

Second Reading Speech

Water and Sewerage Corporation Bill 2012

Mr Speaker

I move that the Bill now be read a second time.

The Government is committed to an efficient and effective water and sewerage sector in the State.

The past three years have seen significant structural and regulatory reform in Tasmania's water and sewerage sector.

Prior to 1 July 2009, the State's water services were provided by three regional bulk water authorities and 28 of the 29 local government councils. Collectively, the councils were responsible for administering over 90 water supply schemes while reticulated sewerage waste water treatment services were provided by 27 councils.

In 2006 a Ministerial Water and Sewerage Taskforce was established to investigate the structural and regulatory arrangements in the water and sewerage sector.

The Taskforce:

- reviewed the adequacy of the State's urban and regional reticulated water and sewerage infrastructure and the nature and scope of investment required to meet future needs;
- examined structural, regulatory and other institutional arrangements in Tasmania and other jurisdictions with a view to identifying a recommended approach for the State; and
- consulted extensively with stakeholders, particularly councils as the owners of the State's water and sewerage infrastructure.

Following a detailed assessment of the issues, the final model for structural reform was endorsed by the Premier's Local Government Council in February 2008.

The model was implemented through the *Water and Sewerage Corporations Act 2008*, which created the three regional corporations, Ben Lomond Water, Cradle Mountain Water and Southern Water and the common services corporation, Onstream.

A separate Act, the *Water and Sewerage Industry Act 2008* established a new economic regulation framework for the sector which was similar to the arrangements applying to the Tasmanian electricity sector.

Mr Speaker.

Since the passing of the 2008 reform legislation, significant work has been undertaken by local government to progress towards a single state-wide water and sewerage business.

On 5 June 2012 at a Special Meeting of the Local Government Association of Tasmania, its member councils resolved to support, in-principle, the formation of a single state-wide water and sewerage corporation.

The Government is also clearly on the record as supporting the provision of water and wastewater services on a state-wide basis by a single corporation.

Accordingly, I am pleased to bring before the House the *Water and Sewerage Corporation Bill 2012*. The Bill seeks to give effect to the structural reform of the State's water and sewerage businesses stemming from the hard work and leadership of local government councils, as the owners of the existing businesses.

In this regard, the Government appreciates and thanks local government for its constructive engagement and goodwill on this important reform. The *Water and Sewerage Corporation Bill 2012* is a strong example of what is achieved when the two tiers of Government work collaboratively towards an agreed outcome.

An exposure draft of the Bill was provided to councils for a five week period for consideration in accordance with the State-wide Partnership Agreement on Communication and Consultation. Additionally, the Local Government Association of Tasmania's

Implementation Working Group, which was established to assist with the reform, was directly consulted throughout the drafting process.

Mr Speaker.

It is important to state at the outset that the State Government will receive no financial benefit from the Corporation established by this Bill. As is the case with the existing arrangements, all financial returns will flow back to councils as they will be the owners of the business.

Also, the Government has been aware throughout the broader reform process of some parties' concerns regarding the potential privatisation of publically owned water and sewerage assets.

I would like to reiterate previous statements on this issue. Privatisation of the water and sewerage sector has not been considered at any stage to be an appropriate option. The Government has no intention or interest in privatising the water and sewerage businesses and it never has had such an intention.

The water and sewerage industry will stay in the hands of local government.

The Water and Sewerage Corporation Bill 2012 provides for:

- the establishment of a single water and sewerage corporation that will have the provision of water and wastewater services on a state-wide basis as its primary focus;
- the transfer of the assets, liabilities and employees of the existing water and sewerage businesses - Ben Lomond Water, Cradle Mountain Water, Southern Water and Onstream - to the new Corporation; and
- governance arrangements which are suitable for the new single entity structure.

The Bill provides that local government councils will collectively incorporate the new corporation as a proprietary company limited by shares, and be its shareholders. Each council will own an equal

number of shares in the Corporation, according an appropriate degree of representation.

The Corporation will be commercially-orientated and have the provision of water and wastewater services on a state-wide basis as its primary purpose.

The Bill includes provisions regarding the determination and calculation of tax equivalents and guarantee fee payments. The arrangements are the same as those that apply to the current businesses, as well as the State Government's Government Business Enterprises and State-owned Corporations and are essential to ensure that the Government meets its COAG obligations to apply the principles of competitive neutrality to businesses in the public sector.

I have already mentioned that the State Government will receive no financial benefit from the new Corporation. As such, all tax equivalents and guarantee fees payments will continue to be made back to councils as owners.

The Government is pleased to be working collaboratively with local government on this important reform. As identified in the Government's submission to the *Select Committee into the Tasmanian Water and Sewerage Corporations*, a single corporation has the potential to deliver many benefits, such as:

- state-wide planning for infrastructure;
- consistency in service delivery and customer relations across the State;
- further integration of administrative systems, which would create opportunities for cost savings and reduce reporting and administrative effort;
- an ability to draw on a broader base of employee skills and experience;
- a stronger and more stable cash flow, a better capacity to manage debt, and more flexibility to deal with a significant capital expenditure program; and

- a capacity to secure better services for customers and to achieve health and environmental standards sooner.

Mr Speaker.

The State Government and Local Government are working together towards achieving joint objectives and improving services to Tasmanians.

I would like to inform the House that local government has indicated a preferred implementation timetable of the new single corporation commencing full operations on 1 July 2013. This timeframe allows a sufficient but challenging implementation period and reduces the period of uncertainty for employees and customers as much as possible.

I commend the Bill to the House.