy bills in that financial year. It brings the total number of customers the program has assisted to almost 14 000 since the creation of the YES program in 2014. That is a high number. I am very pleased to be able to support those Tasmanians in vulnerable circumstances.

Extending the initiative, Aurora Energy's COVID-19 support fund, which is continuing through to providing general support, I am proud of that initiative of the board as well. To encourage customers to remain engaged with the program or make contact if they are not, Aurora Energy launched a new payment support program. The program offers its customers who are meeting their payment commitments at their quarterly review with a credit to the value of their next quarterly instalment, up to \$200.

In the 2021-22 financial year, close to 3500 customers received an incentive payment for staying on track with their payment plan, bringing them close to getting on top of their energy bills. It is another initiative that supports vulnerable Tasmanians. The program also offers financial support to YES participants impacted by cancer in 2021-22, with 93 customers receiving assistance of up to \$500 credit on their account along with customised support and information. I am very pleased with the YES program. I will check if the CEO wanted to add to that answer.

**CHAIR** - It is a fairly comprehensive answer. I think we will move on, thank you.

**Ms WEBB** - I have a supplementary on the YES program and I haven't had any call questions yet, just pointing that out. The exit percentage of people in that program over the past year, how is that looking and how is it tracking against recent years in terms of people exiting?

**Mr BURKE** - Over the financial year 2021-22, we had a successful completion rate of almost 32 per cent, so that is of all participants who have exited the program. Naturally, about 68 per cent of those who exited in that particular year did not complete the program successfully. However, we do have a number of customers who come off and back onto the program and we continually, proactively reach out to customers to try to keep them engaged.

The support that is on offer through that program, there is an element that we need customers to continue to engage with us on that. Where customers do not successfully complete the program, we continue to look at opportunities to re-engage with them.

**Ms ARMITAGE** - While we are talking about the cost of living and vulnerable people, just going back to the aurora+ app and the smart meter. Will you consider making the aurora+ app free permanently to address the ongoing cost-of-living challenges? I know it is free at the moment.

**Mr BARNETT** - The Government has made the decision to make it free through to 30 June next year and will review it at that time.

**Ms ARMITAGE** - Right, so, to expand the access to the aurora+ app features, you have to have a smart meter. What is being done to expedite the rollout of the smart meters across the state? Are they targeted, for example, to lower socio-economic areas where there is a need for cost-of-living savings?

**Mr BARNETT** - Thank you very much for the question. It is a very important question and the rollout is important to government, with a target by 2026. You will see some 50 000 Tasmanians now, and I will ask the CEO to respond.

**Ms ARMITAGE** - Are you targeting areas or can people actually request a smart meter? Is that how it actually works, looking at areas?

**CHAIR** - Or are you lobbying the government to change their policy and extend -?

**Mr CLARK** - There is a combination of ways that a smart meter can get rolled out, and I will get Alistair to add a little bit further to the accelerated rollout. New connections, and yes, someone can request a smart meter conversion. If someone is on a basic meter, they can make that call, get the smart meter, and then get onto aurora+. Then there is what they call the accelerated program and that is about to grow in earnest in early 2023. That will see the majority of the remaining meters delivered in the next two years, but I will ask Alistair to add a little further.

**Ms ARMITAGE** - Are you targeting the lower socio-economic areas to help those people?

**Mr BURKE** - I think to reiterate the point, it is a significant focus for Aurora, the rollout of smart meters. We know the benefits that customers can gain by getting that greater visibility of their consumption over 30-minute time blocks. That is the key underpinning feature of aurora+, so it is something that we are very focused on, continuing to roll out to customers.

We have installed just over 154 000 advanced meters to small customers since the metering rule changes in 2017, which as the minister said, is just over 50 per cent of all small customers. This is fantastic. In targeting those customers, we are taking a combined approach. The escalated rollout will be a combination of geographic rollout, working closely with other stakeholders including TasNetworks and our metering provider, TasMetering. They will be on a geographic basis. However, that is also supplemented with campaign targeting of customers, so to the example you provide, if there is a cohort of customers that we can get an advanced meter to, outside of that geographic rollout, we will look at that.

One of those campaigns up until this point has very much been about aurora+ and every time we look to engage with customers who we think would benefit most from aurora+, particularly vulnerable customers, then we have that opportunity to put a smart meter on within 15 days.

**Ms ARMITAGE** - My final question, have there been any issues with the roll out of the smart meters and are they going according to schedule?

**Mr BURKE** - We are on track to deliver on the Government's commitment by the end of 2026. Anytime we undertake a significant roll out involving infrastructure, there are complexities. We are working through those with our stakeholders and with customers. The key is that we continue to get insights from the work that we have done and make sure that we are feeding it back to our roll out to make the process as smooth as we can for customers.

**CHAIR** - Thanks, Alistair.

**Ms WEBB** - The first question is about bill shock. You report in the Energy Charter Disclosure Statement, the customer bill shock score jumped from 2021 to 2022, presumably that might be post-COVID-19 related. The Economic Regulator is also detailing in their data report, considerable debt levels increasing across things, average amount of debt increased by 54 per cent, and a range of other figures.

One of the things I was interested to read, which I thought it was really positive in your Aurora Energy Charter Disclosure Statement from 2021-22. You said that 20 000 customers were proactively notified regarding tariff comparisons and, as result, 1000 switched to a different tariff to help with costs.

Can you tell me a little bit more about intentions to continue that proactive contact with customers to switch? Also, in that same disclosure statement, it talks about an intention to run two-way consultation sessions with the financial counselling sector. I am wondering if there is a progress update on whether those sorts of sessions, which presumably is about community education, ultimately, if they have been rolled out?

**CHAIR** - There are a couple of questions there.

**Ms WEBB** - Related to the same.

**Mr BARNETT** - No. I understand why they are related as well.

COVID-19 has had an impact across Australia. Debt levels did go up, the impact on businesses, residential vulnerable Tasmanians, big time. That is why I am proud of Aurora Energy for establishing the COVID-19 support fund, \$5 million. We have increased support of that in light of the cost of living pressures that we are currently facing in Tasmania, with a further \$1 million to support that now. I will pass to the CEO and the team at the table to answer the other parts of your question.

**Mr CLARK** - Andrew, you would be best to cover the other two questions there. .

**Mr CROZIER** - Bill shock is actually a bespoke metric which we have developed at Aurora, specifically because we as a Tasmanian-owned and operated retailer operating in a competitive market, are the business that best understands the kind of challenges and needs of the Tasmanian customer. Therefore, we are trying to create metrics in order to properly impact things that really matter and mean something for Tasmanians.

Bill shock in Tasmania is certainly something which we really need to take very seriously. Specifically, the bill shock score, it does fluctuate seasonally because you get a greater degree of shock whenever you are using more electricity. In Tasmania that tends to be the opposite of what would be the case in the majority of the other states in Australia. Our bill shock here tends to spike in winter, compared to summer in the other states.

What we know from having a deep understanding of our customer and being Tasmanian ourselves, is that the key things that we can do to help a Tasmanian customer to mitigate bill shock and also to reduce their energy cost are, number one, ensure that they are on the right tariff, which you referenced. We only have a couple of tariffs here, so it is not that tricky. We can identify where you are better off on an alternative tariff and if we can tell you that, we will automatically email you and tell you that we believe you would be better off on another tariff. Ultimately, it is up to the customer to decide whether they want to act on that information. If we know that a customer is better off on something else, again as a community-based business, and the best in ensuring that we are doing the right thing by our fellow Tasmanians, then we feel that is the right thing to do, and we have been doing that for a number of years.

In addition, we also know, and we can see through the analysis and insight that we have in respect to bill shock and other things, that there are certain things that customers can do that will really help them whenever it comes to bill shock.

**CHAIR** - Put another jumper on. That is what I tell my kids.

**Mr CROZIER** - There is no such a thing as bad weather, it is a poor choice of clothes: that is what my grandmother told me.

One of the key things is, first to ensure that you can get onto aurora+. To reiterate, anybody who wants to get onto aurora+ can request it and get an advanced meter. If they do not have one, and they will get one and then they can get onto aurora+.

So, aurora+ is a critical tool, because it goes from only understanding how much energy you are using once a quarter - in the old world - to being able to see every single day how much energy you are using and how much it is costing. It is being able to drill down into those things which is driving the cost and impacting your usage. The critical thing we can do is to get customers on the right tariff and then using aurora+.

Underlying that, as well we know, if a customer pays monthly because they are paying a little bit more frequently than once a quarter, that also has a material impact on their bill shock. We know if we can get the customers onto the right tariff; we can get them utilising our digital products and we can get them on the right billing frequency - they are the nirvana elements for us. Therefore, internally that is what we are working on which is really hard to try and identify - especially for customers who we know it would make a big difference to - educate, inform and get them using the products and services using the insight and information we have to the benefit of our fellow Tasmanians.

**CHAIR** - Is there any cost to the meter?

**Ms WEBB** - No.

**CHAIR** - That is good.

**Ms WEBB** - On the bill shock score which, as you said you have developed as a metric, the jump though - seasonal adjustments aside - from 2020 to 2021 and then to 2021 to 2022 was quite significant of 21 per cent to 30 per cent, or thereabouts. What is the explanation on that as an annual score?

**Mr CROZIER** - There are many answers to that. It was indicated that COVID-19 plays a part. What we did see that was somewhat surprising was that during COVID-19, people's satisfaction was much higher than what you might have naturally expected. We did see that things corrected themselves back again a little bit after the midst of COVID-19 which was that first score. Also, it is worth noting we have only just developed this score and whenever you are going through a maturation process of managing and developing a metric like this you do not really know the volatility in it or what is driving that. There were a number of macro factors which could be pointed to that but also, it is just the maturity of a measure which sometimes has fluctuations which could influence it too.

**Ms WEBB** - I wondered whether the removal of COVID-19 supports was partly -?

**Mr BARNETT** - Sorry to interrupt. Chair, Aurora does have an answer to your earlier question.

**CHAIR** - Thank you, we will take that.

**Mr CLARK** - On the question raised previously about the aurora+ fee, the charge is not charged to people who consume that service. From 1 July 2022, that fee was removed.

The other question I want to cover is the question on the financial counsellor support and there are three elements to that. We have a positive working relationship with counsellors, including providing an extra \$200 000 to the Government's energy hardship fund which is administered with the Salvation Army. We engage with the stakeholders and Neighbourhood Houses Tasmania over recent months with events statewide to outline support available and education regarding aurora+. We also partner with the Salvation Army in the financial counselling and we have done for a number of years. They were also vital in providing information, feedback and support into the development of the family and domestic violence policy.

**Mr WILLIE** - I have been reflecting on this commercial in confidence question about HubCX. Minister, the Justice department, for example, is implementing a new database Justice Connect. They outlined the costs of that in the state Budget. How is this any different?

**Mr CLARK** - You keep coming back to a database; it is more than a database; it is a functional SAS - as Andrew explained earlier, software as a service - product we have purchased from Hansen. It encompasses both the code and database but it is more than just a

database and, as you would appreciate, they are a commercial vendor competing in the energy utility market.

**CHAIR** - They have done the company a good deal? Is that the reason?

**Mr CLARK** - We operate on very sound principles but, as you would appreciate, it is commercial in confidence to protect both parties.

**Mr WILLIE** - Minister, how is it different to the Justice department when they contract a service that is outlined?

**Mr BARNETT** - I am not the Attorney-General or Minister for Justice so I cannot comment.

**Mr WILLIE** - There seem to be different standards across Government.

**Mr BARNETT** - Clearly, there are matters where there is relevance to commercial in confidence matters and others where it is not.

**Mr VALENTINE** - The commercial in confidence aspect - is that from Aurora's perspective or from the person retailing the software they want it kept commercial in confidence?

**Mr CLARK** - We can add further to this question that there was a competitive tender process run by Aurora for selection of the vendor a number of years ago. It was all the commercial due diligence you would expect in such a contractor relationship, because in changing these systems, you are going to have that relationship for at least ten years. It has been a very competitive and commercially-run process.

**Mr WILLIE** - We have heard a bit about hardship programs, minister. How many customers are on payment plans?

**Mr BURKE** - At 30 June there were just under 5000 payment plans in place - 4964 payment plans. They can vary between shorter term payment arrangements or longer term payment arrangements over a longer period of time, depending on the customer's debt and what the appropriate time frame to support them to pay their debt.

**CHAIR** - No interest component?

**Mr WILLIE** - Have we seen an increase in payment plans, minister, because of the cost of living issues that many Tasmanians are facing?

**Mr BURKE** - We actually have not seen an increase in payment plans. It is generally about level to what we saw in the previous financial year. That can be due to a number of factors. Obviously, one of the key elements of a payment is continuing to comply with that arrangement. Off the back of COVID-19 and the recent cost of living challenges, we have seen that customers do have greater challenges in actually continuing to meet the payment plans they set up. That is something we are really conscious of and we continue to work with customers to make sure that if their payment, their circumstances change, we have the



conversation about also changing their payment plan arrangements to make sure they continue to be fit for purpose for their needs.

**CHAIR** - Is there an interest component connected to the payment plan? Do you put any interest on it?

**Mr BURKE** - The payment plan -

**CHAIR** - Is just what it is. Some of us have not done scrutiny of Aurora Energy prior.

**Mr BURKE** - The payment plan is just a portion of their overall arrears. There is no interest component on that payment plan mentioned.

**CHAIR** - That was the question.

**Mr WILLIE** - The other thing raised, minister, is the aurora+ app. Great app, I use it myself. What is the annual cost of that app? I believe Aurora asked the Economic Regulator to spread the cost across the customer base in its capacity to serve. You intervened in that. How is the business carrying that annual cost?

**Mr BARNETT** - Thank you for that. I think we have indicated the 50 000 Tasmanians now taking advantage of it, which is a big increase since June, of 34 000. In terms of those answers, I will pass to the CEO.

**CHAIR** - Instead of the people using the app, everyone is paying.

**Mr WILLIE** - No, they are not. The business is carrying the cost.

**Mr CLARK** - From 1 July 2022, there is no fee on aurora+. It is a channel to market, and it is embedded in our broad cost base of how we provide channels to market and services to customers. We will have customers contact Aurora through phone calls. We will have customers contact Aurora through email. Web forms. They can also contact us through aurora+.

So, aurora+ is just one of multiple services we provide that Tasmanians would expect from our retail business. In everyday life, Tasmanians use apps and web pages to do activity. aurora+ allows you to do activity as well as look at your energy usage. You can pay your bill. You can download your bill. It is one of many channels to market in how we operate. It is embedded in our total cost to serve, as is our call centre, as is the staff who can be taking a phone call one minute, answering an email the next minute, potentially taking an email query from aurora+. It is that broad service.

**CHAIR** - Hence my comment, everyone pays, it is across the board.

**Mr CLARK** - Everyone pays for the phone, telephony service. Everyone pays for the email service. Some Aurora customers will never ring our call centres. Some will ring it often. Some will do an email. Some will not do an email. It is a multiple of services.

**Mr WILLIE** - The total cost for the aurora+ and the annual servicing cost, please?

**Mr CLARK** - We do not break out that as a specific cost as opposed to all the other services. As I said, we could have staff that on a singular day and could work on multiple services. To try to identify the cost of singular service is not something that we would typically do. We have multiple services that make up our cost to serve, that the regulator approves and our price path determination.

**Mr WILLIE** - Minister, what I am hearing is there is no record keeping on the cost of aurora+ specifically?

**Mr BARNETT** - Well, I think you have heard the answer from the CEO. I can't add to that.

**Mr WILLIE** - I find that extraordinary.

**CHAIR** - Supplementary, Ms Webb.

**Ms WEBB** - Supplementary on that. If that is the case, and we have a determination through to, I think it was, June next year that there won't be a cost applied to the app. Presumably if there's not an identified overall cost to the app it would be hard to reapply a cost to the customer at a later date. Would that be right, minister?

**Mr BARNETT** - I've said earlier and announced some time ago that we'd review it by mid next year.

**Ms ARMITAGE** - But, that's for the app itself isn't it?

**Mr BARNETT** - Yes. We said we'd review it so that's what we will do. We're very pleased with the take-up and the rollout; it's progressing well.

**CHAIR** - The member has asked a specific question. How can you reapply to the regulator to add a cost - if that's what Aurora Energy decides to do - if you don't actually know how much it costs to implement it, or have it available?

**Mr BARNETT** - That's a matter that will be determined either in advance of, or at the time of the review.

**CHAIR** - That was your question member?

**Ms WEBB** - Yes, that was my question, thank you. Obviously, no answer specifically.

**Mr VALENTINE** - So, can I have a supplementary on that?

**CHAIR** - So, it's a sup to a sup?

**Mr VALENTINE** - It's a sup to a sup. Given the fact that it has saved you staff time answering queries coming on the telephone and all sorts of other ways, this aurora+ has actually saved you money. Will that be taken into account when you review it? In fact, you will see that those savings will outweigh any need to gain money back from your customers for the use of that app. It's actually saved you operationally, hasn't it? Will you take that into account when the review occurs?

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**Mr BARNETT** - Absolutely, we'll take everything into account that's relevant.

**Mr VALENTINE** - It seems to me it saved you money and you're not having staff spend time -

**Mr BARNETT** - As I say, we'll take everything into account that's relevant and we'll review it at that time or sooner and we're very pleased with the rollout. It's getting to more Tasmanians faster and we're pleased about that.

**CHAIR** - Okay. Mr Willie, last question here.

**Mr WILLIE** - This is no reflection on Rebecca Kardos, I think she was quite well respected from what I can tell, but this is of public interest. What termination payments were there in the last financial year for the former CEO, Rebecca Kardos, and other executives? Can you provide a breakdown to the annual leave, long-service leave and any other applicable component of the termination payments?

**Mr BARNETT** - Thank you for the question and your affirmation about the former CEO, it is appreciated. Of course, the hearing today is about the financial year 2021-22, but I will pass your question to the chair to see if we can assist.

**Prof. O'KANE** - Thank you minister, and again, thank you for your comment about our former CEO, she was fantastic and we have a fantastic new CEO, so we are very blessed.

The payment is in this financial year, but I think it is sensible, and you are quite right it's in the public interest.

**Mr WILLIE** - Yes, termination payments across GBEs.

**Prof. O'KANE** - So, it's not a termination payment, or at least I wouldn't characterise it as such. It's a payment in lieu of contract notice and that was -

**CHAIR** - Termination payment?

**Prof. O'KANE** - Well -

**Mr BARNETT** - I apologise, Chair, I will intervene. The chair is attempting to answer the question. I would ask if you would allow the chair to answer that question.

**CHAIR** - Apologies. Please proceed.

**Prof. O'KANE** - Thank you. It's \$114 119.73, the contract, and of course there are statutory entitlements - annual leave, pro-rata long-service leave - and that was an additional \$110 028.12.

**Mr WILLIE** - Okay. Any other executive payments in the 2021-22 financial year?

**Prof. O'KANE** - Only Ms Kardos.

## PUBLIC

**Mr WILLIE** - Only her this financial year.

**Prof. O'KANE** - That's just for this financial year. Her salary up to the point.

**Mr WILLIE** - Okay, so none the previous?

**Prof. O'KANE** - Minister, with respect, could I just expand a little on the thinking because I think that if this is in the public interest we should do it. Ms Kardos gave us quite a long period of notice, which we appreciated because searching for a new CEO is quite tough.

**Mr WILLIE** - Especially in the current environment.

**Prof. O'KANE** - Absolutely, and we started in what I thought was prudent time, but not too far in advance because I was concerned about exactly this number. We were remarkably lucky, or did the right work or something, and we got a new CEO somewhat sooner than we expected. We were able to get a very orderly transition and I was really pleased and grateful to my colleagues on the board who helped me with the search. So, we decided that, despite the size of those payments, the orderly transition was well worth doing and I think everyone in senior management and on the board is quite happy with it.

**Mr VALENTINE** - I am interested in the notional maximum revenue area. In your 2021-22 annual report, Aurora's revenue from sales of electricity to business and residential customers in 2021-22, and we note that far exceeds the regulated notional maximum revenue. The notional maximum revenue was \$481 million in 2016, but it has just been revisited and it is \$512 million now, but your electricity sales totalled roughly \$852.3 million, or \$852.22 million.

Can you provide information which reconciles the information presented in that annual report with the allowances provided within the regulator's determination? In asking that question, it is recognised that the year being reported relates to the regulator's previous determination in 2016. However, the components of that notional maximum revenue determination are the same as for the most recent determination and the cost proportions are similar. I can give you a breakdown of those costs if you like, but the item in their energy and network purchases basically represents 91.5 per cent of Aurora's costs and it is not detailed in any way.

It hides the amount and cost of energy purchased from alternative wholesalers, hides the cost of items such as metering, meeting national regulatory expenses, the cost of transmission and distribution and hides the cost of meeting renewable energy targets, which are passed through to customers in their energy bill.

Are you able to tell us a little bit about that? Because clearly, the notional maximum revenue in 2016 was \$481 million, this new determination of \$512 million - well, we know you are not reporting against that - but \$825 million. Why? It far exceeds that notional maximum revenue, so can you explain that?

**Mr CLARK** - We can answer your first question in the most simple way, the \$862 million you refer to -

**Mr VALENTINE** - It's \$852.3.

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**Mr CLARK** - Okay, I am on page 51 but the clear answer there is that regulated revenue is only applicable to a certain part of our customer base. So, all of this CNI and large industrial customers, they are not regulated, so when you look at total revenue of Aurora -

**CHAIR** - It is only two- thirds of your business.

**Mr CLARK** - It is only one portion of the business that is covered by the regulated revenue. I will hand over to our CFO on your follow-on question, but we might just need the reference to where you had gone with the breakup. Certainly, the majority of costs of an energy retailer are, as you say, energy and networks. They make up the bulk of our operating regime and the rest is really covered by our regulated cost to serve and margins.

James, I might hand to yourself on those other questions that were raised.

**Mr VALENTINE** - Well, the chart was \$2.1 million on page 6. It shows the components of your revenue. The table in attachment 1 compares the outcome of the 2022 determination with 2016.

**Mr CHISHOLM** - I am not really sure what the question is, to be honest.

**Mr VALENTINE** - I want to know why this notional maximum revenue has been far exceeded by the \$852.3 million and the break-ups that are involved? You have the break-up of customer service functions, marketing costs undertaken by Aurora as a virtual monopoly, basically, isn't it? You have all of these different things that we don't get to see in your annual report. I am interested in some detail on that.

**CHAIR** - That is on page 51?

**Mr CLARK** - Are you referring to the regulated cost determination document? Sorry, I am trying to understand the source.

**Mr VALENTINE** - Electricity sales total \$852.3 million, note B1(a), page 51.

**CHAIR** - It is in annual report on page 51 and there is a table.

**Mr CLARK** - As I said previously, the simple difference between your regulated revenue and your total revenue is the bulk of the customers that are not on a regulated tariff, which is a substantial number. It is your large industrials, CNIs.

**Mr VALENTINE** - Can you give us those? The large industrials that you are talking about, you are talking about Nystar, maybe?

**Mr CLARK** - I think that would be an 'in confidence' matter. We compete in a competitive market as you would appreciate for the CNI and the MIs so there are some significant MIs and there is approximately about 5000 CNI customers that make that competitive market.

**CHAIR** - We can probably take a stab at the big ones ourselves at a later time.

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**Ms ARMITAGE** - On the same page, a supplementary with regard to the gas customers. Looking at the business gas customers going down from \$8357 million to \$5130 million, the reason behind that. Why has there been such a change from 2021 to 2022?

**Mr CHISHOLM** - Gas is a competitive market. Our main competitor is Tas Gas so that could represent customers that have been won by Tas Gas as opposed to Aurora. It is a drop in the number of business customers we have.

**Ms ARMITAGE** - You don't have a reason? It is such a big difference when you look at the residential, 54 to 51 if you look at the \$8 million to the \$5 million, it is a huge difference isn't it? I thought there might have been some reason apart from just a better deal that you think they are getting with Tas Gas. There is competition but Aurora is doing its best to keep customers but that really is a big change. There is no evidence that you have for the change apart from people are getting a better deal with Tas Gas.

**Mr CHISHOLM** - It is really volumes of customers. Potentially, it could be a couple of very large customers and it pans off in the mix customers how much energy they use but that would be the driver customer numbers and the makeup of the customer we have in that category.

**Mr WILLIE** - My question goes to the aurora+ costs, minister. I found it extraordinary we couldn't get an answer for that. I have here an Economic Regulator document and it says, 'The allowance for aurora+ app costs including marketing and call centre costs, has been set at an average of \$9.08 per customer'. If you average that out over the 280 000 it is about \$2 542 400 is the ongoing cost of aurora+. Why not just say that?

**Mr BARNETT** - Thank you for the question. I think you are referring to information in that 12 months -

**Mr WILLIE** - Yes. The price determination.

**Mr BARNETT** - Yes. In that 12-month period, and we have just noted -

**Mr WILLIE** - We could not get answer before.

**Mr BARNETT** - Well, the CEO was answering your question. I am happy to pass to the CEO. I am just making the point which I said earlier a couple of times we will be reviewing it prior to 30 June next year.

**Mr WILLIE** - It does not give us a lot of confidence when we are seeing this obfuscation of information.

**Mr BARNETT** - The CEO has been responding to your question. I will allow the CEO to respond again.

**Mr CLARK** - The regulator allowed us an allowance for cost to serve and of that is included is aurora+, as you rightly point out, but so are the other services, as I said. If you look at the aurora+ service cost, it would make it up, it is system cost, which once again would be privileged information, because there are financial contracts in place for developing and building such services. As I said, there are labour costs. These are to do with staff. There are

a variety of costs that make that up. However, the regulator informing their price determination looks at our costs base and allocates what is a reasonable cost to serve in providing those services Tasmanians expect us to provide to the Tasmanian community.

**Mr WILLIE** - Why not provide the reasonable cost to serve here in the hearing?

**Mr BARNETT** - I cannot add to the answer provided by the CEO.

**Ms WEBB** - Can I have a follow up on that, please? The figures the member for Elwick just provided from that the energy regulator document, were those figures put together by the energy regulator, or provided to them by Aurora?

**Mr CLARK** - I might hand to Alistair to elaborate further on the cost determination process, but effectively, that is the final -

**Ms WEBB** - Sorry to interrupt. I do not need the process elaborated on. My question is a really straightforward one. The figures that were in the document quoted by the member for Elwick, were they figures that Aurora provided to the regulator for consideration? Or were they figures that the regulator, in some sense, determined themselves and applied when they were making their determination?

**Mr BURKE** - I think the process is important. Obviously, there is an extensive price investigation process the regulator conducts. Through that process, Aurora Energy provides a range of information for assessment by the regulator. As Nigel said, that includes the costs of us providing standard retail services across a range of areas. Aurora Energy, through that process, provides an extensive submission for consideration by the regulator that touches on all of our operations. Then the regulator will make an assessment what the regulator deems to be an efficient cost for providing standard retail services to Tasmanian customers.

I would highlight that process is very extensive. It involves the regulator comparing the services and the costs that Aurora has to other jurisdictions in extensive benchmarking, but also conducts a cost build-up review of Aurora Energy's cost. Arguably, it is one of the more extensive regulatory processes in Australia, in terms of assessing what those costs are. To your direct question, the \$9 was the regulator's assessment of efficient cost based on all of the information that Aurora Energy provided.

Just to elaborate, as part of that process we submitted a public submission. One of the key principles that underpinned Aurora's submission through process was to make as much information publicly available. It is really important that process is conducted in an open and transparent way. That was the principle that we made sure we followed throughout that process. Naturally, anytime you are looking at the costs of a retailer in a competitive environment, there are elements of those costs that are commercially in confidence, and some of the specific figures around the technology that underpins aurora+, but also the labour costs and other elements, just as with any other component of our services. Some of that information is commercial in confidence and that is why that was provided to the regulator in a commercial confidence manner.

**Ms WEBB** - Thank you. Just to make it clear, though, this process of parliamentary scrutiny through GBE estimates hearings, commercially in confidence is information we can request and have provided to us. It does not have to be done in a public sense, in this hearing,

or released publicly. But this committee is entirely at liberty to request information be provided for consideration and scrutiny of a commercial in confidence nature and deal with that appropriately.

**CHAIR** - I think the minister is well aware of that process. He sat in this process as well at a previous time, so thank you.

**Ms HOWLETT** - Minister, what community organisations have received support from Aurora Energy and can you please update the committee as to the benefits to the community of this financial support?

**Mr BARNETT** - I mentioned earlier about the importance of culture and policy at Aurora Energy led by the chair and the board, implemented by the CEO and the team. They are very community oriented at Aurora Energy and they are delivering those short-, medium- and long-term benefits in the financial year that we are discussing.

The Tasmanian Men's Shed Association and we are assisted and likewise, the Association for Children with Disability with their communications as well as partnering with the Dress for Success Hobart to help break down employment barriers for women experiencing disadvantage. In particular, this year I would like to highlight Aurora Energy's commitment to improving the health and wellbeing of its people and community which we know is critically important as we continue to manage the uncertainty brought about by COVID-19 and other matters. Aurora Energy was a gold sponsor of the Mind Games this year, an action packed event that raised awareness and vital funds for research into workplace mental health. the Tasmanian based Menzies Institute for Medical Research, and over \$90 000 was raised for this worthwhile cause in 2022. I am so pleased to note Aurora Energy will again sponsor the event in 2023.

In a similar vein, Aurora Energy's Community Grants were specifically designed to support Tasmanian Community organisations in their efforts to build more inclusive and connected Tasmania. Six recipients, with one of those six recipients the Geeveston Community Centre, with a \$6500 grant to help roll out an adapted program to meet the COVID-19 safety requirements, and to ensure more seniors in their community are skilled and empowered to connect online. The Geeveston Community Centre said digital literacy, social connection and mental health are key concerns and priorities in our community, the digital literacy program bridges the gap between those who struggle with technology and the vital services they need access to. They do a good job and it is important to provide support to the community.

**CHAIR** - While you are talking about community, can I have the quantum of the Community Service Obligations obligations for Aurora Energy? I am happy for you to find it at a later time.

**Ms ARMITAGE** - Minister, can you provide an overview of what has been achieved with Aurora's partnership it the Bank of Us, to provide loans for energy efficient products, what has the uptake been like and could the program be expanded in the future?

**Mr BARNETT** - This is best for the CEO and the digital inclusion officer, so if Andrew might be able to respond on that one?



**Mr CROZIER** - The Bank of Us partnership is something we are very proud of. A couple of years ago, Aurora started to think about how we can develop new propositions that can help purposely impact the lives of Tasmanians in a positive way, especially through a lens of getting behind and supporting our collective Tasmanian ambition to be a renewable powerhouse. We identified a number of different areas where we thought we could partner with businesses. Our intent was where we could partner with businesses locally, we would prefer to do that.

The Bank of Us is a really good example of where two organisations with very similar visions, ethos and cultures were able to come together to develop something which we believe will make a real impact and really support and assist Tasmanians in respect to making that green transition. The proposition itself is highly competitive in the market, the Bank of Us effectively offer Aurora customers there best and secured loan rate, but for unsecured purposes. The range which you can borrow, financially and for different purposes is really quite broad, it goes from around about \$500 to about \$80 000. The purpose you can use for that is also quite broad, it can be anything from putting insulation through to purchasing a Tesla, if you can stretch to that kind of level.

For commercial reasons, I'm not going to specify how many of those have been. All I can tell you is it's a partnership and a proposition which we're committed to. We are committed to working with Bank of Us to understand what other things we can do in that particular financial services space which might help impact and support customers. We see it as complementary to the initiative which the state Government is running in parallel in respect to loans. It also sits beside other propositions which we have, such as the first Tasmanian opportunity or proposition where customers can access electronic vehicles through a company called Carbar and also our support and encouragement of our partner, Beam which is one of the e-mobility providers here in Hobart. We've been encouraging and supporting them.

**Ms ARMITAGE** - You're talking about the scooters?

**Mr CROZIER** - That's right.

**Ms ARMITAGE** - I'm not going to ask the number, because of what you said, but what has the uptake been like? Has it been significant? Has it been a good uptake of the loans with Bank of Us? Obviously, you don't want to give figures but I am wondering whether it's been low, or significant?

**Mr CROZIER** - I am not going to reference the specifics. All I'm going to say is that as two organisations we're really pleased with the proposition we've been able to put together and the fact that we've been able to get it to market. We're both working collectively to see how we can grow and iterate what it is we're offering and to grow its impact; but we're both pretty pleased with how it's gone so far. It's an area where we're working together in order to understand how we can grow and expand that proposition, as you've mentioned, in order to help support Tasmanians make that transition to a renewable future.

**Ms ARMITAGE** - People need to know about it. I must admit, I wouldn't have known it existed until I read it in the annual report. How well has it been advertised? That's why I asked about the uptake - what it's been like and whether it could be expanded in the future? You mentioned interest - can you give me an idea of the interest rate? Is it a reasonably good

interest rate? Obviously, it's not interest free. The Bank of Us obviously works with the Government in giving the home loan rate.

Are you able to give me any information, because you haven't told me anything about it and people want to know about it. If people out there are going to use it, they do need some information about it. It can't really be commercial-in-confidence if it's a bank offering a loan to customers to help them. We just need some information, minister, with respect.

**Mr BARNETT** - Thank you for your question and I understand exactly where you're coming from. We'll see if Aurora can assist the member to the extent that they can.

**CHAIR** - How does a customer find out what the rate is?

**Ms ARMITAGE** - You're not going to go in there if you can't get any information.

**Mr CROZIER** - The interest rate that's charged is 5.9 per cent, which for an unsecured loan product is very good because it's their secured loan rate they're offering as an unsecured proposition specifically for Aurora customers, specifically for this purpose. For information as to what the product is - it is an unsecured proposition, which you can borrow for a very broad range of purposes when it specifically comes to renewables -

**Ms ARMITAGE** - Up to how much did you say?

**Mr CROZIER** - Up to about \$80 000. What I would say, and this is important, is that we are really just a partner with Bank of Us when it comes to this proposition; so, I have to be a little bit careful in describing their product because that's really not the role that I'm playing in this particular relationship.

**Ms ARMITAGE** - You don't know how many of your customers have actually taken advantage of this? That's really interesting, because it shows whether it has been put out there well enough - whether people know about it, to know how many people have taken it up and if you have a very low take-up. I know you're saying that you're both happy with it, but it really tells me nothing. You might be happy that some people have taken it on board but in order to know has it been publicised well enough and do people know, you need to understand whether it has had a reasonable uptake, a low uptake, if you understand. Minister, I don't want to be difficult but I'm trying to find out whether people in the community know about it and can benefit from it.

**Mr CROZIER** - We have to manage our budgets as well in terms of how much money we're able to spend to promote various different things. We communicate with customers about this proposition on our website. There's a special section on the website that talks about what we call adjacent products - which is the EV proposition - along with the loan and others. We have communicated the proposition and have run campaigns via digital channels - through Facebook and other mechanisms such as that, and we will also have communicated with customers directly via email as to what the proposition is.

This is also - just to be clear - it's a test. We have developed this proposition - along with other things - in order to see how we can encourage or help support our Tasmanian customers to do things beyond our core - which is energy retailing. We're attempting to do that in a way

which also doesn't overly distract us from what we are supposed to be doing - which is energy retailing - and also doesn't cost a lot of money.

I appreciate the point and we'd like to get the message out more.

**Ms ARMITAGE** - So, we don't know how many people. As a Bank of Us customer, and an Aurora customer, and a Facebook customer, I've never heard of it. Sorry minister, but it just would have been interesting to know. Thank you, I understand that's probably the best I can get.

**CHAIR** - Thank you. Let's move on.

**Mr BARNETT** - Chair, we do have an answer to your earlier question.

**CHAIR** - Oh, the CFO, thank you.

**Mr BARNETT** - Yes, so through you Chair, I will pass to the CFO.

**Mr CHISHOLM** - Thank you. In the last financial year almost \$41 million electricity discounts were provided by Aurora to concession holders, and the number of concession customers is roughly about 84 000.

**CHAIR** - Thank you. Very much appreciated. Ms Webb.

**Ms WEBB** - Thank you. A couple of questions on the modern slavery reporting that you do. I am quite interested in it. Obviously, Aurora is captured by the Commonwealth legislation because of its revenue of over \$100 million. There have been two iterations of the reporting, which is really interesting to read. It's not very detailed in terms of what happens behind the scenes to feed into the report that you provide. What process does Aurora take to identify potential modern slavery risks in the supply chain? I'm aware of questionnaires you send out, and things like that, but I'd like a bit more information about whether there is a defined strategy there? I'll have a follow up question after that, I think.

**Mr BARNETT** - Thanks very much. Through you Chair I'll pass to the CEO and/or Alistair.

**Mr BURKE** - Thank you for the question. Modern slavery, since its inception a few years ago, has obviously been a significant focus, not just for Aurora but for a number of organisations. When that first came in we took a number of steps to review our supply chain and also our modern slavery risks within that. We established a modern slavery policy which clearly articulates the different roles and responsibilities within our organisation for ensuring that we manage those risks appropriately and the different areas of the business where it's particularly important to manage those risks closely.

We reviewed our supply chain, in terms of what Aurora provides, and the scope of our business. We are largely a service-based business, so we don't have supply chains in terms of the manufacturing of goods and some of these other items which are considered to be the higher risk areas for modern slavery. We are able to identify some key risk areas and we work closely with our partners around what they are.

Metering is one example where we do use physical goods as part of our end-to-end supply chain. We make sure each year that we are reviewing any changes within our service providers' businesses and operations which may either increase or change the risk around modern slavery. We have a number of questions that we go through each year with them. Over the last couple of years, as the scheme has matured, we have also looked at ways that we can improve the processes that we take.

We engaged MinterEllison, an external firm that specialises in working with businesses to make sure they have fit-for-purpose frameworks, and through that review we improved our policy. We also reviewed our questionnaire, and each year we look at our supply chain to see whether that risk has changed year-on-year.

**Ms WEBB** - Your current statement talks about relevant employees receiving training. What categorises a relevant employee, and who does the training? Who provides that training to Aurora?

**Mr BURKE** - Our governance team, who are the owners of the modern slavery policy, they conduct training each year. That happens prior to the exercise where we go out and speak with all of our service providers. Relevant staff are identified as those being responsible for some of those key risk areas.

One example might be procurement, for example. Each time we look to partner with a third party, we make sure that, as part of our procurement process, we ask questions and review modern slavery practices of other organisations. We make sure we target our training at those types of staff members who regularly deal in areas which may give rise to modern slavery risk.

**Ms WEBB** - One final thing on the modern slavery statements. I note that it is not in your annual report. What consideration might be given to even a brief reflection of your statement in your annual report? Is it available on the website, along with the policy that it is drawn from? I don't believe it's currently there on the website. Public visibility, obviously, is very important, especially as we are trying to educate in the community and amongst other organisations. It is a good opportunity to demonstrate that.

**Mr BARNETT** - Thanks for your question. I will also take on board your feedback. I'll pass to the chair.

**Prof. O'KANE** - I was going to same thing. Excellent suggestions, thank you. I just need to check with Alistair. I don't think we have it on the website, do we?

**Mr BURKE** - No, but every organisation that is required to submit a modern slavery statement is published on the regulatory website where entities submit their statements. It is available online.

**CHAIR** - People might not realise to go there, though.

**Ms WEBB** - It is a wonderful way to proactively demonstrate on your communication tools, your annual report, and your website, I think.

**Prof. O'KANE** - It is. It is something the board takes very seriously, as you do.

## PUBLIC

**CHAIR** - The member gets a gold star for that suggestion. That is going to be taken on board, thank you.

**Mr VALENTINE** - Going back to the smart meters, a quick question on that. Obviously, there are some advantages if you are using aurora+ and those sorts of things. What sort of functionality do they provide to you? Are you able to manipulate power delivery to certain premises? Is there any functionality that smart meters provide to Aurora?

**Mr CLARK** - No, we certainly aren't Big Brother, manipulating.

**Mr VALENTINE** - It is a question I was asked.

**Mr CLARK** - Very happy to answer. Overwhelmingly, what the smart meters do is provide you with the ability of information which then benefits in many ways - through to some of the things we've talked about today in bill shock. It removes things like estimate bills. It removes meter readers getting attacked by Dobermans. It has all sorts of benefits that a smart meter brings. It improves your accuracy as a business and things like market settlements. As you mentioned earlier, a large part of our cost is network and energy. It is 90 per cent of our cost. By having smart meters, you are looking at accurate data much more quickly than a quarterly-read meter. It allows all those benefits that come to play.

Potentially, some smart-metering technology will become important in some of the behind-the-meter aspects of a house. With the likes of EV and batteries, some of that movement that you are now seeing in Australia, once again, will only work if people understand their usage at the time of day, and influencing their behaviours. So, smart metering brings all those advantages.

**Mr VALENTINE** - In relation to the smart metering, and also setting of new tariffs, do you do any consultation with the community before looking at setting new tariffs? You know, the likes of the Australian EV Association, for instance. Do you communicate with them or not?

**Mr BARNETT** - That's a very good question. I know you're interested in electric vehicles, honourable member, but in terms of the detail, I'll ask the CEO.

**CHAIR** - And as brief an answer as we possibly can have. We've still a couple of questions, and we do need to finish at 11.00 a.m. Thank you.

**Mr CLARK** - I'll get Andrew to shed a bit of light, but tariff-setting is a very big topic. Andrew maybe, if you could -?

**Mr CROZIER** - Tariff-setting is really a distributor's responsibility. That's something that TasNetworks would do. We work with TasNetworks with the information we have around what we think is the right thing for the customer. What we take really seriously is trying to make sure that the customers are on the right tariff once they're set.

**Mr VALENTINE** - You would communicate with TasNetworks when it comes to setting tariffs, quite clearly.

**Mr CROZIER** - TasNetworks set their tariff strategy around what the tariffs are. We then deliver them to the customer.

**Mr VALENTINE** - Do they consult with you before they set their tariff? To see what the impact may or may not be, on your customer base?

**Mr CROZIER** - They consult with lots of different people. The same way that we have gone through a price determination process, TasNetworks goes through a process every number of years in order to set their tariff strategy. That might be something that you could ask them more questions about.

**Mr WILLIE** - Minister, you walked away from your policy to cap power prices and give Tasmanians cost-of-living relief, have you had any conversations or discussions with Aurora to revisit that policy?

**Mr BARNETT** - Aurora obviously follows government policy and any directions of Government. As a Government, we are about responsible budget management. Cost-of-living is a very important issue for all Tasmanians, it is a top priority for our Government and I know other Tasmanians. Of course, in Tasmania - not my say so - but the independent Economic Regulator says our electricity prices is either the lowest or amongst the lowest in the nation for regulated customers, residential and small business. The Economic Regulator made that determination in October just last month.

We have a targeted and comprehensive approach and you are aware of that with the Winter Bill Buster payment, the Energy Saver Loan Scheme, \$50 million. We have now just added another \$50 million Energy Saver Loan Scheme for unregulated customers in the business area, commercial and industrial. On top of that, the aurora+ app is being made free, as well as the support we have provided for vulnerable Tasmanians, an extra million dollars, which is now \$2.7 million, which is a flow-on from the COVID-19 payment.

**Mr WILLIE** - Minister, my question specifically is, have you had any recent discussions with Aurora to revisit that price cap policy?

**Mr BARNETT** - No.

**Ms WEBB** - I wanted to get some quick details about disconnections. In the energy charter disclosure statement, there were 677 disconnections for non-payment during 2021-22 compared with 489 the year before. The restriction on disconnections through COVID-19 was probably related to that. Have you any comments on the trend or the direction of those disconnection numbers are going? I am particularly interested in having a breakdown of residential and non-residential in that 677 figures.

**Mr BURKE** - In terms of the trend, from the previous financial year, we had zero disconnections due to our decision to go above and beyond the Australian Energy Regulator statement of expectations and not de-energise any customers. That the best comparative is with the year before that and the rate of disconnections in the last financial year was on parity to those in the 2019-20 financial year. We have a very similar rate and in terms of the second part of the question, which was on the break up of disconnections, that number the member referred to is the residential number of overall disconnections.

## PUBLIC

**Ms WEBB** - 677?

**Mr BURKE** - There were 724 disconnections and the difference was small business. A very small number of small business disconnections, with the vast majority being residential.

**Ms WEBB** - Thank you, to clarify, that other number I mentioned in my question, I think I probably misconstrued it, the 489 disconnections was for 2019-20, was that the COVID-19 period?

**Mr CLARK** - That was the year before.

**Ms WEBB** - It was the year before, is that the figure you were saying was comparable to the 677?

**Mr BURKE** - Yes, so, because there were a few months within that financial year where we had to stop connections prior to the end of the financial year. When you do a rate comparison up to that point in the year, it was comparable.

**Ms WEBB** - Do you have detail about reconnections after disconnection? What percentage are reconnected and within what time frames, or is there a way you track the trajectory of disconnections in that way?

**Mr BURKE** - In the most recent financial year, 37 per cent of disconnected customers were reconnected within seven days.

**Ms WEBB** - Thank you.

**CHAIR** - The time being as close to 11 as what we are going to get, we will not get another question. On behalf of the committee, we sincerely thank you for your time. We know that everybody is extremely busy and trust you understand it is our job to provide as much scrutiny as we possibly can to this very important organisation on behalf of the Tasmanian people, hence our questions.

We sincerely thank you and we would also like to wish you a Merry Christmas, a Happy New Year, and a safe one at that. We are suspended.

**Mr BARNETT** - Thank you, Chair, and thank you to those at the table for their support today.

**THE WITNESSES WITHDREW**

**The committee suspended at 11 a.m.**



# **PARLIAMENT OF TASMANIA**

## **TRANSCRIPT**

### **LEGISLATIVE COUNCIL**

### **GOVERNMENT BUSINESS SCRUTINY COMMITTEE B**

**Tasmanian Water and Sewerage Corporation**

**Wednesday 30 November 2022**

### **MEMBERS**

Hon Rosemary Armitage MLC (Deputy Chair)

Hon Jane Howlett MLC

Hon Tania Rattray MLC (Chair)

Hon Rob Valentine MLC

Hon Meg Webb MLC

Hon Josh Willie MLC



## **WITNESSES IN ATTENDANCE**

**Mr Richard Ireland**, Owners Representatives Group

**Mr Ben Morris**, Director, Sector Services, Local Government Association of Tasmania (LGAT)

**Mr Nick Burrows**, Board Chair of Audit and Risk Committee

**Mr George Theo**, Chief Executive Officer

**Mr Matt Derbyshire**, General Manager Asset Management Services

**Ms Joanna Giannini**, General Manager People, Culture and Safety

**Mr Kane Ingham**, Chief Financial Officer

**Ms Fran Smith**, Acting General Manager Governance & Assurance

**Mr Tony Willmott**, General Manager Project Delivery

**Mr Matt Balfe**, General Manager Customer and Corporate Relations, TasWater

# PUBLIC

**The committee met at 11.20 a.m.**

**CHAIR** - Good morning, on behalf of the committee I would like to welcome you to this GBE scrutiny. It is always an interesting one with TasWater having this scrutiny. We are interested in having some input from the owners' representative. Would you please introduce yourselves at the table for *Hansard*, then you might have an opening statement or launch into questions, whatever works for you?

**Mr IRELAND** - I am Richard Ireland, I am a councillor with West Tamar but I am also the deputy owners' representative, the chief owners' representative did not re-stand for election and I am the last one standing.

**Mr MORRIS** - I am Ben Morris, I am the Policy Director for the Local Government Association Tasmania. We provide secretariat services for the owners.

**CHAIR** - Thank you both and welcome. Do you have an opening statement, Richard?

**Mr IRELAND** - The local government owners of TasWater welcome the scrutiny of the company by the parliament along with the TER. As members would be aware the operational side is handled by TasWater and its executive. The main way that the owners influence TasWater is through the shareholders' letters of expectation (SLE). We went through the process of modernising this late last year, mainly because the Government got involved more with TasWater. We would like to thank TasWater for the collaborative way in which they work with the owners to create the new SLE.

The main change in the SLE was we acknowledged the maturity of TasWater and we removed some of the prescriptive areas that were already covered by legislation. We provided a clearer set of guiding principles on investment and more authentic engagement with their customers. We improved the disclosure to the Owners' Representative requirements there and we updated the economic development principles, mainly to have a positive difference to the Tasmanian social and economic situation. Most importantly, we put in a specific requirement for TasWater to develop and implement a climate change adaptation response. The owners' representative, or the owners have an influence on TasWater via the board selection process. We actually select the board members, so that is like our input to the people who run TasWater. We have a board selection, a couple of people from the south, north and so on and they select the board members. Probably most importantly, we approve the corporate plan, which is a main part of the thing. I am very happy to take any questions you may have.

**CHAIR** - Thank you very much and we appreciate that. Let's start with the board appointments. You appoint all the board members, including the chair?

**Mr IRELAND** - Yes, as they come due. The chair is retiring at the end of 2024, so that will be one of our major challenges to replace the chair. A couple of the board members come up next year and some will be reappointed, some have reached the end of their terms. We feel that's very important that we select board members who are going to be good for TasWater.

**CHAIR** - So, the relationship with the board, from the owners' rep. You have an owners' representative who is part of - does that owners representative sit on the board?

## PUBLIC

**Mr IRELAND** - No, the interaction with the - mainly we have our twice-yearly main meetings and quarterly briefings, so that's six meetings and generally one, or two of the board members will attend those meetings, along with the owners' representatives. There's a pretty good interaction between the owners' representatives and the board. I talk to them personally quite a lot so it's a good interaction.

**CHAIR** - You talked about the update of a number of policies, particularly the guiding principles for the organisation. Can you expand on the changes to the guiding principles, as the company has matured, I think were your words?

**Mr IRELAND** - I might pass it over to Ben, because he was involved in the development of the SLE. I've it all here highlighted, but he knows it in more detail.

**CHAIR** - Thank you, Ben.

**Mr MORRIS** - Well the track changes may be an easy way to go. I've only the full complete one, but -

**CHAIR** - Can you just lean over a little bit, Ben, sometimes they are a little bit difficult, and you too, Richard, when you get the chance?

**Mr MORRIS** - Yes, thank you. It was really to update a lot of the language. In the guiding principles, acknowledging the existing statutory frameworks, they have that we can't operate outside of those and in particular the TER, the economic regulator, provides that price and service plan process. It is very much about having that long-term financial sustainability for shareholders and for the community, to make sure that they're providing not just good service but value for money and are linking to the regional prosperity. I can detail those following this if you like. They're very much about how and where they invest. That's ultimately what they are here to do and part of their vision is making that positive difference, so it's providing some guidance on those.

**CHAIR** - How do you arrive at that and this is probably a question for you, Richard, given that you have 29 councils? That's a lot of individual needs and aspirations to compete in to get to the top of the list. How do you deal with that and then impart that to the board so that next program, or that next project is at the top of the list?

**Mr IRELAND** - There's a thing called the 'expert advisory panel' which is like an interface between the 29 owners' reps and they are the guys with the knowledge of how TasWater works. I must admit, an owners' rep in some obscure council may not know all the detail. So, this expert advisory panel is really the crux. They're the ones who listen to each of the councils, cull it down to the important issues and then pass that onto the board.

**CHAIR** - So, how many council reps sit on that?

**Mr IRELAND** - Mainly general managers -

**Mr MORRIS** - And members, yes.

**CHAIR** - It's all general managers?

## PUBLIC

**Mr MORRIS** - No, Richard is on there, we also have the chief owners' rep, previously, that was Doug. Then Alex was the member, as well as Richard. I am trying to recall the other -

**Mr Valentine** - They are regional, aren't they? They have regional reps.

**Mr IRELAND** - Yes, but Tony would you go into how the investment is determined across the state.

**CHAIR** - Yes, exactly. What project is next on the radar?

**Mr MORRIS** - I think the owners essentially would leave it to TasWater to determine its priorities. The long-term strategic plan sets out those longer goals of water quality, sewerage, service standards. Then the price and service plan, which we had input into about those priorities. Then the investment priorities out of those, that higher level investment priorities. Owners, I would say, to be fair, don't necessarily advocate for specific projects in their municipality, because they recognise there is a bigger goal.

**CHAIR** - I find that interesting that you say that, but, if that's your assessment.

**Mr MORRIS** - In general. There would be some who would quietly say, 'What about this project', and Tas Water will respond and say, 'It fits into the plan here and here, and this is what it does'. There are some very good reasons to, you know.

**CHAIR** - Richard, in your view, and for the time that you have been the deputy owners' rep, do you believe that the model in place works for TasWater - and particularly for the delivery of those services and that infrastructure, the upgrades that was so desperately needed when the organisation was formed - I am interested in whether you believe that it's the right model?

**Mr IRELAND** - I certainly do. I don't know, I wasn't around in the days of the three Ben Lomond -

**CHAIR** - Four. The billing system, Onstream, was separate.

**Mr IRELAND** - There was Onstream, and three others. That was before my time as a councillor, and I can't actually understand why we went to that intermediate step. Maybe it's political, I don't know.

**Mr VALENTINE** It was like back office stuff, I think.

**Mr IRELAND** - In the original system where we had 29 councils with varying abilities to do their job, it was, I would imagine, chaos. Some were doing a really good job, some were not. It was really important to consolidate it.

Even now, TasWater has a challenge with 29 legacy systems to sort out. Some were better than others. That is why it has taken such a long time, and such a huge capital investment to bring it to the level like we have in the other states, where we have two or three water treatment plants for the whole of Melbourne, versus, how many do we have? A lot.

## PUBLIC

Yes, I think it is a good model. It works well with the owners' representative, because we do have a lot of input into what goes on. It is not like, say, TasNetworks or something like that, which is totally separated. The councils certainly can control things.

**Ms HOWLETT** - I am wondering if you can talk to me about the Penna recycled water scheme, at Penna, and also the Orford sewerage -

**CHAIR** - That will be for TasWater, thanks. We will hold that one.

**Ms HOWLETT** - I think we should have them together, personally.

**CHAIR** - Well, that's what we have set up for now.

**Mr VALENTINE** - I'm interested in the current dividends being paid to various councils. Are there special conditions in place where some councils are getting more than might be generally expected, because of the transfer still, or not? When TasWater was set up, there were some councils that received a lot more in dividends because they had put a lot more infrastructure and assets into the system. They were getting special treatment, if I can put it that way. Do you know, from your council group, the 29 of them, are they still receiving special dividends?

**Mr IRELAND** - No, the dividends are divided up, as you just said, due to the infrastructure, the level. For example, West Tamar has 3.3 per cent, so when they dish out the \$20 million dividend, we get 3.3 per cent of that. I cannot think of any other way how you could divide it up. When they first set it up, effectively they stole everybody's assets, and said, 'Okay, now you're shareholders in a proportion due to the assets we have taken'.

**Mr VALENTINE** - Well, originally it was not quite as straightforward as that, going way back. For instance, Glenorchy Council received a heck of a lot, over and above their input, as far as I can recall. There were some special arrangements made for that. I was wondering whether those special arrangements are still in place or whether it is totally on the amount of assets that they have brought to the game?

**Mr IRELAND** - I was unaware of those special deals. Now it is just purely based on the asset value of what was originally taken over.

**Mr VALENTINE** - That is fine, sounds like it is even. I also wanted to ask whether we can get a copy of the shareholders' letter of expectations?

**Mr IRELAND** - It is on the website.

**CHAIR** - The secretary will probably have it under our nose in about four minutes. Thank you, member for Elwick.

**Mr WILLIE** - Thanks Chair, I am after the board's decision-making on repaying the dividends from that COVID-19 period, given the capital upgrades and the programs across the state and some of the indicators of leaks and sewage effluent being discharged into waterways. Was there any consideration on keeping that dividend to invest into the capital program?

## PUBLIC

**Mr IRELAND** - No, basically they said, if we keep making a profit, we will pay an extra dividend. The last year they paid the normal dividend plus the dividend that we lost or a portion of the dividend; it is going to be paid over several years.

**Mr WILLIE** - Yes, \$4 million a year, I think.

**Mr IRELAND** - They have actually already said that this future extra dividend is certainly not guaranteed. If they do not make a profit or if the cost-of-living index, the cost of doing these jobs, if it goes up with inflation, there could be a situation where TasWater does not make a profit, in which case, we will not get the dividends. Councils have been warned that they cannot rely on that.

**CHAIR** - You cannot rely on that share of the \$20 million every year.

**Mr WILLIE** - No, this is additional.

**CHAIR** - Yes, I know, but even so, is that what you are saying though Richard, you cannot even rely on the \$20 million?

**Mr IRELAND** - Legally, nothing is guaranteed, but generally speaking, with the exception of COVID-19, they have paid the main dividend. The repayment of the missed dividend is basically at the will of TasWater. If we make a profit, we will pay it. We will try to pay it, they have said they will try to pay it, but they have warned us that with the cost-of-living, cost of living a dam, cost of building whatever is going to go up, we might not make a profit, but hopefully we will. So, councils are definitely aware that you cannot rely on this dividend.

**Mr WILLIE** - Was there in consideration in cost-of-living relief instead of paying the \$4 million back to councils?

**Mr IRELAND** - You mean the special concession payments, we still have that system in place.

**Mr WILLIE** - Or broadening that -

**Mr MORRIS** - Josh, do you mean not to accept the dividend?

**Mr WILLIE** - Yes, not to accept the \$4 million and to spread that across your customer base as cost-of-living relief.

**Mr IRELAND** - No.

**Mr WILLIE** - There you go, that is a pretty simple answer.

**Mr IRELAND** - Not a political answer, just a simple answer.

**CHAIR** - We like straight answers, thank you.

**Mr WILLIE** - We have plenty of operations questions.

## PUBLIC

**CHAIR** - We have plenty of operation questions and the fact that you see no issue with the current arrangement and the relationship is good with the board and TasWater. There is a new CEO in place after a long-term appointment previously, so would you like to talk about that transition?

**Mr IRELAND** - I have met George two or three times, so he is pretty new. As far as I know, he has been doing a good job, so nothing either way really.

**CHAIR** - Feedback has been positive?

**Mr IRELAND** - There is nothing, no bad news. Mike Brewster was an excellent CEO, but all good things come to an end and so we now have George.

**CHAIR** - Thank you. What about the actual TasWater employees on the ground. Do you have any feedback from the community on timeliness? I know that is operational, but as councillors and elected members of your community, you will certainly get some feedback if things aren't being attended to in a timely manner. Do you have any concerns or issues about that, or excess staffing numbers or lack of staffing?

**Mr IRELAND** - I've had no particular issues, but I do recall an issue about five years ago, one of the good things about an owners' rep group, when some water leak was not being fixed properly, and I was able to fix it - via my ratepayer, to me, to Mike Brewster. There's a very good communication setup and I have had no bad reports recently. I mean it's a semi-government organisation, it has lots of equipment that might be excessive, but that's probably because they have to be able to handle a big leak or something.

**Ms ARMITAGE** - It should pass your mind, it took 24 days to repair for one of my constituents, which caused significant damage to the house. That will come up shortly, with the next group.

**CHAIR** - Anything else that you would like to share with the committee? We don't want to just sit here and have a talkfest. We are interested in challenges that the organisation sees with TasWater

**Mr MORRIS** - No; I think as Richard has said that they are broadly happy with how TasWater is doing. There will always be those local issues, and there will be some reason why those happened and they're not perfect. It's interesting in our Future of Local Government review, which is live at the moment, and there has been a lot of discussion about shared services. There is a trade-off between the size of an organisation and its capability and how you can respond to a very local issue. If you get the size you can invest in about \$250 million last financial year, which is remarkable and a 40 odd per cent increase on the previous year; but you can't have the same responsiveness as a council would have. That's certainly a challenge for the community to have, and to understand, and certainly that something that councils are giving their mind to with the review about how that balance may play out.

**CHAIR** - There's been some criticism in the past about the Capital Delivery Office(CDO), and the excessive cost and the lack of action. Have you seen any difference in rolling out those larger projects.

**Mr IRELAND** - Originally the CDO took on a lot of projects.

## PUBLIC

**CHAIR** - Took on virtually everything.

**Mr IRELAND** - Then basically they pulled back smaller projects that are then handled by TasWater.

**CHAIR** - We would like to think that a committee of this parliament assisted in that.

**Mr IRELAND** - That was a good outcome, and we had a bit of a discussion with the Civil Contractors Federation (CCF). They were unhappy initially, but they seem to be happy now. That was another issue which the owners were dragged into which was good and we were able to resolve.

**CHAIR** - They were bypassing a lot of very local contractors, and having people overseeing works that were interstate, not on the ground, and expecting somebody local to fix it and then really drilling down the price that they were receiving. It was not good for Tasmanian business at all, and that's not we would expect for a Tasmanian council-owned business to want to endorse.

**Mr MORRIS** - That scale question, wasn't it? They were applying the same risk management approach to Bryn Estyn, which was about a \$300 million, to an upgrade of the renewal in a street.

**CHAIR** - Or the Pioneer water scheme, or something like that, exactly.

**Mr VALENTINE** - A question in respect to trade waste. What's the feedback you're receiving from councils about whether that is still an issue for them and whether they are being addressed?

**Mr IRELAND** - I do not know if your aware but in the new Prices Services Plan 4 (PSP4), which is just about to come in, we have come up with a new plan to seriously look at trade waste. I know there was a lot of initial angst about it, so we now have a new risk cache group like hairdressers, that only pay a sewerage fee - because they say a hairdresser is like a house.

**CHAIR** - There's no fat going down.

**Mr VALENTINE** - No, but there's plenty of hair going down, which is interesting.

**Mr MORRIS** - Once they have their basket, or whatever it is, then they say - 'right, you're done', then it's just a sewerage charge. There's been a price drop, which you don't really hear about much.

**Mr VALENTINE** - Not often. No doubt, received very well by the industry.

**CHAIR** - We know that Tasmania's based on small business. That's what we do best.

**Mr IRELAND** - We had to modify the plan, which they have done, so I think you will be happy with that.



## PUBLIC

**Mr MORRIS** - The other one which I will add, Richard, is just the challenge in some places - it is very expensive to put in a grease trap or something like that.

**CHAIR** - Sometimes, it's impossible.

**Mr MORRIS** - That's right. They've come up with a new fee that provides an equivalent - they're not getting a commercial advantage but they can pay a yearly fee in lieu of putting that device in, and that essentially pays for extra servicing in that area for fats, or whatever, to be cleaned out.

**Mr VALENTINE** - Like Salamanca.

**Mr MORRIS** - Salamanca is a great example.

**CHAIR** - A couple of my businesses in Deloraine have no ability to put in any trade waste filters due to the heritage of a building and where it sits.

**Mr MORRIS** - They'd be able to pay that charge - I think it's around \$2000, so it's not a small fee but it means they don't get a benefit over someone who has put it in.

**Mr VALENTINE** - Is that per year?

**Mr MORRIS** - Yes, per year.

**Mr IRELAND** - But you don't have to put any infrastructure in.

**CHAIR** - That's a terrific outcome for a lot of businesses; although it doesn't take long for \$2000 a year to add up, does it? If you can manage to put in a grease trap, at the end of the day it's going to help your business, but it's also going to save you that \$2000 a year.

I know that TasWater has offered payment arrangements. Is that something that the owners' reps would be very supportive of, to support businesses?

**Mr IRELAND** - I think we've been pretty generous.

**CHAIR** - Well, thank you. It looks like we've pretty much exhausted our questions. Unless there's anything else that you would like to share with the committee, we sincerely thank you for your time.

Richard, you would have driven down for this.

**Mr IRELAND** - I have driven three hours and 10 minutes.

**Ms HOWLETT** - I hope you're from Launceston.

**Mr IRELAND** - Just the other side of Launceston. There are lovely roadworks. When are they going to be finished?

**Mr WILLIE** - I wonder whether in the future you would be open to meeting together so that we can ask broad-ranging questions - like we have in the past.

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**Ms HOWLETT** - That's a good idea.

**CHAIR** - I am not quite sure why it was split; but we will work on that.

**Mr VALENTINE** - Probably because one is a servant of the other in a sense.

**Mr MORRIS** - There may have been some sort of preference perhaps from TasWater. You will have to ask them but previously that was the case.

**Mr IRELAND** - Previously, when Doug Chipman did it two years ago, it was split. Am I able to stay and listen to TasWater or is it confidential?

**CHAIR** - Absolutely; they're open hearings. They are being broadcast.

**Mr VALENTINE** - You've just come three-and-a-half hours. You may as well make it worthwhile.

**CHAIR** - We're not sure how many thousands of people will be watching but it is broadcast; we are live.

**Mr MORRIS** - I did tell my daughter who is 10 and she asked, 'is it on YouTube, Dad?' I said, 'No, darling, it's just on the parliament website,' and she said, 'Oh, well'.

**CHAIR** - Please say hello to her - here now. It's an opportunity to pop her on the public record.

Again, we very much thank you for your time and one of the joys of being a deputy and you've been able to step up.

**Mr IRELAND** - I enjoy being the owners' rep because I feel I can add to the business. Traditionally, it's the mayor who is the owners' rep but Christina decided because I'm an engineer, I'd be better at the job than she would be; so, that's how I ended up being the owners' rep.

**CHAIR** - I always think it's terrific to be able to share the responsibilities around. It's a really good thing to do in any organisation.

Please have a safe journey home. No, I don't know when the roadworks are going to be completed. I am one of those very regular travelers and, yes, it's quite a challenge but at the end of the day they keep on saying to me - just imagine how good it's going to be when they are completed.

**Mr VALENTINE** - It's a 10-year program, isn't it?

**CHAIR** - I have to be responsible for being part of the committee that approves some of those works so I can't complain very much. Please have a safe journey home and thank you very much, Ben, nice to meet you. The committee would like to offer season's greetings to you, and have a safe and happy new year.

**The committee suspended at 11.45 a.m.**

## PUBLIC

**The committee met at 11.17 a.m.**

**CHAIR** - Welcome representatives of TasWater here today. We very much appreciate your time and I will hand straight over to you, Nick, as the acting chair.

**Mr BURROWS** - Thank you Chair, for inviting the TasWater team to talk with you today and we are very much looking forward to the conversation. The TasWater Chair, Dr Stephen Gumley, sends his apologies. Unfortunately, he had a prior commitment that he was unable to reschedule.

**CHAIR** - Thank you.

**Mr BURROWS** - For those of you who do not know me, I am Nick Burrows, I have been an independent non-executive director of TasWater since 2015. I chair the Audit and Risk Committee throughout that time and I also served on Southern Water for the period of 2011-13.

I'd like to introduce you to our members of the executive at the table today. George Theo, on my right, is our new TasWater CEO. He joined us in March this year.

**CHAIR** - Welcome George.

**Mr THEO** - Thank you.

**Mr BURROWS** - And those who appeared at these hearings before with TasWater, are: Tony Willmott, General Manager Project Delivery; and Matt Derbyshire, General Manager Asset Management Services. Recent arrivals at TasWater and here for the first time are: Joanna Giannini, General Manager People, Culture and Safety; and Kane Ingham, our CFO who was previously COO at Aurora Energy; and we brought recent new General Manager Customer and Corporate Relations, Matt Balfe.

**CHAIR** - We can see our good friend Ruth Dowty here as well, so welcome Ruth.

**Mr BURROWS** - As a board we are very keen to see the new thinking that comes with the evolution of the organisation. As it continues to mature, this team will bring new aspects of work into focus and the board is excited by the drive our refreshed executive is already bringing to TasWater.

Importantly, we will not change having our customer and the environment at the centre of everything we do. In 2013, our priority was ensuring our customers had clean, safe drinking water. By 2018, every permanent boiled water alert in the state had been lifted. Over the next few years, wastewater will continue as an area of increased focus and there are going to be some big decisions made around the board and the executive table.

Currently, we have too many wastewater treatment plants and extensive work is already under way on how we can rationalise these; decommissioning a third of those and upgrading others as required. We need to partner with councils to address inflow and infiltration to get stormwater out of our network and limit the wet weather spills that impact Tasmanian communities and businesses

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Current global political and economic instability will require courage in our decision-making. Our fourth price and services plan outlines our prices for the next four years and the services and projects we will deliver. Our regulator revenue remains fixed with price increases capped at 3.5 per cent per year until June 2026. With all the cost of living increases our customers are already experiencing, our 3.5 per cent price increase cap provides them with price certainty until 2026. Our average annual customer bill for a Tasmanian household in 2023 is around \$1276, which is about \$24.50 per week.

Inflation will increase the costs of our operations, maintenance programs and capital projects. We are not alone as this challenge is currently being faced around the world. We will continue to work tirelessly as a board and executive on delivering strong and prudent budget management to deliver on our commitments in this difficult and evolving economic environment. As we did during COVID-19, we must support our customers who are experiencing vulnerability.

We are considering the impacts of climate change and how we reduce our impact on the environment. This is at the forefront of the board and executives' current agenda. We will take innovative approaches to these issues, look for new technologies and develop new ways of thinking. We cannot just do the same, but differently. We will need to fundamentally adapt as the climate changes.

Customers and environment are the centre of what we deliver and our core legislative function, as you know, is to efficiently provide water and sewerage functions in the state. But, we play a much deeper role in society with schools, hospitals, industry, environment and the health and wellbeing of the Tasmanian people who depend on us to get it right.

It is our skilled, dedicated and hardworking people at the heart of how we get it right. The safety, health and wellbeing of our staff will remain our number one focus. Nobody should be hurt at work and we continue to strive to elevate safety awareness across the organisation.

We also continue to grow as a company that cares about its staff. We do this through our culture - work, flexible work arrangements, increasing diversity, offering training and development and making a variety of support services available where and when our staff need them.

Our vision of being trusted, respected and making a positive difference in Tasmania is built upon four strategic themes: the customer and community; the water and environment; commercial and economic; and people and culture. Getting the balance right will take courage, compassion and innovation.

So, thank you Chair, and I would like now to pass across to George who has a couple of comments he would like to add.

**CHAIR** - Thank you very much, Nick. Seeing I have elevated you to Acting CEO, I will move to the CEO.

**Mr THEO** - Thank you. I will keep this brief so we can get on to members' questions.

I arrived in March and have spent time with teams across the state. I am proud to say I have been really impressed with the passion and commitment our people have for the work

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they do. We have people who care about the services we provide to our customers and our communities. There is a clear understanding of the role we play in improving the daily lives of our customers. Water and sewerage are the core of what we do and we take that responsibility quite seriously. Our challenge is to deliver for Tasmanians on those things that matter most to them: excellent customer service, delivering environmental benefits, doing our work safely and providing an affordable service that is valued by our customers.

In delivering a valued service, I would like to challenge the status quo at TasWater to look for new ways of doing things better and deliver better customer and environmental outcomes. I will give you an example where it is not about more money but it about being innovative and creating the way we go about doing things. It is not necessarily novel or new.

I have noticed how quickly it takes for a spill to occur during wet weather events. From the moment it rains to the moment we have a spill, the duration is too quick which suggests, not only to me but to others that we have inflow and infiltration of stormwater into the sewerage network. The dumbest thing we can do is to build bigger infrastructure, bigger treatment plants to collect and treat stormwater.

I am not referring to Launceston which has a system that has been designed and built to act as a combined water and sewerage network, I am talking about where we have separate sewerage networks and drainage networks. Just on Launceston, we are embarking on a significant project, the Tamar Estuary River Health Action Plan (TERHAP) in partnership with government and others, and also the Launceston Improvement Project which we would love to talk about if time permits.

I can inform the committee that it takes as little as five millimetres of rain to bring in a million litres of stormwater into the sewerage network. That is a community issue that we need to address. Stormwater gets into the sewerage network through a combination of our cracked pipes, street drains that are inadvertently connected to sewerage, as well as customers who may have mistakenly connected their roof water to the sewerage network. These wet weather spills have impacts on waterways, industries, recreational areas and sometimes individual homes. It is a whole-of-community issue which requires a whole-of-community response.

A targeted program of smoke testing across the state will help us find exactly where stormwater is getting into the network, and we can then work collaboratively with our customers and councils to rectify the issues. Preventing stormwater from entering the sewerage network means we do not have to spend millions of dollars building larger infrastructure and still deliver a better environmental outcome and keep downward pressures on increasing bills.

TasWater has delivered much in its formation and the chair has spoken to some of those improvements. I am thrilled and I am pleased to be in Tasmania. My wife is loving it, as I am. I look forward to leading the TasWater team, and in partnership with other partnering organisations, to further improve the way we serve our communities.

**CHAIR** - Thank you.

**Ms ARMITAGE** - We have had a very good relationship with Mike, and Ruth has been fabulous and I am quite sure that George will be equally good with our constituents. Before I get into the more difficult things, I accept that some issues are more difficult than others to resolve.

With regard to water utility and leaks and this was from *The Examiner* newspaper. I am sure it probably came from the annual report. The rate at which potable water is leaking from TasWater system widened in the last year to 10.1 kilolitres per kilometre of water mains a day, more than three times the average loss rate recorded by mainland utilities. That was up from 8.9 kilolitres previously. Can you advise why? Do you have any understanding of what is happening here?

**Mr THEO** - Our leakage rates are higher, and that is a statement of fact. We have jumped on that and currently as we speak, we are investing in the establishment of over 150 - and I won't get into the technical details - district metered areas. This is actually going to allow us to find leaks that don't come to the surface and to fix them.

We already have sophisticated software in place which allows us every 60 minutes, every hour, throughout the course of the day, every day, to actually look for variations in leakage across our 6500 kilometres of pipe. By December 2023, we will be in a position to be monitoring 6500 kilometres of water pipe and be able to find those leaks that don't come to the surface. If they come to the surface, we can fix them.

That's really important. The establishment of those district metered areas will cost about \$4.5 million over the next two years to make that happen. I'm pleased to say we've started that process, and we are in the early phases. Our commitment as an organisation is to do better, and reduce the level of leakage that we currently have.

**Ms ARMITAGE** - So, is it still policy for three days to investigate a known water leak?

**Mr THEO** - When it comes to leaks, and it's customer-initiated faults that I'm speaking about, customers will ring in with a fault. It will be triaged and diagnosed over the phone with that customer, and it will be given a priority. If it's a minor leak, our internal KPI is to respond within 24 hours, and fix within five days. Occasionally, we fail and things fall through the cracks. It's not what we want, but it is an opportunity to actually go back and look at our processes and improve upon them.

**Ms ARMITAGE** - Can you advise how a water leak, a known water leak, above surface, was left for 24 days with running water which obviously significantly damaged a property? Can you advise me how that happened?

**Mr THEO** - The leak that ran for so long -

**Ms ARMITAGE** - That was after, saturation relief. That was when it was above surface.

**Mr THEO** - Look, we got it wrong. The reality is that it fell through the cracks. We should have got there earlier, and we should have repaired it earlier, and unfortunately the leak got loose, which became a burst water main, which we attended and fixed as a consequence. But we should have got out there earlier. That was a failure of our internal processes, and we've gone back and re-looked at that to make sure that those opportunities don't happen again.

**Ms ARMITAGE** - In these situations, you deal with the landowner, or you resolve these matters? What's the process? Not just generally this one, but any process.

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**Mr THEO** - Typically the process is if our activities may have caused customer inconvenience, property damage, the process usually is that the customer would refer the matter to their insurer. It is the quickest way of getting resolution to the issue, and if the insurer is of the view that TasWater may have contributed in any way, shape, or form to any property damage that may have occurred, they would follow and pursue TasWater as a consequence.

I think when the property is insured, the quickest way to resolves those issues is through their insurance companies.

**Ms ARMITAGE** - What about issues that are outside the actual property damage, such as the stress that has occurred, particularly the one that we know we're talking about? Insurers won't cover something like that. Does TasWater then take some responsibility? You know, for mental stress and the other issues that - an insurer is only going to look at property damage. So how does that work? Do people have to go to lawyers? Surely that's not the situation that anyone wants.

**Mr THEO** - Well, no.

**Ms ARMITAGE** - That will happen in many cases, not just the one I'm talking about.

**Mr THEO** - I'm not sure in how many cases that might happen. Clearly, if we've caused a customer distress, we need to support them and work through it. That's about as much as we can do. As I mentioned earlier, we work really hard to make sure those situations don't occur, and being able to support our customers is really important.

**Ms ARMITAGE** - I will leave that for a minute. I'll follow that up with George at a later time.

**CHAIR** - Right. When you have your coffee. Thank you.

**Mr VALENTINE** - Just picking up on an observation you're making about illegal stormwater connections from houses. Talking about smoke testing and finding those illegal connections, a lot of suburbs don't have any stormwater system. They were probably designed to put their roof water into the sewerage systems. You say you are talking about saving the building of major infrastructure, let us do this other trick first, but it is going to cost you the same isn't it, by having to dig up the streets and put in stormwater pipes?

**Mr THEO** - Well, stormwater is not a matter for TasWater, it is a council issue, and we recognised that -

**Mr VALENTINE** - I realise that, but I am interested in the fact that once you find these things, you are simply not going to be able to say, okay, disconnect. You need to have some dialogue going on between you and the councils.

**Mr THEO** - Absolutely, and I think that is why it is a collaboration with property owners, councils and TasWater, all coming together to find a solution. If there is not reticulated drainage in the area, we understand why customers have connected their stormwater to sewer but the sewer was not designed for that purpose. Disconnecting them on Monday might mean that they reconnect on Wednesday. The only way we are going to find a long-term solution is to work together

**Mr VALENTINE** - That is right, so that means that you are going to have to approach, possibly, the Commonwealth government to get some grants to actually do these major works that are going to be needed. It is not going to be local councils that are going to want to -

**Mr THEO** - I do not know what the exact answer is going to be other than that we need to work together to look at a sustainable way forward. If we do not, the implications of that are we will continue to have wet weather spills and, in some instances, the impact of a wet weather spill is on private property and we do not want that to be occurring.

**Mr VALENTINE** - It is a big issue, there is no question about that. Just a question about your profitability. It is a profitable business, but it is a bit concerning that the rate of increase in both your sales revenue and your profitability are growing at a much faster rate than underlying inflation. Your increase in profitability is about 10 per cent?

**Mr THEO** - Yes.

**Mr VALENTINE** - And inflation is running at 7 per cent, but you are actually pulling 10 per cent at the moment. How are you going to minimise the impact on households if you keep doing this? It is going to make matters worse for a lot of people who are really struggling out there.

**Mr THEO** - I will ask Kane to provide a bit more detail, but I would just like to make this point: our customers have price surety. Their prices are capped at 3.5 per cent for the next four years. I do not know of any other organisation that actually has made that commitment. We are also regulated by the Economic Regulator who has determined, in fact, they actually determined that we could be charging 3.71 per cent, but we have chosen to only go to 3.5 per cent so that gives customers price surety for the next four years. Kane, is there anything else you might want to add?

**Mr INGHAM** - Yes, I think in comparing both of those years there are probably a couple of things to point out. The price increase from 1 July 2021 was 3.5 per cent, it was not 10 per cent, and within the revenue numbers, there includes things like -

**Mr VALENTINE** - It goes from last year's annual report through to this year's and the spread is 10 per cent.

**Mr INGHAM** - Yes, but it includes developer contributions, which is variable and can change year on year. Just to reiterate George's point, it is 3.5 per cent and that was at the start of the last financial year and that will be the same for the next four years, which is the span of the next pricing and services plan that has been agreed with the regulator.

**Mr VALENTINE** - Okay, well, it is \$351 million roughly, up to \$386 million, so -

**Mr INGHAM** - I think too, if you look at net profit based on our financials, it is 62, but underlying is 31, and I think that is also -

**CHAIR** - Do not forget the .9.



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**Mr WILLIE** - Over the years, we have had a fair bit of feedback about how the structure of infrastructure charges for new developments disadvantages first movers and holds back some developments. Can you talk through the new developer charges policy that will apply from 2023 and do you believe it will resolve this issue?

**Mr DERBYSHIRE** - Our new policy does remove first mover disadvantage. TasWater will take the investment required to service that new development. For argument's sake, let's say it's 1000 new properties that are going to be connected. If the developer is just looking at a parcel of 200, they will essentially fund 20 per cent of that cost.

**Mr WILLIE** - Okay; so you wear the cost until the others come on line?

**Mr DERBYSHIRE** - Until the second or third developer comes along, correct. That's in most scenarios. There are some high-risk scenarios where we do not believe there would be future developments, so there could be some out of sequence development that occurs. In that case, the developer would fund the full cost.

**Mr WILLIE** - I understand TasWater has made a commitment to the EPA that includes an uplift in environmental compliance at 20 sites across the state. Where are those 20 sites, and can you provide some details on the general concerns that the EPA had?

**Mr THEO** - The good news is that we are moving towards the right direction, when it comes to overall compliance. I'll hand over to Fran Smith to reply.

**Ms SMITH** - We have assessed the 22 sites we came to assess based on the risk to the environment. It's not directly the compliance, but it's the risk we are having to environment. It's part of our wastewater risk management plan. I don't have the list in front of me, but it includes things like Geeveston and Dover, and there are 22 sites around the state. Sometimes it's about changing the outfall, so we have committed to make a step change in the risk where we are impacting the environment. It does not necessarily mean it will be a full upgrade, but will make a step change in the risk.

**Mr WILLIE** - Can we have a look?

**Ms SMITH** - Yes, happy to provide a list.

**CHAIR** - What about the estimated volume of spills?

**Mr WILLIE** - Or the number of spills in the last financial year, that were reported to the EPA? That would be good.

**Ms SMITH** - As a separate question?

**CHAIR** - Do you have a volume?

**Ms SMITH** - We have the number of spills and each spill has a different volume.

**CHAIR** - But you don't have a total?

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**Mr THEO** - When it comes to spills we need to differentiate between a dry weather spill versus a wet weather spill. When the sewerage system is inundated by wet weather it's impossible to actually calculate a number. When we have a dry weather spill, we know how many events we have and roughly the volume on a per event basis, and we can always tally that up.

**Mr WILLIE** - So you will provide that to the committee?

**Ms SMITH** - Yes.

**Ms WEBB** - A few questions about the Bryn Estyn rebuild - can you briefly touch on where that's up to, when it will be completed and the estimated final costs?

**Mr THEO** - Bryn Estyn will be completed mid next year and I should ask Tony who is looking after that project to talk to a bit of detail there.

**Mr WILLMOTT** - The project is currently at around 70 per cent complete. We are on target, so we will be finishing before the end of the financial year. We are hoping to commence commissioning of the plant around 14 July next year. The project has been going very well; all civil structures are complete and we are currently in the mechanical and electrical phase where we are installing all the kit around the site. We had an overall cost of \$244 million; that also included a number of upgrades to some noncompliance issues around our power supply there. It was about \$244 million; still on budget.

**Ms WEBB** - Looking at the Greater Hobart water supply, last year we had stage one water restrictions around this time; 13 December I think it was. Can you confirm whether those water restrictions that were put in place were imposed only on residential customers, or also commercial customers?

**Mr DERBYSHIRE** - I assume it was residential.

**Mr WILLMOTT** - And commercial customers, across Hobart.

**Ms WEBB** - But not the irrigation schemes that draw out from the same area?

**Mr DERBYSHIRE** - We work very closely with Tas Irrigation to manage when they do take water from that system. We meet weekly with them through summer, and manage their demand for their irrigation customers.

**Ms WEBB** - Was a restriction put on the amount that was planned to be taken across the period for irrigation, or did they take the planned amount across that time?

**Mr DERBYSHIRE** - I think it's more about managing the demand and when it's taken, rather than a restriction per se.

**Ms WEBB** - Still looking at the same area, the water supply. We know there can be taste and odour issues, blue-green algae issues, turbidity and those sorts of water quality issues that can be affecting the Derwent water supply. Have any of those issues been apparent this year, looking into this season, that would potentially present problems?

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**Ms SMITH** -We monitor blue/green algae and taste and odour throughout the whole year and there are currently no triggers to show that in Hobart.

**Ms WEBB** - We're not expecting to have a similar situation this summer?

**Ms SMITH** - The treatment plant can treat for taste and odour; and the new treatment plant particularly will be easily treated for taste and odour. We have a taste panel that monitors it weekly. It can change with weather changes, but currently we're not foreseeing anything.

**CHAIR** - I have a supplementary on that.

**Mr WILLIE** - We've had a significant amount of rain over the winter break. Are you expecting Hobart to be placed on water restrictions over the summer, given that the new system doesn't come online until July?

**Mr DERBYSHIRE** - We always carefully monitor the system for any changes, but at the moment we're not forecasting to put on water restrictions this year in Hobart. We do also get an added benefit of the Bryn Estyn upgrade early - before July, we get some pre-clarification tanks that means we can treat the water better.

**Ms WEBB** - I had a further one on a similar area, because it's still relating to the Derwent area and the potable water that comes out for Hobart. As we were just talking about, the South East Irrigation Scheme takes potable water out of that system, and obviously that's been treated, so there's been some cost involved in treating that water, which is then taken off for irrigation, rather than being used in the Hobart community. Does TasWater receive revenue that accommodates the cost of treating and providing it, so, we're coming out at least neutral, if not ahead?

**Mr DERBYSHIRE** - We've had a long standing with Tasmanian Irrigation. They have an irrigation contract with us to take water from the Hobart drinking water system. Tasmanian Irrigation has been working very hard to try to reduce on the Hobart water system. They've invested some millions of dollars. It's probably more of question for Tas Irrigation, but the South East Irrigation Scheme is their plan to actually remove their connection from the Bryn Estyn water treatment plant.

**Ms WEBB** - Yes, we have them later and I will be asking these questions. However, the question I had for you, which didn't quite get answered, is about the water they're taking at the moment. It's potable water that's being treated. My question was about the revenue that TasWater receives for that, as part -

**CHAIR** - Or foregoes -

**Ms WEBB** - of the agreement. Is TasWater and the public subsidising the potable water that's being taken out to be used for irrigation?

**Mr DERBYSHIRE** - We receive revenue, yes, from Tas Irrigation. I couldn't speak to the exact costs associated with that supply. Irrigation and water for producing electricity is not called up under the act. It's actually not a regulated activity.

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**Ms WEBB** - I'm not sure how that last comment relates to my question, but the question I asked was, you know the volume that's taken out for irrigation. You know how much it costs you to treat water per megalitre. The cost of treating the water, which then goes to irrigation, is that recouped through the revenue received?

**Mr DERBYSHIRE** - I think it's spread across the entire customer base.

**Ms WEBB** - So, the Hobart community is currently paying for water that is being treated to be potable and then taken to be used for irrigation?

**CHAIR** - Is that all Tasmanians, or just for Hobart?

**Mr DERBYSHIRE** - All Tasmanians. It's postage stamp pricing.

**Mr THEO** - The price for potable water is the same across the entire state, but I think we can come back to you later, about the specifics. We don't have them in front of us. TasWater does pay for the water. If you're asking, are they paying 100 per cent of the cost to produce the water from Bryn Estyn, we'll have to come back to you.

**Ms WEBB** - Thank you, I'd like that. I'd like to understand the pay-off.

**CHAIR** - Question on notice, secretary, thank you. I will go to Ms Howlett.

**Ms HOWLETT** - Thanks, Chair. Could you give me an update on the Penna Recycled Water Scheme; and an update on Orford and Coles Bay if possible?

**Mr IRELAND** - Okay, I think, Matt, you're across that detail.

**Mr DERBYSHIRE** - Yes, so we were lucky enough to secure \$5 million from the federal Government's National Water Grid Fund to remove any discharges from Pittwater. That's part of the Penna Recycled Water Scheme, where we will be sending an additional 100 million litres of recycled water to irrigation. We just need a little bit more information on Orford and Coles Bay, what kind of detail would you like there?

**Ms HOWLETT** - With Orford I think there was a sewerage network upgrade that was occurring.

**Mr WILLMOTT** - I can answer that question. For Orford, the upgrade is in relation to the pump station network that is on the foreshore. The detailed business case has just been completed, with an estimated cost of around \$10 million. We will also be installing some emergency storage along the network so that we can hold it back and then pump once the rainfall abates. That's imminent - for construction in the 2023-24 financial year.

**CHAIR** - Do you have any concerns about the significant borrowing? It's big infrastructure I know, and you have that big commitment to the Capital Delivery Office (CDO).

**Mr THEO** - I will ask Kane to answer that question. Over the next four years we are investing over \$900 million in capital to deal with problems that we have across the state.

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What you may not be aware of is that we have over 11 000 kilometres of pipe under the ground. We have 110 sewerage treatment plants and we have 60 water treatment plants and close to 1000 pump stations to serve a community of not more than 500 000 people.

**CHAIR** - Pretty important people, though.

**Mr THEO** - They are very important people. But it demonstrates to us that we have too many assets for the number of customers - or we don't have enough customers for the number of assets. The reason I'm raising it, is because they are assets we need to either maintain or figure out we don't need and there's a better way of getting things done. That goes to the heart of the capital works program. So, to your question about affordability and can we afford the program to deliver the services we're committed to delivering - Kane, over to you.

**CHAIR** - So, it's your job to find the money, Kane.

**Mr INGHAM** - Exactly. Borrowings have increased and that's really from the capital program we have in place and we expect borrowings to increase to about \$1.1 billion by the time we finish the -

**CHAIR** - I wrote that down.

**Mr INGHAM** - The key message is - can we afford it? Yes, we can. We have strong operating cashflows to be able to fund the debt. Also, if you look at our peers across the country having a gearing ratio of about 60 per cent, which is ultimately what it will get to, is not abnormally high. Back to your first question - are we concerned? No, we're comfortable that we are able to fund that level of debt.

**CHAIR** - I will ask the same question.

**Mr BURROWS** - Is the board comfortable?

**CHAIR** - Yes, is the board comfortable?

**Mr BURROWS** - The full profile of our gearing in our borrowings is not inconsistent with what we have been saying for probably the last three or four years. There's nothing in it, in terms of the forward trajectory, that worries the board. We're comfortable with our capacity to pay the dividends and meet our obligations in terms of delivering the capital works programs and the customer affordability triangle.

**CHAIR** - What about the CDO arrangement? How is that going? Do you have them sorted out yet? That's the question.

**Mr THEO** - The CEO and TasWater are doing a brilliant job in delivering the capital program. Tony can talk to the details but one of the things that I am very pleased about is the amount of work that's going to Tasmanian businesses. Tony, you have the stats on that. I am very proud that the bulk of the work.-

**CHAIR** - There's been a change in the way that some of those projects have been delivered.

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**Mr THEO** - Historically? I don't know about the history.

**CHAIR** - I know all about the history.

**Ms ARMITAGE** - I do too.

**Mr VALENTINE** - A lot of people on this side know about the history.

**Mr THEO** - All I know is that between 2019 and now, something like 93 per cent of the total number of projects - and we have done over 900 projects - have gone to local Tasmanian businesses.

**Mr WILLMOTT** - Packages and projects, that's correct.

**Mr THEO** - Do you want to elaborate on that?

**Mr WILLMOTT** - Yes. We need to be a little bit careful about how we rate or do not rate the CDO. TasWater realised years ago that we had to make a step change in the delivery of our program. Our projects were routinely around eight months behind; we had a high incidence of safety issues on site and we also realised that a number of our people needed support to take the next step in their career.

Since the CDO has been on board, yes, the market was not very happy, as you have indicated; but we also needed to see that step change in that performance. Over the last few years we have seen a significant uplift in our program. Without the CDO, we would not have delivered the number of projects that we have, to date. We find the relationship has been quite successful. The market now will admit that the level of expenditure we put out the door would not have happened without the Capital Delivery Office. I fully support the CDO. Sure, it was a change at the time. People did not like it, but we had to go through that.

**CHAIR** - But also, the organisation has taken back some of the smaller projects, and taken it away from the CBO.

**Mr THEO** - That is correct.

**CHAIR** - And TasWater actually implementing them and that has made a big difference. Is that correct?

**Mr THEO** - That is correct. TasWater took back a couple of years ago the high volume, low complexity work, that is the sausage factory type work if I could use that term.

**CHAIR** - I think it might have been after a committee inquiry of this House?

**Mr THEO** - Okay.

**CHAIR** - We would like to take some credit for it anyway.

**Mr THEO** - Yes, I think we had already got on the front foot to take that work back out until we realised that the systems around the CDO were too complex for that minor type renewals work. I am accountable for all of the capital programs, I have the minor works team

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inside my area. I also have the CDO. We categorise the projects and place them into the most appropriate area.

**Mr WILLIE** - There is obviously a lot of communication with the things we are talking about today and you are dealing with a lot of stakeholders. How many public relations positions do you have within the organisation?

**Mr THEO** - Public relations? You mean stakeholder management?

**Mr WILLIE** - Dealing with stakeholders, communications.

**Mr THEO** - I can get that number to you.

**Mr WILLIE** - I am happy for you to take it on notice, if you like.

**Mr THEO** - I think I should be able to give you that number in the next few minutes.

**Mr WILLIE** - In the hearing? Yes, that is good. I have some questions on hydrogen, et cetera. Has TasWater entered into any agreements with hydrogen proponents to supply water?

**Mr DERBYSHIRE** - No formal agreements at this stage.

**CHAIR** - No formal agreements?

**Mr DERBYSHIRE** - No formal agreements at this stage.

**Mr WILLIE** - You are having discussions with proponents?

**Mr DERBYSHIRE** - We are working with ReCFIT with supporting the Bell Bay hydrogen hub.

**Mr WILLIE** - What is your policy in terms of pricing?

**Mr DERBYSHIRE** - It is actually the same as our standard development policies. If somebody wants to purchase water from TasWater, we have an agreement where they will fund the infrastructure upgrades required to supply that water, provided there is capacity in the network. That is the situation we are dealing with Bell Bay.

**Mr WILLIE** - Right. Do you have any expected time lines? I know you are only in discussions, but are there some -?

**Mr DERBYSHIRE** - It varies depending on the proponent. There is certainly a lot of competition to secure water and electricity in Bell Bay at the moment. Without any formal agreements, it is hard to put an exact date on it.

**Mr WILLIE** - I imagine you are working with Tasmanian Irrigation also?

**Mr DERBYSHIRE** - Correct.

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**Mr WILLIE** - Where will the water come from to supply Bell Bay?

**Mr DERBYSHIRE** - At the moment, with TI's Tamar irrigation scheme going through feasibility and planning stages, they are not expecting to put water down to Bell Bay until 2026. TasWater does some have excess capacity in its networks in winter where we can supply treated water to Bell Bay.

**Mr WILLIE** - Before then?

**Mr DERBYSHIRE** - Yes, in the interim and we also have some raw water storage available in Curries River Dam.

**Mr VALENTINE** - Looking at your borrowings, page 74 of the annual report, over the 2021-22 year, borrowings by TasWater have increased substantially. Current liability borrowings have increased by 14.8 per cent.

**CHAIR** - That question was just asked.

**Mr VALENTINE** - I am sorry. Are you sure?

**CHAIR** - Yes. Well, you answered, it didn't you, Kane?

**Mr VALENTINE** - The non-current. I have gone to non-current as well?

**Mr INGHAM** - I can answer more questions.

**CHAIR** - No, we do not need a repeat. I asked about that. It was the \$1.1 billion into the future.

**Mr VALENTINE** - No, I was going to ask how they are going to handle the debt that comes with rising interest rates.

**Mr INGHAM** - We have a debt strategy where we are always looking at periodically rolling the debt forward in batches to minimise the impacts of escalating interest rates. It is a challenge given the environment.

**Mr VALENTINE** - It is a big challenge. Eventually it will impact on what your end price is and households are going to have to stump up. It is a big increase.

**Mr INGHAM** - Yes. And you can see with the packages of debt we have. They mature, some greater than five years. The strategies that have been put in place will help mitigate the impacts of that. It is just something we are going to continually manage through as we look at the market and how that changes and evolves.

**Mr VALENTINE** - Yes, a noncurrent \$632.879 million, it is a lot of money to have borrowed and I just ask that question.

**Ms ARMITAGE** - If I can go back to sewerage spills into the Tamar River, how many notifications has TasWater received in the last financial year from the EPA with regard to sewerage spills into the Tamar River? The EPA obviously notifies TasWater



**Ms SMITH** - We notify the EPA if we spill.

**Ms ARMITAGE** - No, but my understanding was that the EPA also come to TasWater to monitor it.

**Ms SMITH** - There are occasions they ask for further information and very rarely does it escalate to an infringement notice. They can ask us for further information. We are typically trained to provide that at the point in time, into the Tamar particularly because it is the combined sewerage system. The system is actually designed to spill, so we are more obligated to report a dry weather spill than a wet weather spill. The Tamar itself is a little bit more complicated than others.

**Ms ARMITAGE** - Do you have a figure for the spills you had in the last financial year?

**Mr SMITH** - We do, I do not have it in front of me.

**Ms ARMITAGE** - That is okay, we will take it on notice. The other question I would have is with regard to Macquarie Point. We have been talking about borrowings, sewage spills, and all of the work happening in Launceston to do with treatment plants to try to correct the issue of sewage going into our Tamar River, which makes it a third-world river, but where is the removal of the wastewater treatment plants at Macquarie Point at?

**Mr THEO** - We have a commitment to turn Macquarie Point off by September to October 2025. We are out in the market at the moment finalising design consultants. Did you want to add anything else to that?

**Mr WILLMOTT** - We are into the detailed design phase and very early in the process but we certainly expect to ramp things up in the next 18 months.

**Ms ARMITAGE** - September to October 2025, so when is the Launceston system to be fully operational to stop the sewerage going through the Tamar River? What year is that likely to be completed? The work that is actually happening now to the new treatment plants to stop the spill into the Tamar River of sewage. Obviously, I have had information in the past, when is that likely to be completed? Is that before or after 2025? Launceston - the sewage spills that go into the Tamar.

**Mr THEO** - The combined Launceston Improvement Project?

**Ms ARMITAGE** - Possibly, the one that is supposed to stop the sewage going into the Tamar River, I guess my question is to clarify; is it going to happen before the aesthetic removal of the treatment plans at Macquarie Point or a health aspect of taking sewage out of a river in Launceston? Is that going to happen before Macquarie Point or after Macquarie Point?

**Mr WILLMOTT** - What you are referring to is the Tamar Estuary River Health Action Plan (TERHAP).

**Ms ARMITAGE** - There are a few different names to all the different ones, every time I get a different name.

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**Mr WILLMOTT** - Then there is the Launceston Sewer Improvement Program, I will talk about TERHAP first. TERHAP, we have already completed the first project, which is in St John Street on the esplanade there completed just recently, two weeks ago. We have now started the Margaret Street diversion works which is sort of near Kings Park, we have started that, which is now in construction. We have four other projects which should wrap up around 2024-25. It is around the same time as those projects and that it is the funded progress.

**Ms ARMITAGE** - These will prevent raw sewage and we know it is raw sewage, going into our Tamar Rivers, will that prevent that?

**Mr WILLMOTT** - That is correct, what that does is redirects that sewage to Tea Tree bends through its treatment plant, so that it is treated there.

**Ms ARMITAGE** - You can guarantee that will happen prior to Macquarie Point's aesthetic removal of tanks?

**Mr WILLMOTT** - We have full funding and our team is working on it 100 per cent of the time to get that work done. Two projects, one already complete, the second one in construction, which is around \$10 million and then the other one is sequentially after that. We will be installing a number of large rising sewer mains, some new sewage pump stations and that will take that load, which does end up out of the combined system into the river.

**Ms ARMITAGE** - So, the time frame is going well?

**Mr WILLMOTT** - It is around the same time. It is, yes.

**Ms ARMITAGE** - I will continue to ask.

**CHAIR** - We have a supplementary on Macquarie Point and then I'm going to Ms Webb.

**Mr WILLIE** - The state Government announced in 2018 that they'd remove the treatment plant at Macquarie Point within four years. What's caused the delays? Also, I'm interested in the funding split because my understanding is it's not a strategic decision of local government because it's operational. It's a strategic decision of the state Government to move that out for development. I am interested in what contributions the state Government is making and whether there have been any additional costs since that 2018 announcement?

**Mr THEO** - There's a debt arrangement in place with government for the funding. I think it was \$100 million the state Government was providing and TasWater was providing about \$30 million -

**Mr WILLMOTT** - It was \$40 million.

**Mr THEO** - for the relocation of that treatment plant and the treatment of that sewerage at Selfs Point. That was the estimate back in 2016. That estimate in the last six years is not the same number, but we have just finished the detailed business case and will be going out to market in the new year for construction to actually make that happen.

**Mr WILLIE** - Do you have some updated costs or funding splits?

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**Mr THEO** - We do have updated costs, but it's really important that we are mindful that we are going to be in a competitive market very soon for construction bids and we don't want to end up creating an environment where people price to that. I am sensitive to that but, at the appropriate time, we will be clearly informing.

**CHAIR** - The committee could write to you and you could provide us that information and we will hold that in a confidential form.

**Mr THEO** - I just don't want to create -

**CHAIR** - We understand.

**Mr THEO** - I respect that. We just don't want to create - we want to get the best outcome for Tasmanians at the end of the day.

**Mr WILLIE** - Yes. We all do, but if you've given that commitment you could write to us and we'll privately -

**CHAIR** - That will be kept in confidence.

**Ms WEBB** - Thank you. I have a couple of questions. I'm interested in the modern slavery reporting that TasWater does - which is good to see it done - to comply with that Commonwealth law for the last couple of years. The statements that are available on your website, I note, talk about having processes to identify and then monitor and manage risks in terms of modern slavery through your supply chain. Can you just talk in a little bit more detail about that approach and what strategic process you use?

**Ms SMITH** - We have spent time updating our templates and all of our procurement methodology. Any right for tender processes request that, particularly of companies that are required to have their own modern slavery statement. We review the type of companies where we think there are risks. There is quite a lot of supporting evidence to show what type of areas, like low wages. We recognise that we have a role to play. We are in the early stages of the education of our staff, but we have these templates in place.

**Ms WEBB** - I'm interested because your 2020-21 statement acknowledges there are risks, potentially through the alliance that you've got in place with CPB Contractors Pty Ltd and UGL Engineering Pty Ltd, but you haven't identified any modern slavery risks as a result of the alliance. What process do you use to reassure yourself of that?

**Ms SMITH** - The question is that we ask our alliance partners to provide their statement on modern slavery.

**Ms WEBB** - So, on the basis of those partners' statements?

**Ms SMITH** - Yes, on the basis of that.

**Ms WEBB** - You mentioned training of staff, is that something that is actively occurring at the moment, and if so, which staff? Your contract staff, I'm assuming - the people who deal with partnerships.

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**Ms SMITH** - That's in progress or in planning. The focus would be on our procurement staff first up or the people dealing with contracts, the people are potentially most likely to observe unusual behaviour that could trigger them to even be aware that modern slavery is an option.

**Ms WEBB** - One final thing on that. I know that you have your statement up on your website and it's really good to see in the policy. It's not in your annual report. Is it something you would consider including in your annual report as a matter of more public disclosure on that in an ongoing way?

**Ms SMITH** - Yes, absolutely.

**Ms WEBB** - That would be good to see. It fits well with your principle three in your annual report. Thank you.

**Ms ARMITAGE** - My question is with regard to cybersecurity. Given that our state's water supply is, I presume, managed by technological systems, do you think that addressing and auditing your cybersecurity systems and processes should be a high priority? If so, what are you doing about it?

**Mr BURROWS** - Fundamentally, it is. It has been part of one of our strategic risks for quite a number of years.

**Ms ARMITAGE** - It is becoming such an issue isn't it? What are you doing to proactively address this?

**Mr BURROWS** - We have a cybersecurity strategy and that has been in place for a while now. We discussed it as recently as this month around our fraud program and the board has encouraged the executive to accelerate our forward spend which was about \$5 million, I think. Basically, to front end load it.

**Ms ARMITAGE** - You are adequately resourced?

**Mr BURROWS** - Yes, and to the extent that we aren't, then we will be, because it is a material risk for all businesses. It is an area where the board's attention is focused.

**CHAIR** - Can I have the staffing numbers for TasWater? I note that there is some excessive leave. Can I have some explanation about that?

**Mr THEO** - Overall numbers in the annual report are about 940-odd staff, full-time equivalents. Excessive leave: two years of COVID-19 have not helped; people have not been able to go away on holidays.

**CHAIR** - How do you manage that?

**Mr THEO** - I think the first thing is in dialogue with our people saying, if you haven't taken a holiday in the last 12 months or two years, you need to.

**CHAIR** - On your way.

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**Mr THEO** - Well, yes, we try not to be as blunt as that but the reality is, if you haven't had a break for the best part of 18 months, you need to take a break. We have leave management plans in place for all those individuals.

**CHAIR** - Dam safety, two at risk. What does that mean? They are about to burst? Who has to be worried?

**Mr DERBY** - Pet Dam and Ridgeway Dam are two dams that are still above the LoTs. When TasWater was formed, in round numbers it was approximately 12 to 15 dams that were above LoTs. We have invested more than \$60 million in removing those dams above LoT.

**Mr VALENTINE** - LoT, what is that?

**Mr DERBY** - Sorry, limit of tolerability (LoT). In the interim, while we are waiting for those capital investment projects to come through to remove the dams from above LoT we have a number of mechanisms to reduce the risk, like increased surveillance on those dams. We monitor is there is any movement. We have early flood warning detections systems set up and SCADA to monitor dam levels.

**CHAIR** - People somewhere near them can be at ease. Thank you.

**Mr WILLIE** - There may be some crossover here with what the member for Launceston was raising. Infrastructure Australia said in 2016 that noncompliant ageing and poorly performing sewerage treatment plants in Hobart, Launceston and Devonport are contributing to public health and environmental outcomes that do not meet contemporary standards. They then put Tasmanian sewerage upgrades in Devonport, Launceston and Hobart on its priority list. What progress has been made by TasWater to progress these projects through Infrastructure Australia? I do have information here where it says that it is due in the early stage proposal, even though it was added in 2016.

**Mr THEO** - I am not sure about progressing those projects through Infrastructure Australia. What I can tell you, and I guess the asset manager, Matt, can talk to it with a bit of detail. TasWater has spent hundreds of millions of dollars upgrading its treatment facilities. I think 60 per cent of our spend today has been on compliance related matters. If you go back to 2013 to 2022, more plants are complying than ever have been. Matt, is there anything else you can add to that?

**Mr DERBYSHIRE** - The Launceston Sewerage Improvement Project is targeted at that outcome. There are planned works in our capital program for Pardoe which is the sewerage treatment plant that services Devonport. Macquarie Point is one of the treatment plants in Hobart that services the community down here.

There are a number of projects in our capital works program and they are significant. I should say that information actually came from TasWater. We are trying to lobby government to seek additional funding where it is needed. We do not need it, we are going to get on and do the job ourselves but that body does seek projects of state and national significance for consideration of funding.

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**Mr WILLIE** - That is my next question. Is it the state government's role to lobby Infrastructure Australia or is it TasWater's to try to progress these through the Infrastructure Australia process?

**Mr DERBYSHIRE** - As I said, we do have plans to address those projects.

**Mr VALENTINE** - Climate change - something we heard from the previous people, the owners who came before us, put forward about climate change needing to be in the shareholders' letter of expectation and I am reading this guiding principle here.

**CHAIR** - Hence we got that.

**Mr VALENTINE** - I do not actually see, it is very possibly dealt with in the second last dot point: adopts principles of corporate social responsibility; or, achieve improvements across social, environmental and economic domains. About the only thing I can see in there that relates to climate change. I would have thought, given it is a significant issue and very high on the community's agenda, it might have had greater involvement. Unless you can point me to some other area in the statement of expectations it is dealt with, what are you doing to actually address it and what can we expect?

**Mr BURROWS** - In relation to the SLE, that is going through a sort of annual review process. The extent it is not overtly mentioned in there, then certainly there is opportunity to do that, I cannot quite recall.

**Mr VALENTINE** - We can expect it in the next one?

**Mr BURROWS** - I have not seen the draft with the recommended mark-ups, but certainly that is something we can put on the table as obviously it is an important issue for the community and TasWater. In terms of climate change and climate adaptability, the board and management have been working through that process and developing policies and a protocol on where we would like to take that from a strategic point of view.

**Mr THEO** - We have two documents, one being climate change and adaptation and the other being our climate strategy. I am pleased to say TasWater has been involved and aspirational with respect to its environmental strategy. We actually want to reduce by 2050 100% of the nitrogen phosphorous going into receiving waterways. That is going to drive innovation and a new way of thinking. We actually want to grow the amount of renewable energy we can generate off our treatment plants from now around about 7 per cent to over 30 per cent over the next 20-30 years.

There two examples I am providing to actually demonstrate there is a strategy in place on climate change and we are looking to do more in that circular economy area. With respect to climate change and adaptation, again, we have a document and a view on understanding what climate is doing to TasWater and the manner on which it provides services back to communities. We want to make sure we are well positioned to be able to adapt and respond to as climate changes. There has been a lot of thinking to date already, and what will come out of that process as a response to things like flooding events to make sure we do not have infrastructure below flood levels in the future that are close to rivers or on the foreshores, as an example.

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**Mr VALENTINE** - What about your own operations, like the vehicles and things you are using, and transitioning to other power sources? Are you also looking at that?

**Mr THEO** - Yes, and for us we run a heavy fleet of trucks and the like, certainly our vehicles.

**CHAIR** - Massive utes driving around, you see them everywhere.

**Mr THEO** - Converting to hybrid and electric vehicles and even charging them out of our sewage treatment plants by leveraging the methane is all on the to-do list. For us, it is a matter of timing - not if, but when - and the input on timing is making sure we are not just pursuing an ideological response, but doing it on the basis of good financial management.

**Mr BURROWS** - Our intent is to provide a better disclosure in relation to where we are at about climate change and adapt to it in our annual report.

**Mr VALENTINE** - I look forward to next year's, but we will not be here to deal with you.

**CHAIR** - In regard to the environmental regulations on page 58 of your annual report, it talks about a number of the corporation's sewage treatment plans are not fully compliant with effluent discharge licenses set by the EPA. How many do not fully comply, and do any fully comply, and how many? I am happy to put that as a question if that would be helpful.

The last one is the Bicheno sewage treatment plant. It says that directors are not aware of any breaches during the year. Apparently, that is in conflict between the statement and the statement about noncompliance of licences set by the EPA. How is noncompliance with a licence set by the EPA not a breach of environmental regulations? Again, I can put that into - unless you want to just give me something quickly.

**Ms SMITH** - I think the EPA accept we are on a journey. We inherited a lot of assets that are not compliant. There are some parameters we do not meet and we report on that. But a breach for the EPA is a serious, purposeful incident that we could reasonably have prevented. I think there is a slight difference there. But happy to send a better answer.

**CHAIR** - Does TasWater receive any fines for that?

**Ms SMITH** - There are occasional infringement notices, or show cause notices and it leads to occasional fines, yes.

**CHAIR** - Very many fines?

**Mr THEO** - I think last financial year there were none. This year there were a couple of fines as a consequence of failure to report in a timely manner.

**CHAIR** - Do members have any questions they would like to put and we can follow up in writing?

**Mr WILLIE** - Just the PR staffing one I asked earlier.

## **PUBLIC**

**CHAIR** - Yes, thank you.

**Ms WEBB** - I had some I have sent through to the secretary that related to earlier when we were talking about the Tas Irrigation cost. Also related to that last year at Estimates, you tabled a copy of the best endeavours water transfer agreement between TasWater and Tas Irrigation. Is there an updated version of that you could table for us this year?

**Mr DERBYSHIRE** - No, that contract has not been updated as yet.

**Ms WEBB** - Okay, so same from last year?

**Mr DERBYSHIRE** - Correct.

**Ms WEBB** - And it was tabled last year?

**Mr DERBYSHIRE** - Correct.

**CHAIR** - In light of that, on behalf of the committee, I would very much like to extend our thanks to you all for taking time out of everyone's busy schedule to be here today. All the best to those who have new positions. It is really encouraging and we will be looking outside of, in the next two years, when we have you again before this committee and this House. We will be watching with interest some of those very important projects come to fruition. We would like to offer our best wishes for the Christmas festive season coming up, and also wish you a safe and happy new year.

**THE WITNESSES WITHDREW**

**Sitting suspended at 1.03 p.m.**





# **PARLIAMENT OF TASMANIA**

## **TRANSCRIPT**

### **LEGISLATIVE COUNCIL**

### **GOVERNMENT BUSINESS SCRUTINY COMMITTEE B**

**TasRacing Pty Ltd**

**Wednesday 30 November 2022**

### **MEMBERS**

Hon Rosemary Armitage MLC (Deputy Chair)

Hon Jane Howlett MLC

Hon Tania Rattray MLC (Chair)

Hon Rob Valentine MLC

Hon Meg Webb MLC

Hon Josh Willie MLC

## **WITNESSES IN ATTENDANCE**

**Hon. Madeleine Ogilvie MP** - Minister for Small Business, Minister for Science and Technology, Minister for Advanced Manufacturing and Defence Industries, Minister for Racing, Minister for Heritage

**Mr Gene Phair**, Chair – Tasracing Board

**Mr Andrew Jenkins**, Acting Chief Executive Officer (CEO)

**Mr Daron Heald**, Chief Financial Officer

## PUBLIC

**The committee met at 1.59 p.m.**

**CHAIR** - Thank you, and welcome minister.

**Ms OGILVIE** - Thank you.

**CHAIR** - We appreciate your time today. We are looking at Tasracing and you are the responsible minister.

**Ms OGILVIE** - My pleasure.

**CHAIR** - I would like to introduce our team at the table. To my left, Josh Willie; Rob Valentine; myself, Tania Rattray; Rosemary Armitage; Jane Howlett; and Meg Webb. So that is us and we have some secretariat support, Julie Thompson and Gaye on *Hansard*. Minister, we invite you to make an opening statement. I'm well known for not wanting to hear long ones.

**Ms OGILVIE** - I know. It's alright, I've warned them that you might say that. I have a very short opening statement. That's fine.

**CHAIR** - Thank you, then we'll start the questions, but you might introduce your team.

**Ms OGILVIE** - Absolutely, and that's part of the opening statement. Yes, I did think you'd like it short and sharp, so let's see how we go. Thank you, Chair. To my right I have Gene Phair, Tasracing chair, who you have probably met previously; to my immediate left is Andrew Jenkins, acting CEO, who you may have met; and Daron Heald, chief financial officer, who you may have met.

**CHAIR** - Well known to the committee, welcome.

**Ms OGILVIE** - By way of overview, the Tasmanian Liberal Government is a strong supporter and advocate for the Tasmanian racing industry. We believe it's critical to our state, generating economic activity right across our state, particularly in the rural and regional areas. We value that at around \$180 million in value-added contributions to the economy and we think, according to our data, 38 per cent directly benefits regional communities. We're quite proud of that figure. More than 5800 individuals are involved in racing, either as an employee, a participant, or as a volunteer. There's a lot of complexity to the business that we run and we think that the importance of the industry cannot be underestimated to the state and shows the positive impact racing has on Tasmania, from an economic, cultural and community perspective.

The 2021-22 financial year was another successful year for Tasracing and the industry. Wagering turnover on Tasmanian racing increased from \$799 million to \$860 million, delivering increased race field revenue of \$25.2 million. Point of consumption tax - I know there's always interest in this - funding increased to \$6.83 million from \$2.54 million in 2021-22, due to 2021-22 being the first full year of funding. Tasracing's total comprehensive profit for the year totalled \$4.23 million, whilst increasing prize money and industry funding by \$4.58 million. So, just on the figures, this included \$3.63 million increase in sustainable code funding, plus a one-off investment of \$1.31 million in club and code initiatives, and I know they were very well received.

In May, the Tasmanian Liberal Government was pleased to receive and publicly release the independent review into Tasmania's Racing Regulation Act 2004. It's been a passion project of mine and I think the former minister's as well. The Government at that time noted its in-principle support to the recommendations and I'm pleased to announce today that the Government has released a response to each of the recommendations. We've been able to put out a more detailed, comprehensive response. The new model will see the creation of a Tasmanian Racing Integrity Commissioner (TasRIC), with the powers to set integrity and animal welfare standards and comprehensive audit compliance and investigatory functions. This work has been ongoing, and by way of updates you'll have more detailed information at your disposal.

Tasracing will become operationally responsible for all three codes of racing, including race field creation, and stewards, who will sit within a separate integrity division. In terms of supporting animal welfare, in addition to the reforms in that Monteith Review, the TasRIC has staffing with animal welfare policy and regulatory experience. I see that as an uplift for the animal welfare side of things, something I've been working on very hard and put together with the team. We recognise the importance of ensuring that animal welfare measures in racing meet with community expectations. We are investing more in animal welfare measures for horses and greyhounds than ever before, and it will only increase in coming years.

I'm personally supportive and, as a minister of this Government, supportive of any initiative or change which enhances welfare outcomes for racing animals. I will continue to work closely with Tasracing, national bodies, key stakeholder groups - including the RSPCA - and racing participants with regard to welfare developments and reform. With that, you'll be pleased to know, Tania, I'm going to hand over. I would like to thank Tasracing chair, Gene Phair, his board and the team at Tasracing for their significant contributions over the reporting period.

**CHAIR** - Thank you, minister. Nothing to add at this stage, Gene?

**Mr PHAIR** - I have some introductory remarks, if you'd like.

**CHAIR** - Brief?

**Mr PHAIR** - I can make them very brief for you.

**CHAIR** - Thank you; that's what we like.

**Mr PHAIR** - A number of significant events occurred during the reporting period that should be noted. Perhaps most significantly, after recovering from the COVID-19-related industry shut down last financial year, the company and the industry positioned itself well for future growth - driven in large part by the decisions that Tasracing took.

In summary, we are in a good place to invest sustainably into the industry infrastructure.

During the year the Tasmanian Government announced one-off infrastructure upgrades for training activities at Longford, Brighton and Spreyton. Tasracing also completed a number of infrastructure projects through the reporting period that are detailed in the CEO section of the annual report.

## PUBLIC

We also announced a new preferred location for harness and greyhound tracks on the north-west coast on 27 hectares of land near the Devonport airport and -

**CHAIR** - And your due diligence?

**Mr PHAIR** - Absolutely, we have.

**Ms OGILVIE** - Since I have been in charge.

**Mr PHAIR** - This is an important investment and development opportunity for the industry there. Animal welfare continues to be of critical importance to Tasracing and the board. The Off the Track program to support race horse owners looking to rehome their retired race horses continued to develop during the year. We sponsored 28 events and shows using the Off the Track brand. Ninety-three horses were assisted under the Subsidised Lessons Program that provides tailored support for eligible horses.

In the sales and marketing space our digital products, Formplus Pro, and the Tasracing.com.au website grew by 10 per cent thanks to expanded social media marketing and other various strategic media partnerships.

We continued to meet with industry representatives for the three codes on a quarterly basis via the Greyhound Reference Group, the Harness Industry Forum and the Thoroughbred Advisory Network.

We also met regularly, as required, with the Tasmanian Trainers Association, the Tasmanian Jockeys Association and the Harness and Greyhound Breeders, Owners & Trainers Associations.

This direct engagement works well, and I'd like to thank all the industry representatives who have given up their time to participate.

I would also like to mention the excellent work of acting CEO, Andrew Jenkins, his management team and all the Tasracing employees.

It is also important to recognise former Racing minister, Jane Howlett, for her work through the year in which she was involved and to thank the current Minister for Racing, Madeleine Ogilvie, for her strong support of our business and the Tasmanian racing industry since she assumed the role.

**CHAIR** - Thank you. I invite Ms Webb to commence the questioning.

**Ms WEBB** - I want to go straight to a couple of animal welfare matters that I am interested in, if that's all right?

You've mentioned that you've announced your responses to recommendations and reforms that might be covered by this, but does the Government intend to establish an animal welfare committee for the racing industry, which would include a range of independent external stakeholders such as, I believe, most other states have? Is that part of the plan on the way forward?

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**Ms OGILVIE** - Certainly, I will be happy to answer that. It goes to the heart of the racing review that we've just completed and the new act that we're bringing forward. I will give you a little bit of an overview and then I will hand to Tasracing, perhaps one for you, Andrew.

The review of the act and the regulations that we've been undertaking has been a big piece of work that we've done over a year. I think Jane probably kicked it off - thank you very much for doing that. It is the first time we have looked at it in 20 years.

We have been working very closely with RSPCA and others and they will become a stronger voice. They want to have a regulatory role in animal welfare as part of the renewed act in the future. We anticipate that drafting instructions will go through perhaps, next month, looking to bring on the act for consideration by the lower House in the first quarter of next year. So, I think the answer is - yes. There is some detail to it and if it's all right with you, Andrew, I might ask you to go into a bit more of that detail.

**Ms WEBB** - My question was about an intention to establish an animal welfare committee with external stakeholders involved.

**Ms OGILVIE** - I think Andrew can assist with that.

**Mr JENKINS** - Thank you, minister, and Ms Webb. As the minister has indicated, there is some detail to be worked through in terms of the structure. As I understand it at the moment, an animal welfare committee would be established as a subcommittee of the board of Tasracing. That would include members who have animal welfare expertise and who are not necessarily members of the TasRacing board. There is intended to be a level of independence. I should also note once that committee is established, it would have a similarly dotted or direct report line to the new TasRacing Integrity Commissioner and then directly through to the minister. There is that separation structure between the commercial operation of TasRacing as the principal racing authority and the Tasmanian Racing Integrity Commissioner.

**Ms WEBB** - I have another one along similar lines, it is a bit more focused on the greyhound adoption program and some commentary of the data that is presented there and dropping off of adoptions. Previously, a select committee recommended a review of the greyhound adoption program and other adoption services separate to that. Has there been that kind of review in any recent times? How is the funding looking and how is the performance looking in terms of adoptions?

**Mr JENKINS** - Back in August 2021, my understanding is that a review was completed and resulted in the implementation of a revised and enhanced behavioural training program at the greyhound adoption facility. That has now been implemented and continues to be enhanced with the intention of increasing a throughput of greyhounds through the adoption facility. In terms of funding, as you stated in our financial report, the adoption centre received nearly \$900 000 in funding over the reporting period. We fully intend at least that level of funding will be continued in the new reporting period.

**Ms WEBB** - Can I just pick up on a couple of details there to get a bit more information? You mentioned the new behavioural program to be implemented, how long has that been implemented and is it delivering the results expected in terms of increasing rates of rehoming? In regard to the \$900 000 of funding into the greyhound adoption program itself, of the

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statewide total greyhound adoptions through all organisations that do it, that \$900 000 is funding what proportion of the total in the state?

**Ms OGILVIE** - Can I just clarify, your question is, with the \$900 000 being deployed, how much is part of the GAP program and how much is external to GAP, is that it?

**Ms WEBB** - Yes.

**Mr JENKINS** - The figure that I have referenced is related exclusively to the greyhound adoption program and its facilities.

**Ms WEBB** - I am talking about - that funds what proportion of all greyhounds adopted out in the state? I am trying to find out, is that 10 per cent? And, therefore, 90 per cent succeed externally and all the others, or what proportion does that represent in terms of total greyhounds rehomed?

**Mr JENKINS** - I would need to check and confirm the figures, but as I have stated, that figure relates solely to the GREYHOUND ADOPTION PROGRAM, so 81 per cent over the reporting period.

**Ms WEBB** - \$900 000 per year?

**Mr JENKINS** - That is correct.

**Ms WEBB** - For 81 adoptions in the last reporting year?

**Mr JENKINS** - Yes.

**Ms WEBB** - And we do not know how many external adoptions there are through other agencies, you do not have that data or do not collect it?

**Mr JENKINS** - I do not have that to hand at the moment.

**Ms WEBB** - Is it data though that is collected by Tasracing so you understand where you sit in terms of the broader picture?

**Mr JENKINS** - It is not data collected by Tasracing, it is collected by the Office of Racing Integrity. The Office of Racing Integrity has responsibility for traceability of all of our racing greyhounds during their racing career and while they are a licensed racing animal. Yes, we do have traceability over that tenure as a racing greyhound of where those dogs are rehomed, whether it be through GAP or through a private rehoming facility, such as Brightside, RSPCA or an appropriate private residence or home.

**Ms WEBB** - Can I clarify with you minister, does the government funding go to any other of those agencies for rehoming or just to the GAP?

**Ms OGILVIE** - I will ask Andrew to answer that one again. My understanding is that there is a broad-based rebate program, but as far as responsibility for the GAP program, that sits within that \$900 000, if that makes sense.

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**Ms WEBB** - Yes, I am just trying to clarify if there is government funding available for the others, then I have finished that line of questioning.

**Mr JENKINS** - No, the answer is no at present.

**Ms OGILVIE** - There is no sustainability.

**CHAIR** - Brightside used to receive some funding in the past?

**Mr HEALD** - They did receive it one year, I do not know which year that was.

**CHAIR** - A one-off payment.

**Ms ARMITAGE** - While we are talking about greyhounds, just looking at the greyhounds euthanised, what does 'failed assessment, return to owner, unsuitable for rehoming' actually mean, and how is it different to being 'euthanised on behavioural grounds'? What is the difference there - 'failed assessment'?

**Ms OGILVIE** - Thank you, I will ask Andrew.

**Ms ARMITAGE** - As opposed to 'euthanised on behavioural grounds'?

**Ms OGILVIE** - That is quite a technical question I think, Andrew if you could.

**Mr JENKINS** - Thank you minister. 'Failed assessment, return to owner' would indicate that the greyhound has behavioural or other -

**Ms ARMITAGE** - But, most of them say 'on behavioural grounds'. It just says 'failed assessment' because there is another category, isn't there, 'on behavioural grounds'?

**Ms OGILVIE** - We can seek some clarity if you need a definition?

**Ms ARMITAGE** - 'Return to owner' - would that dog be euthanised as well when it is returned to owner?

**Mr JENKINS** - I will refer to my notes Ms Armitage. I won't be a moment.

**Ms ARMITAGE** - 'Behavioural grounds' is a separate one. The second one is 'failed assessment, return to owner, unsuitable for rehoming'. What is the difference between 'euthanised on behavioural grounds'? What other grounds would there be?

**Ms OGILVIE** - We might need to seek that information for you. Some definitions might help, we can get that for you.

**Mr JENKINS** - If we can get that information minister, that would be preferred, thank you.

**Ms OGILVIE** - Yes, we can do that, we will get it right.



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**Ms ARMITAGE** - If we could, I just wonder whether 'return to owner' means it is actually still going to be euthanised, obviously, because if the owner does not want it what else are they going to do if it cannot run or race?

**Ms OGILVIE** - We will get the definitions for you.

**Ms ARMITAGE** - One other question while we are on greyhounds if I could. Chair, in the 2021-22-year, category D and category E - on page 16 in the annual report - category D went up to 50, and obviously, E varies a bit but it was seven last financial year and went up to nine. What do you believe is the reason behind this and what are you doing to make sure the numbers go down?

**Ms OGILVIE** - Perhaps, if I can just open by saying in general terms, that the numbers of animals euthanised is trending downwards. We have a government policy and strategy to make sure we are improving how we manage this situation. The Racing Review Act and what we are doing to restructure that will also help. In relation to the data on the specific numbers on page 16 -

**Ms ARMITAGE** - On the track injury.

**Ms OGILVIE** - Yes, I am going to ask Andrew to address that.

**Mr JENKINS** - Thank you, minister. To echo your comments, the overall trend, perhaps most importantly as regards euthanasia, is reducing over the five-year period. I do note that inconsistent trend in category D. Tasracing's strategy to manage on-course injuries - in particular those in category D of a more serious nature - is primarily related to maintenance and design of tracks, ensuring appropriate surfaces, camber, radius, and racing conditions, such that the greyhounds are operating in an environment as safe as can possibly be. We continue to review our track management and design.

**Ms ARMITAGE** - You are looking to introduce targets or key performance measures to reduce the number of on-track injuries for all racing animals?

**Mr JENKINS** - We have not specifically looked to introduced targets at this point. Suffice to say our target is to minimised and mitigate injuries wherever possible through facility design and maintenance, and also, the highest levels of veterinary practices associated with pre and post-racing care, thereby ensuring our greyhounds pre-race and post-race are in a fit state to compete.

**CHAIR** - A supplementary on greyhounds?

**Mr VALENTINE** - Are straight tracks in your thinking, or not?

**Ms OGILVIE** - I will jump in there and I will refer it to Andrew, but I know that we have done quite a bit of work and research with the latest data because we are looking at the west coast track.

**CHAIR** - I think it's the north-west. I don't think they need one at Queenstown.

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**Ms OGILVIE** - They might like one. I do know that some recent work has gone into this, and the project manager for Tasracing did the research. Are you happy to talk through the latest understanding?

**Mr JENKINS** - Going back two years or so when the original design was being considered for the north-west coast greyhound track, there was some consideration of building a straight track because the data seemed to indicate at the time there was a decrement in likely injuries based on a straight track design.

Subsequently, working closely with Professor Eager at the University of Technology in Sydney, who was a professor in Risk Management and Injury Prevention in greyhound track design, we have become satisfied that the construction of an appropriately designed single turn or U-turn track with appropriate radius and camber can provide superior injury performance even when compared to a straight track. We are currently and continuing to work through with Professor Eager, and finalising a design for the north-west coast track on that basis.

**Mr VALENTINE** - My main question was about the statements from the Office of Racing Integrity regarding the tar burn incident. That is with regard to the fact there must be a veterinary surgeon present at all race meetings and official greyhound club trial events or alternatively procured in a manner that provides for immediate on track attendance in the event of an injury.

The other one was that the Office of Racing Integrity review all local rules, animal welfare guidelines and associated documents et cetera. Can you address that, and exactly how you are going to provide for that?

**Ms OGILVIE** - I am familiar with that report and the recommendations. I think it is fair to say that clubs are finding it difficult to get the services of veterinarians who are able to be on track or willing or available to do that. There are some barriers to making sure that with the shortage of vets nationally that those resources are deployed carefully and strategically to make sure that they are there when they need to be and those services are available.

I will ask Andrew to talk through what we are doing to make sure we address that, particularly as part of the review of the racing regulations that we have undertaken and the thinking that we are going through regarding animal welfare and how we provide those services.

**Mr JENKINS** - Vets are present at every greyhound race meeting. Tasracing has undertaken to act upon the recommendation to have a vet available within the recommended period of time for official trial events at both the Elwick and Mowbray trial facilities. We had arrangements in place with AHVEC in Hobart and the Mowbray Veterinary Centre in Launceston.

**Mr VALENTINE** - And on race days?

**Mr JENKINS** - Vets are always present on race days, all races.

**Mr VALENTINE** - Is it other codes as well?

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**Mr JENKINS** - Yes, both pacers and gallopers will always have a vet in attendance or we do not race.

**Ms OGILVIE** - Just to add, it does help a bit that Tasracing has engaged greyhound veterinarian Dr Chris Boemo to assist with on-track practices so there is some current thinking going on. He has hosted an industry forum on greyhound first aid and care. Tasracing and Dr Boemo will be continuing to work together to ensure best practice.

**Ms HOWLETT** - In relation to talking about the U-turn track, can you give us an update on the north-west track?

**Ms OGILVIE** - I think that's a great idea. As everybody here will no doubt be aware -

**CHAIR** - We spent \$210 000 on a former site that was not suitable.

**Ms OGILVIE** - I will answer the question, which was an excellent question. I was very pleased to announce in last August that Tasracing has secured a new location for harness and greyhound tracks on the north-west coast. It is opposite the Devonport Airport, I have been up there and had a look at it, it is a great spot. The proposed site is on 27 hectares of private land on Mill Road in Wesley Vale. The new harness and greyhound tracks will be designed to the highest standards possible to ensure safe racing for horses and greyhounds. Yes, while there have been some setbacks, the Government has remained committed to this project, which will ensure harness and greyhound racing has a long future on the north-west coast.

Tasracing submitted a subdivision and development application to the Latrobe council on 4 November 2022, which goes to your question, Ms Rattray, regarding planning. The detailed design package will commence in late 2022 or early 2023. The Tasmanian Government is going to contribute \$8 million to underpin the development of these new harness and greyhound racing facilities. Tasracing will also contribute funding to the project from cash reserves and funding which would otherwise have been committed to major upgrades at the ageing Devonport showground facilities.

The level of Tasracing funding will depend on the final cost of the new facilities. The decision to cease work at the first identified site on Palmers Road in Latrobe was very disappointing for many participants and everybody on the north-west. However, we acknowledge and thank everybody, particularly the participants on the north-west coast for all their patience while Tasracing identified an appropriate new site. I hope that this announcement provides surety for the many participants located on the north-west. I also recognise Ms Howlett as the former Racing minister and her work in making sure that this was delivered. Thank you.

**Ms WEBB** - To follow up on what I was asking earlier about what proportion of rehomed dogs through GAP of the total rehomed dogs, I have found some data in your report on page 16 in the table that relates to greyhound retirement data. It says for 2021-22 there were 219 dogs rehomed. For GAP in the same period, 81 were adopted, 66 entered the program and 81 were adopted. Presumably some had been in the program prior to the year.

**Mr JENKINS** - Yes.

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**Ms WEBB** - That is a pretty small proportion of the total from the 219. Why is it that it is such a low proportion of rehomed dogs coming out of the GAP program compared to other services or programs that are doing it?

**Mr JENKINS** - I would not agree that it is a small proportion, I think 81 out of 219, in a relative sense, is a material contribution toward rehoming. I would acknowledge that the GAP program, over the reporting period, did not perform to the level of throughput that we had targeted at 150 or certainly north of 100.

There were some contributing factors to that drop-off in performance over the reporting period. We have taken a number of steps in consultation with industry participants and other external experts to address throughput of the centre, including a restructure of the organisation chart at GAP. We are bringing in external specialists on a consulting basis to assist our staff on an as needs rotational basis to ensure they are continuing to grow their skills and also have the time available to spend with the greyhounds and undertake the actual behavioural work, which is what moves the animals through the process towards achieving a green collar and being able to rejoin their new home or their next home.

**Ms OGILVIE** - I will add, the flow of greyhounds through the program is dependent on quite a few variables. I think Andrew has touched on a couple of those, but they do include the skill and development of the GAP staff, for example, finding and securing, retaining staff who can assess canine behaviour and implement appropriate behaviour training programs, market demand, suitability of the match between the dogs available for adoption and the prospective new owners.

GAP tries its best to match each dog with a new owner's lifestyle and home environment, but it has to be a partnership, so we have to get this right. Individual characteristics of the dog, for example, dogs with a high prey drive, typically take longer to transition from that behavioural perspective than dogs with a low prey drive. The ability of the owners and trainers to socialise the greyhounds and break the racing routine during wind down, while waiting to enter GAP - that is that succession of animals coming in, the availability of foster carers and the number of returns.

GAP accepts any previously adopted dog back into the program. It is nice to have that information.

**Ms WEBB** - One of the things I wonder, given it is a target for GAP of somewhere between 100 and 150, that is still only getting about half of those that are coming out to be rehomed each year on the data. Why does the Government only fund the re-homing of half the retiring and re-home dogs through funding of GAP? Why does not the Government fund according to dog, rather than according to program?

In some way, an estimated 81 re-homed out of 900 000 - it is about \$11 grand each you are paying for the re-homing of these dogs. Some of those other services would think they were in seventh heaven if they were to get \$11 000 per dog.

**Mr JENKINS** - I cannot comment.

**Ms WEBB** - It is probably a government question, why does the Government not fund per dog, rather than per program?

**Ms OGILVIE** - The funding of GAP is the remit of Tasracing and the Tasracing Board. I do not reach into their operational matters in how they manage their budgets. There is not a person around this table who does not want things to be done better with animals. I am a dog lover, we are all dog lovers. If there are ways we can do things better, we are certainly happy to look at that.

We have had some challenges to find and resource the people who can do the behavioural work with the animals. That has been something that is a necessary piece of this puzzle. In relation to the sheer number of animals and dogs, the data we have for GAP as part of our business is important, but again it is not the whole picture.

I am very aware of other organisations that also do re-homing. I do not think they have restrictions on where those greyhounds come from. We are focused on the local industry. With that preamble, I ask Andrew to add some more detail around the statistics.

**Mr JENKINS** - Thanks minister. It should be noted we are in the process of doubling the size of the kennelling facility at the GAP program, Ms Webb, with a view to add in 25 to 27 kennels. We recognised as the principal racing authority we own accountability for the re-homing of our greyhounds post-racing and we are very mindful there for it making an appropriate capital investment to increase our capacity to do so.

That facility is likely to commence its build toward Q2, Q3 in the current reporting period. In terms of the cost per dog on a through put basis you articulate, you are quite correct. However, one of the considerations once we doubled the kennel size is we will derive economies of scale. Whilst our throughput will realistically be expected to near on double, our incremental cost and opex will be nowhere near that on an ongoing basis. We are continuing to invest in that welfare outcome for our post racing greyhounds.

**Mr WILLIE** - Minister, in Estimates you said the former CEO, Paul Eriksson, was reappointed in March this year. Can you tell me the specific date he was reappointed?

**Ms OGILVIE** - Yes, I can. 16 March.

**Mr WILLIE** - Minister, were you consulted with that? Or do you play any role on the reappointment?

**Ms OGILVIE** - Reappointments are for noting.

**Mr WILLIE** - It went to cabinet for noting?

**Ms OGILVIE** - Reappointments are for noting and that is a decision of the board. I note as minister. Decisions of the board are decisions of the board and again, I do not reach into operational matters.

**Mr WILLIE** - Mr Eriksson have previously ordered to attend communications training after an intense argument with industry participants over the state's greyhound adoption program. Was that training ever completed and was that incident considered when reappointing Mr Eriksson?

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**Ms OGILVIE** - Because it's a decision of the board, it's probably one for Gene to address.

**Mr PHAIR** - Mr Willie, certainly, the training was completed by the CEO at the time. That was taken into account. You have to consider that when a reappointment is being considered, there is a time period well before the actual appointment date that things happen. For example, the incumbent needs to tell the board whether or not they seek reappointment. The board then tells the person at the time whether they would be offering reappointment, and that is six months prior to the expiry of their date. The reappointments happen in September of that year, not March. March is the effective date, but not really the re-employment date.

**Mr WILLIE** - What was the reason, minister, for Mr Eriksson's departure?

**Ms OGILVIE** - Again, I'll ask Gene to answer that.

**Mr PHAIR** - The board conducted a cultural survey of the organisation and there was a pathway forward - bearing in mind that, with the review of the Racing Act taking place at the same time, we had a cultural road map decision to make. We asked the CEO for the consideration in our presentation to the board for what that road map would look like; and the board decided that the road map didn't meet the expectations of the board, so the employment was terminated.

**Mr WILLIE** - So, the board received that culture review, through you, minister, on the 31 May, and then you outlined some steps that you took in response to that. What was Mr Eriksson's response - resignation?

**Ms OGILVIE** - I'm happy for Gene to continue. What was the question? Sorry, I didn't hear.

**Mr WILLIE** - What was Mr Eriksson's response to the cultural review summary report I have here?

**Mr PHAIR** - His response was to outline a plan forward of how we could address some of the issues that were highlighted in the cultural survey which, I might add, is something that we do on an annual basis. It's not anything new, it's something that every organisation should undertake. As a result of those survey results, we asked Mr Eriksson for his pathway forward.

**Mr WILLIE** - Minister, at the time you issued a statement saying that he was leaving to spend more time with his family. That's very different to what we're hearing right now. Was that statement false?

**Ms OGILVIE** - I think that's a little bit churlish on your part but, again, I will ask Gene to pick up the reasons Mr Eriksson gave for departure.

**Mr WILLIE** - I am asking a legitimate question here. It's in writing.

**Mr PHAIR** - At the time, the board decided that the pathway forward that had been presented to the board wasn't satisfactory.

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**Mr WILLIE** - Minister, were you aware of the cultural review and the pathway forward when you issued this statement?

**Ms OGILVIE** - I was broadly aware of the trajectory of this matter but it's a board decision and I don't reach into operational matters. The chair and I have a good working relationship, but he has his remit and I have mine. I'm not quite sure what your question is now.

**Mr WILLIE** - When were you made aware of the cultural review and the pathway forward?

**Ms OGILVIE** - I was made aware of the cultural review in high-level terms at the time it was occurring. I will ask Gene to comment further on the cultural review and the trajectory of the process.

**Mr PHAIR** - We received the results of the survey that was conducted by an external consultant. We had a high participation rate from staff, which was very pleasing. The result of that cultural survey was distributed to all staff members, because that was the commitment made by the board that we would make all the results available. I made the minister aware of the results at the same time that the staff were. In fact, the staff were advised first and then the minister, second.

**Mr WILLIE** - What date was that?

**Mr PHAIR** - It was in June.

**Mr WILLIE** - This statement was issued in July, minister, where you said:

Mr Eriksson will be returning to Sydney to spend more time with his family.

**Ms OGILVIE** - I think that's a statement Mr Eriksson made. I was probably picking up from that but I am happy to find out the source.

**Mr WILLIE** - There were other matters at hand, obviously.

**Ms OGILVIE** - Certainly, but the other matters at hand are a matter for the board and that's an operational matter that I don't reach into, clearly. However, I will say that cultural surveys are an important tool that organisations use for HR reasons. It's very important to recognise the good work that this cultural survey did in clarifying a way forward for an organisation that obviously needed to evolve.

I'm very aware that as part of our racing regulation review, there are changes as well. Those conversations are very important, from an HR and an operational perspective. Whilst I'm not a member of the board, Gene is able to speak to those matters, because they are operational in nature. It is my deep hope that as we go through this process of renewal and review, we will have an organisation that has a deeply good culture and that is the goal.

**CHAIR** - Thank you, do you have a final question?

**Mr WILLIE** - I have quite a number of questions on this line, Chair.

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**CHAIR** - Can you narrow a couple down, because other members need to have some opportunity as well.

**Mr WILLIE** - Minister, did the chairman - or anyone else at Tasracing - to your knowledge, give a reference to Mr Eriksson to get his new job at Racing Australia?

**Ms OGILVIE** - You'd probably have to ask the chairman that. I'm very happy for you to do that through me.

**Mr PHAIR** - Absolutely, minister. I was not asked to give a reference for Mr Eriksson. That's a matter for Racing Australia, not for Tasracing.

**Mr WILLIE** - Minister, I understand this culture review was instigated after a Tasracing employee raised a sexual harassment and culture concern, specifically with the board. What date did that meeting occur?

**Ms OGILVIE** - Again, you're asking about operational matters. Unfortunately, I'm not in charge of those, but I'm very happy for Gene to answer that.

**Mr PHAIR** - That's simply not true. We had a cultural survey that was undertaken last year. There was a low participation rate. This year we decided to go externally to get another cultural survey done, guaranteeing confidentiality so there could be no question about people participating in the survey and the results kept confidential. That's the process that was undertaken.

**CHAIR** - Is it always an annual thing that happens?

**Mr PHAIR** - It's not necessarily an annual thing -

**CHAIR** - Was there any reason why you did it two years in a row?

**Mr PHAIR** - The reason was that there was a low participation rate the year before because people didn't feel comfortable that the participation in that survey would remain confidential - which it is; but it's a matter of convincing those employees. This time we did it externally to guarantee the confidentiality of their responses. As a result, we got over 70 per cent of participants participating in the survey.

**Mr WILLIE** - Let me split the question. Minister, did an employee of Tasracing meet with the board to discuss a sexual harassment allegation, and if so, what date?

**Ms OGILVIE** - Again, it's an operational matter, I'm obviously not a party -

**CHAIR** - Would you just direct the question, then, minister?

**Ms OGILVIE** - I'm happy for Gene - I do think he's answered already -

**Mr PHAIR** - I have answered the question. There was no meeting with the board. I don't know what you're talking about.



**CHAIR** - Thank you, Mr Valentine.

**Mr VALENTINE** - You have a very significant increase in national wagering on Tasmanian racing from 2018-19. It's gone up by \$261.41 million to \$860.33 million. The increase in wagering revenues is perceived in some quarters as a positive; quite clearly, it would be from a corporation's perspective, in other quarters. Such an increase in wagering revenue is reflective of significant social harm. Can you identify what strategies you had in place to minimise the social harms associated with wagering? Given your desire to grow market share in the industry, what actions are you taking, in line with a growing market share?

**Ms OGILVIE** - Thank you, Mr Valentine, I will ask Andrew to address this one and then perhaps if you have more we can provide a bit more detail too, from my notes.

**Mr JENKINS** - Thank you, minister. Tasracing maintains a compliance with all relevant legislation and other regulatory requirements regarding harm minimisation and responsible gambling. We are bound to undertake activities, such as bearing the logo of responsible gambling and the 1800 help number on our printed and digital assets, as required by legislation and other regulations.

It's important to note that the end wagering customer is not owned by Tasracing. We do not have a direct relationship with a punter, so to speak. Those individuals enter into a bookmaking arrangement with a corporate book maker or otherwise, such as the TAB or SportsBet. That said, those entities are bound under their licensing conditions by Tasracing to also ensure compliance with relevant harm minimisation activities and initiatives and that will continue and flow over into the likely National Consumer Protection Framework amendments expected to land in April, 2023. That will bring new accountabilities to both Tasracing and to our wagering service provider partners.

**Mr VALENTINE** - Do you have any relationship with those who are doing advertising, for instance, on television, those sorts of things? Do you have a relationship with any entities that advertise betting?

**Mr JENKINS** - We do to the extent we receive sponsorship payments from wagering service providers, Ladbrokes being the obvious example. There will be occasions where those wagering services providers are advertising, whether it be on television or digital assets, they will be promoting Tasmanian racing products, so yes.

**Mr VALENTINE** - What percentage of your revenue would come from that source?

**CHAIR** - From those financial arrangements.

**Ms OGILVIE** - I want to clarify the question. You are asking what percentage is the value of the sponsorships as opposed to -?

**Mr VALENTINE** - Well, are you getting money back out of that, or is it just simply a sponsorship arrangement you get a benefit from? Both really. I would like to know the total value of the sponsorship, but also how much it is physically bringing in.

**Mr JENKINS** - It is difficult to quantify the exact return on the incremental wagering delivered by a given advertising campaign, whether it be on broadcast or digital assets, and

wagering services provide as a change in their promotional strategies on a week-to-week basis, whether that be Ladbrokes or any other.

We are not always, or consistently, participating - or a participating product - in those types of promotions. There will be weeks or maybe months that pass where Tasracing product is not specifically promoted by a given wagering services provider and hence, that is why it is difficult to quantify the ROI that comes back to us.

**Mr VALENTINE** - Ok, but what about the actual payments back to Tasracing?

**Mr JENKINS** - In terms of the sponsorship amount we receive; the primary relationship is with Ladbrokes by the Entain Group as our statewide naming rights and track partner across all three racing codes. I believe the annual sponsorship figure is in the order of \$850 000.

**Mr VALENTINE** - What percentage of your revenue is that?

**Mr HEALD** - The amount is one sixtieth and the revenues are about \$67 million for the year. It is a significant amount given an \$800 000 contribution is a number of race meetings and things like that. It is a significant amount, but in terms of the total value of our revenue, it does not hit very high in terms of total.

**Ms ARMITAGE** - My question is in regard to apprentices and track riders. Do we have an agreement with Hong Kong around bringing over apprentices and track riders to Tasmania?

**Ms OGILVIE** - Great question, that is one for Andrew, if that is alright Andrew?

**Mr JENKINS** - We do not have a standing agreement per se with the Hong Kong Jockey Club. You will of course be aware that, historically, there have been a number of track riders and apprentices who have come over from Hong Kong with varying degrees of success and development in their riding careers. I can advise that we are currently well progressed in new discussions with the Hong Kong Jockey Club with a view to bringing out more than likely two apprentices and two track work riders. There are some complexities with current visa requirements and also delays at a federal level. But we have an excellent working relationship with the Hong Kong JC and I am comfortable we will be able to work through those matters. It is simply a matter of time in principle, we are entirely supportive of recommencing.

**Ms ARMITAGE** - It was an informal agreement previously, then?

**Mr JENKINS** - They are individual contracts or deeds with the individuals who are coming up to ride. To answer your specific question there, there is not an overarching or agreement, it is an individual contract with the riders.

**Ms ARMITAGE** - Is it not a fact that most of them at the moment from Hong Kong are going to South Australia and it is a likelihood they will be going to Rockhampton, as opposed to Tasmania?

**Mr JENKINS** - I cannot comment regardign Rockhampton, but yes, I am aware that there are apprentices and/or track riders who are being utilised by Racing South Australia.

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**Ms ARMITAGE** - You are fairly confident that Tasmania will reach some sort of agreement with Hong Kong and actually have the track riders and the apprentices coming back?

**Mr JENKINS** - That is right, entirely supportive in principle.

**Ms OGILVIE** - I want to be clear. I was not sure whether you were asking if we are going to formalise an agreement?

**Ms ARMITAGE** - I was not sure whether there was a formalised agreement, previously or hither, it was an informal agreement in principle; or whether you are happy for it to happen; or whether you are aware it is going to happen. They are a little bit different, in principle agreement is fine, but are you aware, are you facilitating with Hong Kong to bring them out?

**Mr JENKINS** - Sure, thank you I understand the distinction you are making. When I say in principle, I am talking about support and we are absolutely in principle supporting that happening. Are we actively facilitating those contracts and getting young riders on planes and riding and developing in Tasmania? Absolutely. We have had multiple online calls with Hong Kong JC stakeholders, we have another one next week. Categorically, yes is the answer.

**Ms OGILVIE** - At the risk of overegging it, a good deal of support is going into local jockeys and riders also. It is worthwhile popping this on record, because it might be helpful.

**Ms ARMITAGE** - Do we have enough?

**Ms OGILVIE** - It goes directly to that and it is brief. Firstly, this is good news, Cody Jordan was a leading jockey for 2021 with 61 winners; she was also the leading apprentice jockey for the 2021-22 season. It is great to see a woman really dominating.

There are currently nine apprentice jockeys in Tasmania as at October 2022. Tasracing has six apprentices currently race riding. Tasracing has an assistance scheme for interstate jockeys as well, travelling to Tasmania to ride, which helps with the jockey population when local numbers are low. With \$26 000 allocated towards this for the financial year 2022, the jockey riding fee has risen, 10.6 per cent over the last two years. We have seen senior jockeys go from the 2016-17 number of 14 up to ranging through 18, 17, 17, 17, 17 in the prevailing years and then back to 14 in this 2021-22. It had a peak and then it's levelled out again. Apprentice jockeys are tracking around 11 through to 9, so there has been a dip there.

**CHAIR** - Is the apprentice jockey program like a TAFE credited programme? How does that actually work?

**Ms OGILVIE** - We have been doing some work on training and it is worthwhile asking Andrew to deep dive into that, if you can? It is a positive.

**Mr JENKINS** - There was a question about are there enough track work riders? The short answer is, we would like more. In that scenario, we do not differ to any state in Australia. It is a known issue that we are taking steps to address.

That links into the apprentice jockey program in the sense that we have recently created an incremental position at a senior management level of participant development manager. That role has the remit of not only developing existing participants in their riding, business and

other life skills, but equally importantly, attracting new people to roles within our industry including becoming apprentice jockeys and also track riders. That role has only been recently appointed so it is in its nascent phase, but, it is evidence of Tasracing's acknowledgement that we need to take strategic steps to ensure growth in participation in our industry on an ongoing basis.

**CHAIR** - What sort of requirements does somebody need to carry out that role?

**Mr JENKINS** - I would need to refer in detail to the job description, but broadly the role has the accountability of developing what will largely be a greenfield curriculum, and pulling together what I would describe as some disparate accreditations and certifications that apply at the moment - for example, needing to complete a Certificate III to become a track rider, and then subsequent certifications as you move through to become an apprentice jockey.

**CHAIR** - So, is it a TAFE course?

**Mr JENKINS** - Yes, some are, that's correct. Yes. One of the key responsibilities of the new role is to package those types of accreditations and certifications into career paths for individuals so they can see a life in racing, and see continued growth and sustain their participation.

**CHAIR** - Okay. So, you wouldn't just get a former jockey to do that sort of role? It would be someone with some expertise in all those areas that are going to be covered?

**Mr JENKINS** - To some extent. It's more a commercial and facilitation role of developing that type of overall curriculum and then drawing upon the likes of former jockeys and coaches to plug in and provide the specialist skills and augment TAFE certifications and accreditations on an as-needs basis.

**CHAIR** - How many positions does that role encompass? Is it just one position, or is it the support positions as well?

**Mr JENKINS** - At present it is a single position, having just been appointed. Once it's up and running, it will need some support elements to it but at present, it's a stand-alone general manager.

**Ms OGILVIE** - I'd like to congratulate Tasracing for getting this up and going. It's been a lot of hard work that both Gene and Andrew have driven and we are hoping that it will start to address this challenge we have around bringing people in.

**CHAIR** - We've been talking about this for a number of years, about the lack of jockey apprentices.

**Ms OGILVIE** - Now we are getting some runs on the board, so it's very good.

**CHAIR** - Thank you. Ms Howlett.

**Ms HOWLETT** - Minister, could you please give us an update on the recent stakes increase? I know that the industry is extremely happy about it.

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**Ms OGILVIE** - They were happy. They were.

**Ms HOWLETT** - It is really important to continue to build confidence in the industry. Could you provide me with some more information?

**Ms OGILVIE** - Yes, there was happiness in the industry when this information was conveyed. If there has been a consistent objective across the racing industry, it has been to boost stakes money to encourage investment in breeding and racing here in Tasmania. We've listened, we are listening to the industry, and our Government continues to be a strong supporter and an advocate for the racing industry.

This industry is critical for the state. It generates quite a lot of money per annum - \$185 million, according to our calculations. As I get around the state I see what's going on around the tracks, and the race meets, and with the people who own animals and participate and volunteer.

**CHAIR** - You're going to be busy on New Year's Day, getting between Longford and St Marys. Good luck.

**Ms OGILVIE** - Oh well, I'll perhaps have to ride a horse.

**CHAIR** - No, you'll probably get a helicopter.

**Ms OGILVIE** - If I could fly one myself I might do it, but no, that's not going to happen.

**Mr WILLIE** - It doesn't end well with politicians.

**Ms OGILVIE** - No, I had some terrible flashbacks. I can't even remember who it was.

**Members** - Bronwyn Bishop.

**Ms OGILVIE** - Let me just rule that out. Very clearly, for the record, there will be no helicopters involved. It's nice to have some humour at the table. In 2021, through an election commitment, we committed to increase stakes by 16 per cent over our term in office. We have already exceeded that commitment in the first 18 months, with the total code stakes allocations increasing from \$24.698 million to \$31.159 million. It's a pretty substantial lift; and this includes the \$1.442 million announced for implementation on 1 December, which will be allocated to the three codes - split evenly, which is good news.

**CHAIR** - Hooray!

**Ms OGILVIE** - Is that what you wanted?

**CHAIR** - You still haven't fixed up the formula though, across the codes. When are you going to do that?

**Ms OGILVIE** - All of this is entirely put into stakes money. This results in a total increase of \$6.460 million, or 26.1 per cent over the 18 months, which well-exceeds the 16 per cent four-year promise. These increases have been able to be made due to strong financial performance and increased returns from both racefield fee revenue and point of

consumption tax. Stakes increases give the industry the confidence they need to invest in their animals and in their business and to employ the people who support the industry. We are talking about stablehands, track riders, strappers and a range of other roles. The increases in stakes since 2018 have not only been a great achievement for the racing industry, but they have been sustainable and affordable; so we're looking at that sustainability piece as well.

We will continue to support racing.

**CHAIR** - We might see some increase in some greyhound litters then in the future on the strength of that.

Thank you, Ms Webb.

**Ms WEBB** - You can go, Chair, you haven't had any of yours.

**CHAIR** - No, that's fine. I have my question. You go.

**Ms WEBB** - This is not an area I know a great deal about, but I understand that the industry, as it stands, is not viable without government funding, and the Government Funding Deed ends in 2029. What is the expectation of the plan past that period of time, at this stage?

**Ms OGILVIE** - I have been asked this question a number of times in a number of different ways. The Tasmanian Government is not going to withdraw funding from the racing sector. The deed expires in 2029. There will be negotiations for that to be an ongoing investment. As said about four times this morning, we are a very strong supporter of this industry. It generates not only a lot of revenue but there is a place for everybody in racing. It's very important that we have industries and sectors that cater for all sorts of people in all sorts of areas. That's a big thing for us.

I will ask Andrew to speak a little bit about the trajectory of where we go, particularly during the review of the act, and the structural changes that we're looking at because that will impact the funding arrangements in some respects. Sorry, I think Gene is suggesting he will start.

**Mr PHAIR** - The funding deed ends in 2029. We have created a subcommittee of our board - a revenue committee - to look at what funding is needed after that funding deed finishes in 2029. Between now and 2029, we will be negotiating very hard with the Government to at least maintain that funding -

**Ms OGILVIE** - Watch out.

**Mr PHAIR** - because previously our funding was secured from the money through the Tasmanian TAB which was then -

**CHAIR** - The Treasurer at the time had a nose for that deal.

**Ms OGILVIE** - I know that Treasurer.

**Mr PHAIR** - The funding deed then replaced that income that came from the TAB. We will be seeking to continue that funding deed post 2029.

**Ms WEBB** - Picking up on earlier questions from the member for Hobart about gambling-related matters and the comments from the CEO about the messaging there, there's a change that's coming in from the Commonwealth level about online messaging relating to gambling. We don't use any terminology around 'responsible gambling' or 'gamble responsibly' because it's outdated and discredited messaging, as far as harm minimisation goes. Is that new requirement that's coming, in relation to online -

**Ms OGILVIE** - Your question is?

**Ms WEBB** - I am just about to express the question, with that preamble. How is Tasracing going to embrace that new requirement for the sort of messaging that is associated with harm reduction in gambling?

**Ms OGILVIE** - Andrew, are you happy to take that one?

**Mr JENKINS** - Certainly, minister. We will continue our current practice of compliance and entirely embracing expectations placed upon us as the principal racing authority to promote, and advertise, and put in place the enhanced or altered messaging, and taglines, if and when they come to pass in April 2023.

As I referenced earlier, we will also be holding our wagering service partners to account under their licence conditions to ensure their compliance likewise.

**Ms WEBB** - I have seen in different places different reports about employment in this industry. Can you clarify for me what the standard figure is that the Government and Tasracing use in employment relating to this industry, direct or indirect?

**Ms OGILVIE** - We could give you the detailed figures for Tasracing and their employment figures. That is probably one part of the answer. Then there would be a larger category which would include participants and volunteers, and other people as well.

**Ms WEBB** - I am asking about employment, so I would not include volunteers, for example.

**Ms OGILVIE** - So, this is why I will ask Andrew to kick off and then we will see how we go and if we need more information.

**Mr JENKINS** - The figure that we refer to based on the most recent IER study is about 5800 individuals, either directly or indirectly, or on a volunteer basis, employed by the racing industry.

I do not have, unless my colleagues do, a break-down -

**Ms WEBB** - Does that include volunteers?

**Mr JENKINS** - Yes, it does.

**Ms WEBB** - So, not employed in the sense of paid employment?

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**Mr JENKINS** - That is right.

**Ms WEBB** - So, if it was 5800 jobs, when you say jobs, it is paid employment. That is somewhere the vicinity of 2.5 per cent of Tasmania's jobs total, which sounds a little high.

**Mr JENKINS** - I might clarify, if I may. The report that I referenced does refer to 5800 direct participants around the state. That same report shows that the racing industry sustains in the order of 1500 FTE positions around the state.

**Ms WEBB** - So is that direct? Or is that direct and indirect?

**Mr JENKINS** - That is both.

**CHAIR** - Thank you. Supplementary, Mr Willie?

**Mr. WILLIE** - It is not supplementary. I would like the call at some stage.

**Ms ARMITAGE** - I will start off with the funding, if I could. For the three clubs, Tas Turf Club, Terracing Club and the Devonport Racing Club, they are concerned with the amount of funding they receive. I am more familiar with Launceston.

Night racing at Launceston is successful, they do not have many crowd attendances. However, I believe there were two Friday night meetings held in Launceston on 21 and 22 October, 22 October coincided with the Mankato Stakes at the Moonee Valley and produced a turnover of \$10.8 million, a significant increase on the previous year. It was only bettered by the Launceston Cup with an average turnover of \$7.2 million per meeting. Also, I believe they are the only meet that is on a Wednesday night in Australia, which is very valuable to Sky Racing.

The concern they have or, the question they have, is there any likelihood that the clubs could be funded on a pro rata basis by Tasracing to enable them to have independence to adequately staff and function on an annual basis rather than relying on interim grants and handouts from Tasracing? The fact that the money that is generated, the low crowd attendances, makes it very difficult for them to plan going forward when you are forever having to go cap in hand.

**Ms OGILVIE** - I see the critical changes in that.

**Ms ARMITAGE** - Is there a likelihood that is a possibility? Then they could formulate a budget of expenditure each month, and then it can be tracked.

**Ms OGILVIE** - Yes, thank you. In the interest of time, I will ask Andrew to talk to that, but I hear you and I hear what your participants have asked you to ask.

**Ms ARMITAGE** - I think it is across all clubs. Attendances are low, but they do generate quite a serious amount of money.

**Ms OGILVIE** - There are structural issues there. I will ask Andrew to answer, but I do have some additional information.



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**CHAIR** - Can we have the percentages as well for each code?

**Ms OGILVIE** - We have that, so let us ask Andrew to start and then I can give you some more detail if you need it.

**Mr. JENKINS** - The current model is as described. The clubs do have an ability to budget now, and do so. The risk in moving to a turnover or some performance-based model is removing, or adding risk rather, and removing equity across regions and having a detrimental impact, in particular, to the smaller clubs, many of whom are staffed by volunteers. Tasracing's payments to clubs over the reporting period totalled \$1.3 million. It's not an insubstantial amount of money. I do understand the nature of the question and we have ongoing dialogue with the clubs in this regard. Our position is, and it likely to remain, as I've indicated, on the basis of equity across the regions and clubs, that we would be unlikely to move to the model suggested.

**Ms ARMITAGE** - Thank you. I do have another question.

**CHAIR** - You can have yours and then I'm going to Mr Willie.

**Ms ARMITAGE** - I'm going to move to something a little bit different now. I'm going to move to the board. I notice when I look at the board of directors and this is a question I do ask the Government regularly, so I'm not just picking on your board. One of the questions I have is where they are located. I find that more often than not, a high proportion of board members are located interstate, rather than statewide.

I do notice on their website it doesn't actually say where your board members are located. Can you advise me please whether they're in Tasmania, and if they're not, what special attributes do they have that we've sought someone from outside the state?

**Mr PHAIR** - I can answer that easily. There are seven members of our board, six of whom are Tasmanians, live in Tasmania. We have one interstate director who lives on the Gold Coast. His specialty is digital marketing and wagering which is important for us from a revenue point of view. On a skills matrix he ticked a lot of the boxes as far as revenue goes and what we were doing with our website, the Form plus product that we have on our website for punters -

**Ms ARMITAGE** - So, no-one from Tasmania was interested in that position, or there was no-one suitable?

**Mr PHAIR** - Nobody with that skill applied for the role and he was the successful candidate, which was three years ago now. He has been on our board for three years.

**Ms ARMITAGE** - What is the time frame for the board, how long?

**Mr PHAIR** - They are three-year terms.

**Ms ARMITAGE** - He is coming up for re-election, or will you be advertising for that position?

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**Mr PHAIR** - We have already done so. That process took place a couple of months ago. We are now having those positions approved with a likely appointment for the directors in the next couple of weeks. Just for clarity, there's a term of three years. Directors can have a second three-year tenure as well, of up to six years.

**Ms ARMITAGE** - Was there anyone else with that qualification, or is Mr Garnier likely to be reappointed? Or did anyone else with those qualifications apply, can you tell me that?

**Mr PHAIR** - Not specifically with those qualifications, no, but other people did apply, yes.

**Mr. WILLIE** - Minister, I'm going to walk through a time line and then ask a question. The former CEO, Paul Eriksson, was reappointed on 16 March after discussions for about six months. On 31 May, the board received the culture review. Subsequent to that the board asked the CEO to outline a cultural pathway. That wasn't to the satisfaction of the board. You received the survey and the pathway information in June. The survey included things like a 54-question employee survey that revealed less than 20 per cent of Tasracing employees thought its executive team 'leads well,' and 'leads by example'.

You then issued a statement on 6 July claiming that Mr Eriksson is returning to Sydney to spend more time with his family. After that an RTI is released to the ABC. It's quite clear Mr Eriksson didn't leave for family reasons. Will you correct the public record?

**Ms OGILVIE** - I'm sure Mr Eriksson had a number of reasons. I do have some more information for you that should help and I will ask Mr Phair to run through the time line, particularly placing some emphasis on the detail of the review and the report both at a high level, and the more detailed -

**Mr WILLIE** - The question is about your statement, minister, and whether you will correct the public record.

**CHAIR** - I think the time lines have been clearly articulated.

**Ms OGILVIE** - Well, we are trying to answer the question. Mr Phair, if you wouldn't mind please running through that. Then I have some additional information that I will think will help you.

**CHAIR** - I think the time lines have been articulated. I don't think we need time lines again.

**Mr WILLIE** - It's a question for the minister, about the statement, whether she will correct the public record; because clearly that is not true.

**Ms OGILVIE** - I don't think that there is an issue regarding correcting public records at hand. However, I do take your point, Mr Willie, that it is a complex matter. Now, as the minister, as I've said, I can't reach into operational matters. It's not the role of the minister to do that. The management of HR issues - particularly cultural issues and the movement of staff members - is one for the board. That is why I want Mr Phair to run through the trajectory of this matter again, for the record. Then, if you still feel that we need to say more we will, at that stage.

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**Mr WILLIE** - The question is about your statement, minister.

**Ms OGILVIE** - Gene, if you wouldn't mind answering that.

**Mr WILLIE** - It smacks of a coverup.

**Ms OGILVIE** - Sorry?

**Mr WILLIE** - It smacks of a coverup. It does. If this RTI wasn't released to the ABC, your statement would stand, in public, without this extra information. It's misleading.

**Ms OGILVIE** - Mr Willie, matters of improving culture are deeply important to me. As both a minister, and as a woman, I like to see organisations with which I have steerage, well run. That is where we are at now with Tasracing. I see where you are trying to go with this, but I think that it's a bridge too far. It is my perspective, view and hope that the cultural survey that was completed will improve the culture of this organisation. As I have said, we are going through a process of reviewing the act more broadly.

As it happens, I have asked for input from everybody, very openly and transparently. I'm not sure if Labor has made a submission to that. Are you aware of that?

**Mr WILLIE** - That's the shadow minister.

**Ms OGILVIE** - It probably would have been helpful to do that at the time as well.

**CHAIR** - Minister, the question is that earlier you stated that the information that you received from Mr Eriksson was that he had made that statement about returning to family. Is that what you are standing by?

**Ms OGILVIE** - That is my understanding of where that quote came from, but I'm very happy to go and have a look for it. That's my understanding. I think you are trying to make an argument that perhaps I wasn't adequately informed.

**Mr WILLIE** - No, I'm not; I'm saying you were informed - in June.

**Ms OGILVIE** - In which case -

**Mr WILLIE** - Before you made this statement, you were informed.

**Ms OGILVIE** - Well, I really must insist then that I ask Mr Phair to speak to the question of -

**CHAIR** - But, we don't have time to go through.

**Ms OGILVIE** - No, we do. I think we do actually.

**CHAIR** - No.

**Mr WILLIE** - My question is directed to you, minister.

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**Ms OGILVIE** - I'm not being allowed to answer the question.

**CHAIR** - No, actually minister. We run the committee. Thank you, with all due respect.

**Ms OGILVIE** - So, I can't answer the question?

**Mr WILLIE** - The question is, will you correct the public record, because clearly this statement is false?

**Ms OGILVIE** - Mr Willie, I don't believe any statements I make are false. However, what I'm very happy to do is locate the origin of that comment and I can provide you with that information; and if I've got it wrong, of course I'm happy to do whatever we need to do.

**Mr WILLIE** - Quite clearly, there were cultural issues within the organisation. You were informed of that. You were informed that the board was not happy with the pathway forward.

**Ms OGILVIE** - Certainly aware.

**Mr WILLIE** - And then in a public statement you were saying he had resigned for family reasons.

**Ms OGILVIE** - Now, Mr Willie, there can be a number of reasons people move, as you would be aware. Mr Eriksson's family was in New South Wales. I can appreciate that he might want to spend more time with his family, but that doesn't take away from the fact that you're quite right, there was a cultural issue. There was a need to do this work. This work was done diligently and carefully. Decisions were made, they were hard decisions. They were made by the board, and unfortunately, I would like Mr Phair to address that last question but you don't want that.

**Mr WILLIE** - It's a question to you, minister. You would be well aware of the Ministerial Code of Conduct about ministers not deliberately making statements that mislead parliament or the public.

**Ms OGILVIE** - I don't make any.

**Mr WILLIE** - And in line with parliamentary practice are obliged to correct the record in a manner that is appropriate to the circumstances as soon as possible after an incorrect statement is made.

Mr Eriksson issued a statement on 6 July. He left on 8 July. People who leave for family reasons don't walk out the door that quickly.

**Ms OGILVIE** - Well, you'd have to ask Mr Eriksson that.

**Mr WILLIE** - I'm asking about your statement. That's what you claimed was the reason for his resignation.

**CHAIR** - This is the final answer on this, because we are running out of time.

**Ms OGILVIE** - Well, I haven't given the answer yet. My recollection, and as I've said I'm very happy to review the documentation and find out what the advice was, but my clear recollection is the advice I received is that he would return for family reasons. Now, obviously, there were other matters going on at the time in addition, and I'm very happy to triage that with the dates that you've -

**Mr WILLIE** - You told me you were informed in June of the survey and the pathway forward, and how the board was happy.

**Ms OGILVIE** - Mr Willie, you seem to be wanting to say there must be only one thing going on at any one time. Mr Eriksson, it is my understanding, did want to return for family reasons. Can I finish? I also understand, because it was a very meaningful and important piece of work, that a cultural survey was ongoing. I don't believe that I've misled, and certainly wouldn't do so intentionally; but as I've said, I'm very happy to check the record, check my documents, and then get a response for you.

**Mr WILLIE** - How do you expect to improve culture in an organisation when you're trying to cover up the matter at hand? None of this would have been known if the RTI to the ABC hadn't been released.

**CHAIR** - The minister has given a commitment to provide a time frame.

**Ms OGILVIE** - No, I'd said I'd check my records -

**CHAIR** - Or check your records, whatever you might do.

**Ms OGILVIE** - and just find out how that comment sits within it. The information I was provided clearly stated that there were a number of issues at hand, one of which was Mr Eriksson wished to return for family reasons.

**Mr PHAIR** - Could I clarify what I said was that the survey was provided to the minister? The survey was provided to the minister. That is all that was provided to the minister in June.

**Mr WILLIE** - Not the cultural pathway forward and the board's unsatisfactory decision?

**Mr PHAIR** - No. I said it was the copy of the cultural survey that was distributed to all staff. It was distributed to all staff in the morning, and sent to the minister in the afternoon.

**Mr WILLIE** - Well, that has just clarified one piece of information; but the question still stands.

**CHAIR** - My question is about the compensation or subsidies for those people who live around Devonport and the north-west. I am interested in how much the compensation is to date for those, thank you.

**Ms OGILVIE** - Yes, I do have that information. I'll just pull that out for you.

**CHAIR** - Obviously, it is going to be ongoing for quite some time.

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**Ms OGILVIE** - Well, the good news is that that progress has been made. What we have, while harness and greyhound racing is paused, as we know, trainers from the area get travel subsidies to Launceston and Hobart. Harness subsidies include for Carrick, Mowbra, and Elwick - \$50, \$60, and \$120. For trainers and horse transport - now, it is a little bit detailed, because it depends on the number of horses travelling. So, a mount for a house, one, two, three horses for Carrick, it's \$100. For Mowbray, \$120, and \$200 for Elwick.

**CHAIR** - A total. A quantum.

**Ms OGILVIE** - I'd have to calculate it. Financial year 2022, total \$44 375, with \$13 720 paid to harness participants, and \$30 655 paid to greyhound participants.

**CHAIR** - But that's not a full year.

**Ms OGILVIE** - As at 20 November, \$78 550 has been paid out for year to date, for financial year 2023, including \$12 500 for harness participants, and \$66 050 for greyhound participants. Is that what you wanted?

**CHAIR** - Yes. I think we have a question from Ms Howlett?

**Ms HOWLETT** - Thank you, minister. Could you please provide the committee with an update on how the Government is supporting the industry outside of the funding deed?

**CHAIR** - Sure. So, we already know about the \$8 million for Devonport. We can pass on that one.

**Ms OGILVIE** - We can restate it. I think Devonport is happy with it.

**CHAIR** - No.

**Ms OGILVIE** - Certainly, and thank you for the question. During the 2021-22 financial year, the Government announced details of its \$3 million election investment into one-off infrastructure upgrades at the Longford Race Course, the Brighton Training Centre, and the Devonport Racing Club. The breakdown of investments is as follows: the Longford Training Centre, to improve thoroughbred track trainage upgrade and construction of a new 800-metre trial starting chute is important. Brighton Training Centre, thoroughbred track drainage upgrades and harness rack upgrades; Spreyton Park, amenities building upgrade. Sometimes these important training facilities upgrades have been identified as areas requiring improvement, to ensure that training infrastructure was fit for purpose, allowing trainers to adequately prepare their animals for racing. Training facilities identified are used 365 days a year, five participants across all three codes which is important to note. The projects are at various levels of completion, though all are expected to be completed in 2022-23.

In addition, more than \$330 000 was awarded to the Tasmanian racing clubs under the Tasmanian Community Racing Club Infrastructure Grants. I see you nodding, familiar with those.

The Tasmanian Government developed a capital grants program also to assist racing clubs across the state to fund infrastructure that falls outside of Tasracing existing infrastructure plan. \$250 000 worth of funding per annum over four years has been committed through the

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Government to Taseacing, a total of \$1 million. The commencement of the program was in the 2020 financial year and the final year 2023. In the financial year 2022, seven grants were awarded to four clubs, as follows: Carrick Park Pacing Club, funding to support demolition of the existing judges' box and direction of new box, installation and new fibre optic table to support race day Sky TV channel coverage and the upgrade of female drivers' rooms. As an aside I heard some really good things about that and how pleased everybody was about seeing the women's participation supported.

**CHAIR** - It is a great little track.

**Ms OGILVIE** - Yes, it really warmed my heart.

**CHAIR** - In the McIntyre electorate.

**Ms OGILVIE** - Oh right, there we have it. Devonport Racing Club upgrades to toilet block and ticket box; Tasmanian Turf Club, second phase of refurbishment of jockey rooms; Burnie Harness Racing Club, replacement of photo finish camera and upgrade of photo finish lighting system. The Tasmanian Liberal Government continues to be a strong supporter and advocate for the racing industry, as we have said a number of times.

**Mr VALENTINE** - I am going to page 22 on the statement of corporate intent. I am looking at the lost hours employees, jockey race day injury claims, jockey training injury claims and jockey training injury claims Tasracing. Can you give us an understanding as to the target was for jockey race day injury claims and how it ended up being 13? Where are those injuries occurring and what is wrong? There must be something that is causing these.

**Ms OGILVIE** - Let's see what the experts have to say, sorry did not meant to cut you off, Rob.

**Mr VALENTINE** - No, you did not cut me off, I stated the question.

**Mr JENKINS** - The numbers are above what we forecast, Mr Valentine. It is important to note that racing is a dangerous elite level competitive sport. Whether a jockey, track rider, apprentice or a driver, there is always the risk of injury. Despite our continued investment in track and facility design and safety mechanisms via process, there is always the risk of incidents. Our role is to try to minimise those risks and minimise those incidents. Though it is apparent there was an increase in the number of those incidents, we do not have a view that there is a systemic or a root cause here contributing on a consistent bias.

**Mr VALENTINE** - Not track condition? There was one circumstance where there was some instant lawn laid down and it did not get enough root, there was slippage or was that somewhere else?

**Mr JENKINS** - No, absolutely not. I believe that was the prior reporting period and a track that is presented in that fashion would typically - I was not here at the time, as an observer. I recall that racing stopped because we simply will not send out animals or people.

**Mr VALENTINE** - That was the previous year, that is okay. My question goes to the fact you have training injury claims against Tasracing - target of five - and yet race day claims - target of two. It seems to me that you are likely to have far more jockey injuries on race days,

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because you have so many horses in the mix in such a confined space than on training. Why is that target so high?

**Mr JENKINS** - I can see that perspective. It is often quite the opposite, because race days are the retail end of racing. Our animals are being worked and horses in particular on a daily basis - whether they be racing that week or the coming week or not. Sure, on a race day you might have 100 horses occupying day stalls at Elwick, for example. That happens once a week or once a fortnight.

**Mr VALENTINE** - Not every day.

**Mr JENKINS** - That is right, whereas in the case of our structuring in Tasmania you have Brighton, training centre; Spreyton or Devonport training facilities and Longford where you might have a total near 200 horses going around every single morning to be worked and hence, as I say, it is actually the flip.

**Mr VALENTINE** - One very quick question.

**CHAIR** - A quick question and a quick answer.

**Mr VALENTINE** - Magic Millions. Does TasRacing at all reap any benefit, apart from the broader issue, minister?

**CHAIR** - If we happen to win, we do.

**Ms OGILVIE** - I am aware of timing. I have the answer to Mr Willie's question so after this perhaps I could let you know that.

**Mr VALENTINE** - I am interested to know whether there is any revenue that comes back to Tasracing directly through the Magic Millions event?

**Mr JENKINS** - Not directly to Tasracing. We have a relationship with Magic Millions to promote and facilitate the critical breeding industry in Tasmania.

**Mr VALENTINE** - I appreciate that.

**CHAIR** - If you get a couple of good winners out of it you get a bit of kudos.

**Mr VALENTINE** - I do not think they own horses.

**CHAIR** - No, but the state gets the kudos for good breeding.

**Ms HOWLETT** - And the great economic benefits too.

**Mr VALENTINE** - I appreciate that. I was asking directly about Tasracing.

**Ms OGILVIE** - I have the information Mr Willie was seeking. Is it all right if I provide that?



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I am advised on the 6 July 2022, Tasracing issued a statement which included comments from departing CEO, Mr Paul Eriksson and I quote:

The past two years during COVID-19, given the lockdowns and restrictions, had been significantly personally challenging,

and that he was:

returning to Sydney to spend time with his family before looking for a new role.

My release went out the same day, that is a reflection of what I was advised.

**Mr WILLIE** - You had further information to that statement and you repeated it when clearly -

**Ms OGILVIE** - That is a statement, not a question, but anyway I promised I would get the information and I have done that. Thank you.

**CHAIR** - On behalf of the committee, we would like to thank you very much for your time and obviously, a lot of effort goes into bringing the information because you never know what the committee is going to ask. I do not know what they are going to ask at times; but we do appreciate the opportunity and it is our role to provide this scrutiny on behalf of the Tasmanian people, because there are significant public funds put into a very important industry in this state.

We thank you, and we wish you a very safe and happy Christmas and certainly, a restful New Year.

**The committee suspended at 3.34 p.m.**



# **PARLIAMENT OF TASMANIA**

## **TRANSCRIPT**

### **LEGISLATIVE COUNCIL**

### **GOVERNMENT BUSINESS SCRUTINY COMMITTEE B**

**Port Arthur Historic Site Management Authority**

**Wednesday 30 November 2022**

### **MEMBERS**

Hon Rosemary Armitage MLC (Deputy Chair)

Hon Jane Howlett MLC

Hon Tania Rattray MLC (Chair)

Hon Rob Valentine MLC

Hon Meg Webb MLC

Hon Josh Willie MLC

## **WITNESSES IN ATTENDANCE**

**Hon. Madeleine Ogilvie MP** - Minister for Small Business, Minister for Science and Technology, Minister for Advanced Manufacturing and Defence Industries, Minister for Racing, Minister for Heritage

**Mr Grant O'Brien**, Chair, Port Arthur Historic Site Management Authority (PAHSMA) Board

**Ms Melinda Percival**, Acting Chief Executive Officer, PAHSMA

**Mr David Nelan**, Chief Financial Officer, PAHSMA

**Ms Anne McVilly**, Director Toursim Operations, PAHSMA

**Ms Sarah Jane Brazil**, Director Conservation and Infrastructure, PAHSMA

**Ms Emily Clarke**, Director Interpretation and Experience, PAHSMA

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**The committee met at 3.44 p.m.**

**CHAIR** - Thank you, and welcome, minister, back to the table and your portfolio responsibility of the Port Arthur Historic Site Management Authority, most fondly known as PAHSMA.

I will introduce to you, to your team, more particularly, members of this committee. Meg Webb, Jane Howlett, Rosemary Armitage, myself Tania Rattray, Rob Valentine and Josh Willie. We have secretariat support of Simon and Julie and we have Gaye on *Hansard*. This is our last quarter for today. I very much appreciate your time today and if you would introduce your team at the table and cut that introduction down quite considerably.

**Ms OGILVIE** - You have asked me for brevity, I will deliver.

**CHAIR** - Before we start, I acknowledge that we had a site visit to the Female Factory and had a look at some of the remarkable work that has been undertaken there in the redevelopment. We very much appreciate those committee members who attended. I appreciated that, even though it was a cold day.

**Ms OGILVIE** - Today at the table, I am joined by PAHSMA chair, Grant O'Brien, thank you very much; acting CEO, Melinda Percival; CFO, David Nelan; PAHSMA's new Director of Conservation and Infrastructure, Sarah Jane Brazil; and other executives are available if needed.

I, too, have had the pleasure recently of visiting the Cascades Female Factory and, at the risk of making other portfolios jealous, I did want to say that Heritage is the most incredible portfolio. The work that the people at this people table do to preserve our cultural heritage here in Tasmania is remarkable. I am the descendent of somebody who went through the Female Factory, so it was a very emotional moment for me there. Now I live 500 metres up the road, so we did not actually go that far at the end of the day.

I acknowledge the work done by previous CEO, Jonathan Fisher, and acting CEO, Melinda Percival, who has taken the reins in the interim. They have continued to navigate the ongoing changing environment and we know that it is not just pandemic times, but also the tourism environment more generally. I want to underscore the professional leadership provided by this remarkable board and its management who have continued to display initiative and particularly, my favourite word, agility in setting a direction for PAHSMA's future sustainability. Finally, I congratulate the team on their Gold Award win as Best Major Tourism attraction at the Tasmanian Tourism Awards held just a few weeks ago.

**CHAIR** - Well done on cutting back that presentation. It is very much appreciated. I invite Ms Howlett to commence the questions for today, thank you.

**Ms HOWLETT** - Minister, we did have the opportunity the other week to go through the Female Factory and have a tour and it really was fabulous. I understand the state has put forward \$3 million towards the facility. There was also some federal money committed as well. Not all members were present on the tour, so I was hoping you could give an update on what that \$3 million from the state has provided.

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**Ms OGILVIE** - I am very happy to give a snapshot, such an emotional thing to visit that incredible site. I have lived in that area for a long time and I have seen it from, as a child, come from ruins into the most remarkable centre of interpretation and I particularly like the focus on women and their experience of coming to Tasmania.

In March 2022, I was invited to open it on behalf of the then premier. It was a wonderful day. The new history interpretation centre was opened and the visitor experience, you can see on people's faces as they walk through that it is a profound experience. That particular project delivered the defined wall enclosure. You have seen that come from the ground up, a welcome space, and a tour assembly space. The tour assembly space is important, as it goes to tourism and how we cater for people wanting to come in.

**Ms HOWLETT** - And the names listed on there were fabulous too, very touching.

**Ms OGILVIE** - I know, I actually want to cry. People will come to see that and trace their history and heritage. I think that is a great step forward. I particularly liked to see the gift shop with all of the Tasmanian items, it is great small business, the newly landscaped yard, and new employee offices and facilities. It is very much intended as a multipurpose space that enables the delivery of the Cascades Female Factory education program. We were there on a sparkling Tasmanian day, we had the event in the courtyard. So, as a multi-function space it works beautifully as well.

**CHAIR** - The big courtyard.

**Ms OGILVIE** - It was remarkably warm with the enclosed space. The total cost of the project including the preliminary design work was \$5.7 million, with \$3 million in state government funding confirmed during 2019-20, and \$2 million committed by the federal government in 2020-21. Everybody participated in improving the facilities.

These facilities and the enclosure walls were replaced in response to recommendations at the time of listing by the World Heritage Committee. The better-defined enclosure walls and the newly-landscaped yard and interpretive elements relate to the original built features and provide a setting for a better visitor experience. I think we all agree with that. Interpretive landscaping, experiential interpretation in the form of an exhibition, the audio tour, which is amazing, convict history tour, theatrical performance, educational tours, it's all there. It's just a really good sample of what we can do and do so well in Tasmania. The site was closed for development over pandemic times -

**CHAIR** - Nine months.

**Ms OGILVIE** - Yes, which was hard for everybody. The practical completion of construction work was achieved on 24 December 2021, with interpretive elements completed in March 2022. I will wrap up because I know you're after brevity, but we do love this site so much. I was very pleased to formally re-open the site on 25 March 2022 along with Australia's Governor-General at the time, Dame Quentin Bryce, she was marvellous.

The site tells the often untold, but very important stories of female convicts who were transported to Tasmania, I think, often for the crime of being poor, is my view. From the research that I've done, mine were - and I did say this at the time - a gang of female pick-pockets who specialised in nicking high-end fashion accessories. The new centre will support a growth

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in visitation, estimated to increase to 76 000 visitors in the 2022-23 financial year. For example, in 2018, there were 34 800. I know we cherish and love this jewel in the crown and I thank the people here for what they've been able to deliver.

**Ms HOWLETT** - Minister, could you please provide an update of the Convict Memorial Hub Project?

**Ms OGILVIE** - Another great project. All my favourites. Tasmania has this really remarkable opportunity to reinterpret and reimagine the way we convey our history and protect our cultural heritage and that dialogue that we want to have with the people of Tasmania, and more broadly.

In the 2021-22 budget our Government announced a funding agreement of \$1.25 million for PAHSMA to oversee the establishment of a Convict Memorial Hub at the Hobart Penitentiary Chapel, owned by the National Trust. The chapel will serve as a central hub for Tasmania's convict trails and existing attractions, connecting visitors to the story of more than 75 000 convicts through a virtual memorial. The grant deed was signed in late 2021 between the Department of Primary Industries, Parks, Water and Environment and PAHSMA. Both these organisations are working really hard and working closely with the National Trust in Tasmania to deliver this important project. With regular meetings held with the National Trust, Heritage Tasmania and PAHSMA they are making continued progress on this project.

I had the benefit of having a briefing to see some of the work that's going on, to see some of the intellectual rigour and the digitisation, Mr Valentine, I think you'd enjoy that as well.

**CHAIR** - They know you're a techo.

**Mr VALENTINE** - I've seen some of them.

**Ms OGILVIE** - Did you love it?

**Mr VALENTINE** - I did.

**Ms OGILVIE** - Great start. Stage 1 of the project is well-progressed. The conservation management plan for the chapel to guide conservation and adaptive re-use, which is the phrase that we're going with nowadays, has been developed. The business planning process is underway and once this process is complete the parties will determine how the project will proceed to stage 2.

The memorial hub has the potential to increase visitation to the penitentiary chapel and to encourage regional visitation to other sites where convict ancestors lived and worked. The hub will serve as a central mechanism, as an anchor for our stories and our storytelling, to weave together what we know of the colonial heritage in Tasmania and really it is our intention to drive interest, encourage visitation to sites all over the state.

That is why it is really important to acknowledge and recognise the digital overlay is so important in storytelling and conveying the history of our people and those who moved all over the world, but still have connection back through Tasmania. Some of those in the UK are very interested in what we are doing here and to be able to go online and see more about convict history with which we are all so deeply connected.

**CHAIR** - I did omit to ask you, Mr O'Brien, if there was anything you wanted to add to the minister's brief introduction?

**Mr O'BRIEN** - Thank you, and I will be brief. I wanted to add some context to our years. Certainly, the Cascade Female factory was the highlight of the year, but from a visitor point of view, it was a particularly challenging year as it was for most tourism businesses.

Before COVID-19, about 43 per cent of visitors to Port Arthur came from cruise ships, groups and international areas. During the whole of the financial year, that market was not available. Two of our biggest markets, New South Wales and Victoria were collectively about 20 per cent, were closed, or had borders closed for six months. And the Female Factory itself, as you said was closed for nine months. When you look at visitation over that year it is quite an impacted year.

**CHAIR** - Quiet time.

**Mr O'BRIEN** - That was a tricky year from the start point of view. Obviously Port Arthur place a critical role in the peninsula. A good amount of our staff lives close to and in around the peninsula. One of the things I was hoping to get the opportunity to do is to thank the staff. They did an amazing job under trying conditions.

**CHAIR** - You are free to do it here now.

**Mr O'BRIEN** - Yes, well I would like to pay our respects and our thanks, which we have done and we will continue to do for the staff. Because it was a very up and down year. Sometimes there were people on the site, other times there were none. Sometimes the site was closed and it was all done when there was a pandemic raging. Their own personal health was our priority. It caused a lot of angst amongst our staff and that is something that we needed to manage.

**CHAIR** - We turned the corner.

**Mr O'BRIEN** - Very much so and we are all glad we have. During that time, Port Arthur also funded marketing programs for the peninsula out of its budget. There were 23 businesses on board a program called Tasman Unlocked, which was a marketing program for the peninsula. Port Arthur plays a significant role in attracting people to the peninsula the other businesses benefit from.

The leadership renewal is also something that is occurring as we come out of PAHSMA. We are very lucky to have people like Sarah Jane and Emily, who is over the back, join us as part of the renewal of the executive team and bring new and relevant skills to what Port Arthur is going to need to be and indeed, the Female Factory and the Coal Mine site.

That is from me. I really just wanted to add some context in terms of the year, pay tribute to our team, which include the people that are present today. Also, I wanted to note some of the achievements, which I think the minister did rather well, through not just the Female Factory, but we finished the walkway on the Island of the Dead, a \$1.7 million project. Now it is much more accessible to people and if you have not been to the Isle of the Dead at Port Arthur, make it something to go to. It is a fascinating site.

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**CHAIR** - I am pleased I gave you that opportunity to share those remarks and an opportunity to thank your staff. It is important.

**Mr VALENTINE** - I have a little bit of affection for Port Arthur as I used to live at Dunalley many years ago, for 20 years. We used to see all of the tourist buses go down there, largely Americans visiting.

With the digital overlay, you were talking about that minister, at the Penitentiary site, how much would the \$1.25 million is going to the National Trust, as opposed to into the -

**Ms OGILVIE** - Thank you, it is a good question, we did run through this the other day. I will actually ask this one for you about the management - perhaps for you, Grant. There is a structure in place to manage the financial arrangements. I will ask Grant perhaps to answer that question.

**Mr O'BRIEN** - It is a multi-phase. The way it has been approached is \$1.25 million being assigned to the project. The way that it is being approached is the first phase has been allocated \$250 000 to come up with the business plan and the assessment of the site where the facility is to go in. That is a gateway to ensure there is a proper business case that works commercially.

One of the things we have been asked to avoid is to put something on the ground which then becomes a burden from a financial point of view. How is it going to pay its way or what is the funding requirement going to be. That is what is being worked out at the moment. Once that gateway has been closed, then the balance of the money will be assessed to see whether that is sufficient to indeed install the facility or what other funds will be required. We are taking a step at a time to make sure the money is spent wisely and to make sure that long-term from a commercial sense, we have eyes wide open in terms of that.

**Mr VALENTINE** - With respect to content, are you looking at having this as a hub for the whole state? Obviously, there would be convict experiences at Brickendon at Woolmers, for instance and even some at Fingal.

**CHAIR** - More of McIntyre.

**Mr VALENTINE** - Is it going to provide that spoke out to all these other sites where people can go and investigate their heritage?

**Ms OGILVIE** - I probably sat through the same presentation you did. It is my understanding that connectivity is part of the vision. I will ask Grant to address where it is at in the business case process. Of course, we might want to do everything and that would be exorbitantly expensive, what we can do with the money we have and the content piece is perhaps an important conversation to land that correctly.

**Mr VALENTINE** - It was part of our built heritage tourism inquiry we did. It talked about this idea of, not that particular problem -

**Ms OGILVIE** - No, that is right.



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**Mr VALENTINE** - about connecting Port Arthur and all of these other wonderful places.

**Ms OGILVIE** - And here today we are to talk about PAHSMA's operations, but I can say in the heritage portfolio more generally, we have certainly picked all of that up - that theme.

**Mr O'BRIEN** - One of the opportunities the hub provides is an ability for people to connect to the sites you described. I will use Port Arthur as an example, because it is what we are going to talk about. What is not lost on us is that one in four Tasmanians have convict heritage, and one in six mainlanders.

**Mr VALENTINE** - I have nine; is that enough?

**Ms OGILVIE** - I have both sides too, Rob, a match made in heaven.

**Mr VALENTINE** - Some people would say that is obvious.

**Mr O'BRIEN** - My great-great-great-grandfather, Thomas Samuel Stewart was the assistant superintendent at Point Puer and as it turns out, my great-great-great-grandmother was born at Port Arthur. I did not realise when I started but that is part of the opportunity with this data - the opportunity for people to connect to the site. It is a wonderful opportunity, not just for Port Arthur, but for built heritage to connect them. That is part of the assessment going on, Mr Valentine, to see if and how widely that can be used. In the future it will be; there is no doubt, it is just what the first step or two is.

**Ms WEBB** - I have a follow up.

**CHAIR** - There is a supplementary, Ms Webb and then I am coming to Ms Armitage.

**Ms WEBB** - Thank you. It is because it relates to online. Is Ms Goddard's extensive collection available online to be accessed and viewed and interacted with?

**Ms BRAZIL** - I am only a new kid on the block. We have an extensive collection. There are multiple layers that are being digitised. We have a resource centre which is manned and that is a hub for people to make a call into and follow up on records. We are not as sophisticated yet as digitisation. Our collection is extensive, in terms of archaeological relics, items associated and documentation and things. We have a huge collection and are in the process - and there is a very key one of making us an attractive offer with different layers of stories and different layers of experiences. It is there at the moment. We are working towards making it more accessible.

**Ms WEBB** - Can I check on the detail? Is it a defined project within the work of PAHSMA to be progressing that and moving towards a fully digitised collection that people can interact with?

**Ms BRAZIL** - We are currently going through a strategic plan. This will be one of the key actions that will fall out of that, during a sort of master planning process which is currently scheduled to happen towards the end of next year.. That would be in accordance with other priorities that we need to meet. From a conservation point of view, any items that are intricately associated with our heritage values are front and centre of us to manage, moving forward.

**Ms WEBB** - Is it anticipated that is progressed within existing funding envelopes, or is might you need to seek additional funding from the Government to progress effectively?

**CHAIR** - Good chance to lobby right now.

**Ms BRAZIL** - I'll put a figure on the table. We will need to access more funding to do that. But, we also need to put it into a broader strategic framework for the organisation, and how we leverage that, and how it ties in with other key deliverables of our organisation in conserving and presenting the heritage of Tasmania and to the world.

**Ms WEBB** - It sounds like an aspect of our presenting our heritage.

**Ms OGILVIE** - Can I just add a little bit that I think might help as well, more broadly in the heritage sector? It's on digital.

**CHAIR** - No, if it's not related.

**Ms OGILVIE** - It is. We've gone through a process of digitisation as well, which is broadly across the sector, which may dovetail into some of the work that is being done. I don't want you to think it is not happening because it is not a specific project. There is a lot of work going on in this space.

**Ms ARMITAGE** - Minister, I note that a statewide energy audit was undertaken at Port Arthur, and that the final report made 36 recommendations. Can you advise who undertook the audit? What was the cost? Can you give some examples of the recommendations and what efficiencies could be made? Finally, will implementing any of the recommendations be risky to any of the historic architecture and facilities at the Port Arthur historic site, and will there be any capital works that need to be completed to fully implement the recommendations?

**CHAIR** - I hope everyone's taken one of those questions.

**Ms OGILVIE** - Going down the line. There are about 13 dot points under that.

**Ms ARMITAGE** - I can ask again, but I thought -

**CHAIR** - Who wants to take the first one?

**Ms OGILVIE** - I am happy to ask David.

**Mr NELAN** - Fantastic.

**Ms OGILVIE** - Get your calculator out.

**Ms ARMITAGE** - Who undertook the audit and what did it cost?

**Ms BRAZIL** - No, sorry, this was undertaken, and was just delivered as soon as I started. It was looking Port Arthur's overall consumption, and how we would manage that going further. Since that time, we are just in our initial phase of developing a climate action plan, which is following on the UNESCO Sustainable Development Guidelines. The other key one

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is the Tasmanian Government desire to be carbon-neutral in 2023. Sorry, I am not across the details on what it cost at this point in time. So, it is an input into us developing our climate action plan.

**Ms ARMITAGE** - Was it someone local who undertook that, or someone from the mainland?

**Ms BRAZIL** - It was local.

**CHAIR** - That's alright, we can come back to it. We've still got a little bit of time. Don't rush.

**Ms ARMITAGE** - We'll circle back. Some of the recommendations and efficiencies?

**Ms PERCIVAL** - There were a number of recommendations out of the audit from -

**Mr NELAN** - Sustainability Tasmania. There are the normal things like changing your LED lighting through to the bigger picture about solar panels on buildings.

**Ms ARMITAGE** - Can you do that at Port Arthur? Solar panels on buildings

**Ms BRAZIL** - I can give you a big lecture on solar panels on our buildings. That is a key area that is rife in the heritage practice at the moment, because of sustainability. There is a lot of work being done in other jurisdictions on how you do solar panels. We do have the capacity to put solar panels down at Port Arthur; possibly not in the middle of the penitentiary.

**Ms ARMITAGE** - Just where you cannot see them.

**CHAIR** - You could put it on the visitor's centre. Anything you want to add in, Melinda? That's covered it? If you're happy with that, honourable member?

**Ms ARMITAGE** - I didn't get too many of the 36 recommendations, that was all.

**Ms PERCIVAL** - I'm happy to come back on notice.

**Ms ARMITAGE** - Have it on notice, to save time.

**Mr VALENTINE** - Do we have a figure on investment required for the net zero side of things?

**Ms PERCIVAL** - For that work? The next phase of the project which the team is working through - I think this was only completed towards the end of the financial year - is to look at the cost factor of this and then how do we prioritise to ensure that's going to deliver the best outcome and is affordable for the business.

**CHAIR** - Start with changing the LED lights, that's a good start.

**Ms PERCIVAL** - There might be even simpler things.

**CHAIR** - Mr Willie.

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**Mr WILLIE** - It's probably a good lead-in to my question, Chair. You talked a bit about the Cascades Female Factory. I'm sorry I couldn't attend the site tour.

**CHAIR** - You can always take your family there over the holidays.

**Mr WILLIE** - Yes, that's right. I note that PAHSMA personnel repeatedly have raised the opportunity to improve energy efficiency at that site, through the installation of solar panels. I am interested in why that wasn't done?

**Ms OGILVIE** - That's great. Who would like to address that one?

**Mr O'BRIEN** - I don't know the answer to that. We'll need to take that on notice.

**Mr NELAN** - We must be mindful of the geographic layout of that site and the fact that there are many houses that sit above. Solar panels on a roof may cause significant glare issues. I wasn't here when that design competition occurred, but the building has been designed to be environmentally climate friendly without the solar panel because it may have detracted from the site generally, from its heritage values, as people look down on the site. The idea was that building was to blend in, and not be overly burdensome.

**CHAIR** - Not stand out.

**Ms OGILVIE** - I'm happy to try to get that information for you.

**Mr WILLIE** - Another question, while we are talking about that site, is that it's my understanding that volunteers have had their functions, the sorts of things they can do, defined. How does this align with the commitment made to volunteers who were previously entirely responsible for the site's operations?

**Ms OGILVIE** - So, there has been a change of scope?

**Mr WILLIE** - Yes. I think some volunteers have left, have been restricted in what they can and can't do.

**Ms PERCIVAL** - Yes, the changeover was a significant change to the site and a lot of duties, different staffing, have changed. Working with our employees and also with the CPSU, we've agreed to a solution that volunteers on the site aren't able to perform tasks that we pay our employees for, and it's a significant change for the organisation. As you mentioned, Mr Willie, the organisation - I'm not sure if you know the history - the site was saved by a community group; it was 100 per cent volunteers.

**Mr WILLIE** - Thankfully.

**Ms PERCIVAL** - And we've moved from that to a public service organisation which, as you would be aware, is slightly different. The process we are going through at the moment, with the volunteers and with our staff is what will they be doing in future. We probably haven't quite nailed that at this point in time, but we're absolutely committed to having our volunteers, to continue to work with them; we absolutely value their contribution and we're committed to working out what that space is, into the future. We probably haven't quite resolved it yet. We

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opened the site in March and I think it's fair to say the last few months have really been just bedding in how that site operates for us, at the moment.

**Mr WILLIE** - I can understand their passion if they were involved in helping save the site.

**Ms PERCIVAL** - Absolutely.

**Mr WILLIE** - Look at things like the Hobart Gaol and what happened there.

**Ms PERCIVAL** - A lot of our volunteers are also members of the Cascades Female Factory research organisation which is a separate entity. They do a lot of research. so they crossover there as well.

**Mr WILLIE** - This is a pretty standard question, Chair, that I have been asking today - and it's no reflection on Mr Fisher, but, what payout did he receive?

**Ms OGILVIE** - I'll ask Grant.

**Mr O'BRIEN** - Jonathan resigned towards the end of June and he resigned so that he could return to the UK to attend his ageing parents. We took the decision to allow him to go straightaway. He was duty-bound by his contract to give us three months notice. We waived that and paid him the equivalent so that he could go straightaway. It's been mentioned before that we are in the process of a strategic roadmap and it meant we could continue uninterrupted with that. Two months later, his father passed away so we got a letter from Jonathan to thank Port Arthur for allowing him to return home. He returned to Tasmania briefly, but he's back there, as I understand it, permanently now, looking after his Mum.

**Mr WILLIE** - And the figure?

**Mr O'BRIEN** - Was about \$60 000. Might be \$61 000.

**CHAIR** - Thank you. I'm interested in the process for sourcing the unique skills you need for Port Arthur when restoring or caring for the site. Are there any challenges? There are general challenges with the workforce right across the state, particularly in hospitality and on the peninsula, we know that. Unique skills are needed in caring for the buildings.

**Ms OGILVIE** - I will ask the board to answer that one, but I can share with you my concern about that too. I have met with the local community, listened and heard their concerns about both employment and opportunity on the peninsula. I also heard from PAHSMA about attracting employees, so it is a two-way conversation.

**Ms PERCIVAL** - As you say, there are some specialist skills and Port Arthur is very proud to be able foster some of those skills. We are currently undertaking a significant project reshingling the junior medical office. We have a lot of very passionate staff in shingling. Sarah Jane is able to give a lot more detail about the expertise in this area. We have had experts come in from Sydney to support our staff to learn and evolve those skills, we also have a stonemason on site and a number of other specialist employees and trades who are employed by us.

**CHAIR** - So there are not as many challenges as I would have thought.

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**Ms PERCIVAL** - There are some challenges, yes, particularly as some of these workforces age as well. These are specialist skills that are getting older, so Sarah Jane, do you have anything else you would like to add?

**CHAIR** - How do you encourage the young ones to take up the baton?

**Ms BRAZIL** - That is something that I will be working on, but one of the things I bring is my networks, with an association with the Longford Academy up in Brickendon, Woolmers to do that sort of thing, so we encourage it -

**Mr VALENTINE** - Oatlands?

**Ms BRAZIL** - Yes. So, that is open to others. I am currently chairing the Australian Convict Sites World Heritage Property committee, so we will providing our skills to Norfolk Island at Carver, they have reached out to us to get our advice on shingling. I have access to specialists who I can bring in. That is how we will do it and by doing that through reputation, we have some really fantastic young apprentices. I have a fantastic generalist painter, but she is now being groomed to pick up those specialty skills.

We provide the base on which people can leverage off traditional skills and methodologies within Australia and it is something that we have the opportunity to build on.

**CHAIR** - Sounds like the hospitality is the only real challenge then.

**Ms OGILVIE** - Well, there are a few challenges, but it is right across heritage, it is generally in heritage as well.

**Mr VALENTINE** - With regard to revenue coming in from that, is this expected to raise revenue for Port Arthur beyond selling of skills to other areas?

**Ms BRAZIL** - There is the potential to do that, but where I see, it is not necessarily revenue, it is a reputational thing. At worst, it has to be cost-neutral, but that is something we form relationships with TAFE and the CITs to build those relationships. I understand we already have those, so how do we start building those ones moving forward?

**Mr VALENTINE** - It is a real opportunity, I think.

**Ms BRAZIL** - Yes.

**Ms ARMITAGE** - The key performance measures indicate a target of 70-plus for employee satisfaction, but it states that no survey was completed. How do you rate employee satisfaction if you do not do a survey?

**Mr O'BRIEN** - The usual State Service survey has been the source of that information and that has not been held during COVID-19. However, to answer your question about how do we do that, we have undertaken and designed an in-house pulse program and we had one in - and Melinda, correct me if I'm wrong - but we did one in late 2021, we did one in early 2022. We have just completed one and we do not have the results yet.

In answer to your question, it is missing because the state survey was not undertaken. How are we measuring our team? We have designed our own pulse surveys which we share with staff. It gives us an indication as to where they are at. That has been critical during the COVID-19 period to understand where they are at and how they're feeling. It has been, and continues to be, a challenging time for staff.

**Ms ARMITAGE** - So are you likely to do that every couple of years?

**Mr O'BRIEN** - We're going to keep doing it.

**Ms ARMITAGE** - Annually?

**Ms PERCIVAL** - Annually is where it will move to, yes.

**Mr O'BRIEN** - The State Service will probably come back and we'll do that, but we'll continue to do our pulse surveys because they ask essentially a same set of questions, but additional questions to what State Service does.

**Ms ARMITAGE** - I said it was 70-plus, what was the dissatisfaction? What were the concerns that anyone had? Was it anything in particular, or the same concerns for some people that they might have had?

**Mr O'BRIEN** - I think the concerns, some related to COVID-19 about personal safety and measures like screens for the visitor, those sorts of things. Communication is generally something that we have been told we can improve on, so that's a constant for us.

**CHAIR** - I've had that feedback too, previously, as well, Grant.

**Mr O'BRIEN** - Armed with that sort of information you've got some facts to then counter it with, I suspect.

**Ms ARMITAGE** - Do all the staff participate do they? Is it compulsory?

**Ms PERCIVAL** - It's about a 60-70 per cent response rate, which from my understanding, is a good response rate.

**Ms HOWLETT** - Minister, I'm interested in what conservation and preservation efforts have been made to the site, managed by the PAHSMA?

**Ms OGILVIE** - Yes, thank you, a very important question. It does pick up on some of the conversations we've been having about how you can improve energy efficiency within the site and maintaining the conservation values. We know that PAHSMA has made an investment of \$7.247 million in conservation infrastructure, education and interpretation of the sites.

As you know the PAHSMA are custodians and managers of three sites. We talked a bit about them today, the Cascades Female Factory, the Port Arthur Historic Site and the Coal Mines Historic Site. We haven't really touched on that one yet. At the Cascades Female Factory, the construction of the history and the interpretation centre and installation of interpretive and experience -

**CHAIR** - We've done that one, so let's -

**Ms OGILVIE** - have greatly enhanced the centre. Other work at the Cascades Female Factory include the reconstruction of missing timber detailing on the veranda of the matron's cottage. That's a bit of new information.

In August 2021, the Port Arthur workshops archaeological excavation along the end of the penitentiary was completed, so that's good news. The project's aim was to unearth the stories about the industries and works of the penal station. More than 500 finds are being recorded and documented. Among them 20 silver one-shilling coins. There must be some story about the one-shilling coin that we might hear at some point. Archaeologists also identified evidence of bone working and metal working.

At the Port Arthur Historic Site action was taken to mitigate climate change effects at nearby Radcliffe Creek. Through a grant from the Tasmanian Climate Change Office, a study was conducted on hydrological modelling and the wave run-up, which confirmed PAHSMA's understanding of Radcliffe Creek's erosion risk, due to severe weather events and rising sea levels. PAHSMA acted on immediate recommendations to sandbag the creek to mitigate further erosion and I understand it was an incredible team effort. Were you sandbagging? An incredible team effort resulted in nearly 1000 sandbags being handmade, filled and deployed just in time for a major rain event that flooded the creek.

The final stage of the Isle of the Dead walkways, that we've heard about today, was completed this year. This project provides a continuous above-ground system of walkways on the Isle of the Dead and allows assisted access for people with disabilities and reduces on-ground impact of visitors on the burial areas on the Isle. PAHSMA conducted a statewide energy audit to better understand energy use of the Port Arthur Historic Site.

**Mr VALENTINE** - I'm interested to know, you've turned the corner after COVID-19, quite clearly, with visitor numbers coming up, 187 203 visitors this year, was 368 000 down at Port Arthur, or thereabouts. What strategies are you actually putting in place to rebuild that visitation?

**Ms OGILVIE** - The tourism strategy. Yes, Melinda, one for you perhaps.

**Ms PERCIVAL** - Yes, during the past year we invested in a significant business market research for site, to better understand visitor desires on heritage generally, on Port Arthur, on convicts and what we can learn and do for our future visitors. As you would be aware, our visitors are changing, we have younger visitors wanting different types of experiences to maybe then what we have traditionally provided. That is a piece of work heavily feeding into the current strategic development mentioned before.

In addition to that we are re-engaged through the hard work of Anne and the tourism and operations team, cruise ships have returned this year which has been a good boost this year, the numbers we have seen to date this financial year - I know this about last financial year - but this financial year, are coming back towards where we were prior to COVID-19. It is tracking in the right direction.

**Mr VALENTINE** - And you reckon your going to be back at 400?



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**Ms PERCIVAL** - Not this year. There are a number of factors this year that will flatten off. You may be aware we have got some aviation capacity elements for the state which reduces visitation to the state, we will then see the flow-on of that, particularly over summer. We may reach those summer peaks we were seeing prior to COVID-19. We forecast that it will be a flatter profile across the year than we were seeing before COVID-19.

**Mr VALENTINE** - Obviously, you have the new centre and all the rest of it, what are you doing to promote that?

**Ms PERCIVAL** - We have started a lot of online. We did a number of media and visitor journalist type programs on its opening. We have just finalised the brand for the Female Factory and that will come out to market more generally post-Christmas this year. We are also working quite heavily with local providers and tour operators, such as the big red bus and other people.

**CHAIR** - Thank you. I have said a number of times today I am always mindful of the time and we have reached our conclusion. On behalf of the committee, we very much appreciate your time and we know a lot of effort goes into getting things together. We have no idea what the committee is going to ask, and neither do I at times. We sincerely thank you. We wish the organisation all the best for the future and hope those increased numbers keep on coming back to our state and certainly, visiting your wonderful sites that you have around the state.

Thank you for taking the care you do, on behalf of Tasmanians. Thank you, merry Christmas, a happy new year and a safe one at that.

**THE WITNESSES WITHDREW**

**The committee suspended at 4.28 p.m.**



# **PARLIAMENT OF TASMANIA**

## **TRANSCRIPT**

### **LEGISLATIVE COUNCIL**

### **GOVERNMENT BUSINESS SCRUTINY COMMITTEE B**

**Tasmanian Irrigation Pty Ltd**

**Wednesday 30 November 2022**

### **MEMBERS**

Hon Rosemary Armitage MLC (Deputy Chair)

Hon Jane Howlett MLC

Hon Tania Rattray MLC (Chair)

Hon Rob Valentine MLC

Hon Meg Webb MLC

Hon Josh Willie MLC

## **WITNESSES IN ATTENDANCE**

**Hon. Jo Palmer MLC**, Minister for Primary Industries and Water, Minister for Disability Services, Minister for Women, Minister for the Prevention of Family Violence, Deputy Leader in the Legislative Council

**Ms Samantha Hogg**, Chair of Tasmanian Irrigation Pty Ltd

**Mr Andrew Kneebone**, Chief Executive Officer of Tasmanian Irrigation Pty Ltd

**Mr James Hipwood**, Chief Financial Officer of Tasmanian Irrigation Pty Ltd

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**The committee met at 4.31 p.m.**

**CHAIR** - Welcome minister and we very much appreciate your time this afternoon with your team for Tasmanian Irrigation. You certainly know the team at the table. I do not think there is any need to introduce any of us. I invite you to introduce your team at the table. You have a brief opening statement, I believe.

**Ms PALMER** - I do and I will introduce my team as part of my opening statement to keep it nice and tidy and concise for this afternoon.

Thank you very much, Chair. I welcome the opportunity to be here to talk to you about Tasmanian Irrigation and its activities.

It has been a really successful year delivering over 60 000 megalitres of irrigation water to Tasmanian farmers across 2021 and 2022. This is an almost 6 per cent increase on the previous year. We saw water delivered to almost 1000 Tasmanian farmers across approximately 10 per cent of Tasmania's land mass. This water of course, supports growth right across our agricultural commodities, including fruit and vegetables, that is also cropping, dairy and livestock and, of course, wine.

We have a very ambitious target as the Government to increase the farm gate value of our agricultural sector to \$10 billion by the year 2050. Of course, irrigation place such a pivotal role in achieving this goal that high assurity irrigation water has given and continues to give farmers so much confidence when it comes to expanding; confidence in diversifying; and also of course, the opportunity to employ more people.

As captured in Tasmanian Irrigation's annual report, highlights for the 2021-22 year included all schemes offered full allocation for the season. We saw construction commenced on the Don Irrigation scheme and water sales viability threshold were achieved on the Greater Meander and Sassafras Wesley Vale augmentations. Detailed design progressed on the Northern Midland Irrigation Scheme project. All environmental surveys and monitoring programs were completed and showed no discernible impact from Tasmanian Irrigation's activities. There was zero lost time injuries and zero total injury frequency rate. Pretty good dot points there.

We do have a really great success story with Tas Irrigation. It is that unique partnership between private and public collaboration. We see the Tasmanian Government working with the Australian Government, working with our farmers and our land owners. What that has actually enabled is 15 irrigation schemes to be constructed around the state, as well as planning to be well advanced on a further six irrigation projects.

I am proud and excited by the work that Tas Irrigation has carried out and continues to carry out. I congratulate and sincerely thank our CEO, Andrew Kneebone, and his team for the achievements they have made during the year. We are also delighted to have our Chief Financial Officer, James Hipwood, join us. It is great to have you here too, James. I take this opportunity to pay tribute to our Chair, Samantha Hogg. Samantha has been our Chair for six years and she is stepping down in the next few months. I am going to miss her. She's been a great support to me as I've learnt my way through Tasmanian Irrigation (TI) and all the ins and outs of it. She has overseen a vital chapter in water delivery and in infrastructure development and she has been a great asset to TI. I appreciate the opportunity to recognise her in this forum.

**CHAIR** - She has certainly been a constant. Congratulations.

**Ms PALMER** - She has; and she will be missed. Thank you, Chair, and I am in your hands.

**CHAIR** - Thank you, very much. I invite the city-based member for Hobart to commence the questioning.

**Mr VALENTINE** - Do you suggest it's going to be tough questioning?

**CHAIR** - No. I don't know what you're going to ask. You don't share.

**Mr VALENTINE** - Thank you, Chair. Over the period 2019-20 to 2021-22, total equity has declined from \$40.56 million to just \$5.009 million - that's on page 49 if you are looking for that figure. Over the same period, Tasmanian Irrigation has recorded consecutive losses of: \$14.95 million in the 2020-21 report - which is on page 44; \$43.055 million; and \$18.14 million; and its accumulated losses have increased from \$258.37 million to \$319.57 million. That's a significant amount of losses; and when you are looking at the total equity - it is down to \$5 million. Give some comfort to the people out there that you remain viable.

**Ms PALMER** - Thank you very much for that. I am going to pass that over to Andrew.

**Mr VALENTINE** - Sorry, minister, I should have gone through you.

**Ms PALMER** - No, it is absolutely fine. James, you thought you may not be a numbers question but it's the first cab off the rank.

**Mr KNEEBONE** - First, certainly we can take comfort that we remain viable. The business model that Tasmanian Irrigation is established on is one of full-cost recovery, and full-cost recovery only. We don't make a profit and we don't return dividends to the state. That's all enabled to keep the cost of irrigation water as low as reasonably practical for our supplies.

What that means from an accounting sense is that for every dollar that we invest in building a new irrigation scheme, because there is no profit being generated the accounting says there is no future value to that so, therefore, it is written off straight away. Our accumulated losses are really a combination of what we call 'asset impairments' where we've built an asset and we've immediately written it off - so, it has a zero value on our books - and accumulated losses, from where we've spent money developing irrigation schemes or incurring overheads which are not recovered from irrigators; they are actually funded by the public purse and we have specific funding from Government. In a profit and loss sense, and I'll let my more learned colleague fill in the details about this, it means that we do make and we constantly make losses; but from an operating sense we essentially break even, and that's the aim. Every year on our operational side of the business, we break even, and that is sufficient.

James, do you want to add anything?

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**Mr HIPWOOD** - The only couple of things I will add is to the specific questions on the losses over the last couple of years - that relates to the Scottsdale Irrigation Scheme. As Andrew said, because we don't look at making any profit, there's no cash based accounting. This is basically accounting treatment to write those assets off to nothing. But your question is really important - that we are viable but we're here to deliver. We have \$240 million from the state and federal governments going forward for projects and for things like grant funding for project overheads. We are heavily reliant on government funding, and we have that funding to do what we have been asked to do.

**Mr VALENTINE** - At the end of it, when you don't have any more projects, how is the company going to survive?

**Mr KNEEBONE** - That is a key issue for the organisation and one that we are very conscious of; but it means that the organisation has to shrink back. We effectively have two lines of business. We have an operational side of our business which operates 18 irrigation schemes across the state. Every one of those is separately accounted for and is run as its own business unit. We balance the cash flows on every year; we set their prices every year; we balance their cash flows every year; and now we have also structured the organisation so that there are set resources that are allocated to that side of the business.

The other side of the business is our program development and delivery. Effectively, when we stop building projects, that side of the business falls away. The management structure of the organisation would have to be restructured and brought back to a fit-for-purpose size for the organisation. But, at the moment, we are running two lines of business. There would have to be a restructure at a point in time; and we are very focused on ensuring that we have an appropriate cost recovery model that allows that to happen. What the governance model is at that point in time, no one knows at this point.

**Mr VALENTINE** - There are people saying now that the water is expensive water. How can you guarantee that you are going to get enough customers to stay in the schemes if there is no government subsidy coming in?

**Mr KNEEBONE** - There is no government subsidy on the operational side of the business now. We have contracts with people who are taking water in each of our irrigation schemes. As a part of that contract, they undertake that they will pay the fixed and variable charges associated with those and, as I said, every one of those is run as a completely separate business. There is no business unit, there is no cross-subsidy between the Duck River scheme and the Sassafras Wesley Vale scheme. The only cost that is shared are our overhead costs.

**Mr VALENTINE** - At the moment you have 985 irrigators and the accumulated losses are \$319.57 million, so the average lost to date is about \$325 000 per irrigator. That is a significant amount of money and almost, one could say, a direct subsidy to each of those irrigators.

**Ms HOGG** - The point that is being missed is that; in running each of the schemes, there is no loss. Once a scheme is operational, it is cash flow neutral. What it costs us to run the scheme, we will receive from the irrigators. When there is no construction side of the business, there will be none of these large losses. They are coming purely from this accounting treatment which is not intuitive, we all struggle with it; we build something and we immediately have to recognise a loss for that, what we have just built. That will disappear.

**Mr VALENTINE** - In effect, really, we are saying \$324.5 million is a gift from the state to the industry? They are not losses that can be recouped, are they?

**Ms HOGG** - No, they are not losses that can be recouped, but it is not all Government money, because, the capital contribution from the irrigator when they purchase a water right is also written off in that number. It is a function of accounting; it is not intuitive; it doesn't really make logical sense. As both Andrew and James have said, because we are not earning any money, because they are profitably neutral, that means there is no value on our books for owning these assets. Even though they are physically there, it is just an accounting treatment.

**Mr VALENTINE** - Can you advise for each scheme so far developed, the finalised capital cost and capital cost contributed by irrigators, via the purchase of irrigation entitlements? There is some data on page 68 of the report. Can the information be provided on both a per megalitre basis and a total for each scheme. I will send it through as a question on notice. The other question is, can you identify what proportion of irrigation entitlements in total and within each scheme are held by individuals and companies which do not have any direct investment in agriculture within the scheme area? I will send both of those questions through, you do not have to answer them now.

**Mr KNEEBONE** - I am happy to take them on notice. Some general points I would make is, in the first offer of irrigation water, you must have an interest in land or, to be able to purchase. There have been only been a couple of small exceptions made to that and that would have been the Midlands scheme and the Lower South Esk scheme where there was an actual investor sought in order to get the scheme to its threshold.

**CHAIR** - Scottsdale was the Dorset Council?

**Mr KNEEBONE** - Dorset Council was Scottsdale.

**CHAIR** - Just helping you out, Andrew.

**Mr KNEEBONE** - There are still landholders in the district. Because we are established under national water initiative guidelines, as soon as we sell it to an irrigator buys it, or a farmer buys an irrigation entitlement, they are free to sell it to whomever they like.

**CHAIR** - They are tradeable.

**Mr KNEEBONE** - They are tradeable. They are not connected to land. They are connected to the use of where you can take it, because it is limited by the scheme and by the scheme infrastructure. It can only be delivered within a component of the scheme or what I call a tradie's own.

**Mr VALENTINE** - Is that a fair thing given such heavy investment the state is putting in get the schemes up and running in the first instance?

**Mr KNEEBONE** - It is one of the conditions of getting the federal component.

**Mr VALENTINE** - It has to be available to anyone in the nation.

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**Mr KNEEBONE** - No, when they are owned by somebody, they are tradeable. They are owned, they are an asset that is owned by an individual, trading, farm or farmer, that they can sell it to whomever they like. There is no restriction on who they can sell it to. But if you are going to derive value out of it, you have to use it for agricultural purposes.

**Mr VALENTINE** - Quite clearly, you have to be able to use the product.

**CHAIR** - I am interested in what impact on TI there will be given that it has not stopped raining for weeks and weeks. There possibly will not be as much call on some of those water entitlements. How does that impact TI's business?

**Mr KNEEBONE** - Because we establish ourselves as full cost recovery there are two components for operational charging. There are fixed charges and there are variable charges. The fixed charges cover the fixed costs of operating the scheme. They are things like we employ people, insurances, vehicles, rates and taxes, those sorts of things. Another component of the fixed charges is what we call an Asset Replacement Levy. That is a cost of the future replacement of assets as they wear out. That is recovered upfront, kept in a separate bank account, ready so we have the cash, ready to replace any assets that wear out as they go.

The point of your question, though, the variable charging, again is only to recover the cost of water we purchase and provide. If you are not purchasing it or providing it, it is not costing us anything. There is no disbenefit from having a very wet season, other than obviously the asset is not being utilised to its capacity. The fixed charges are levied on the basis of the entitlements that are owned, not by the amount of water that is actually delivered. The variable charge is by the amount of water that is actually delivered.

**CHAIR** - That is fine. I thought it was a relevant, given it has not stopped raining.

**Mr KNEEBONE** - You are not the only one to ask the question.

**Ms WEBB** - I have some questions on environmental monitoring. You mentioned in your opening comments, and as I saw on page 22 of the report, that phase of monitoring a survey results were indicating no discernible impacts on water quality or aquatic health. It mentions some monitoring activities that are undertaken by your team, who are also mentioned. What is the visibility and public accessibility of the environmental monitoring programs undertaken? How is that available to be looked at and to be seen from the outside rather than, obviously, taking it on faith from your report?

**Mr KNEEBONE** - We undertake weekly observations around the irrigation districts according to a regime that is established as part of the approvals of the district. That would be taking water quality samples from sites that are adjacent to the irrigation district in rivers away from the district, but not immediately impacted, so you have reference etc. There are 103 of those done weekly across our 18 schemes.

Every year we then summarise the results of those and put them in what are called Water Entity Reports. They are submitted to the minister and to the department as part of a condition of us undertaking these works. There is other monitoring we do including ground water and other that are summarised in those Water Entity Reports. We are also in discussion with Natural Resources and Environment, in respect of providing that data direct to their water



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portal. Some of it goes directly to in terms of flow and those sorts of things. They get a direct data flow that get uploaded into their water portal.

We are now also in discussion with them in terms of providing other data points on particularly the surface water analysis that will go into that. At the moment they are summarised in an annual report and known as Water Entity Reports. There is one for every irrigation district.

**Ms WEBB** - In terms of public visibility of those things, is the Water Entity Report made publicly available as well as provided to the department?

**Mr KNEEBONE** - We do not make it publicly available, no.

**Ms WEBB** - Did you previously make it publicly available?

**Mr KNEEBONE** - I do not believe we have, no.

**Ms WEBB** - That is interesting. In terms of the other monitoring, you said some goes to the water portal and there may be further elements added to that. That is a publicly available portal?

**Mr KNEEBONE** - That is absolutely public.

**Ms WEBB** - Whose decision is it, in terms of what may be added to that public visibility of the monitoring data?

**Mr KNEEBONE** - We have no issue in terms of making the information publicly available. It is a matter of automating it so that it goes directly to a portal. It is a matter of data management. What we would get at the moment is a report from a lab that says, here are the results. You do not necessarily get them in electronic format to be able to immediately upload them or directly link them to the portal. What we are talking to the department about is, how do we get a direct data link, and get it in a form that means there is not a lot of re-work to immediately put that up. At this point in time we do not have other means of making that immediately publicly available.

**Ms WEBB** - Back to the question, whose decision is it of what elements might be made publicly available once a way to do that is identified and progressed?

**Mr KNEEBONE** - I do not know the answer to that question, to be honest.

**Ms WEBB** - Is there any reason you would not make your Water Entity Reports available publicly, as well as provide them to the department?

**Mr KNEEBONE** - We would just talk to the minister and the department and determine if there is a reason. I am not sure there is a reason we would not. We have provided that information under RTI, I think, previously. I do not believe there is any -

**Ms WEBB** - It would seem like a positive thing to provide into the public domain, given we know RTI of course is available, but the idea would be, with the RTI legislation to push

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information out rather than people having to drag it from the outside. That is just a suggestion I think would be of interest. Can I ask -

**CHAIR** - One for the minister, in the new year.

**Ms WEBB** - Yes, indeed. These are all public waterways and things, ultimately, the river systems and so public information about monitoring that's done is a really positive priority.

**CHAIR** - Do you want to ask your TasWater one now?

**Ms WEBB** - In relation to the irrigation scheme, yes, I can move onto that. There will be a couple in that set. I'm interested in the extension of the South East Irrigation Scheme and the plans for that. I understand that it is their intention to take water rather than where the current scheme takes water below Bryn Estyn, it's now to take water above from Lake Meadowbank, in an arrangement with Hydro. Is that arrangement with Hydro documented and finalised in a way that we could see and access?

**Mr KNEEBONE** - No, not at this point in time. What we have is an in-principle agreement. We haven't finalised what the proposal is in respect of that yet, because we haven't finished what we call our water sales process. So, it's when we finish water sales and we have the contractual arrangements in place with our irrigators that we know the final scale of the scheme and we know the volume of water that we will need to access. We've sought an in-principle agreement from Hydro in respect of - theoretically - if we had a 38 000 megalitre scheme, could we get 38 000 megalitres reliably out of the Lake Meadowbank storage without impacting any of the other irrigators and their environmental obligations in passing flows. The answer came back, yes, we could. But, it's an in-principle agreement. It's not formalised. We would normally formalise that in a water supply agreement when we have certainty about the project proceeding, and the final volume, and the capacity of the scheme.

**Ms WEBB** - The environmental assessment of the viability of taking - say, that 38 000 megalitres out of Lake Meadowbank - that environmental assessment has been done by Hydro?

**Mr KNEEBONE** - We would understand that they need to make an assessment about the reliability, and the impact on the environment and all other users. That's generally what they do. We go through that process with them and they come back to us with a decision, yes or no, it's available.

In terms of the volume, we're talking about it's something like 2 per cent of the total volume that goes through Lake Meadowbank on an annual basis. That volume is taken over a six-month period, or a 150-day period. It comes down to a certain number of megalitres per day that is extracted. It's not all just taken in one big lump.

**Ms WEBB** - Sure. It is over the summer though, and we do know that scientific indications - I think from studies in 2002 - indicated that there should be no further extraction during summer flows from that Derwent system. I'm interested to understand - and again it sounds like it's not Tas Irrigation's responsibility, it's the Hydro. I'm keen to confirm who's responsible for determining the environmental suitability of that? Is it your understanding that it's definitely Hydro?

## PUBLIC

**Mr KNEEBONE** - It's between Hydro and NRE would make that call. I will make the point, this is not taking water out of the lower reaches of the Derwent. It's taking it out of the Lake Meadowbank body of water.

**Ms WEBB** - Yes, but flows have to come from there.

**Mr KNEEBONE** - Yes, but the environmental flows that are released daily from there are not impacted by this. In fact, we would actually have licences from the lower Derwent that would not need to be used if this goes ahead because we currently take our water from the lower reaches of the Derwent under licence, or TasWater does on our behalf.

The actual environmental releases and the volume that would be released through power stations would be minimally and marginally impacted by this particular scheme.

**Mr VALENTINE** - I have a supplementary on that. We both come at this but we haven't talked about it at all. There's a report *Temporal and Spatial Patterns in River Health across Tasmania* - an NRE report. It says in here, at a broadscale, agricultural land use, particularly stock-grazing, water electrical conductivity, salinity and water use, capture and extraction of water from drainages, are associated with poor river condition, whereas conservation land use is associated with healthy river condition.

Have you done any work as an authority on the effect of this broadscale irrigation on the land itself and the salinity levels that might be rising in that profile? As we travel through, say, towards Ross and around Tunbridge -

**CHAIR** - Green everywhere.

**Mr VALENTINE** - Yes, but what I'm getting to is that around Tunbridge you've got lots of dead trees in the landscape. For years and years, it was to do with putting on superphosphate and all the rest of it. What I'm concerned about is over time, with such broadscale irrigation happening across the state, that we end up with a situation where the land is actually damaged. I'm wondering whether you do any research in that regard as to what effect irrigation is having on the base product where people are growing their crops? Have you done any work on that?

**Mr KNEEBONE** - There's a couple points that I would raise. Tas Irrigation is not the sum total of irrigation in the state.

**Mr VALENTINE** - No, I appreciate that; there are private rights.

**Mr KNEEBONE** - We probably account currently for about 10 per cent of the irrigation water that is utilised in the state, at 133 000 megalitres. The broadscale environmental monitoring program that we were talking about before is aimed to understand the implications on the broader environment from the application of irrigation water. That's why we are trying to see whether there are impacts in water quality in the receiving environment, in the rivers, in groundwater. That's the purpose of those.

**Mr VALENTINE** - Clearly, that report says there is an impact?

**Mr KNEEBONE** - That is a broad statement across the whole state, not associated with Tasmanian Irrigation specifically.

**Mr VALENTINE** - Just a part thereof, I understand.

**Mr KNEEBONE** - The major difference, and this is a major difference with Tasmanian Irrigation schemes is that we have a process known as farm water access plans. Now, farm water access plans are the agreements with each irrigator about where and how they will use their water with the view to not have a detrimental effect on soil quality; to protect native and threatened species, on and adjacent to their properties. We audit those every year. It goes to the amount of water that can be put on per hectare under certain crop conditions, et cetera, and it is all there to ensure that this is sustainable irrigation development. There is no point in us putting this amount of money into public -

**Mr VALENTINE** - You would cruel your own pitch.

**Mr KNEEBONE** -Yes, so we sell irrigation entitlements nominally for 100 years. We want these schemes to be operable for 100 years. This is - I used the term in scrutiny last year - I believe the gold standard for environmental protection and sustainable application of irrigation water into the landscape. Not everybody who is in an irrigator has a need to have one of these, but if you're an irrigator on a TI developed scheme, you will need to have, and you must have. It's a condition of your getting water: you must have a farm water access plan, and you must abide it. We audit those every year, 10 to 15 per cent of them every year.

**CHAIR** - I have a supplementary on this, and we have to tighten our answers. I know you are passionate about it, Andrew, but I am passionate about keeping on time.

**Ms WEBB** - In relation to the farm water access plan, why are they not in the public domain also?

**Mr KNEEBONE** - They do include personal and private information, that is part of it. We provide an annual report to the minister in respect of the audit findings, but it's a -

**Ms WEBB** - Is there any reason, surely, if personal information is contact details or address, that could be redacted. Is there any reason not to put that the bulk of it, the content of one of these plans, in the public domain?

**Mr KNEEBONE** - I am not sure if there are any other regulatory reasons why we couldn't. I would need to take that on notice and come back to you, but it has effectively been that they are personal agreements with an irrigator. They include their land details and all of those sorts of things, so we do not actually release the documents. They are a personal and one-on-one agreement between TI and the irrigator. The results of the auditing and the results of the impacts, I would need to take advice if there are any impediments to releasing that.

**Ms WEBB** - Given they are a fairly key compliance tool, in terms of environmental impact and outcomes, I would have thought that would be appropriate information to have available to the extent you can.

**Ms ARMITAGE** - My question is to the minister. I notice on page 9, further work on the Tamar Irrigation Scheme is underway after water sales applications did not meet the threshold. Could I have an update, minister please, on the Tamar Irrigation Scheme as obviously, there has been a delay to the scheme.

**Ms PALMER** - Yes, certainly. I will pass over to Andrew but I will make a few comments about that. It is a very exciting scheme if we are able to get it up and running. What happened with the water sales is that when we went out to expressions of interest, there was over 15 000 megalitres, that was the feedback that we got, that people up the West Tamar and East Tamar, those areas on either side of the river, had put their hand up to say they were interested in this scheme. When it went out to water sales, there was quite a considerable difference between the expressions of interest and then people who were actually prepared to put their hand in their pocket and sign a contract.

**Mr VALENTINE** - Where the rubber hits the road.

**Ms PALMER** - It is, the water sales actually ended up closing at 5500 megalitres. It just was not viable. We did extend the amount of time on water sales to give a bit more of an opportunity for us to sell the product, to go back to those who had shown an expression of interest. The scheme is now under review. We would love to see this scheme get up and running but it is a business and it has to be viable. There is a bit of work that needs to be done there, Andrew, you might be able to add to that.

**Mr KNEEBONE** - Certainly, we are looking at options associated with the delivery of this scheme. The reason we went with the size scheme we went with, it is a balance between affordability, what the ongoing operating costs are and affordability from a capital perspective. To service the area we had expressions of interest in, we could not make it work at a smaller volume. We went with this volume of 24 500 megalitres, which allowed us to put an irrigator price of - from memory - \$2400 a megalitre, something like that.

**CHAIR** - An expensive one.

**Mr KNEEBONE** - It was expensive, but it was a lot of pipe, it was a big long 240 kilometres of pipe or something in the whole thing. Given we now have offers to purchase of about 5400 megalitres, we are trying to examine about what we can do to service those, but still have a viable scheme and build it for the amount we have offered for.

The \$2400 a megalitre, we will raise 25 per cent of the total capital and it still has to be economic. It really has failed its water sales. Even at the smaller volume, we have an option at the moment, we are looking at about 10 000 and 12 000 megalitres, we still have less than 50 per cent of the total volume sold. We would normally want to get between a 60-70 per cent of the water sold upfront to know you have a viable scheme.

We are now trying to either go back to the market and see if there are more people interested in buying to get it up to that level, but also, can we deliver it for the amount of money we will end up raising?

**CHAIR** - Have you given the Fingal community the same opportunity?

**Mr KNEEBONE** - The Fingal Scheme really did not even make 1 per cent of its threshold. There was virtually only two or three people who actually put contracts in to purpose, it got nowhere near- it is still there as a scheme to be revisited. We have not officially called time on that, but the Fingal Scheme was really in our view the system worked, because you only put public money in where the irrigators cannot do it themselves. In effect, what

came out of that was the irrigators could probably do it cheaper themselves. There was no need for public money to make that scheme work, because they could do exactly what we are going to do: they were going to harvest it during the winter, pump it into their own storages; instead of us doing that, releasing it into the water and then suffering losses and then having to pump it and put it into their own storage. The model, whilst all the intent was good, it had a fundamental flaw which really became apparent at water sales.

**Ms HOWLETT** - Minister, I understand the Government has provided funding through the Energy on Farms Grant Program. Can you please tell us how this is going to help Tasmanian irrigators?

**CHAIR** - We are giving them water and now we are giving them energy relief. Cheers.

**Ms PALMER** - I am going to get Andrew to give you the details of that, but it is a very exciting part of what TI is doing. We now have solar panels that are going in at our pump stations; we have an upgrade of high efficiency pumps; and the mini-hydro at Meander, Deloraine. It is a really exciting space and we are looking at trying to harness all of those opportunities.

**Mr KNEEBONE** - Energy on Farms is not really about energy on farms. It's about us reducing the cost of providing water to irrigators through energy developments. As the minister rightly says, there are three components to this - there is the refurbishment of the Meander mini-hydro and that will give it a 12-year life extension. That means all of the revenue that will come from energy produced there goes to assisting the Meander irrigators, and the cost of operating the dam, and anything that is left over is then provided across the board to all irrigators through cost reductions. The solar plants we're putting in at a range of pump stations - I think there are 12 pump stations across the state - they're aiming to deliver savings of between \$5 and \$9 a megalitre, in terms of avoiding purchasing power from the grid. We will be able to run the pump stations off those energy sources. If there's any excess we sell it to the grid. The third one is an investment in some additional high-efficiency pump motors in a range of pump stations. About \$400 000 is being spent on that and, again, the benefit is between \$1 and \$2 a megalitre in terms of permanent reduction in operating costs, which go directly to the irrigators because it reduces the cost of the variable price of their water.

**CHAIR** - What happens to the surplus pumps?

**Mr KNEEBONE** - The surplus motors are kept as spares in case they wear out. This is a way of bringing forward the replacement of those and putting in more high efficiency ones than were originally purchased.

**Mr WILLIE** - When can landowners and the public expect an update on the redesign of the Tamar Irrigation Scheme. We have had a little bit of information today. Is hydrogen now key to that being viable?

**Ms PALMER** - As a primary industries minister, I'm very keen to get this scheme up and running. We are certainly open to looking at all different options. Although that water sale was still quite low at 5500 megalitres, the land owners and the farmers who did put their hand in their pocket are very keen. They really wanted to see this go ahead and we would love to see it go ahead as well. There has been discussion and nothing is on or off the table on how

this can be better worked; whether we have to look at doing a smaller scheme or whether there are other opportunities available.

I do know that ReCFIT is working to progress a range of water supply solutions to service Bell Bay and TI has been in discussions with TasWater about that. There's a possibility that if that did come to fruition, it could make a huge difference, and we could see this scheme come up. At the moment, that's just in a discussion phase.

The reality is that we have to work with the facts that are on the table. The facts that are on the table are that the water sales didn't make the threshold for it to be a viable scheme. About 24 000 megalitres, wasn't it? We're certainly not walking away from this in any way. We want to see it go forward and we are having those discussions.

**Mr WILLIE** - A follow-up, minister, before you hand over. If you do go down that path with hydrogen, do you have to change the legislation to facilitate that?

**Ms PALMER** - I understand there would be a need for legislation to be changed. There's a lot of moving parts and a lot of things that have to be looked at. As a Government, we want to progress green hydrogen. We want to support our agricultural industry. If the two can come together and complement each other that would be a great win. But there is a lot of work that has to be done. Those discussions are starting now; we're having a look at that now. We want to do everything we can to get this scheme up, if we can. If there can be a win-win situation, that would be fantastic. But there's a process to go through, and there's a lot of work that has to be done. My understanding is that would include work with legislation.

**CHAIR** - Is there anything that needs to be added?

**Mr KNEEBONE** - I'll just make one point. In terms of the communication, we're in constant communication with our irrigator representative committee, and irrigators in the district in respect of what we're doing, and how we're going about it, and what the options that are being examined. That is a constant process. It's not that we've finished water sales, we've stopped talking to people. It is a constant process.

**Mr WILLIE** - There aren't clear time frames if those discussions are ongoing. I've got some questions about the Northern Midlands irrigation scheme. Have you considered using the Hydro reregulation pond to provide water to the scheme, and has Hydro told you that it's not possible to use the reregulation pond?

**Ms HOGG** - Yes, the reregulation pond was looked at, as a potential way of providing the storage that is required for the Northern Midlands. In the way it's currently structured, that regulation pond and the many users that currently use it, Hydro Tasmania have told us that we aren't able to use it for the Northern Midlands scheme.

**Mr WILLIE** - Right. Tas Irrigation is looking at compulsory acquisition of an irrigated farmland from a landowner near Cressy for the construction of a dam on the Northern Midlands irrigation scheme. There is a state-owned dam four kilometres away, which is suitable for TI to source water from. Why is TI looking to unnecessarily spend taxpayer money on a compulsory acquisition when there are suitable alternatives?

## PUBLIC

**Ms PALMER** - I will get Andrew to address that. I will say that compulsory acquisition is 100 per cent the last resort. Nobody is aiming for that at all and, as the minister, I don't want it to get to that. My preference is that we have really healthy and sensible negotiations. To be fair, you need two parties to come to the table for those negotiations to take place. Sam and I have had many discussions, as I have with Andrew, about how TI moves forward in that space. I've also had discussions with other parties about how I would love for them to move forward in that space as well. You know the old saying, 'it takes two to tango', and of course it is the absolute preference that there is an opportunity to have those really good negotiations and to get an outcome that is good for both. And that's certainly what we are -

**Mr WILLIE** - That's to use a state-owned dam, is it?

**Ms PALMER** - I beg your pardon?

**Mr WILLIE** - Is that to use a state-owned dam?

**Ms PALMER** - That is the reregulation pond. That has already been ruled out.

**Mr KNEEBONE** - A point of clarification: there is no proposal for compulsory acquisition as we sit here today. We have not made application. We are not seeking to make application. We are very much trying to negotiate this between the two parties, in collaboration.

**Mr WILLIE** - Collaboration, yes.

**Mr KNEEBONE** - That is that point. The need for an additional storage though is based largely on how Poatina Power Station operates. It and our ability to provide reliable water using, and coinciding that with the way that power station operates. We need the ability to harvest at least five days of supply, four or five days of supply, to allow us to ride through those times when the Poatina Power Station is not operating and there is no water in the tailrace.

**Ms PALMER** - Because of that 95 per cent surety.

**Mr KNEEBONE** - Because of that 95 per cent surety.

**CHAIR** - Which is a requirement under any of the scheme.

**Mr KNEEBONE** - When the scheme was only 8000 or 13 000 megalitres it might have been possible to use a re-regulation pond. It's now 25 000 megalitres. The volume is now significantly greater and therefore the reliability is much more critical and much more in-sync with how Poatina Power Station operates. It is a major concern and that why this re-regulation pond is just simply not big enough. There are many calls before TI on that water. It is there for a purpose. There is a range of people who take water out of it and we cannot be seen to have a detrimental impact on that. We need a water supply arrangement that allows us to only capture water when everyone else's water has gone past, in effect. That is why we need a separate storage. It is really a result of the growth and the scale of this particular scheme, which came about at water sales. It was completely the opposite to -

**Ms PALMER** - The opposite to Tamar.



## PUBLIC

**Mr KNEEBONE** - Tamar and Fingal. We went on expressions of interest. It ended up coming in close to double.

**CHAIR** - McIntyre punching above its weight again, minister, just keeps doing it.

My question is on the self-management of the schemes, once they have been put in place. It is an annual or bi-annual question from me. Where are we, minister, in regard to self-management schemes and putting the parameters on that and has there been any interest.

**Ms PALMER** - Well it is taken up a lot of TIs time. There has been a real key focus from TI around this, that is for sure. Andrew, do you want to update?

**Mr KNEEBONE** - Coming out of the upper House inquiry there was definitely a move to understanding what the legislative changes would need to be in order to facilitate greater amounts of self-management by groups of irrigators. To date, there is really only one that is aiming to do that and that is the Winnaleah Scheme. We have now reached agreement with the Winnaleah irrigators where they now have an operating contract and they are engaged by us to actually do the operations and maintenances under contract.

In terms of the substance of your question, we understand there was a bill drafted that would provide the basis for -

**CHAIR** - The framework.

**Mr KNEEBONE** - the framework for decisions to be made about what further powers can be delegated from under the Irrigation Clauses Act, to buy the responsible water entity to groups of people who may, or may not be interested in having greater say over the day-to-day operations. The issue at the moment is the Irrigation Clauses Act currently does not allow for the delegation of those powers. The key powers it doesn't allow the delegation of are: setting of prices; demanding of money; entering people's property; disconnect their water, those sorts of things. We are not able to delegate and we cannot also delegate the responsible water entity status, or the undertaker under the act.

**CHAIR** - Still a work-in-progress.

**Mr KNEEBONE** - It is a work-in-progress and we understand there's a draft bill.

**CHAIR** - Right, but have you had anyone else knocking on your door?

**Mr KNEEBONE** - No.

**CHAIR** - Okay, that is fine. Mr Valentine, I am mindful of the time but we might sneak a couple of minutes over if we need to, if that is okay with you, minister.

**Mr VALENTINE** - It is noted you recorded an impairment expense of \$47 million during 2021, it is on page 50, and during 2021-22, a further impairment expense of \$14.6 million has been recorded.

## PUBLIC

Can you explain the underlying reason for this impairment expense over the last two years and whether you consider that there will be a continuing impairment expense in coming years?

**Mr KNEEBONE** - Effectively, it is the same substance as your first question. The impairment expense is the reason for the underlying losses. Impairment is where you bring an asset to account, you have finished building it, you have taken it out of work in progress, you create an asset in your accounting system, and because the accounting treatment says you are not going to make a profit out of that, you must impair it or write it off immediately. That is the same accounting treatment as we talked about previously.

**Mr VALENTINE** - I am always happy to be educated.

**Mr KNEEBONE** - It is effectively the same thing.

**CHAIR** - We are not accountants here.

**Mr KNEEBONE** - I am not either, thankfully.

**Mr VALENTINE** - The last in financing costs. You increased your loan borrowings by just under \$8 million during 2021-22, which is on page 49, and also, we note that finance costs have increased from \$473 459 in 2019-20 - that is in last year's annual report - to \$1.22 million during 2021-22. It is not insignificant at all. Given that there has been a 158 per cent increase in finance costs over the last two years all up, can you outline what strategies you have to better manage your exposure as we move into a period of increasing interest rates and while you are developing additional irrigation schemes?

**Mr KNEEBONE** - I will do the first bit and hand over to James. There is a number of strategies that we have put in place in the last couple of years. When we build schemes, we often end up with what is called unsold water. That is unsold capacity and it is represented as borrowings, because we have spent the money to build the scheme; we have not yet recovered that by selling the entitlements to irrigators, so that often is the -

**CHAIR** - So it is a book entry?

**Mr KNEEBONE** - No, it is real money, real borrowings. To date, the Government has given us a grant that we have relied on to pay those interest costs. In order to ensure that we ultimately recover that, we now index the value of those unsold water entitlements by the cost of the debt. Ultimately, when we sell those entitlements, that amount of money is recovered. It is not recovered in the year it is actually sold. It is some time down the track. I will hand it over to my learned colleague to finish the answer.

**Mr HIPWOOD** - Thanks, Andrew. So, two points to your questions, so the first one about the additional \$8 million of borrowings, that just happened to be a point in time where we were waiting for equity payments from the Government on 30 June basically. As soon we received that equity injection, we paid the debt back down.

**Mr VALENTINE** - Where do you get the debt from, on your way through, where do you get your money from?

## **PUBLIC**

**Mr HIPWOOD** - We borrow from TasCORP. We had a facility with TasCORP that allows us to borrow and cash flow our projects and so I think that is basically the answer.

**CHAIR** - We would like to place on the record our thanks and appreciation for your tenure with TI and I know that you have been at a number of scheme openings that I have been at. It is always pretty exciting when we get to actually have an official opening of a scheme, so thank you. Thank you for your six years, and all the best for the future, I am not sure where you will head, next board I expect, that is usually the cycle.

Minister, thank you very much, we know a lot of work goes into preparing for this, because, as I have said a number of times today, I have no idea what the questions are going to be so you do not either. I thank you all for your time and your willingness to share your information. We have a role here and we do our best to get across as much as we can.

Being number five today, we've had a big day and I put on the record my thanks to the members of this committee, they do a fantastic job. Our secretariat support is fabulous as well, so thank you to Simon and Julie, and a special thanks to Gay from Hansard.

For those I don't see again before Christmas, on behalf of the committee, I extend our warm wishes for the festive season and hope you have a restful and happy New Year.

**THE WITNESSES WITHDREW.**

**The Committee adjourned at 5.31 p.m.**