



City of **HOBART**

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8 September 2017

Ms Rosemary Armitage MLC  
Chair  
Legislative Council Select Committee  
TasWater Ownership  
Parliament House  
HOBART TAS 7000

Via Email: [two@parliament.tas.gov.au](mailto:two@parliament.tas.gov.au)

Dear Ms Armitage

### **CITY OF HOBART SUBMISSION**

I write in reference to the Legislative Council Select Committee TasWater Ownership Inquiry.

I enclose a copy of the Council's submission and request that the representatives from the City of Hobart be granted the opportunity to provide a briefing to the Select Committee.

Yours sincerely

(N.D. Heath)  
**GENERAL MANAGER**

# TasWater Ownership Legislative Council Select Committee

## Hobart City Council Submission



City of **HOBART**

## Introduction

The Hobart City Council welcomes the opportunity to provide a submission to the Legislative Council Select Committee TasWater Ownership Inquiry.

This is a matter of considerable concern for the Hobart City Council and in making this submission the Council is mindful of its primary duty to act in the best interests of its ratepayers. In addition, as a capital city council we also provide significant amenity to other Tasmanians along with visitors to the southern region; decisions made by the Hobart City Council have a wider flow on effect beyond our municipal boundaries.

The Hobart City Council resolved at its 14 March 2017 meeting, inter alia to:

*Reject the State Government taking over water and sewerage systems across the State, in the interests of the ratepayers of Hobart.*

Furthermore, the Council, at the Local Government Association of Tasmania's (LGAT) special General Meeting held on 11 May 2017 supported the following motion:

*That Members confirm there is no water and sewerage crisis, reject the proposed State Government ownership of TasWater and, through LGAT, urge the State Government to work cooperatively with LGAT, Councils and TasWater on the optimal water and sewerage infrastructure upgrade program to achieve the best outcome for Councils and Consumers.*

The Council is of the strong view that the proposed State Government take-over of TasWater is flawed in process and good governance. This is highlighted by the significant lack of consultation with key stakeholders, or indeed the very negative approach to consultation.

Throughout this whole debate the State Government has assumed that a transition from the current operating situation to a Government-owned entity will be a smooth process. It is the Council's belief that this is simply not true; the experience in 2009 highlighted that these significant changes cannot be rushed and take time.

The absence of fine grain data and modelling fail to substantiate the claims being made by the Government, particularly as they relate to converting TasWater into its current form and the real financial impacts.

The State Government has displayed a lack of financial understanding and a true appreciation of the extent of the issues TasWater has been working through in order to bring water and sewerage infrastructure up to standard.

## Background

Water and sewerage infrastructure within the City of Hobart was originally paid for utilising ratepayer funds. Through investment in this infrastructure, Council transferred net assets of \$316 million to the Tasmanian Water and Sewerage Corporation (Southern Region).

In order to provide some context around the Hobart City Council's significant investment in water and sewerage infrastructure, it is important to acknowledge the assets transferred from the Council to the Tasmanian Water and Sewerage Corporation (Southern Region).

By order of the Treasurer, in 2009, the Council transferred 55 staff to the Tasmanian Water and Sewerage Corporation (Southern Region). Council assets, including reservoirs, sewage pumping stations, the Selfs Point laboratory, the Olinda Grove Pumping Station, the Macquarie Point Wastewater Treatment Plant and the Selfs Point Wastewater Treatment Plant were transferred to the new body. All plant and equipment as they related directly or indirectly to the assets being transferred to the Tasmanian Water and Sewerage Corporation (Southern Region) were also foregone.

### **Current Situation**

Following asset revaluations and other factors the Council's investment in TasWater is now valued at \$164.686 million.

It currently receives an annual distribution based on its 10.86 per cent shareholding in TasWater. This distribution is currently \$3.258 million per annum, however this amount will fall to \$2.172 million on 1 July 2018 when total distributions to councils are frozen at \$20 million per annum.

From 1 July 2018, the Council's annual return of \$2.172 million represents 0.686 per cent return on the \$316 million of net assets which the Council transferred to the Tasmanian Water and Sewerage Corporation (Southern Region) in 2008.

The distribution the Council receives represents the following percentage of general rates:

Year	Percentage of General Rates
17/18	5.53%
18/19 – 24/25	3.53% decreasing to 2.76%

In terms of the Council's capital expenditure, in 17/18 the Council's distribution represents 8.1% of our capital infrastructure program.

The TasWater distribution has assisted the City of Hobart to renew and install new infrastructure for its community.

In effect, it represents a return to the City on a previous investment in long life assets made by the ratepayers of the City of Hobart.

The Council is concerned that the Government's proposal results in the City's ratepayers being stripped of income generating assets that they originally paid for, let alone the reasonable expectation that the income from such assets would provide services and contribute to current and new capital works.

## Future

In considering the future, there is value in acknowledging, that faced with the alternative of State Government ownership, that Local Government is best placed to own and oversee TasWater with a corporation directed by an experienced board of skills-based directors and run by an expert team of professional, experienced water and sewerage managers.

The State Government has historically left water and sewerage management largely in the hands of local government. Councils were required to resolve the conflicts between community expectations in the provision of service and capacity and the community's willingness to pay. Despite the significant issues of converging 29 different councils into today's TasWater, the level of expertise, skills and knowledge remains with local government, not the State.

Under current TasWater ownership, financial distributions flow through to every council, with funds spent fairly and evenly throughout Tasmania. TasWater's development priorities are determined on the basis of need. As a capital city council and a significant influencer in the region, the Council is well aware that TasWater's top priority has been to ensure that Tasmania as a whole has clean drinking water. Without this basic human need being met with infrastructure that is well designed and built to last a significant period of time, Council is well aware how problems in the region, and statewide, will impact on its own future in ways that are unintended but, with careful consideration, foreseeable.

TasWater has determined through careful consideration, and in discussion with the EPA, a steady process of priority works that will ensure problems are fixed. Such a prudent approach to expenditure of public monies and management of public assets is as a consequence of having a board and managers whose experience and skills are drawn from local government knowledge of what is needed and what works best in the highly diverse geographical areas of Tasmania. The State has been historically absent in this area and would be found lacking in comparison and knowledge.

For the Hobart City Council, a reduction in the annual TasWater distribution will have an impact. Despite having deliberately pursued a policy of being financial sustainable with a low reliance on external funding, the reduction in distribution will compound over time with either a reduction in the provision of services or increases in rates to match both our ratepayer (residents and businesses) demands, and the demands on the Council's finances due to its capital city council position. Community pressure (and recent comments from the State Government) for local government to limit rate increases, will not be aided by a decrease in TasWater distributions.

For some councils, TasWater distributions are needed to fund roads, footpaths, community health facilities, parks and recreation areas and other services vital to the community's well being. As a capital city council, Hobart is expected to also contribute to the region through the provision of services and infrastructure smaller councils just simply cannot provide.

For example, the Doone Kennedy Aquatic Centre is an Olympic standard venue which hosts national and international swimming, diving and water polo events. It requires constant upgrading to meet these standards; monies spent here provide significant flow on benefits to the local and State economy from participants,

spectators and accompanying families. In addition the Council's capacity to fund festivals and events provides for wider benefits to the State and contributes to a vibrant economy.

Whilst the Council maintains a sound financial position, it is vital that the attention of the Select Committee is drawn to the fact that from 2024-25, the Government has stated councils will receive half of any future profits made by TasWater.

This statement is highly contingent upon the level of profits, if any, made by TasWater, and the government of the day honouring this promise. It is of significant concern that the Minister has made public statements to the effect that not only will there be no guarantee of funds but that he was pleased to see Councils cutting their budgets in anticipation of no longer receiving such funds.

In essence, Councils could find their future distributions severely eroded, or non-existent.

In addition to this very real possibility, the Council remains concerned with the extent of power over pricing the Treasurer will have if the draft *Water and Sewerage Act 2017* is passed through both Houses of Parliament. The existence of OTTER has ensured that while Tasmanians may not be happy with its decisions on utility pricing, the process has been fair and reasonably non-political. Ministerial interference to political agendas will inevitably lead to a degradation in confidence that pricing for water and sewerage services is fair, equal and transparent.

The Hobart City Council feels very strongly about this matter particularly the immediate and ongoing impact the State Government's plan will have on the Hobart community and the services which the Council delivers.

We respectfully request the opportunity to address the Select Committee to further elaborate on this submission.

In closing, the Council has welcomed the opportunity to provide comment to the Select Committee and looks forward to the contents of its submission being given due consideration by the Legislative Council.

## Legislative Council Select Committee TasWater Ownership Inquiry

### Hobart City Council

\$316m

The net value of the assets the Council transferred to the Tasmanian Water and Sewerage Corporation (Southern Region) in 2008.

55

The number of Hobart City Council staff transferred to the Tasmanian Water and Sewerage Corporation (Southern Region).

\$164.686m

The current value of the Council's investment in TasWater.

10.86%

The Council's share of TasWater.

\$3.25  
m/pa

The Council's current distribution.

\$2.17  
m/pa

The Council's distribution from 1 July 2018.

0.686%

The Council's annual return on the \$316m of net assets it transferred to the Tasmanian Water and Sewerage Corporation (Southern Region).