



PARLIAMENT OF TASMANIA
Legislative Council

LEGISLATIVE COUNCIL SELECT COMMITTEE

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE A 2024

Report with Minutes of Proceedings

Members of the Committee:

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

TABLE OF CONTENTS

MINUTES	3
APPENDIX A –TRANSCRIPTS OF PROCEEDINGS	
APPENDIX B – RESPONSES TO QUESTIONS TAKEN ON NOTICE	
APPENDIX C – MINUTES OF MONDAY 16 DECEMBER 2024	

**LEGISLATIVE COUNCIL
GOVERNMENT BUSINESSES SCRUTINY COMMITTEE A**

MINUTES

MONDAY 2 DECEMBER 2024 AND TUESDAY 3 DECEMBER 2024

MONDAY 2 DECEMBER 2024

The Committee met at 11:20 am in Committee Room 2, Parliament House, Hobart.

Present

Ms Forrest (Chair)

Mr Harriss (Deputy Chair)

Ms Lovell (Webex)

Ms Thomas

Apologies

Ms O'Connor

In Attendance

Jenny Mannering (Secretary)

The Minutes of the Meeting held on Tuesday, 19 November 2024 were confirmed as a true and accurate record.

Correspondence

Incoming

- Email dated 26 November 2024 from Christian Attfield, Stakeholder Relations Manager, Taswater advising appointment of Kevin Young as new Taswater Chair as of 30 November 2024
- Email dated 29 November 2024 from Dean Young, Office of the Treasurer in relation to attendance of Treasurer at GBE hearing
- **Correspondence (Informal Stakeholders) (IN-CAMERA)**

The Committee received the incoming correspondence.

Outgoing

- Letters dated 19 November 2024 inviting written submissions/comments from relevant stakeholders
- Letters dated 19 November 2024 to relevant Ministers and Chairs providing meeting details for GBA hearings on Tuesday, 3 December 2024
- Letter dated 27 November 2024 to Kevin Young, Chair, Taswater, providing meeting details for GBA hearings on Tuesday, 3 December 2024
- Emails dated 29 November 2024 to stakeholders confirming attendance to private briefings

The Committee endorsed the outgoing correspondence.

Stakeholder Meetings

At 11:25 am the Committee commenced informal discussions with stakeholders.

The meeting suspended at 4:50 pm until 8:45 am on Tuesday, 3 December 2024 in Committee Room No 2, Parliament House, Hobart.

TUESDAY 3 DECEMBER 2024

The Committee resumed at 8:45 am in Committee Room No 2, Parliament House, Hobart.

Present

Ms Forrest (Chair)

Mr Harriss (Deputy Chair)

Ms Lovell

Ms O'Connor

Ms Thomas

Apologies

Nil

In Attendance

Jenny Mannering (Secretary)

TASMANIAN PUBLIC FINANCE CORPORATION

At 9:00 am the following witnesses appeared before the Committee:

Hon Guy Barnett MP, Treasurer

Tony Ferrall, Chair

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

Questions on notice

1. Please provide details related to the breach of the interest coverage ratio covenant in the TT-Line Master Loan Facility Agreement:
 - a. what was the actual impact of the breach; and
 - i. what was TT-Line's interest cover ratio at the time of the breach; and
 - ii. what is it to currently? (SL)
2. What are the guarantee limits for each of the GBEs as published in the TAFR and current guarantee limits (RF)
3. What is the gender pay gap for TasCorp? (SL)

The witnesses withdrew at 11:01 am

The Committee suspended at 11:01 am

The Committee resumed at 11:15 am

TASMANIAN WATER AND SEWERAGE CORPORATION PTY LTD

At 11:15 am the following witnesses appeared before the Committee:

Mayor Wayne Johnston, TasWater Owners' Representatives Group

Kevin Young, Chair

George Theo, Chief Executive Officer

Kane Ingham, Chief Financial Officer

Tony Willmott, General Manager Project Delivery

Matt Derbyshire, General Manager Sustainable Infrastructure Services

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

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

Questions on notice

1. How many instances of customer over-charges are TasWater currently aware of? (SL)
2. Please provide the psychosocial safety Action Plan (SL)
3. What agricultural chemicals does TasWater test for during the water treatment process, and how often? Is TasWater testing for any of the triazine family of chemicals, and if so, what has it found? Are results of the testing publicly available anywhere? (CO)
4. What were the total legal costs leading up to the rollover agreement (RF)
5. Please provide the Board Review KPMG Report (RF)
6. What is the number of occasions that you have engaged a contracted or sub-contracted workforce to supplement TasWater's own workforce? (SL)
7. What percentage pay increase was awarded to senior executives this year (individually, not average)? (SL)
8. What is the current failure rate of water meters? (SL)

The witnesses withdrew at 1:04 pm

The Committee suspended at 1:04 pm

The Committee resumed at 1:45 pm

METRO TASMANIA PTY LTD

At 1:45 pm the following witnesses appeared before the Committee:

Hon Eric Abetz MP, Minister for Transport

Anthony Braxton-Smith, Chair

Katie Cooper, CEO

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

Questions on notice

1. Please provide Metro driver FTE and headcount numbers for each of the financial years from 2018-19 to 2023-24. (CO)
2. Please provide the patronage numbers since 2018/9. (CO)
3. Please provide the LEK Report related to patronage (CO)
4. How many buses have been identified as being at capacity? If a bus was identified as being at capacity, how do you inform yourself of the number of students who have been unable to board and how many of these caught a later bus (as opposed to sought alternate transport)? (RF)
5. The CEO mentioned she would check accounting standards in relation to reporting the TasCorp covenant breach noting the TAO engagement suggested this did not require disclosure; and What was the reason for the delay in receiving the grant funding related to the breach? (RF)
6. What are the process and timelines for the Road Management Act review? (BT)
7. What is the gender pay gap for Metro Tasmania (RF)

The witnesses withdrew at 3:45 pm.

The Committee suspended at 3:48 pm

The Committee resumed at 4:02 pm

AURORA ENERGY PTY LTD

At 4:02 pm the following witnesses appeared before the Committee:

Hon Nick Duigan MLC, Minister for Energy and Renewables
Keryn Nylander, Acting Chair
Nigel Clark, Chief Executive Officer
James Chisholm, Chief Financial Officer
Alistair Burke, Chief Operating Officer

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

Questions on notice

1. In relation to the Energy Bill Relief Fund, jointly funded by the Federal and State Governments, please provide a breakdown of the \$90m funding commitment, including number of eligible customers in receipt of payments, amount of relief payments, amount expended to date, and projected full cost of program. If any surplus of funding projected to remain, what will happen to this funding? (SL)

Witness

Will Barbour, Chief Customer Officer
The witness took his place at the table at 4:52 pm.

Nicole Hunt, Chief People Officer
The witness took her place at the table at 4:58.

Olive Cousland, Company Secretary/General Counsel
The witness took his place at the table at 5:38 pm.

The witnesses withdrew at 6:03 pm.

Other Business

The Committee **RESOLVED** that the report be presented to the President by a southern based Member on 18 December 2024.

Next Meeting

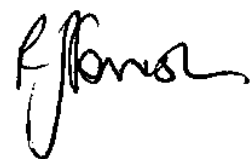
Monday 16 December 2024 at 9:00 am in Committee Room 2 and via Webex.

Adjournment

At 6:10 pm the Committee adjourned.

DATE: 16/12/2023

CONFIRMED



CHAIR

APPENDIX A – TRANSCRIPTS OF PROCEEDINGS



PARLIAMENT OF TASMANIA

TRANSCRIPT

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE A

Tasmanian Public Finance Corporation

Tuesday 3 December 2024

MEMBERS

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

WITNESSES IN ATTENDANCE

Hon. Guy Barnett MP, Deputy Premier, Treasurer, Attorney-General, Minister for Justice

Health Baker, Chief Executive Officer

Tony Ferrall, Chair

The committee met at 9 a.m.

CHAIR (Ms Forrest) - Thank you and welcome, minister and your team, for the government business scrutiny of TASCORP. We have from 9 a.m. to 11 a.m. I will invite you to make an opening comment and ask you to introduce the members of your team at the table. We have your annual report, but the questions are related to the annual report and the performance of TASCORP.

Mr BARNETT - Thanks very much, Chair. Thanks for the opportunity to be here today for the scrutiny. It is appreciated and a very important part of our democratic process. I'd like to welcome to the table the chair, Tony Ferrall, who's very well accustomed to being here at this table and I appreciate his leadership and support to TASCORP and, likewise, Heath Baker, chief executive officer. I look forward to answering any questions and queries.

In terms of opening remarks, I just wanted to indicate that TASCORP's purpose is to develop, implement and manage borrowing and investment programs for the benefit of the people of Tasmania. The company had a strong performance in the 2024 financial year and demonstrated its value to the state in being able to meet the diverse financial needs of both the government and its other clients in the face of high demand and financial market volatility.

TASCORP not only met but exceeded the majority of its financial and non-financial targets in the year, which is a testament to its high-quality credit, prudent management of assets and liabilities and the dedication of a small team of professionals with an extensive understanding of client needs and priorities. TASCORP has continually provided sound funding and financial risk management services to the Tasmanian government and its entities.

TASCORP undertook its largest issuance of bonds into the capital markets in the 2023-24 financial year and, while market volatility and periods of market dislocation impacted core operations over the reporting period, the company successfully issued \$2833 million of bonds and issued \$500 million in floating rate notes in 2023-24. The company also wrote \$2933 million in new and refinanced loans to support client borrowing requirements.

TASCORP's financial outcomes for the year were positive, reflecting a prudent risk-management approach to maintaining high-credit quality and a low-risk balance sheet. Net profit for 2023-24 before tax was \$40.1 million and this was \$11.8 million above budget.

Of this profit, TASCORP's Treasury activity contributed \$27 million and the Mersey Community Hospital Fund contributed \$13.1 million. The outperformance to budget of the Treasury activity was due to savings from efficient bond issuance strategies, liquidity portfolio management and lower-than-forecast operating expenses. TASCORP's return of \$118.1 million in tax and dividends to the state, including a substantial dividend of \$96.1 million from the Mersey Community Hospital Fund reflects the positive financial impact and broad-reaching support provided by TASCORP. TASCORP has consistently exceeded its profit targets, and its activities provide consistent positive returns to government.

Looking forward, demand for TASCORP bonds remains strong, and the company is preparing to undertake significant expansion of its borrowing and lending program over the period to meet demand while forecasting to remain within its existing capital. I thank the committee and look forward to further questions.

PUBLIC

CHAIR - Does the chair want to make any comments?

Mr FERRALL - No, I'm fine.

Mr BARNETT - The chair is happy to answer questions. Thank you, chair.

CHAIR - I might pick up on a couple of things that you said in your opening statement, minister. I know the commentary on page 9 of the annual report states TASCORP's financial outcomes for the year were positive, as you said, reflecting a prudent risk-management approach of maintaining high-credit quality and a low-risk balance sheet, which is what you said.

To manage credit risk, TASCORP invests in investment-grade counterparties at or above the triple-B credit rating. Does TASCORP's reliance on investment-grade counterparties impact your ability to manage credit risk at all and, if so, how?

Mr BARNETT - Thank you for the question. If the Chair is happy to respond to that.

Mr FERRALL - Could you add a little more to your question so I don't expand beyond what you're actually trying to ask?

CHAIR - The positive outcome has been a result of maintaining high-credit quality and low-risk balance sheet. The comment goes on to talk about the reliance on investment grade counterparties. I'm asking you to explain that more and whether that impacts on your ability to manage the credit risk in the way you do?

Mr FERRALL - TASCORP takes a relatively low-risk approach in relation to its investments. TASCORP invests and borrows, and we have a substantial investment portfolio. Part of that or, in part, we have that to assist in managing liquidity, but we also have investments associated with our clients on the other side who want investments.

When TASCORP invests, we ensure we invest with high-quality counterparties, so we don't take undue risk to chase return. Effectively, what we're saying is, we manage and monitor those counterparties, and if the risk of those counterparties potentially changes, then we would no longer deal with those parties.

CHAIR - You monitor their risk as well, obviously, the counterparty's risk?

Mr FERRALL - Yes, we monitor their quality.

Mr BAKER - I'll just add, in terms of the composition of our portfolio, if you look at our Treasury activities, 99 per cent of our investments are in AA minus or above investments. We do have some lower investment-grade investment in our Mersey Community Hospital fund portfolio, and that's roughly 22 per cent in the BBB to BBB+ range, and the rest is all in A and above. The Mersey fund is only a smaller portfolio now - it's only \$220-\$230 million, whereas our larger Treasury portfolio is \$3-\$4 billion worth of market investments. Of that, 99 per cent is in AA-minus or above investments. The short answer is that there is no impact -

PUBLIC

CHAIR - We'll come back to the Mersey Community fund a bit more. Are they considered a higher risk, then - the Mersey fund, and thus a higher interest rate? It's always been my fascination as to how this - well, it's not - going to last 10 years in full-term dividends.

Mr FERRALL - The answer is no, we don't take high-risk investments. Even in the Mersey Fund, although some of the fund is invested in BBB or BBB+, we are not taking high-risk in relation to that fund, or any of the investments.

CHAIR - I might come back to the Mersey fund.

Ms O'CONNOR - In terms TASCORP's investments, more and more people are expecting government, when it holds money in trust for them, to make sure that money is being applied ethically or towards sustainable investments. Does TASCORP invest in fossil fuel industries, for example, or weapons manufacturers?

Mr FERRALL - TASCORP doesn't directly, but there may be some parties that we deal with who may.

Ms O'CONNOR - How does TASCORP, or does TASCORP, in any way, test where it's investing to make sure that Tasmanian money is not going towards fossil fuel industries or unethical investments? Is there any metric for testing that or any plan to get better at it?

Mr FERRALL - In terms of investments, we do look at the ESG of counterparties.

Ms O'CONNOR - The what, sorry?

Mr FERRALL - The environmental, social and governance of the counterparties, but we don't specifically identify whether those parties are investing in, as you say, their investments, which may be considered by some components of the community to be undesirable or unethical. By way of example, we would have significant investments with Australian banks, we have significant investments with other central borrowing authorities. We don't trace their investments and, if you can imagine, with significant Australian banks that is very difficult to do. Even with other central borrowing authorities where we might be holding their bonds, there may be investments they have which might have parties they're dealing with who might fall into the categories you have advised.

Ms O'CONNOR - A number of public entities, universities and the like are explicitly divesting from unethical or harmful industries. Is TASCORP thinking of making any moves to apply that kind of ethics and sustainability test at all?

Mr FERRALL - We are not specifically looking at divesting any investments at the moment in respect of that. Quite obviously we monitor what may be occurring with our counterparties, and if there was a situation developing where there was a particularly unethical counterparty that was starting to appear, or starting to appear unethical, then we would look at divestment.

It is quite difficult, because you have to form value judgments around what you might consider unethical. There is a grey part, as opposed to just a black and a white part, when you are dealing with those investments.

PUBLIC

Ms O'CONNOR - With respect, that's part of the reason the planet's cooking, is that public finance corporations are making value judgments on their investments and going for the higher-value investment, even though that might be part of the problem. I will just leave that as a comment.

CHAIR - Can I ask what work TASCORP undertakes to determine how much you'll need to borrow to meet the expected borrowings by Treasury and GBEs, noting there's been significant additional bond issuance in the last financial year? The reason I ask that particularly is that, according to the Auditor-General's report released last week, we know that governments consistently underspend their budgeted amounts for infrastructure in particular, so I'm just asking how TASCORP makes those decisions about how much you're likely to need.

Mr FERRALL - We meet with all of the GBEs and state-owned companies that would be looking to borrow and/or invest with TASCORP on a regular basis. We work with Treasury in terms of Treasury developing the budget and developing the requirements for borrowing for the general government sector. We look at all of the forward budgets and plans of the GBEs and State-owned Companies (SOCs) and develop, effectively, an estimate of their borrowing based on their advice to us and based on Treasury's advice in relation to the budget.

We then put that together, effectively, as an estimated program going forward of borrowing. We also have a substantial refinancing requirement which also forms part of our forward borrowing program, so we collectively put all that together. As a central borrowing authority we need to, and do, communicate with the market regarding our estimated calls on the market going forward, and we modify that or advise potential changes as things change as we go within the year or towards the end of the year.

CHAIR - That said, what forecasting regarding future borrowing requirements are actually done? Is that it? That's what you do? Is that the forecasting you just referred to, Tony?

Mr FERRALL - No, we do a lot of forecasting, in a sense, rather than just the borrowing requirement. Obviously, we've got the refinancing requirement. As our bonds mature, we need to refinance. We look to refinance our bonds in advance so we're not effectively taking risks of there being particular market disruption on a particular day. We will tend to refinance in advance. With Treasury, particularly, given now the general government is our bigger client compared to historically, we work very closely with Treasury in relation to its financing needs. Treasury has an internal borrowing and asset management committee which Heath attends regularly to get updates which might occur due to changes in the budget or changes in the timing of the expenditures.

You need to recognise on the expenditure side, it's quite difficult for Treasury to project exactly what's going to be required in a particular time, because agencies need funding at different points in time and they have very lumpy capital programs which can also sort of throw the timing out. We work pretty closely with Treasury to make sure the cash is managed carefully, that we don't borrow too far in advance, effectively, when funds aren't needed and the investment on the other side is made again at appropriate terms in case some of that cash might be needed.

Ms LOVELL - Thank you, Chair and apologies for my lateness this morning. It was the rain. Back to what you've just said about the difficulty with predicting, given the deteriorating debt outlook across the government sector and the state sector in the coming year, do you have

PUBLIC

any anticipation of how many or how much debt you're anticipating to issue across the forward Estimates and across the coming year?

Mr FERRALL - We do for the coming year. Heath, have you got the -

Mr BAKER - For the current financial year, we're looking to issue \$3.3 billion. This financial year, based on current forecasts, it's 3.3 again next year. Then, it comes down to \$2.5 billion each year thereafter.

Ms LOVELL - And does that include existing debt that's rolled over?

Mr BAKER - That's new and refinanced borrowings.

Ms LOVELL - Thank you, great.

Mr BAKER - That's total call on the market.

CHAIR - The \$2.9 billion you referred to has to be refinanced; that's in the next 12 months as I understand it?

Mr BAKER - We run a short-term borrowing program and a longer-term borrowing program. Our next longer bond maturity is February 2026 which is about \$1.3 billion that we need to refinance. We also run a short-term issuance program which is called commercial paper, which is for terms out to one year to provide liquidity, short term liquidity, in the event that we have an unexpected call. That program varies and would average about \$2 billion on issuance of short-term paper.

CHAIR - With the volatility we're seeing and the uncertainty there, that obviously takes a bit of thinking ahead as to refinancing that larger amount. How do you manage that?

Mr FERRALL - Yes, well, that's the point I was making that we don't wait until the day of maturity to look to refinancing. You could have a significant market, or market disruption, and it could create significant problems. We effectively refinance in advance and then reinvest those funds so we know we're in a position to ensure when that particular bond matures we've already got borrowings on the other side.

Ms LOVELL - Chair, can I just follow up on that?

CHAIR - Yes.

Ms LOVELL - Given the global economic outlook, is it likely that the refinancing will be at higher interest rates?

Mr FERRALL - I wouldn't like to predict interest rates into the future. The last five years have probably been indicative of why you wouldn't predict interest rates into the future. There have been situations with say, Japan, which had negative interest rates for 20 years. I don't think I could comment on whether a rate would be higher or lower into the future.

Ms LOVELL - Okay.

PUBLIC

CHAIR - What analysis have you done regarding and I'm not asking you to predict, but what analysis have you done regarding what an increase would do and what that would mean for TASCORP? It is volatile and no-one really knows, but what analysis do you do on those two scenarios and the credit rating agency's views on things?

Mr FERRALL - We have a comprehensive approach to risk management within TASCORP where we monitor what would occur with changes in yield curve to our position. We look at how much we would potentially have at risk for changes in the yield curve going forward. We monitor and manage that on a monthly basis. There is also a committee within TASCORP. It is internal committees which actively monitor those risks.

Mr BAKER - A core part of our business is monitoring and looking at what interest rates do, what funding markets do, what access we have to market. It's not a set-and-forget exercise, it's a core part of our operations. We have an internal asset and liability management committee that meets once a month to look at what the current market conditions are, what our issuance requirements are, what our run rate is, what our clients are telling us and what level of risk that we are running within the business. It is actively managed, but in terms of taking an outright view on where interest rates go, that doesn't form part of our core business. We're here to raise money in the debt capital markets and onward to our clients.

Mr FERRALL - We don't speculate on interest rate movements.

CHAIR - I'm not asking you to speculate; I'm asking if you keep an eye on it as a regular thing.

Mr FERRALL - We monitor and manage to ensure we're not taking any undue risk if there are interest rate movements. We don't speculate on interest rate movements. You could speculate on and take forward positions in respect of whether interest rates go up or down. Potentially, you could potentially lose or make a lot of money, which we don't do.

CHAIR - That's not the game you're in.

Mr FERRALL - No, absolutely not.

CHAIR - Do you have a clear understanding of what an interest rate rise or an interest rate fall would mean for the business?

Mr FERRALL - Yes.

Mr BAKER - We put strategies in place with our clients to ensure they mitigate that risk, so you don't have a large exposure at any one time to refinance and new borrowings. The idea is to smooth their interest rate and ensure the volatility of their interest expense is minimised. Having an even spread of maturities over a longer period of time ensures you have a more consistent interest expense and not exposed to ad hoc changes in outright interest rate.

CHAIR - Having said a while back that the state is now the biggest customer, we saw Moody's issue advice recently that wasn't a downward revision, but indicated you better do something or we might. Should we not do enough in the state, what impact would a downward revision on the state's credit rating have on TASCORP?

Mr FERRALL - That's not an easy question to address. I'm not being cute or difficult about this. The rate or the interest rate that the state pays is effectively controlled or influenced by a number of factors. A simple movement in the credit rating would not necessarily lead to an immediate or even a potential long-term change in the margin we might pay. Those things are influenced by a range of factors. Our investors are significant domestic banks and overseas investors; they take differing positions in relation to whether a particular credit, a semi-government such as us, is suitable for their investment and their book. That can drive changes in demand which can change the margin that we might pay compared to a higher-rated or a lower-rated entity.

The other point I would make in respect of the credit rating is that the credit rating of Tasmania is very high in an international context. We are not a poorly rated state and shouldn't be considered as a poorly rated state. If you look at the likely differential between, say, if the state was one rating down from where it is now, so, it was sitting at AA, not AA+ as an example, it's not automatic that we would be paying a significant difference in our margin on our debt.

That said, it is a risk and all other things being equal, which they never will be, but all other things being equal, a lower-rated credit should pay a higher margin than a higher-rated credit. But markets aren't that simple. I think that one of the rating downgrades that the state had some time ago, our margins actually closed, and so, we were paying less at the time than we were prior to the rating downgrade.

That's not to say the ratings aren't important or influential, but the point is that there are a whole range of other things which impact on it. One of the most significant things in Australia for the semi-government issue, such as TASCORP, is effectively the relatively strong position of the Australian Government. For an international investor, the domestic Australian semi-government issuers are seen as somewhat homogeneous, even though we might have differential credit ratings.

CHAIR - I appreciate you are walking finely along the middle of the road there watching out for the truck. But in any event, with that said, provide for the committee with what would be perhaps the worst-case scenario if the rates did go up and what impact that would have on TASCORP? If there was no change or it actually reduced if a credit downgrade occurred, what would be that situation? The best-case scenario, if you like?

Mr FERRALL - I don't think I could give a clear answer on a best-case or a worst-case scenario because if you took simplistically that currently we might be issuing a 10-year bond, say 4½ per cent, and you say, what would be the worst- or best-case change, and what would the impact be? We have a relatively long duration existing portfolio. So our portfolio is roughly about seven years. So, there wouldn't be an immediate impact on all of our debt. There'd be an impact on our new financing or refinancing potentially.

If you said what's the best- or worst-case scenario, you'd have to look at the best- or worst-case potential shift in the yield curve, which again is pretty hypothetical.

Now, when we're looking at our risk management, we do look at shifts in yield curves, which are based on history, essentially. I think the GFC probably produced the most significant yield curve shifts, which for a long time we had those shifts built into our sort of risk-management approach in terms of, you know, might call potential, or best- or worst-case scenarios.

As time has gone on, we don't have as much influence of that particular, you know, shift in historic rates in our current risk-management approach.

I'm not trying to be evasive, I'm basically saying it's not something you can easily calculate and say what is the best and worst case. You could come up with a set of numbers that said, 'Well, if there was a 200-point shift in the yield curve up or down, what would that do to our current portfolio in terms of valuation and then assuming that it was all refinanced at those particular future rates against the yield curve?'. We could calculate that, but I'm not sure that would be satisfactory in terms of it being a best- or worst-case scenario. It's just a 200-point shift. What you're asking me is what the best- or worst-case scenario would be. To cut right to the chase, I'm telling you I can't tell you what the best- or worst-case scenario could be.

CHAIR - You don't know what the impact on TASCORP would be?

Mr FERRALL - I can give you a set of numbers against a set of parameters of a shift and we could calculate that on whatever shift you might like, but for me to then say that's the best or worst case, it would not be possible.

Ms O'CONNOR - Who does TASCORP borrow from overseas?

Mr FERRALL - We issue bonds which overseas investors invest in. At the moment, I'm not sure if I can say who they are, but it varies. Our bonds are tradable. It's not like we are borrowing from a particular investor and that sticks there. An investor buys our bonds and investors can sell our bonds. They're market tradable instruments. We would not necessarily know who might be holding them at all times.

Ms O'CONNOR - Do we have any money in offshore accounts? I'd like to take you to page 55 of the annual report. This is about the client advances. Could you talk us through this? There are significant sums of money in client advances, particularly to Treasury and Finance. Could you explain - I'm a bright 11-year-old - what the \$4 billion figure in 2024 is like?

Mr FERRALL - In simplistic terms, that is a measure of the amount of borrowing that Treasury has taken on behalf of the Crown or the government as at 30 June 2024.

Ms O'CONNOR - Treasury's borrowings in the past year have been a bit over \$4 billion?

Mr FERRALL - No, because in 2023 they were \$2.5 billion.

Ms O'CONNOR - Is this cumulative?

Mr FERRALL - Using those numbers, they've moved by a billion and a half over the year.

Ms O'CONNOR - Okay. For the Homes Tasmania borrowings, we had documents that were released under RTI that suggested that, as of earlier this year, Homes Tasmania has a debt facility of about \$764 million with TASCORP. Is this accurate?

PUBLIC

Mr FERRALL - No. Homes Tasmania has a limit with TASCORP of \$336 million. As at 28 November it had \$331.2 million.

Ms O'CONNOR - In order to fulfil its capital objectives, Homes Tasmania will need to expand their debt facility. Isn't that the case? We've had them at the table in other committees and the projection is that the borrowings will be significantly higher than what's detailed here.

Mr FERRALL - Homes Tasmania has a significant ambition of a forward borrowing program to support the construction of the 10,000 homes. That figure I've given you was at 28 November, but they do have a forward borrowing program which is more significant.

Ms O'CONNOR - I am really clear in my mind. So, when you said the limit on Homes Tasmania's borrowing that has been set to date, is it \$336 million?

Mr FERRALL - Again, that was as of 28 November. Yes.

Ms O'CONNOR - As at 28 November, but there's an expectation in TASCORP that the borrowings will be extended for Homes Tasmania in forward years.

Mr FERRALL - Yes, going forward, yes.

Ms O'CONNOR - Okay. Thank you. So, also on this list -

Mr FERRALL: I mean, there is - there is currently additional provision for this year as well of 140. So, I'll explain the limits which might help you. So, TASCORP sets limits for, you know, its clients, and that's - in large part, that's driven now by the approved level of borrowing that is guaranteed by the Treasurer and, so, that becomes the limit. If a client - and I'll use Homes Tasmania as the client - is looking to borrow further, beyond that limit, we go through an approach of looking at Homes Tasmania and whether Homes Tasmania can support the additional borrowing.

Given that Homes Tasmania is principally solely supported in terms of its borrowing by support from the general government sector, we look at whether the forward budget supports the level of additional borrowing and then, in a sort of mechanical sense, the Treasurer is brought into it, into the situation, with Homes Tasmania going to the Treasurer and seeking additional borrowing capacity for Homes Tasmania, but also, on the TASCORP side, we would look for an increase in the guarantee under section 15 of the TASCORP act to ensure that we could be satisfied that we're not organisationally at undue risk in terms of Homes Tas meeting -

Ms O'CONNOR - Thank you. Can I ask, on this list is a line item that says 'other participating authorities'. I don't see Stadiums Tasmania or Macquarie Point Development Corporation listed as TASCORP clients. Has there been an approach from Stadiums Tasmania to TASCORP to borrow for the stadium?

Mr FERRALL - No approach.

Mr BAKER - No approach or a borrowing request. We've had an introductory meeting with them when they were established but, yes, at this stage they have not come forward with any requirements for borrowings.

PUBLIC

Ms O'CONNOR - Is it the expectation that Stadiums Tasmania would need to approach TASCORP in order to fund the stadium should it be approved?

Mr FERRALL - Look, I don't think TASCORP has any expectation on that front at this point. I really think it's a matter for government to work through in terms of, you know, how it is going to be dealing ultimately with the cost of the stadium.

Ms O'CONNOR - And is, can I just ask -

CHAIR - It's not just that stadium, it's also UTAS Stadium and potentially Dial Park if they take that over.

Ms O'CONNOR - Can I just ask, has Macquarie Point Development Corporation approached TASCORP for funding support? Are they potentially in the 'other participating authorities'?

Mr BAKER - No borrowings with Macquarie Point at this stage, nor have we got any formal requests for borrowings.

Ms O'CONNOR - Okay. Thanks.

CHAIR - Sarah?

Ms LOVELL - Thank you, Chair. I had some questions about the TT-Line loan facility agreement, if now is the place to ask those. Can you confirm whether TT-Line breached its master loan facility agreement with TASCORP by exceeding the interest coverage ratio earlier this year?

Mr FERRALL - Yes, it did.

Ms LOVELL - And can you -

Mr FERRALL - And that's reported in the TT-Line financial statements as well, that it breached the interest cover ratio limit and advised TASCORP accordingly in August 2024.

Ms LOVELL - Can you confirm for the committee how much the agreement was breached by and what the interest coverage ratio limit is in the agreement?

Mr FERRALL - The interest cover ratio is a ratio. So, Heath, have you got the number of -

Mr BAKER - Yes. So, they have a minimum requirement of an interest coverage ratio of one times. So, essentially their earnings from continuous operations before interest, tax, depreciation and other abnormal items divided by the interest, it's got to be greater than one. So, these limits were set more recently when we implemented the ship project.

Ms LOVELL - What was the breach? How much did they not meet that by?

Mr BAKER - I'll probably have to take that on notice. I do have it, but obviously it did fall below one time. As part of TT-Line completing their end of financial year process, the

breaches included impairment testing for the current work in progress, which meant that their expected short-term profitability had been reduced. It was forecast to dip below that required one for a short period of time and, when the new vessels come into operations, they go back above that minimum requirement.

Ms LOVELL - Has that been renegotiated or is that minimum requirement still in place now?

Mr FERRALL - I might again just briefly explain how our covenants work. We have a master loan facility agreement with each party that we lend to, apart from the general government sector, which has in the agreement a number of things that we believe that each particular entity might need to comply with and provide us with notice if they don't. It's part of our, I guess, risk-management approach in respect of lending to the individual clients. We generally use what we call covenants, which include an interest coverage ratio and they are calculated slightly differently in relation to different entities because they're not unique and it's appropriate to calculate them differently.

CHAIR - They are unique.

Mr FERRALL - Sorry, they are unique. They're not homogeneous. They're not all identical. We have a material adverse change covenant, we have a financial leverage ratio covenant, we have third party indebtedness so that they can't accumulate indebtedness to other parties and we also, in some cases, have minimum requirements of cash flows from operations. All of these things in terms of their covenants are things which the entity is required to report to us if they have any material change to, and it aids in our monitoring of the entity and management of the risk.

In relation to TT-Line, and Heath will correct me, but my understanding is that in terms of monitoring the interest coverage ratio that their May position was within the requirements and there was nothing they needed to report to us, but, because of some changes that occurred during the month of June, they went outside of that interest coverage ratio test. They didn't pick that up, as I understand it, until when they were doing their accounts in August in terms of that the ratio had been exceeded and they reported that to TASCORP.

Our internal credit committee reviewed that particular event. That event was reported to the board later in August and we also considered it.

CHAIR - Reported to the TASCORP board?

Mr FERRALL - Yes. It is an internal requirement of TASCORP in respect of any of those changes for them to report it to the board. The board considered it, reviewed it and effectively we were comfortable that, in relation to the particular event, it wasn't something that we needed to be highly concerned about. It wasn't something that we would consider as a default or as a matter of acceleration of trying to recoup the debt et cetera.

Again, by way of broad explanation, it's not unusual for some of our entities to breach some of these covenants at different points in time. When that does occur, we look at it pretty carefully. In relation to TT-Line, the position of the board is that what we have basically said we will take no action in relation to that particular breach, but we are looking to do a full review of TT-Line once we have all of the relevant information from TT-Line in relation to what is

PUBLIC

quite obviously a changed situation for TT-Line going forward. When we receive that, we will consider what the implications might be for TASCORP going forward and what that might mean in respect of how TT-Line is able to repay whatever debt it may have going forward in respect of changed circumstances.

Ms O'CONNOR - I'll just check the timing on that.

Ms LOVELL - For this one as well. Just before that - sorry, on this one, there was no penalty applied to TT-Line for that?

Mr FERRALL - No.

Ms LOVELL - Do you have a time line for when you expect to get the information and the review to take place?

Mr FERRALL - We're expecting it imminently, but again in fairness to TT-Line, there are a range of unknowns that it is working through which will go to how it will put together its future projections. We're not unreasonable in terms of we can't expect them to have produced a revised business case and forward projections when they're still working through some of the significant matters that they're dealing with.

CHAIR - Can I ask then, have there been any other breaches of covenants in the last financial year, in any of those covenants by any of the businesses that have borrowings with you, knowing that some of them are pretty big numbers?

Mr FERRALL - We'll just check. So there was one from Aurora in August 2023 and again, that was related to a decrease in its net assets at the time and that was in August 2023.

CHAIR - Which covenant did they breach?

Mr FERRALL - It was one we call a material adverse change, which you know it's effectively like a change in their balance sheet in essence. That was reviewed by the board in August 2023 and again we decided to take no further action at the time because of the nature of it. It related to changes in market values of derivatives at the time. We had TasRail which had an interest cover ratio test which was in July, sorry, was in May 2024 and again, the breach didn't give rise to any notice of acceleration and again the nature of the breach was such that we took no action.

CHAIR - TasRail had no borrowings in 2023 but now have 11 million according to your page 55, yes.

Mr BAKER - Yes, so this breach happened in May 2024 when they moved - obviously, when they had no borrowings the covenants aren't an issue, but once they moved into borrowings, there was an event in May 2024.

CHAIR - Any others?

Mr FERRALL - Metro had an interest cover ratio breach as well and in that example, we resolved to take no action to enforce any right, but I mean, you've got to understand that a breach of these loan covenants can give rise to TASCORP accelerating the loan or effectively

calling the loan in some circumstances, but again, in relation to the breaches, they were not significant that would lead us to do anything like that.

Ms O'CONNOR - You couldn't break a GBE anyway, could you from TASCORP's point of view? It's difficult if you've got a GBE that's got some issues here. You can't really make life more difficult for it.

Mr FERRALL - No, but purely from a TASCORP perspective, if we decided that meeting our obligations, in terms of TASCORP act, could not be or we couldn't satisfy those obligations because of the risk on the other side, then effectively we would then go to the Treasurer and basically look to the state of Tasmania to potentially provide additional support to that entity if it got to that point.

CHAIR - One would hope that entity had already been to the Treasurer. Wouldn't you?

Mr FERRALL - No, but there's a guarantee from the Treasurer which TASCORP holds. So again, hypothetically and theoretically, if an entity, a GBE, or a SOC was unable to pay its debts to TASCORP as and when they fall due for some reason, then TASCORP has rights to effectively go to the treasurer of the day and under the guarantee, which is part of the act, and seek support from the state.

CHAIR - So have we got or can you provide a list of all the guaranteed amounts for these entities that have got borrowings?

Mr FERRALL - It's tabled in parliament, as I understand. We can get you one, but under the act it's tabled, as I understand it.

CHAIR - I don't remember seeing it. Maybe I've missed that one. Yes, but if you can provide it, even though it might be a tabled document.

Mr FERRALL - Well, it's under 15A of the TASCORP act. As they change - I might be incorrect - but my recollection is if they change then the treasurer of the day tables further schedules.

CHAIR - Have you got it there to table now?

Mr FERRALL - We've got the guaranteed amount. Yes, we can -

Mr BAKER - The amount is guaranteed as at 30 September.

Mr FERRALL - 30 September.

CHAIR - So, can you provide that to the committee?

Mr FERRALL - Yes, we will provide that to the committee.

CHAIR - Before the end of the hearing?

Mr FERRALL - Yes.

Ms THOMAS - Page 22 of the annual report talks about purchasing or sourcing goods and services from local suppliers and notes that TASCORP supports Tasmanian businesses where possible. I know that the value of purchases from Tasmanian businesses in the financial year was around 1.5 million. It's made-up 20 per cent of purchases from Tasmanian businesses. Can you just provide a bit more detail on that? What were those goods and services and why is the procurement only 28 per cent Tasmanian businesses?

Mr FERRALL - I'll have to check the particular business.

Mr BAKER - Not that granular, no. Sorry, I'll just check the notes.

Ms THOMAS - That's okay. Don't need to know necessarily the specific businesses, but just the nature of those purchases and why.

Mr FERRALL - Yes, we can certainly do that. I will just have to check and see. I don't believe we have it, certainly not in the notes that we've brought today, but we can get that. I mean, I think the point from a, you know - TASCORP supports local businesses wherever we can. There's a lot of our purchases that just don't relate to things that are supplied locally in terms of some of our, you know, significant organisational costs such as our issuing costs for a bond as an example, you know, is not something that we could go to a local supplier to purchase from. But where we are looking at anything which is within our sort of organisation and the normal sort of purchases that we can do, we look to local where we can.

Mr BAKER - So an example would be our IT support, which is through a local provider. It's probably one of the largest items in that amount. But yes, as Tony says, our treasury management system, the systems that we use in the financial markets are all supplied by global or national suppliers and hence why there's the disproportion between the buy-local percentage of Tasmanian versus what we actually need to operate in the market.

Ms THOMAS - Okay. So, you have an IT officer and head of IT and cyber security within the organisation, but then you also procure additional IT support services and that makes up a large proportion of that 1.5 million. Is that fair to say?

Mr BAKER - Yes.

Mr FERRALL - Yes.

Ms O'CONNOR - Page 10 of the annual report talks about TASCORP operations and makes the point that, similar to the 2022-23 financial year, the majority of new client advances were made to the general government sector, these advances rising by \$1.4 billion to \$4.4 billion. Is that general government sector primarily GBEs -

Mr FERRALL - General government sectors.

Ms O'CONNOR - Treasury?

Mr FERRALL - The Treasurer, yes.

Ms O'CONNOR - Given the lendings to the general government sector are increasing over time, what is the likely projection for 2025-26? I'm not very good at this stuff, but to this

intelligent 11-year-old it looks like lending to the general government sector will have to keep increasing in order to service the debt.

CHAIR - And provide services.

Ms O'CONNOR - Is that correct and are we likely to see a turnaround? This is funding for recurrent spending also, isn't it?

Mr FERRALL - It's funding to support the budget, which includes capital and recurrent, potentially. The level of borrowings is going to continue to increase, which is shown in the government's forward Estimates in the budget papers. That is effectively the step through of the levels that the gross and net borrowings is currently expected to reach. That is going to mean that TASCORP borrows more.

Ms O'CONNOR - That does raise an obvious financial sustainability question for the state, doesn't it?

Mr FERRALL - I think the questions of financial sustainability are questions of policy for the government as opposed to questions for TASCORP.

TASCORP is in a position where we believe we can raise the level of funding that the government needs and is managing going forward. At this point we don't believe there'll be any difficulty in raising that funding from a TASCORP perspective. In terms of questions of state government budget management, they're more appropriately addressed in another forum or with the Treasurer from a policy perspective.

Ms O'CONNOR - When you say policy, you talk about how government might bring down the debt and the necessary level of borrowings to service that debt by making cuts or efficiencies. That's the policy question, isn't it?

Mr FERRALL - No, I'm being broader than that. I'm not implying that the government will or won't make any decisions in relation to cuts or otherwise.

Ms O'CONNOR - I know you can't.

Mr FERRALL - All I'm saying is the state's borrowing is a question of policy for the government.

Ms O'CONNOR - If this grey band area and blue band area keeps growing, is there a point at which there's a conversation between TASCORP, yourself or the board and the Treasurer? You can't keep blowing up a balloon What role does TASCORP play in advising government about how these graphs will look going forward?

Mr FERRALL - From a TASCORP perspective, we're comfortable we can raise the level of debt that the government is projecting it will need to support over the Budget and the forward Estimates. I don't think there's any doubt the Tasmanian budget is going to come under increasing pressure as we go forward. That's demonstrated in the government's current forward Estimates. It's not something the government is shirking from as far as I'm aware, they recognise there is a continuing challenge.

PUBLIC

The government has a fiscal strategy, which is not being met at the moment in total. There will need to be changes going forward in order to meet that fiscal strategy and to ultimately get debt under control. Now, that's not a revelation.

CHAIR - It is also more a matter for government than TASCORP, I'd suggest, is it?

Mr FERRALL - It is more an issue for government than TASCORP. As I said, TASCORP doesn't hold the policy instruments that are necessary for TASCORP to make the changes that might be required. They are a matter for government to make decisions in relation to its taxing, in relation to its expenditure and it's in respect of its capital expenditure.

CHAIR - I might go back to TASCORP.

Ms O'CONNOR - I think that is a legitimate question to ask, because TASCORP plays any sort of advisory role on risk to government.

CHAIR - But that's more to the government.

Ms O'CONNOR - I'm happy for the Treasurer to answer it.

CHAIR - Did you want to make a comment on that, minister?

Mr BARNETT - Yes, I'd be happy to. I am just concurring with the chairman's remarks and indicate that we have a pathway to surplus and the debt is manageable. And that's why we're going through a budget process at the moment. And we're getting feedback, obviously from the community. I'm taking advice from Treasury and others across government as we prepare the next budget, which is due on 29 May; the last one obviously on 12 September.

We are moving reasonably swiftly and have a lot of work to do. I want to acknowledge both the national and global headwinds we do have and say this is not new to just one jurisdiction, as in Tasmania, this is common across Australia. We had a Treasury ministers meeting last Friday and these challenges are there for all of us.

CHAIR - Not in Western Australia, I don't think they're worried too much, but anyway.

Mr BARNETT - Victoria is very concerning and you've seen reports there. But we will continue to be responsible and diligent in the work needed to deliver a budget that will deliver a strong economy and create more jobs and ensure it's responsible over the years ahead.

CHAIR - Going to the Mersey Community Hospital Fund, that was bought for a dollar. Former federal treasurer provided, I can't remember exactly, 500 or 735 or something million.

Mr FERRALL - It was \$730.4 million.

CHAIR - The \$730 million that was quickly shunted across to TASCORP to look after and manage with the expectation of a dividend for the next 10 years.

Now, we can see quite clearly here that in year 10 which is 2027, it will be far short of what the \$103 million dividend for the 2026 year or thereabouts.

PUBLIC

In terms of 2027, the fund not being able to provide that so-called dividend to the state, what's the plan for the government here? Because that's a lot of money that state's going to have to find in addition to all the other money it's going to have to find, to fund health services at the Mersey, particularly.

Mr BARNETT - Yes, well in terms of TASCORP, I'm happy for the chair to speak to exactly where things are at and their investment and arrangements with respect to the funding from the Mersey Community Hospital Fund.

My advice is that the dividend -

CHAIR - The budget papers said that in 2027, there'll be a \$28.3 million dividend, and that's the end of it. Which is far short for the 100, 103, \$102.9 million in the budget, expected between 2026.

Mr BARNETT - Yes. As you've noted, I mean this all started many years ago with the purchase of the hospital. I think it was \$730.4 million was transferred, at that time. The chair, can speak to how that's been managed since then, in terms of ongoing funding for the Mersey Community Hospital that'll be included in the budget.

CHAIR - My question to you was, what does that mean for the state? We just talked about the risks facing the state in managing its financial matters, increasing borrowings. This doesn't include, as I understand it - or maybe it does - increasing borrowings needed to fund health services delivered at the Mersey Hospital.

Mr BARNETT - This will be made clear in the Budget and in the forward Estimates. The Mersey Community Hospital provides important health services for the north-west coast, as I know you are aware.

CHAIR - What is the impact on the financial position of the state of having to pick up the shortfall of \$80 or \$90 million in 2017? That's been coming for a while.

Ms O'CONNOR - What happens after that?

Mr FERRALL - I can speak from history, if I may. The budget expenditure for Mersey is not directly linked to the revenue from Mersey. The expenditure is in the forward Estimates, and continues to grow and be indexed appropriately, which is discrete from the revenue source, which is coming from TASCORP.

Obviously, the original intention of the Commonwealth was that the \$730 million would meet the cost of Mersey going forward. We've had numerous discussions here over the years about that. The sum provided was never going to be sufficient to meet the full cost of the Mersey in perpetuity.

Effectively, the gap between the revenues on the Mersey - which fall away to circa \$30 million in that last year - and the expenditure, is built into the budget already and will continue to be built in. There is an obvious impact on the state against what was originally intended, whatever the expenditure against the Mersey is, compared to the budget. Yes, there's a negative impact on the budget, but it is already built into the budget.

PUBLIC

CHAIR - Minister, does this contribute, then, to some of the additional borrowings that are projected in the forward Estimates in the Budget?

Mr BARNETT - The budget papers set it out reasonably clearly, is my understanding, and we're working through the 2025-26 Budget of 29 May next year. It'll be more particularised in those documents.

CHAIR - Can we expect to see an increase in borrowing in the out years, because 2027 there's some funding, that will come from TASCORP, until the fund's empty. Then 2028-29, 2029-30, they're the ones that are beginning to show up. Can we expect to see additional borrowings needed to fund health services to continue delivering the services that are not fully met by this fund? I absolutely get that.

Mr BARNETT - I'd say two things. We have the funds now, as the chair's outlined, the interest benefit for the state, and then we have the Budget -

CHAIR - Which will disappear as well.

Mr BARNETT - We have the Budget, which would outline the expenditure for the Mersey Community Hospital Health Services, which are very important for the north-west coast. To make it very clear, those services are continuing, and we appreciate those services and the importance of them. It's reflected already in the current Budget. It will be reflected again in next year's Budget. I will not pre-empt next year's Budget - in terms of how that funding is met, that will be made clear on the 29 May 2025.

Ms O'CONNOR - Is the Commonwealth going to chip in, do you think? Again?

CHAIR - I reckon they've done their bit.

Ms O'CONNOR - Has there been an approach made to the Commonwealth about future Mersey Hospital funding?

Mr BARNETT - I'm not aware of any approach to the Commonwealth regarding that funding. I'm aware of other approaches on other matters, and look forward to ongoing engagement accordingly.

Ms O'CONNOR - Is there a debt limit that the state would have? Is there a point at which - and I don't know if this is more a question for Treasury than TASCORP - but TASCORP undertakes the borrowing. Is there a point at which the state, is there a number, or an understanding, that there's a debt limit for the state?

Mr FERRALL - No. There isn't, simplistically, a debt limit. There would be a point where we, as a jurisdiction or as a CBA, would not be able to raise money in the markets, but what that is, again is an unknown. Ultimately, parties who are lending or investing, investors, effectively look at the capacity of the state to provide the return and for them to ultimately recover their full investment. There isn't simplistically a debt limit that we'd say 'X billion' is all the state could ever borrow. However, at some point, as we're seeing in the UK, markets react to behaviours of governments. They react pretty quickly. The UK found that there was a debt limit.

CHAIR - Well, Liz Truss did, anyway.

Ms O'CONNOR - Can I ask a question about Homes Tasmania? I'm interested to learn, when Homes Tasmania seeks to increase its borrowing, how TASCORP works with Homes Tasmania to understand how those borrowing costs might be met by Homes Tasmania - given that, presumably, they have a large capital program, but that'll take some time to come to fruition and earn any income. What's the process of sitting down with an entity like Homes Tasmania, which is a new business, if you like, to work through future sustainability of that entity? Noting that today, a review of Homes Tasmania has just been announced, so there's more scrutiny and upheaval for this entity, how does TASCORP work with Homes Tasmania on those questions?

Mr FERRALL - As a new entity, TASCORP is effectively reliant on the budget forward Estimates, which indicate the level of support that the government is providing Homes Tasmania for debt support or debt servicing.

We have worked with Homes Tasmania in respect of its forward budgets and, again, as a newish entity it is working through a number of challenges in relation to how it's going to manage all of its requirements going forward. From the narrow TASCORP perspective, we're comfortable that we have a guarantee from the Treasurer, and the level of borrowings that Homes Tasmania has, and would be approved potentially in the future, will be supported by the government.

Ms O'CONNOR - The government.

Mr FERRALL - The government. We're comfortable with that scenario, from that narrow perspective.

Ms O'CONNOR - Is there a process, however, of TASCORP working with Homes Tasmania, should they come for extended borrowings, or is the guarantee of the Treasury enough?

Mr FERRALL - The guarantee from the Treasurer is not enough on its own. We work with all of the entities in respect of whether we believe we have concerns, or otherwise, about their capacity to meet their proposed borrowing program, and how they would need to meet it. Ultimately, we would lend to any entity that the government required support for, because we are the central borrowing authority for the state, but we would work with the entities in relation to their capacity. In terms of the Treasurer providing a guarantee - depending on the circumstances, we may provide the Treasurer with advice, from a TASCORP perspective, in relation to the particular entity and what providing the guarantee might entail or mean.

Ms O'CONNOR - The TASCORP act (*Tasmanian Public Finance Corporation Act 1985*) is becoming quite aged. This might be a question for the Treasurer - is there any move potentially to update the act? It was interesting that in your opening remarks, Treasurer, you made the statement that TASCORP is here for the benefit of the people of Tasmania - and I'm sure that's true - but it's nowhere explicit in the legislation, for example, that that's TASCORP's primary purpose. Are there any moves to modernise the act? Is there any need? Or is the act working well?

Mr FERRALL - I think the act works well. We haven't found it to be restrictive or concerning from our point of view. Certainly, if the government is looking at the GBE act, then TASCORP, as a GBE, would pick up any changes that occur in the GBE act. TASCORP's act specifically, there were changes made in respect of the legislative guarantee from the Treasurer. There have been some amendments over time. It hasn't been an act that I think needs substantial amendment, personally, but like all legislation, over time things can change and things need change and improvement. It certainly doesn't [inaudible] any restrictions in terms of us operating in the market. We're not finding that there's any concerns. I think the limitations in terms of our functions and powers are appropriate in that they require us to have due regard to appropriate levels of financial risk. As we go forward, TASCORP could probably seek some assistance in what that might mean or interpret in terms of what are appropriate levels of financial risk. Then there's an overlay of question of financial risk to whom, which we might seek some guidance on as well. The financial risk to the entity might be quite different to the financial risk to the entity we're lending to or to the Treasury of the state of Tasmania.

Ms O'CONNOR - The state of Tasmania.

Mr FERRALL - The GBE act provides us with appropriate guidance in terms of our responsibilities, particularly from a TASCORP perspective in acting in accordance with sound commercial practice, which for an entity like TASCORP is more appropriate, I think, than might be in other circumstances with some of the other entities which might be required to act more as a policy instrument for government. I think the overlay of 'Tasmania first' needs to be thought through in terms of articulating to TASCORP and how that links with the TASCORP act. All of those things are things that don't require the TASCORP act to be blown up or changed, I think they just require appropriate communication and articulation.

Mr BARNETT - I might add to that answer. Thanks very much for the question. I concur with the good results for TASCORP, particularly in the last 12 months. I want to make it very clear in the short couple of months that I've been in the Treasury role there's been no recommendations for reform specifically to the TASCORP legislation. I wanted to make the point as we go through the GBE reform process, which we're seeking feedback from the public and stakeholders by 13 December. As we consider that and then work through the reform process, we had the chairs and CEOs of all the GBEs that the Premier and I hosted some weeks ago at a round table talking about the GBE reform process, seeking their feedback which they've indicated that they will provide by 13 December, which is greatly appreciated. I'm giving you the heads-up that we'll consider that very carefully. It's a very serious process and there may or may not be consequential, potentially minor, legislative amendments to TASCORP.

In terms of the GBE reform process, we're taking it very seriously. I've indicated there was likely to be legislative reform measures made available for the public and for yourselves and others by the first quarter of next year and a range of other reform measures that we will release and announce once we've given that due consideration based on the feedback. I want to make it clear we're backing business, we're growing the economy, it's a Team Tasmania approach, the GBE reform process, and it's very important and we're getting on with the job.

Ms LOVELL - I just wanted to go back to the TT-Line agreement. You said, Mr Ferrall, that you were expecting that work to be done imminently or for the information to come through from TT-Line imminently. So, two questions. First of all, has TASCORP given any

deadline or time line to TT-Line around when you need that work to be undertaken or the review to be done?

Mr FERRALL - I'm not aware of a deadline. So, again, mechanical sense, we have written to TT-Line and Heath has met regularly with TT-Line, so, we've sought the information that we believe we need going forward. TT-Line has advised that they need to work through a number of matters, which again is not unreasonable and, so, we're not putting a fixed deadline on that. When we get the information, it'll be considered by the TASCORP management team in terms of our credit committee will review that information and then there'll be a paper which will come to the board, which will be effectively a TASCORP view of TT-Line's forward projections of revenue and expenditure in the changed operating environment that they're dealing with.

Ms LOVELL - So, without asking you to predict anything, can you tell us what the range of actions might be that could be undertaken once that full review has been completed?

Mr FERRALL - Look, it's difficult to come up with a range of actions that might be taken. I think ultimately it's going to come down to the level of support that TT-Line might need going forward if it has an increased borrowing program and has curtailed revenues. So, I wouldn't like to really go any further than saying there might be a need for increased support which the government is well aware of.

Ms LOVELL - Do you know what the, or can you tell us, what the current borrowing limit is for TT-Line?

Mr FERRALL - Yes, at the moment it's \$990 million with a working capital facility of \$45 million.

Ms LOVELL - So, it's possible that may need to be increased. Is that a possibility?

Mr BAKER - We've received no formal request from TT-Line as yet. So, as the chair mentioned, they're still working through what those longer-term financial impacts are. Just to clarify, we have received some short-term financial forecasts for the next two or three years. But, because these ships are long-life assets, we've asked for the business case to be reproduced with those longer-term financials.

Ms LOVELL - Just going back to the actions, the outcomes, that could occur. For people that - I am a bit like the member for Hobart, this is not my wheelhouse - I suspect there's a lot of people who might be paying attention to this who don't know anything about TASCORP and how it operates. So, what are some of the things that could be an outcome? So, increased borrowing might be an outcome. What other things might be an outcome of the review? What other things can TASCORP do?

Mr FERRALL - So, in circumstances where an entity we are lending to is judged by TASCORP as not being able to support the borrowing. That's an extreme example -

Ms LOVELL - And I'm not suggesting this is what you're expecting. No.

Mr FERRALL - No, and if that was an outcome, we would need to talk to the Treasurer, who is effectively the guarantor for the entity, as you would have in circumstances where you

PUBLIC

were a guarantor for an entity with a view to finding a way forward in terms of ensuring that the entity can meet its obligations to TASCORP. Quite obviously TASCORP doesn't have the capacity to absorb an entity not meeting its obligations, because we have obligations on the other side. So, in those circumstances, an outcome might be greater budget support. The forward projections might indicate or imply that there's a different approach to borrowing that might be required in terms of the time frame.

So, the very original TT-Line business case was actually going to repay their debt over a relatively short period of time, because -

CHAIR - Because the vessels were going to be on the run now.

Mr FERRALL - Well, no, it's because TT-Line - partly, but TT-Line is a very good business and it is a high cash flow business. TT-Line, was able in its base case to demonstrate that it could repay the borrowings over a relatively short period of time. Now, clearly that's changed. That might mean that we look at a different borrowing program or we are looking at changes -

CHAIR - Like, a different repayment schedule? Yes.

Mr FERRALL - Changes, yes, changes in refinancing which might occur. There's a range of things that we'll work through with TT-Line and obviously, the government.

Ms LOVELL - Yes. Thank you.

CHAIR - What information you're waiting for, we don't know the answer to that yet. Answers are being provided to the Public Accounts Committee, for example. Like, we don't know if we've got a lease to lease the vessel. I don't think we've got a cost of the berthing costs in Leith, Scotland. We don't know how much the berth in Devonport's going to actually cost. What does TASCORP and the government need to know before these decisions can be made about any reprofiling of their debt?

Mr FERRALL - Well, ultimately to look at the debt profiling, TASCORP would need to have a good understanding of the significant cash flows in and out going forward. That's what we'd be looking for and TT-Line are working through that at the moment.

CHAIR - We don't have the answer to some of these questions, you said imminent, but is that a realistic expectation, whatever imminent means?

Mr FERRALL - Well, as soon as practicable and sensible from my point of view. We might get a set of projections from TT-Line which still has some gaps, but we might be able to work with that and say well, okay, that gives us enough of an indication going forward. Fundamentally notwithstanding all of the noise around and concern around TT-Line, which is, quite legitimate for other reasons, from a lender perspective TASCORP is comfortable where we are now in terms of TT-Line's capacity to meet its debt and the requirements in the short-term.

We recognise there's a significant change. We know that will change, potentially, their original business case negatively, because there is a gap between the revenues they were going to get and there is increased debt. What we need to know is what does that look like in reality

PUBLIC

for TT-Line in their short-, medium- and long-term projections. When we have that, we can work through the debt scenario on the other side. We can identify whether there are any concerns or issues which we need to address, but at this stage it would be inappropriate to say there are concerns, notwithstanding there might be some things that obviously are going to change.

CHAIR - Minister, in regard to the building of berth 3 above deck works that are TT-Line's responsibility - is it expected that TT-Line will fund all of that through debt funding? You as Treasurer must have some -

Mr BARNETT - Well, thank you for the question. I'm not the minister for TT-Line. I think the chair has answered many questions about the TT-Line as TASCORP relates to it. My advice is what the chair said in terms of the guaranteed debt level at a bit over a billion dollars, \$1.035 million and my advice is at 30 June 2024, TT-Line's debt level was \$582,205. In terms of their future needs, again, my advice indicates that TT-Line may need to exceed its current guaranteed debt level of \$1.035 million from, I understand mid to late 2025 until the sale of the existing vessels. No doubt the business TT-Line will consult TASCORP as the chair's outlined and then TASCORP will provide advice to me as Treasurer and I'll seek advice, likewise, from TASCORP but also Treasury and other places.

CHAIR - Yes, what I was asking about is the requirement for TT-Line to fund all of the berth 3 works above the deck? What is your expectation about that as to how it's going to be funded?

Mr BARNETT - That's a matter for TT Line. I'm a stakeholder shareholder minister in TT-Line sitting here today with the TASCORP scrutiny. I believe the chair's outlined the summary quite well. I've just added to that in terms of requests that might come through to me as Treasurer, I will seek advice from Treasury, from TASCORP and from whoever is required to respond in the most responsible and sensible way.

CHAIR - As Treasurer, you haven't had discussions with TT-Line about their needs to fund this build that might require additional borrowings in both the hats of shareholder, minister, TT-line and the shareholder?

Mr BARNETT - I am not sitting here today as the TT-Line minister. I'm sitting here as the Treasurer responsible for TASCORP, which we are having a scrutiny hearing.

CHAIR - The question was about the borrowings that might end up with TASCORP. Is that the expectation the additional borrowing, once they get all this information that will include the amount they need to borrow to finish that work?

Mr BARNETT - As I say, that's a matter for TT-Line and when those requests are put to me.

CHAIR - It is not really if it ends up with TASCORP.

Mr BARNETT - I will take advice on those matters. It's very important all GBEs borrow through TASCORP. I'll take advice from TASCORP and TT-Line will no doubt make their views clear to TASCORP. The chair is sitting next to me. The chair has answered it very thoroughly. I take these matters very seriously and I'll take advice on it.

CHAIR - If I ask the chair then, has there been discussions with TT Line? Early on in our hearing, you said you consult with the Treasurer and all the government businesses to understand their requirements for borrowings. Is this something that TT-Line has raised? They will need to borrow additional funds to fund berth 3 works which they're responsible for?

Mr BAKER - There've been discussions with TT-Line regularly, probably more regularly than in normal practice, which is good. TT-Line has been open and transparent with us, but at this stage they are still working through what their requirements are with the recent developments. We've not received any requests for a formal increase, noting that it will be guided by the updated financial forecast.

CHAIR - That's one of the pieces of information you'll need to look at additional borrowing should they be requested as well as perhaps, the cost of mooring it in Leith and all the other things that might have to happen.

Mr BAKER - Yes, these are all, you know, material matters that need to be built into the cash flows both in and out for the business in the short and medium term.

CHAIR - I might move on to another area if that's alright, in respect to the governance of the organisation. I note there are three board members -not a big board - whose terms are expiring in a relatively short period of time. Yours, Mr Ferrall, is up in the middle of next year. There is another in May next year, which is before that, and one in September the following year. What's the plan for renewal there?

There are two parts of this question, the plan for renewal, what are you doing to plan ahead, because it's obviously a specialised set of skills this board requires? How are you promoting diversity on the board in the recruitment?

Mr FERRALL - Ultimately, it's a matter for government in relation to whether particular board members or - at the end of particular terms they are potentially extended or not. The first point is a matter for government to work through. We are currently planning for a recruitment phase for David Sietsma, who's a board member who is due in May. Currently, at the end of May, it's my understanding, that I will not be continuing beyond that point in time.

CHAIR - There are two members pretty close together.

Mr BAKER - Previously, the board was four and at the moment it's five because Gary, Secretary of Treasury, is also on the board. So, Gary's most likely a matter for government, going to replace me as chair in May/June next year. I will leave the board. And then we will have a board which is currently, or then gender diversified two and two, in terms of gender diversity.

The replacement for David, if that is the government's position, would be done through a recruitment process between effectively January and May next year.

I've been involved in, over time, all of the recruitment processes that we've had for TASCORP board members, and they are generally quite difficult recruitment processes. There are individuals that you require the board have quite unique skills and it's not a proliferation of people in the community who would necessarily have the skill sets that are needed. So, we

have always had a lot of challenge trying to, you know, maintain and keep the appropriate skill sets.

CHAIR - You focus on the skill sets more than diversity. I'm not just talking about gender diversity. I'm talking about other forms of diversity, which is not a bad thing, I'm not saying it's wrong.

Mr FERRALL - The point I would always make is that you have to look at the skill sets first. What you've got to do is create an appropriate environment that ensures that you can get those skill sets and get diversity.

You can't recruit for diversity on a small board, particularly because you may not have appropriate skill sets for the board to function. So, we always focus on appropriate skill sets, but have an eye to ensuring diversity as much as possible. But we have to recognise and acknowledge that the market that TASCORP is in is an exceedingly narrow market. You know, each state has a CBA and you've effectively got the equivalent in the Commonwealth. Beyond that there are no businesses that are the same as TASCORP in the country.

So, when you're looking at an appropriate skill set, yes, we look at banking and we look at investment and all of those things, which gives us a wider pool. But, there are some skills that are just not - you know, it's not generic banking to be frank.

Ms O'CONNOR - Are you actually leaving this time?

CHAIR - He just said he was.

Ms O'CONNOR - I didn't know that, but you've been Secretary of Treasury for such a long time, a very good one I might say.

Mr FERRALL - Thank you for that. My term finishes in May next year. So, historically, the Secretary of Treasury has been on TASCORP, not necessarily always chair, but has been on TASCORP. I have a personal view that it is important for Treasury to be represented on the TASCORP board. Doesn't necessarily have to be the secretary, but that's for others to debate or work through.

It's very important, I think, and necessary for ensuring there's appropriate communication between TASCORP and Treasury.

Other jurisdictions don't necessarily have exactly the same model, but they do tend to have, you know, Treasury closely aligned with their TASCORP equivalent, for very obvious reasons.

CHAIR - No surprises.

Mr FERRALL - It's no surprises. It certainly aids. Information flows to and from both organisations, which are critical to ensure that they can function properly.

So, long answer to your question, yes, I'm finishing in May.

Mr BARNETT - I'd like to add to the answer if I could, very briefly.

I'd like to put on the record my sincere thanks and appreciation to Tony Ferrall for his long and distinguished service to the public, specifically to Treasury and specifically in this case to TASCORP since 2013 on the board, and obviously as Chair of the Corporation, for which I am very grateful, the government is very grateful and I think others, hopefully, I'm sure around this table and elsewhere are also very grateful and I want to acknowledge that. Thank you, Chair.

CHAIR - Just on matters of corporate governance, acknowledging that we won't see Tony next year - well, not on this one anyway, maybe he might pop up as a chair of TT-Line or TasPorts. Which one do you want?

Ms THOMAS - Or a merged version.

CHAIR - I'm interested in terms of governance and I welcome the government's review. I think the review is probably going to solutions too fast, the paper was put out - personal opinion - but back to the matters of board governance here, how frequently does the board evaluate its own effectiveness and what metrics are used?

Mr FERRALL - We do it annually. We have a range of metrics. We also do an external board review periodically, so we effectively call and do a self-evaluation anonymously internally and annually, but we also have an external review done as well.

CHAIR - How often is that done?

MR FERRALL - It's generally about three years.

CHAIR - So, when was the last one done?

Mr FERRALL - It was 2022 or 23. 2022.

CHAIR - That must be due again. What was the outcome of the 2022 review?

Mr FERRALL - Look, it was a very positive review but I mean, we go through a whole range. For a board to work well people have to be very functional, work extremely well together, they have got to be open, you've got to have people who are willing to stand up and make comment, you've got to have people who don't take things personally, if there are comments. We go through a feedback approach which, yes, deals purely with metrics, you know - do we have enough meetings? Are the meetings too long? Are they too short? Does management get the feedback it needs?

CHAIR - Does everyone participate? Those are the questions?

Mr FERRALL - Everybody participates, including management in that feedback, but we also, effectively, do anonymous feedback on the individual board members where we basically provide the feedback that we might see as necessary in terms of whether somebody's not participating enough, whether somebody's dominating debate or discussion, whether I, as chair, we're letting the debate go too long, all of those sorts of things. We take that feedback and, as we have recently with an internal board review, we then consider all of that feedback and to give, by way of example in the last feedback, we had some comments about the level of

detail in some of the management papers and as a board we recognised that sometimes we might be burrowing too deeply in terms of getting some level of detail that might not be necessary or in some cases was repetitive because we had a paper on it last month, but we asked for another paper, et cetera. I gave Heath some feedback from our board review, which effectively said 'look, we're open to you having reference to past papers rather than trying to repeat them in the current papers. We're open to you referring to internal management committees such as the asset liability committee or our credit committee in the papers so that the management of TASCORP doesn't have to go and write another 40-page paper'. Now that might sound a little thing, but when you're a very small organisation and you're doing multiple papers for a board, it can make a lot of difference.

CHAIR - Are there any requirements for professional development for the board and all senior management?

Mr FERRALL - There's not directly for the board, not purely requirements. We're quite open to any professional development that might be requested or required from the board. In terms of the management, I'll let Heath talk about professional development, but we do have quite an extensive approach in terms of trying to professionally develop our employees at TASCORP. Again, we're a small organisation, difficult to recruit into some roles - not all roles, but some roles in TASCORP are difficult to recruit into. We don't have a high turnover generally, which is good and we like to ensure that our people are well-developed, particularly in terms of creating some form of succession planning internally where we can. We're also not averse to ensuring that people are developed to ensure that they have other opportunities, which may not be with TASCORP, but at least you develop them to ensure that they do have opportunities which make them much better employees whilst they're with you.

Mr BAKER - Not sure I can add much more than that, but it is a key focus of management with a team of 22. We've recently had some turnover in the senior management team, so, developing those into their current roles understanding the TASCORP business, the financial markets business. We do spend a lot of time and resources and a very highly specialised team right across the board. Professional development and training is something that we really concentrate on to keep our staff engaged to ensure that we don't have a high turnover of staff because it is a very narrow field.

CHAIR - Do you monitor who's doing what training?

Mr BAKER - Yes.

CHAIR - Is there funding for the staff to undertake training?

Mr BAKER - Yes, there is appropriate funding provided and the board has never provided any pushback in providing that appropriate level of funding.

CHAIR - Acknowledging your challenges in recruiting to some positions, I note your gender split, but you haven't provided a gender pay gap. I thought by now we'd all have them, but no, not only TASCORP, hardly any of them.

Ms O'CONNOR - Perhaps there isn't one.

CHAIR - There absolutely is one.

Ms O'CONNOR - At TASCORP.

CHAIR - There would be a gender pay gap. We can look at the management structure and be almost certain.

Ms O'CONNOR - Because it is not diverse?

CHAIR - Yes. I wonder if you could - actually, a swan song, Tony - just ensure -

Mr FERRALL - It depends how you measure gender pay gap. TASCORP does not pay differentially on the basis of gender.

CHAIR - That's not what gender pay gap is.

Mr FERRALL - No, I understand that. We ensure that all of the employees, regardless of gender, are appropriately remunerated for their role. In terms of more broadly is there a gender pay gap? Yes, there is.

CHAIR - It would be good to report it. It should be normal practice for every GBE. TasNetworks do it, at least they did last year. I haven't looked at theirs this year because I've been looking at others, but they have led the way in that.

Mr FERRALL - We don't have any problem in reporting that.

CHAIR - It would just be really good to have it as an important measure, because when it improves it is good to know - acknowledging the challenges in this particular business.

Mr FERRALL - We don't have any problem with reporting it. As I said, you have to start from the premise that we ensure everybody is paid appropriately regardless of gender.

Ms LOVELL - That is the law and has been for a long time.

CHAIR - I am not suggesting you don't.

Mr FERRALL - Even if it's part of the law, it's not always appropriate, particularly in terms of what actually occurs.

Ms LOVELL - Do you know what your gender pay gap is? Can you provide it for the committee?

Mr BAKER - We did look at it internally and at a management level, but, as you pointed out, we are a small organisation. The composition of the senior management team would probably speak to what that gender pay gap may look like there.

CHAIR - I am assuming Fahim is male?

Mr BAKER - Correct. As I say, we do monitor it and we are mindful of it when we move into the recruitment process. It is a small organisation with a very low turnover. It is

something we're monitoring and build into our processes and practices, but we are not formally reporting.

CHAIR - Reporting helps.

Ms LOVELL - Can you tell us what it is?

Mr BAKER - Not off hand.

CHAIR - Can you provide it to the committee?

Mr BAKER - Yes, we can provide that to the committee.

Mr FERRALL - Yes, take it on notice.

Ms O'CONNOR - I want to go back to the review that's planned for TT-Line. Sorry to rake over old coals, but just to get some more clarity here. TASCORP has decided to undertake a full review of TT-Line. That would mean finances, borrowings, future necessary borrowings and capacity to repay, is that correct?

Mr FERRALL - Broadly, yes.

Ms O'CONNOR - Was this review initiated by TASCORP or did TT-Line come to TASCORP to talk about the state of the books and then TASCORP decided it was time to do a full review?

Mr FERRALL - We undertake a credit review of most clients annually anyway. We do look at all of our clients annually on the basis of their credit. In respect of TT-Line, the particular catalyst for this one was the MLFA breach, but we would have been doing a review of TT-Line in the normal course anyway. As I said, we don't sort of set and forget. We do a credit review on the entities, pretty well everyone, annually.

Mr BAKER - Yes.

Mr FERRALL - At the moment so.

Ms O'CONNOR - Okay. So, when you talked earlier about undertaking this full review is what you're saying is that it is TASCORP's standard operating procedure with GBEs, but this one in part has been catalysed by a breach but also changing financial circumstances as a result of the incapacity to get the new boats operational?

Mr FERRALL - Well we had. Certainly, there have been changed circumstances over the period of time and since August, when we were advised of the MLFA breach and we decided in the ordinary course we would do a review, there has been more information come out in relation to the delay, which has led to more questions from TASCORP in relation to how different the original business case is as compared to what the future might now look like. So, that's why from the board perspective we've asked management to present that more detailed review.

Ms O'CONNOR - So, that review would involve TT-Line management coming and presenting to TASCORP about their financial position and their likely projections and then working with TASCORP potentially, I think I heard you say earlier, not to refinance but perhaps reschedule some of the repayments? How does it work? When you undertake a review, what's the outcome likely to be? Without, I mean, obviously, you can't prejudge the outcome, but what's the objective?

Mr FERRALL - Well the objective is from the board perspective to ensure that we can be satisfied that TT-Line in the changed circumstances has the capacity to meet its borrowings or projected borrowings going forward.

CHAIR - So, possibly over a longer period, for example?

Mr FERRALL - There could be an outcome, a change in borrowing profile.

So, look, when we from TASCORP get a set of projections from an entity in relation to the period going forward, we look to sensitivity test it around whether the base case makes sense or whether there are other things that we might, from a more conservative point of view, feed into the base case. So, it's not simplistically picking up what TT-Line might put forward; it's putting a critical lens over it from a lender perspective. Then in some cases we would go back to the entity and say, 'Look, we've looked at this particular assumption. We don't think that's particularly sensible.' An example might be their business case might have a particularly high or low interest rate assumption and we might look at that and go, 'Well, no, that doesn't necessarily make sense and here is our information on the forward curve and we think it's going to be higher or lower than that, then maybe you should consider that as part of your base case as opposed to something else.' So, it's a two-way and detailed interaction. Ultimately, management will present to the board TASCORP's assessment and then, without pre-empting anything, then TASCORP's board can make a decision as to what it might need to do, if anything.

Ms O'CONNOR - Okay, thanks for that. Have there been any further breaches of the master loan facility agreement from TT-Line? Or was it a single event that sparked the review?

Mr FERRALL - No. It's only that they are and are probably still currently in breach of the interest coverage ratio.

Ms O'CONNOR - So, they're unable to repay the interest on their borrowings?

Mr FERRALL - No.

Ms O'CONNOR - They're not repaying the interest on their borrowings?

Mr FERRALL - No, they've exceeded a particular financial ratio that we set as, call it a prudent financial ratio in relation to interest coverage, and TT-Line is required to report to TASCORP if they exceed that particular interest cover ratio, which is what occurred. Now again, it occurred in June.

Ms O'CONNOR - Yes.

PUBLIC

Mr FERRALL - It didn't occur in May and in a mechanical sense, what TT-Line would be doing is they would internally have something set which says they monitor that. They're required to report that to TASCORP, which they have. As we've discussed earlier, we consider that and take appropriate action if necessary.

Ms O'CONNOR - Okay. Chair, I know the member for Rumney sort of asked this before, but how long is this review process likely to take? When would it please TASCORP to have some resolution to the matters?

CHAIR - Probably yesterday.

Ms O'CONNOR - Yes.

Mr FERRALL - Well we'd like to have the information as quickly as we can, but I can't require an organisation to produce something it doesn't know. We are also tied with TT-Line, working through those sorts of requirements to then produce a revised set of projections and revised business case and a review in terms of the cash flows going forward.

It's a big organisation, they can't do it instantly and we can't expect them to and it might take a number of months. As an organisation, we're not concerned about the delay in receipt of the information because we understand where TT-Line is at this point in time and we don't have any critical concerns in relation to its capacity to meet its obligations to TASCORP. If we did, we might have a different view.

Ms O'CONNOR - Okay. Thank you.

CHAIR - In your review of TasWater and their likely borrowing requirements, noting the commitment of \$200 million over - was it 100 or 200 - \$100 million over 10 years has all been paid up-front. Yes, \$200 million it was because there was \$50 million in the last two years. Half of that goes back to councils as dividends, not necessarily directly, but that's how much, it's half of the amount pretty much that the government provides as equity into TasWater goes back to councils. Are they indicating they're going to have to increase their borrowings to deliver their program?

Mr FERRALL - I think [inaudible 10:57:48AM] discussion with TASCORP - with TasWater.

CHAIR - TasWater.

Mr BAKER - No, it's more of - most of the businesses that we have an increasing infrastructure spend and TasWater is pretty much like every other government business that they are forecasting their borrowing requirement is going up. I think they've got a \$1.5 billion infrastructure project over the next four to five years they need to fund, whether that's from free cash flow and/or borrowings. Yes, their borrowings are forecast to increase. We have regular meetings with them and we establish a review each year to look at what their borrowing requirements are over the next 12 to 18 months to ensure they've got limits in place.

CHAIR - You're not concerned about their capacity to meet the obligations without the proposed government support because that money is all in there now.

PUBLIC

Mr FERRALL - No, I don't - look, the history of the government support or the equity injection also included a requirement over a period of time for TasWater not to increase its water charges. There were multiple angles to that original equity position the government took. From TASCORP's perspective, we'll look at their future borrowing the same as we look at everybody else. We'll look at their revenues. I mean quite obviously they have regulated revenues which you know, assists in that regard from a lender perspective, but we'll need to look at their forward program and make a lending decision at that time.

CHAIR - This one for you then, minister, as treasurer, because it was Treasury who put the money into the organisation, being that it's at least two years ahead of what was planned in providing TasWater with that equity. Does that mean the rules that applied with that equity investment of no increasing water charges still applies or is that now redundant?

Mr FERRALL - That was for a fixed period only.

Mr BARNETT - Yes.

CHAIR - For the fixed period of the 10 years?

Mr FERRALL - I know some history, but I would need to check it but there was a fixed period only, and it wasn't for 10 years, I'm pretty certain of that. It was a limited period. TasWater again as a regulated entity has sort of a known revenue return that it gets as well. We, as a purely TASCORP perspective, will look at its borrowing requirements, look at the potential variability and its revenues and make a lending decision.

CHAIR - It is 11 a.m. thanks everyone.

Mr BARNETT - Chair, can I just -

CHAIR - Yes.

Mr BARNETT - Thanks very much, Chair. That's alright. I just wanted to clarify.

CHAIR - There are a couple of matters outstanding, there's obviously the gender pay gap we'll write to you about. There's also the guarantee limits for each of the GBEs. Do you have that now to table or?

Mr BAKER - There're not in a format yet.

CHAIR - We'll add that to the list.

Mr BARNETT - We can do it quickly today. It hasn't been formatted, I'm advised. We'll get to it very swiftly.

CHAIR - We'll include it in our in our correspondence.

Mr FERRALL - We'll definitely provide it. There's no issue.

CHAIR - Yes, that's fine. If you provide it now, I wouldn't need to ask, but that's alright.

PUBLIC

Mr BARNETT - That's not a problem. We'll get to it.

CHAIR - Well, thanks for your time today and all the best in your retirement, Tony, and look forward to see where you might pop up next.

Mr BARNETT - He's not retired yet.

CHAIR - Thanks, minister.

The witnesses withdrew.

The committee suspended at 11.01 a.m.



PARLIAMENT OF TASMANIA

TRANSCRIPT

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE A

Tasmanian Water and Sewerage Corporation Pty Ltd

Tuesday 3 December 2024

MEMBERS

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

WITNESSES IN ATTENDANCE

Kevin Young, Chair

George Theo, TasWater Chief Executive Officer

Tony Willmott, General Manager Project Delivery

Matthew Derbyshire, General Manager Sustainable Infrastructure Services

Kane Ingham, Chief Financial Officer

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

PUBLIC

The committee resumed at 11. 17 a.m.

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

Mayor, did you want to make some opening comments?

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

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

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

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

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

CHAIR - Which means we show no mercy.

Mr THEO - George Theo, Chief Executive of TasWater.

Mr INGHAM - Kane Ingham, Chief Financial Officer.

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

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

CHAIR - Thank you. Over to you, Wayne.

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

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

PUBLIC

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

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

CHAIR - Thank you. Welcome to the chair.

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

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

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

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

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

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

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

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

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

PUBLIC

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

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

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

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

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

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

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

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

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

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

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

PUBLIC

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

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

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

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

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

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

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

PUBLIC

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

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

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

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

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

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

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

CHAIR - Yes.

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

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

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

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

PUBLIC

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

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

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

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

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

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

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

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

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

PUBLIC

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

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

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

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

Mr YOUNG - Yes.

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

Mr YOUNG - Yes.

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

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

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

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

CHAIR - Cassy?

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

Mr YOUNG - Yes.

PUBLIC

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

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

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

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

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

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

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

Mr THEO - Yes.

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

Mr THEO - Yes.

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

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

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

CHAIR - Yes.

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

PUBLIC

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

Mr INGHAM - Yeah.

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

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

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

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

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

Mr INGHAM - Yes.

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

Mr INGHAM - Yes, 55 per cent.

Ms O'CONNOR - Fifty-five per cent.

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

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

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

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

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

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

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

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

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

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

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

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

PUBLIC

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

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

Mr THEO - Correct.

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

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

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

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

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

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

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

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

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

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

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

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

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

Mr THEO - Yes, pretty much so.

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

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

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

Mr THEO - It was both.

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

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

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

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

PUBLIC

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

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

Ms LOVELL - As in the reading of the meters?

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

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

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

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

Mr THEO - Yes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PUBLIC

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

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

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

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

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

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

Ms LOVELL - You said 10 million. Yes.

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

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

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

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

Mr DERBYSHIRE - Yes, that's better.

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

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

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

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

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

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

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

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

Mr THEO - Yes.

Ms LOVELL - You've got measures in place.

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

Ms LOVELL - Okay. Thank you

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

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

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

PUBLIC

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CHAIR - What's your total workforce?

Mr THEO - About 928, 930.

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

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

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

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

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

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

CHAIR - Electricians, plumbers.

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

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

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

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

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

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

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

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

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

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

Mr THEO - Absolutely.

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

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

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

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

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

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

Mr INGHAM - It's linked to milestones.

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

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

Mr INGHAM - Progressively pay it.

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

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

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

Mr WILLMOTT - Correct.

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

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

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

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

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

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

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

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

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

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

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

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

PUBLIC

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

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

Mr THEO - Yes.

Ms O'CONNOR - Presumably it's there.

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

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

Ms O'CONNOR - It's still toxic.

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

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

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

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

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

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

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

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

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

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

Mr DERBYSHIRE - Yes.

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

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

Mr DERBYSHIRE - They're done monthly.

Mr THEO - It's done monthly.

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

Mr THEO - Is that right, Matt?

Mr DERBYSHIRE - Yes.

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

PUBLIC

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

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

Ms O'CONNOR - Thank you.

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

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

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

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

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

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

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

PUBLIC

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

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

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

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

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

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

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

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

Ms O'CONNOR - Okay.

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

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

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

Ms O'CONNOR - Oh really?

Mr YOUNG - Yes.

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

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

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

PUBLIC

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

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

Mr THEO - No, the manager of industrial relations.

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

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

CHAIR - We'll put that on notice too.

Mr THEO - Sure.

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

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

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

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

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

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

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

PUBLIC

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

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

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

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

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

Unknown - That's correct.

Mr YOUNG - Was selected to undertake that work.

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

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

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

PUBLIC

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

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

CHAIR - Yep.

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

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

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

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

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

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

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

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

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

CHAIR - Yeah.

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

Mr YOUNG - Okay.

CHAIR - All right.

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

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

PUBLIC

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

CHAIR - All right. Yep.

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

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

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

CHAIR - Who checks that's happened?

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

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

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

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

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

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

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

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

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

CHAIR - The owner reps?

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

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

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

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

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

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

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

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

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

Mr YOUNG - I understand.

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

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

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

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

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

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

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

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

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

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

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

PUBLIC

Ms O'CONNOR - They built them very well.

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

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

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

The witnesses withdrew.

The committee suspended at 1.05 p.m.



PARLIAMENT OF TASMANIA

TRANSCRIPT

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE A

Metro Tasmania Pty Ltd

Tuesday 3 December 2024

MEMBERS

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

WITNESSES IN ATTENDANCE

Hon. Eric Abetz MP, Minister for Business, Industry and Resources, Minister for Transport

Mr Tony Braxton-Smith, Chair

Ms Katie Cooper, Chief Executive Officer

Mr Jesse Penfold, General Manager – Finance

Ms Kellie Dean, Company Secretary

PUBLIC

The committee resumed at 1.44 p.m.

CHAIR - Thanks, minister, and welcome to the scrutiny of Metro Tasmania for this year. We appreciate your appearance and those of the team with you.

I invite you to introduce the members of the team at the table, and I expect you'd like to make some opening comments about Metro's performance.

Mr ABETZ - Yes. I have about three or four pages, but I will truncate that to about one.

Thank you, Chair. On my left is Tony Braxton-Smith, who is appearing at his first Tasmanian Estimates hearings, so welcome, Tony, and Katie Cooper, who is the CEO.

A fun fact - during 2023-24, Metro delivered 6.87 million passenger journeys. That's something that gives you an indication of the size of the Metro operation.

However, like many operators around Australia, Metro has experienced driver shortages, which has impacted its ability to deliver services. That's why the government has provided a range of additional supports to Metro to help attract and retain drivers and restore full service delivery as soon as possible. In that, the latest budget includes \$14.1 million to support the ongoing provision of public transport service and improve efficiency. With all that, we are hoping a staged approach will be able to be taken to restoring services as staffing permits.

In good news, Deb Gray, one of our drivers, was nominated at the Bus Industry Conference and was awarded the National Driver of the Year. That's a good accolade for anybody, but somebody from Launceston, from Metro.

CHAIR - Because they're from Launceston?

Mr ABETZ - Launceston, yes.

CHAIR - That's what you're saying was a good thing? Because they were from Launceston?

Mr ABETZ - No, a good thing from Tasmania and then a regional area or relatively regional. Along with her, there were nominees Kurt Reynolds, Graham Freeman and Chris Breen [TBC] in other categories, albeit not a winner but nevertheless they were nominees.

The *It's NOT Ok!* campaign, launched in July 2023, addresses the growing issue of antisocial behaviour that affects both staff and customers across the Metro Services. The safety of our bus drivers and passengers is paramount. I'm sure Tasmanians understand that is the approach that the government and Metro management takes. With that, we open for questions.

CHAIR - Thanks, minister. Regarding the revenue that Metro earns, it was a bit of a surprise to see only about 20 per cent of revenue was from passenger transport operations that came from ticket sales; 80 per cent came from the DSG service contracts. That was in the budget papers. What are the primary drivers of growth in the coming years? What are the challenges you see to passenger numbers' growth?

PUBLIC

Mr ABETZ - Certainty and reliability of service is the most important factor from all studies of public transport. Price factors aren't all that great, it would appear. Our half price bus fares, for example, which was designed as a cost-of-living measure has seen an uplift - please correct me if I'm wrong, CEO - in Burnie passenger numbers but not in Launceston and Hobart. The price does not seem to be that much of an impact.

CHAIR - Except, perhaps, for the north-west coast passengers.

Mr ABETZ - That's what I said. In Burnie there's been an uplift, but not in the Launceston and Hobart areas. It'll be interesting if we ever can find out why it is in Burnie but not in the other two areas. It might be other options and opportunities.

Reliability and certainty of service, that is why, with Department of State Growth, we're looking at real-time tracking so that you can get an app on your phone, click in and find out where your bus is at, whether it's going to be late or not, because that provides a degree of certainty or if it's on time. That's going to be of benefit to the consumer.

Common ticketing is another approach which will make the passage or the contracting so much easier for the passenger. Then reliability of service and that requires the number of drivers to be increased. Australia-wide, I am told that if 25,000 drivers descended into Australia today, they could all get a job somewhere driving. In south-east Queensland, the bus service there I think has a shortage of 500 drivers. Unfortunately, Tasmania is not immune from that. We have tried a variety of different methods to retain and increase driver numbers and that has modestly been effective. With that, we hope to be able to increase the number of services. The issue seems to be that post-COVID the public transport numbers have decreased in Hobart and Launceston.

CHAIR - The question was what's being done to try to reverse that? What are the strategies?

Mr ABETZ - Well, one, as I said -

CHAIR - The half-price ticket didn't work down here. So, yeah.

Mr ABETZ - Yeah, yeah, but - and that was for cost of living rather than to enhance but it's the certainty of service which seems to be important and that is where, for us, getting enough bus drivers is core and key to that and we really do need to get that and then with a reliability, it's the real-time tracking and then making it more convenient. You don't have to get a GreenCard and top it up all the time. You can just use Bank of us card - when it's all ready to go, just tap on and off with that and you won't have to have a GreenCard or cash to be able to undertake your bus trip. So, we are trying to make it as convenient for the customer as possible and then having reliability of service which relies on bus drivers.

CHAIR - If we ask what specific measures you've taken, there's a bit of commentary in the annual report about driver attraction. There was a temporary 10 per cent increase. I'm not sure what 'temporary' means in that regard. So, maybe we could talk about these sorts of things, about what measures - specific measures - are being taken to address those problems. You've identified the problems, but we haven't really got to the solutions.

PUBLIC

Mr ABETZ - Well, the solutions do include, for example, the 'It's NOT Okay' campaign, where the antisocial behaviour has impacted on both drivers and customers, making it more attractive for bus drivers or bus operators. The security screens that we're working on and I think we've just about got that sorted now, makes it safer for drivers. They therefore feel more comfortable and if I might say, I think at one stage, CEO, there was a greater number of female drivers than there are now. Is that correct or not?

Ms COOPER - Used to be, historically.

Mr ABETZ - Yeah, yeah, historically and whilst one doesn't know fully what the reason for that is, one might suspect that safety and antisocial behaviour -

CHAIR - So, do we do exit interviews on the people who leave? Maybe we could talk about what they show.

Mr ABETZ - Yes. CEO, you might have better knowledge of that than myself.

Ms COOPER - Yes, certainly. We do conduct exit surveys with staff that leave. We use a platform called Culture Amp that gives us some themes that come through with exit surveys and we do some formal interviews. But mostly we do it through the survey because of the remote workforce and the key themes have historically been for reasons people depart and that has slowed dramatically with that temporary 10 per cent pay increase you referred to earlier. But often it's relating to relocation, where people are - some of our drivers relocate for personal family reasons. We've got people that leave for career progression and it's those sorts of personal circumstances that are really driving that through, but we do do informal -

CHAIR - So what percentage of those move for relocation or career progression? Because they're not reasons of - that the minister was talking about, like feeling unsafe or anything like that.

Ms COOPER - The feeling unsafe certainly relates to antisocial behaviour without a doubt and that's where there's some of those actions -

CHAIR - Yeah, but was that picked up in those surveys?

Ms COOPER - Yes, as in one of the reasons -

CHAIR - So let's go through those, the results of the survey, the - you must keep some sort of record of -

Ms COOPER - Yes.

CHAIR - Yes? Yeah.

Ms COOPER - We do. So, we have a reason - I'm going to just check my notes from what I've got. I think this is mainly on the recruitment. I might need to come back to you on the exact numbers, but to give you the idea of the theme.

So, one of the things that the antisocial behaviours, one of the things that has been identified through our staff when they depart has been the feeling of concern around antisocial

behaviour and that's been highlighted as well when we look at it through our safety reports, through the incidents as they occur. We debrief with the staff of those events, not necessarily when they leave, but during events that take place and we have quite a comprehensive one-on-one care approach to how we respond to the staff in those circumstances.

There are a number of things we're doing to combat antisocial behaviour. One of them obviously has been mentioned, which is the screens that we're putting into the buses and we're now in the market and have identified after a number of prototypes the right solution for that, that doesn't cause any unintended consequences. The transit officers at the department have got rolled out. Metro's also got police officers that we have based in our Hobart facility and we also additionally - they are based in Hobart but provide support and advice to the north in Launceston and Burnie as well. We have CCTV on our buses that we utilise both during the event and obviously the police's law enforcement uses it for post-event incidents. We've also done quite a lot of training around our staff with regards to de-escalation and how to try and manage those events. There are a lot of actions. We've been very positively engaged around how we try and minimise those actions. You'll also see we've taken preventative steps when we've had serious incidences such as the rock throwing, which has had quite a bit of media coverage this year. When it's been deemed appropriate and is an appropriate risk mitigation measure, we've also had to temporarily suspend some of those services into those high-risk areas. Pleasingly, we've been able to restore those back again after a period, and we've been able to manage those events. They are things that Metro takes incredibly seriously.

CHAIR - Just to go back to my original question, do we have the percentages of people who leave for relocation, people who leave for career progression, people who leave because of some concern for their personal safety?

Ms COOPER - I don't have that data with me at the moment.

CHAIR - If you can get it for us. We'll put that on notice.

Ms THOMAS - Minister, you mentioned the real-time tracking system and common ticketing as initiatives that are going to be introduced to improve the system. When will those measures be rolled out? What's the cost and who's paying for those?

Mr ABETZ - Right. That's mainly with the Department of State Growth. At the Estimates hearing it was the Department of State Growth. CEO, correct me if I am incorrect there. I have the exact - hopefully, here. First of all, the smart ticketing is with Cubic Transportation Systems, where we're piggybacking off the Queensland system, which has helped us, and we are looking at a figure of 34 -

Ms O'CONNOR - That wasn't tendered either, was it - the Cubic contract?

Mr ABETZ - No. It was deemed at the time that it was such a good deal given the costs and difficulties that others had, that Cubic being able to piggyback off the Queensland situation would be helpful. Chair and CEO, correct me if I stray here, but as I understand it, Cubic has contracts in big cities around the world, and have supposedly locked that in as a good reputation for them. They are now looking at smaller markets, and Tasmania is going to be one of their target areas to, hopefully, present themselves to the world as having a good system. Therefore, there is a lot of impetus for Cubic to get it right in Tasmania as well. There were teething problems in Queensland - ironed out, in the ACT I think there were issues with their system.

Mr BRAXTON-SMITH - Different vendor.

Mr ABETZ - Yes, different vendor. Cubic seems to have a reputation. With your experience, chair, do you want to comment further?

Mr BRAXTON-SMITH - Just by way of background, I was the deputy secretary in Transport for New South Wales, responsible for the introduction of the Opal card and its subsequent upgrade to what's known as account-based ticketing, which is where you can use your credit card or your mobile device to tap on, tap off.

Cubic is the vendor in New South Wales. I quickly want to clarify that the decision to appoint Cubic predates my joining the board.

CHAIR - It's used in New South Wales and Queensland?

Mr BRAXTON-SMITH - Yes. Cubic's solution is in New South Wales and Queensland. The Queensland solution is a cloud-based solution, so it's the latest generation of the technology. Technically, they've built a product that is a global platform. It's the same product they're rolling out in Boston and New York, and a number of other jurisdictions.

The way that Queensland has structured the arrangement there is so that Cubic can, with government's consent, offer their solution to other jurisdictions in Australia. The value in that is that all the hard work has already been done in system configuration and you've got a proven solution. You need to just roll out the devices and install the local fare rules. In comparison to, for instance, the rollout of Opal card, which took us about seven or eight years in total for a large jurisdiction, it will happen very quickly in Tasmania. Likewise, Brisbane has been on the pathway at least for, well, six years - because it was the year I left Transport for New South Wales. They're still to introduce account-based ticketing on their bus network. They're still rolling that out. Tasmania will actually get the most contemporary ticketing solution available and it will get it, in ticketing industry terms, rapid time.

Ms THOMAS - Thank you. That's all interesting information. But my questions were when will it be rolled out? What's the cost and who's paying the state government through Department of State Growth who is managing the project and state government funding, it not Metro? When will it be rolled out and what is the cost?

Mr ABETZ - Rollout is 2026 and it's going to be trialled for a while starting 25.

Ms COOPER - I'm not sure.

Mr ABETZ - Right, these are Estimates questions for State Growth, but I will do my very best to answer them. If the *Hansard* needs correction not having Department of State Growth officials here, we will do so as quickly as possible. For a while, there will be the issues of trialling it. As I understand it, there will be issues of fees, possibly not being paid, et cetera. That's all going to be worked through. But trial, do we have some dates there?

Ms THOMAS - You answered 2026. You answered my question of that one, but not on the cost, although I think you said \$34 million?

PUBLIC

Mr ABETZ - We did make a promise of \$31.5 million as I understand it in an election and allocated that. Have we got it? No, you don't know do you? It is the Department of State Growth.

Ms THOMAS - I'm happy to take that answer. What about the real-time tracking system? Is that also State Growth or Metro?

Mr ABETZ - That is State Growth as well. I can let you know that we are hoping that this month we might have some more to say about it. Imminent.

Ms THOMAS - Both of those systems - was there originally a project that Metro was doing on this or has it always been State Growth?

Mr ABETZ - Always State Growth.

Mr BRAXTON-SMITH - The Metro did commence the procurement process or commence the process working in partnership with the Department of State Growth on the ticketing solution. However, there was a decision that was made that because it was a ticketing solution for the whole of the state, that it more properly sat with the Department of State Growth and therefore, it transferred across. This was my very first board meeting, Katie, you might want to add to that because you have the history.

Mr ABETZ - Which preceded me being minister.

CHAIR - Let's go to Katie then.

Ms COOPER - You are correct in the sense of original as part of still ticketing and real-time tracking are linked and that has gone across to the department to roll out. What's being rolled out with the ticketing which, as the minister outlined as imminent, is a separate system to roll that out. It's not with Cubic at this stage.

Mr ABETZ - In response, I can indicate the figure for the common ticketing over the forward Estimates is \$35.4 million.

Ms THOMAS - I've other topics but go to someone else.

Ms LOVELL - Thank you, I wanted to go back to -

Mr ABETZ - We have the information for you, Chair, in relation to exit interviews.

CHAIR - Yeah, if you'd like to provide that now, then we'll go to -

Ms LOVELL - One of my questions was about that.

Ms COOPER - Just going back from January 2024 until December 2024, the main reasons people left were stated in the exit surveys as being 36 per cent for personal reasons. There was an 'other' category, which is shown as 31 per cent; working conditions at 24 per cent; career opportunities at 24 per cent; 2 per cent relate to working hours, 15 per cent to career change; and 13 per cent related to remuneration.

PUBLIC

Ms THOMAS - Antisocial behaviour perhaps covered under working conditions?

Ms COOPER - Correct.

Ms THOMAS - But hard to know if that is, could have been a number of things.

Ms COOPER - Yeah, that's statistically, but there'll be comments and things that people can write through as well. I don't have that. But that's the breakdown of the numbers we're asked for.

Mr ABETZ - I had a cup of coffee with one of the drivers to see how he was going as he had a rock come through the window. From that, I gleaned that it was a topic of discussion amongst bus drivers, as to safety et cetera. Publicity of that nature might lead us to believe that if somebody was considering a driving career, then chances are driving with Metro down south would not necessarily be front of mind, which is a difficult situation.

Ms LOVELL - On those exit interviews, and you may not have the information here, but do you know what percentage of people who leave the organisation actually participate in those? Is it a face-to-face interview? Is it a survey? How does it happen?

Ms COOPER - We do both. None of them are compulsory. So, people have a choice whether or not they choose to partake. The people are sent a survey to do when they leave. We also do face-to-face on occasion. It depends a little bit on the person and the role.

It's sometimes like a corporate person, it's quite easy to get a face-to-face meeting. It's a bit harder sometimes when it's a bus driver.

Ms LOVELL - Do you know what percentage of people who leave the business actually take part in the survey?

Ms COOPER - I don't.

Ms LOVELL - Do you track that? Do you have that?

Ms COOPER - Can I check?

Ms LOVELL - Yeah, of course.

Ms COOPER - Let us find out. Bear with us on that.

Ms LOVELL - Minister, you've touched on the incident and obviously there are other incidents as well, but in particular we've talked about the rock throwing incident. You talked about being able to restore those services once it had been dealt with.

What action is taken after an incident like that to improve safety for the drivers on the buses? Obviously, there might have been police involvement, but what does Metro do to be able to give the drivers confidence that they can restore those services safely?

Mr ABETZ - I turn to the CEO, but I'm sure a lot of reliance is had on getting to the perpetrators.

Ms COOPER - Any acts of violence or antisocial behaviour is clearly something that we don't tolerate, and it's something that we deal with on an individual basis with the employees. So, some employees when they have an incident, we obviously have what you would expect the employee assistance program. They have meetings with their manager and sometimes it depends on the severity of the incident, but also the impact it has on the individual as to what support they need. So, it is individualised. We obviously work with police and they will identify and take the appropriate action to the perpetrators. That could be from a ban, could be criminal charges, again, depending on the relevance of that. The support for staff really depends on what they need. So, it could be that they might not drive that route for the next couple of days if they want to come back to work, or they might have a buddy person put on them to help them get familiar after an incident, or it might be that they need a couple of days to not drive. That's where we sort of support the employee depending - because it's a very broad topic. We do have quite individualised responses as to how that's managed for any sort of incidents, be it a rock throwing or if there's been some abuse.

Ms LOVELL - You talked before about the 'It's NOT Ok' campaign. What measures were used to gauge the effectiveness of that campaign? How successful has it been shown to have been? Or what evidence do you have that it has been successful?

Ms COOPER - 'It's NOT Ok' campaign was launched in 2023, and it's one of several things that Metro did, and we did that in conjunction with the RTBU, the union, that we worked through. The idea behind that was to really set a standard of what behaviours we're prepared to accept and what's acceptable to be on a bus. A lot of our measurements in the campaign will have been on reach to customers and outlining, you know, where they've actually been able to see what is acceptable. We've done it on buses. We've done it on digital billboards. We've done it in various locations. As part of 'It's NOT Ok' was really trying to also confirm with our staff what standards we accept.

As far as your question about what result it has had, I think it's very challenging to say it's down to one thing. I think there are a number of initiatives that Metro has in place that are driving some of those cultural shifts. But I do think it's a community problem that we are continuing to grapple with.

Did you want to add anything to that Chair?

Mr BRAXTON-SMITH - I'm fine.

Ms LOVELL - With those other - the campaign being part of broader measures, has there been a reduction in antisocial behaviour on buses? Is there something that you can demonstrate that the action that you're taking and the investment that's being made is going into the right areas?

Ms COOPER - If I look at the incidents, and I'm just pulling the numbers up, if you bear with me for a second.

Mr BRAXTON-SMITH - I might offer a view as the chair of the board. This trend is a trend that has been occurring around Australia on public transport. It's one that's of quite some concern to the board generally. We have sought some advice from a specialist in the field to understand more about what other jurisdictions might be doing in this area. From our

perspective, we want to take an evidence-based approach to understand what other measures might be effective rather than being driven by initiatives and ideas that we might come up with, which might on the surface sound worthy. In terms of giving it some context and perspective, if I cast back to our lost-time-injury stats five years ago, it was very rare for us to have a psychological cause of an injury. Today it's the most prevalent cause of injury. As we work really hard as a management - sorry, the management team has worked really hard to address the causes of physical injury, and they've actually been able to achieve some good results there in the reduction - we've seen psychological injuries come up. In terms of the frequency of -

Ms LOVELL - Are they still increasing?

Mr BRAXTON-SMITH - It's levelled out. In fact, pleasingly, what we have been able to do is reduce the amount of time that people spend away from the workplace once they're injured. If we look at our workers compensation stats, then we are getting our workforce back to work much quicker, even if it's in alternative duties. That is very much around the thinking about what is the most appropriate approach to help a worker who's been injured back into the workplace, whether the source of that injury has been physical or psychological. We've seen overall injury levels level out, but we want to see more than that. We're taking a systematic, evidence-based approach before we determine what measures should be taken.

Ms LOVELL - Do you have the numbers on psychological injury workers compensation claims or reported incidents over the last couple of years to show those trends?

Mr BRAXTON-SMITH - Could we take that on notice?

Mr ABETZ - Whilst you are looking at the psychologicals, the actual incidents, I can indicate that in 2023-24 the assaults on bus operators: 30.

CHAIR - Thirty separate instances?

Mr ABETZ - Yes, 30 separate instances. Whereas in 2022-23 -

Mr BRAXTON-SMITH - There were 17.

Ms LOVELL - It is going up.

Mr ABETZ - Assaults on passengers from 18 to 22, missile throwing incidences 75 to 107 and vandalism 18 to 19.

Ms COOPER - To answer the physical claims versus psychological that you asked as well, if we do year to date we had nine physical claims and 11 psychological. That's a total of 20. This is year to date. If we're talking 2023-24, physical was 26, psychological was 23, a total of 49. If we compare that to the year prior, which is 2022-23, there were 19 physical claims and 24 psychological claims, a total of 43.

Ms O'CONNOR - Do the numbers go back further than that to pre-COVID?

Ms COOPER - Yes, I've got them.

Ms O'CONNOR - Do you have the number immediately pre-COVID, 2018-19?

PUBLIC

Ms COOPER - I have. Physical was 30 and psychological was 10. The year prior to that, 2018 to 2017 is as far back as I've got here, was 25 physical and zero psychological.

Ms LOVELL - It is concerning, particularly the number of assaults on drivers, that is increasing despite the campaigns and the other things that are being done. The chair mentioned that you're seeking advice from an expert looking at what's happening in other jurisdictions. How recently have you started that work and when are you expecting to have something come from that?

Mr BRAXTON-SMITH - The board is scheduled to review that report in February, the first meeting next year. We called for it earlier this year.

Ms O'CONNOR - I'm interested in driver numbers, by head count. Is head count how you would measure them, Ms Cooper?

Ms COOPER - Generally, yes. Head count and FTE, we do both.

Mr BRAXTON-SMITH - Full time equivalent.

Mr ABETZ - I always ask for acronyms to be explained to me. The chair is trained to do that for slow learners like myself.

CHAIR - So, I'm taking a short time to train him.

Ms O'CONNOR - Okay. So, driver numbers by head count and FTE from 2018-19 to date year on year, do you have that?

Ms COOPER - Not in front of me, I don't believe. No.

Ms O'CONNOR - Should I put that on notice?

Ms COOPER - Yes, I think we'll need to. I will need to go and check that for you. Sorry.

Ms O'CONNOR - Okay. Well, just in broad terms, driver numbers percentage decline -

Ms COOPER - Yes?

Ms O'CONNOR - Since 2018-19 in broad terms.

Ms COOPER - I wasn't there in that date, so, I don't know that I know - I can't give an estimate off the top of my head for that.

Ms O'CONNOR - Okay, that's all right. I'll put that on notice.

CHAIR - Just on that question, it might be helpful to also have in that if there's been an increase in the services provided or a decrease, because that will impact your numbers.

Ms O'CONNOR - A hundred per cent.

PUBLIC

So, now we understand that there's been a number of scheduled services that are cancelled or services that don't turn up, how many scheduled school services have been cancelled in the past year? Is there a record of this?

Ms COOPER - Are you happy for me -

Mr ABETZ - Yes, but -

Ms COOPER - Do you want to go?

Mr ABETZ - Schools are priority.

Ms COOPER - Yes. So, school services are prioritised. There are two ways - and I don't have an exact number for you there - but if I can give you a little bit of context around that. Metro operate predominantly what they call general access, or GA, services. That means we can provide services to a school but they're not classified as a school service. So, we prioritise, when we've had service disruptions or when we've had challenges in delivery of service. School services do get prioritised so that we try to minimise any impact on those kids and we do that for any of the school services, but really, it's the general access services on those routes that we operate.

Ms O'CONNOR - Have any school services been cancelled in the past year?

Mr BRAXTON-SMITH - If I may, there are no scheduled cancellations.

Ms O'CONNOR - So, no, no -

Mr BRAXTON-SMITH - So, the temporary service adjustments -

Ms COOPER - Yes.

Mr BRAXTON-SMITH - No, no school service was cancelled. I think what Katie is referring to is the fact that from time to time on any given day of operations, a driver might be sick - sick or not available for duties for whatever reason - and that will cause us on those occasions, as Katie is describing, they will seek to prioritise school services rather than just let the impact fall where it lies -

Ms O'CONNOR - Okay.

Mr BRAXTON-SMITH - And again, generally, what is done is that you look at the services where there are higher frequency routes so customers will have a choice of one before or one after. Now, when real-time information comes along, it will be, customers will have kind of information in their pockets about where the buses are and when the next scheduled service is, but we do that in order to try to minimise customer impact but prioritise school services.

Ms O'CONNOR - Yes, of course. Of course. There was a period probably - and this is under your predecessor as minister, minister - but there was a period going back 18 months, two years now, where up to 100 buses were being cancelled from various routes in a week. What's it looking like now?

Mr BRAXTON-SMITH - After you.

Ms COOPER - Okay. So, the temporary service adjustment that we commenced, we would - I mean, I think as has been outlined earlier - that was done because we're either going to have unplanned disruptions or we're going to have planned, and the service and reliability for customers has been clearly provided as of paramount importance. So, the decision was made to do that temporary reduction. We are taking a very slow and cautious approach and we put a lot of effort into delivering services and, pleasingly, we are delivering over 2300 trips a day. We have very cautiously and very gradually started reintroducing those services and we've reintroduced about 15 per cent at this stage.

Ms O'CONNOR - Okay and which - I mean, are these - what's the impact in terms of demographics, because in outer urban fringe areas, where there's significant disadvantage and a higher reliance potentially on public transport what's the understanding of the demographic impact? I know Metro doesn't go out into many that's covered by private operators -

Ms COOPER - Correct.

Ms O'CONNOR - But I'm interested to know who is being affected or was affected by the cancellations and whether there's an understanding of those populations and that impact.

Ms COOPER - So, the way we determined what services we were going to adjust was really trying to, it was across all of Hobart. So, it wasn't targeted to one geographic area. It was effective across the entire network. But we really focused on obviously, as we outlined earlier, you prioritise services. A bus doesn't just go from point A to point B. It does, you know, point A to point B, then it goes to C. You have to look at the whole journey it goes through. But the services we target were really the high frequency services.

I'm going to make numbers up just for an example here, you've an 8.00 a.m. and an 8.15 and 8.30 a.m. You can take away the 8.15 and still run the 8.30, people are impacted, but they're still going to get to where they want to go in a reasonable timeframe. That was our consideration around how we try to do it.

For services, for example to Opossum Bay, that might only operate every couple of hours, we protected those, so people could actually try to get home. We targeted unfortunately across everybody, but protected the schools and really tried to target the high frequency. Chair, you look like you'd like to say something.

Mr BRAXTON-SMITH - I was reflecting on your question about the demographics. In general, our demographics are only 30 per cent of our customers are full fare paying customers. You might call them adult journey to work customers, not entirely. Whereas 70 per cent of our customers are either students or those who are receiving some form of concession. They tend to be a little more flexible, in terms of not quite as time sensitive, but they do need what's known as in the industry as network coverage. We have maintained all routes. We haven't suspended any routes as such. We simply removed frequency of service. We know it is inconvenient and not ideal, and it's taking us longer than we wanted to bring them back, but that's where we are.

PUBLIC

Ms O'CONNOR - Thank you for that answer. It would be good to understand the point at which the services were cut and how many were cut? Where we're at now, if you say 15 per cent are back on?

Mr BRAXTON-SMITH - On Monday to Friday, there were 177 services that were subject to the temporary service adjustment. That represents about 6 per cent of the total weekday journeys.

We did actually get someone in our team to track, to the best of their ability, what the impact on patronage was. To the best of our knowledge, from the numbers we've seen, the variance in patronage is not attributable to those areas or those routes where services have been reduced. There's no kind of spike there.

Ms O'CONNOR - We cut 177 services and we're back from a total - thanks, Chair, for your tolerance - from a total of how many?

Mr BRAXTON-SMITH - It is 177 out of 2300 per day.

Ms O'CONNOR - That's just in and around Hobart?

Mr BRAXTON-SMITH - It's only confined to Hobart. We've not experienced this issue elsewhere. Again, it's the driver shortage seems to be more acute here where the employment opportunities are more diverse.

Ms O'CONNOR - Yes. How many of those services have been restored?

Mr BRAXTON-SMITH - There are 27 services that have been restored on the weekdays but I think only 26 -

Ms COOPER - I can jump in if you like. Twenty-six of 177 Monday to Thursday and 24 on a Friday. Friday has a slightly different schedule.

Ms O'CONNOR - So Friday has had 24 restored from the cut services. Thank you.

Mr BRAXTON-SMITH - To date.

CHAIR - While we're on that. The services themselves, minister, the comments were made that you prioritise school services, noting that accessibility is really directly linked to attendance and thus, educational outcomes. Have you got any figures on how many children have not been able to be picked up because the buses have been full carrying students to school?

Ms COOPER - We do measure overcapacity by drivers. When we have a bus that reaches capacity, we do that to report through to State Growth. I'm not aware of us having any major issues with overcapacity being reported through.

Ms LOVELL - In that example, if that student can't be picked up, is it a requirement that's reported by the driver?

Ms COOPER - Yes, they've got a button on their console that they can report to say that they've reached capacity. I'm not saying it's never happened, but I'm just not sure.

PUBLIC

CHAIR - Did you get reports on reached capacity.

Mr BRAXTON-SMITH - Not aware of any. But, we need to take the question on notice because we're not saying that it's never happened.

Ms COOPER - Absolutely, it's not a major concern we've had raised.

Mr BRAXTON-SMITH - It's not been an issue that's been raised to our attention.

Mr ABETZ - This is limited to Metro.

CHAIR - Yes, we're talking about Metro. Acknowledging a lot of kids go to school on buses that aren't Metro, certainly out in my area.

Mr ABETZ - I'm aware in Mr Harriss's electorate there was an issue with one of the providers, but I think that's been resolved.

CHAIR - This is limited to Metro services. We'll get the number of how many buses have been identified as being at capacity. If that number's zero, which seems odd to some of the things that we've heard from various stakeholders, it doesn't seem to line up. We've heard from stakeholders. Depending on what that answer is, if a bus was identified as being at capacity, how do you inform yourself about the number of students who may not have been able to catch that service? There might have been another one that came along half an hour later, by which time they're late for their exam in year 11 and 12 and they'll fail their class. That's the question we're asking here.

Mr BRAXTON-SMITH - If a driver was to hit the button, then we've got no reliable way of monitoring how many students may have missed. To our knowledge, we haven't found out.

Ms COOPER - I am not aware of the nature of [inaudible].

Mr BRAXTON-SMITH - As to how it might be brought to our attention, we have a customer service support line and we receive feedback regularly, both positive and feedback where there have been shortfalls in our performance. We monitor those systematically. The board gets a report every month that it meets. We scrutinise and talk about what we're seeing in the trends. That's why I'm wrinkling my brow, because I can't remember us seeing reports of overcapacity in guest customer feedback.

CHAIR - In the reports that come through to the board from you, Katie, from what I'm hearing, there hasn't been any noting of at-capacity buses. Have there been complaints or feedback, whatever you want to call it, through the customer service support line to indicate that students are arriving late to school because of either delayed, cancelled service or bus at capacity?

Ms COOPER - I'm going on memory, please take it as what I can recall, but I'm happy to be corrected. I'm pretty sure it was Hobart College that had a challenge earlier this year with overcrowding. They've had an additional bus put on to resolve that issue and I haven't heard anything since. We did have engagement with the principal and with a couple of the students

regarding that. The department authorised us to put on additional service. That's the only thing that immediately pops into my mind, but I'm going on my memory.

CHAIR - When was that extra service put on?

Ms COOPER - Can you remember? We might find out.

Mr ABETZ - It was during my time as minister. As a former student of Hobart College, a few people got onto me about that situation. Since April, what is the date? I'll take a punt, about five months ago?

Ms COOPER - It would've been in the last 12 months, but I can't tell you the date off the top of my head.

Mr ABETZ - Definitely in the last 12 months.

Ms COOPER - That's the only one I can think of where we had an issue raised.

Mr BRAXTON-SMITH - To Katie's point, where there is an issue raised, often the conversation will be with the college or the school directly because they're quite sensitive to the impacts on their students. They typically have a conversation with us. If our records show there is over capacity on that bus, then we seek an approval from the Department of State Growth to be able to introduce additional services. It's not within our gift to add to the timetable without their approval.

Mr ABETZ - If I recall correctly, and stand to be corrected, a bus driver once got distracted or whatever and drove past the turn off to Mount Nelson.

CHAIR - There you go.

Mr ABETZ - Some people were late for class. That was one I got direct to the office. To err is human and these things unfortunately happen.

In relation to exit interviews, I'm informed that 56 per cent of people who are exiting undertake the survey, slightly over half.

Ms THOMAS - I have a different topic. Is that all right? I want to go to the topic of bus stop infrastructure and ownership. That old chestnut just doesn't seem to go away. I understand the Department of State Growth, the government has a view, councils have another view and Metro's view is you're not contracted to manage or maintain bus stop infrastructure, is that right?

Mr ABETZ - Yes, the issue with State Growth and we're getting back into State Growth territory, but happy to answer. If I recall correctly, I think I read somewhere on state roads there are 761 bus stops. How many of them have shelters? We don't know, albeit that is being sought because often with bus shelters they're built by a local Rotary or Lions Club or whatever before they need a licence to be able to do so on the side of state roads. With the council owned, there have been the issues and the councils then have to determine what they do.

Ms THOMAS - Yes. So, my question is on the ownership issue. I'm interested in Metro's view on the ownership issue, whether Metro owns any bus stop infrastructure assets and if so, what are they and were bus stops that are on local roads, not state roads or/and state roads ever on Metro's asset register?

Ms COOPER - There's a few things wrapped up in that. To take your first answer, the only infrastructure that Metro owns on its books with regards to bus stops are the ones that we own in Moonah, in the actual sprinkled depot there on our land. Therefore, they're our accountability and responsibility. The ownership and responsibility for bus stops is obviously something being considered by the Tasmanian government's road management legislation review. So that is where that sits. In principle, the Department of State Growth looks after the main roads and the councils look after their own.

If I can circle back to your earlier comment about maintenance, there's a little bit of a difference between owning the capital and the maintenance. We are funded to do minor maintenance on bus stops as a service, things like replacing timetables or putting a flag on that's broken or taking off some graffiti. That's the level we are engaged to do on the infrastructure, when it gets reported to us.

Just to clarify the difference, the Metro's position with regards to having anything on our asset registers is Metro does not have anything on our books with regards to bus stop infrastructure excluding what I've outlined that we own.

Ms THOMAS - The poles in the ground that has the flag on it, are they on Metro's asset register?

Ms COOPER - No.

Ms THOMAS - So, if councils chose not to maintain any of those assets, there'd be no bus stops.

Ms COOPER - The stop would be there but there wouldn't be any infrastructure.

Ms THOMAS - How would the stop be there if Metro doesn't own the stop?

Mr ABETZ - The bus would stop there, I understand, but of course the passenger wouldn't know that that is the particular place to wait.

Ms THOMAS - There'd be no sign.

CHAIR - Like most school buses in a rural area don't have anything. Just get off.

Mr BRAXTON-SMITH - In fact, it's common practice in certain jurisdictions that if you don't have bus stop infrastructure there, then you paint the nearest power pole and that becomes defacto an identifier as to where the bus stops for the local community.

CHAIR - There's not always power poles at bus stops.

Ms THOMAS - So who paints the power pole then? The public transport provider or the local government?

Mr BRAXTON-SMITH - Look, I couldn't honestly - sorry - answer that question. I'm just speaking from experience. Well, if I speak from experience in South Australia as my time as Chief Executive there, then to my memory, we actually painted those power poles and we had an agreement with South Australian power networks which enabled us to get agreement with them as to what we would do with their power poles.

Ms THOMAS - At least some councils claim that bus stops and assets at bus stops have never been on their asset registers. Were they ever on Metro's asset register?

Mr BRAXTON-SMITH - You can take the question and I'll offer a review.

Ms COOPER - Sure. In previous years, Metro had been engaged to do some work, so similar - if I think about the Burnie network review that was done probably two or three years ago now, a couple of years ago, for example, we were engaged to relocate and move some bus stops, et cetera. We didn't at that point have these assets and so, if you look at last year's, not the current last year, but the previous year's annual report, you'll see that there was a write down because we had no way of knowing those assets because we didn't own them and we'd been funded to do that work. They are not on the register per se.

Mr BRAXTON-SMITH - If I might offer the broader view, bus stops are what's known as low value assets and generally they are where they are and they generally don't sit on anyone's asset register.

Ms THOMAS - Which is the problem? Which is why the ownership issue isn't clear.

Mr BRAXTON-SMITH - I'm talking generally, as in generally adopted practice. Say, in fact, in New South Wales for instance, we knew or we thought we had somewhere around 44,000 bus stops, but no one could give me the precise answer. As also having had accountability for wayfinding, which is your bus stop, so it's a common issue in jurisdictions. I guess you would ask, 'Well, what is the benefit for the investment of time and cost that would accrue to any party, the responsible party doing that?'. So, if councils don't have it on their asset register, it's very clearly understood that they are council assets. It's a decision for them as to whether they want to spend ratepayers' money to go out and count them and put them in their asset register.

Ms COOPER - If I can add to it from a Metro perspective, Metro really is responsible. We're an operator, so we're responsible for colloquially saying we're rubber on wheels. So, a bus stop can be used by multiple operators. It's not owned by one, so the Metro, you know - the mall might be used by us and other private operators. It's an infrastructure piece that really doesn't form part of what Metro does. Same as we drive on a road, we don't necessarily own it. We're a user of those services.

Mr BRAXTON-SMITH - Good point.

Ms THOMAS - It's an issue, I guess, that came to a head because of the requirements under the *Disability Discrimination Act* for infrastructure, bus stop infrastructure, which required all bus stop infrastructure to be compliant with the requirements of the act by December 2022, which is nearly two years ago -

Mr BRAXTON-SMITH - Yes.

Ms THOMAS - There still remains non-compliance with bus stop infrastructure across the state and the issue of ownership still has not been resolved. So, does the - I guess this is probably a question for the minister - does the government have any legal advice on who is liable for this non-compliance given the ownership of the assets isn't agreed?

Mr ABETZ - Look, I don't have any legal advice on that, so what I'll need to do is take that on notice unless the Chair or CEO -

CHAIR - It's really probably more for the department.

Mr BRAXTON-SMITH - If I may, generally for disability access, the challenge is not the bus stop. The challenge is the footpath and the footpath is very clearly owned by council and managed by council or the relevant road authority.

Ms THOMAS - But there would - it's the disability access requirements are specific to bus stops, not to footpaths, so in this instance, the requirement that was to be met by December 2022 was in relation to bus stop infrastructure, not footpath infrastructure.

Mr BRAXTON-SMITH - Well, bus stop infrastructure consists of the pole - in our language and in our industry - it consists of the pole and the flag. That's what an operator is concerned about because, as Katie very rightly says, that indicates to us where we need to stop to set down and pick up passengers. I well understand the challenge of the issue that you're talking about and I'm not unsympathetic to it, I wouldn't want that to be construed here, but in general someone who has an accessibility need, whether it's a wheelchair or a pram or whatever the challenge is generally with the footpath infrastructure as much as it is -

Ms THOMAS -Yes.

Mr BRAXTON-SMITH - the stock infrastructure. Our buses are built so that they're all accessible. There's a ramp or they are what's known as low floor, so you can press a button and drop them.

Ms O'CONNOR - Has every bus got a ramp? Are they all accessible? I'm not sure. Are they now?

Ms COOPER - One hundred per cent of the - sorry to interrupt.

Mr BRAXTON-SMITH - No, go ahead.

Ms COOPER - One hundred per cent of our fleet is fully accessible. We're compliant with that. So that's where from a Metro lens, we've done what we can within the - what I would call on the rubber wheel concept - the infrastructure is something outside of us because it's a shared facility that all operators can use.

Ms THOMAS - Yes, but if the bus wasn't stopping there, you wouldn't need the footpath to have the ramp. So, I hear what you're saying and there's no right answer here. The issue is that it's not resolved and it is a significant issue that needs to be resolved. So, I guess does

PUBLIC

Metro have a view on, in an ideal world, what would the ownership of these assets look like and who would pay for funding the -

Ms COOPER - That's not a Metro question, to be fair. That's -

Ms THOMAS - As a transport provider, you need it to be resolved.

Mr BRAXTON-SMITH - There is no right answer from a Metro perspective. Each jurisdiction resolves those issues between the parties. It's always a conversation between state and local government.

Mr ABETZ - And indeed, if you want to talk local government and disability access, have a look at what my local council, Kingborough Council didn't do in relation to the bus interchange where it was too tight for disability access as well. But look, that said, minister Jo Palmer - and she initiated it - we've had a round table with disability service providers and public transport and transport issues via taxis, et cetera, but also public transport.

It is on the mind of the government. We are seeking what we can do. The footpaths, in general terms, are owned by local councils. On state roads - trying to think of them - they usually don't have footpaths.

CHAIR - Do you have one on this, Cassy, or was that asked?

Ms O'CONNOR - I have one on patronage, which is connected. It's not disability compliance.

Ms LOVELL - That's okay. Mine is completely separate.

Ms O'CONNOR - Do you have - I'm sure you do - patronage figures going back to 2018-19 year-on-year?

Ms COOPER - We do. Not in front of me, but the business certainly has them. They're in all the annual reports that we publish every year.

Ms O'CONNOR - Is it okay if I put that on notice, or do you want me to go back and look through the annual reports? What I'm trying to understand here is the shift in patronage over the past five years, in hard numbers.

Mr BRAXTON-SMITH - If I may, I'm unable to give you the hard numbers. We do know the number that the minister cited in his opening remarks is the number in 2023-24. In general terms, compared to immediately pre-COVID, our patronage sits at about 82 per cent of the pre-COVID level. We will get you the numbers on notice. We do not ask you to look through the annual reports. We'll get you the precise numbers. That is a feature that's pretty consistent across public transport in Australia, particularly on the eastern seaboard, in terms of pre-COVID to post-COVID. Melbourne, Sydney, Brisbane, even Auckland, are all sitting somewhere in the 80-something per cent of their pre-COVID patronage levels.

Ms O'CONNOR - Do you think it's possible that people don't feel safe on buses because the air is not safe on buses? Something's happening here, isn't it? People are voting with their feet.

Mr BRAXTON-SMITH - I would say that this is a global trend.

Ms O'CONNOR - The question stands.

Mr BRAXTON-SMITH - The analysis that I've read indicates that it's to do with people's lifestyle choices and the changes in societal behaviour post-COVID.

Ms O'CONNOR - Well, that's interesting. I'd be really interested, if you wanted to share that analysis, that there'd be a lifestyle choice of this magnitude within a short space of five years.

Mr BRAXTON-SMITH - Certainly. We have a report from a company called L.E.K., who's done a study, and we will certainly share that. To clarify what I mean by lifestyle choices, I mean flexible working - and their use of public transport is shifting as well. If you look in the mainland jurisdictions, what's happening is more people are travelling at the weekend. If you look at Sydney, now the busiest day on the network is actually Saturday, because people are using it for social and recreational activities, shopping, recreational activity. There's also a shift in the profile. When you look at a city like Sydney, they have very high-frequency services during the weekends, so it's easy and convenient there. I can't attribute it to anything other than that's what I mean by changes in habits.

Student numbers generally, across the board, are slightly lower, because more students are spending more time studying at home. Again, that's not me - I'm giving you a quick digest of a 15 to 20-page report, which we'll share with the committee afterwards.

Ms O'CONNOR - Okay, thank you.

Mr ABETZ - Did that report cover people working from home as well?

Mr BRAXTON-SMITH - Yes. It identifies working from home.

CHAIR - What is the name of that report? Who did that.

Mr BRAXTON-SMITH - The company is called L.E.K.

Ms COOPER - L.E.K. did it. I know the two authors are Mark Streeting and Natasha Santha. We can get you a copy of it - it's public. They've published it recently.

CHAIR - I'll keep a list of what we need to write to you with.

Ms O'CONNOR - I am fascinated by these patronage changes, because between 2010 and 2014 Metro patronage went up year-on-year. It was under a Labor-Greens government, of course. In March 2022, there was a free trial of public transport here and patronage increased by 15 per cent. That was with free fares, as I understand it.

Ms COOPER - Are you referring to the five-week fare-free period?

PUBLIC

Ms O'CONNOR - There was a clear sign, wasn't there, from passengers who voted with their feet again, that if you make public transport free, as places like Portland, Oregon do, you'll increase patronage.

Ms COOPER - It's always a controversial topic, this one.

Ms O'CONNOR - We have Brisbane, which went to 50 cent fares and has seen patronage increase by 11 per cent. Maybe the mix we have here isn't quite right, given the numbers we heard from the minister before about the south of the state and Launceston.

Mr BRAXTON-SMITH - I'll share through the Chair another report from the Independent Pricing and Regulatory Tribunal in New South Wales that did a study of what typically happens when fare-free is introduced on public transport networks. It has very mixed results, and it's not necessarily about people just getting out of their cars. It's been observed in other jurisdictions that results in less 'active transport' - in other words, people jump on the bus for a short distance rather than walking an extra kilometre.

As an operator, we will operate and provide services in accordance with government's policy settings, so it's not a policy setting, and I'm not advocating any particular position. All I can do is offer you some evidence from analysis that's been done elsewhere as to the effect of free public transport. It's not as simple as you might characterise in that, you know, all of a sudden people catch more public transport and congestion reduces. In fact, congestion can sometimes increase.

Ms O'CONNOR - Nothing is as simple as it first seems, but 50 cent fares in Brisbane seem to have made a direct and, quite simply, traceable increase in patronage by around 10 per cent to 11 per cent.

Mr BRAXTON-SMITH - In the short term, yes. I was at a conference last week on rail, actually, and the Queensland Department of Transport and Main Roads was vigorously promoting the impact the 50 cent fare. It still remains the fact that their patronage is still below pre-COVID levels. Again, interpreting from that, that it means that people have voted with their feet, I don't know. It might be a number of different factors, including the impact of roadworks, for instance.

Ultimately, what most commuters trade on is not actually the fare - it's their time. The frequency and the journey time has been shown in public transport studies worldwide to have much stronger effect than fare measures.

CHAIR - That's why you drive over the Lakes when the Midland Highway was under construction.

Ms O'CONNOR - You generally drive over because it's a more beautiful drive.

CHAIR - As an added incentive, because it was a hell of a lot quicker.

Ms O'CONNOR - That's right. I wanted to challenge something that was said earlier about the demographics. Whether someone is a full fee-paying customer, or someone is on the lower income, I don't think because you're a full fee-paying customer you're necessarily more

time-poor than someone who's not wealthy. It was mentioned earlier that there might be a difference in time valuing.

Mr BRAXTON-SMITH - I do take the feedback. My apologies for generalising. I was citing some studies that I did when I was in New South Wales, but it's a generalisation. I appreciate that people who are on concessions have appointments and need to get to them just as much as anyone else.

Ms O'CONNOR - We have jobs, even, and other worthwhile education and training pursuits.

Mr ABETZ - In our statistics, adult concession journeys increased by 4.3 per cent. Full fare adult journeys decreased by 2.5 per cent and student journeys decreased by 7.9 per cent.

Ms O'CONNOR - Is that students across all ages - primary, high, college, universities?

Ms COOPER - We have one classification for students.

Ms O'CONNOR - One classification? A 7 per cent decline in students?

Mr ABETZ - Nearly eight; 7.9.

Ms O'CONNOR - How do you arrest that? I guess it goes back to the question from Ruth, or Bec, before.

Mr ABETZ - Or students studying from home.

Ms COOPER - Attendance at school.

Mr BRAXTON-SMITH - Or students not tapping on.

Ms O'CONNOR - Oh, yes. We've probably all been there, though, when we were kids.

CHAIR - Can we move on? Sarah.

Ms LOVELL - Minister, we had a hearing with TASCORP this morning. Correct me if I misheard this, but I believe they advised that Metro had breached one or more of the covenants of its loan agreement with TASCORP. Can you explain that breach for us, please?

Mr ABETZ - Yes, that is the evidence. I think you heard correctly and I think the chair has an answer.

Mr BRAXTON-SMITH - Yes. It's correct that in our loan covenants we're required to maintain an interest cover ratio of five times interest. That's our EBITDA - earnings before interest, tax, depreciation and amortisation - five times cover. That issue for us and the fact that we were going to be outside of those parameters was brought to the board's attention or the board noticed it, I think, at our May meeting. We asked that management engage with TASCORP to outline the issues and the risks associated with it and to seek to work collaboratively with them on a solution.

Now, in essence, where the challenge arises is that we've got a master loan facility which was negotiated in 2020. That was structured around Metro as it was operating at the time from a financial perspective.

Our agreement with the Department of State Growth was revised and a new contract came into effect in 2022. Some of the way that payments flow in that contract is different and as a consequence it's changed just slightly the results as we would present them in terms of interest cover and the EBITDA number, and that's what's really been the source of the issue. That was exacerbated by the timing of the payments as well. We'd anticipated it would be received in full at a certain time. This was a payment which was a grant-funded payment and the timing of that is actually what triggered us going outside parameters, but we -

CHAIR - You were told the payment had been received?

Mr BRAXTON-SMITH - Yes.

CHAIR - It was later than expected?

Mr BRAXTON-SMITH - We had a forecast of receiving the monies in a certain schedule and it came at a slightly different schedule, but we'd been monitoring that and aware to it. I know certainly the chair of our audit and risk committee has been quite vigilant about this number for a period of time and it was at that time that we asked management to engage with TASCORP to seek a longer-term solution. We're seeking a variance to our current master loan facility agreement and we've been given to understand that that will be considered by their board in the December meeting, so, we appear to be close to a solution on that. Katie's pointing.

Ms COOPER - Last paragraph. Just an important one, I think. Just to note.

Mr BRAXTON-SMITH - Oh, yes, okay. Just for the record, in terms of the advice, on 17 June we actually wrote to TASCORP outlining the risk that Metro would fall under the required ratio. On 28 June, TASCORP responded, noting the TASCORP board had considered our request and agreed that they would not take any of the actions available to TASCORP under the master loan facility agreement.

Ms LOVELL - Thank you. Is that reported anywhere in the annual report?

Mr BRAXTON-SMITH - This is a good question. Can I just ask one of our -

Ms LOVELL - I couldn't see it.

CHAIR - No, I don't believe it is. Is that something that should be reported in the annual report, a breach of a covenant like that. In full and open transparent disclosure.

Ms COOPER - I'll need to take the one on the accounting standard question. I don't know. I think because it was actually agreed that there was no impact, it probably wasn't, but I will need to check that with our finance-

Mr BRAXTON-SMITH - This may be 28 June. The correspondence on 28 June, but we will take that on notice.

Ms COOPER - Yes, I will have to check that with the accounting standards, I'm not an accountant.

CHAIR - Accounting standards aside, minister, there's a whole front section of this where we talk about commentary about some of the issues, challenges, opportunities for Metro. Something to contemplate. If I can follow that up, if I might, with some discussion about the grants, because I was a bit unsure. There're several references to grant income in the notes to the financial statements, on page 38, there's the reference to grant income. This 2024, there's \$3 million, just over \$3 million, and it says that Metro receives government grants for cost reimbursement of defined projects, performance obligation for the related costs for which the grant is for.

I'd like to understand a bit more about that, but also, when you go over to page 42, it talks about unspent grant funds with conditions which is \$9.7 million this year. I want to understand what these grants are for, the ones with conditions, what conditions and what the other grants are for. In that discussion you talk about why the delay that caused this breach of your covenant.

Mr BRAXTON-SMITH - The grants are specifically for a number of government programs where we have agreed with government that they will fund certain things. We will then deliver as required. So, it covers the zero-emission bus trials, both the hydrogen and electric buses. It covers the new software system that we are procuring and installing for the scheduling of buses, which is known as Hastus. It includes our human resources management system, ELMO, then a number of other subsidiary things, for example, the screens for the drivers, again, will be grant funded.

In general, those grant funding agreements are tied to the annual state budget, and we will go through a process in order to sign off on that and receive the funds. The funds are paid according to a schedule that's actually determined as part of the grant funding deed, but, by accounting standards, we're required to actually expense the money as we incur the cost.

Now, there are always ebbs and flows in those numbers. Sometimes the settling of the terms and the precise cash flows are dealt with at a fine-tuning level by those at a financial level between the department, Treasury and our team. To the details of it, I cannot say as to where the trigger was or where the issue was.

The thing that I would point out is the persistent issue is that the change in the structure and the nature of payments made under our new service contract with DSG have changed the financial equations for Metro and are the underlying reason where our interest cover is not as high as it once was.

Katie's pointing me to something else, but you can read just as well as I can, so, I might just hand to you.

Ms COOPER - I think your answer's right around the overall granting, but if I can just expand on the answer regarding the delays of the ICR.

So, we didn't receive funding during the 2023-24 year under our contract with the department for the final 10 BusTech buses that were purchased the prior year. This then resulted in Metro having a lower revenue than forecast during that same period and, obviously, reduced

PUBLIC

our interest coverage ratio, but funding for the purchase of those buses has been provisioned and provided by the government, but through the state budget this year and that's coming through as equity. Equity on an accounting standard is treated differently to revenue. That's where some of that timing issue came through.

The second component of that is that the battery electric trial has been a combination of grant and equity funding coming through. The timing and the treatment of that funding has resulted in Metro bearing some of the operational expenses during the financial year that also reduced our interest coverage ratio, albeit the project itself is fully funded. There's a couple of accounting nuances there as well.

CHAIR - So, was the - minister, you might need to answer this - reason the funds weren't released was because of the delayed Budget. Is that why this problem occurred? It's already been committed.

Mr ABETZ - It had been committed. Why that and the payment would have come through Department of State Growth -

Ms COOPER - We got it as an equity. Oh, sorry, it's been in the current budget for a reimbursement of that fund.

Mr ABETZ - Via State Growth.

CHAIR - Would have come from Finance-General.

Ms COOPER - We're still working through that with the Treasury at the moment, because we haven't received the cash, but yes. I think I'm speculating, so, let me not do that on record.

Mr ABETZ - Allow me to take it on notice as to what occurred.

Ms COOPER - We're working through that with Treasury at the moment, but whether it's gonna go via, I'm not sure.

CHAIR - Most of those go through Finance-General, don't they? Anyway.

Mr BRAXTON-SMITH - Just to your prior question, if I may, Chair. The issue in relation to being outside of the parameters for the loan covenant was examined by TAO and was the subject of the discussion between the Audit Office and our financial team and the conclusion was that no disclosure was required because of the conditions around or the circumstances surrounding the cause and the subsequent resolution of it. That would be our response in relation to whether or not it was required to be disclosed.

CHAIR - Is it possible to provide at list of the grants by purpose?

Ms COOPER - I don't have them in front of me, but yes. We have the information, just not in front of me. We've the grant deeds. So we're clear, what year would you like that for? The current year or for the previous?

PUBLIC

Mr ABETZ - The current grants that are reported in the annual report. I think that's what you're after.

CHAIR - The ones for 2024?

Ms COOPER - Yes, 2023-24.

Mr BRAXTON-SMITH - You made reference to the \$9 million-ish that's effectively what we sometimes call ring-fenced, which is grant-specific funding.

Ms COOPER - Okay, so that's what you want.

CHAIR - There is \$11.9 million all up.

Mr BRAXTON-SMITH - Is it? Right.

Ms COOPER - Yes.

CHAIR - That's all up. The \$9.7 million is the tied funding and you can tell us what the rest is for. I am interested in a breakdown of that figure.

Mr BRAXTON-SMITH - Of that \$11.9 million, most of it is grant funded. The amount that is not, is approximately \$2.3-something-million, which is what's known as prepaid fares. In other words, when customers top up their GreenCard, they have put money in advance with us which we hold and we keep that as ring-fenced, as in it cannot be used for any other purpose until it is expensed as people tap on and tap off.

CHAIR - I get that. That's not the ticket fares received in advance.

Mr BRAXTON-SMITH - Yes, that is.

CHAIR - That's a separate line. On page 42. Ticket fares received in advance make absolute sense to me. It's the unspent grants with conditions, which is the \$9.7 million.

Mr BRAXTON-SMITH - That we will give you a breakdown of.

CHAIR - That's what I'm asking for.

Mr BRAXTON-SMITH - As I described, it's those projects, but we'll get you a full breakdown with the amount at 30 June.

CHAIR - You also mentioned your human information resource system. We know that Health has been working on one of these things for a very long time and it's very expensive, I might say. Because it's all become so hard, it's been transferred to DPAC. I'm interested in why Metro has gone off and done their own when we're spending all this money on it.

Mr BRAXTON-SMITH - Very different set of requirements, Chair, if I can respectfully say. The requirements for Health are very different to what we require in order to manage our human resources. The system that we have in place currently is past end of life. It is one of the things we've discovered we need this new system sooner rather than later to help us with our

management of recruitment and retention. It gives you the capabilities to do that systematically, particularly with training and skills development. We have purchased an off-the-shelf product that is in very common use that requires configuration, no customisation - which is the challenge with health systems. They always end up with what's known as non-recurring engineering. People who do software programming for a life trying to convert a set of business requirements into a software solution that actually performs the functions that the agency requires. We're not going near any of that.

CHAIR - The cost of that will be including the information you give us with regard to the grants.

Ms COOPER - Yes.

Mr BRAXTON-SMITH - It will.

Mr ABETZ - In relation to patronage, I've been provided with some figures, 2018-19 and I'll round these figures off 8,500,000, 2019-20 -

Ms O'CONNOR - Hang on. Eight million, five hundred trips.

Mr BRAXTON-SMITH - Eight point five million.

Mr ABETZ - First boardings patronage.

Ms O'CONNOR - So 8.5 million first boardings in 2018?

Mr ABETZ - Yes. In 2019-20, 7.3 million; 2020-21, 6.8 million; 2021-22, 6.9 million; 2022-23, 6.9 million; and 2023-24, 6.8 million. We can provide the full figures on notice.

Ms O'CONNOR - It has really plateaued at a certain level, hasn't it?

CHAIR - Lifestyle.

Ms THOMAS - I want to follow up on the infrastructure. This might be a bit cheeky, but I'll risk it. If TT-Line can be expected as a passenger transport service to build a wharf, minister, perhaps it's not unreasonable for the government to expect Metro, as the major public transport provider in the south, to build bus stop infrastructure. To contract and resource Metro to do this, deliver this infrastructure to ensure there is disability compliance across the state. Is this something that you have considered to ensure bus stop infrastructure, particularly in the south, is consistently delivered and meets disability access requirements?

Mr ABETZ - Look, in relation to the first part of your question, no. The second part, the importance of disability access, most definitely. The Tasmanian disability sector has a great champion in minister Palmer who pursues these matters with vigour, but the actual policy situation is something happy to turn my mind to, but there would be, I would have thought, substantial costs involved. We would then have to get all the local mayors to agree as well.

Ms THOMAS - I'm pretty sure they'd be happy with that.

PUBLIC

Ms O'CONNOR - They agreed with your DAPs legislation. They thought that was terrible, all 29 councils.

Ms THOMAS - I'm pretty sure that'd be quite happy for DSG to contract Metro to deliver that. Whether Metro would be happy might be another question. You mentioned - and then I'll leave this issue alone - the road management act review being the issue of infrastructure and asset ownership being considered as part of that review. I note feedback on the initial discussion paper closed in November 2023, a year ago. Where is that process at? You're not sure?

Unknown - Don't know about that, I'm sorry. That's a department one.

Ms THOMAS - Take it on notice?

Mr ABETZ - Yeah, that's a Department of State Growth issue, but happy to take it on notice and see if State Growth can assist.

Ms THOMAS - Thank you.

Ms O'CONNOR - Thank you. Is Metro Tasmania required to be a child-safe organisation?

Ms COOPER - There's classifications. Sorry, am I jumping in?

Mr BRAXTON-SMITH - No, no.

Ms COOPER - Yes, is a short summary, but we're not a reportable - I think is the classification that we don't have to do. There's two layers as I understand it going on memory from the training I did, albeit a few months ago now. Yes, we do have and our staff have undergone the appropriate training.

Ms O'CONNOR - It's a statutory framework that's coming into place. Would Metro drivers as a matter of course have working with vulnerable people registration?

Ms COOPER - Yes, they're required to.

Ms O'CONNOR - They're all required to?

Ms COOPER - Yes.

Ms O'CONNOR - Okay, thanks. Does Metro have a system to make sure young and potentially vulnerable students who don't have a parent with them are in view of the driver? How does Metro accommodate for those kids?

Ms COOPER - The driver is driving the bus and that's where their attention focuses. Obviously, they're aware of what goes on behind them to a point, but really their safety focus is trying to ensure they're driving safely. If the children would like to raise anything with the driver, they can take it. They can obviously take the feedback on board, but the driver is really, focusing on driving for the majority of their journey. If the children choose to or would like to sit near the driver, there are seats available for them to do so, but at the same time, they've also got the option to sit where they would like. We don't force seat anybody on the buses.

Ms O'CONNOR - We used to have bus monitors when we were kids. That kept us all in check.

CHAIR - Didn't help.

Ms O'CONNOR - On our bus. Do Metro drivers receive any specific training or is there any kind of learning module to help deal with students generally, but school age students and particularly the younger kids?

Ms COOPER - Would you like me to?

Mr BRAXTON-SMITH - Mhm.

Ms O'CONNOR - I mean, this could deal with some of the antisocial behaviours as well potentially, but it's a unique cohort of vulnerabilities that are being transported by Metro every day and thank you for looking after the kids.

Ms COOPER - No, no, that's all good. We're very happy to and our drivers do a great job. We provide a range of training for our drivers. Obviously, there's the technical training of driving, but from a soft skill point of view, this year we've rolled out positive workplace behaviour training which 156 of our staff have done. That's about behaviours, et cetera, for their modelling. There has been 103 of our staff completed their online respect training and we've also done some resilience training. There is another bit of training that drivers are going through - I'm trying to think of the term of how I put it, but it's almost it is that sort of positive behaviour training. This includes how to interact or what's the requirements for, under working with children. We do a module that covers code of conduct, and a few of what I would call compliance training activities, but how to engage with people, in that sense.

Ms O'CONNOR - On one of the Metro buses, if there is, for example, an antisocial incident or a fight on a bus on the way to school, what is the communication between Metro and the school, in order to deal with some of that antisocial behaviour as it happens? Is there a requirement sometimes to hand over footage? How does this work?

Ms COOPER - It's a very broad question. It probably depends a little on the incident that takes place. Sometimes the drivers, if they are familiar with the children, might address it and have a conversation themselves as far as asking people to stop or, you know, to separate. Sometimes it might require escalation, and it might be that they report it through what we call a bus operator report that the bus operators can complete to report any incidents that take place. We have a process and a workflow which that goes through across the business that might be addressed. It might be that we need to address something with the school, it might be that we need to engage the police, or that we have one of our customer experience team or customer service team respond, if need be. It does depend on the circumstance.

Ms O'CONNOR - Have there been any examples in recent years of an incident on a bus causing an issue for the driver and an accident? To me, that's the kind of extension of risk, in some ways, that you have such strife on a bus that it affects the driver and -

Ms COOPER - I couldn't say 100 per cent, because I haven't read every report that comes through. Nothing comes immediately to my mind, in my tenure.

Mr BRAXTON-SMITH - You would imagine that it would be raised, because it would be one of those exceptional circumstances.

Ms O'CONNOR - You would think so.

Ms COOPER - Nothing immediately comes to mind.

Ms O'CONNOR - Do Metro drivers have sort of de-escalation skills or training in that regard?

Ms COOPER - We do. We do de-escalation and resilience in the workplace training. We did another training program last year. Obviously, for us, these started in the customer experience and how to self-manage, then also how to roll it out, and we're in the process of rolling that out across our staff. Yeah, 156 are doing that now?

Mr BRAXTON-SMITH - Since December 2023, de-escalation training has been delivered to 433 frontline staff. It is kind of a live issue.

Ms O'CONNOR - Bring them up here to the House of Assembly, which on a daily basis is a bit of a rabble. Oh, sorry, minister. Sorry, I forgot you were here.

Mr ABETZ - I've been told it's required in the Legislative Council in recent times. Only in recent times. Since May.

Ms COOPER - If I can move to respond, I have the data you asked for on the breakdown for grant funding, if you'd like that now.

The grant summary as at 30 June 2024 (round figures):

- Ticketing implementation about \$1 million.
- Intelligent Transport Systems, which is what we call our IT system, is about \$1.2 million.
- HASTUS, our rostering and networking system, is \$1.5 million.
- Security screens are circa \$2 million.
- Nothing left remaining on the battery electric buses.
- Hydrogen electric buses are sitting at \$3.8 million.
- Which gives you the total of \$9.7 million.

CHAIR - That doesn't account for the other three-something of grants. That was the tied grants. Then there's the \$3 million in grant income on page 38.

Ms COOPER - Grant money - money that has been received from the grant but not yet spent, but it has to be spent in line with the relevant deeds. On page 38, sorry. I'm trying to find where you're referring to.

CHAIR - Under note (b).

PUBLIC

Mr BRAXTON-SMITH - Grant income. Yes, this is revenue received during the year - \$3 million versus \$422,000?

We'll take that on notice. I think I know what it is.

CHAIR - You might know this right away, but the equity contribution that was made in 2024 was \$3,268,000. What was that for?

Ms COOPER - I need to confirm it, but I'm pretty sure that's for zero-emission buses, because it's a combination of grant and equity.

CHAIR - To some of the other workforce matters - on page 13 of the annual report you talk about the gender mix and your average age of the workforce, as well as a few other measures. I'm interested in what the gender pay gap is in Metro.

Ms COOPER - I will need to take on notice to get you the exact number, at the moment. That's primarily due to today being payroll day, so they've locked the system down to get that processed. What I can say is that the majority of our employees are paid under enterprise agreements, and all bus drivers are assigned to rosters. This means the allocation of hours is consistently applied to meet customer demand, but it also supports a fair division of overtime and other premium pay, or penalties, et cetera, which obviously contribute to a gender gap. To get you the actual number, I will need to come back to you and confirm.

CHAIR - It would be really helpful if you made a commitment to reporting it along with this other data every year in your annual report. Then I won't have to ask every year of every GBE, except for TasNetworks, because they do it. They've been doing it for a few years now.

Ms O'CONNOR - Since you first started asking the question.

CHAIR - That's why they got onto it. I'll keep going, keep asking.

Ms THOMAS - I'm interested in Metro's contract with DSG. My understanding is the last service contract was signed in June 2022. Is that right?

Ms COOPER - We've done an extension since then.

Ms THOMAS - When does it expire?

Ms COOPER - I think it is December 2029, or is it June? It's in 2029. I thought it was New Year's Eve, December 29 - I remember thinking it was a challenging date.

Ms THOMAS - It looks like the service contract has gone down by \$2.89 million from 2023 to 2024.

Ms COOPER - Are you referring to revenue paid to Metro?

Ms THOMAS - Yes. Is that right?

Mr BRAXTON-SMITH - Which page are we on?

Ms THOMAS - I am on page 38 where it says 'Passenger transport operations - service contracts' and the amount for 2024 is \$54,219,000. In 2023 it was \$57,113,000 - so a drop of \$2.89 million. Does that reflect that Metro is required by the department to run less services, operate differently? My expectation would be that costs are increasing to run services, so when contract cost goes down, that would have an impact.

Mr BRAXTON-SMITH - You're very correct. Costs are increasing with cost pressure on inflation. There is a mechanism in the service contract with DSG that enables them to adjust for any services that are not operated. The reason for that movement is because of the temporary service adjustment. There is a deduction for each trip not operated, whether it's planned or unplanned event.

Ms THOMAS - Okay. That makes sense.

Ms LOVELL - EBA negotiations are underway at the moment for drivers. There's been some media coverage of that recently. Can you provide an update on those negotiations?

Mr ABETZ - With Metro, there are three EBAs in operation. One has been finalised. That's for the administrative staff. The engineers voted up an agreement.

Ms COOPER - As of 5 o'clock yesterday.

Mr ABETZ - The results were known. Two out of three have now been delivered. Then there's the third one, where I think discussions are taking place this afternoon.

Mr BRAXTON-SMITH - They are. The parties are continuing fruitful negotiations. We've put a revised position to the representatives of our workforce, and I believe that their discussions - I'm not quite sure if they've wrapped up or not, but our teams are having what we hope will be fruitful conversations about coming to an agreement on their future terms and conditions.

Ms LOVELL - Are you able to outline for the committee what percentage pay increase senior executives received this year?

Mr BRAXTON-SMITH - That was a 3 per cent increase.

Ms LOVELL - Across the board?

Mr BRAXTON-SMITH - Correct.

Ms LOVELL - In the budget on the 12 September this year, there was a provision of \$14.1 million for Metro to address recruitment and retention issues. It was just a day prior to that that the administrative employees, EBA, was put out to vote. I understand that was accepted and has been finalised. Will any of that \$14.1 million flow through to admin employees?

Mr BRAXTON-SMITH - So, reference earlier in today's scrutiny was made to the temporary pay increase, which was funded by government last year. That is the continuation of that funding which is specifically directed to bus drivers and funds the ongoing 10 per cent increase for them.

Ms LOVELL - Thank you.

Ms THOMAS - I have some questions about the transit officers. I know you mentioned earlier that incorporated into the measures to address antisocial behaviour is Metro police, which Metro has engaged for some time, but also the transit officers whom I understand are engaged by DSG. Is that right, rather than Metro directly? So, minister, is it DSG that has a contract with security firms to provide that service from Metro's perspective? Are drivers noticing a difference in behaviour? Is that service making a difference?

Ms COOPER - We're very supportive of anything that is going to help reduce that antisocial behaviour and we think, having Metro's positions, we're very supportive of having the transit officers at the department obviously operating and running. They're operating here and they operate on Metro. They operate on other operators as well and work across the service and we're very supportive. We're encouraged by them being there.

Ms THOMAS - Okay. Do you think - I know I asked some questions during budget Estimates about the powers of those transit officers and I know from speaking with some people in the community and in fact some of the transit officers themselves, that the limitation of powers that they have at the moment is perhaps something that means the service isn't as effective as it could be. I know that the answer given in Estimates was that there is a training package being established before the Transport Commissioner and will be able to grant those powers. Transfer officers will need to go through a training program which hasn't been fully developed or implemented yet. But does Metro see that as necessary to make that service of those transit officers more effective?

Mr BRAXTON-SMITH - Is the question about the granting of powers or the training? So, in terms of the granting of powers, one of the reasons that we asked for this cross-jurisdictional look at what happens in other jurisdictions is to understand if there's an evidence base that would indicate that there are any other alternative settings that would be more effective so we could provide advice to our shareholder minister and the government.

Different jurisdictions have different powers. What you've outlined is a very welcome step towards having more transit officers who are equipped to deal with antisocial behaviour but that is effectively treating the societal symptom and regrettably it doesn't matter how many transit officers the state has, with what powers. Unfortunately, there is sometimes still antisocial behaviour.

Ms THOMAS - Thank you and this may be a question for the minister perhaps more so than Metro, but I wonder if either Metro or the minister has given consideration to, as you say, rightly so it addresses the symptom rather than the cause, whether - I know the member for Hobart mentioned bus monitors were a thing back in the day, whether there's ever been consideration to youth workers or that sort of service or program to be able to support people noting that it's not just young people and it's only a small minority of young people who engage in antisocial behaviour. Let me make that clear. Is that something that's been considered or discussed as an option?

Ms COOPER - Yeah, we have historically engaged with certain youth workers and youth groups. That is something that has been actively done in I would say the hotspot areas.

PUBLIC

Ms THOMAS - But there's no sort of program in place, or is it a matter of ongoing discussions to try to address those behaviours in those hotspots rather than any particular program or investment that you see being necessary?

Ms COOPER - We are working with youth workers or PCYCs or varying areas and have engaged with them around best approaches and other avenues of trying to curb their behaviour. We've been - I mean we haven't done it in the last year obviously with the shortages, but we had a really active school program which we use Jack the Jumper as a bit of a mascot to break into that young kids' area because, as exciting as I am, I don't think they're going to listen to me. It was trying to bring in what we called 'the golden rules' of travelling on a bus. We're trying to and have had a multi layered approach trying to target antisocial behaviour, but your statement is right, Bec, it's not just kids. It is not just youth.

Mr BRAXTON-SMITH - Yes and it's not just on public transport generally. There are other locations where this behaviour occurs as well.

Ms THOMAS - Yes, which is why, sad as it might be, these powers of transit officers and I don't know if you have any further to add on that minister, any further updates since Estimates?

Mr ABETZ - Look, no, I don't other than the training - where was it in the package? I'm just having a look at the date, I think, on this 18 November. The package is currently being developed which is based on powers available, learnings from the southern based pilot and engagement with other Australian jurisdictions with similar factions.

Ms COOPER - Not on that. I just have an answer for an earlier question when you're ready.

CHAIR - Is this question on this point, Cassy, yours?

Ms O'CONNOR - No.

CHAIR - Okay, we'll go to that.

Ms COOPER - I can just say I've just been advised as to your question about the \$3 million grant revenue. So if I can give you again round figures for that. \$1 million was of the hydrogen electric bus trials, \$1.1 million was for Hastis, which is the network planning system, ITS is \$750 and the battery electric is \$250,000 - sorry, ITS is \$750,000 not a million and the \$2 million was for bus driver wage increases. It was recognised under other income and not paid as a grant deed.

CHAIR - Okay and the equity - oh, we talked about that, didn't we? Yes, sorry.

Ms COOPER - Yes, that's okay.

CHAIR - Just on some of those they appear in both lists, so you need to total.

Mr BRAXTON-SMITH - There's a mix of funding on each of those.

Ms COOPER - It would depend on where it is, whether it would be expensive or not. Where is it? Where does it fit in the actual timing?

Mr BRAXTON-SMITH - The magic of accounting.

Ms O'CONNOR - So, while the rest of the country is electrifying their fleets, we're still engaged in trials here in Tasmania.

CHAIR - We've got some hydro buses in the shed somewhere.

Ms O'CONNOR - There are apparently, and apparently there are some buses sitting somewhere that are waiting for hydrogen fuel.

Ms COOPER - That's right, yes.

Ms O'CONNOR - Which sort of points to the way we do things here, but isn't it a fact that those buses which have been built to run on hydrogen could also have an electric battery put in them and be used.

Mr BRAXTON-SMITH - If I can clarify, the three hydrogen buses that we have do have batteries as well. They are what you would call backup power. They, on the manufacturer's advice, can potentially operate the bus for up to 100 kilometres that would be in ideal motoring conditions, but it is intended as a backup. It is not the manufacturer's recommendation that they are run regularly on the batteries any more than a backup that you have on your family car, like a run flat tyre, would be a means to continue to drive until such a time simply to get you home and that is the purpose of the batteries.

Ms O'CONNOR - When are we expecting hydrogen fuel to arrive here? From where to run the buses?

Mr BRAXTON-SMITH - I might start this one if that's alright, minister, and then Katie might want to fill in some more details as to where we're currently at. The original agreement for the piloting of the hydrogen buses; it was clearly established that the responsibility for the supply of the hydrogen would be managed by ReCFIT and they have engaged with the CRC Blue Economy. Have I got that right?

Ms COOPER - Blue Economy CRC.

Mr BRAXTON-SMITH - Blue Economy CRC, which has the responsibility for building the hydrogen fuel generating cells, so they are the supplier of the hydrogen.

Our responsibility is to fit one of our depots, a satellite depot in Mornington, with the storage facilities and refuelling facilities. The program for the delivery of that infrastructure is on schedule and I think we've just reached practical completion.

Ms O'CONNOR - Okay.

Mr BRAXTON-SMITH - We have, as I understand it, a slight delay in the hydrogen supply, but it is near -

PUBLIC

Ms O'CONNOR - Where's it coming from, do we know?

Mr BRAXTON-SMITH - Where physically?

Ms COOPER - The generation, I'm not sure how much of it's commercial in confidence, but we've a supply agreement just about finalised with Blue Economy who will be generating hydrogen here. I'm not sure I can -

Ms O'CONNOR - On the island?

Ms COOPER - Yes in Hobart.

Ms O'CONNOR - Okay.

Ms COOPER - I'm just not sure how public it is to say where.

Ms O'CONNOR - Well, obviously -

Mr ABETZ - We'll take it on notice and what we can say, we will.

Ms O'CONNOR - Thanks for that, but I'm not quite finished. The question is, we've so publicly invested in new hydrogen equipped buses. They're sitting somewhere waiting for fuel. What is the time frame on having those hydrogen trial buses on the road? Stepping back from that and having a look at what the rest of the country is doing, what is the time frame for a modern electrified or hydrogen run fleet?

Mr BRAXTON-SMITH - Well, you can answer the question -

Ms O'CONNOR - The first one's easier, probably.

Mr BRAXTON-SMITH - You can answer the first one and I'll answer the second one about electric buses and zero-emission transitions.

Ms O'CONNOR - You don't need to give away any commercial-in-confidence information.

Ms COOPER - No, that's all right.

Ms O'CONNOR - We're just looking for time frames here.

Ms COOPER - From Metro's perspective, we're really well advanced. As was outlined earlier, we have a refueller commissioned and practical completion. We've had the buses arrive, which is great. That's, they need to be here to start the trial and we're hopeful it will be in the first quarter of next year. That will depend on when Blue Economy's CRC equipment is finished commissioning and hydrolysed. It's being installed as we speak. It's physically here and it's got tubes and hoses and all those lovely gadgets with it, but it has not yet been commissioned. We're waiting to hear - get their advice on when that would be. I am anticipating first quarter of next year, but that will be dependent upon them.

Ms O'CONNOR - Okay and where were the hydrogen buses manufactured?

Ms COOPER - They've been brought in from China. They have a company called Foton who do hydrogen buses in a number of places.

Ms O'CONNOR - We hear there was local businesses who worked on the 100 electric buses as I understand it. Is that not correct?

Mr BRAXTON-SMITH - No. To clarify, the most recent conventional diesel fleet was delivered by a company by the name of BusTech working with Elphinstone Tasmania. The battery or the electric buses are supplied from a supplier in New South Wales called Custom Denning. They're an Australian manufacturer of electric buses.

Ms O'CONNOR - Yes.

Mr BRAXTON-SMITH - The model we have is what's known as the Element 2 model, not surprisingly the second-generation model. We are one of the early customers for it along with Canberra and New South Wales. In terms of rollouts, the most ambitious rollout to your previous question was, is in New South Wales, my former jurisdiction. That rollout is scheduled to occur over a long period of time because they're talking about 8000 buses. They will not get there until well into the 2040s. I know publicly declared positions by elected members when it was first announced were much more ambitious.

Ms O'CONNOR - What a surprise, probably the same here.

Mr BRAXTON-SMITH - Yes, but the reality of it is you need both the buses, but you need the electricity infrastructure. The electricity infrastructure in a depot actually generally consumes a little bit more space, which can be problematic. It's reliant on having sufficient quantity of bulk power supply in a location nearby. The learning in the industry generally is that when you're ready to scale up, you need to start talking early to the electricity distributors and the electricity generators. This is so they can make arrangements to go through the design work to install a substation that's got the capacity and to put the infrastructure into the depot. From experience that we've heard elsewhere, the lead times for that typically with an electricity supplier are two years plus. You would be seen to be doing well from the point you kind of decide.

Now, at the moment what we're doing with the battery electric buses, which is precisely why we brought them in, is it gives us the opportunity to trial them in service here because they have different operating requirements and characteristics. Generally, you need to think a little bit more carefully about how you would manage the rollout of an electric fleet across a geography. Particularly Hobart, if you look at our network, we have one large central depot, which is in Moonah, whereas typically when you're looking for a rollout of electric, you want smaller, more-distributed depots. We have to think our way through that, but we need to understand their performance characteristics and how they affect us as a business and its operations, because there will come a time when government makes a call where we're all confident that we've got the data about what it means for Tasmania that we will need to have a sensible, structured conversation about the rollout of it, but also the commercial impacts. There will be a different profile for the investment that's needed upfront in both the buses and the depot infrastructure. It will change the operating cost profile of the buses. We need all of that data for our business because there is no established set of benchmarks either in Australia or globally for the long-run cost of operating an electric fleet.

PUBLIC

Ms O'CONNOR - Have there been any preliminary conversations with TasNetworks? Would it be TasNetworks?

CHAIR - For TasNetworks you'd need to have a discussion with -

Ms COOPER - They're familiar with the trial that we're doing. Our zero-emission bus team did the initial study before we commenced and I'm pretty sure they were involved at that stage because we needed the data from them to go through that. We're at the operational trial to determine what is the right methodology and they absolutely will need to be in the tent, so to speak, to go through that.

Ms O'CONNOR - This government has actually been pretty good on ferries. I was certainly talking about them and starting to get the infrastructure.

Mr ABETZ - Take a note of this.

Ms O'CONNOR - You have to give credit where it's due. There's been some catalytic moves towards having a bigger ferry network. Is Metro involved in that in any way at all? The original idea would be there was an integrated system and Metro was part of it.

Ms COOPER - We're not an operator of ferries. We engage with the department in that they tell us what they're doing, but we're not managing that.

Mr BRAXTON-SMITH - To your point about integrated network, we advocate and I think we've expressed a view that ferries are our friends because, if they can get customers across the waters quicker to our doorstep, as long as there's a bus stop there with an accessible bus stop.

Ms O'CONNOR - At each end.

Mr BRAXTON-SMITH - At each end, and we're operating services there, then it's good for public transport in Tasmania.

Ms THOMAS - The wharfs aren't built yet and no-one knows who owns them yet.

CHAIR - Can I do a bit more stargazing as well?

Ms COOPER - Sorry, Chair, if you'd like I have just been given a note on that further question if it's appropriate. We've had it checked, Cassy, they have actually got it advertised on their website. I can tell you who it is because clearly, it's not commercial in confidence, but it's with BOC in Lutana.

Ms O'CONNOR - Which would produce the hydrogen in cooperation with the Blue Economy CRC people.

Ms COOPER - Correct.

Ms O'CONNOR - Great, thank you.

CHAIR - Following on from the future, with regard to the environmental, social and governance [ESG] concerns and sustainability of reporting, this is going to become a requirement if it isn't already. I'm not sure what round you're in going into it, but how are you going to adapt and respond to these new requirements? What additional shifts in the future or in consumer preferences towards sustainability, how will that impact you as a business?

Mr BRAXTON-SMITH - If we're talking about ESG reporting requirements and legislation.

CHAIR - Sustainability reporting.

Mr BRAXTON-SMITH - The board and management spent some time earlier this year, organised by Katie and the team, with quite an engaged conversation, some initial training and awareness for us as a board and leadership team as to what the new ESG requirements look like. That predates the finalisation of the legislation. The legislation has since been finalised and it is one of the chief executive's KPIs in this financial year that the board has set to develop the framework for board approval. We are taking a measured and systematic approach to it. I'm sure Katie will be able to tell you more. If she's not yet started her homework, it's because she's been focused on other KPIs.

Ms COOPER - It's started, in fact. I'm working on this with our GM finance. We've currently had some proposals coming to get some specialist advice and we're just working through that to develop the road map. We are timing, we're in Group 2, so, our timing for reporting is a little bit further out than immediate, because of where we're at. We do currently comply with the standard EPA environmental reporting that we do every October, and that's all been in place for a long time. But the new rules, we're in the next tranche, not the first, but we're preparing for it now. So, we're ready to go.

CHAIR - Will it have much financial impact on the business? The requirements around that?

Ms COOPER - Not sure at this stage. It's a little bit too early to answer that at the moment.

CHAIR - Sure. Into the future, this is a little bit further than looking in the hydrogen bus in the shed. But, ultimately, we're going to be looking toward fully autonomous buses at some stage. I don't like when you look like that in your face, because, about 10 years ago, when I asked TasNetworks across the table - it might be a bit longer - but when the old building that's been knocked down. Anyway. I asked them about where they thought the future of batteries were and how they were planning for the need to strengthen their networks to respond to that. And they told me it was so far off to the future, what's the point of worrying about it. So, that's why I don't want you to look like that.

Mr BRAXTON-SMITH - My apologies. I've never been very good at poker face.

The reason for my reaction was because, in 2015, when I was a deputy secretary of Transport for New South Wales, the then minister assigned me the accountability of coming up with the future transport technology road map inclusive of autonomous public transport, because at the time it was being forecast boldly that by 2025 there would be autonomous vehicles on the network.

CHAIR - Well there are in some parts of the world.

Mr BRAXTON-SMITH - There are. In fact, I've had pleasure of riding on them. In fact, in Adelaide we organised a bunch of trials with them as well through South Australia. They are generally low-speed vehicles in contained environments and with a supervisor on board who intervenes when the autonomous vehicle does something not expected.

In the longer term, it may well be something that government needs to turn its mind to. It would be - within this jurisdiction, I would suggest - an agency responsibility as opposed to necessarily the operator responsibility at this early stage. Generally, this is what's happening around Australia. It is still very much around policy and particularly at the moment.

I don't want to speak on behalf of transport ministers and ITAM [IT asset management], but I'm aware from my time as a secretary that, even back in the day, there was a very energised conversation with a National Transport Commission with the objective of trying to get a uniform or consistent national framework to be established to enable the regulation of autonomous vehicles as they come into Australia. Particularly, I think the model, without speaking out of school, or disclosing confidentialities, is that in principle you would want a national regulator that has national vehicle standards, but then each jurisdiction would regulate and manage their introduction in a consistent manner.

That's kind of the level in which the conversation is currently had. Whilst operators like ourselves are staying very focused on the more here and now. Hopefully that gives you the answer, Chair, that explains my initial reaction.

Mr ABETZ - I can indicate that work is being done nationally. The DSG, the Department of State Growth, is part of that and trying to get an agreed regulatory framework for autonomous vehicles. So, that is underway.

Ms O'CONNOR - A very carefully thought out one.

CHAIR - How is Metro preparing for any other technological or industry-specific disruptions that could alter your competitive landscape? Not autonomous vehicles at this point. What is the capacity within Metro to respond to these sort of things, including do you have a comprehensive road map for digital transformation?

Mr BRAXTON-SMITH - If I could have first crack at that. The preparations that are being made for Metro at the moment are very much around making us what you might call, to use an oft-used phrase, 'future ready'. So, with the implementation of the new ticketing system, the introduction of the technology on board buses, what's known as 'telematics', to enable us to track the bus in real time, which will provide information to customers, but also provides information to operator.

The installation of HASTUS, which is a software program that helps you to manage bus fleets and manage them in agile - excuse me for using that word. Those three things together actually give a bus operator quite some capacity as technology develops. The thing that there's been some experimentation with on demand transport as in you dispense with a fixed network and fixed stops, you can get it at your nearest corner in the industry. That has not produced the results that were expected. We've just monitored those because frankly as a smaller operator

PUBLIC

and a smaller jurisdiction, we do not have the funds or the management resource and bandwidth to be out there on the bleeding edge.

We would rather be followers and considered followers of when trends emerge. On demands is kind of off to the side. The thing that particularly has been talked about in the industry is dynamic timetabling and responsive timetabling. The concept that you could have a slightly different timetable and manage it dynamically in accordance with changes in certain conditions, not only school terms, but peak hour versus off peak.

At the moment, we've a system which is beyond our capacity to say in the peak we'll run a timetable that's got a bit more time in it and in the off peak, we'll run a timetable that's tighter because that way we make efficient use of our bus resources and stick to time. That is -

CHAIR - You're working, when you say out of time, are you working on this?

Mr BRAXTON-SMITH - Well, we're working on what I would say are the building blocks and we're watching what happens in other jurisdictions to see how they go so we can follow them at a considered pace.

CHAIR - Are you confident you've got adequate cyber security dealing with these new systems which could completely disrupt everything if someone gets in and hacks it?

Mr BRAXTON-SMITH - Confidence is a very strong word in cyber security. I would prefer to say we are seeking and receiving assurance we are managing cyber security in relation to the standards expected, given our risk environment. Using what's known in shorthand sometimes as the essential 8, but we are constantly aware. The question is regularly asked at board level because it's very much on everyone's radar.

Ms COOPER - If I can expand on that slightly, part of your question was also do we have a road map. One of the things we have is an IT road map and a digital road map of what are we doing and what do we need to do to build those building blocks. We do have that in place.

CHAIR - We might wrap it up because we've got another one to get to. Thank you for your time and your team there, minister. We'll write to you with those questions on notice.

Mr ABETZ - Thank you very much.

The witnesses withdrew.

The committee suspended at 3.47 p.m.



PARLIAMENT OF TASMANIA

TRANSCRIPT

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE A

Aurora Energy Pty Ltd

Tuesday 3 December 2024

MEMBERS

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

WITNESSES IN ATTENDANCE

Hon. Nick Duigan MLC, Minister for Energy and Renewables, Minister for Sports and Events, Minister for Parks

Keryn Nylander, Deputy Chair

Nigel Clark, Chief Executive Officer

James Chisholm, Chief Financial Officer

Alistair Burke, Chief Operating Officer

Will Barbour, Chief Customer Officer

PUBLIC

The committee resumed at 4.01 p.m.

CHAIR - Thank you, minister, for appearing before the Government Businesses Scrutiny Committee, for Aurora on this occasion.

I'll invite you to introduce the members of the team along the table and they may like to introduce themselves as to their roles or you can introduce them, whichever. Then I assume you'd like to make a brief opening statement. Then if it acting chair would like to, she's welcome to as well.

Mr DUIGAN - Thank you, Chair. With me at the table, we have Keryn Nylander, deputy chair; Nigel Clark, chief executive officer; to my right is my chief of staff, Ilise Bourke, who won't be taking questions; James Chisholm, chief financial officer; and Alistair Burke, chief operating officer of Aurora.

I'm pleased to be here at the Aurora Energy GBE scrutiny hearing for 2023-24 as one of the shareholder ministers.

Firstly, let me thank the board and the executive and the employees of Aurora Energy for continuing to provide high levels of service to their more than 270,000 Tasmanian electricity and gas account holders. Aurora has approximately 300 staff situated between their Hobart and Launceston offices, dealing with over half a million customer calls, emails and web inquiries every year. Employees have also migrated Aurora's entire customer base to a new energy retail platform to ensure a positive customer experience for years to come.

Our government supports Aurora's work to improve energy literacy and provide Tasmanians with the information and tools they need to manage their energy usage more efficiently and in turn manage their electricity bills. Aurora has delivered smart meters to over 80 per cent of their customer base, which is a nation-leading result and continues to provide free access to their aurora+ app to support access to energy use data, providing an important tool for managing energy usage while reducing bill shock, also while providing access to free hours of power.

The 2023-24 year continued to be a challenging period for Tasmanians with cost-of-living pressures and I'm very proud to say that this government took strong action to provide electricity bill relief. Aurora, as well as other retailers are essential for our electricity bill support to reach Tasmanians, such as the Renewable Energy Dividend Scheme, with hydro dividends in excess of \$90 million being shared with Tasmanians, some of the most generous concessions in the nation to those Tasmanians in need. Other rebates delivered in partnership with the Australian Government for residential and small business customers. For the year ahead, every Tasmanian household will receive \$550 in energy bill relief.

I would also like to acknowledge Aurora's efforts in supporting customers experiencing financial vulnerability through the Your Energy Support, or YES, and Knock to Stay Connected programs. These programs provide affordable payment plans, tailored energy saving advice, protection from disconnection and more. With those few words, I'll hand over to the acting chair to provide some introductory remarks.

Ms NYLANDER - Thank you, minister. I'm pleased to appear before the committee today as acting chair of Aurora Energy. When we consider the year that it's been, we're

extremely proud of our efforts to make energy easy for our customers as Tasmania's only fully owned and operated energy retailer.

Despite great change and uncertainty amid significant energy system transformation, we remained focused on helping our customers make more-informed energy choices and delivering value to them whilst giving back to the community.

From a financial viewpoint, Aurora Energy in 2023-24 recorded a profit after tax of \$2.2 million. This allowed us to return \$900,000 to the Tasmanian government. Acknowledging customer service levels were not where we'd like them in the prior year, we reshaped our frontline model which saw a significant uplift in operational and customer outcomes. We encourage a greater number of customers to keep on top of energy costs through Aurora+. At the end of 2023-24, more than 95,000 customers, or more than one in three Tasmanian homes, were benefiting from having access to energy usage information at their fingertips and other value elements of the aurora+ app. As of November this year, the number reached over 103,000 using that.

To say thanks for being with us and giving back to our customers who use aurora+, we launched Power Hours in January. Each event gives the opportunity to use uncapped electricity free of charge in an available time slot of the customer's choice. Since its launch in January, Tasmanians saved approximately \$488,000 and accessed over 1.2 million free hours of electricity.

We continued to rapidly roll out meters throughout the year. Between October 2023 and November this year, more than 55,000 customers received their advanced meter. Over 80 per cent of Tasmanian residences and businesses have had an advanced meter installed, which is in line with the state government's commitment that the rollout will be complete by the end of 2026 and well ahead of the national recommendation of 2030.

In 2023-24, we were happy to successfully complete the migration of the entire customer base onto our new retail energy platform. Despite having the lowest regulated electricity prices in Australia, we understand the difficulty being felt by homes and businesses across the state. We worked alongside the state government to deliver its Supercharged Renewable Energy Dividend, which provided \$250 in financial assistance to every Tasmanian household and \$300 to around 35,000 small businesses. It came off the back of distributing Energy Bill Relief Fund payments to more than 100,000 customers, including small business. This targeted bill relief was in addition to existing energy concessions that we issue annually that are some of the most generous in the country. As part of our debt forgiveness program, Aurora Energy waived \$247,000 in outstanding energy charges, helping vulnerable customers to get back on top of their energy costs.

Appreciating cost of living pressures and the need to be ever more present in the Tasmanian community, Aurora Energy has also strengthened our community engagement efforts. We work collaboratively alongside TasNetworks and the Tasmanian Men's Shed Association to create the Power People Project with the aim of increasing energy literacy within the community. We teamed up with Variety Tasmania to become the founding partner of its Variety School Breakfast Club, which will enable allocated schools to deliver a nutritious breakfast five days a week to all students.

PUBLIC

We provided additional funding of \$35,000 to the No Interest Loans, Energy Saver Loan and Subsidy Program (NILS). Our contribution enabled 291 Tasmanians on a low income to access energy efficient products. Since November 2015, we have provided more than \$2.8 million in funding to the program. Not least, we continue to encourage our employees to be active participants in the community to help make a difference, resulting in us boosting our volunteering efforts sevenfold to over 1800 hours of direct contribution. Because of our efforts in this space, we were delighted to receive Volunteering Tasmania's Volunteer Impact Award in November.

In 2024-25, it's fair to say the industry in which we operate again appears uncertain as the transition to renewable energy gathers pace. We'll work hard to remain relevant and trusted with our Tasmanian customers in an increasingly competitive market. Tasmanians can be guaranteed that when they need us they'll be able to speak with someone who lives here, who understands Tasmanian energy needs and who genuinely cares about them and our community, knowing all our financial returns remain within the state for the benefit of Tasmanians. Thank you.

CHAIR - We'll come to some of those things later on, I'm sure. Earlier in the day we had TASCORP, who indicated that Aurora Energy had breached one of the borrowing covenants in August 2023. They indicated it was as a result of market values of derivatives. I find Hydro accounts difficult to read. I'm sure you understand them fully, minister. Perhaps not. Maybe this is not a question for you to answer, but the people at the table.

I want to understand a bit more about how Aurora goes about buying and selling electricity because it feeds into that matter, I think, and I'll come back to that. On the buying side, you buy from AEMO, Aurora buys from AEMO. I assume that's the case. Then you place an order and you pay for that, but you also have wholesale contracts with Hydro as well to settle.

I'm trying to understand how that works and how you address the volatility in the current market, particularly as the transition continues, and how much exposure you have in the spot market.

Mr DUIGAN - Thank you, Chair. Aware of the issue that was raised this morning, subsequent to it being raised, it wasn't one, I don't think, had been covered with me previously, but as I understand it, it's an anomaly that may occur from time to time and potentially we need to look at.

CHAIR - I'll come to the derivative party in a minute, but I want to understand how this works first then we'll go to that.

Mr DUIGAN - Obviously on the detail of that question I would throw to, potentially the CEO.

Mr CLARK - Thanks, minister. I'll cover the first part about the buying of energy and then the CFA. James can explain the breach. You're 100 per cent correct. All energy participants you pay AEMO the spot price and the spot price is the price that varies every 5 minutes, so it's continually bouncing around. Obviously for us to run a sustainable business and for customers, customers don't want a price that's bouncing around every 5 minutes. We effectively hedge that risk with the likes of Hydro Tasmania and turn a variable price into a

PUBLIC

fixed price. In essence we have derivative contracts like all electricity retailers fundamentally have and these are subject to valuation, but in essence all our purchases are from AEMO and then we have square up settlements with Hydro to turn that into a fixed price.

CHAIR - The wholesale contracts are with AEMO?

Mr CLARK - No, our wholesale contracts are with the likes of Hydro Tasmania; primarily they are the counterparty that we deal with.

CHAIR - Right, okay.

Mr CLARK - But the way the market works is anyone who's a participant taking energy out of the market through customers, you pay AEMO that spot price.

Mr DUIGAN - I think broadly for the average energy consumer in Tasmania having a regulated price and an independent regulator to do that job to take the volatility out is important and increasingly important as you identified as we transition into, particularly on mainland Australia.

CHAIR - The actual spot price is not regulated?

Mr DUIGAN - No, but we have a regulated price for our customers here in Tasmania.

CHAIR - Because of the agreements that were struck with Hydro?

Mr CLARK - No, we have a separate mechanism that ultimately determines the price that gets set each May that applies from 1 July, the WCRI instrument that effectively picks up those contract prices and puts together a collation of those to determine that price once a year. That's a separate mechanism again. The spot price is unregulated, it does have a cap that it can go to, but contract market is a contract market and then you have the instrument that is used to set prices in Tasmania.

CHAIR - The hedges you take out with Hydro are to manage that volatility.

Mr CLARK - Correct.

CHAIR - And that's what led to the breach?

Mr CLARK - I'll let my CFO James cover the breach.

Mr CHISHOLM - Yes, thanks, Nigel. The breach was, we have some covenants which we need to adhere to and one of them is around a 10 per cent move in net assets. We enter into these derivatives and those derivatives sort of form the basis of the prices we charge to customers. Under the accounting standards we have to continuously value these derivatives. So it's struck at a point in time and one of our main contracts is the whole of metre hedge which we have with Hydro. That price is built up on an averaging of prices two years prior to when that contract is actually struck. But once we execute that contract, then depending on what happens in the actual forward contract market will change the value of that particular contract and under the accounting standards we have to track that value and show it.

Unfortunately it is unhelpful from a read of the accounts because the other side of those derivatives are the contracts and prices we charge customers, but the accounting standards don't require us to value those, so in essence from a business point of view, although it looks like there's a lot of volatility, it's fixed in our customer prices so there is an offset for us as a business. Unfortunately, the accounts don't reflect that, hence when you look at this net asset value test, this 10 per cent move would be relevant for a lot of businesses because that sort of move would be a material issue for businesses to consider, but for our business it's this noise which creates something which isn't an issue for us.

A lot of businesses, typically with their syndicated debt facilities would, in essence, have definitions which exclude the moves in derivatives out of this net asset calculation specifically for this particular test, but with TASCORP they have more general standards type documentation which cover a wide range of business and hence, we have to manage that. So obviously we work with TASCORP and keep them informed around these moves, but it doesn't indicate that there's an issue with the business.

CHAIR - Then did you inform TASCORP, minister, of the breach? Or did they let you know once you provided the information to them?

Mr CHISHOLM - We have a requirement to actually provide them information around the fact that the net asset values have moved more than a certain amount and that's in breach of our covenants, but then they would take that away. Is it an issue? Well, they've looked at it and said 'come back', obviously, because they understand that this is just an aspect of our business which is really beyond our control. Because we had that contract in place sort of around that 22 June moving into that particular financial year, obviously we had the spike in prices off the back of the Ukraine war.

So, we had struck this contract at a low price and then under this mark to market valuation, all it says is, say the strike price is \$80, the current market price is \$120. All of a sudden it shows that we have this large asset and then as that contract rolls off, we have a big drop in net asset value because that contract pretty much gets replaced by a new contract that we have executed another point in time which would be closer to the market value.

If you look in the annual accounts under the OCI, you will see that the last few years in particular, we have had really large swings, and that's all to do with the movement in our derivative values that we have in place with Hydro.

CHAIR - Just perhaps to repeat slowly what has been said. At balance date, whatever contracts are current are valued and if the market prices have changed, the amounts required to be paid by Aurora will have changed, and these changes are recorded as movements in the value?

Mr CHISHOLM - No. This is just purely a mark to market move. This just tracks the value of the specific derivatives. What we pay Hydro, or what they pay us, is related to the actual strike price. It's got nothing to do with the current market price. It's got to do with the current spot price that we pay in the market for our customers versus what we've struck in this contract.

Then quite separate to that, the accounting standards require us to actually revalue these based on the current contract market. So, in essence, if you look at the accounts, the transactions

PUBLIC

that are flowing through that OCI component, it's noise. It doesn't really help you understand the actual cost of energy. If you look in our energy purchases line that reflects the difference between what we've paid an AEMO for the spot price for the customers of volume times, the price every 5 minutes versus a contract for different settlements. So, every couple of weeks we have a settlement with Hydro that basically gives us a settlement. If we struck a price at \$80 and the average price is \$100 in the spot market, in essence Hydro is paying us \$20. If it's \$60 we're paying Hydro \$20 and hence we get this price, \$80.00. That's the price we'd look to reflect in our customer's contracts so that we don't have this variability in our business earnings.

CHAIR - Just one there on the contracts. Minister, as I understand Aurora Energy still has a power purchase agreement with Cattle Hill. Can you explain how that works?

It's part of the NEM and Aurora Energy still buys electricity from the market, AEMO. How does it work with Cattle Hill with that power purchase agreement?

Mr CLARK - The contract with Cattle Hill is actually not buying energy, it's buying LGCs. Let's say that was an energy contract, a PPA with them would be the same as what James just described as if I have a hedge contract with Hydro Tasmania. Effectively, all I do now is have a hedge contract with a wind farm or Cattle Hill. In the case of Cattle Hill, for us it's purely buying LGC certificates. No energy.

CHAIR - We know that LGCs are becoming redundant in 2030. What does that mean then? Will there be no PPA there or will it be a different PPA?

Mr CHISHOLM - The PPA we have in place ends at the end of 2030. It runs in line with the current LGC scheme. There's no mark to market on that particular contract because it's to do with the physical delivery of certificates, but it's accounted in a different way. In the past you would have seen it was an onerous contract. It's no longer onerous, but that methodology around whether it's onerous or not takes the same approach. At a point in time it looks at the price you've agreed to buy these certificates at and that looks at a current market price and it works out the difference.

CHAIR - If it's to purchase LGCs, why is it no longer onerous if the value of LGCs is going to fall away as we get closer to 2030?

Mr CHISHOLM - It just reflects the prices we have in our PPA. It's not a flat price.

CHAIR - Which you're not going to show us because it's commercially sensitive.

Ms O'CONNOR - On the LGCs, page 56 of the annual report under current financial assets, to explain how it works where in the previous year, there's a flat line next to large scale generation certificates shortfall and then \$15 million this year and how that works.

Mr CHISHOLM - As part of the renewable energy trade-in scheme to try to help participants, there's an option where you can shortfall. You have an obligation for a particular calendar year of LGCs, but under the scheme you can shortfall. What this allows businesses to do is instead of, for example, for the calendar 23 certificates instead of surrendering the whole liability with calendar 23 certificates, you would buy certificates in a future period, say calendar 25. The reason you would do that is they're cheaper. You would use those certificates instead

of the calendar 23, but you'd only need to surrender those off the back of the calendar 25. What the requirement is that you actually pay the shortfall payment. It's \$65 -

CHAIR - The difference.

Mr CHISHOLM - No, this is a pure \$65 price that you pay per certificate. When we pay that, the cash goes out the door and we recognise this asset. In terms of the actual renewable energy liability which runs through the PNL, it's a combination of -

Ms O'CONNOR - What's the PNL?

Mr CHISHOLM - Profit and loss statement. What runs through the profit and loss statement is a reflection of the price that we've acquired these cal 25 certificates and the cal 23. It's a blended price. The reason we've done it is we have been able to get certificates in the future at a lower price. The cost for the business is the cost of carry, because we've got to pay the cash out and then once we surrender those cal 25 certificates, we get this money refunded to us. It's basically money we put up, money we get back once we surrender the certificates we've shortfalled in that calendar 23 period. That amount there relates to calendar 22 certificates. We've done it twice, once on the cal 22 and then if you look in the non-current, we do have the 2023s in there as well.

CHAIR - It's about \$27 million due to be refunded. Is that right?

Mr CHISHOLM - That's right. But it's not a full \$27 million cash impact to us because the cash impact to us is the difference between what we would have to have bought and surrender those certificates within that year. It's really the price difference. For example, if we had an option to buy the calendar 23 certificates at \$50 but we've now paid the \$65, is a \$15 certificate amount. What you can't see and hear, this is the straight \$65 amount. But, what you can't see is the benefit we've had in our cashflow by not having to surrender those other certificates. But, there is a cost of care. The cost of care is the difference between that price we would have had to pay for those certificates and the actual shortfall amount.

Obviously, we look at this economically and we make sure there is financial benefit to Aurora.

Ms O'CONNOR - Thank you. In TASCORP's Annual Report, they detail the number of their clients and the client advances, they're called, minister. It's probably good news, but Aurora Energy in the last two financial years has had zero-dollar client advances from TASCORP, unlike most other GBEs there.

Do you want to take the opportunity, minister, to talk about how good that is?

CHAIR - You just joined the Liberal Party.

Ms O'CONNOR - Longtime liberal. Yeah.

Mr DUIGAN - Certainly happy to pass to the chair or the CEO to communicate the goodness of that news.

PUBLIC

Ms O'CONNOR - And also in the broader context of the debt that's carried by Aurora and how you are managing that?

Mr CHISHOLM - We effectively don't have any debt in in our operations at the moment. Obviously, that's a good thing for us.

Our main support that we require, which TASCORP gives us, is effectively when you're in the wholesale national electricity market there is a lot of credit support you have to provide. What you see is lines of support, effectively, that we need to carry the volume of business that we do in the national market.

The main support we have, it's not a loan, but it's basically lines of support from TASCORP. But, as far as debt itself, you're spot on, we have zero debt.

Ms O'CONNOR - There's something in here about earnings from borrowings. There's the repayment of borrowings on page 44, and then proceeds from borrowing. Those borrowings are the money you're talking about just now, through your minister, which are short-term lending's in order to trade?

Mr CLARK - Correct. But, the borrowings you're talking about there is we will within a month - obviously cashflows vary - we might have a big payment due to AEMO tomorrow. We might have a short-term borrowing for two days and then we'll pay it back. Our net position is we're not in debt, but we will have monies going in and out depending on the cycle of a cashflow.

But the support that they provide us, that we provide to AEMO is effectively dictated by the rules of being in the national market.

Ms O'CONNOR - The covenant breach the Chair asked about before, given you don't have a substantive standing debt to TASCORP, that covenant breach was over short-term lending to trade was it and repayment of that?

Mr CHISHOLM - That's just more under our syndicated facility requirements. We have these facilities in place which allow us to provide working capital as the CEO outlined to manage our day-to-day. It also provides us lines of guarantees, bank guarantees which we need to post to AEMO in order to manage our prudential requirements. Basically that's our contract with TASCORP that says it has a range of covenants. One of them is around the movement in net position. Regardless of how much we've drawn down, it's more about what the covenants are within the actual loan documents we have with TASCORP where this has come about?

Ms O'CONNOR - Would it be, is it possible to share with the committee, and through you, minister, an understanding of how much is borrowed from TASCORP on a short-term basis in a year in order to do that trading?

CHAIR - Is that the \$110 million here turned around, in and out. \$120 million last year.

Ms O'CONNOR - I gather there's quite large sums.

Mr CHISHOLM - There are large sums, but it's not the 110. The 110 rarely reflects an aggregation of we've borrowed, we've paid back. It aggregates all the borrowings, and all the

PUBLIC

drawdowns we've done and all the payback. But it doesn't say that we've drawn down 110 and then paid back 110. We could draw down 10, pay back 10, draw down 20, payback 20, and what that does -

CHAIR - That's a cumulative over the year.

Mr CHISHOLM - That's a cumulative amount over a year. Typically, if we are drawing down, it is in a \$20-30 million type level.

Ms O'CONNOR - Over the year, or at any one purchase point?

Mr CHISHOLM - At a point in time. I think it's AEMO payments, it's TasNetwork payments. You know, we have to pay AEMO, we have to pay TasNetworks, before our customers pay us. This really is working capital. We could have an occasion where have to pay out AEMO, pay our TasNetworks. We have to draw down a bit of money.

CHAIR - They don't like to be paid late.

Mr CHISHOLM - No.

Ms O'CONNOR - TASCORP is like an ATM, almost, for you?

Mr CHISHOLM - Yes. They provide working capital facilities, pretty much - almost like a bank overdraft facility that you are tapping into, which we need in order to manage. We wouldn't be able to survive without it.

Ms O'CONNOR - Of course. Okay.

CHAIR - AEMO won't be paid late.

Mr CLARK - We have people on quarterly billing, so a good example is quarterly billing. We've paid out nearly three months worth of energy and network costs before the customer pays us.

CHAIR - Really pleased to see you put that back as an option to the aurora+ app, because that was one of the reasons why we didn't sign up.

Mr CLARK - We took our customers' feedback and addressed that.

Ms NYLANDER - We thought everyone would be happy for it to be shorter, but not necessarily.

CHAIR - We also didn't want to pay for it at the beginning either. For the app.

Ms LOVELL - Minister, through you, a question for the acting chair and CEO. The Premier announced on 3 November 2024 a plan to review GBEs, and with a potential or possibility of privatisation, and has said that transport and energy businesses will be the priority. When were you advised of that review? When did you become aware?

Ms NYLANDER - That weekend, prior to it being announced. Advance warning, the day before.

Ms LOVELL - Have you had any engagement with the government since then about what the review might look like for Aurora, or time lines, or what criteria there might be to determine potential privatisation or otherwise?

Ms NYLANDER - Yes, there has. There's been good communication. There's been a chair and a CEO roundtable, which we participated in. There's been communication about how the process is going to run. We've been asked, as all other SOC's and GBE's have, to participate in that, to put in a submission. I think, yes, there's an openness - certainly around the roundtable, there was a desire, certainly from Aurora's point of view, that we see no threat in the review being undertaken. We report monthly as it is.

We don't believe there's anything that isn't - there are things that surely could be improved, we're not saying there wouldn't be. However, we are happy to participate in that review process, and we've indicated we'll put a submission in. It's up to the government what they do in terms of the sale process, if that's the pathway. At this stage we're looking at participating in what better reforms there can be, from a reporting point of view. Already we're reporting on a monthly basis, so from our point of view, there shouldn't be any surprises for the government.

CHAIR - Probably more aimed at others.

Ms LOVELL - I reckon so. Minister, will you rule out privatisation of Aurora?

Mr DUIGAN - I don't think it's helpful for me to be doing any of those sorts of things, understanding there's a review underway. What I absolutely commit to is conducting that review in a way that looks at our government business enterprises with a longer time horizon, and to try to better understand how they benefit Tasmanians - and that's as it should be. I point to the energy businesses, the energy GBE's, as having done an outstanding job in the last decade or so in terms of managing the cost of energy to Tasmanians, noting that power prices in Tasmania, in real terms - it may not feel like it - but power prices in Tasmania in real terms in the last decade have gone down. Aurora has been a big part of that, as has Hydro Tasmania and TasNetworks.

I think there is a broad agreement that it is timely that we have a review. We need to do the work and understand what the opportunities may or may not be and seek input. As I've said in other forums, I think it's really important to get the input from our GBE's into what the learnings are that they bring to this. Particularly in the cases of mature energy businesses, I think it's critical feedback that we get.

Ms LOVELL - I have some questions on another topic. You mentioned earlier the YES (Your Energy Support) program. In the annual report it talks about it, I think, 14,000 customers accessing that program over a period of time. Do you have a breakdown, particularly this last financial year and maybe the two before that, as to how many customers have accessed that program?

Mr DUIGAN - Yes, I'm pretty sure I've seen that.

PUBLIC

Mr CLARK - Our CEO, Alistair, can elaborate further on the YES program.

Mr BURKE - Currently there's approximately, or at the end of the last financial year, there were just over 6000 customers on the YES program, which was an increase year-on-year of just over 20 per cent. I'm happy to talk about some of the specific work we've been doing to support that program and to identify customers who can benefit from being involved.

In terms of the breakdown across previous years, as at September 2023 there were 4800 customers, so that speaks to that increase over the prior 12 to 18 months that I touched on. Prior to that, in September 2022 there were 4200 customers. We have seen an increase in participants over the last period, which is understandable given the challenges that customers have been facing, not only in Tasmania but across the entire country, in terms of cost of living and energy debt. It's certainly been a big focus of ours, in terms of how we can identify customers who can benefit from that program.

There's a significant energy literacy piece, and what we found, particularly through COVID, there were some real challenges getting customer engagement. That's why we've put a lot of effort and investment into proactively contacting customers that might be at risk of falling into debt, and working with them as early as possible to get them the support they need.

Ms LOVELL - There was, I know, some funding for the Energy Bill Relief Fund which was in Tasmania through the federal government, paid out over two years - \$250 per eligible customer per year. Originally that was budgeted for 140,000 customers, but the annual report shows that that's gone to 100,000 customers. I guess the question is, is that the number who were eligible, or were there more that were? Is there some reason for the discrepancy, and what's happened to the rest of that funding that should've flowed through for that?

Mr DUIGAN - That was a jointly funded program through the state and federal government, I think a \$90 million program. What I would like to do is put on the record my thanks to Aurora for getting, well, primarily Aurora, getting those payments out the door and to people - you know, quite a substantial job of work. What I would say is it happened very seamlessly, whether it was that program or whether it was our renewable energy dividend or suchlike. People have been getting those things and they're very welcome, I know.

In terms of the number of people who received that energy bill relief payment, my understanding is that all the people who were eligible for it received it. There may have been some discrepancy in what the estimated figure was and the number of people who were, in fact, eligible for it. My understanding is that anyone who was eligible has received it. If they haven't, please let us know.

Ms LOVELL - Was money allocated in the Budget, and the money that came from the federal government, too, was that for 140,000 customers?

Mr DUIGAN - I believe it was a \$90 million joint allocation, \$45 each from state and federal governments.

Ms LOVELL - What's happened to that extra money that hasn't gone out to the customers?

Mr DUIGAN - That would be something I would need to investigate, unless -

Ms LOVELL - No? That's fine.

Ms O'CONNOR - Imagine what sort of energy efficiency you could roll out across households for \$90 million for perpetual energy bill savings, rather than a one-off.

Mr DUIGAN - Yes.

Mr CLARK - In essence, \$45 million has been applied so far for that particular scheme - \$45 million has been paid out.

Ms THOMAS - In the submission to the pricing schedule commencing 1 July 2025, there's a note that Aurora is proposing to increase the late fee from \$5 to \$12, which is 140 per cent increase. What is the rationale for this and how much has been collected in late payment fees annually over the last few years?

Mr DUIGAN - One for the team.

Mr CHISHOLM - I don't have the late payment fee number. We can probably try and get somebody to send that through. The basis for the increase was that number has not changed for about 10 years and it reflects what we've seen a lot of other businesses charge for late payment fees. That's the basis for that request, to make it. Here we go. It hasn't changed for over 20 years. There you go. That's the exact number.

Ms THOMAS - It's been \$5 in 20 years.

Mr CHISHOLM - We've done some benchmarking and the jurisdictions other companies are charging, sort of that \$12 to \$15 mark. That's the basis for that change.

Ms THOMAS - What measures are there to assist customers who do pay late?

Mr DUIGAN - One of the things we always try to impress upon people is, if they're having trouble paying their bills, we've talked a little bit about Your Energy Support program and things of that nature, we know that the earlier people address their difficulty in coping with their energy bills, the better the outcome, generally speaking. There have been debt forgiveness programs and things of that nature when people can't see horizon for coping with their energy debt. Aurora has been particularly proactive in that space in terms of those kinds of things.

Ms NYLANDER - The investment in Aurora+ is designed to give people line of sight on a minute-by-minute basis effectively in front of them. The aim is to not let them get in that situation where possible by giving them line of sight and ability to pay in advance or in real time.

Mr CLARK - Alistair could elaborate a little bit further on the multiple measures that we employ with people that might be having a payment difficulty.

Mr BURKE - It really does depend on the individual circumstances of the customer. It may be as simple as a payment extension and a one-off payment extension. We have very easy ways for customers to do that. They can do it through Aurora+ without ever needing to speak to somebody at Aurora. It can go from there to payment plans, which is a conversation we have

with customers to really understand what is their capacity to pay. Again, taking into account their specific circumstances, right out to our YES program, which is that long-term customer support and ongoing support around not just paying their bill, but also how to improve energy efficiency, how to reduce their consumption and some of those more sustainable measures that can have benefit for customers, not just in the short-term, but moving forward in terms of their consumption. We have a range of options. Those are a lot of the operational type things that are there. As we've spoken about before, we also have a range of other support measures through the YES program. We have the debt forgiveness program, which at this point we've been able to waive over \$400,000 since that started and that really goes to some of that long-term debt that we saw built up through COVID and post the pandemic. We've also done payment matching regimes through the YES program, so that where customers are paying off some of their bills, Aurora will match one of those payments. We did that for the last financial year. On top of the payment plan options, there's also other support measures to try to bring down that debt.

Mr DUIGAN - I would also add that the state government, federal government, lots of leaning in to provide energy concessions for consumers at various levels through the spectrum in the course of the year. It is worth noting that a concession card holder in Tasmania this year will get a \$1433 knock off their energy bill. In some circumstances, people not paying very much for their energy at all. It has been a focus.

Mr CHISHOLM - I do have the late payment fee number. In the 2021-22 period it was about \$330,000. In 2022-23 it was only \$50,000. And the reason it's dropped off is to do with the new billing system implementation, and this functionality wasn't in place. And it's now functionality that's come back into place. So, I think, that 2021-22 is probably a more accurate run rate to where we were with a \$5 late payment fee.

Ms THOMAS - Thank you.

Ms O'CONNOR - I want to talk about your Power Hours program. The annual report here on page 4 talks about the Power Hours. So, a program that's been in place since January 2024 has saved all the Tasmanians who are involved a total of \$305,000.

What is the average saving per Power Hours event? Because our maths and you know, I can't vouch for this, is that it's \$0.75 per power hours event.

Mr DUIGAN - I think I can update your \$305,000 to \$461,000 since launch January 2024 until presumably about now.

In terms of how that number is calculated and whether the two mathematical equations will line up, I think probably is a matter for the chair.

Ms O'CONNOR - Yeah. I'm trying to ascertain what's the real savings here. Because it looks and sounds good. But then when you go into the actual contract, the terms and conditions, all the power is with Aurora. People are locked in to a time slot on the app that they can't change. All the discretion to cancel Power Hours is with Aurora. All discretion to change terms and conditions again with Aurora.

So, we don't want this to look like a marketing tool. We want it to look like a genuine cost-of-living - well, we want it to be - a genuine cost-of-living measure.

So, what's the understanding of what a household might say who has signed up to Power Hours? And presumably the Power Hours are not in peak time. So, is there an understanding of what's being saved by eligible, that is, households who've signed up?

Mr CLARK - I'll ask my chief customer officer, Will Barbour, to come up. He looks after this area. But, while Will is coming to the table, just to put on the record that there's a number of things there. It's obviously not forced on anybody. People don't have to sign up. It's free through the aurora+ app for people to engage. We never put out there any rules from the point of view of them changing those rules. It is effectively a loyalty and a cost-of-living support measure that we voluntarily introduced.

Will can elaborate a little bit more on some of your other questions.

Ms O'CONNOR - Do you want me to repeat them, Will, because you've come from far to be at the table?

CHAIR - For the purpose of *Hansard*.

Mr CLARK - At the table, Will Barbour, chief customer officer of Aurora Energy.

Mr BARBOUR - I think I'm comfortable with the question, but thank you for the opportunity to clarify.

A bit of background, Power Hours, as you say, is available to residential customers. One of the components of that - of the value proposition - is indeed that: value. But it's important to remember that, as we've heard a couple of times so far, another part of it is engagement. What we see is engagement with aurora+ and visibility over energy consumption can actually lead part of that building block of energy literacy can actually lead to greater savings.

We understand that Power Hours events, and I will come back to the average savings in a tick. Power Hours events don't necessarily change the bill significantly within a particular month, but that's not necessarily its aim. It's around understanding. And what we see is when people have the ability to understand their usage, get themselves under the right tariff and then actually control the consumption, that can really drive the bills down.

The average saving is a bit of a blunt read unfortunately with the annual report because power hours you save as much as you use. If you activate a slot of one of the many slots, and some of those are peak times, many off peak but some of them are peak, and then don't use electricity outside of, say, your fridge, then it's going to record a low saving.

Ms O'CONNOR - Okay. How does it work in terms of peak times? Is Aurora wanting to encourage people to use less during peak times? Do you want to knock the top off the peaks? Is that part of what's happening? Or are they offered as Power Hours?

Mr BARBOUR - They are. If you take for example the Christmas event which has been available for a few days now, that runs across almost a week and there are peak and off-peak slots available.

PUBLIC

Coming back to the idea of building energy literacy and understanding though, we certainly see when we look at our figures that most Tasmanians, the majority of Tasmanians would be better off on a time of use tariff. When we look at that, we look at historical data, and the customers who return the best customer experience survey metrics to us are those who are on time of use, who are tracking their energy consumption and making use of the peak and off-peak. Part of Power Hours is building understanding that peak and off-peak exists and if you leverage that you can actually drive your bill down.

Ms O'CONNOR - So, is there a plan? Is Power Hours going to become a permanent feature of Aurora's operations? Is there any plan to extend or expand it?

Mr BARBOUR- It's fully embedded. It's been running for almost one year. Late January earlier this year was the first event and it's approaching its one-year anniversary. As I say, there's an event for a few weeks' time and the next one will be in January. It's now part of our proposition.

Ms O'CONNOR - Can I just ask, now that you've got an app in place and you've got Power Hours that is making people more aware of their usage, have you noticed any changes in power consumption from people who have the app?

Mr BARBOUR- I'm not sure I can answer that. As for broader consumption, we certainly do see shifts in usage patterns.

Ms O'CONNOR - From individual households?

Mr BARBOUR- That's right. The proposition shows that people understand if you shift your energy, they will shift their energy to use an event, and one of the core components of the proposition is building that literacy. Then we tend to see a higher usage or proportion of aurora+ users on time of use tariffs because they have that visibility and we know that that tends to drive their bills down should they use the time of use tariff accordingly.

Mr CLARK - Most engaged customers also come out very clearly as those with an advanced meter with aurora+, typically monthly billing and a time of use tariffs.

Ms O'CONNOR - Right on top of it.

Mr CLARK - We do extensive quarterly surveys and it gives us that proof point that if we can get that sweet spot for a lot of people, then they are the more engaged and satisfied customers.

CHAIR - And they cook the turkey in the free hour.

Ms O'CONNOR - You can't cook a turkey in an hour, Ruth.

Mr DUIGAN - The rare turkey, anyone?

Ms THOMAS - Whilst I appreciate the concept and the benefits to individual households, there's no such thing as free anything. Someone has to pay. My mind went to the analogy at council we had for a time of a free landfill day where you could go to the tip for free. It wasn't actually free and it ended up costing ratepayers, every single ratepayer, a lot

more in the long run and also had the negative consequence of encouraging people to dump stuff rather than repurpose or recycle or reuse. We scrapped the free tip day for that reason.

I wonder if there's - what impact does it have? Does it mean Aurora makes less profit because Aurora is effectively paying for that energy? I'm assuming it doesn't mean prices go up for everyone else to pay to cover that loss?

My other concern was, does it encourage people to be reckless with power use because for that hour they'll have four TVs on in the house and won't care because they don't have to pay for it. Do you know what I mean? Has there been any analysis of those potential negative impacts?

Mr CLARK - I'm happy to take it from a financial point of view. No, absolutely it does not contribute to people paying more. Our regulated price regime dictates our tariffs.

While on the one hand you might look at it and say, 'Well, it's a cost to Aurora', and does it lead to less dividends to the government? That is one perspective, but the flip side perspective, as well explained, is by us creating engagement with the app and with our services through the app, then it will also save us costs because we have a lot of self-service mechanisms on the app. Increasingly, you're adding more in there, so the flip side is we will then get cost savings in Alistair's area.

So, there is a yin and a yang that comes together in that equation. For us, we know long-term Tasmanians, if they are engaged, understand their energy use and patterns and, to be honest, take advantage of the technology that we've rolled out in Tasmania. We are the most leading state with the retailer-led roll-out of advanced meters far more than any other state, we will be finished basically at the end of calendar 2025. To make this investment, to do this effort, we really want to get benefit for everyday Tasmanians. So, we don't see it as a cost.

Mr DUIGAN - And, certainly from government to help promote that energy literacy piece, is really important, because it is an opportunity for people to pay less if you are active and if you are across it and you are interested, there is an opportunity to save a few bucks. I see it as a valuable tool from that perspective as well.

Ms NYLANDER - That's why our profit has been hit because the business hadn't been invested in enough and we need to become more digital and more modernised. There's been a big investment in the last 18 months or so, which is why our return this year was lower. But we're investing in the business and part of that is in things like the app, because that's the way we can connect and have a better relationship.

CHAIR - Can I go to perhaps some staff matters? I was really pleased to see the level of reporting around the diversity of your workforce. So, a big tick for Aurora. I haven't seen in any others, so tick for that. Small cross for not reporting your gender pay gap. TasNetworks do. Yes, we do for a little while now. So, do you know what your gender pay gap is?

Mr DUIGAN - Thank you, Chair. I would need to refer that.

Mr CLARK - Yes, I'd like to ask Nicole Hunt, our Chief People Officer to come for any questions of people matters, payroll and the like. Nicole will be very well placed to cover. Thanks.

Mr DUIGAN - Thank you and for Hansard, Nicole Hunt at the table, Chief People Officer.

Ms HUNT - Thank you. It's an interesting and complex question to some extent, the gender pay gap, and can be influenced by various factors including the under representation of women in senior roles.

CHAIR - That's why I'm asking the question.

Ms HUNT - Yes. So, across our entire workforce, pleasingly, we have nearly a 50 per cent split across the entire workplace of male to female at a senior leader level, which includes the executive team. We currently sit at 33 per cent females. We put a lot of focus into that over the last two years particularly and pleasingly that has increased from 18 per cent and we have a lot of plans in place to continue to build that diversity across our workforce.

CHAIR - So the question was, what's the gender pay gap?

Ms HUNT - So there's a pay gap that comes into place because of the lower levels of senior leaders. But from a holistic level, but from a role-by-role basis, there's not -

CHAIR - No, that is against the law from a role-by-role basis. I'm interested in what the gender pay gap is. There's a formula that sits on the workplace equality -

Ms LOVELL - Gender and Equality Agency.

CHAIR - Yes, Workplace Gender Equality Agency, a federal agency that tells you how to calculate it. Okay so next year, minister, can we have an -

Mr DUIGAN - Let's make a note of that.

CHAIR - audit in the annual report.

Ms LOVELL - Do you know what it is currently?

CHAIR - I know, I look across the table. I know that Karen's acting. There's a male chair that's been appointed.

Ms NYLANDER - Three female non-executive directors out of five.

CHAIR - Yes, I know but the Chair gets paid more than the rest and the executive team. Minister, we would like this reported so we can keep an eye on it and acknowledge there has been work being done to address it.

Mr DUIGAN - Thank you. I believe that has been noted and look forward to the next annual report.

Ms LOVELL - Can I just clarify? Do you know what it is currently?

Ms HUNT - Not based on the formula that you're referring to. I don't have that.

CHAIR - So, it hasn't been calculated by the organisation?

Ms HUNT - No it hasn't.

CHAIR - Will you do that and come back to us, minister?

Mr DUIGAN - Is that something that's within our realms to do?

Ms LOVELL - Before when you said there is a gender pay gap, is that just an assumption you're making based on the breakdown of the workforce? I've assumed from that you had calculated it in some way.

Ms HUNT - Across our cohorts of our business, across our executive team, across our senior leader team, we utilise the Mercer remuneration framework, which has a point system that helps us allocate the ranges of our salaries for those roles. Within those, we've assessed against those any level of gender pay gap. We certainly don't see that there is any type of gender pay gap for like-for-like roles across that cohort. The remaining cohort of our organisation is bound by our enterprise agreement which has very specific definitions of particular roles that fall within the remuneration framework. Again, we've assessed against that because the EA dictates any of those salaries that are required for our employees.

Mr DUIGAN - Happy with that?

Ms LOVELL - I wouldn't say I'm happy with it, but I understand it.

CHAIR - It is missing the point we're making in that whilst there's an appropriate approach at various levels to make sure that men and women are paid equally, equal pay, equal work.

Mr DUIGAN - If there's a deficiency in the annual report, I will seek to address it.

Ms LOVELL - I did have one follow up. Nicole, I'm not sure if it was you who mentioned that there were steps being taken to try to encourage more women and address that lack of diversity in that regard. Can you talk through what those measures are?

Ms HUNT - We have quite a robust leader development program. As part of that program, we look at a lot of different elements. One of those is unconscious bias training, which is a program that will be coming up for all our leaders and hiring managers. We look at psych safety, which is a well embedded program of work which touches all levels from the executive team down. There is also our engagement through the board in terms of the importance of creating a psych safety and culturally strong workforce. Through those programs, as well as our emerging leaders program, we're really focused on attracting highly skilled and capable females into the workforce. That's something, as I said, we've seen a significant shift in the last two years moving from 18 per cent to 33 per cent and something that will be a continued focus for us.

Mr CLARK - It's worth noting, organisations that have a large portion of a call centre, which we do, call centres are traditionally more percentage orientated female. To have an organisation where you have a large call centre as a base, to expect you will get equalisation of

PUBLIC

that would be highly unlikely because of that pure dynamic mix of females tending to dominate a call centre make up. It's worth noting that two thirds of our workforce are in the call centre and the greater majority is female. When we produce the statistics, I know for a fact it will be no different to any other organisation that has a large call centre basis. We'll provide you -

CHAIR - You could attract more men into the call centre.

Ms LOVELL - I did note you celebrated International Women's Day on Facebook. This might be something you could look at for next year.

Mr CLARK - We don't bias in how we recruit. We recruit the best people that come through, whether that be male or female, into our call centre.

CHAIR - The job can be more attractive to males or females depending on how it's promoted and advertised.

Mr CLARK - We check our advertising regularly for 'have we got inherent biases in how we go to the market?'. In our recent cohorts, if I think of the last two that I've sat in front of, they would be still slightly biased towards female representation. There are males coming into our call centre.

Ms NYLANDER - You touched on that, but diversity, as you commented, is something that is actually of importance as well, not just the gender split. That side of it is has been a marked improvement and it adds a great deal to the offering for our customers as well.

CHAIR - I do commend you on that reporting. None that we've seen have anywhere near the level of reporting around other measures of diversity.

If I go to other people matters, you've had three medically treated injuries. I'm not sure how that compares to last year. I haven't read last year's report, but it's got a red dot, which means it wasn't good. If you can outline, minister, what the three injuries related to the nature of the industries and how it compares.

Mr DUIGAN - Thank you, Chair.

Ms HUNT - Our target for medically treated injuries is zero because, obviously, we want to create a workplace which is which is free from injury for our employees. The three injuries that were sustained are not based on any systemic type of issue. They're very individual in nature and largely were due to workplace injuries that occurred in a one-off incident.

CHAIR - Are we talking about serious injuries.

Ms HUNT - No, they're not serious injuries. Two of those were managed very quickly with the employees returning to full duties. One of them is an ongoing injury we are working closely with the employee to manage that.

CHAIR - This is a matter the Auditor-General reported as well. There was a type one non-compliance event. This relates to two incidents of, I assume, disconnections of people on life support and one with an incorrect disconnection, which is probably not life threatening, but the other two could be. How did that happen and what do you do about it?

Mr CLARK - We did not disconnect anyone on life support. I'll ask our CEO Alistair to elaborate on on these incidents. Thanks, Alastair.

Mr BURKE - Thank you. It's similar with the medical treated KPI of zero as a target for any compliance-related events. Over a long period of time, Aurora's had a very strong focus on compliance. I understand how important it is for us and our customers. In the last financial year, we had three discrete incidents which resulted in an immediately reportable report to the Australian Energy Regulator. One of those related to an incorrect disconnection. That was quickly resolved with the customer being without power for only four hours. That was resolved very quickly.

Then we had two separate incidents which related to the status of our customers in the market. It didn't actually, as Nigel said, have anything to do with the customers electricity supply. There were no customers disconnected or impacted as a result of those.

We didn't meet our obligations by updating the market quick enough to reflect the customers life support status.

CHAIR - You got onto a life support requirement and you hadn't identified AEMO quickly enough?

Mr BURKE - Correct. Yes, we have an obligation, it's not just AEMO, it's the other market participants. It's really important all market participants obviously update any customer details just so everybody knows about that customer and we didn't do that quickly enough.

CHAIR - Were they new customers or they were customers that shifted address?

Mr BURKE - It can be either these specific customers. I'd have to double check whether they were move customers or new customers with us. Either way we have a number of checks and balances, controls to make sure that we get the right information from customers, particularly anything to do with life support. We obviously have a lot of checks to make sure that's captured correctly in our systems. Then the role we play in the market, it's important that that is then updated in the market at the same time.

Those two incidents related to the market status, not actually any incident at the customer's premise. Off the back of those we've done an extensive amount of work to make sure there are no gaps in our operation environment. We get internal audit functions to look at these type of operational areas regularly to make sure there's nothing we've missed. We've done a number of actions and taken a number of steps to reduce the risk of those happening again.

CHAIR - I assume those customers have generators on site because there are power outages. If you live on the north-west coast it happens quite often lately.

Mr BURKE - Sorry, do you mean life support customers generally have generation devices?

CHAIR - Yes.

PUBLIC

Mr BURKE - That's not something we monitor. The life support protection relates to an approved list of life support devices like a CPAP machine or something like that the customer is reliant on. In terms of generation on site, my assumption would be -

CHAIR - It could be a dialysis machine, for example. When we had those significant power outages for two or more weeks, then you'll be dead before - it will be dead or go to hospital, ideally go to hospital and dialysed there, but -

Mr BURKE - Yes and that's why it's a, yes, apart from Aurora or a retailer, there's obviously significant obligations placed on distributors and network providers to ensure that they also -

CHAIR - That's a matter for TasNetworks, then.

Mr BURKE - So that's more of a matter for TasNetworks, yes.

CHAIR - That's okay. That's all right.

Ms O'CONNOR - Thanks, Chair. How many other retailers are operating in Tasmania at the moment?

Mr CLARK - Will, would you like to cover this one, thanks?

Mr BARBOUR - Happy to. So, within the large customer segments, it's essentially two. Then, within the small customer segment, which is where the bulk of our customers sit across residential and SMB, is Aurora, and probably four active retailers and then some others who are very niche and probably approach very low numbers of customers with quite targeted niche propositions. We would typically keep an eye on four other retailers.

Ms O'CONNOR - Okay. I'm interested to learn what 'keeping an eye on' means. So, in terms of the larger customers, you identified one other retailer in that space. Who's that?

Mr BARBOUR - Do you want to speak to this one, James, or do you want me to run -

Mr CHISHOLM - I can pick this one up. So that's Shell - ERM was bought out by Shell. So, they've been competing in this market.

Ms O'CONNOR - Shell, the fossil fuel company?

Mr CHISHOLM - Yes.

Ms O'CONNOR - Oh, great.

Mr CHISHOLM - Yes, since 2014, so they have about 30 per cent of the market for C and I [commercial and industrial] customers.

Ms O'CONNOR - Well, I hope you retain your share and more. So, the question is when, if a customer comes to Aurora and says, 'I've got a better deal out of another retailer,' what is the response and how does Aurora make sure it's not behaving in a mercenary, corporatist way while protecting its interests?

CHAIR - Predatory.

Ms O'CONNOR - What was that, sorry?

CHAIR - Predatory.

Ms O'CONNOR - Yes, predatory, which is not in Aurora's DNA, but also there's more competition here. You need to protect Aurora's interest. You may have customers moving for one reason or another. How does Aurora respond to that?

Mr CLARK - I'll ask Will again. There's numerous retention strategies that we'll employ and maybe if you just elaborate a little bit further. Thanks.

Mr BARBOUR - Yes, happy to. It's a good question. So, there is obviously a level of detail here that I would rather avoid given that we operate in a competitive environment -

Ms O'CONNOR - Sure.

Mr BARBOUR - But I will say probably first and foremost, we're very much conscious of our market share and our origin as a true 100 per cent monopoly market share retailer, but conscious of the market share we have today and, as you say, good corporate citizens, it's not in our DNA to behave badly. So, we keep that in mind with everything we do.

One of the things that's risen out of a competitive environment, we very much diversified our proposition. So, things like aurora+ and Power Hours, which there is that loyalty component to Power Hours, our product suite, some of the focus we place on things like time-of-use tariffs and helping customers to understand. So there's that extra value, and then some of the other aspects to broader proposition energy efficiency and channels to market.

It's an evolution and there's that diversification of our product suite and our channels but, essentially, we try to work with a customer to find value for them and ensure that we're doing the best thing by them.

Ms O'CONNOR - Is that a slightly longer way of saying there is direct contact? If a customer says, 'I'm out, I've had enough of you guys, I've got a cheaper arrangement,' there would be direct contact from Aurora to that customer to explore why they were making that choice and try to talk them out of it.

Mr BARBOUR - Yes, that's correct.

Ms O'CONNOR - Okay. The time-of-use tariffs, which I gather are the best value for money for customers, why are they not the default? Does that require the app or why is it not just a broad offering for all customers?

Mr DUIGAN - Certainly my understanding is if people would like to adopt a time-of-use tariff, that is absolutely something that they can do, noting that, if you if you establish a new connection to a new home, for example, that that would be the default. The time-of-use tariff would be the default, noting there is an option for a market offering flat-rate tariff.

PUBLIC

CHAIR - What's the tariff number for anyone who might be watching and wanted to check if they're on it?

Mr DUIGAN - Tariff number, it's not 31 or 41. Is it 22?

Ms O'CONNOR - If you could do this.

Mr CLARK - The flat rate is 31/41 and 93 is the residential.

Ms O'CONNOR - Good on you for having a go. At the table and all. That was terrific.

Regarding the not larger customer base, the major industrials and the like, but the broader customer base for retailers in Tasmania, how much does Aurora hold?

CHAIR - Residential and business?

Ms O'CONNOR - Residential and business, not major industrials. Given that you once had 100 per cent of the share, where are we now?

Ms NYLANDER - Ninety-three?

Mr CLARK - About 93 per cent.

Ms O'CONNOR - Are you seeing that fundamentally hold?

Mr CLARK - It fluctuates at different times of the year. It can be moving down. We have fought hard, as you said earlier. It's important for us to maintain critical size of our base. We fight hard to try and hold that ground. That's the easiest way to put it.

Ms O'CONNOR - Does Aurora have any engagement with TasGas and gas as a source of power.

CHAIR - They're called Solstice now.

Ms O'CONNOR - Oh, sorry.

Mr CLARK - Yes, they are the distributor for gas. Our only official dealing with them is we have a small amount of gas customers, so we pay them for the distribution that they do. That's effectively it.

Ms O'CONNOR - As far as we know, what's happening with the gas market? Do we know?

Mr CLARK - It's pretty much flat. Not growing based on the numbers we would see anyway. It doesn't seem to be actively growing in the small end, no.

Ms O'CONNOR - Great.

CHAIR - On page 32 of the annual report, you've got consultancies. The [inaudible] standards require that you have to report those above \$50,000. You have listed the Tasmanian

Audit Office as a consultant. I don't think that's how they see themselves. You might like to review that allocation to the Audit Office there. Noting that, they are also the biggest consultant, though they are not a consultant. There are another couple of little ones, \$81,000 and \$57,000. Then you've got 13 other consultants who are engaged for less than \$50,000 that make up \$236,000. That's a much larger number. If you take out the Audit Office especially, it's a much larger number than just those two. Are you able to provide more of a breakdown of some of those consultants, what they were for? I know there's a legal requirement around reporting, but there's so many obviously. There are 13 as opposed to two, I'll say, not three, consultants that you have to report on. It'd be helpful to have a bit more vision of that.

Mr DUIGAN - You'd like to understand what those other 13 are, what are they engaged in doing for the business?

CHAIR - Yes. We talk about buy local. It's very high, probably the highest we've seen in our scrutiny today, 96.4 per cent of your buy local, but, in terms of consultancies, what are they, what's the purpose? There are only 13. I wonder if you could provide detail to that 13.

Mr DUIGAN - I think you could probably provide some information at the table what, what the likely -

Mr CLARK - It would get into things like primarily where we would bring in specialist expertise. For instance, in this year gone, we did some work on our risk management policies in energy trading. We brought in an expert in that area.

CHAIR - A smart person.

Mr CLARK - to come in and basically review what we were doing, help us plot the road map to best practice. I think what you'd find is those type that they would be the ones that would make up. It's specialists, because we aren't a large company, as you'd appreciate, so sometimes you need to go to the market to effectively help bring in that resource for a short period of time, a defined project.

CHAIR - That said, I accept that. Can you talk me through, minister, a bit about the IT capability in the business, the skills and particularly with regard to cyber security? We've got a lot of smart meters out there. We've people engaging with the aurora+ app and a lot of personal information that's stored. What capability and what investment's been made in IT.

Mr DUIGAN - Thank you. Noting the points you have made which are absolutely relevant to this. Certainly in the energy landscape it is an increasing area of interest and concern and investment indeed. I'm happy for the business to find some.

MR CLARK - It's an area we take incredibly seriously. We continue to be committed to cyber security, fully recognising the growing risks of information theft and impacts on the business. In 2023-24 year, we invested approximately \$1.4 million in cybersecurity technologies, services and service providers.

Our cybersecurity is underpinned by 24/7 security operations centre (SOC), providing continuous monitoring of cyber threats and anomalous usage alerts across systems including the likes of customer facing aurora+ platform, our website. We also last year introduced multi factor authentication onto aurora+, which was a significant step forward. We also provide

extensive cyber awareness training to all our staff. We also had a continuity emergency exercise last year, specifically on a cyber event. There are many things we do that continue to move us up the cyber maturity continuum.

In the year coming, we have further projects in place will take out some sensitive customer data. That will be totally removed from our systems things we believe we don't need to store. That project is trained in this year, funded in this year and will be another significant step forward by the end of for year 2025.

CHAIR - In terms of monitoring of the threats and breaches, how many threats have been identified and have you had any breaches you're aware of. Knowing that we've probably been one that all of us is probably suffering and we don't know about it.

Mr CLARK - I'm not aware we have had any significant breaches in the year, certainly as far as threats. If our CEO was here, he would be talking about how you get thousands and tonnes of attacks that are continually pinging your system on a daily basis. Obviously, the systems we have in place, that certainly is clearly identified. But from a threat point of view, we've not had any major breaches in the year just gone or the year before that.

CHAIR - That's the answer we wanted because if it wasn't picking up many then you think your system is not robust enough.

Ms O'CONNOR - The right to information on page 30 of the annual report talks about three applications that were received for assessed disclosures. Only one of them was the information released in full. Then there's been an internal review and an outcome and Aurora decided to waive its right to an exemption. What was the application released in full in relation to? I'm sure it'll be on the assessed disclosure spot somewhere deep in the website.

Mr DUIGAN - I will seek a bit of detail on that.

Ms O'CONNOR - Three RTIs in a year is not a huge volume.

Mr CLARK - That one relates to a customer wanted customer usage data information and we gave it in full to them.

Ms O'CONNOR - The other two were not refused, were they released in part to your knowledge?

Mr CLARK - Correct.

Ms O'CONNOR - Okay. We have varying approaches to right to information across government agencies and the Integrity Commission's written a helpful report about some of the activities of the health department. Philosophically, what is Aurora's approach to right to information? Is it wherever possible to actively disclose and to be open in the spirit of the act or not?

Mr CLARK - A simple answer would be we would always seek to comply with the act. Obviously, the delicate issues at times would simply be ones of commercial confidentiality that may come into play with certain types of contracts and the like. Otherwise, I think we would always seek to participate within the spirit of the regulation.

Ms O'CONNOR - Yes, the health department said that too, but they weren't, but I'm sure that Aurora is. Is there a delegated RTI officer with Aurora?

Mr BURKE - Yes there is. Our company secretary, general counsel is the RTI officer and also our head of legal risk and compliance. To elaborate on Nigel's answer, one of the reasons why if you look over a number of years, Aurora's had quite low RTI requests is because we have endeavoured where possible to release information without having to go down that formal process. Obviously, there are situations where requests come through where it might relate to protected areas under the act where we'll, as Nigel said, refer to the specifics of the act for guidance on those decisions. Generally, we've always taken a proactive release stance where possible.

Ms O'CONNOR - That's really good to hear.

Mr CLARK - The other thing we're doing is investing in CDR, if you think about consumer rights, we are in throes of that project at the moment which -

CHAIR - What's that stand for?

Mr CLARK - Consumer data rights. That will give a more simple ability for someone to request their historical usage for instance, of their national meter identifier and they might then use that to go and talk to a vendor or some other provider. We are busy delivering the CDR project this year. That's another form of consumer rights.

Ms O'CONNOR - And that's not something that requires a legislative change or anything. That would come down to an Aurora policy that's applied.

Mr CLARK - Yes. Actually we're fulfilling a regulatory obligation Australia-wide on CDR. That was in a national regulation -

Ms O'CONNOR - A national regulatory, okay.

Mr CLARK - That that was then brought down through into the states. Not dissimilar to what the banks and some of the other industries went through with CDR.

Ms O'CONNOR - Presumably all Tasmanian GBEs will have to apply CDR consumer data rights principles or -

Mr CLARK - I'm not sure.

Ms O'CONNOR - I know you can't but -

Mr CLARK - I can only speak for energy.

Ms O'CONNOR - You've got a few GBEs under your belt, minister.

Mr DUIGAN - Yep and I would need to take that one on notice to say whether that national work had filtered through into other areas, noting that some of those other businesses probably don't hold the same level of consumer data -.

Ms O'CONNOR - Customer data, yes.

Mr CLARK - Yep.

Mr DUIGAN - and where the risks and the rewards lie.

Ms O'CONNOR - When we talk about consumer data rights, we're talking about the individual electricity consumer? We're not talking about a person having a right, for example, to access information about what's charged to major power users in Tasmania when the power is given away?

Mr CLARK - No. This is simply your data of your consumption of your NMI, effectively.

Ms O'CONNOR - Your individual data rights. Okay. Thanks.

CHAIR - Good try.

Ms O'CONNOR - Always trying.

Ms THOMAS - Thank you. In relation to the billing and how Aurora as the retailer is responsible for billing for all the components of energy, but only receives 12 per cent I think it is, of that -

CHAIR - Price tag.

Ms THOMAS - Yes. Has there been any consideration of the equity of this in Aurora carrying all the risk and what any other models might be for charging for those components?

Mr DUIGAN - Ultimately, people want to receive only one bill. They probably don't want a bill from Hydro or TasNetworks and all the others. Retailers would typically provide that billing service on behalf of, in the case of Tasmania, our energy providers and our energy distributors. We would seek to compensate Aurora and other retailers through our regional price, which obviously has a component in there for the retail provision of that energy service. That would be how I would look at it. I'm happy to hear any thoughts the business might have on that.

CHAIR - If I could just perhaps add to it a little bit for your team. If there's unpaid bills and there's not an insignificant number of bills that are written off for the reason to understand, but all that burden, all that unpaid debt, 30 per cent of that bill is a networking charge. Roughly 30 per cent is your wholesale and there's the other bits and pieces and 12 per cent retail. Aurora has to pick up and lose the whole lot. I got \$400 from TasNetworks recently. It was very nice because we'd had lots of power outages.

Ms O'CONNOR - Was that for your solar? Oh.

CHAIR - As usual in my area. Whilst the inconvenience of that is one thing. They have my details. They send me cheques in the mail. It was a pain in the neck, but anyway. You have to go the bank, yeah. They do have the details. They have to pay me under their service

agreement. I'm wondering if this happens anywhere as to whether there is some apportionment of those bad debts to the other components of that bill.

Mr DUIGAN - I have discussed that as I understand it, I would be happy for Nigel or the chair to let us understand if there are any avenues for Aurora to seek reimbursement from TasNetworks or Hydro or the other component parts of that debt.

CHAIR - I'll stick with those two because they're the big ones.

Mr CLARK - Two parts. Your first proposition is correct. The burden does fall with the retailer in the way that the Australian energy industry has been set up. It falls 100 per cent with the retailer. As far as how our pricing regime deals with some of that debt obligation, Alistair, would you like to expand a little bit further? Thanks.

Mr BURKE - To reiterate, there's a range of rules around how the supply chain works and the role of retailers in passing a bill onto customers and what needs to be captured in the bill is highly regulated through the National Energy Retail Rules. We don't have much influence over those different elements. It is part and parcel of being a retailer. The reality of that is that we do wear the bad debt risk the entire - and other retailers - price stack. That is why we have a lot of focus on it. There are elements to our regulated price framework in terms of how Aurora is compensated through that framework to make up for some of the risk inherent in being an energy retailer and some of that risk does relate to bad debt expense.

CHAIR - Some of that 12 per cent price stack takes into account an assumed level of bad debt, is that right?

Mr BURKE - Correct. Part of our regulatory pricing determination and process is reviewing, I guess, how that has impacted us as a retailer over the period and that forms part of that overall price stack. The actual reality might be very different from what was actually considered as part of the pricing determination and that's why we still need to manage it very closely as a retailer, as all retailers do. We're managing that risk.

CHAIR - So do you have any idea, minister, of what the actual cost to Aurora is? To run the business overall, how much of that 12 per cent covers that and how much spare is there?

Mr DUIGAN - I don't know of the 12 per cent, what percentage of that is attributed to bad debt provisions.

CHAIR - I'm not suggesting that. I'm asking how much does it cost to run the business with all the things the business does, then the 12 per cent of the price stack is what Aurora charges? Does that cover those costs with a bit to spare or is it really tight and that's why you have to chase every bad debt?

Mr DUIGAN - Through the company's annual result where you see a relatively modest profit posted, it would suggest that there is a margin, but it's a relatively thin margin. In terms of recovering debt and forgiving some debt where appropriate and the way the business goes about managing that balance, I think you would say is pretty close to the mark.

PUBLIC

CHAIR - If you think about the additional number of people who might have defaulted on their bills without the various top-up payments during the last little while, it would have been quite significant, I imagine.

Mr DUIGAN - Quite possibly, and I think it's a dynamic state and it's something, as government, you continue to monitor, you continue to provide relief where you believe that's appropriate.

CHAIR - The rules are the rules. Can I just ask you a little bit about sustainability reporting and how well prepared Aurora is? I'm not sure whether in the first round or second round -

Ms NYLANDER - Second round.

CHAIR - Second round. So in terms of getting ready for that, in any event, do you have an assurance framework yet and how's that progressing? How are you planning to measure scope 3 emissions, which are pretty hard to capture?

There were two questions in it.

Mr DUIGAN - Ollie Cousland, company secretary and general counsel.

CHAIR - You may need to, if *Hansard* hasn't got the spelling of your name, with all due respect, we may need to provide that to make it correct in our records.

Mr COUSLAND - Thank you. So, we are in the second tranche, so we start having to report in 2026. So we've undertaken some work to start developing a baseline of our carbon emissions so that we can start tracking that so that we can start reporting from 2026 when the mandatory reporting comes in. We've also been gathering some information to start the broader ESG reporting beyond the environmental aspects and we'll be starting to roll that out in the coming years when we're required.

CHAIR - In terms of measuring scope 3 emissions, I mean offset, it's not an easy task. What work is being done there?

Mr COUSLAND - We're only in the very early stages of attaining the baseline. So, we haven't got to the stage where we've needed to work out that level of detail yet.

Ms O'CONNOR - Will you have it done in time by the mandatory reporting day?

Mr COUSLAND - Yes, 2026. We'll be ahead of it.

CHAIR - Do you have any other questions on that?

Ms O'CONNOR - Not necessarily. No, I was watching you closely.

CHAIR - Oh, yes. I know the government's doing a review of governance, perhaps not targeted as much at Aurora but some others perhaps. But I'm just interested in terms of the board, how often board performance reviews are done and how they're done and how they're reported and what are the metrics that are measured in that?

Ms NYLANDER - Yes, we have board performance reviews. We have and I'll throw to Ollie in a minute for the process, but certainly there's board performance reviews undertaken annually, we also get independent oversight of that. So did you want to sort of speak a little bit more on that, Ollie?

Ms COUSLAND - Yeah, sure. As Keryn mentioned, we do annual performance reviews of the directors in the committee performance. Every third year we attempted to get an external consultant to help do more of an independent review and that feedback goes back through the chair to the directors and then any recommendations are adopted and picked up for the following year.

CHAIR - When was that last external review done?

Mr COUSLAND - I think, I would have to have a quick look to check. It would be -

Ms NYLANDER - I think we're due next year for that. So I'd say it was two years ago and I think we're due next year to have an external.

Mr DUIGAN - I don't think it's been done.

CHAIR - So that's an external company that does that?

Mr COUSLAND - Yes.

CHAIR - In terms of the one that was done two and a half years ago thereabouts, what was the feedback from that?

Ms NYLANDER - In terms of areas of improvement or whatever?

CHAIR - Any 'must do betters' or -

Ms NYLANDER - Not that I can recall, no. There's a process of independent feedback. Each director can raise issues. There's a proper process where the chair meets one-on-one with the directors and gives the feedback that was given. With the third year external, that is more comprehensive. We didn't feel that was -

CHAIR - The feedback is given by the external consultant?

Ms NYLANDER - Yes. We didn't feel it's necessary to do that every year. It's a cost as well as it felt that it's a functioning board. There's been good turnover, good input, but obviously we provide access to that feedback to the minister as well. There's a performance reporting mechanism from that review.

CHAIR - It's only the every-third-year review that's provided to the minister. The rest is internal.

Ms NYLANDER - Internal, but as part of our reporting, if there were any issues that would have been raised, to my recollection there hasn't been anything, but it's as part of our reporting cycle.

PUBLIC

Mr DUIGAN - Any reappointments that are made, that performance information is included for my reference in those kinds of decisions as well.

CHAIR - So in terms of board renewal and diversity on the board, you've got gender diversity, but it doesn't appear to be a lot of other diversity just by looking at the faces. With all due respect to those faces, I know most of them quite well. I'm interested in how the recruitment is for new board members and is there attention paid to trying to increase the diversity both in age and perhaps geographic areas as well as culturally diverse individuals, et cetera?

Mr DUIGAN - For the record, I'll state that I think we have a level of diversity among our energy GBE boards with Aurora, 60 per cent are Tasmanian based, which is one of the things that we would be considering in our review, a 60 per cent female-male gender split. For TasNetworks it's 60 per cent Tasmanian based, 40 per cent female-male. Hydro is 20 per cent, although about to be potentially more than that, Tasmania based, 40 per cent female-male gender ratio. To your point about a wider lens on diversity, I think we're probably not being as prescriptive in any way, shape or form around that. I don't know that any level of diversity makes you ineligible, nor does it rule you in.

Ms NYLANDER - It's a skills base, the process, as you understand.

Ms O'CONNOR - They're not mutually exclusive. I know you know that.

Ms NYLANDER - It is an independent firm that does the recruiting. I can't speak to that instruction. From the board's point of view, we very clearly set up the skills that we feel we are missing and the firm that's appointed to go and do that process undertakes to do that. It's based on what skill we need. In some cases, we do need to source that outside. In terms of broader diversity, there isn't an exclusion, it's simply who's the best person for that role with that skill set we need.

CHAIR - We do know that people who are recruiting tend to recruit people who look like them. That's just the way it goes. Unless you completely de-identify people, it's a bit hard to not be swayed.

Mr DUIGAN - I imagine professional recruiting companies have some sort of mechanism for looking into these things.

CHAIR - Maybe they do. Maybe that's a question when you're looking at engaging a recruitment agency you should ask them how they go about that. I'm not sure that they do.

Ms O'CONNOR - I loved that line of questioning. It was very good. What's the full-time equivalent workforce of Aurora this year as at now?

Ms HUNT - The full-time equivalent at the end of the financial year was 282 employees.

Ms O'CONNOR - Does that include the call centre staff?

Ms HUNT - Yes.

Ms O'CONNOR - How does that compare to the employment, the workforce at Aurora, in previous times? Are we seeing staff numbers increase or are there plans to maintain that level of staff?

Mr DUIGAN - Look, thank you, and I think I relatively recently looked at staffing levels in Aurora and I'd say there has been a modest increase in head count over time, perhaps in the last three years that I looked at, from sort of 280 to that circa 300. But I'm sure Nigel probably has a better understanding of what the longer-term trajectory of employment at Aurora looks like.

Mr CLARK - Thanks minister. Yeah, it's true to say in the last three or so years, the numbers increased fundamentally due to the billing system transition that the company was going through. So, it led to a build-up that would just naturally lead to some decrease over the coming years. But we would just see that as natural attrition. So, we are slightly higher than where you would say our historical level is.

Ms O'CONNOR - Thanks, Nigel, and so it sounds like from what you just said though there's no planning to remove or get rid of those extra staff who've come on board, it's an attrition process, so, you won't be filling some vacancies and you'll be juggling as you go.

Mr CLARK - That's correct. Our call centres always have a fairly healthy attrition rate. So, we just see that the natural events will take care of numbers over time.

Ms O'CONNOR - What's the total staffing roughly in the call centre? How big is it?

Ms HUNT - It might be one for Alastair actually to answer. But if I could just slightly correct my previous number that I provided, it's actually 294, not 280.

Ms O'CONNOR - So, the minister was right when you said it was nudging 300.

Ms HUNT - He did. He was spot on. He's all over the numbers.

CHAIR - He's out recruiting the other six.

Ms HUNT - I think Alistair can, instead of me taking a rough guess and can probably provide -

Mr BURKE - Yeah, that's right and there are different lenses you can look at it through. I guess across our entire operational team, at the moment we're about 170, which makes up a big part of our business. But that's not just our call centre facing teams. We also have a significant what we call our sort of meter-to-cash operations, which is all about metering, billing, credit management, all those sorts of teams as well, which sit in our operational area. In our call, more of our customer operations customer channel facing teams, there's around 70 to 75, but even that number includes obviously team leaders, support roles. We have a customer advocacy team, which is sort of heightened support, complaints management functions. So, there's a variety of roles within that number. They're not all call-taking roles, and I think across our entire operational area what we see is there's always opportunities for people to move through different roles, whether it be project-based or just working on a focus of the business at a point in time. So, there can be a lot of movement within our operational area when different opportunities arise.

Ms O'CONNOR - Thank you for that answer. Does Aurora actively encourage those career pathways for the staff you want to retain? Is that an explicit and active push?

Mr CLARK - Yes, it is. There's numerous and I will let Nicole and Alistair elaborate. But certainly, for our internal paths, talent development, leadership development, there's extensive programs that we run. But, Nicole, would you like to maybe elaborate?

Ms HUNT - I think the beauty of the call centre environment is it's not always about progression into a higher role, into a leadership role. There's multiple areas of career development which can take you into some of the more specialised skill sets. So, whether that's in our credit advocacy, metering type of teams and then, as indicated, we have our development programs to support those particularly in leadership or specific capabilities that people have those kind of innate skills in across the business.

Ms O'CONNOR - Does Aurora have a graduate program?

Ms HUNT - We don't have a graduate program at the moment. Previously, we have utilised more of an intern type of program. We've been pretty focused on some of our core strategic objectives over the last few years. So that's something that we have a program waiting. When the timing is right for the business, that's something that we would look to execute for the right types of roles, again, within the business.

Ms NYLANDER - We have Emerging Leaders and we participate in that.

Ms HUNT - We do, Emerging Leaders, participate in that.

Ms O'CONNOR - Okay, emerging leaders from within the organisation who you talent-spot, you pick out and provide the opportunity to -

Ms NYLANDER - Yes, as part of the succession planning. Obviously there are different tiers all throughout the business. That is a work in progress now.

Ms O'CONNOR - That's good.

Mr CLARK - We have KPIs that go to the point of - obviously promotions/appointments coming from within, but also we track heavily those that we identify as talent and that we retain. We're very focused on internal growth. I'm not 'parachuting' people into the organisation.

Ms O'CONNOR - Yes. Thank you.

CHAIR - Just on that, in terms of increasing diversity around your board table, do you have intern programs for board, for a board intern?

Ms NYLANDER - No, but we have talked about that, and that is part of the review discussion that we have undertaken with the other GBEs and SOCs. I know that's in some of the - well, it's certainly in a former board, Tasmanian Bank of Us. I was part of facilitating that there, and we've had discussions. We are looking at how we can get more diversity and experience on the board, and not just in terms of permanency.

PUBLIC

CHAIR - You touched on professional development in responding to Cassy, but is there a particular professional development program for senior executives but also for board members? Or don't the board do much in the way of professional development?

Ms NYLANDER - The board does and we can still do more, clearly, but obviously through the Institute of Company Directors, and we're encouraged to be members of peak bodies or anything relevant to our particular skill set. In terms of development, professional development, there's an area we can probably look to do more, but yes, it's encouraged.

CHAIR - I can't think which other GBE it was I've heard from today, but they were talking about doing confirmation bias training. Is that something that's been considered?

Ms NYLANDER - Do you mean unconscious bias training?

CHAIR - Yes, sorry. Unconscious bias training.

Ms HUNT - Yes, that's absolutely part of our leader development program or our hiring managers as part of our approach to DEI and building our culture at Aurora Energy. That's a future program of work that we have planned to deliver across the business.

CHAIR - When you say 'across the business', who will be able to access that sort of training?

Ms HUNT - It will be different for different levels of the organisation. Obviously, leaders generally and hiring managers have a greater role in terms of, you know, setting the tone and really leading by example around the cultural alignment that we have, in that sense. Elements of that will be rolled out to the business. We have a digital platform where our employees can participate in learning, and there will be unconscious biases, a suite of learning that all of our employees will be able to access.

CHAIR - Is there an opportunity for them to learn more about how the not-complicated-at-all national electricity market works?

Ms HUNT - There's always space for additional learning for all of our employees.

Mr CLARK - We're very proud, actually, of the online learning platform that was delivered into the business in the last year. The team have been building numerous training modules and some of it will include NEM 101, but for instance -

CHAIR - RMIT actually provides some good training programs. You don't have to rebuild those. They've already got them.

Mr CLARK - No, those ones are out, but recently we've rolled through things like mental health training through the Black Dog Institute and a variety of things. That's become a really powerful tool for us in lifting the profile in a company.

CHAIR - You did say that there's been, in the call centre particularly, there's often a fairly steady turnover of staff. Do you do exit interviews or offer exit surveys for all staff, and what's the take-up if you do?

Ms HUNT - We do exit interviews. I don't have the specific figures in front of me, but it's quite high in terms of those that participate. My recollection of the last survey results - it was around 80 per cent in terms of those that are exiting the organisation. Obviously some can be exiting at some times that, you know, aren't satisfied, or for various reasons wouldn't give a positive result, but generally, we have a positive exit interview result that comes through the process.

CHAIR - What are the main reasons for people seeking to leave Aurora?

Ms HUNT - In the last 12 months, specifically, we've had some relocation, those returning interstate. Some of that has come through the back of those relocating through COVID, end of visas, those types of relationships, where people will transition on from Aurora. At times it's long tenure, so looking at other opportunities across a similar type of sector.

CHAIR - Did you ask about psychosocial safety? There are the legal requirements to manage the psychosocial safety of your workforce. What's being done in the business to address that?

Ms HUNT - Over the last 12 to 18 months, we have had a program which is focused absolutely on understanding psycho safety and the importance of our role across the organisation to create an environment where our employees feel safe and that they belong. That has come from the executive team down across the business. We've put a lot of focus, and had regular modules, for our leaders to participate in really understanding the importance of that, and how that translates into supporting their employees.

Coupled with that, as Nigel mentioned, we've had some of the online training which has been around mental health management, supported by the Black Dog Institute. In the future, our next round of modules into the New Year will be focused on resilience for our employees. There's quite a suite that's focused in that space.

CHAIR - How often do you do surveys of your workforce?

Ms HUNT - We do our surveys three times a year for our engagement survey, and incorporated within those we have some focus, particularly it could be on our culture survey - there's a culture measure which is done annually. We also do some other elements within our survey which could be focused on workplace behaviour/psycho safety, or diversity and inclusion have been some other elements that we would survey within those mechanisms for our employees.

CHAIR - They are done three times a year?

Ms HUNT - Engagements, yes. Every four months.

CHAIR - Are they pulse surveys?

Ms HUNT - Yes, that's a pulse survey.

CHAIR - There are three pulse surveys a year. Do you do a larger staff satisfaction survey? How often does that occur?

Ms HUNT - Yes. That is once a year with our culture survey, which is a broader culture and engagement survey.

CHAIR - What's the feedback been like? Do you have the most recent results of that?

Ms HUNT - Our most recent survey was conducted across September and October. We're really pleased with our results. We had a 79 per cent engagement result. Our target is 70. We've progressively seen that increase over the last two surveys. That has come about through the work that we've been doing to refine our strategy and our vision and purpose, which our people have played a part of, through that process as well. We have slightly adjusted our values to make sure that they are really connected and best represent our people, our vision and purpose.

Our people are telling us that they're really connected into our strategy. They understand it. They understand that making energy easy for Tasmanians is incredibly important. We've also seen some great improvements in the leadership development across all of our results. It is certainly something we're proud of, and we'll continue to concentrate on making sure that we have a strong culture and a highly engaged workforce.

CHAIR - There were no alarm bells? When we asked this question of TasNetworks last year, that dominated the front page of the newspapers. You've had no occurrences that would raise concern about bullying? Harassment?

Ms HUNT - No. I think there's a number of measures that, as you would know, talk to those types of results, whether that's through an engagement or culture survey, through medically treated incidents, through industrial incidents, things like that. We don't have any concerns in that respect that have come through any of those mechanisms to us and in fact our culture survey, which is our annual survey. This really demonstrates for us or indicates, it's not just that whole solve how connected our people are to our values. This is about how our people recognise that our values are consistently demonstrated. In the last 12 months we've seen that increase by 13 points.

Ms O'CONNOR - That's very effective.

Mr CLARK - We focus very much on creating that trust, safety. We've talked about the vulnerability and through leadership that's a key part that we play as a team, both to our self, first and foremost as an executive team, but then into our middle leadership and then into the organisation. To have a 15 point move in 18 months in engagement is a multitude of things that need to come together to bring that.

CHAIR - Need to be commended.

Ms NYLANDER - Yes. It's a real focus for us and even at the board level it's an absolute priority. The other thing is we've also had education sessions, psychosocial DI presentations wholesale. From a learning point of view, we're across the whole spectrum of the business. The board is being educated at the same time on everything, including leading the culture, importance of culture.

CHAIR - That's a very positive note to finish on, minister. Thank you to just a couple of people who turned up with you today.

PUBLIC

Mr DUIGAN - We want to set a new record.

CHAIR - You might have set a new record. Thank you, minister. I don't think there were any questions on notice for your team?

Ms O'CONNOR - I might have sent one through.

CHAIR - If there is, we'll send it through to you.

Ms LOVELL - I had one on the energy.

CHAIR - There was one. Okay, that's alright. We'll write to you. We'll get that sent out maybe tomorrow, maybe not tonight.

Other than that, we thank you for your appearance and time today.

The witnesses withdrew at 6.03 p.m.

APPENDIX B – RESPONSES TO QUESTIONS TAKEN ON NOTICE

Deputy Premier
Treasurer
Attorney-General
Minister for Justice

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10 DEC 2024

Hon Ruth Forrest MLC
Chair
Government Business Scrutiny Committee A
Legislative Council Select Committee
By email: allison.scott@parliament.tas.gov.au

Questions on Notice:
Tasmanian Public Finance Corporation

Dear Chair

Thank you for your letter of 3 December 2024 relating to Questions on Notice taken during the Tasmanian Public Finance Corporation hearing on that date. I provide the responses below.

Q1. Please provide details related to the breach of the interest coverage ration covenant in the TT-Line Master Loan Facility Agreement

- a. What was the actual impact of the breach; and*
 - i. What was TT-Line's interest cover ratio at the time of the breach; and*
 - ii. What is it currently*

1a. TT-Line has an obligation under its Master Loan Facility Agreement (MLFA) to immediately inform TASCORP if does not meet its interest coverage ratio; TT-Line complied with that obligation.

TASCORP's MLFA with TT-Line has the effect that, while TASCORP holds both a current, executed Security Deed and a current guarantee under section 15A of the *Tasmanian Public Finance Corporation Act 1985*, a breach of the interest coverage ratio is not a 'notice of acceleration event'. TASCORP holds both these forms of security, therefore the actual impact of the breach was that it prompted TASCORP to bring forward the annual review by TASCORP of TT-Line's credit position.

- i) 0.95 times. The interest coverage ratio defined in TT-Line's MLFA is a minimum of 1.0 times.
- ii) TASCORP does not have visibility over TT-Line's year-to-date financial position. TT-Line's short-term forecasts, provided at the time they advised the Interest Coverage Ratio was not being met for the 2023/24 financial year, indicated they did not expect to meet it for the remainder of the 2024/25 financial year. TASCORP expects to receive updated information as part of TT-Line's revised financial forecasts requested as part of the annual review process.

Q2 What are the guarantee limits for each of the GBEs as published in the TAFR and current guarantee limits?

Guarantee limits published in the Treasurer's Annual Financial Report for 2023-24 are provided in attachment 1 which is an extract from the full report. The current guarantee limits as at 9 December 2024 are set out in attachment 2.

Q3 What is the gender pay gap for TasCorp?

In February 2024, TASCORP's management conducted an internal review of the corporation's gender pay gap. As at that date, the gender pay gap for all staff, based on total median remuneration figures, was 22%. This compares favourably to the national average for the financial and insurance services industry, which reports a gender pay gap of 26.1% based on median total remuneration.

Recognising that there is work to be done to reduce TASCORP's gender pay gap, management agreed upon the following actions:

- Analysis will be conducted annually as part of TASCORP's remuneration review process, to identify the gender pay gap average and median percentage for the whole organisation, and for different seniority levels;
- The annual remuneration review process will require the most recent gender pay gap analysis for TASCORP to be considered in remuneration decisions;
- Our recruitment process will be formalised through policy to ensure merit-based recruitment practices for both internal and external recruitment, which also considers diversity, equity, and inclusion;
- A consistent and transparent procedure is to be established outlining how employees are selected to be promoted, transferred, or terminated.

Yours sincerely



Hon Guy Barnett MP
Deputy Premier
Treasurer

Encl.

8.2 Contingent assets and liabilities

Contingent assets and liabilities are not recognised in the Statement of Financial Position due to uncertainty regarding the amount or timing of the underlying claim or obligation.

8.2(a) Quantifiable contingencies

A quantifiable contingent asset/liability is a possible asset/liability that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

The table below presents the quantifiable contingencies within the Total State Sector. Note there are no quantifiable contingencies for the PFC Sector.

	2024			2023		
	GGS	PNFC	State	GGS	PNFC	State
	\$m	\$m	\$m	\$m	\$m	\$m
Assets						
Community housing ¹	....	12.9	12.9	....	11.7	11.7
Other buildings ^{2,3}	1.0	96.9	97.9	....	....	....
Leasehold Improvement - Make Good	0.1	....	0.1	....	....	....
GST credits ⁴	....	....	....	13.0	....	13.0
Appeals ⁵	16.4	....	16.4	18.5	....	18.5
Project Marinus funding ⁶	....	....	....	....	70.0	70.0
Other Recoverables ⁷	0.1	....	0.1	....	....	....
	17.5	109.8	127.2	31.6	81.7	113.3
Liabilities						
Agency litigation ⁸	9.4	0.3	9.4	4.4	0.4	4.8
Potential Make Good on Lease	0.1	....	0.1	....	....	....
Asbestos removal from traffic signs	2.0	....	2.0	3.5	....	3.5
Guarantees:		....			
Tasmanian Ports Corporation ^{9,10}	286.0	....	286.0	286.0	....	286.0
TT-Line Company Pty Ltd ^{9,10}	1 035.0	....	1 035.0	745.0	....	745.0
Homes Tasmania ^{9,10}	266.0	....	266.0	60.0	....	60.0
Aurora Energy Guarantee ⁹	495.0	....	495.0	....	....	....
Hydro Tasmania Guarantee ⁹	2 039.0	....	2 039.0	....	....	....
Metro Tasmania Guarantee ⁹	18.0	....	18.0	....	....	....
Port Arthur Historic Site Management Authority ⁹	12.5	....	12.5	....	....	....
Sustainable Timber Tasmania Guarantee ⁹	5.0	....	5.0	....	....	....
Tasmanian Irrigation Guarantee ⁹	68.2	....	68.2	....	....	....
Tasmanian Network Guarantee ⁹	2 500.0	....	2 500.0	....	....	....
Tasmanian Railway Guarantee ⁹	20.0	....	20.0	....	....	....
Tasracing Guarantee ⁹	18.7	....	18.7	....	....	....
Other	0.4	....	0.4	0.4	....	0.4
Equity Reinvestment - Tasmanian Networks ¹¹	103.5	....	103.5	....	....	....
Copper Mines of Tasmania ¹²	25.0	....	25.0	25.0	....	25.0
Revenue in advance ¹³	1.5	....	1.5	1.6	....	1.6
	6 905.4	0.3	6 905.6	1 125.9	0.4	1 126.3

8.2(a) Quantifiable contingencies (continued)

Notes:

1. Community housing represent dwellings for which legal title is held by community organisations, but for which the State holds a legal interest which may be recognised subject to the future management of the properties and viability of the organisations. These contingent assets were transferred to Homes Tasmania, which is a PNFC sector entity, post the restructure and abolition of the former Department of Communities Tasmania which ceased to operate from 30 November 2022.
2. The Department of Natural Resources and Environment Tasmania has recognised expenditure of \$1.0 million for operating expenses relating to The Hedberg. It is expected that this expenditure will be returned to the Department as a result of a lease agreement currently in negotiation. This cashflow is uncertain until the negotiations are finalised.
3. Stadiums Tasmania are in negotiations regarding the acquisition of UTAS Stadium and Launceston Silverdome which are nearing completion, and it is probable that the assets will be acquired in the first half of 2024-25. An independent valuation has been completed with UTAS Stadium having a current fair value of \$48.8 million and Silverdome having a current fair value of \$48 million.
4. Prior to the sale of TOTE Tasmania to Tabcorp Holdings Limited, TOTE Tasmania had accrued \$41.7 million in GST credits for previously overpaid GST. Tatts Limited agreed to remit the value of those GST credits to the Government as and when they were utilised. The decrease for 2023-24 reflects advice from Tatts Limited that all credits had been utilised.
5. Finance-General has recognised a contingent asset of \$16.4 million for appeals relating to tax assessments currently under appeal in the Supreme Court or Magistrates Court.
6. In April 2022, the Australian Government committed \$75 million to progress Project Marinus to a Financial Investment Decision, with \$5 million being received in 2022-23. On 22 March 2024, Tasmanian Networks Pty Ltd (through its non-trading, wholly owned subsidiary TasNetworks Holdings Pty Ltd) sold the wholly owned subsidiary Marinus Link Pty Ltd (MLPL) to the joint ownership of the Australian, Victorian and Tasmanian Governments.
7. Tourism Tasmania has recognised a contingent asset of \$0.1 million for outstanding recovery of funds from the Australian Government Recovery for Regional Tourism Grants Program. This is expected to be returned in 2024-25.
8. The increase in agency litigation in 2023-24 is primarily due to the recognition of a potential contingent liability on workers compensation of \$2.8 million by the Department of Premier and Cabinet. In addition, there was also an increase in the number of contingent legal claims against the Department of Justice as at 30 June 2024.
9. On 29 September 2023, the *Tasmanian Public Finance Corporation Act 1985* was amended to provide a Government guarantee of the borrowings from Tascorp by relevant organisations. This guarantee is subject to a limit for each relevant organisation as determined by the Treasurer. The limit for each borrowing entity as at 30 June 2024 is as per the line item balance.
10. A Government Guarantee for borrowings from Tascorp was provided to selected entities at 30 June 2023. This was provided through individual Deeds of Guarantee to each entity.
11. In February 2024, the Treasurer agreed, subject to Parliamentary approval, to provide an equity contribution to Tasmanian Networks in recognition of the financial contributions made to Marinus Link Pty Ltd during its ownership of the entity. Marinus Link Pty Ltd was sold by Tasmanian Networks to the Australian, Victorian and Tasmanian Governments on 22 March 2024.
12. In late 2015, following a recommendation from the TDR Board, the Minister for State Growth and Treasurer jointly approved the provision of a \$25 million financial assistance package to Copper Mines of Tasmania. The package was to support a possible reopening of the Mt Lyell Copper Mine and was in the form of a grant to reimburse CMT for payroll tax and mineral royalties paid over a seven year period, contingent on the mine reopening.
13. The Department of Natural Resources and Environment Tasmania has recognised \$3.5 million in relation to 2024-25 bookings for the Three Capes Track which were receipted in 2023-24. A component of this revenue will be paid to Three Capes Track contractors on each booking completion. The contractor's liability of approximately \$1.5 million is contingent on each booking being undertaken in 2024-25 and is therefore not recognised in the financial statements.

GOVERNMENT GUARANTEES TO TASCORP

Statutory Guarantees Received from the Treasurer (as at 9 December 2024)

Relevant Organisation	Determined Guaranteed Borrowing Limit (\$M)
Aurora Energy Pty Ltd	495.0
Homes Tasmania	476.0
Hydro Tasmania	2,140.0
Metro Tasmania Pty Ltd	18.0
Port Arthur Historic Site Management Authority	5.0
State Fire Commission	10.0
Sustainable Timber Tasmania	5.0
Tasmania Development and Resources	170.0
Tasmanian Irrigation Pty Ltd	68.2
Tasmanian Networks Pty Ltd	2,500.0
Tasmanian Ports Corporation Pty Ltd	286.0
Tasmanian Railway Pty Ltd	20.0
Tasracing Pty Ltd	18.7
TT-Line Company Pty Ltd	1,035.0
Total:	7,246.9

Deputy Premier
Treasurer
Attorney-General
Minister for Justice

Level 10, 15 Murray Street, HOBART TAS 7000
GPO Box 123 HOBART TAS 7001
Phone: 03 6165 7678
Email: Barnett.correspondence@dpac.tas.gov.au



10 DEC 2024

Hon Ruth Forrest MLC
Chair
Government Business Scrutiny Committee A
Legislative Council Select Committee
By email: allison.scott@parliament.tas.gov.au

Questions on Notice: Tasmanian Water and Sewerage Corporation Pty Ltd

Dear Chair

Thank you for your letter dated 3 December 2024 in relation to questions on notice taken during the Tasmanian Water and Sewerage Corporation hearing. TasWater has sent through two attachments. **It is requested that Attachment B – Board Performance Assessment Survey is provided in confidence and not published online.**

As the responsible Minister for the *Water and Sewerage Industry Act 2003*, I sought TasWater's advice and provide the responses below.

1. *How many instances of customer over-charges are TasWater currently aware of?*

From the commencement of the Revenue Assurance Program to its conclusion, the accuracy of the billing information provided by the former council owners was checked for errors.

Where over-charges were found, account adjustments were made, and refunds provided.

5,077 properties were found to have been over-charged and refunds provided.

2. *Please provide the psychosocial safety Action plan.*

The responsibility for the delivery of actions taken by TasWater to manage psychosocial risk sit across a number of teams.

These are collated in a Psychosocial Risk Management Controls Map (attachment A).

This map identifies the actions taken across TasWater, and which specific psychosocial hazards they address.

Please see attachment A.

3a) *What agricultural chemicals does TasWater test for during the water treatment process, and how often?*

TasWater currently test for the following pesticides quarterly:

- 2,4 Dichlorophenoxyacetic acid (2,4 D)
- Alpha-cypermethrin
- Atrazine
- Dimethoate
- Boscalid
- Chlorpyrifos
- Chlorothalonil
- Clopyralid
- Cyanazine
- Glyphosate
- Dicamba
- Dichlobenil
- Haloxyfop-methyl
- Hexazinone
- 2-methyl-4-chlorophenoxyacetic acid (MCPA)
- Metribuzin
- Metsulfuron methyl
- Pendimethalin
- Permethrin
- Prometryn
- Picloram
- Propamocarb
- Propiconazole
- Simazine
- Sulfometuron-methyl
- Terbacil
- Triclopyr
- Aminomethylphosphonic acid / AMPA.

3b) *Is TasWater testing for any of the triazine family of chemicals, and if so, what has it found?*

TasWater currently test for the following triazines quarterly:

- Atrazine
- Cyanazine
- Hexazinone
- Metribuzin
- Simazine
- Prometryn

In 2018 there was a detection of Atrazine in the Trevallyn Dam (27.0 µg/L) which exceeded the Australian Drinking Water Guidelines health limit (20 µg/L).

Retesting of the catchment did not detect Atrazine.

3c) *Are results of the testing publicly available anywhere?*

TasWater does not publish data for the above chemicals but does make it available on request.

4. *What were the total legal costs leading up to the rollover agreement?*

\$241,114. These costs are mostly associated with unions challenging TasWater's position on scope.

5. *Please provide the Board Review KPMG Report*

Please see attachment B, provided to the Committee **in confidence**.

6. *What is the number of occasions that you have engaged a contracted or sub-contracted workforce to supplement TasWater's own workforce?*

To address peaks in operations workload, there are times when TasWater engages contractors to support the delivery of BAU work orders to meet service standards.

This does not include the delivery of specialised services that can only be provided by contractors with the appropriate skills and equipment.

In the current financial year, TasWater's Urban Networks team completed 8,453 work orders, with contractors completing 622 of these work orders (7.4 per cent).

7. *What percentage pay increase was awarded to senior executives this year (individually, not average)?*

Executive Total Employment Package (TEP) adjustments for FY24 are as follows:

- General Manager, Operations, - commenced September 2023
- Chief Financial Officer, 5.0 per cent
- General Manager, Sustainable Infrastructure Services, 4.0 per cent
- General Manager, Project Delivery, 4.5 per cent
- General Manager, Customer and Community, 5.5 per cent
- General Manager, People Culture and Safety, 5.0 per cent
- General Manager Governance and Assurance, 3.5 per cent
- Chief Executive Officer, 12.4 per cent

TEP adjustments are based on the following:

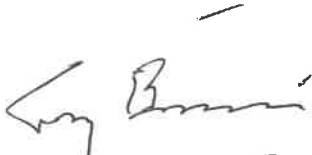
- TasWater's *Individual Contract Remuneration Policy*
- Australian General Market determined by Mercer Consulting (Australia) who provide an independent review of remuneration
- Based on the median (50th percentile) of Australian General Market
- Overall executive performance.

TEP adjustments for all executives are approved by the TasWater Board.

8. *What is the current failure rate of water meters?*

In FY24, the number of water meter failures (where a meter was broken, or the battery had failed and a reading could not be obtained) was 3,100 across TasWater's network of 224,321 water connections.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Guy Barnett', with a horizontal line above it.

Hon Guy Barnett MP
Deputy Premier
Treasurer

cc: Mr George Theo, CEO TasWater

TasWater Psychosocial Risk Management

Program of work

Attachment A – December 2024

Blueprint on a page

Unlocking water's
full potential

Our Purpose: Why we exist

To provide exceptional water and sewerage services for a thriving Tasmania.

Our Future: Vision, Outcomes and Aspirations



Customer Value

- Nailing the basics
- Easy and accessible
- Engaged and supported communities



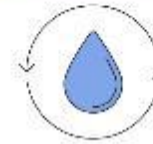
Better Together

- Safe and well
- Great place to work
- Effective partnerships



Healthier Environment

- Net zero emissions
- Towards zero waste
- Healthy land and waterways



Water Forever

- Climate resilience
- Water security
- Financial sustainability

Focus area	Next generation leadership	A thriving and capable workforce	Safe and well	Contemporary processes and systems
Intent	<p>To succeed in our Corporate Strategy, we need impactful, strategic leaders as well as strengthen line management capability across TasWater.</p> <p>It demands a new leadership paradigm that views the world from an alternative perspective, understanding that the solutions to our problems cannot be forged with the same thinking that created them.</p> <p>Leaders are required to enable and support our vision and purpose, engaging others, guiding workplace culture, and developing strategic approaches that lead us to achieve together what we might not have thought possible.</p>	<p>We are committed to fostering a diverse and inclusive workplace where everyone is treated equitably and feels a true sense of belonging. Our growth mindset culture benefits both our people and TasWater, empowering employees to continually learn, acquire new skills, embrace challenges, and take calculated risks.</p> <p>In this environment, we cultivate personal growth, high levels of trust and teamwork, and strong engagement and commitment. Our focus on resilience and adaptability drives innovation, encourages experimentation, and promotes continuous improvement, leading to enhanced performance. This culture not only boosts employee satisfaction and reduces turnover rates but also contributes to higher retention, making TasWater a great place to work for everyone.</p>	<p>Our people and the community are safe from our operations in every way possible. Our visible and unwavering commitment and accountability to safety means we:</p> <ul style="list-style-type: none"> • View safety as a collective responsibility • Prioritise the wellbeing of our people • Empower our people to actively share safety concerns and provide input on safety-related decisions • Take ownership of our own safety and the safety of our colleagues and customers. 	<p>The People, Culture and Safety team engages our people and people leaders by enriching their experience through fit-for-purpose offerings with the needs of the business in mind.</p> <p>We ensure that people management is supported by clear policies, high performing services and automated HR solutions.</p> <p>We use data, analytics and management information effectively to inform business wide decisions and understand trends.</p>

Health, Safety and Wellbeing Implementation Roadmap

At TasWater, we believe that all our work can be done safely, and that our people and partners play a vital part in providing a safe and healthy work environment for the prevention of work-related injuries and illness.

Our goal is to ensure that our people return home safe at the end of every workday.

To achieve this, our Health and Safety Implementation Roadmap (previously called Health and Safety Strategy) and associated Program of Work focuses on the following pillars:

A. Effective Risk Management

We provide a safe and productive workplace through the identification, understanding, monitoring and measuring of risk so that prioritised, evidence-based risk controls and solutions are implemented.

B. Performance & Improvement

Our systems, frameworks, processes and tools are simple, accessible, and aligned with our business needs. We analyse and understand data and provide real time reporting to leaders to enable good decision making.

C. Purposeful Leadership

We recognise that capable people are the solution, so we define expectations within a just and fair culture to enable accountability. We work with our partners to ensure consistency.

D. Health & Wellbeing

We empower our people with visible commitment, practical support, and good work design to provide a healthy and thriving people experience. We partner with our People and Culture teams to enable this.

Roadmap Deliverables	Roadmap Deliverables	Roadmap Deliverables	Roadmap Deliverables
A1. Increase health and safety risk visibility and define risk profile.	B1. Develop a simplified health and safety management system aligned to TasWater's ways of working.	C1. Build leadership capability to support the health, safety and wellbeing of our people.	D1. Conduct a mental health and wellbeing risk assessment.
A2. Improve health and safety risk controls through a structured program of works.	B2. Deploy technology that improves outcomes and user experience.	C2. Establish assurance processes that drive ownership and accountability.	D2. Define TasWater's mental health and wellbeing risk profile.
A3. Prioritise the health and safety program of work based on risk profile.	B3. Improve health and safety data and analytics to inform decision making.	C3. Support our partners to achieve strong health and safety performance.	D3. Develop a health and wellbeing framework and improvement plan.
A4. Develop user friendly health and safety risk control tools.	B4. Improve consultation processes to involve our people in decisions impacting them.	C4. Encourage a strong reporting culture within a just and fair culture.	D4. Establish an early intervention program inclusive of job task analysis.

Health & Wellbeing Framework

Health and Wellbeing Framework

FRAMEWORK



INTENT

Identify and control physical & psychosocial risks
Ensure people are equipped to undertake work safely
Raise awareness of mental and physical wellness
Support people to proactively keep themselves physically and psychologically well
Foster positive work connections and relationships
Create conditions for connection and inclusion of diverse people
Build our leaders capacity to support their people
Build our peoples capacity to recover when unwell or injured
Support recovery and return to work where people are unwell

LENS



Psychosocial Risk Management Controls Map

Health and Safety Management System

Psychosocial Risk Management – Controls Map

				PSYCHOSOCIAL HAZARDS													
CONTROLS																	
Type	Audience	Owner	Name	Bullying	Harassment (including sexual & gender-based)	Conflict or poor workplace relationships & interaction	Violence & aggression	Traumatic events or material	Poor physical environment	Remote or isolated work	Poor organisational change management	Poor organisational justice	Inadequate reward and recognition	Job demands (high & low)	Lack of role clarity	Low job control	Poor support
Controls to Raise Awareness	All	PCS	TasWater General Induction (covering behavioural requirements)														
	All	PCS	Health and Safety Induction														
	All	PCS	Mental Health Awareness														
	All	PCS	Family and Domestic Violence Training														
	CC	CC	Customer Service Training														
	PL	PCS	Aboriginal Cultural Awareness Training														
	PL	PCS	Leadership Program														
	PL	PCS	Mental Health Training for Leaders														
	PL	PCS	Issue Identification and Resolution Training														
Mechanisms to Report and Identify Exposure	All	G&A	Whistleblower Hotline														
	All	PCS	People Partner Support														
	All	PCS & OPS	Contact Officer Network / Mental Health First Aiders														
	PL	PCS	Health and Safety Representatives														
	PL	PCS	People Partners and People Leaders One-on-One (discuss current and potential issues)														
	All	PCS	Employee Engagement Survey														
	All	PCS	Psychosocial Risk Assessment Survey														
	All	PCS	Employee Assistance Program – data analysis														
	All	PCS	Employee Agreement – consultation activities														

TasWater Controls

CONTROLS																	
Type	Audience	Owner	Name	Bullying	Harassment (including sexual & gender-based)	Conflict or poor workplace relationships & interaction	Violence & aggression	Traumatic events or material	Poor physical environment	Remote or isolated work	Poor organisational change management	Poor organisational justice	Inadequate reward and recognition	Job demands (high & low)	Lack of role clarity	Low job control	Poor support
Controls to Prevent and Manage Psychosocial Risks and Incidents	All	PCS	Our Values and Behaviours (available in Code of Conduct, Job Descriptions and Intranet)														
	All	PCS	Position description and discussion of accountabilities during the recruitment process														
	All	PCS	Recruitment process and selection (background checking and values based recruitment)														
	All	PCS	Onboarding and probation process (values based)														
	All	PCS	Code of Conduct and associated training and refreshers														
	All	PCS	Workplace Behaviour Policy (covered in the Code of Conduct and General Induction)														
	All	PCS	Inclusive Gender Diversity Environment Strategy														
	All	PCS	Gender Pay Equity														
Controls to Prevent	All	PCS	Resolving Workplace Complaints Procedure														
	All	PCS	Investigation Process														
	All	PCS	Case Management Process														
	All	PCS	The Investigating Workplace procedure														
	All	PCS	Effective Management Practices														
	All	PCS	Incident and emergency response processes														
	All	PCS	H&S hazard, incident and injury management processes														
	All	PCS	Ability to STOP the job														
	All	PCS	Fatigue risk management														
	All	PCS	Capability Framework (to map capabilities needed for roles)														
	All	PCS	Training - knowledge on the job														

TasWater Controls

CONTROLS																	
Type	Audience	Owner	Name	Bullying	Harassment (including sexual & gender-based)	Conflict or poor workplace relationships & interaction	Violence & aggression	Traumatic events or material	Poor physical environment	Remote or isolated work	Poor organisational change management	Poor organisational justice	Inadequate reward and recognition	Job demands (high & low)	Lack of role clarity	Low job control	Poor support
	All	PCS & OPS	Contact Officer Network / Mental Health First Aiders														
	All	PCS & OPS	Employee Assistance Program and Biosymm (Early intervention provider)														
	All	PCS	Employee Agreement – consultation activities														
	All	PCS	Employee Agreement – pay points and classification														
	All	PCS	Reward and Recognition Program														
	All	PCS	Employee Agreement – shift length														
	All	Ops	Dedicated Schedulers and work allocation tools (Maximo)														
	All	Ops	On call hours and rostering planning														
	All	PCS	Flexible Work arrangement														
	All	Ops	Professional supervisor														
	All	Ops	Team collaboration / Meetings														
	All	Ops	Collaboration tools (toolboxes and team meetings)														
	All	PCS	TasWater Management of change framework (process, tools and														
	All	PCS	Workplace Consultative Committee														
	All	PCS	Health and Safety Representatives Committee														
	All	CS & C	Dedicated Communications Team and associated processes and														
	All	PCS	Performance and Development Agreement Process (including One-on-One conversations)														
	All	G&A	Corporate Insurance Program (worker compensation, Employee Practice Liability, Director & Officer)														

TasWater Controls

CONTROLS																	
Type	Audience	Owner	Name	Bullying	Harassment (including sexual & gender-based)	Conflict or poor workplace relationships & interaction	Violence & aggression	Traumatic events or material	Poor physical environment	Remote or isolated work	Poor organisational change management	Poor organisational justice	Inadequate reward and recognition	Job demands (high & low)	Lack of role clarity	Low job control	Poor support
Performance and Improvement	All	GOA	Personnel Security														
	All	GOA	Insider Threat Standard														
	All	GOA	Conflict of Interest Policy														
	All	GOA	Privacy Policy														
	All	PCS	Dispute Resolution process														
	All	CFO	Digital Acceptable Use Policy														
	All	PCS & OPS	Disciplinary Process														
Performance and Improvement	Board, ELT, SLT	CFO	Business and Operational Performance Reports														
	All	PCS	Employee Engagement Survey - data analysis														
	All	PCS	Psychosocial Risk Assessment Survey - data analysis														

Respect at Work actions

Respect at Work actions

Standard	Action	Status
Leadership Knowledge	Board and ELT/SLT briefings on Respect at Work obligations	In development
Leadership Reporting & Response Transparency	Board reporting on number of sexual harassment and positive duty conduct cases	Complete/ongoing
Leadership Reporting & Response Transparency	Gender reporting: <ul style="list-style-type: none"> Gender by business group Gender in leadership roles (level 1-4) Gender pay gap, and gender by business group Women in STEM 	Complete/ongoing
Leadership Knowledge	TasWater Leadership Development Program	Partially complete
Leadership Knowledge	Mental Health training for leaders	Complete/ongoing
Leadership Knowledge	Inclusive leadership training	Requires development
Leadership Knowledge	Review and refresh Code of Conduct including clear standards of respectful behaviour. Include communication to employees and mandatory online training module. Refresher training required every year.	Complete/ongoing

Standard	Action	Status
<div>Leadership</div> <div>Reporting & Response</div>	Align organisational KPIs, leadership capabilities and Performance Development Plans which will include equity targets and gender-based reporting	Partially complete
<div>Culture</div> <div>Knowledge</div>	Review and refresh all HR policies/standards	In progress
<div>Culture</div> <div>Knowledge</div>	Review and refresh organisation values and behaviours	Complete
<div>Culture</div> <div>Knowledge</div>	Review of whistleblower policy and process to improve accessibility	Complete
<div>Culture</div> <div>Knowledge</div> <div>Reporting & Response</div>	Extend whistleblower line to all people related matters	In progress
<div>Culture</div> <div>Knowledge</div> <div>Monitoring & Evaluation</div> <div>Transparency</div>	Employee engagement survey	Complete/ongoing
<div>Culture</div> <div>Knowledge</div>	New on-boarding program/approach that focuses on values and behaviours.	In progress
<div>Culture</div> <div>Knowledge</div>	TasWater capability framework	In progress

Standard	Action	Status
Culture Knowledge	Conduct a review of the Learning and Development model for organisation wide professional development.	In progress
Culture Knowledge	Face to face training on identifying harassment/ discrimination/ bullying in the workplace and how raise/resolve issues.	In progress
Risk Management	Conduct mental health and wellbeing risk assessments (psychosocial risk)	Complete/ongoing
Risk Management	Develop Health and Wellbeing Framework	Complete
Risk Management Culture Knowledge	Develop Respectful Relationships Framework (including bullying and sexual harassment prevention and response, domestic and family violence awareness)	In progress
Risk Management Leadership	Build our leadership capability to support the health, safety and wellbeing of our people.	In progress
Risk Management	Employee Assistance Program	Complete
Risk Management	Professional supervision program	Complete
Risk Management Reporting & Response	HR case management tracker – track and report on harassment and discrimination cases and report to Board/ELT	Complete
Monitoring & Evaluation Transparency	Minutes of Health and Safety and Workplace Consultative Committee meetings.	Complete/ongoing

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The Hon Eric Abetz MP
Minister for Business, Industry and Resources
Minister for Transport
Leader of the House

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Hon Ruth Forrest MLC
Chair
Legislative Council Select Committee
Government Businesses Scrutiny Committee A
Email: jenny.mannering@parliament.tas.gov.au

10 DEC 2024

Dear Chair 

Thank you for your letter of 3 December 2024 regarding Questions on Notice – Metro Tasmania Pty Ltd, during the hearing held on 3 December 2024, Legislative Council.

Following is the requested information:

1. Please provide Metro driver FTE and headcount numbers for each of the financial years from 2018-19 to 2023-24.

Bus Drivers	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Head Count	345.00	324.00	323.00	326.00	333.00	324.00	341.00
FTE	290.20	276.60	274.60	277.20	289.80	285.60	305.60

* Please note this data excludes casuals

This data is taken as at the 30 June each year therefore it is important to note this data is taken at a point in time. It also does not consider the daily requirements of normal operational challenges, such as unplanned absenteeism, personal leave, annual leave, and workers compensation matters.

It is also important to note that the mix of resourcing is fluid, across Metro's roster with full time and part time employee numbers changing periodically.

Metro also operates longer service hours across the Greater Hobart Network in comparison to Launceston and Burnie.

2. Please provide the patronage numbers since 2018-19

This was answered in the Committee hearing. However, for ease the information is replicated below:

2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
8,504,000	7,344,000	6,850,400	6,956,000	6,987,600	6,867,000

3. Please provide the LEK Report related to patronage

Please see link below and document attached

[Mobility-beyond-the-Pandemic_vF.pdf](#)

4. How many buses have been identified as being at capacity? If a bus was identified as being at capacity, how do you inform yourself of the number of students who have been unable to board and how many of these caught a later bus (as opposed to sought alternative transport)?

Metro's operations team works with its drivers to identify buses at capacity, known internally as Full-on-Route (FOR). In the first instance, when a driver reports a FOR bus, the operations team will attempt to send an additional bus to the area identified to sweep behind the bus. If this route is identified as FOR multiple times, Metro will seek to allocate a larger bus (an articulated bus), where possible, to address the issue.

Metro also reviews any repeat capacity issues in monthly meetings. If a pattern is identified, Metro reports this to the Department of State Growth as the network manager to request if an additional bus can be added to the route.

Metro also works closely with schools across Tasmania where any issues are identified, including capacity matters and anti-social behaviour issues.

Further, Metro anticipates the Greater Hobart Network Review being conducted by the Department will also assist to alleviate capacity issues on more popular routes.

As of 30 November 2024, 667 buses were identified as FOR this calendar year.

The location breakdown is:

- Burnie: 28
- Hobart: 599
- Launceston: 40

5. The CEO mentioned she would check accounting standards in relation to reporting the Tascorp covenant breach noting the TAO engagement suggested this did not require disclosure; and what was the reason for the delay in receiving the grant funding related to the breach?

Regarding the accounting standards, AASB101 ([AASB101_07-15.pdf](#)) notes that when there is no change to the classification of the loan when the lender agrees prior to the end of the reporting period to waive their rights to enforce repayment as a result of the breach.

As provided to the Committee, on 17 June 2024, Metro advised to Tascorp of the risk it would fall under the interest coverage ratio. On 28 June 2024 (prior to the end of the reporting period), Tascorp responded to Metro's letter and noted the Tascorp Board had considered Metro's request and agreed to take no action available under the Master Loan Facility Agreement over a breach to the Interest Coverage Ratio for 2023-24.

As a result, there was no reclassification to the loan required in the financial statements. Metro's treatment and disclosure was discussed and audited by the Tasmanian Audit Office as part of the financial statement audit, which confirmed the treatment as correct.

The breach was primarily due to the timing and form of funding received which resulted in lower revenue to offset expenditure and therefore reducing Metro's interest coverage ratio. Specifically:

- Metro did not receive funding during 2023-24 under its Passenger Service Contract with the Department of State Growth for the procurement of the final 10 BusTech buses that were purchased during the prior financial year. This resulted in lower than forecast revenue during 2023-24 and reduced Metro's Interest Coverage Ratio. Metro notes that funding for the purchase of these buses has since been approved in the 2024-25 State Budget via equity funding.
- Metro is funded by the Tasmanian Government to deliver the battery electric bus trial through a combination of grant and equity funding. The timing and treatment of this funding resulted in recognition of operational expenditure during 2023-24 that reduced Metro's interest coverage ratio calculation (despite this project being fully funded).

6. What are the process and timelines for the Road Management Act review?

The Road Management Legislation Review is a comprehensive review of Tasmania's road management legislation. The current legislative framework is complicated, comprising three complete Acts along with relevant parts contained in at least four other related Acts. It also has complex interactions with other areas of law such as land use planning and property law.

The Department of State Growth plans to continue working directly with stakeholders such as local government and utilities in the new year, with the next formal consultation currently expected to occur in mid-2025.

7. What is the gender pay gap for Metro Tasmania?

Metro's Gender Pay Gap calculations as per the WEGA guidelines are below:

Mean		Gap
M	\$ 85,067.79	
F	\$ 83,642.23	1.68%
Median		Gap
M	\$ 78,453.91	
F	\$ 76,409.26	2.61%

I trust this information is of assistance.

Yours sincerely



Eric Abetz MP
Minister for Transport

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MOBILITY BEYOND THE PANDEMIC



PUBLIC
TRANSPORT
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Contents

Foreword	3
Executive Summary	4
Public transport evolution	6
Early investment in public transport – c.1900s-1920s	6
Advent of the car – c.1920s-1960s	6
Rise of congestion – c.1970s-1990s	7
Re-emergence of public transport as a priority – c.2000-2019	7
Covid and the emerging new normal	10
A new normal for working	11
Shifting social and recreational patterns	13
Context for ANZ Public Transport Authorities	15
Strategies for increasing patronage	16
What have PTAANZ member organisations done to improve patronage?	17
Pricing	17
Service delivery	18
Service reform	19
Service innovation	20
Marketing / trip generation	21
Modal competitiveness	21
What are new initiatives that member organisations would like to try in the future?	21
Conclusion	23

Foreword

I am delighted to release the latest collaboration between L.E.K. Consulting and the Public Transport Association Australia New Zealand (PTAANZ), *Mobility Beyond the Pandemic*.

The publication of this paper comes at a critical juncture in history where we must fight for reform and innovation in the way people move around our communities. We have settled into a 'new normal' post the COVID pandemic, and must now focus on tackling the climate crisis.

Transport is the fastest growing source of emissions in Australia and New Zealand, so our sector has a big role to play in assuring a sustainable, liveable, and equitable future.

We must take a dynamic approach that includes incentivising increased uptake of public and active transport options, as well as measures to discourage private vehicle use. Essentially, we must do everything possible to make public and active transport more appealing travel choices. This paper outlines a number of strategies to achieve both, informed by case studies from our region and abroad.

This paper is the result of extensive research, data analysis and consultation with public transport authorities. We also had the opportunity at PTAANZ's Mode Shift Symposium, held in Brisbane in May 2024, to workshop ideas for initiatives that have been trialled or that organisations would like to trial, to improve public transport patronage. The findings of that workshop are outlined in this paper.

I would like to acknowledge my team's hard work in pulling this paper together, particularly Natasha Santha – Partner, Andre Tibyrica – Senior Manager, Vincent Chan – Senior Consultant and Brendan Quigley – Consultant. We would also like to thank Australia and New Zealand's public transport authorities for generously sharing insights into what's happening in their jurisdictions and how they're responding to those mobility trends.

I hope this paper provides you with inspiration and ideas to shape world-leading mobility options in Australia, New Zealand and beyond.



Mark Streeting

Senior Partner, L.E.K. Consulting
Vice Chair, PTAANZ

Executive Summary

Public transport has evolved considerably over the last 100 years.

Over the last century public transport investment, demand and mode share have gone through a series of transformations. The early 1900s saw significant investments in public transport. For example, Adelaide's Electric Tram System (inaugurated in 1909), the electrification of Flinders Street Station in Melbourne (completed in 1919) and Sydney's City Rail Loop (inaugurated in 1926). These investments drove metropolitan public transport mode share in Australia and New Zealand from 20% to c.60% by the 1920s, as active and public transport were among the only modes available at this time. However, things changed with the widespread adoption of the car, which saw mode share decrease to c.15% by the late 1960s in Australia. Then, rapid population growth post WWII and increased personal mobility drove growth and congestion in ANZ cities. In Australia, average daily travel times went from c.64 minutes in the early 1900s to c.50 minutes by the mid-1960s, but eroded by the 1970s to c.85 minutes today. Public transport re-emerged as a priority in the 2000s to combat congestion and respond to growing sustainability concerns. Governments increased investment in public transport infrastructure and introduced policies which led to a gradual increase in mode share by the late 2010s.

Then, the COVID-19 pandemic hit. COVID-19 saw unprecedented levels of disruption to public transport systems around the world. Across ANZ cities, patronage dropped to historic lows at the height of the pandemic. In the years during and immediately following the pandemic, public transport authorities implemented several initiatives to encourage a mode shift back to public transport. It appears that these initiatives have been successful. Many jurisdictions are largely back to, or exceeding 2019 patronage levels.

It is now the time to move beyond the 'recovery phase' and focus on driving public transport growth in the 'new normal'. Enough time has passed since the effects of COVID to confirm that lasting structural change has occurred in the way Australians and New Zealanders live, work and play. These include:

- rise of flexible working
- suppression of peak commuting
- change in social and recreational patterns
- a shift to active and micro mobility
- increasingly positive sentiment for environmentally-friendly transport modes

Several interventions have been trialled across ANZ to win back mode share and unlock patronage growth. Insights from PTAANZ member organisations suggest that interventions that build confidence in the system, embrace multi-modality, and consider the whole transport network as a system appear to deliver the greatest tangible benefit.

Specifically, **public transport authorities in ANZ believe that initiatives tied to ‘service delivery’, ‘service reform’ and ‘service innovation’ are the most likely to be successful.** For example:

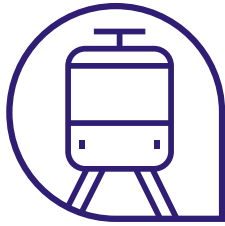
- **Service delivery** - Improving the frequency, reliability, and customer experience of services to make public transport an attractive mode compared to alternatives. E.g. through bus prioritisation
- **Service reform** – Re-designing the network to provide more services at times where people need them most. In particular to respond to the structural change that has happened. E.g. an increased focus to shift to off-peak services
- **Service innovation** – Implementing initiatives such as on-demand public transport, or integration with micro-mobility

Many of these initiatives will require proactive investment in both public transport infrastructure and services to unlock future growth in mode share.

Looking ahead, there are opportunities to think beyond the ‘carrots’ which make public transport more attractive and consider the ‘sticks’ which can be used to actively discourage the use of private vehicles – particularly in congested cities. For example, congestion charging and ‘emissions based’ access charging in London has sought to improve the pricing signals presented to the community and are clearly public transport friendly initiatives.

Governments across ANZ have laid a strong foundation for the future of public transport, but more needs to be done to support growth in public transport usage and mode share in Australian and New Zealand cities.

Public transport evolution



Early investment in public transport – c.1900s-1920s

Over the last century public transport investment, demand and mode share have gone through a series of transformations. The early 1900s saw significant investments in public transport. For example, Adelaide's Electric Tram System (inaugurated in 1909), the electrification of Flinders Street Station in Melbourne (completed in 1919) and Sydney's City Rail Loop (inaugurated in 1926). These investments drove metropolitan public transport mode share in Australia from 20 to 60 percent over the first 20 years of the 20th century.¹ Similarly in New Zealand, investment in electric tram systems across its four main cities spurred increased public transport mode share.



Advent of the car – c.1920s-1960s

Public transport mode share peaked around 1920 in Australia, reaching c.65% across metropolitan areas, before falling to c.15% by the late 1960s. The introduction of personal transport (i.e. cars) in the 1920s heralded a significant change in the Australian transport landscape, with the impacts rapidly accelerating as cars proliferated. Private motor vehicles surpassed rail as the dominant mode choice across metropolitan Australia. In New Zealand, car adoption accelerated from the 1950s, as many of the restrictions that constrained private car usage in NZ (during war years) were lifted and discretionary income increased.

From the 1930's, buses began to play a greater role in public transport. The increased flexibility in routing and timetabling offered by buses was seen as an advantage over the existing tram networks. The 1950s and 1960s saw the decommissioning of most major tram systems across Australia and New Zealand, apart from Melbourne. For consumers, buses often presented a less compelling alternative to private car usage, due to perceived poor service levels and fare volatility, which reflected shifting petrol prices.

The significantly reduced demand for public transport due to booming car sales led to excess public transport capacity. It was only with the rise of congestion when we had to start thinking about investing in public transport infrastructure.



Rise of congestion – c.1970s-1990s

A rapidly growing population post World War 2 (c.90% population growth between 1945 and 75)¹ and the increased personal mobility afforded by private motor vehicles drove the geographic sprawl of Australian cities. This was reflected in a rising portion of the population residing in suburbs, rather than the city itself. (For example, by the 1960s, over 70% of Sydney population lived in the suburbs, compared to c.40% in the 1840s.²)

This growth of car ownership also supported the transition away from ‘living locally’, driving increased trip making behaviour. People’s travel patterns began to capture geographically disparate places of living, work, education, shopping and recreation. This was reflected in an increased demand for mobility. In Australia, this grew from c.20 billion passenger-kilometres in 1940 to reach c.160 billion passenger-kilometres by the turn of the century.

While average daily travel times in Australia dropped over the first half of the 20th century (from 64 minutes in the early 1900s to 50 minutes by the mid-1960s), this benefit had eroded by the 1970s, with daily travel times continuing to grow to current levels of c.85 minutes today. This reflects significant metropolitan expansion across many ANZ cities, increased trip making behaviours and increasing levels of road congestion. The public transport mode share decline slowed from the beginning of the 1970s, dropping to c.10% across metropolitan Australia by 1980 and remaining stagnant through to the 2000s. NZ saw a similar pattern of public transport mode share evolution through the 70’s, 80’s and 90’s.



Re-emergence of public transport as a priority – c.2000-2019

While cities focused on constraining (sub)urban congestion through programs that improved car journey times, such as road-widening and implementation of new roads (e.g., bypasses), there was also an increasing focus on the role of public transport.

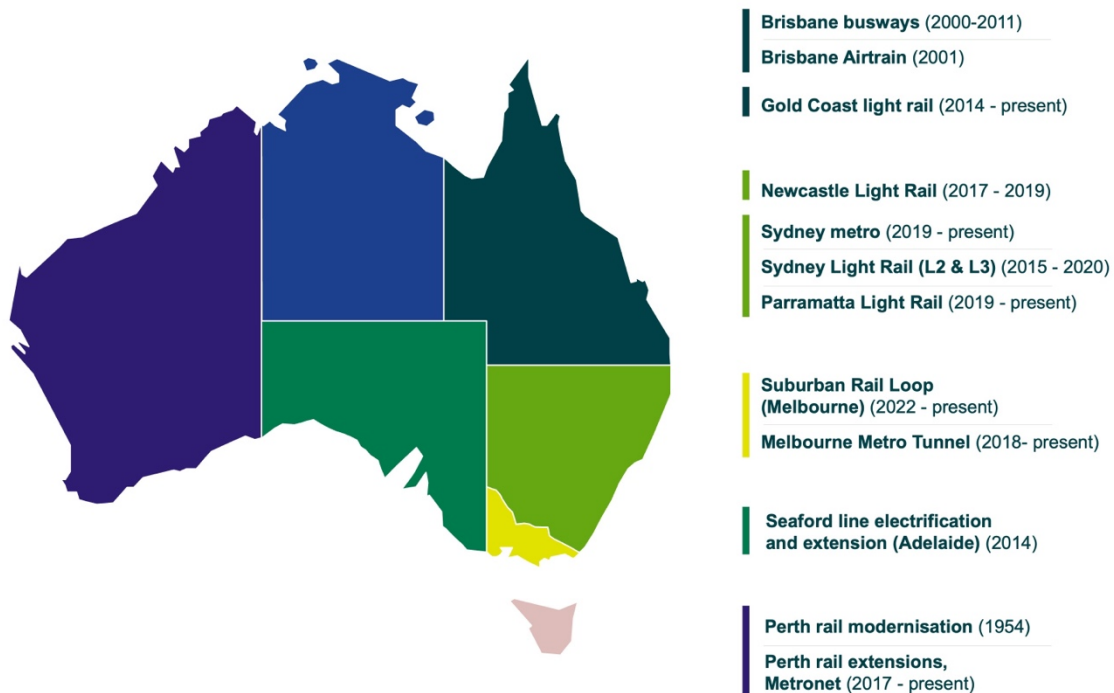
Over the last 40 years, ANZ PT authorities have overseen significant investments in public transport, with new infrastructure projects playing an important role in driving mode share to public transport.

¹ Australian Bureau of Statistics

² Steele & Gleeson 2010

Major public transport investments in Australia

Not exhaustive



One of the earliest post-war investments into public transport was the introduction of diesel railcars in Perth in 1954, along with the opening of seven new stations. The faster speeds reduced the time to get to Perth from Fremantle, Bellevue or Armadale, and resulted in a 75% increase in patronage over 5 years.

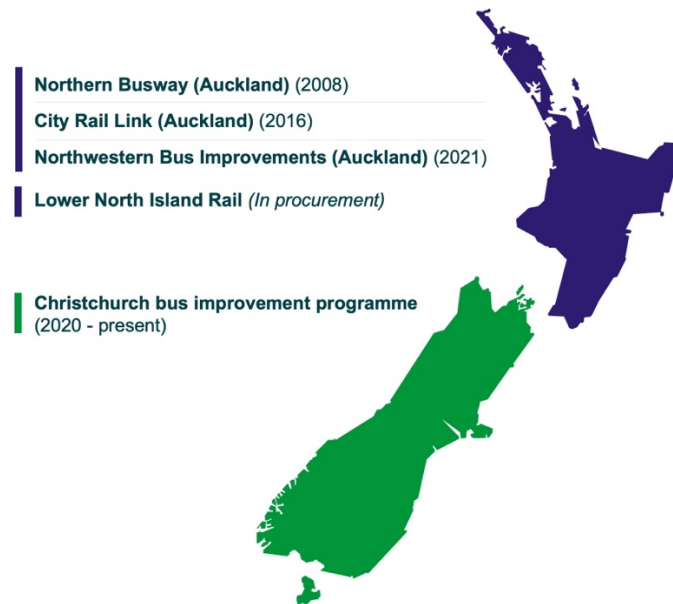
More recently, projects such as the Brisbane Busway (2000-2011), Sydney LRT (1999-ongoing), Gold Coast LRT (2014-ongoing), and Sydney Metro (2019-ongoing) are examples that have achieved very strong patronage outcomes to date, with many having continued expansions in progress. For instance, the Brisbane Busway comprises a 32 km network, with the inner Northern busway (one of four links) carrying over one million passengers each month.³ The Gold Coast Light Rail similarly strengthened Queensland public transport patronage, surpassing projections to reach 10.7m journeys in FY2019, supporting further service expansions.⁴ Census journey to work data in the decade to 2016 reveals significant pre-COVID public transport mode share gains in Sydney and Melbourne (c.4 ppt), with more modest results in Brisbane, Perth and Adelaide (c.0-2 ppt).

³ <https://www.ugllimited.com/en/case-studies/current/brisbane-busways>

⁴ <https://www.railexpress.com.au/more-services-for-seq-as-patronage-climbs/>

Major public transport investments in New Zealand

Not exhaustive



NZ's geographical topology and a strong focus on road infrastructure, has led to buses being the main form of public transport, with only Auckland and Wellington having urban train services. Bus remains the dominant mode in Auckland accounting for c.70% of journeys. The Northern Busway linking Auckland's North Shore with the Northern end of the Auckland Harbor Bridge was completed in 2018, and acts as the spine of the bus-based public transport system. In June 2010, the busway carried its 5 millionths passenger and was estimated to remove the equivalent of about 5,100 cars in the morning peak, with 80 buses per hour during peak times⁵. Auckland saw significant investment in services, with a focus on improving service levels and rail-bus interconnectivity driving a doubling of annual public transport journeys from 2006 to 2019, with rail journeys increasing roughly four-fold.⁶ Auckland's City Rail Link currently under construction aims to further improve rail services in the city. Despite these improvements, low adoption of public transport relative to international standards has persisted in NZ, with public transport accounting for c.5-6% of total travel time in the 21st century (excluding Covid-impacted periods).⁷

⁵ "Like a railway, but with buses". Region Wide. Auckland Regional Council. July 2010. p. 2

⁶ <https://at.govt.nz/about-us/reports-publications/at-metro-patronage-report/>

⁷ New Zealand Household Travel Survey 2011- 2014, 2015-18
<https://www.transport.govt.nz/assets/Uploads/Report/Public-Transport-2015.pdf>
https://www.ehinz.ac.nz/assets/Factsheets/Released_2020/Commuting-Time-by-Mode-of-Transport.pdf

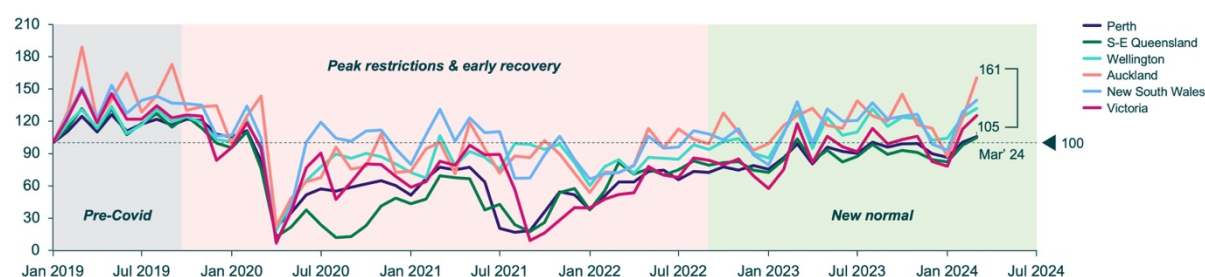
Covid and the emerging new normal

Covid represented the most significant impact to public transport usage since the wide scale adoption of the private car. Initially, sharp declines in public transport patronage were observed, reflecting government-imposed lockdowns and mobility restrictions. Parallel to government-imposed restrictions, the viral transmission risks associated with public transport and aversion to crowding limited the initial rate of reuptake, which occurred alongside a significant increase in working-from-home arrangements as well as an increase in private car usage.⁸

While government-imposed restrictions have now ceased, some societal and behavioural changes have persisted in what is now a 'new normal'. Over the last 18 months to March 2024, overall public transport patronage has largely stabilised across most ANZ cities, with Q1 2024 patronage within c.20% of Q1 2019 levels. Cities which experienced less severe lockdowns relative to other cities, such as Perth, Wellington and Brisbane, have now reached, or exceeded pre-COVID patronage. While the recovery in Victoria and Auckland has been slower.

We have now entered the 'new normal', with public transport patronage recovered in most ANZ cities

PT journeys, by ANZ region
(Jan 2019 – Mar 2024)
Index = 100 (Jan 2019)*



Q1 2020	Q1 2021	Q1 2022	Q1 2023	Q1 2024	PT journeys Q1 202x vs. Q1 2019 (%)
90%	70%	64%	93%	103%	Perth
88%	64%	48%	81%	89%	South-East Queensland
92%	84%	56%	86%	96%	Wellington
83%	55%	37%	67%	85%	Auckland
89%	58%	45%	78%	87%	New South Wales
81%	46%	50%	75%	82%	Victoria

Note: * The no. journeys has been Indexed to Jan 2019 for each state;

Source: NSW - TfNSW Open Data; VIC - Data VIC; Perth (TransPerth) - PTA; Wellington – MetLink; Auckland - Auckland Transport

Similar trends have been observed across other major cities in the world. Initial declines were not as strong in some cities as those observed in ANZ, where governments imposed less stringent movement restrictions (e.g., London, Hong Kong). However, public transport patronage has remained systemically lower than pre-COVID in some cities. For instance, data from 2023 shows San Francisco and Toronto uptake at 71% and 70% of 2019 patronage, respectively, while London's uptake has recovered to 96% of 2019 patronage.⁹

The top-level patronage declines hide a more nuanced view of changes in passenger behaviour, which reflect structural changes that have materialised in the 'post-COVID' society, particularly in relation to how people travel to work, versus recreational or social activities.

⁸ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8575658/>

⁹ <https://www.ttc.ca/about-the-ttc/Key-Information-About-the-TTC;>

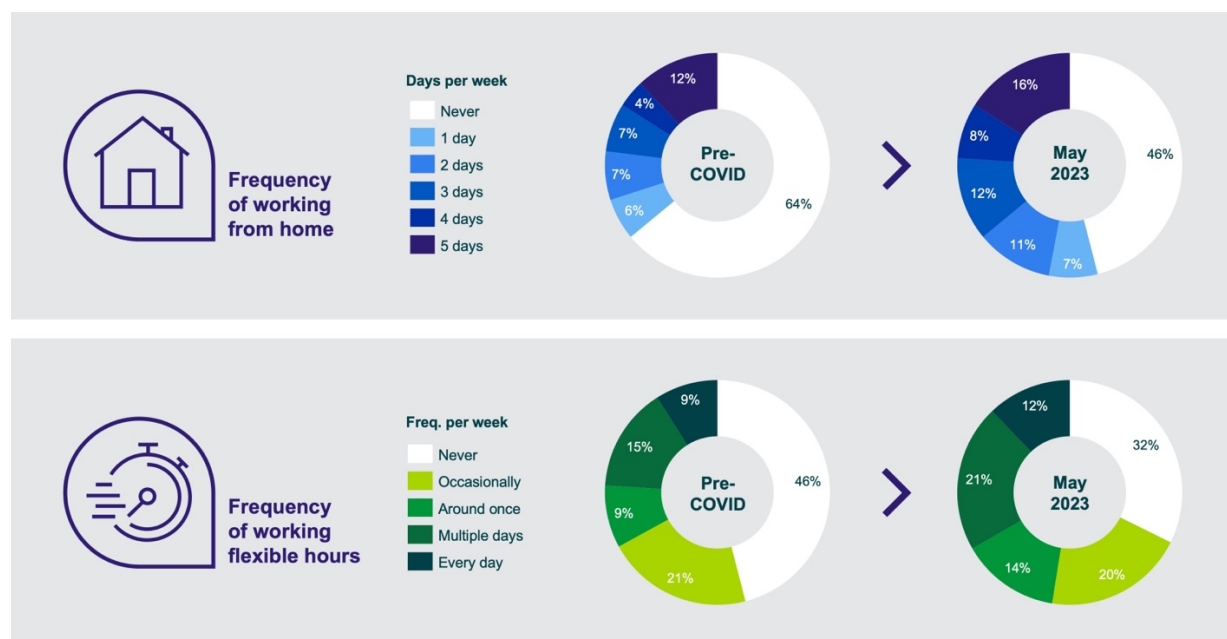
<https://www.sfmta.com/press-releases/press-release-muni-ridership-rises-25-2023#:~:text=The%20agency's%20ridership%20continues%20to,from%2Dhome%20than%20San%20Francisco>

<https://tfl.gov.uk/info-for/media/press-releases/2023/november/latest-tfl-figures-show-the-tube-reaching-4-million-journeys-per-day>

A new normal for working

Working from home became the norm for many white-collar workers across ANZ during COVID lockdowns. In the post-COVID world, many 'white-collar' workers have transitioned to a hybrid model, with eligible workers incorporating some days per week working from home. Some employers have now implemented minimum days-in-office policies, which has led to number of days worked from home reducing since the height of the pandemic but remains higher than pre-COVID. L.E.K.'s 2023 Australian consumer survey found the proportion of people working from home increased by c.18 ppt compared to pre-COVID to 54%, with the largest increase seen in those working 2-4 days per week from home. Workers are also increasingly working 'flexible hours', with those who work flexibly more than 'occasionally' increasing 14ppt in 2023 compared to pre-COVID.

Working from home, and working 'flexibly' continue to be the norm, post-COVID



Note: Total n = 1,483, totals exclude those not working in a given period (e.g. unemployed, students, retired)

Source: L.E.K. consumer survey (May 2023), Q10. How often did you work from home pre-COVID compared to now?; Q11. How often did you work flexible hours (e.g. adjusting the time of your working hours from the standard for your organisation) pre-COVID compared to now?

The evidence suggests that these working patterns are here to stay. Weekday public transport levels remains broadly stable across most jurisdictions, and employers have settled in to an environment where 'hybrid' and 'flexible' working is the norm. An increasing number of workplaces are offering flexible-working arrangements, with a New Zealand national survey finding 82% of respondents having workplaces which will continue to support remote working following the pandemic.¹⁰

The effect of these structural shifts is that people are also choosing to travel at different times of the day, with peak-time commuting remaining suppressed. For example, Sydney CBD Opal 'tap offs' over the morning peak (c.8am) commuting period are lower for Feb 2023 vs. Feb 2020 (pre-COVID), whereas the off-peak period had largely recovered to pre-COVID levels.¹¹ A similar impact was seen in Auckland's bus and ferry boarding data. In Wellington and Perth, the impact has been less severe.

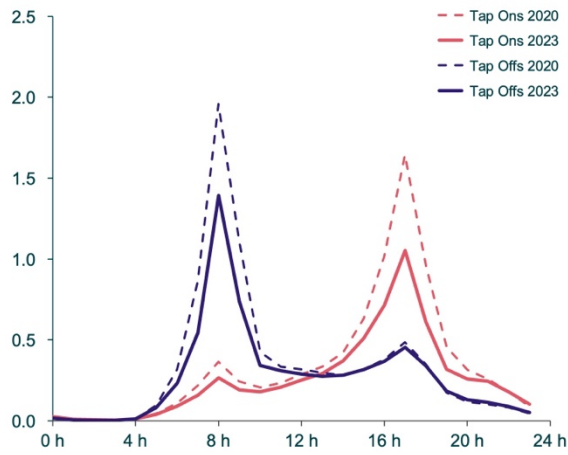
¹⁰

https://hrnz.org.nz/news/article?tx_news_pi1%5Baction%5D=detail&tx_news_pi1%5Bcontroller%5D=News&tx_news_pi1%5Bnews%5D=541&cHash=a7068014ea9955445ad9f11b9b0fe567

¹¹ <https://www.theguardian.com/news/datablog/2023/mar/13/new-normal-sydney-and-melbourne-public-transport-use-still-at-80-of-pre-covid-levels>

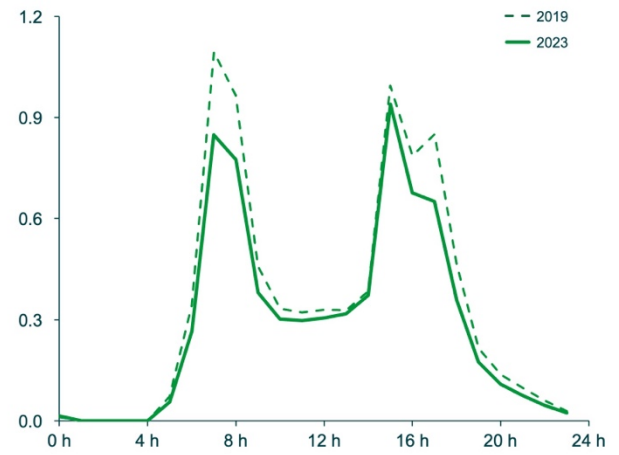
Peak-time commuting remains suppressed in major cities

Opal Sydney CBD weekday tap on / tap offs, by time of day*
(Feb 2020, Feb 2023)**
Millions of taps



Sydney CBD

Auckland bus & ferry boardings[^], by time of day
(Mar 2019, Mar 2023)**
Millions of taps



Auckland

Note: * Data shown may be indicative for low-patronage periods due to data specificity; ** Dates were selected to try and capture typical non-holiday PT behaviours pre-Covid and post-Covid based on available data: Sydney CBD – weekdays over 3 weeks commencing from 1st Monday in February 2020/2023; Auckland – weekdays in March 2019/2023; Perth – non-holiday weekdays (schooldays) in March 2019/2023; Wellington – FY2019/2023 overall average. [^] Excludes train services due to differences in operations between 2019 / 2023

Source: NSW - TfNSW Open Data; Auckland - Auckland Transport

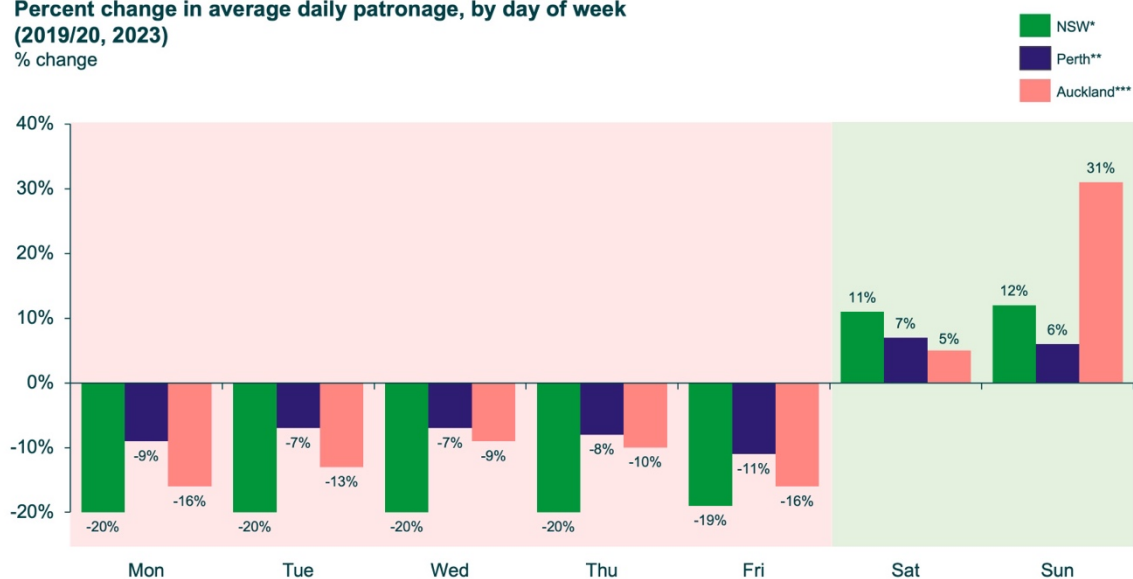
Shifting social and recreational patterns

Placemaking and CBD activation policies implemented post-COVID have led to CBDs and other recreational areas seeing increased public transport traffic, with usage distributed across non-peak hours and increasing travel over the weekend.

Relative to weekdays, weekend patronage has recovered strongly, surpassing pre-COVID levels across a number of ANZ cities. In particular, weekend ferry patronage has increased dramatically in Auckland. By early 2022, Melbourne had surpassed pre-COVID weekend CBD footfalls during major events (e.g., Grand Prix), while weekday footfalls were c.30-40% lower than pre-Covid. This shift from weekday to weekend traffic was reflected in public transport demand.¹² Similarly, visits to parks and nature attractions in the City of Sydney have increased significantly.¹³

There has been a shift from weekday to weekend travel, reflecting a structural change in how people choose to travel

**Percent change in average daily patronage, by day of week
(2019/20, 2023)**
% change



Note: * Feb 2023 vs. Feb 2020; ** Mar 2023 vs. Mar 2019; *** Nov 2023 vs. Nov 2019

Source: NSW - TfNSW Open Data;; Perth (TransPerth) - PTA; Wellington – MetLink; Auckland - Auckland Transport

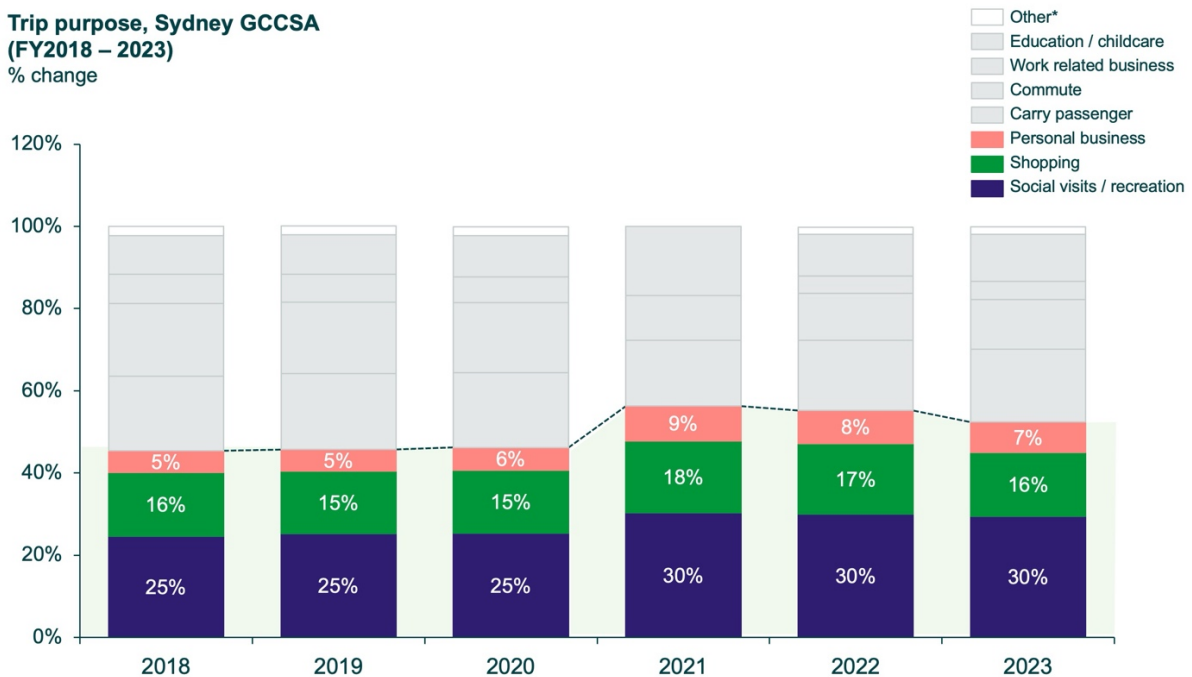
The NSW Household Travel Survey was one of the few to publish annual trip purpose data over the entire COVID period, demonstrating a fall in commuting share and a rise in social visits / recreational purposes, which has persisted through 2023.

¹² <https://www.theguardian.com/australia-news/2022/apr/14/melbourne-cbd-crowds-back-to-pre-pandemic-levels-due-to-major-events>

¹³ <https://chartingtransport.com/2023/08/08/how-is-public-transport-patronage-recovering-after-the-pandemic-in-australian-and-new-zealand-cities/>

A decline in work related commuting, and a rise in personal, social and recreational travel has persisted through 2023

**Trip purpose, Sydney GCCSA
(FY2018 – 2023)**
% change

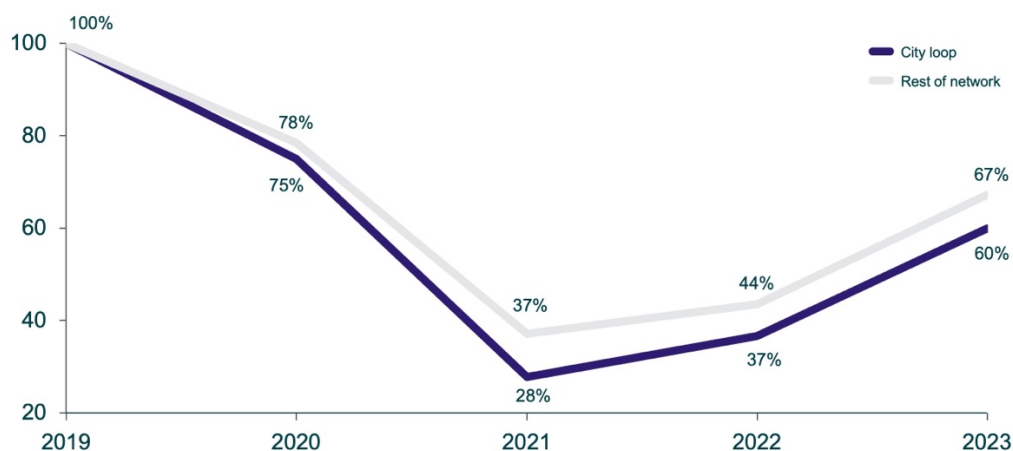


Note: * Other in 2021 included work related business and education / childcare
Source: NSW Household Travel Survey

This shift in travel volume away from work purposes, and towards social, recreational or 'personal business' has important implications for public transport planning as the spatial distribution of travel demand has changed. It suggests fewer trips to and from the CBD, and more trips to local areas of amenity closer to where people live. This can be seen in patronage data from the Melbourne metropolitan rail network, where station entries for 'City loop' stations remained 7ppt lower than the rest of the network in both FY22 and FY23.

Travel to and from CBDs is on the decline. Since COVID, Melbourne rail patronage between non-CBD stations has recovered faster than CBD trips

**Annual metropolitan train station entries*, Melbourne
FY19-FY23**
Index = 100 (FY19)



Note: Patronage estimates are derived from myki ticketing data and factored up to account for the transaction rate.
Source: Victorian Department of Transport

Context for ANZ Public Transport Authorities

Public Transport Authorities in Australia and New Zealand face several broader constraints when trying to drive patronage growth in the current environment:

- The fiscal position of many state / national governments is not as strong, emerging from COVID, as well as reduced economic activity. With consumer outlook being shaped significantly by cost-of-living concerns, political attention has generally shifted to other parts of the economy, such as energy and housing
- Due to constrained finances and significant cost increases for major infrastructure projects underway, there has been a general shift away from committing to major infrastructure projects, with some states seeking rationalisation of existing transport infrastructure pipelines. The forward infrastructure pipelines are likely to be conservative relative to the past and may be largely set for the next decade. In parallel there has been a shift in focus towards achieving cost efficiencies and return on investment for public transport projects
- This is reflected in a refocusing on strategic urban development across many governments – looking to guide future development of the city with mobility in mind and a focus on maximising the utility of current and pipeline infrastructure, rather than building additional transport infrastructure
- Looking forward, public transport is likely to be shaped, in particular, by both urban development policies and the energy transition, requiring a broader set of government stakeholders.

Strategies for increasing patronage

As part of our research, we contacted several public transport authorities across ANZ, as well as global counterparts, and conducted secondary research, looking at what had been implemented post COVID, with direct or indirect impacts on patronage.

By far, the most common strategies observed are those that tend to be relatively straightforward to implement, such as fare discounting or capping.

Less common were strategies that involved more fundamental change to the transport system (e.g., reduction of crowding, improving level of comfort and better regularity / frequency of service)¹⁴ given these solutions can take significant time to implement. However, there is general consensus that factors that require these fundamental changes are important factors that can be some of the most influential for uptake of public transport.

Across our research, there were limited examples of clear cause and effect relationships between initiatives and patronage recovery, as many were implemented in periods where patronage was recovering independent of intervention and / or multiple measures were implemented simultaneously. As such, we also considered other measures implemented previously that were known to have the potential to improve patronage.

It is clear from experience internationally and at home, that **there is no silver bullet for improving public transport mode share**. The research showed to create mode shift, and build patronage, public transport authorities need to adapt to the evolving situation in a flexible way. The following graphic summarises 9 key themes that public transport authorities have employed globally to mode shift to public transport.

9 key themes for improving public transport mode share

Service delivery

1

- Improving reliability (On-time running / cancellations)
- Better communication (crowding, reliability)
- Improved bus priority
- Addressing labour shortages

Service reform

2

- Closer alignment with daily / weekly travel demand
- Local catchment area service plans Reallocation of capacity and reduction of one-seat journeys
- Off peak growth

Service innovation

3

- Integration with ride share
- Integration with micro-mobility and active transport
- Integration with major events
- On demand bus services

Pricing

4

- Fare reforms (new post-COVID products)
- Concessions strategy
- Corporate programs (e.g., corporate fares bundles for employees)

Cost effectiveness

5

- Bus contract consolidation / depot consolidation / operator efficiency
- Service rationalization / replacement
- Reducing fare evasion

Modal competitiveness

6

- Car parking costs and availability to disincentive for car use
- Car parking fines

Marketing / trip generation

7

- Leveraging growing ESG sentiment to drive mode share
- Improving perception of network safety and security
- CBD rejuvenation

Agility

8

- Implementation sprints
- Business case simplification

Net zero

9

- Acceleration of decarbonisation via rail, bus, and ferry electrification
- Interim decarbonisation strategies (e.g., hybrid rail, biodiesel etc.)

¹⁴ <https://www.pc.gov.au/media-speeches/articles/public-transport-rethink>

What have PTAANZ member organisations done to improve patronage?

The PTAANZ Mode Shift Symposium held in Brisbane on 1-2 May 2024 brought together industry leaders to discuss the challenges and opportunities in encouraging more people to use public transport. During the workshop, members shared their experiences with patronage improvement initiatives trialled in their jurisdictions. It was clear that jurisdictions to date have focused on five themes for improving patronage: Pricing, Service delivery, Service reform, Service innovation, and Marketing / trip generation.

Pricing

Fare discounting or capping were common strategies which transport authorities have trialled and are also relatively easy to implement. For example, Auckland Transport implemented a 50% fare reduction to bus, train and ferry services between 1 April 2022 and 30 June 2023. This resulted in a marginal uptake in demand over the period. As another example, in May 2024, the Queensland Government announced a 50c cap on all public transport fares in a six month trial. There are also examples of 'free fare' initiatives overseas; in the United States, the DASH bus system in Alexandria, Virginia became free from September 2021 with a commitment to remain free for four years¹⁵.

Evidence suggests that free fares can achieve up to a 30% patronage uplift, some derived from mode share shift (often with a substantial portion coming from active transport). Where deeply discounted fares have been introduced, incremental farebox revenue from new customers is typically substantially less than the farebox revenue lost in discounts to existing customers (i.e. reflecting the fact that public transport demand is "price inelastic").

In general, contributors to the symposium suggested that initiatives tied to 'service delivery', 'service reform' and 'service innovation' were more successful than fare reform initiatives – and this is consistent with international experience



¹⁵ <https://news.trust.org/item/20220310120923-ztyx9/>

Case study - Victoria



Fare Capping for Regional Victorian Public Transport provides savings for Victorians, and lifts regional patronage

Motivated by the desire to increase the uptake and affordability of transport for regional Victorians, the state government introduced a fare cap on public transport trips on the 31st of March 2023. This capped the daily fare for regional public transport users to \$10.60 – a significant saving for regional Victorians, with a return ticket from Bendigo to Melbourne reducing from \$68.80 to \$10.60 per day.

After one year the program Regional Victorians saved \$50m, with more than 22 million trips taken. By 31 December 2023, regional network patronage had nearly recovered to pre-COVID levels, at 97% of 2019 patronage. V/Line also added hundreds of special services across the network, put on extra carriages, utilised standby coaches and trialed new reservations procedures to meet the increased demand.

Real-time location information for regional train passengers enables better, more convenient journey planning

The Victorian Government provided access to real time information on V/Line train arrivals. This information was made available to Google Maps, Apple Maps, and the department's AnyTrip app. Prior to this, real-time data for V/line train services was only available at stations on platform display boards.

Service delivery

PTAANZ member organisations trialed several initiatives to improve service delivery. This included additional bus lanes, improving safety through live CCTV, and addressing labour shortages to improve service reliability.

Austrroads evaluated several ANZ case studies where on-road bus priority has been installed and found that even low-cost projects can deliver significant travel time improvements for buses and significant patronage uplifts.¹⁶ Notably, significant benefits can also be seen with transit lanes (shared lanes for passenger-containing cars and buses). For example, installation of a 2 km T3 lane along Manakau Road in Auckland achieved a c.50% reduction in journey times and increased bus occupancies by 20%.

The safety and security on board and at stations are important factors that influence people's decision to use the public transport network. Initiatives to improve safety on board and at stations have been implemented in Australia and New Zealand. These include the deployment of safety personnel, improved lighting, and the deployment of more CCTV cameras. In Victoria, this has seen the deployment of protective services officers at 216 railway stations from 6 pm to the last available service.¹⁷ In NSW, where there are 10,000 CCTV cameras across the train network, Transport for NSW is using AI technologies on CCTV cameras in certain CBD and Newcastle locations to help make transport safer.¹⁸ In South Australia, QR codes have been used to encourage commuters to report poor behaviour, which then allows security officers to be deployed to locations that require them the most.¹⁹

¹⁶ https://austrroads.com.au/publications/network/ap-r550-17/media/AP-R550-17_Prioritising_On-road_Public_Transport.pdf

¹⁷ <https://www.police.vic.gov.au/public-transport-safety>

¹⁸ <https://www.transport.nsw.gov.au/projects/current-projects/cctv-trial-commences-at-sydney-cbd-and-newcastle>

¹⁹ <https://www.dit.sa.gov.au/news/archive?a=1248726>

Service reform

Increasing the frequency of services, with a focus on off-peak, weekend and contra-peak times was an initiative that jurisdictions have trailed to drive increased public transport mode share. If services have low frequencies this creates a barrier for consumers to use public transport services, resulting in lower patronage. A key threshold for consumers is the point at which they pivot from consulting a timetable before travelling to just turning up at the transit stop, which is generally considered to be services that run every 10 (or sometimes 15) minutes. So-called 'turn-up-and-go' public transport services meet these high-frequency thresholds, delivering sufficiently low waiting times for consumers that frequency does not influence use of the service.

Turn-up-and-go public transport has been captured as a policy objective in many urban plans, e.g. Melbourne's Transport Strategy 2030²⁰ (targeting services every 10 minutes) and Queensland's Connecting SEQ 2031²¹ (targeting peak services every 10 minutes and off-peak services every 15 minutes). Infrastructure Victoria recently estimated that only one-third of Melbourne's population is currently within 10 minutes (c.800 m) of a high-frequency service, proposing investment in bus services as a strategy to double this.²² In 2018, Victoria's Parliamentary Budget Office costed a 10-year proposal to increase Melbourne metro train and tram frequency to every 10 minutes, 9 am to 9 pm at c.\$1.9bn over 10 years (compared to estimated total annual metro revenue of c.\$0.8bn in 2018).

Studies looking at the impact of service frequency on patronage have generally found a significant impact, with a conservative consensus view suggesting a 2-fold increase in service frequency can be expected to increase patronage by up to c.30-40%.^{23,24,25} Higher impacts have been observed for off-peak / weekend services and in the longer term.

²⁰ <https://www.melbourne.vic.gov.au/SiteCollectionDocuments/transport-strategy-2030-city-of-melbourne.pdf>

²¹ <https://documents.parliament.qld.gov.au/tp/2022/5722T451-4124.pdf>

²² <https://www.infrastructurevictoria.com.au/resources/fast-frequent-fair-how-buses-can-better-connect-melbourne>

²³ <https://www.sciencedirect.com/science/article/abs/pii/S0966692308000306>

²⁴ <https://trl.co.uk/uploads/trl/documents/TRL593%20-%20The%20Demand%20for%20Public%20Transport.pdf>

²⁵ <https://www.vtpi.org/elasticities.pdf>

Case study - Queensland



Real time service capacity tracker to manage crowding on-board trains provides improved amenity for passengers

During COVID the QLD Government introduced a publicly available online indication of the level of crowding anticipated on train services at various times of the day. This was done in order to help customers make choices about social distancing, encouraging them to travel based on their own comfort levels with regards to their health and safety. This information remains available on the Translink website.

The website proved popular initially, as it was widely advertised and social distancing was a key public focus during the pandemic. It continues to receive about 200 hits per day, despite the service no longer being widely advertised.

Maintaining high-frequency services during, and post pandemic leads to review of network design and service levels

During COVID the Queensland Government maintained operation of all services, including high-frequency services. This was primarily to maintain access to employment for essential workers who had no other means of travel, and to ensure that patterns of travel usage were not broken.

Patronage on high-frequency routes serving the CBD remain low compared to pre-pandemic levels due to structural changes to commuter travel patterns. However, at off-peak times these routes appear to be doing very well. This has led the government to shift its focus towards the off-peak network. It aims to service frequencies to provide convenient and flexible opportunities to travel throughout the day, meeting demand for changing travel patterns focused on local communities and away from the previous focus on core, commuter-focused CBD markets.

Service innovation

On-demand transport services are an area of innovation which have the potential to increase public transport ridership. These services allow passengers to book their journeys at a time convenient to them, via an app, to be collected at an agreed location. This solves the first and last mile connectivity issues that are a significant problem in urban mobility. This model of transport also better meets the changing mobility needs of customers, who are now travelling outside standard peak times to avoid large crowds.

On demand transport services have seen success in NSW. The Ponds service operated by Cooe Busway delivered more than 80,000 rides within nine months of launching. The service has shown the potential for wider economic benefits including emissions reduction and socio-economic benefits to the community:

- 55% of passengers made the same journey by private car previously. Half of these passengers were single car users driving and parking at or near the station
- 13% of individuals stated in a recent survey they would not have made the journey if they did not have access to the On Demand service

Marketing / trip generation

The COVID-19 pandemic caused a fundamental shift in the way the community viewed and used public transport. Concerns about public health and social distancing initially led people to private vehicle use, or towards commuting during less crowded, off-peak times – with these behaviours becoming habitual and entrenched over time. Clear messaging to re-build awareness of public transport and promote its use is critical for increasing ridership.

QLD ran an innovative ‘Golden *go card* giveaway’ in June 2021, in which commuters were given a chance to win a year of free travel. They saw strong adoption with more than 33,500 entries in four weeks. Effective campaigns are not limited to public transport authorities. The Property Council of Australia (QLD) ran a Fridays in the City campaign which reminded people why the city is a great place to visit and work²⁶.

Modal competitiveness

In addition to measures that increase the attractiveness of public transport, mode share shift can also be encouraged by making private vehicle transport less attractive. Parking is the obvious place to start. For example, Transport for NSW manages a Parking Space Levy in the Sydney CBD and other congested areas of the city such as Bondi Junction and Chatswood²⁷. While in Auckland, work is underway to investigate time-of-use charging which would apply in peak periods to reduce congestion and improve travel times²⁸. Road-based public transport would be a major beneficiary of this in terms of reduced journey times and improved service reliability.

Much can also be learned from international experience. Part of London’s success can be attributed to the direct initiatives it has taken to dis-incentivise car use over time. This includes a congestion charge first introduced in 2003 at £5 (now £15)²⁹, and the introduction of its Ultra Low Emission Zone (ULEZ) in 2019, in which vehicles that do not meet emissions standards must pay a daily charge of £12.50 per day to drive within the zone³⁰. Revenue from the congestion charge and the ULEZ is a direct (hypothecated) funding source for Transport for London.

What are new initiatives that member organisations would like to try in the future?

Symposium participants were asked to identify and rank the initiatives that they would like to try in the future to increase public transport mode share. Further increasing frequency, bus prioritisation, and real-time information were the top three ideas identified, consistent with the theme that service delivery, reform and innovation are areas that are most likely to move the dial on mode share.

²⁶ <https://statements.qld.gov.au/statements/92504>

²⁷ <https://www.revenue.nsw.gov.au/taxes-duties-levies-royalties/parking-space-levy#:~:text=Refresh-Annual%20levy,Sydney's%20CBD>

²⁸ <https://ourauckland.aucklandcouncil.govt.nz/news/2024/06/auckland-council-sets-out-guiding-principles-for-time-of-use-charging/#:~:text=In%202020%2C%20a%20report%20by,school%20holidays%2C%20all%20year%20round>

²⁹ <https://tfl.gov.uk/modes/driving/congestion-charge>

³⁰ <https://tfl.gov.uk/modes/driving/ultra-low-emission-zone>

Top 10 ideas PTAANZ member organisations want to try to increase public transport mode share



Conclusion

In the lead up to COVID, public transport authorities around the world were being rewarded for their efforts to improve public transport service levels and quality. Both patronage and mode share gains were rightly celebrated. There is no doubt that COVID was a material setback for public transport, with specific government direction to not use any form of shared transport or dramatically limiting its use during the pandemic and locking in behavioural change towards private transport.

Contributors to the May 2024 PTAANZ Mode Shift Symposium collectively reinforced the fact that public transport authorities and operators in Australia and New Zealand are taking successful pre-COVID strategic initiatives to a new level post-COVID in their efforts to drive patronage recovery across multiple dimensions including the fundamentals of service delivery (i.e. frequency and reliability), service innovation (e.g. integration with other modes and services) and targeted fare reform (for example). All this in an environmentally sustainable manner with hard targets to transition to zero emission fleets. Initiatives to date have largely focused on making public transport more attractive by making it cheaper, more accessible, or more convenient. However, driving mode share shift to public transport should be about both “carrots and sticks”.

With a natural limit to the extent we can drive the attractiveness of public transport, we must increasingly focus on the “sticks”, specifically how we can directly disincentivise private car use as a means of driving mode shift to public transport. London provides a case study for how this can be achieved. While clearly not directly transferable to the Australia/New Zealand context, an impressive c. 65% of London journeys are currently made by “sustainable modes” (i.e. public transport and active transport), with a goal to increase this to 80% by 2041. Much of this can be attributed to progressive measures to discourage private car use through access charges - including those linked to vehicle emissions.

While the efforts of public transport authorities to date have delivered impressive results, we clearly need more to support growth in public transport usage and mode share in Australian and New Zealand cities.

Presentation of Financial Statements



Australian Government

**Australian Accounting
Standards Board**

Obtaining a copy of this Accounting Standard

This Standard is available on the AASB website: www.aasb.gov.au.

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Contents

COMPARISON WITH IAS 1

ACCOUNTING STANDARD AASB 101 *PRESENTATION OF FINANCIAL STATEMENTS*

	<i>from paragraph</i>
OBJECTIVE	1
SCOPE	2
DEFINITIONS	7
FINANCIAL STATEMENTS	
Purpose of financial statements	9
Complete set of financial statements	10
General features	
Fair presentation and compliance with Standards	15
Going concern	25
Accrual basis of accounting	27
Materiality and aggregation	29
Offsetting	32
Frequency of reporting	36
Comparative information	
Minimum comparative information	38
Additional comparative information	38C
Change in accounting policy, retrospective restatement or reclassification	40A
Consistency of presentation	45
STRUCTURE AND CONTENT	
Introduction	47
Identification of the financial statements	49
Statement of financial position	
Information to be presented in the statement of financial position	54
Current/non-current distinction	60
Current assets	66
Current liabilities	69
Information to be presented either in the statement of financial position or in the notes	77
Statement of profit or loss and other comprehensive income	81
Information to be presented in the profit or loss section or the statement of profit or loss	82
Information to be presented in the other comprehensive income section	82A
Profit or loss for the period	88
Other comprehensive income for the period	90
Information to be presented in the statement(s) of profit or loss and other comprehensive income or in the notes	97
Statement of changes in equity	
Information to be presented in the statement of changes in equity	106
Information to be presented in the statement of changes in equity or in the notes	106A
Statement of cash flows	111
Notes	
Structure	112
Disclosure of accounting policies	117

Sources of estimation uncertainty	125
Capital	134
Puttable financial instruments classified as equity	136A
Other disclosures	137
TRANSITION AND EFFECTIVE DATE	139
WITHDRAWAL OF IAS 1 (REVISED 2003)	140
COMMENCEMENT OF THE LEGISLATIVE INSTRUMENT	Aus140.1
WITHDRAWAL OF AASB PRONOUNCEMENTS	Aus140.2
APPENDICES	
A Australian defined terms	
B Australian reduced disclosure requirements	
DELETED IAS 1 TEXT	
 AVAILABLE ON THE AASB WEBSITE	
Implementation guidance on IAS 1	
Basis for Conclusions on IAS 1	

Australian Accounting Standard AASB 101 *Presentation of Financial Statements* is set out in paragraphs 1 – Aus140.2 and Appendices A – B. All the paragraphs have equal authority. Paragraphs in **bold type** state the main principles. AASB 101 is to be read in the context of other Australian Accounting Standards, including AASB 1048 *Interpretation of Standards*, which identifies the Australian Accounting Interpretations, and AASB 1057 *Application of Australian Accounting Standards*. In the absence of explicit guidance, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies.

Comparison with IAS 1

AASB 101 *Presentation of Financial Statements* incorporates IAS 1 *Presentation of Financial Statements* issued by the International Accounting Standards Board (IASB). Australian-specific paragraphs (which are not included in IAS 1) are identified with the prefix “Aus” or “RDR”. Paragraphs that apply only to not-for-profit entities begin by identifying their limited applicability.

Tier 1

For-profit entities complying with AASB 101 also comply with IAS 1.

Not-for-profit entities’ compliance with IAS 1 will depend on whether any “Aus” paragraphs that specifically apply to not-for-profit entities provide additional guidance or contain applicable requirements that are inconsistent with IAS 1.

Tier 2

Entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements (Tier 2) will not be in compliance with IFRSs.

AASB 1053 *Application of Tiers of Australian Accounting Standards* explains the two tiers of reporting requirements.

Accounting Standard AASB 101

The Australian Accounting Standards Board makes Accounting Standard AASB 101 *Presentation of Financial Statements* under section 334 of the *Corporations Act 2001*.

Dated 24 July 2015

Kris Peach
Chair – AASB

Accounting Standard AASB 101 *Presentation of Financial Statements*

Objective

- 1 This Standard prescribes the basis for presentation of general purpose financial statements to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. It sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.

Scope

- 2 [Deleted by the AASB]
- 3 Other Australian Accounting Standards set out the recognition, measurement and disclosure requirements for specific transactions and other events.
- 4 This Standard does not apply to the structure and content of condensed interim financial statements prepared in accordance with AASB 134 *Interim Financial Reporting*. However, paragraphs 15–35 apply to such financial statements. This Standard applies equally to all entities, including those that present consolidated financial statements in accordance with AASB 10 *Consolidated Financial Statements* and those that present separate financial statements in accordance with AASB 127 *Separate Financial Statements*.
- 5 This Standard uses terminology that is suitable for profit-oriented entities, including public sector business entities. If entities with not-for-profit activities in the private sector or the public sector apply this Standard, they may need to amend the descriptions used for particular line items in the financial statements and for the financial statements themselves.
- 6 Similarly, entities that do not have equity as defined in AASB 132 *Financial Instruments: Presentation* (eg some mutual funds) and entities whose share capital is not equity (eg some co-operative entities) may need to adapt the financial statement presentation of members' or unitholders' interests.

Definitions

- 7 The following terms are used in this Standard with the meanings specified:
- General purpose financial statements** (referred to as 'financial statements') are those intended to meet the needs of users who are not in a position to require an entity to prepare reports tailored to their particular information needs.
- Impracticable** Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so.
- International Financial Reporting Standards (IFRSs)** are Standards and Interpretations issued by the International Accounting Standards Board (IASB). They comprise:
- (a) International Financial Reporting Standards;
 - (b) International Accounting Standards;
 - (c) IFRIC Interpretations; and

(d) SIC Interpretations.¹

Material Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence economic decisions of users, and so be material, requires consideration of the characteristics of those users. The *Framework for the Preparation and Presentation of Financial Statements* states in paragraph 25² that ‘users are assumed to have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information with reasonable diligence.’ Therefore, the assessment needs to take into account how users with such attributes could reasonably be expected to be influenced in making economic decisions.

Notes contain information in addition to that presented in the statement of financial position, statement(s) of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows. Notes provide narrative descriptions or disaggregations of items presented in those statements and information about items that do not qualify for recognition in those statements.

Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other Australian Accounting Standards.

The components of other comprehensive income include:

- (a) changes in revaluation surplus (see AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets*);
- (b) remeasurements of defined benefit plans (see AASB 119 *Employee Benefits*);
- (c) gains and losses arising from translating the financial statements of a foreign operation (see AASB 121 *The Effects of Changes in Foreign Exchange Rates*);
- (d) gains and losses from investments in equity instruments designated at fair value through other comprehensive income in accordance with paragraph 5.7.5 of AASB 9 *Financial Instruments*;
- (da) gains and losses on financial assets measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of AASB 9;
- (e) the effective portion of gains and losses on hedging instruments in a cash flow hedge and the gains and losses on hedging instruments that hedge investments in equity instruments measured at fair value through other comprehensive income in accordance with paragraph 5.7.5 of AASB 9 (see Chapter 6 of AASB 9);
- (f) for particular liabilities designated as at fair value through profit or loss, the amount of the change in fair value that is attributable to changes in the liability’s credit risk (see paragraph 5.7.7 of AASB 9);
- (g) changes in the value of the time value of options when separating the intrinsic value and time value of an option contract and designating as the hedging instrument only the changes in the intrinsic value (see Chapter 6 of AASB 9); and
- (h) changes in the value of the forward elements of forward contracts when separating the forward element and spot element of a forward contract and designating as the hedging instrument only the changes in the spot element, and changes in the value of the foreign currency basis spread of a financial instrument when excluding it from the designation of that financial instrument as the hedging instrument (see Chapter 6 of AASB 9).

Owners are holders of instruments classified as equity.

Profit or loss is the total of income less expenses, excluding the components of other comprehensive income.

Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods.

Total comprehensive income is the change in equity during a period resulting from transactions and other events, other than those changes resulting from transactions with owners in their capacity as owners.

¹ Definition of IFRSs amended after the name changes introduced by the revised Constitution of the IFRS Foundation in 2010.

² In December 2013 the AASB amended the *Framework for the Preparation and Presentation of Financial Statements*. The *Framework* is identified in AASB 1048 *Interpretation of Standards*. Paragraph 25 was superseded by Chapter 3 of the *Framework*.

Total comprehensive income comprises all components of ‘profit or loss’ and of ‘other comprehensive income’.

- 8 Although this Standard uses the terms ‘other comprehensive income’, ‘profit or loss’ and ‘total comprehensive income’, an entity may use other terms to describe the totals as long as the meaning is clear. For example, an entity may use the term ‘net income’ to describe profit or loss.
- 8A The following terms are described in AASB 132 *Financial Instruments: Presentation* and are used in this Standard with the meaning specified in AASB 132:
- (a) puttable financial instrument classified as an equity instrument (described in paragraphs 16A and 16B of AASB 132)
 - (b) an instrument that imposes on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and is classified as an equity instrument (described in paragraphs 16C and 16D of AASB 132).

Financial statements

Purpose of financial statements

- 9 Financial statements are a structured representation of the financial position and financial performance of an entity. The objective of financial statements is to provide information about the financial position, financial performance and cash flows of an entity that is useful to a wide range of users in making economic decisions. Financial statements also show the results of the management’s stewardship of the resources entrusted to it. To meet this objective, financial statements provide information about an entity’s:
- (a) assets;
 - (b) liabilities;
 - (c) equity;
 - (d) income and expenses, including gains and losses;
 - (e) contributions by and distributions to owners in their capacity as owners; and
 - (f) cash flows.

This information, along with other information in the notes, assists users of financial statements in predicting the entity’s future cash flows and, in particular, their timing and certainty.

Complete set of financial statements

- 10 A complete set of financial statements comprises:
- (a) a statement of financial position as at the end of the period;
 - (b) a statement of profit or loss and other comprehensive income for the period;
 - (c) a statement of changes in equity for the period;
 - (d) a statement of cash flows for the period;
 - (e) notes, comprising significant accounting policies and other explanatory information;
 - (ea) comparative information in respect of the preceding period as specified in paragraphs 38 and 38A; and
 - (f) a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 40A–40D.

An entity may use titles for the statements other than those used in this Standard. For example, an entity may use the title ‘statement of comprehensive income’ instead of ‘statement of profit or loss and other comprehensive income’.

- 10A An entity may present a single statement of profit or loss and other comprehensive income, with profit or loss and other comprehensive income presented in two sections. The sections shall be presented together, with the profit or loss section presented first followed directly by the other comprehensive income section. An entity may present the profit or loss section in a separate

statement of profit or loss. If so, the separate statement of profit or loss shall immediately precede the statement presenting comprehensive income, which shall begin with profit or loss.

11 An entity shall present with equal prominence all of the financial statements in a complete set of financial statements.

12 [Deleted]

13 Many entities present, outside the financial statements, a financial review by management that describes and explains the main features of the entity's financial performance and financial position, and the principal uncertainties it faces. Such a report may include a review of:

- (a) the main factors and influences determining financial performance, including changes in the environment in which the entity operates, the entity's response to those changes and their effect, and the entity's policy for investment to maintain and enhance financial performance, including its dividend policy;
- (b) the entity's sources of funding and its targeted ratio of liabilities to equity; and
- (c) the entity's resources not recognised in the statement of financial position in accordance with Australian Accounting Standards.

14 Many entities also present, outside the financial statements, reports and statements such as environmental reports and value added statements, particularly in industries in which environmental factors are significant and when employees are regarded as an important user group. Reports and statements presented outside financial statements are outside the scope of Australian Accounting Standards.

General features

Fair presentation and compliance with Standards

15 Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the *Framework*.³ The application of Australian Accounting Standards, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.

16 An entity whose financial statements comply with IFRSs shall make an explicit and unreserved statement of such compliance in the notes. An entity shall not describe financial statements as complying with IFRSs unless they comply with all the requirements of IFRSs.

Aus16.1 [Deleted by the AASB]

Aus16.2 Compliance with Australian Accounting Standards by for-profit entities will not necessarily lead to compliance with IFRSs. This circumstance arises when the entity is a for-profit government department to which particular Standards apply, such as AASB 1004 *Contributions*, and to which Aus paragraphs in various other Australian Accounting Standards apply, and the entity applies a requirement that is inconsistent with an IFRS requirement.

Aus16.3 Not-for-profit entities need not comply with the paragraph 16 requirement to make an explicit and unreserved statement of compliance with IFRSs.

17 In virtually all circumstances, an entity achieves a fair presentation by compliance with applicable Australian Accounting Standards. A fair presentation also requires an entity:

- (a) to select and apply accounting policies in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. AASB 108 sets out a hierarchy of authoritative guidance that management considers in the absence of an Australian Accounting Standard that specifically applies to an item.
- (b) to present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- (c) to provide additional disclosures when compliance with the specific requirements in Australian Accounting Standards is insufficient to enable users to understand the impact of particular

³ Paragraphs 15–24 contain references to the objective of financial statements set out in the *Framework for the Preparation and Presentation of Financial Statements* (as identified in AASB 1048). In December 2013 the AASB amended the *Framework*, and thereby replaced the objective of financial statements with the objective of general purpose financial reporting: see Chapter 1 of the *Framework*.

transactions, other events and conditions on the entity's financial position and financial performance.

- 18 An entity cannot rectify inappropriate accounting policies either by disclosure of the accounting policies used or by notes or explanatory material.
- 19 In the extremely rare circumstances in which management concludes that compliance with a requirement in an Australian Accounting Standard would be so misleading that it would conflict with the objective of financial statements set out in the *Framework*, the entity shall depart from that requirement in the manner set out in paragraph 20 if the relevant regulatory framework requires, or otherwise does not prohibit, such a departure.
- Aus19.1 In relation to paragraph 19, the following shall not depart from a requirement in an Australian Accounting Standard:
- (a) entities required to prepare financial reports under Part 2M.3 of the Corporations Act;
 - (b) private and public sector not-for-profit entities; and
 - (c) entities applying Australian Accounting Standards – Reduced Disclosure Requirements.
- 20 When an entity departs from a requirement of an Australian Accounting Standard in accordance with paragraph 19, it shall disclose:
- (a) that management has concluded that the financial statements present fairly the entity's financial position, financial performance and cash flows;
 - (b) that it has complied with applicable Australian Accounting Standards, except that it has departed from a particular requirement to achieve a fair presentation;
 - (c) the title of the Australian Accounting Standard from which the entity has departed, the nature of the departure, including the treatment that the Australian Accounting Standard would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial statements set out in the *Framework*, and the treatment adopted; and
 - (d) for each period presented, the financial effect of the departure on each item in the financial statements that would have been reported in complying with the requirement.
- 21 When an entity has departed from a requirement of an Australian Accounting Standard in a prior period, and that departure affects the amounts recognised in the financial statements for the current period, it shall make the disclosures set out in paragraph 20(c) and (d).
- 22 Paragraph 21 applies, for example, when an entity departed in a prior period from a requirement in an Australian Accounting Standard for the measurement of assets or liabilities and that departure affects the measurement of changes in assets and liabilities recognised in the current period's financial statements.
- 23 In the extremely rare circumstances in which management concludes that compliance with a requirement in an Australian Accounting Standard would be so misleading that it would conflict with the objective of financial statements set out in the *Framework*, but the relevant regulatory framework prohibits departure from the requirement, the entity shall, to the maximum extent possible, reduce the perceived misleading aspects of compliance by disclosing:
- (a) the title of the Australian Accounting Standard in question, the nature of the requirement, and the reason why management has concluded that complying with that requirement is so misleading in the circumstances that it conflicts with the objective of financial statements set out in the *Framework*; and
 - (b) for each period presented, the adjustments to each item in the financial statements that management has concluded would be necessary to achieve a fair presentation.
- 24 For the purpose of paragraphs 19–23, an item of information would conflict with the objective of financial statements when it does not represent faithfully the transactions, other events and conditions that it either purports to represent or could reasonably be expected to represent and, consequently, it would be likely to influence economic decisions made by users of financial statements. When assessing whether complying with a specific requirement in an Australian Accounting Standard would be so misleading that it would conflict with the objective of financial statements set out in the *Framework*, management considers:
- (a) why the objective of financial statements is not achieved in the particular circumstances; and
 - (b) how the entity's circumstances differ from those of other entities that comply with the requirement. If other entities in similar circumstances comply with the requirement, there is a

rebuttable presumption that the entity's compliance with the requirement would not be so misleading that it would conflict with the objective of financial statements set out in the *Framework*.

Going concern

- 25 **When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. An entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties. When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern.**
- 26 In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The degree of consideration depends on the facts in each case. When an entity has a history of profitable operations and ready access to financial resources, the entity may reach a conclusion that the going concern basis of accounting is appropriate without detailed analysis. In other cases, management may need to consider a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing before it can satisfy itself that the going concern basis is appropriate.

Accrual basis of accounting

- 27 **An entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting.**
- 28 When the accrual basis of accounting is used, an entity recognises items as assets, liabilities, equity, income and expenses (the elements of financial statements) when they satisfy the definitions and recognition criteria for those elements in the *Framework*.⁴

Materiality and aggregation

- 29 **An entity shall present separately each material class of similar items. An entity shall present separately items of a dissimilar nature or function unless they are immaterial.**
- 30 Financial statements result from processing large numbers of transactions or other events that are aggregated into classes according to their nature or function. The final stage in the process of aggregation and classification is the presentation of condensed and classified data, which form line items in the financial statements. If a line item is not individually material, it is aggregated with other items either in those statements or in the notes. An item that is not sufficiently material to warrant separate presentation in those statements may warrant separate presentation in the notes.
- 30A When applying this and other Australian Accounting Standards an entity shall decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity shall not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.
- 31 Some Australian Accounting Standards specify information that is required to be included in the financial statements, which include the notes. An entity need not provide a specific disclosure required by an Australian Accounting Standard if the information resulting from that disclosure is not material. This is the case even if the Australian Accounting Standard contains a list of specific requirements or describes them as minimum requirements. An entity shall also consider whether to provide additional disclosures when compliance with the specific requirements in Australian Accounting Standards is insufficient to enable users of financial statements to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

4 The *Framework for the Preparation and Presentation of Financial Statements* was amended by the AASB in December 2013.

Offsetting

- 32 **An entity shall not offset assets and liabilities or income and expenses, unless required or permitted by an Australian Accounting Standard.**
- 33 An entity reports separately both assets and liabilities, and income and expenses. Offsetting in the statement(s) of profit or loss and other comprehensive income or financial position, except when offsetting reflects the substance of the transaction or other event, detracts from the ability of users both to understand the transactions, other events and conditions that have occurred and to assess the entity's future cash flows. Measuring assets net of valuation allowances—for example, obsolescence allowances on inventories and doubtful debts allowances on receivables—is not offsetting.
- 34 *AASB 15 Revenue from Contracts with Customers* requires an entity to measure revenue from contracts with customers at the amount of consideration to which the entity expects to be entitled in exchange for transferring promised goods or services. For example, the amount of revenue recognised reflects any trade discounts and volume rebates the entity allows. An entity undertakes, in the course of its ordinary activities, other transactions that do not generate revenue but are incidental to the main revenue-generating activities. An entity presents the results of such transactions, when this presentation reflects the substance of the transaction or other event, by netting any income with related expenses arising on the same transaction. For example:
- (a) an entity presents gains and losses on the disposal of non-current assets, including investments and operating assets, by deducting from the amount of consideration on disposal the carrying amount of the asset and related selling expenses; and
 - (b) an entity may net expenditure related to a provision that is recognised in accordance with *AASB 137 Provisions, Contingent Liabilities and Contingent Assets* and reimbursed under a contractual arrangement with a third party (for example, a supplier's warranty agreement) against the related reimbursement.
- 35 In addition, an entity presents on a net basis gains and losses arising from a group of similar transactions, for example, foreign exchange gains and losses or gains and losses arising on financial instruments held for trading. However, an entity presents such gains and losses separately if they are material.

Frequency of reporting

- 36 **An entity shall present a complete set of financial statements (including comparative information) at least annually. When an entity changes the end of its reporting period and presents financial statements for a period longer or shorter than one year, an entity shall disclose, in addition to the period covered by the financial statements:**
- (a) the reason for using a longer or shorter period, and
 - (b) the fact that amounts presented in the financial statements are not entirely comparable.
- 37 Normally, an entity consistently prepares financial statements for a one-year period. However, for practical reasons, some entities prefer to report, for example, for a 52-week period. This Standard does not preclude this practice.

Comparative information

Minimum comparative information

- 38 **Except when Australian Accounting Standards permit or require otherwise, an entity shall present comparative information in respect of the preceding period for all amounts reported in the current period's financial statements. An entity shall include comparative information for narrative and descriptive information if it is relevant to understanding the current period's financial statements.**
- 38A **An entity shall present, as a minimum, two statements of financial position, two statements of profit or loss and other comprehensive income, two separate statements of profit or loss (if presented), two statements of cash flows and two statements of changes in equity, and related notes.**
- 38B In some cases, narrative information provided in the financial statements for the preceding period(s) continues to be relevant in the current period. For example, an entity discloses in the current period details of a legal dispute, the outcome of which was uncertain at the end of the preceding period and is yet to be resolved. Users may benefit from the disclosure of information that the uncertainty existed at the end of the preceding period and from the disclosure of information about the steps that have been taken during the period to resolve the uncertainty.

Additional comparative information

- 38C An entity may present comparative information in addition to the minimum comparative financial statements required by Australian Accounting Standards, as long as that information is prepared in accordance with Australian Accounting Standards. This comparative information may consist of one or more statements referred to in paragraph 10, but need not comprise a complete set of financial statements. When this is the case, the entity shall present related note information for those additional statements.
- 38D For example, an entity may present a third statement of profit or loss and other comprehensive income (thereby presenting the current period, the preceding period and one additional comparative period). However, the entity is not required to present a third statement of financial position, a third statement of cash flows or a third statement of changes in equity (ie an additional financial statement comparative). The entity is required to present, in the notes to the financial statements, the comparative information related to that additional statement of profit or loss and other comprehensive income.
- 39–
40 [Deleted]

Change in accounting policy, retrospective restatement or reclassification

- 40A An entity shall present a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements required in paragraph 38A if:**
- (a) it applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements; and**
 - (b) the retrospective application, retrospective restatement or the reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period.**
- 40B In the circumstances described in paragraph 40A, an entity shall present three statements of financial position as at:
- (a) the end of the current period;
 - (b) the end of the preceding period; and
 - (c) the beginning of the preceding period.
- 40C When an entity is required to present an additional statement of financial position in accordance with paragraph 40A, it must disclose the information required by paragraphs 41–44 and AASB 108. However, it need not present the related notes to the opening statement of financial position as at the beginning of the preceding period.
- 40D The date of that opening statement of financial position shall be as at the beginning of the preceding period regardless of whether an entity's financial statements present comparative information for earlier periods (as permitted in paragraph 38C).
- 41 If an entity changes the presentation or classification of items in its financial statements, it shall reclassify comparative amounts unless reclassification is impracticable. When an entity reclassifies comparative amounts, it shall disclose (including as at the beginning of the preceding period):**
- (a) the nature of the reclassification;**
 - (b) the amount of each item or class of items that is reclassified; and**
 - (c) the reason for the reclassification.**
- 42 When it is impracticable to reclassify comparative amounts, an entity shall disclose:**
- (a) the reason for not reclassifying the amounts, and**
 - (b) the nature of the adjustments that would have been made if the amounts had been reclassified.**
- 43 Enhancing the inter-period comparability of information assists users in making economic decisions, especially by allowing the assessment of trends in financial information for predictive purposes. In some circumstances, it is impracticable to reclassify comparative information for a particular prior period to achieve comparability with the current period. For example, an entity may not have collected data in the prior period(s) in a way that allows reclassification, and it may be impracticable to recreate the information.
- 44 AASB 108 sets out the adjustments to comparative information required when an entity changes an accounting policy or corrects an error.

Consistency of presentation

- 45 **An entity shall retain the presentation and classification of items in the financial statements from one period to the next unless:**
- (a) **it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in AASB 108; or**
 - (b) **an Australian Accounting Standard requires a change in presentation.**
- 46 For example, a significant acquisition or disposal, or a review of the presentation of the financial statements, might suggest that the financial statements need to be presented differently. An entity changes the presentation of its financial statements only if the changed presentation provides information that is reliable and more relevant to users of the financial statements and the revised structure is likely to continue, so that comparability is not impaired. When making such changes in presentation, an entity reclassifies its comparative information in accordance with paragraphs 41 and 42.

Structure and content

Introduction

- 47 This Standard requires particular disclosures in the statement of financial position or the statement(s) of profit or loss and other comprehensive income, or in the statement of changes in equity and requires disclosure of other line items either in those statements or in the notes. AASB 107 *Statement of Cash Flows* sets out requirements for the presentation of cash flow information.
- 48 This Standard sometimes uses the term 'disclosure' in a broad sense, encompassing items presented in the financial statements. Disclosures are also required by other Australian Accounting Standards. Unless specified to the contrary elsewhere in this Standard or in another Australian Accounting Standard, such disclosures may be made in the financial statements.

Identification of the financial statements

- 49 **An entity shall clearly identify the financial statements and distinguish them from other information in the same published document.**
- 50 Australian Accounting Standards apply only to financial statements, and not necessarily to other information presented in an annual report, a regulatory filing, or another document. Therefore, it is important that users can distinguish information that is prepared using Australian Accounting Standards from other information that may be useful to users but is not the subject of those requirements.
- 51 **An entity shall clearly identify each financial statement and the notes. In addition, an entity shall display the following information prominently, and repeat it when necessary for the information presented to be understandable:**
- (a) **the name of the reporting entity or other means of identification, and any change in that information from the end of the preceding reporting period;**
 - (b) **whether the financial statements are of an individual entity or a group of entities;**
 - (c) **the date of the end of the reporting period or the period covered by the set of financial statements or notes;**
 - (d) **the presentation currency, as defined in AASB 121; and**
 - (e) **the level of rounding used in presenting amounts in the financial statements.**
- 52 An entity meets the requirements in paragraph 51 by presenting appropriate headings for pages, statements, notes, columns and the like. Judgement is required in determining the best way of presenting such information. For example, when an entity presents the financial statements electronically, separate pages are not always used; an entity then presents the above items to ensure that the information included in the financial statements can be understood.
- 53 An entity often makes financial statements more understandable by presenting information in thousands or millions of units of the presentation currency. This is acceptable as long as the entity discloses the level of rounding and does not omit material information.

Statement of financial position

Information to be presented in the statement of financial position

- 54 The statement of financial position shall include line items that present the following amounts:
- (a) property, plant and equipment;
 - (b) investment property;
 - (c) intangible assets;
 - (d) financial assets (excluding amounts shown under (e), (h) and (i));
 - (e) investments accounted for using the equity method;
 - (f) biological assets within the scope of AASB 141 *Agriculture*;
 - (g) inventories;
 - (h) trade and other receivables;
 - (i) cash and cash equivalents;
 - (j) the total of assets classified as held for sale and assets included in disposal groups classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*;
 - (k) trade and other payables;
 - (l) provisions;
 - (m) financial liabilities (excluding amounts shown under (k) and (l));
 - (n) liabilities and assets for current tax, as defined in AASB 112 *Income Taxes*;
 - (o) deferred tax liabilities and deferred tax assets, as defined in AASB 112;
 - (p) liabilities included in disposal groups classified as held for sale in accordance with AASB 5;
 - (q) non-controlling interests, presented within equity; and
 - (r) issued capital and reserves attributable to owners of the parent.
- 55 An entity shall present additional line items (including by disaggregating the line items listed in paragraph 54), headings and subtotals in the statement of financial position when such presentation is relevant to an understanding of the entity's financial position.
- 55A When an entity presents subtotals in accordance with paragraph 55, those subtotals shall:
- (a) be comprised of line items made up of amounts recognised and measured in accordance with Australian Accounting Standards;
 - (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable;
 - (c) be consistent from period to period, in accordance with paragraph 45; and
 - (d) not be displayed with more prominence than the subtotals and totals required in Australian Accounting Standards for the statement of financial position.
- 56 When an entity presents current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position, it shall not classify deferred tax assets (liabilities) as current assets (liabilities).
- 57 This Standard does not prescribe the order or format in which an entity presents items. Paragraph 54 simply lists items that are sufficiently different in nature or function to warrant separate presentation in the statement of financial position. In addition:
- (a) line items are included when the size, nature or function of an item or aggregation of similar items is such that separate presentation is relevant to an understanding of the entity's financial position; and
 - (b) the descriptions used and the ordering of items or aggregation of similar items may be amended according to the nature of the entity and its transactions, to provide information that is relevant to an understanding of the entity's financial position. For example, a financial institution may amend the above descriptions to provide information that is relevant to the operations of a financial institution.

- 58 An entity makes the judgement about whether to present additional items separately on the basis of an assessment of:
- (a) the nature and liquidity of assets;
 - (b) the function of assets within the entity; and
 - (c) the amounts, nature and timing of liabilities.
- 59 The use of different measurement bases for different classes of assets suggests that their nature or function differs and, therefore, that an entity presents them as separate line items. For example, different classes of property, plant and equipment can be carried at cost or at revalued amounts in accordance with AASB 116.

Current/non-current distinction

- 60 **An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position in accordance with paragraphs 66–76 except when a presentation based on liquidity provides information that is reliable and more relevant. When that exception applies, an entity shall present all assets and liabilities in order of liquidity.**
- 61 **Whichever method of presentation is adopted, an entity shall disclose the amount expected to be recovered or settled after more than twelve months for each asset and liability line item that combines amounts expected to be recovered or settled:**
- (a) no more than twelve months after the reporting period, and**
 - (b) more than twelve months after the reporting period.**
- 62 When an entity supplies goods or services within a clearly identifiable operating cycle, separate classification of current and non-current assets and liabilities in the statement of financial position provides useful information by distinguishing the net assets that are continuously circulating as working capital from those used in the entity's long-term operations. It also highlights assets that are expected to be realised within the current operating cycle, and liabilities that are due for settlement within the same period.
- 63 For some entities, such as financial institutions, a presentation of assets and liabilities in increasing or decreasing order of liquidity provides information that is reliable and more relevant than a current/non-current presentation because the entity does not supply goods or services within a clearly identifiable operating cycle.
- 64 In applying paragraph 60, an entity is permitted to present some of its assets and liabilities using a current/non-current classification and others in order of liquidity when this provides information that is reliable and more relevant. The need for a mixed basis of presentation might arise when an entity has diverse operations.
- 65 Information about expected dates of realisation of assets and liabilities is useful in assessing the liquidity and solvency of an entity. AASB 7 *Financial Instruments: Disclosures* requires disclosure of the maturity dates of financial assets and financial liabilities. Financial assets include trade and other receivables, and financial liabilities include trade and other payables. Information on the expected date of recovery of non-monetary assets such as inventories and expected date of settlement for liabilities such as provisions is also useful, whether assets and liabilities are classified as current or as non-current. For example, an entity discloses the amount of inventories that are expected to be recovered more than twelve months after the reporting period.

Current assets

- 66 **An entity shall classify an asset as current when:**
- (a) it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;**
 - (b) it holds the asset primarily for the purpose of trading;**
 - (c) it expects to realise the asset within twelve months after the reporting period; or**
 - (d) the asset is cash or a cash equivalent (as defined in AASB 107) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.**
- An entity shall classify all other assets as non-current.**
- 67 This Standard uses the term 'non-current' to include tangible, intangible and financial assets of a long-term nature. It does not prohibit the use of alternative descriptions as long as the meaning is clear.

- 68 The operating cycle of an entity is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. When the entity's normal operating cycle is not clearly identifiable, it is assumed to be twelve months. Current assets include assets (such as inventories and trade receivables) that are sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve months after the reporting period. Current assets also include assets held primarily for the purpose of trading (examples include some financial assets that meet the definition of held for trading in AASB 9) and the current portion of non-current financial assets.

Current liabilities

- 69 **An entity shall classify a liability as current when:**

- (a) **it expects to settle the liability in its normal operating cycle;**
- (b) **it holds the liability primarily for the purpose of trading;**
- (c) **the liability is due to be settled within twelve months after the reporting period; or**
- (d) **it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period (see paragraph 73). Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.**

An entity shall classify all other liabilities as non-current.

- 70 Some current liabilities, such as trade payables and some accruals for employee and other operating costs, are part of the working capital used in the entity's normal operating cycle. An entity classifies such operating items as current liabilities even if they are due to be settled more than twelve months after the reporting period. The same normal operating cycle applies to the classification of an entity's assets and liabilities. When the entity's normal operating cycle is not clearly identifiable, it is assumed to be twelve months.
- 71 Other current liabilities are not settled as part of the normal operating cycle, but are due for settlement within twelve months after the reporting period or held primarily for the purpose of trading. Examples are some financial liabilities that meet the definition of held for trading in AASB 9, bank overdrafts, and the current portion of non-current financial liabilities, dividends payable, income taxes and other non-trade payables. Financial liabilities that provide financing on a long-term basis (ie are not part of the working capital used in the entity's normal operating cycle) and are not due for settlement within twelve months after the reporting period are non-current liabilities, subject to paragraphs 74 and 75.
- 72 An entity classifies its financial liabilities as current when they are due to be settled within twelve months after the reporting period, even if:
- (a) the original term was for a period longer than twelve months, and
 - (b) an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorised for issue.
- 73 If an entity expects, and has the discretion, to refinance or roll over an obligation for at least twelve months after the reporting period under an existing loan facility, it classifies the obligation as non-current, even if it would otherwise be due within a shorter period. However, when refinancing or rolling over the obligation is not at the discretion of the entity (for example, there is no arrangement for refinancing), the entity does not consider the potential to refinance the obligation and classifies the obligation as current.
- 74 When an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it classifies the liability as current, even if the lender agreed, after the reporting period and before the authorisation of the financial statements for issue, not to demand payment as a consequence of the breach. An entity classifies the liability as current because, at the end of the reporting period, it does not have an unconditional right to defer its settlement for at least twelve months after that date.
- 75 However, an entity classifies the liability as non-current if the lender agreed by the end of the reporting period to provide a period of grace ending at least twelve months after the reporting period, within which the entity can rectify the breach and during which the lender cannot demand immediate repayment.
- 76 In respect of loans classified as current liabilities, if the following events occur between the end of the reporting period and the date the financial statements are authorised for issue, those events are disclosed as non-adjusting events in accordance with AASB 110 *Events after the Reporting Period*:
- (a) refinancing on a long-term basis;
 - (b) rectification of a breach of a long-term loan arrangement; and

- (c) the granting by the lender of a period of grace to rectify a breach of a long-term loan arrangement ending at least twelve months after the reporting period.

Information to be presented either in the statement of financial position or in the notes

- 77 **An entity shall disclose, either in the statement of financial position or in the notes, further subclassifications of the line items presented, classified in a manner appropriate to the entity's operations.**
- 78 The detail provided in subclassifications depends on the requirements of Australian Accounting Standards and on the size, nature and function of the amounts involved. An entity also uses the factors set out in paragraph 58 to decide the basis of subclassification. The disclosures vary for each item, for example:
- (a) items of property, plant and equipment are disaggregated into classes in accordance with AASB 116;
 - (b) receivables are disaggregated into amounts receivable from trade customers, receivables from related parties, prepayments and other amounts;
 - (c) inventories are disaggregated, in accordance with AASB 102 *Inventories*, into classifications such as merchandise, production supplies, materials, work in progress and finished goods;
 - (d) provisions are disaggregated into provisions for employee benefits and other items; and
 - (e) equity capital and reserves are disaggregated into various classes, such as paid-in capital, share premium and reserves.
- 79 **An entity shall disclose the following, either in the statement of financial position or the statement of changes in equity, or in the notes:**
- (a) **for each class of share capital:**
 - (i) the number of shares authorised;
 - (ii) the number of shares issued and fully paid, and issued but not fully paid;
 - (iii) par value per share, or that the shares have no par value;
 - (iv) a reconciliation of the number of shares outstanding at the beginning and at the end of the period;
 - (v) the rights, preferences and restrictions attaching to that class including restrictions on the distribution of dividends and the repayment of capital;
 - (vi) shares in the entity held by the entity or by its subsidiaries or associates; and
 - (vii) shares reserved for issue under options and contracts for the sale of shares, including terms and amounts; and
 - (b) a description of the nature and purpose of each reserve within equity.
- 80 **An entity without share capital, such as a partnership or trust, shall disclose information equivalent to that required by paragraph 79(a), showing changes during the period in each category of equity interest, and the rights, preferences and restrictions attaching to each category of equity interest.**

80A	<p>If an entity has reclassified</p> <ul style="list-style-type: none"> (a) a puttable financial instrument classified as an equity instrument, or (b) an instrument that imposes on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and is classified as an equity instrument <p>between financial liabilities and equity, it shall disclose the amount reclassified into and out of each category (financial liabilities or equity), and the timing and reason for that reclassification.</p>
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Statement of profit or loss and other comprehensive income

- 81 [Deleted]
- 81A **The statement of profit or loss and other comprehensive income (statement of comprehensive income) shall present, in addition to the profit or loss and other comprehensive income sections:**
- (a) profit or loss;

- (b) total other comprehensive income;
- (c) comprehensive income for the period, being the total of profit or loss and other comprehensive income.

If an entity presents a separate statement of profit or loss it does not present the profit or loss section in the statement presenting comprehensive income.

81B An entity shall present the following items, in addition to the profit or loss and other comprehensive income sections, as allocation of profit or loss and other comprehensive income for the period:

- (a) profit or loss for the period attributable to:
 - (i) non-controlling interests, and
 - (ii) owners of the parent.
- (b) comprehensive income for the period attributable to:
 - (i) non-controlling interests, and
 - (ii) owners of the parent.

If an entity presents profit or loss in a separate statement it shall present (a) in that statement.

Information to be presented in the profit or loss section or the statement of profit or loss

82 In addition to items required by other Australian Accounting Standards, the profit or loss section or the statement of profit or loss shall include line items that present the following amounts for the period:

- (a) revenue, presenting separately interest revenue calculated using the effective interest method;
- (aa) gains and losses arising from the derecognition of financial assets measured at amortised cost;
- (b) finance costs;
- (ba) impairment losses (including reversals of impairment losses or impairment gains) determined in accordance with Section 5.5 of AASB 9;
- (c) share of the profit or loss of associates and joint ventures accounted for using the equity method;
- (ca) if a financial asset is reclassified out of the amortised cost measurement category so that it is measured at fair value through profit or loss, any gain or loss arising from a difference between the previous amortised cost of the financial asset and its fair value at the reclassification date (as defined in AASB 9);
- (cb) if a financial asset is reclassified out of the fair value through other comprehensive income measurement category so that it is measured at fair value through profit or loss, any cumulative gain or loss previously recognised in other comprehensive income that is reclassified to profit or loss;
- (d) tax expense;
- (e) [deleted]
- (ea) a single amount for the total of discontinued operations (see AASB 5).
- (f)–(i) [deleted]

Information to be presented in the other comprehensive income section

82A The other comprehensive income section shall present line items for the amounts for the period of:

- (a) items of other comprehensive income (excluding amounts in paragraph (b)), classified by nature and grouped into those that, in accordance with other Australian Accounting Standards:
 - (i) will not be reclassified subsequently to profit or loss; and
 - (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

- (b) **the share of the other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that, in accordance with other Australian Accounting Standards:**

- (i) **will not be reclassified subsequently to profit or loss; and**
(ii) **will be reclassified subsequently to profit or loss when specific conditions are met.**

83–

84 [Deleted]

85 **An entity shall present additional line items (including by disaggregating the line items listed in paragraph 82), headings and subtotals in the statement(s) presenting profit or loss and other comprehensive income when such presentation is relevant to an understanding of the entity's financial performance.**

85A When an entity presents subtotals in accordance with paragraph 85, those subtotals shall:

- (a) be comprised of line items made up of amounts recognised and measured in accordance with Australian Accounting Standards;
(b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable;
(c) be consistent from period to period, in accordance with paragraph 45; and
(d) not be displayed with more prominence than the subtotals and totals required in Australian Accounting Standards for the statement(s) presenting profit or loss and other comprehensive income.

85B **An entity shall present the line items in the statement(s) presenting profit or loss and other comprehensive income that reconcile any subtotals presented in accordance with paragraph 85 with the subtotals or totals required in Australian Accounting Standards for such statement(s).**

86 Because the effects of an entity's various activities, transactions and other events differ in frequency, potential for gain or loss and predictability, disclosing the components of financial performance assists users in understanding the financial performance achieved and in making projections of future financial performance. An entity includes additional line items in the statement(s) presenting profit or loss and other comprehensive income and it amends the descriptions used and the ordering of items when this is necessary to explain the elements of financial performance. An entity considers factors including materiality and the nature and function of the items of income and expense. For example, a financial institution may amend the descriptions to provide information that is relevant to the operations of a financial institution. An entity does not offset income and expense items unless the criteria in paragraph 32 are met.

87 **An entity shall not present any items of income or expense as extraordinary items, in the statement(s) presenting profit or loss and other comprehensive income or in the notes.**

Profit or loss for the period

88 **An entity shall recognise all items of income and expense in a period in profit or loss unless an Australian Accounting Standard requires or permits otherwise.**

89 Some Australian Accounting Standards specify circumstances when an entity recognises particular items outside profit or loss in the current period. AASB 108 specifies two such circumstances: the correction of errors and the effect of changes in accounting policies. Other Australian Accounting Standards require or permit components of other comprehensive income that meet the *Framework*'s⁵ definition of income or expense to be excluded from profit or loss (see paragraph 7).

Other comprehensive income for the period

90 **An entity shall disclose the amount of income tax relating to each item of other comprehensive income, including reclassification adjustments, either in the statement of profit or loss and other comprehensive income or in the notes.**

91 An entity may present items of other comprehensive income either:

- (a) net of related tax effects, or
(b) before related tax effects with one amount shown for the aggregate amount of income tax relating to those items.

⁵ The *Framework for the Preparation and Presentation of Financial Statements* was amended by the AASB in December 2013.

If an entity elects alternative (b), it shall allocate the tax between the items that might be reclassified subsequently to the profit or loss section and those that will not be reclassified subsequently to the profit or loss section.

92 An entity shall disclose reclassification adjustments relating to components of other comprehensive income.

93 Other Australian Accounting Standards specify whether and when amounts previously recognised in other comprehensive income are reclassified to profit or loss. Such reclassifications are referred to in this Standard as reclassification adjustments. A reclassification adjustment is included with the related component of other comprehensive income in the period that the adjustment is reclassified to profit or loss. These amounts may have been recognised in other comprehensive income as unrealised gains in the current or previous periods. Those unrealised gains must be deducted from other comprehensive income in the period in which the realised gains are reclassified to profit or loss to avoid including them in total comprehensive income twice.

94 An entity may present reclassification adjustments in the statement(s) of profit or loss and other comprehensive income or in the notes. An entity presenting reclassification adjustments in the notes presents the items of other comprehensive income after any related reclassification adjustments.

95 Reclassification adjustments arise, for example, on disposal of a foreign operation (see AASB 121) and when some hedged forecast cash flow affect profit or loss (see paragraph 6.5.11(d) of AASB 9 in relation to cash flow hedges).

96 Reclassification adjustments do not arise on changes in revaluation surplus recognised in accordance with AASB 116 or AASB 138 or on remeasurements of defined benefit plans recognised in accordance with AASB 119. These components are recognised in other comprehensive income and are not reclassified to profit or loss in subsequent periods. Changes in revaluation surplus may be transferred to retained earnings in subsequent periods as the asset is used or when it is derecognised (see AASB 116 and AASB 138). In accordance with AASB 9, reclassification adjustments do not arise if a cash flow hedge or the accounting for the time value of an option (or the forward element of a forward contract or the foreign currency basis spread of a financial instrument) result in amounts that are removed from the cash flow hedge reserve or a separate component of equity, respectively, and included directly in the initial cost or other carrying amount of an asset or a liability. These amounts are directly transferred to assets or liabilities.

Information to be presented in the statement(s) of profit or loss and other comprehensive income or in the notes

97 When items of income or expense are material, an entity shall disclose their nature and amount separately.

98 Circumstances that would give rise to the separate disclosure of items of income and expense include:

- (a) write-downs of inventories to net realisable value or of property, plant and equipment to recoverable amount, as well as reversals of such write-downs;
- (b) restructurings of the activities of an entity and reversals of any provisions for the costs of restructuring;
- (c) disposals of items of property, plant and equipment;
- (d) disposals of investments;
- (e) discontinued operations;
- (f) litigation settlements; and
- (g) other reversals of provisions.

99 An entity shall present an analysis of expenses recognised in profit or loss using a classification based on either their nature or their function within the entity, whichever provides information that is reliable and more relevant.

100 Entities are encouraged to present the analysis in paragraph 99 in the statement(s) presenting profit or loss and other comprehensive income.

101 Expenses are subclassified to highlight components of financial performance that may differ in terms of frequency, potential for gain or loss and predictability. This analysis is provided in one of two forms.

102 The first form of analysis is the 'nature of expense' method. An entity aggregates expenses within profit or loss according to their nature (for example, depreciation, purchases of materials, transport costs, employee benefits and advertising costs), and does not reallocate them among functions within the entity. This method

may be simple to apply because no allocations of expenses to functional classifications are necessary. An example of a classification using the nature of expense method is as follows:

Revenue		X
Other income		X
Changes in inventories of finished goods and work in progress	X	
Raw materials and consumables used	X	
Employee benefits expense	X	
Depreciation and amortisation expense	X	
Other expenses	X	
Total expenses		(X)
Profit before tax		X

- 103 The second form of analysis is the ‘function of expense’ or ‘cost of sales’ method and classifies expenses according to their function as part of cost of sales or, for example, the costs of distribution or administrative activities. At a minimum, an entity discloses its cost of sales under this method separately from other expenses. This method can provide more relevant information to users than the classification of expenses by nature, but allocating costs to functions may require arbitrary allocations and involve considerable judgement. An example of a classification using the function of expense method is as follows:

Revenue	X
Cost of sales	(X)
Gross profit	X
Other income	X
Distribution costs	(X)
Administrative expenses	(X)
Other expenses	(X)
Profit before tax	X

104 An entity classifying expenses by function shall disclose additional information on the nature of expenses, including depreciation and amortisation expense and employee benefits expense.

- 105 The choice between the function of expense method and the nature of expense method depends on historical and industry factors and the nature of the entity. Both methods provide an indication of those costs that might vary, directly or indirectly, with the level of sales or production of the entity. Because each method of presentation has merit for different types of entities, this Standard requires management to select the presentation that is reliable and more relevant. However, because information on the nature of expenses is useful in predicting future cash flows, additional disclosure is required when the function of expense classification is used. In paragraph 104, ‘employee benefits’ has the same meaning as in AASB 119.

Statement of changes in equity

Information to be presented in the statement of changes in equity

- 106 An entity shall present a statement of changes in equity as required by paragraph 10. The statement of changes in equity includes the following information:
- (a) total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests;
 - (b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with AASB 108; and
 - (c) [deleted]

- (d) for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately (as a minimum) disclosing changes resulting from:
 - (i) profit or loss;
 - (ii) other comprehensive income; and
 - (iii) transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.

Information to be presented in the statement of changes in equity or in the notes

- 106A For each component of equity an entity shall present, either in the statement of changes in equity or in the notes, an analysis of other comprehensive income by item (see paragraph 106(d)(ii)).
- 107 An entity shall present, either in the statement of changes in equity or in the notes, the amount of dividends recognised as distributions to owners during the period, and the related amount of dividends per share.
- 108 In paragraph 106, the components of equity include, for example, each class of contributed equity, the accumulated balance of each class of other comprehensive income and retained earnings.
- 109 Changes in an entity's equity between the beginning and the end of the reporting period reflect the increase or decrease in its net assets during the period. Except for changes resulting from transactions with owners in their capacity as owners (such as equity contributions, reacquisitions of the entity's own equity instruments and dividends) and transaction costs directly related to such transactions, the overall change in equity during a period represents the total amount of income and expense, including gains and losses, generated by the entity's activities during that period.
- 110 AASB 108 requires retrospective adjustments to effect changes in accounting policies, to the extent practicable, except when the transition provisions in another Australian Accounting Standard require otherwise. AASB 108 also requires restatements to correct errors to be made retrospectively, to the extent practicable. Retrospective adjustments and retrospective restatements are not changes in equity but they are adjustments to the opening balance of retained earnings, except when an Australian Accounting Standard requires retrospective adjustment of another component of equity. Paragraph 106(b) requires disclosure in the statement of changes in equity of the total adjustment to each component of equity resulting from changes in accounting policies and, separately, from corrections of errors. These adjustments are disclosed for each prior period and the beginning of the period.

Statement of cash flows

- 111 Cash flow information provides users of financial statements with a basis to assess the ability of the entity to generate cash and cash equivalents and the needs of the entity to utilise those cash flows. AASB 107 sets out requirements for the presentation and disclosure of cash flow information.

Notes

Structure

- 112 The notes shall:
 - (a) present information about the basis of preparation of the financial statements and the specific accounting policies used in accordance with paragraphs 117–124;
 - (b) disclose the information required by Australian Accounting Standards that is not presented elsewhere in the financial statements; and
 - (c) provide information that is not presented elsewhere in the financial statements, but is relevant to an understanding of any of them.
- 113 An entity shall, as far as practicable, present notes in a systematic manner. In determining a systematic manner, the entity shall consider the effect on the understandability and comparability of its financial statements. An entity shall cross-reference each item in the statements of financial position and in the statement(s) of profit or loss and other comprehensive income, and in the statements of changes in equity and of cash flows to any related information in the notes.

- 114 Examples of systematic ordering or grouping of the notes include:
- (a) giving prominence to the areas of its activities that the entity considers to be most relevant to an understanding of its financial performance and financial position, such as grouping together information about particular operating activities;
 - (b) grouping together information about items measured similarly such as assets measured at fair value; or
 - (c) following the order of the line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position, such as:
 - (i) statement of compliance with IFRSs (see paragraph 16);
 - (ii) significant accounting policies applied (see paragraph 117);
 - (iii) supporting information for items presented in the statements of financial position and in the statement(s) of profit or loss and other comprehensive income, and in the statements of changes in equity and of cash flows, in the order in which each statement and each line item is presented; and
 - (iv) other disclosures, including:
 - (1) contingent liabilities (see AASB 137) and unrecognised contractual commitments; and
 - (2) non-financial disclosures, eg the entity's financial risk management objectives and policies (see AASB 7).
- 115 [Deleted]
- 116 An entity may present notes providing information about the basis of preparation of the financial statements and specific accounting policies as a separate section of the financial statements.

Disclosure of accounting policies

- 117 **An entity shall disclose its significant accounting policies comprising:**
- (a) **the measurement basis (or bases) used in preparing the financial statements; and**
 - (b) **the other accounting policies used that are relevant to an understanding of the financial statements.**
- 118 It is important for an entity to inform users of the measurement basis or bases used in the financial statements (for example, historical cost, current cost, net realisable value, fair value or recoverable amount) because the basis on which an entity prepares the financial statements significantly affects users' analysis. When an entity uses more than one measurement basis in the financial statements, for example when particular classes of assets are revalued, it is sufficient to provide an indication of the categories of assets and liabilities to which each measurement basis is applied.
- 119 In deciding whether a particular accounting policy should be disclosed, management considers whether disclosure would assist users in understanding how transactions, other events and conditions are reflected in reported financial performance and financial position. Each entity considers the nature of its operations and the policies that the users of its financial statements would expect to be disclosed for that type of entity. Disclosure of particular accounting policies is especially useful to users when those policies are selected from alternatives allowed in Australian Accounting Standards. An example is disclosure of whether an entity applies the fair value or cost model to its investment property (see AASB 140 *Investment Property*). Some Australian Accounting Standards specifically require disclosure of particular accounting policies, including choices made by management between different policies they allow. For example, AASB 116 requires disclosure of the measurement bases used for classes of property, plant and equipment.
- 120 [Deleted]
- 121 An accounting policy may be significant because of the nature of the entity's operations even if amounts for current and prior periods are not material. It is also appropriate to disclose each significant accounting policy that is not specifically required by Australian Accounting Standards but the entity selects and applies in accordance with AASB 108.
- 122 **An entity shall disclose, along with its significant accounting policies or other notes, the judgements, apart from those involving estimations (see paragraph 125), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.**

- 123 In the process of applying the entity's accounting policies, management makes various judgements, apart from those involving estimations, that can significantly affect the amounts it recognises in the financial statements. For example, management makes judgements in determining:
- (a) [deleted]
 - (b) when substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to other entities;
 - (c) whether, in substance, particular sales of goods are financing arrangements and therefore do not give rise to revenue; and
 - (d) whether the contractual terms of a financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- 124 Some of the disclosures made in accordance with paragraph 122 are required by other Australian Accounting Standards. For example, AASB 12 *Disclosure of Interests in Other Entities* requires an entity to disclose the judgements it has made in determining whether it controls another entity. AASB 140 *Investment Property* requires disclosure of the criteria developed by the entity to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business, when classification of the property is difficult.

Sources of estimation uncertainty

- 125 **An entity shall disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of:**
- (a) **their nature, and**
 - (b) **their carrying amount as at the end of the reporting period.**
- 126 Determining the carrying amounts of some assets and liabilities requires estimation of the effects of uncertain future events on those assets and liabilities at the end of the reporting period. For example, in the absence of recently observed market prices, future-oriented estimates are necessary to measure the recoverable amount of classes of property, plant and equipment, the effect of technological obsolescence on inventories, provisions subject to the future outcome of litigation in progress, and long-term employee benefit liabilities such as pension obligations. These estimates involve assumptions about such items as the risk adjustment to cash flows or discount rates, future changes in salaries and future changes in prices affecting other costs.
- 127 The assumptions and other sources of estimation uncertainty disclosed in accordance with paragraph 125 relate to the estimates that require management's most difficult, subjective or complex judgements. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgements become more subjective and complex, and the potential for a consequential material adjustment to the carrying amounts of assets and liabilities normally increases accordingly.
- 128 The disclosures in paragraph 125 are not required for assets and liabilities with a significant risk that their carrying amounts might change materially within the next financial year if, at the end of the reporting period, they are measured at fair value based on a quoted price in an active market for an identical asset or liability. Such fair values might change materially within the next financial year but these changes would not arise from assumptions or other sources of estimation uncertainty at the end of the reporting period.
- 129 An entity presents the disclosures in paragraph 125 in a manner that helps users of financial statements to understand the judgements that management makes about the future and about other sources of estimation uncertainty. The nature and extent of the information provided vary according to the nature of the assumption and other circumstances. Examples of the types of disclosures an entity makes are:
- (a) the nature of the assumption or other estimation uncertainty;
 - (b) the sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation, including the reasons for the sensitivity;
 - (c) the expected resolution of an uncertainty and the range of reasonably possible outcomes within the next financial year in respect of the carrying amounts of the assets and liabilities affected; and
 - (d) an explanation of changes made to past assumptions concerning those assets and liabilities, if the uncertainty remains unresolved.
- 130 This Standard does not require an entity to disclose budget information or forecasts in making the disclosures in paragraph 125.

- 131 Sometimes it is impracticable to disclose the extent of the possible effects of an assumption or another source of estimation uncertainty at the end of the reporting period. In such cases, the entity discloses that it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumption could require a material adjustment to the carrying amount of the asset or liability affected. In all cases, the entity discloses the nature and carrying amount of the specific asset or liability (or class of assets or liabilities) affected by the assumption.
- 132 The disclosures in paragraph 122 of particular judgements that management made in the process of applying the entity's accounting policies do not relate to the disclosures of sources of estimation uncertainty in paragraph 125.
- 133 Other Australian Accounting Standards require the disclosure of some of the assumptions that would otherwise be required in accordance with paragraph 125. For example, AASB 137 requires disclosure, in specified circumstances, of major assumptions concerning future events affecting classes of provisions. AASB 13 *Fair Value Measurement* requires disclosure of significant assumptions (including the valuation technique(s) and inputs) the entity uses when measuring the fair values of assets and liabilities that are carried at fair value.

Capital

- 134 **An entity shall disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.**
- 135 To comply with paragraph 134, the entity discloses the following:
- (a) qualitative information about its objectives, policies and processes for managing capital, including:
 - (i) a description of what it manages as capital;
 - (ii) when an entity is subject to externally imposed capital requirements, the nature of those requirements and how those requirements are incorporated into the management of capital; and
 - (iii) how it is meeting its objectives for managing capital.
 - (b) summary quantitative data about what it manages as capital. Some entities regard some financial liabilities (eg some forms of subordinated debt) as part of capital. Other entities regard capital as excluding some components of equity (eg components arising from cash flow hedges).
 - (c) any changes in (a) and (b) from the previous period.
 - (d) whether during the period it complied with any externally imposed capital requirements to which it is subject.
 - (e) when the entity has not complied with such externally imposed capital requirements, the consequences of such non-compliance.
- The entity bases these disclosures on the information provided internally to key management personnel.
- 136 An entity may manage capital in a number of ways and be subject to a number of different capital requirements. For example, a conglomerate may include entities that undertake insurance activities and banking activities and those entities may operate in several jurisdictions. When an aggregate disclosure of capital requirements and how capital is managed would not provide useful information or distorts a financial statement user's understanding of an entity's capital resources, the entity shall disclose separate information for each capital requirement to which the entity is subject.
- Aus136.1 The application of paragraphs 134–136 is limited to each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity.
- Aus136.2 Notwithstanding paragraph Aus136.1, a not-for-profit entity need not present the disclosures required by paragraphs 134–136.

Puttable financial instruments classified as equity

- 136A **For puttable financial instruments classified as equity instruments, an entity shall disclose (to the extent not disclosed elsewhere):**
- (a) **summary quantitative data about the amount classified as equity;**

- (b) its objectives, policies and processes for managing its obligation to repurchase or redeem the instruments when required to do so by the instrument holders, including any changes from the previous period;
- (c) the expected cash outflow on redemption or repurchase of that class of financial instruments; and
- (d) information about how the expected cash outflow on redemption or repurchase was determined.

Other disclosures

- 137 An entity shall disclose in the notes:
- (a) the amount of dividends proposed or declared before the financial statements were authorised for issue but not recognised as a distribution to owners during the period, and the related amount per share; and
 - (b) the amount of any cumulative preference dividends not recognised.
- 138 An entity shall disclose the following, if not disclosed elsewhere in information published with the financial statements:
- (a) the domicile and legal form of the entity, its country of incorporation and the address of its registered office (or principal place of business, if different from the registered office);
 - (b) a description of the nature of the entity's operations and its principal activities;
 - (c) the name of the parent and the ultimate parent of the group; and
 - (d) if it is a limited life entity, information regarding the length of its life.

Transition and effective date

- 139 An entity shall apply this Standard for annual periods beginning on or after 1 January 2018. Earlier application is permitted for periods beginning after 24 July 2014 but before 1 January 2018. If an entity adopts this Standard for an earlier period, it shall disclose that fact.
- 139A–
139D [Deleted by the AASB]
- 139E [Deleted]
- 139F [Deleted by the AASB]
- 139G [Deleted]
- 139H–
139L [Deleted by the AASB]
- 139M [Deleted]
- 139N AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*, issued in December 2014, amended paragraph 34 in the previous version of this Standard. An entity shall apply that amendment when it applies AASB 15.
- 139O AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (as amended), AASB 2014-1 *Amendments to Australian Accounting Standards* and AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*, amended the previous version of this Standard as follows: amended paragraphs Aus1.8, 7, 68, 71, 82, 93, 95, 96, 106 and 123 and deleted paragraph 139E. Paragraph 139G, added by AASB 2010-7, was deleted by AASB 2014-1. Paragraph 139M, added by AASB 2014-1, was deleted by AASB 2014-7. An entity shall apply those amendments when it applies AASB 9.
- 139P AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*, issued in January 2015, amended the previous version of this Standard as follows: amended paragraphs Aus1.8, 10, 31, 54–55, 82A, 85, 113–114, 117, 119 and 122, added paragraphs 30A, 55A and 85A–85B and deleted paragraphs 115 and 120. An entity shall apply those amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. Entities are not required to disclose the information required by paragraphs 28–30 of AASB 108 in relation to these amendments.

Withdrawal of IAS 1 (revised 2003)

140 [Deleted by the AASB]

Commencement of the legislative instrument

Aus140.1 For legal purposes, this legislative instrument commences on 31 December 2017.

Withdrawal of AASB pronouncements

Aus140.2 This Standard repeals AASB 101 *Presentation of Financial Statements* issued in September 2007. Despite the repeal, after the time this Standard starts to apply under section 334 of the Corporations Act (either generally or in relation to an individual entity), the repealed Standard continues to apply in relation to any period ending before that time as if the repeal had not occurred.

[Note: When this Standard applies under section 334 of the Corporations Act (either generally or in relation to an individual entity), it supersedes the application of the repealed Standard.]

Appendix A

Australian defined terms

This appendix is an integral part of AASB 101.

Aus7.1 [Deleted by the AASB]

Aus7.2 In respect of public sector entities, *local governments*, *governments* and most, if not all, *government departments* are *reporting entities*:

reporting entity means an entity in respect of which it is reasonable to expect the existence of users who rely on the entity's general purpose financial statement for information that will be useful to them for making and evaluating decisions about the allocation of resources. A reporting entity can be a single entity or a group comprising a parent and all of its subsidiaries.

government means the Australian Government, the Government of the Australian Capital Territory, New South Wales, the Northern Territory, Queensland, South Australia, Tasmania, Victoria or Western Australia.

government department means a government controlled entity, created pursuant to administrative arrangements or otherwise designated as a government department by the government which controls it.

local government means an entity comprising all entities controlled by a governing body elected or appointed pursuant to a Local Government Act or similar legislation.

Appendix B

Australian reduced disclosure requirements

This appendix is an integral part of AASB 101.

AusB1	<p>The following do not apply to entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements:</p> <p>(a) paragraphs 10(f), 15, 16, Aus16.3, 40A–40D, 42(b), 61, 65, 80A, 82(aa), 85B, 90, 92, 94, 104, 131, 134–136 and 136A–138; and</p> <p>(b) in paragraph 107, the text “, and the related amount of dividends per share”.</p> <p>Entities applying Australian Accounting Standards – Reduced Disclosure Requirements may elect to comply with some or all of these excluded requirements.</p>
AusB2	<p>The requirements that do not apply to entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements are also identified in this Standard by shading of the relevant text.</p>
AusB3	<p>RDR paragraphs in this Standard apply only to entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements.</p>
RDR15.1	<p>Financial statements shall present fairly the financial position, financial performance and cash flows of an entity applying Australian Accounting Standards – Reduced Disclosure Requirements. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the <i>Framework</i>. The application of Australian Accounting Standards – Reduced Disclosure Requirements, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.</p>
RDR16.1	<p>Entities applying Australian Accounting Standards – Reduced Disclosure Requirements would not be able to state compliance with IFRSs.</p>

Deleted IAS 1 text

Deleted IAS 1 text is not part of AASB 101.

- 2 An entity shall apply this Standard in preparing and presenting general purpose financial statements in accordance with International Financial Reporting Standards (IFRSs).**
- 139A IAS 27 (as amended in 2008) amended paragraph 106. An entity shall apply that amendment for annual periods beginning on or after 1 July 2009. If an entity applies IAS 27 (amended 2008) for an earlier period, the amendment shall be applied for that earlier period. The amendment shall be applied retrospectively.
- 139B *Puttable Financial Instruments and Obligations Arising on Liquidation* (Amendments to IAS 32 and IAS 1), issued in February 2008, amended paragraph 138 and inserted paragraphs 8A, 80A and 136A. An entity shall apply those amendments for annual periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity applies the amendments for an earlier period, it shall disclose that fact and apply the related amendments to IAS 32, IAS 39, IFRS 7 and IFRIC 2 *Members' Shares in Co-operative Entities and Similar Instruments* at the same time.
- 139C Paragraphs 68 and 71 were amended by *Improvements to IFRSs* issued in May 2008. An entity shall apply those amendments for annual periods beginning on or after 1 January 2009. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact.
- 139D Paragraph 69 was amended by *Improvements to IFRSs* issued in April 2009. An entity shall apply that amendment for annual periods beginning on or after 1 January 2010. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.
- 139F Paragraphs 106 and 107 were amended and paragraph 106A was added by *Improvements to IFRSs* issued in May 2010. An entity shall apply those amendments for annual periods beginning on or after 1 January 2011. Earlier application is permitted.
- 139H IFRS 10 and IFRS 12, issued in May 2011, amended paragraphs 4, 119, 123 and 124. An entity shall apply those amendments when it applies IFRS 10 and IFRS 12.
- 139I IFRS 13, issued in May 2011, amended paragraphs 128 and 133. An entity shall apply those amendments when it applies IFRS 13.
- 139J *Presentation of Items of Other Comprehensive Income* (Amendments to IAS 1), issued in June 2011, amended paragraphs 7, 10, 82, 85–87, 90, 91, 94, 100 and 115, added paragraphs 10A, 81A, 81B and 82A, and deleted paragraphs 12, 81, 83 and 84. An entity shall apply those amendments for annual periods beginning on or after 1 July 2012. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact.
- 139K IAS 19 *Employee Benefits* (as amended in June 2011) amended the definition of 'other comprehensive income' in paragraph 7 and paragraph 96. An entity shall apply those amendments when it applies IAS 19 (as amended in June 2011).
- 139L *Annual Improvements 2009–2011 Cycle*, issued in May 2012, amended paragraphs 10, 38 and 41, deleted paragraphs 39–40 and added paragraphs 38A–38D and 40A–40D. An entity shall apply that amendment retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for annual periods beginning on or after 1 January 2013. Earlier application is permitted. If an entity applies that amendment for an earlier period it shall disclose that fact.
- 140 This Standard supersedes IAS 1 *Presentation of Financial Statements* revised in 2003, as amended in 2005.

Deputy Premier
Treasurer
Attorney-General
Minister for Justice

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11 DEC 2024

Hon Ruth Forrest MLC
Chair
Government Business Scrutiny Committee A
Legislative Council Select Committee
By email: allison.scott@parliament.tas.gov.au

Questions on Notice: Energy Bill Relief Fund

Dear Chair

You wrote to the Energy Minister, Hon Nick Duigan MLC, on 5 December 2024 in relation to a Question on Notice taken during the Aurora Energy hearing on that date. As matters relating to energy prices and concessions fall under my portfolio responsibilities as Treasurer, I provide the responses below.

Q. In relation to the Energy Bill Relief Fund, jointly funded by the Federal and State Governments, please provide a breakdown of the \$90m funding commitment, including number of eligible customers in receipt of payments, amount of relief payments, amount expended to date, and projected full cost of program. If any surplus of funding projected to remain, what will happen to this funding?

On 2 May 2023, Tasmania signed up to a Schedule to the *Federation Funding Agreement - Environment (the Schedule)*, which supports the targeted delivery of electricity bill relief through the Energy Bill Relief (EBR) Fund over 2023-24 and 2024-25. Around \$45 million was made available by the Tasmanian Government with the Commonwealth matching the State's expenditure, bringing the total assistance available through the EBR Fund to around \$90 million.

The maximum number of eligible households was estimated by Commonwealth Treasury based on the number of existing concession recipients and an analysis of individuals that receive a form of Government assistance that would mean they qualify for EBR.

However, it was acknowledged that there was a high level of uncertainty with this estimated maximum given that these data are difficult to map accurately against the composition of each individual household (that is, there may be multiple concession recipients in a single household and these people may not be the electricity account holder).

The anticipated maximum number of small businesses was based on figures that are publicly available through the Australian Energy Regulator's quarterly retail performance reports. Again, there was a high level of uncertainty with the estimated maximum and take up was lower once the eligibility criteria were applied.

The EBR rebate is a demand driven program and therefore should demand not reach the estimated maximum take up levels, program costs may vary. It is important to note though that had demand been higher than anticipated the budget allocation would have been increased accordingly.

All household and small business customers that were eligible as per the funding agreement, received the EBR Rebate. Any customer who hasn't received a payment and believes they are entitled to do so, should contact their retailer.

The budget allocations for EBR were updated in 2024-25 to reflect the improved understanding of the likely take up rate of the program. The current projected total cost of the EBR program is \$59.8 million.

Retail Customers#	Households			Small Businesses			Total
	Total # of \$125 rebates applied	Amount \$m	Approx. # of Households	Total # of \$325 rebates applied	Amount \$m	Approx. # Small Businesses	Amount \$m
2023-24	188 878	23.6	94 439	36 937	12.0	18 469	35.6
2024-25 YTD*	96 483	12.1	96 483				
2024-25 [^] projected	192 966	24.2	96 483				24.2

*First of two \$125 rebates for 2024-25.

[^]Second \$125 payment due in April quarter 2025. Total take up for 2024-25 is expected to be slightly higher than 2023-24.

*Table does not include residential embedded network customers. In 2023-24, 431 \$250 grants totalling \$107 750 were paid out to eligible households by the Department of State Growth. Treasury does not have final numbers for 2024-25 as the program is still open for applications.

Yours sincerely



Hon Guy Barnett MP
Deputy Premier
Treasurer

cc Hon Nick Duigan MLC, Minister for Energy and Renewables

APPENDIX C – MINUTES OF MONDAY 16 DECEMBER 2024

**LEGISLATIVE COUNCIL SELECT COMMITTEE
GOVERNMENT BUSINESSES SCRUTINY COMMITTEE A**

MINUTES

MONDAY 16 DECEMBER 2024

The Committee met at 9:00 am in Committee Room No. 2, Parliament House, Hobart and via WebEx.

Present

Ms Forrest (Chair) (Webex)

Mr Harriss

Ms Lovell

Ms O'Connor (absent)

Ms Thomas (Webex)

In Attendance

Jenny Mannering (Secretary)

Correspondence

Incoming:

1. Letter dated 10 December 2024 from Hon Eric Abetz MP, Minister for Transport providing answers to questions taken on notice in relation to Metro.
2. Letter dated 10 December 2024 from Hon Guy Barnett MP, Treasurer providing answers to questions taken on notice in relation to TasCorp.
3. Letter dated 10 December 2024 from Hon Guy Barnett MP, Treasurer providing answers to questions taken on notice to TasWater.
4. Letter dated 10 December 2024 from Hon Guy Barnett MP, Treasurer providing answers to questions taken on notice to Aurora.

Outgoing

1. Letter dated 3 December 2024 to Hon Guy Barnett MP, Treasurer providing questions taken on notice in relation to Tasmanian Public Finance Corporation.
2. Letter dated 3 December 2024 to Hon Guy Barnett MP, Treasurer providing questions taken on notice in relation to Tasmanian Water and Sewerage Corporation Pty Ltd.
3. Letter dated 3 December 2024 to Hon Eric Abetz MP, Minister for Transport providing questions taken on notice in relation to Metro Tasmania Pty Ltd.
4. Letter dated 5 December 2024 to Hon Nick Duigan MLC, Minister for Energy and Renewables providing questions taken on notice in relation to Aurora Energy Pty Ltd.

The correspondence was received and endorsed:

Report Deliberations

The Committee considered the draft report.

The Committee **RESOLVED** that the minutes of the final meeting be approved by the Chair and attached to the Report.

The Committee **RESOLVED** that the draft report be adopted as the final report of the Committee.

The Committee **RESOLVED** that Ms Lovell present the Report to the President out of session on 18 December 2024.

The Secretary to arrange for the Report to be noted for debate in 2025.

Other Business

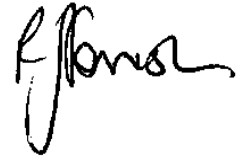
None

Adjournment

At 9:12 am the Committee adjourned *sine die*.

DATE 16/12/2024

CONFIRMED

A handwritten signature in black ink, appearing to read 'F. Jones', is written over the 'CONFIRMED' text.

CHAIR