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THE LEGISLATIVE COUNCIL SELECT COMMITTEE ON TASWATER OPERATIONS MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON THURSDAY, 18 FEBRUARY 2021

Mr **TIM BLAIR**, CONTRACTOR, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR (Ms Rattray) - First, good morning and welcome. Before I commence any formal welcomes, I will introduce the committee members to you, Tim. We have on the screen in the Launceston conference office, Jo Palmer; we have Ian Dean here; myself, Tania Rattray; and Sarah Lovell. We also have Ali Waddington, who is our secretary, and Gaye from Hansard.

Again, welcome to the public hearings of the Legislative Council Select Committee on TasWater Operations. All evidence taken at the hearing is protected by parliamentary privilege but I remind you that any comments that you make outside the hearing may not be afforded such privilege.

You have received a copy of the information for witnesses. Have you read that and are you aware of the process?

Mr BLAIR - Yes.

CHAIR - Thank you. The evidence is being recorded and the *Hansard* version will be published on the committee website. We have the submission you provided. We have about 50 minutes for you to spend time sharing with the committee.

Mr BLAIR - First, thank you for allowing me to speak here today. To give you a background, my role in TasWater is as a contractor; prior to that I was with the other three water authority bodies; and prior to that I was with the other water bodies, such as Cradle Mountain Water, Esk Water, Hobart Water and such.

CHAIR - Prior to the initiation of the four entities?

Mr BLAIR - Yes, the four entities and the last one, which is TasWater.

I have been working within the water and sewerage industry now for 25 plus years consulting, carrying out and assisting in project management site supervision and things like that. Part of what we do is to undertake inspections of assets we are asked to look at and put together condition assessments and reports, and provide specifications if required. That flows on to site supervision of contractors to ensure that the works that have been specified or recommended are being done as per the recommended standards and the quality that is expected.

We assist in document writing for tenders, methodologies and things like that, and, when required, assessing tenders and providing feedback on who would best suit value for money, whether it be the TasWater, Hydro or whoever we are working for at the time.

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I have a broad knowledge of the industry and I have a very broad knowledge of Tasmania's assets and the condition they are in. For years and years and years, there wasn't enough input into looking after our assets hence where we are today.

I can quite honestly say that without corrective action, even to date, if something is not seriously done with a number of our water and sewerage assets, within five to 10 years time, we will be dealing with Third World water and sewerage assets. A lot of these assets I have looked at, inspected, are on the brink of failure or are being just held together with what we could say is a bandaid-type scenario.

Mr DEAN - Within the next four to five years you said, didn't you?

Mr BLAIR - Five to 10 years. We have some really good operators and people out there who are just holding these things together for the sake of doing their job and doing it quite well.

I was born and bred in Tasmania and I am a very proud and passionate Tasmanian. I am not here as a disgruntled contractor; I have more than enough work in the past and now to keep me and the people I employ busy. I am here as a very concerned Tasmanian as to the money that is not being spent correctly and not being put in to where it should be put in and things like that.

CHAIR - Does that include value for money?

Mr BLAIR - Value for money, and I guess you know as examples, the conversation we were just having outside there, the way I see it, and I don't know a lot of the internal workings of upper management of TasWater. TasWater has been in existence now for eight years, and we are still very stagnant in progress as to where we should be or need to be as far as maintenance or renewal of assets.

To me, especially down here, probably a good example of that is the Bryn Estyn Water Treatment Plant out at New Norfolk, which supplies Hobart with, I think, 80 per cent of its water. That plant has been earmarked for renewal now for pretty much since the inception of TasWater. If we could go back and find out, it may have been one of the key reasons TasWater was needed to fund or to get something like Bryn Estyn rebuilt. It has worked overtime, I know for at least the last 12 plus years, and when you look at the growth of this area, with hotels and residential and things like that, it's just working harder.

I can sit here today and tell you that back in November, when there was a lot of rain in this area, Hobart was within 2 metres of running out of water. They had 2 metres of water storage left and that was purely because the plant there today couldn't keep up with the required treatment of the water. So, when we get a lot of rain, everyone thinks that is great, and it is great, but what it does, it creates turbidity in the water - mud coming down through the river where the catchment is where it's drawn into the treatment plant and therefore the plant needs to work extra hard to treat water that is drinkable.

So, Hobart was within 2 metres of water, and to be perfectly honest, I wish it had run out of water, because maybe a point might have been made there and then. That plant has been talked about, to and fro, and what I can only say is through lack of management and indecision, that plant still sits there today with nothing happening.

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CHAIR - No plans.

Mr BLAIR - Some plans are being thrown around but there is still nothing in concrete, so we are still really not a lot closer to having a defined treatment plant than we were eight years ago at TasWater's inception.

Ms LOVELL - Just on that, Tim. I don't know much about water treatment or usage. When you say Hobart was within 2 metres of running out of water, what time would that last?

Mr BLAIR - I can't answer that honestly, sorry. I don't know. It could vary; it depends on, I guess, people watering their lawns.

Ms LOVELL - Is it like a week? Is it like weeks, days?

Mr BLAIR - A day. It was very close. I've inspected assets, sewerage assets, that are borderline failing. In all fairness, some of them were inspected before the inception of TasWater, then we reinspected the same assets and told the same story. There is one asset in particular in Hobart that, if it fails, the road that goes around past Risdon to the jail will be literally - and I don't know if I can say this - covered in shit.

This has been pointed out for the last four years. That plant still sits there today, again through indecision or lack of knowledge, or we're not sure whether we're going to build a pipeline under the river to take the sewage to bigger plants.

This is critical stuff that needs to be planned correctly. That's why we have bodies to do this, such as TasWater.

Mr DEAN - Have you carried out an inspection of Ti Tree Bend?

Mr BLAIR - Yes.

Mr DEAN - If I may, I would like to know what your position there is. I'll be asking TasWater just how much raw sewage is actually going into the Tamar. I will want to know that in detail.

Mr BLAIR - Again, we're talking sewage, so we're talking pretty hazardous substances. There are so many sewage [treatment] plants around this state that are at breaking point - and it's not through good management, it's through good luck, that I can sit here and honestly say that I know.

I guess part of what I do, whether you'd call it lucky or not, is to get to integrate or talk with a lot of TasWater employees. Pretty much every TasWater employee I've talked to in the last 12 months is disgruntled, has left, is leaving, or is just bewildered that this company is going down the path it's going down.

CHAIR - Or going to work for UGL?

Mr BLAIR - Yes, that's another story.

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Only a few weeks ago, if the operator who was on call at New Norfolk didn't think, 'Oh, we had a bit of a rain event; with some heavy rain, I probably should go down and check what's going on here' - because there are no alarm systems at the major sewage pump station on the Derwent scheme, at Rocks Road, New Norfolk.

That was within 30 minutes of a massive spill going into the Derwent River, and that's just purely because the job has been put in by the operators and everyone else to say we need to get this alarm system - SCADA, I think it's called - put in, to say that the levels are at this and we need to act, or a secondary pump needs to be installed, or something.

That is the major sewage pump station for the Derwent area. There is no backup generator on site. There's no SCADA there so that emergency pumps can be clicked in automatically to alleviate issues like that.

Like I said before, because there are some good employees within that business; they are trying to bring this thing in, and holding onto it within an inch of its life.

There are good employees within the engineering sector as well, but I can honestly say, through indecision and lack of decision by upper management, we're at a situation now where they got to a point where TasWater needed more engineers as project managers, so they entered into the CDO agreement with UGL or the SIMEC Group, which I honestly believe wasn't thought about.

It was a decision made on the rush, thinking 'We need more engineers, let's just sign a contract with someone.'. Anyone within the industry knows, or just work in general knows, that good people at this point in time, Australia-wide, are very hard to come by. They don't just fall out of the sky once you sign a contract with someone.

Mr DEAN - Tim, the issues you're raising here and in your submission, have you raised them with TasWater?

Mr BLAIR - Yes.

Mr DEAN - And TasWater management?

Mr BLAIR - Yes.

Mr DEAN - What feedback have you received from raising these issues with TasWater and what has happened, if anything?

Mr BLAIR - One of the most frequently used sentences I've been told is no-one really knows how big it is. I've got a fair idea how big it is because I've worked on these assets with these businesses for the last 25-odd years. I believe I've got a good handle on this - I know how big it is; I know how much work there is to be done.

I wrote a letter to the Deputy Premier when COVID first started and made a statement saying I honestly believed that there is enough work and money within TasWater alone to pull Tasmania out of COVID, if it were managed and done correctly. We could engage with so many local contractors in Tasmania if it were all done correctly. That's when the whole

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UGL/CIMIC thing was on the boil. To be brutally honest, when I have engaged with upper management, I can only use the term, 'I've been brushed off.'

Mr DEAN - Could you share that letter with the committee?

Mr BLAIR - The one I wrote to the Deputy Premier?

Mr DEAN - Yes.

Mr BLAIR - Yes, I have that somewhere. I'm not sure if I sent that to you originally, Tania.

CHAIR - I'm not sure I've seen one to the Deputy Premier, but we will follow up.

Mr BLAIR - Yes. I've written several letters to Mr Ferguson, because he's the minister for Infrastructure. I understand the way TasWater is set up that they are limited in how they can do it. I've had several meetings with management within TasWater.

I met with Andrew Moir back during the COVID time. He was one of the main instigators of the CDO. I expressed my concerns not just because the CDO hadn't met the KPIs they'd signed up to as in supplying experienced engineers, project managers and site supervisors, but I also alerted them to some safety concerns that had happened on jobs that we were directly involved with. They were pretty high risk safety concerns to do with confined spaces and things like that.

Because they had employed an inexperienced site supervisor who didn't understand the correct isolations on the plant we were working on, we and another company onsite raised concerns that we were not going to enter the confined space because there was risk of engulfment.

The risk of death was very low but we were entering what's regarded as a dangerous area, so the isolations need to be done. This was CDO work and the CDO sent an inexperienced person to provide that service. When we do work for TasWater - and I've been out on a TasWater site this morning, where we've had to enter a confined space - we rely on TasWater employees to do the isolations for us because we don't understand that part of it. That's their job. The operators of that facility provide the isolations.

This particular instant I've raised several times with TasWater management, I've raised it with the CDO safety manager or team lead, and every time I've had a reply it is, 'We've investigated the incident. We don't believe there was anything of concern.'

CHAIR - To worry about.

Mr BLAIR - The manager of that particular area wrote a letter to the other company thanking them for their safety awareness and for stopping us going in and alerting them. Then I get told that there was nothing. If the supervisor on that site was working on a mine site, he would have been marched offsite, never to come back.

To allow someone to enter a confined space, or ask someone to enter a confined space when you're in charge of that, is a sackable offence because you're placing a worker in danger.

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If he had worked for Hydro Tasmania, he would never have got back onto a Hydro Tasmania site.

He then went on to the next job which, again, was a confined space. You could say it was a low-risk confined space; it was inside a reservoir. He worked on that job as a supervisor for over a week and a half, and they did not have a confined space rescue system. Part of the Australian Standard requires when you work in a confined space, you must have some form of rescue system and know how to use that system.

Years ago, it used to be as simple as putting '000' on your safety documents. That went out the window a number of years ago, because who was to say that emergency services were going to be available? It is now up to the people running the job to ensure that the contractors are doing what they do and doing it safely, and know how to operate that rescue system.

Mr DEAN - Why do you think this is the way it is managed and handled? Is it that the people responsible do not understand their responsibilities, do not understand the position with the entering into confined spaces, confined areas and so on? What do you think is the reason?

Mr BLAIR - I believe this particular incident is a classic example of someone who is put into a position who has no experience or knowledge in that area. I am a big believer that there are horses for courses. I hate the word 'expert', because I do not believe there are experts in anything, but as a collective we can be experts.

We specialise in these types of things. Part of what we do is what I call 'hard to access asset inspections'. We will get inside the Poatina penstock, for example. It is 1.8 kilometres long, 4 metres in diameter. We will be on rope and we will abseil from top to bottom and carry out a condition assessment of that particular asset. We specialise in these types of things.

We have a pretty good understanding of conditions of assets, confined space entries and stuff like that. This particular gentleman was put into a situation he should not have been put into.

Mr DEAN - By the CDO?

Mr BLAIR - By the CDO, yes. Whether he had the courage or the knowledge or whatever to stand up and say, 'look, I do not know what I am doing here; I should not be doing this' - you could probably say he didn't have the courage - and I can only take from when I have raised these concerns, not only with TasWater, but with CDO management, that they don't want to have anything that looks bad. I honestly believe they are fumbling their way through this whole contract.

You guys have heard presentations about the contracts. There is no risk to UGL or the Cimic Group in any of this, none at all. They are making more money than anyone else out of it and they are not taking any of the risk. All the risk is being put back onto us.

If I provide TasWater with a report on a condition assessment, I need to make sure that report is right and it covers everything off. If I tell them 'That sewerage pump station is fine' and then in two weeks time it has a massive failure, I carry that and I am out of business

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anyway. That is my risk and that is why I pay \$50 000 in insurances every year for that, but I never want to use that.

That is the frustrating part about it. They are not accepting any risk; they are not accepting any feedback and constructive criticism, and that is why I believe they are fumbling through it. There is duplication.

CHAIR - We did talk about the duplication to the safety teams, to procurement teams -

Mr BLAIR - Yes, all of that type of staff. If we want to get to the nitty-gritty, two CEOs. Why do we need two CEOs? I estimate the combined income of the CEO of TasWater and the CEO of the CDO would potentially be \$1 million plus. Why do we need that?

We have one CEO at Hydro Tasmania, and Hydro Tasmania is going great guns in rebuilding machines, refurbishing assets, looking into the future with pumped hydro and all this sort of stuff. They have had a maintenance plan that has been ticking over for the 20 years I have been working with them.

I have played a big part in looking at all their assets, categorising their assets and saying this one needs to be done then and that one needs to be done then. Here we are with TasWater, almost eight years into it, and I am just being asked to go around and start helping them out, to look at 400 reservoirs. This stuff should have been done eight years ago, so when we get to the fourth year, we have categorised assets and everything else, and we know where we are going. We have got a clear plan ahead.

I did not go to university half as long as what the CEO did, and I'm not a very smart person, but I understand asset maintenance and management.

CHAIR - I think you might be selling yourself a bit short there.

Mr DEAN - No, never put yourself down.

Mr BLAIR - It's simple stuff. There's an age-old argument - if you buy a car and you don't fill it up with petrol or take it in for a service, it's going to stop. It will stop sooner than what it should do if it's not looked after. If you buy a house and don't look after it, it's going to fall down, or the windows won't shut or open, or whatever. These are exactly the same but on a much larger scale.

CHAIR - And a significantly larger impact on community.

Mr BLAIR - Massive impact on community. We're very lucky. We live in what I believe is the luckiest place in the world, but we take things like turning a tap on or flushing a toilet for granted. I've spent a lot of time in Third World countries, and it is a privilege to have that. We are paying for that and there are tens of millions of dollars going out the door to make the CIMIC Group profitable and we're missing out on that.

One of the reasons I'm so passionate about this is because it is public money. I'm in charge of public money. When I price a job for TasWater, Hydro Tasmania, State Growth,

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TasPorts, it's your money, it's my money, it's everyone's money we are responsible for. I'm very conscious of that.

I'm more conscious about it for the fact that, on a side note, for the last three and a half years I've engaged with the Government to commit \$250 000 that will provide a clinical trials unit in Tasmania for childhood cancer. We can't find \$250 000. I see \$250 000 getting wasted day in, day out. That frustrates me no end. It upsets me to think all this money is getting wasted and we could do so much better.

I'm not here to become a millionaire in business; I'm here to ensure that when I leave, I've left something for our children and grandchildren and everyone else. I'm saying that as honestly as I can. I have no desire to be a rich business person, but I've got a desire to make sure that I can put my hand on my heart and say, 'I left this world a little bit better place than it was when I came here.'

That's why I'm here today. None of this is personal to anyone within TasWater. I'm the first to admit I'm not the be-all and end-all, but I just don't get the whole TasWater thing. We could argue for days that we should have done this eight years ago. The whole CDO thing, to me, is something I believe was rushed into because - and this is not personal - the CEO was under pressure to look like something was happening. It's just sold Tasmania out, I believe. There are tens of millions of dollars being wasted for no value whatsoever. I get that there were failings within the TasWater business, but it could have been done in-house. Every other asset owner has done this in-house, so why hasn't TasWater?

You go back and it's not hard to find the CIMIC Group, or what they used to be called, and the issues other people have had when they've engaged in contracts similar to what TasWater has engaged in. The money that's been wasted.

To me, it was a very uneducated decision. If you were a business person and you were entering into a business agreement with that, you haven't done your homework. I honestly believe that. There are so many examples of this failing. The whole contract is one that's forefront at the moment.

There was an announcement made in December that TasWater was going to change that. We're at the end of February, nothing's changed.

Mr DEAN - Do you know why TasWater went down this path with the CDO? What was behind it?

Mr BLAIR - Like I say, I believe that the CEO and upper management were in a position where they needed to be seen to be doing something. The work stopped coming. There were two organisations that put proposals together - UGL or the CIMIC Group won that. The other proposal was a joint venture from a consulting engineering firm out of England and Australia and they engaged a Tasmanian gentleman who was going to run that here who had a wide knowledge of assets. I know that gentleman personally. He was going to be - and I don't know if I can say it, but Andrew Moir, who was one of the ringleaders of the CDO actually used to work for the CIMIC Group or UGL.

I don't know if anything can be drawn into that or not, but, anyway, the local guy who was going to be the CEO for the other company's proposal, he had knowledge because like me

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he was a consultant. He'd worked on these assets. He knew what was out there and how it would work. A very smart man.

Unfortunately, that was missed. There are smart people here in Tasmania. There are good people here in Tasmania.

CHAIR - They've been to this committee, Tim.

Mr BLAIR - And using what I know, so reservoir refurbishments that we've looked at a reservoir refurbishment. When we used to do reservoir refurbishments with Cradle Mountain Water it was a simple and low-cost process. There was an engineer from Cradle Mountain Water and then there was us.

We looked at that asset we put a proposal to say, 'It's in this condition; xyz needs to be done'. They then come back and say, 'Okay, let's draw up a methodology specification and we'll get some contractors onsite and we'll tender this contract.'. We tendered it; we had it - an award process so it was weighted attributes where you had safety, environment and quality. Pricing was last on the weighted attributes so it was all aboveboard, transparent everything else.

We didn't need to engage with a whole realm of other people. The safety team from Cradle Mountain Water looked at the safety stuff. We assisted because it was confined space and that's what we do. We looked at the actual methodologies and things like that, and we came up with a decision. The reservoirs were done. They were refurbished. They were successful. They don't leak and these were things that were done 15-odd years ago. There's been five reservoirs, six reservoirs, refurbished under the CDO and every one of them still leaks.

Mr DEAN - Are there any other large businesses like TasWater and Hydro - any of these businesses - that have a similar strategy to this?

Mr BLAIR - Not to my knowledge.

Mr DEAN - TasWater with an outside organisation in another state?

Mr BLAIR - Not to my knowledge. The only example I can give you is that years ago when I first started working with Hydro Tasmania, they were still out at Moonah and they still had a workshop.

Hydro Tasmania then decided they could sell off its workshop and everything else and they entered into an agreement with a company called Alstom, which I think was a French-owned company, and that agreement was pretty much Alstom bought their workshop at Moonah where the TasWater offices are now. They ran the workshop and within that contract there was an agreement that they would undertake all their major refurbishments, machinery builds, everything else.

I think that lasted about four years and Hydro realised that the only winner out of this was Alstom. The jobs were costing way too much. They were going over time, over budget and everything else, and Hydro pulled the pin on that.

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Hydro Tas now runs its own workshop out at Cambridge. They've brought it all back in-house. As an example, Catagunya Power Station has two machines. They rebuilt the first machine last year. They are in the process of rebuilding the second machine this year so that gets assigned to a project manager with the Hydro. That project manager then for corrosion protection and all the steel and things like that rings up me and says, 'Right, we need you to do xyz for us.'. For the machining, he pulls in an experienced fitter who understands machining and we become part of that project team. These are \$50 million-plus projects that are all run in-house locally and done successfully.

Mr DEAN - Thank you.

CHAIR - I am mindful that Jo Palmer is sitting up in Launceston. Jo, you've been listening to what's been shared here. Is there any avenue or area that you'd like to drill down into just so that we don't miss your opportunity?

Ms PALMER - Thank you very much. Look, Ivan did touch on this, Tim, and I am wondering if you can flesh it out a little bit more. The situation with the Tamar River is deeply concerning in northern Tasmania and in Launceston.

We were talking about Ti Tree Bend and I'm just wondering - for a century now requests have been made for the river not to take raw sewage. There's now \$90 million-odd there that's available for TasWater to fix this situation.

My understanding is no plan has been announced, there's no time line on this. You would think a hundred years would be enough but apparently not. What is the situation with the infrastructure at the moment that sees this sewage going into the Tamar River? What standard is that? How many years can we expect that to be happening before we have a major contamination issue there?

Mr BLAIR - Funnily enough, I was in Launceston yesterday walking the Tamar with -

CHAIR - On the banks, not in?

Mr DEAN - That's a fact, you can walk across the Tamar. You're right. Good on you.

Mr BLAIR - I was on the, I guess, the southern side of it, so the Launceston side of it, and I was up there with TasWater employees with an engineer and an operator. I was up there looking at the levee overflow outlets which are tied in - some of them are tied into sewage pump stations. The St John Street pump station is right in the middle of town - you jump out of your car and you can smell it straightaway. You know where you are. Again, there is massive potential for Launceston to be literally covered in shit.

If we had an event similar to what we had in 2016 where we had a massive flood event up in the north and there was some down around Bothwell as well, and again it was only through good luck - if the pumps failed, it wasn't just water that was going to be floating around Launceston because they combine. Some of them, what they call tidal flaps on those pipes, haven't worked for years and years. I guess, in their defence, that was why I was up there.

I went up to have a look around to work out how we can successfully and safely carry out internal inspections of these particular pipelines, penstocks and valves, and to get an

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understanding of the condition and what needs to be done. There is some movement in that area and we are undertaking inspections of the sewage pump stations as well to get a handle on the condition of the wet wells, the dry wells and the pumps and everything else, and what needs to be done. Yes, it's - well, a hundred years might be enough, Jo, we've started the ball rolling perhaps.

Yes, I can say they are like a number of other assets that I've looked at. It's so close to having a real issue here. As an example, TasWater has hung its hat on the - is it the 23 cups or something? Like, we've gone with no boil water alerts.

Mr DEAN - Yes.

Mr BLAIR - But what they haven't told you is that some places on the east coast, they're still trucking water in because the water treatment plant isn't keeping up or it's not satisfactory or whatever it may be. That's a concern. It is big. I understand TasWater's argument saying this is bigger than most people understand, and it is bigger than what most people understand, but it's doable. It has got to be doable; for the sake of Tasmania, it has to be doable. I don't believe -

CHAIR - It's doable in other areas of Australia.

Mr BLAIR - Of course it is. We had asset maintenance plans with Cradle Mountain Water but then, when the amalgamation of Cradle Coast Water come along, that got lost for some reason; I don't know why. You know, all that sort of thing. This is prior to CDO. New Norfolk - there's a big subdivision at New Norfolk. In 2016, we were asked to look at a water main called the Fenton line at New Norfolk. We highlighted a number of issues about that.

The developer went to TasWater and said, 'Now is your time to replace this water main because you basically dig up beside the existing main, you lay a new pipe down, and we can build our subdivision.'. Twice, through good management and through having good employees on the ground, TasWater - the most recent burst pipe there was pushing out 20 megalitres of water and, if it wasn't stopped when it was stopped, it was going to wash a house away.

This was something that could have been done but to replace that water main now is a massive cost on infrastructure and everything else when it could have been a straight line dig - lay the new pipe down beside the existing [pipe], connect it up either end and you've got yourself a new water main.

The gentleman who got us to undertake that inspection, who was a really good manager within TasWater, has now left TasWater because of frustration about the lack of indecision, and what I can only say is lack of risk management.

Unfortunately, when you work for yourself, you do not get that courtesy of making so many mistakes that you are still in business. Again, this is not personal, it is factual - a lot of the water mains around the state are running at maximum capacity, and a lot of them burst because they are old and running to capacity. What they can do to alleviate some of that is to put in what is called a PRV, a pressure relief valve, that assists in that sort of thing.

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Before the CDO, TasWater, an operator, used to get in a contractor, dig up a pipeline and put in a PRV for the cost of around \$15 000 to 20 000. Normally, if it was highlighted that a particular water main was an issue, it could be done within a week.

Since the CDO, I know of an operator down here who has been waiting seven months to have a PRV put in, and at the moment the budget is around \$75 000 for that particular job that was being done for \$15 000 to 20 000.

Part of that is that they are not letting the people in these areas do their job. Using Hydro as an example, if a project manager is given the Catagunya machinery build job, he is given a budget, and he goes off and spends that budget, because prior to that job being handed over to a project manager, they have done their costings and everything else. They are confident they have a good budget, a good manager, and are going to get that job done.

That does not seem to be happening within the TasWater circles, for whatever reason. There are good people within that business and they are not being allowed to do their job.

There are so many examples. There are a lot of jobs where you do not need designated supervisors onsite 24/7. It is an added cost that does not need to be there. The reservoir refurbishment project, for example, was costed at \$1.2 million to have the six reservoirs refurbished. There was an extra \$900 000 added on to that job for the CDO costs.

If you put that into perspective, that is another three reservoir refurbishments. We could have overseen that job for TasWater, as well as quality and everything else, and we could have done nine reservoirs instead of the six - and as I said, five of them are leaking.

CHAIR - Is that something that was organised through the UGL arrangement?

Mr BLAIR - Yes. I have been told that these minor works have been taken away from the CDO. That announcement was made in December. We are getting towards the end of February.

CHAIR - We have not seen any time frames.

Mr BLAIR - There is a tender for reservoir refurbishments going on this week, where there are site meetings with the CDO and contractors, under the same conditions and the same contracts -

Mr DEAN - No change at all.

Mr BLAIR - after the announcement was made in December that things are going to change.

I understand they are working on it, but if you are making an announcement that things are going to change, you do not get that grace. If you are in business on your own, you do not get to say to the bank, 'I am going to earn a million dollars next year so can you carry me through to then?'

From what I understand, I do not believe they have met the KPIs of what was originally required of the CDO to sign up to this. Part of their KPIs was to provide training and assistance

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to local contractors, to bring them up to speed. In the area I work in, there has been no training provided in products or knowledge or anything else.

I organised one bit of a project where we had a contractor come down and use a product he was not familiar with. I organised that at no cost, through some people within TasWater, and through the supplier of the product - so TasWater got a nice little job done added to its treatment plant here in Hobart for cost basically, and I organised that.

Part of their KPIs is to organise these types of small jobs where local contractors can engage with experienced people, such as ourselves, and work with them to get an understanding of products and things that may take them onto bigger jobs and so on - to work within the industry and improve the standard for everyone.

It is upsetting that we are not spending the money wisely.

Mr DEAN - Is it a condition of the contract, or the KPIs within the CDO, that they focus their position on Tasmanian contractors?

Mr BLAIR - I believe so.

Mr DEAN - That they must, in the first instance, find Tasmanian contractors to do any job that is to be done?

Mr BLAIR - I believe so.

Mr DEAN - And if that's so, with what you know, are you able to say whether that is being complied with?

Mr BLAIR - I have a letter that was sent out by the CEO on 16 April last year. There's a statement here that says -

the core business of the CDO is to ensure cost-effective timely delivery of quality capital works projects that will meet the needs of the Tasmanian community for years to come.

They did a statewide workshop with contractors saying that the CDO and TasWater are going to work with local contractors, and are going to assist in raising the standards of safety, quality and everything else. All they have done - so, to work for the CDO, you have to do an induction through a company called Damstra, which they tell you in the contract takes two hours. It took us a week. It cost me the best part of \$3000.

Mr DEAN - What's that company again?

Mr BLAIR - Damstra. I then fought tooth and nail to be compensated for the time. I invoiced the CDO for \$2500. I was flatly refused. I had a phone call from a lady there who rang up and said we don't pay that. I said, 'Hang on a minute, your contract states clearly it's two hours. I've provided you with a detailed time sheet of time spent doing the induction, uploading qualifications and everything else that was detailed. It's a legitimate claim, and you're not even going to talk to me about this. You've just rang up to say we don't pay it.'!

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That's the worst thing anyone could say to me. I've got the pig in me. I kept invoicing them. I started adding interest, and it wasn't until I alerted upper management that I was about to send TasWater to the collectors that a phone call was made and I had the invoice paid.

CHAIR - Most contractors working for TasWater, small -

Mr BLAIR - Medium, large.

CHAIR - large, whatever, would've said 'Okay, well that's it. We've just done ourselves \$2500 and we're going to have to wear it if we still want to work for TasWater.'

Mr BLAIR - Yes. Or work for the CDO.

CHAIR - Ultimately TasWater.

Mr BLAIR - I've made my feelings about the CDO quite clear to everyone within TasWater. I will continue to do work with TasWater, and I do. At the moment I'm doing a lot of work for TasWater.

Mr DEAN - Because they're continuing to engage you?

Mr BLAIR - Yes, TasWater is engaging with me. CDO not so much. Standover tactics are not the way to do business. I've had this conversation with many people over the years. Tasmania is a very different place to do business to the mainland. I've worked on the mainland with AGL power and those types of places, and it's a bit more cut-throat. Tasmania's a small place. We all know each other. We all know what's going on, hence this committee. It was born out of local people saying we need to stand up.

That is being lost in all of this. If you price a project for the CDO, there's no conversation that can be entered into about, okay, I can price to do this, but what I can do is supply a schedule of rates.

We have to remember that we're doing refurbishments. We're doing up an old house. When you decide you're going to put a new kitchen in an old house, you pull your kitchen out, and then all of a sudden the floor is not level and everything else. Reservoirs, everything else, no different.

Every now and then you might be lucky and you might find one that was really good and it went really smoothly. The normal way to do this type of stuff and within my experience and other businesses that I have worked with, you have the contractor supply a schedule of rates for the things that might through you a curve ball. That doesn't have within the CDO, so, as a contractor, you either price it to try to win it and potentially lose money, or you go in really hard at an escalated price, knowing that if I do win it, I've covered my arse. Again, this current tender that has been put out there is a steel reservoir at Zeehan. They want to paint the outside of that reservoir in the middle of winter. I've talked to upper management about this job. Why would you do that on the west coast in the middle of winter? Why would you even contemplate that?

CHAIR - You wouldn't do it on your house.

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Mr BLAIR - No. You don't even go to the west coast for a holiday in the middle of winter unless you enjoy the rain and everything else. So the only way a contractor can price that is to meet the risk, and to meet the risk means elevated price instead of the tender saying 'supply us a schedule of rates'. They have to do the inside on the off season, so that's in the wetter months - and that's fine, and that can be catered for - but the outside's a different story.

With experienced people who know that particularly, the outside can be done in the middle of summer when the reservoir's full; that's fine. So the contractor knows he can go down there and spend two weeks and have two weeks of beautiful weather and get the job done. He's going to price it now thinking, 'Jeez, do I allow for two weeks and try to win it or do I allow for the four months that I could potentially be stuck on the west coast trying to paint a wet reservoir?'. That leads into quality, safety, everything else, and cost, effectively. We are not working as a collective.

CHAIR - Tim, about your understanding of trade waste, because when you talked about training and knowledge and the products that you use, obviously trade waste and the compliance of trade waste and the items and apparatus you use to comply with that have really given a lot of grief to a lot of small business owners in my community. So, around that trade waste, do you have any understanding of -

Mr BLAIR - The only comments I can make on the trade waste side of things is, one of my clients, a malt company here in Tasmania, and that's not too hard to work out - there's not a lot of malt companies in Tasmania. I've had several conversations about TasWater and what they charge for them to dispose of trade waste compared to what they pay on other plants in other states and other plants overseas.

The lady I work with who runs the maintenance and runs the plants in the southern part of Australia, she has asked TasWater to supply reasoning behind their costs, and whether there is a litre, a megalitre, a tonnage or whatever, for trade waste. But it's just a figure that is thrown at them, and it is an escalated figure. They are an industry that is going okay - they are making malt, they are selling malt, they supply most of the Tasmanian breweries - the smaller breweries - not the bigger ones. At the moment they can afford to cover that cost. I've had conversations with her; she is the manager of that particular plant, and she has openly said to me that that could be the thing that tips them overboard, and she says 'Okay, we're just going to look at moving everything to Victoria or South Australia.'

There is actually a set process with their trade waste in those states, so they know they are entering into this, they've negotiated, no different I guess as an example, Bell Bay aluminium smelter negotiates a price with Hydro, well, TasNetworks or whoever it is. So, they know for every megawatt of power, it is going to cost x . That is not my area of expertise, we're talking trade waste, no different to sewerage and water. We get charged x amount of dollars per megalitre of water that you use within your household, so we can look at a bill and it says you've used x litres at whatever it is. Forgive me, I just pay them, I don't, actually I have extended my payments to three months now for TasWater bills because that's what the CDO does.

Again, getting off track, there was no engagement. As a contractor I'd been working with TasWater doing stuff and then the CDO came along and all of a sudden we're going to push that out to 45, 50, 60 days

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CHAIR - To 45 to 60 days.

Mr BLAIR - But there was no engagement with TasWater that this is what's going to happen. It's just 'that's what's happening'. Ultimately TasWater is a public-owned company. They are the only public-owned company in Tasmania that takes that long to pay. Every other public owned-company - TasPorts, TasWater, Hydro, TasRail - all pay within 14 to 28 days.

I am not sure if I wrote that there, but through COVID-19 -

CHAIR - You did, thank you, agreeing to pay within seven days to assist -

Mr BLAIR - 'This is how we're going to assist business in cashflow'. TasWater, or the CDO, didn't offer that. Everything is focused on the CIMIC Group making money, not what's within the best interest of Tasmania and while ever that agreement stays in place, Tasmania will continue to pay for it.

We may not see the outcome of it. We may be in the old people's home and not care, but our children and our grandchildren and everything else will be paying for that and whatever it is we choose, and I'm getting way off track but whatever it is we choose to do in life, we get one crack at it. Like I said, I like to think that when I am old and laid up in bed somewhere that at least I can have some sort of thought in my mind 'Well, I gave it a good crack and I tried to do something that was right', and this is part of it.

CHAIR - You didn't just back -

Mr BLAIR - Yeah, and go with flow. It's not about just getting work or anything else, it's about ensuring that what's being done is being done right and correct, and at the moment I don't believe - regardless of all the other issues, the safety the environment and everything else, the quality - the bottom line is the money is not being spent correctly and it's being mismanaged.

Mr DEAN - We obviously asked questions of TasWater in relation to the CDO and I suspect they will come back with 'this is good value for money'. I think I can see that happening for sure, so what would you suggest to us as a committee for the way of questioning or issues that we should bring out in relation to this?

Mr BLAIR - Again, I don't believe the CDO's the right path. I believe it can be done in-house and I believe there's enough experience and people within Tasmania to start that. There is some good people that the CDO have brought in and like I say, I was with one of them on Monday looking at a water treatment plant in Launceston who was a design engineer but he couldn't understand why he's not working for TasWater.

It's business, so you sort out who the good ones are and who you don't want to keep. No different to what the councils did when the water authorities were handed to TasWater.

CHAIR - They handpicked.

Mr BLAIR - They did. The councils kept the good ones and TasWater probably had the ones the council has been trying to offload for a long time.

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Mr DEAN - I know what happened, don't worry. I was there right at this very time.

Mr BLAIR - Exactly.

CHAIR - Be careful.

Mr BLAIR - That's the way it is. Then it's a matter of understanding what your areas of expertise are - again I hate the word 'expert' but we do concrete and steel and we do site management and supervision and quality and things like that as well, so if it's us, that's fine, or if it's someone else, but engage with them and say, 'Okay, we've had you looking at our reservoirs and our sewage pump stations. We are getting you to put through recommendations. Can you write us a specification and do all that?'

We don't need to have layers and layers and layers for these types of simple works, which are relatively simple. We don't need to have those duplicated layers of safety and quality and a manager on top of a manager and then another manager. The gentleman I was with on Monday as an example, he's here in Tasmania. He's working for the CDO. His manager is based in Melbourne. We went to Chimney Saddle water treatment plant. He wouldn't know where Chimney Saddle Water Treatment Plant is, but he has to go back and report to his manager.

CHAIR - Who will then put in the report.

Mr BLAIR - Yes.

Mr DEAN - You have said you have raised these issues with senior management within TasWater; that includes, obviously, your position regarding the CDO. What has TasWater said to you in relation to that position, that contracted position, with the CDO?

Mr BLAIR - They tell me some good things are happening. That is probably what they will tell you. I am yet to see those good things. You could say 18 months to two years. We are two years into a four-year agreement.

Mr DEAN - That is what it is, it is a four-year agreement?

Mr BLAIR - Four years with a potentially plus two I think. In private business, two years into a four-year agreement, we should be seeing something. If the CEO were an AFL coach, he would be in the newspapers and media.

CHAIR - And somebody would have said your job is safe by now.

Mr BLAIR - Then the next week he is down the road. There are so many examples of that type of thing. If we are two years into it, we should be seeing some real progress. We should be seeing a write up in the *Mercury* of Bryn Estyn's new water treatment plant, or at least a picture of it or a scale model. We are not seeing any of that. That is why I was brought in, to sort all of that stuff out. I do not believe it is the right thing.

Hydro can all its stuff. Hydro are already doing stuff to do with the Battery of the Nation. Part of the Battery of the Nation, if it all goes ahead, will be a brand-new power station built

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up in Tarraleah. It has been years and years since that has been done in Tasmania, but they are doing that groundwork now and they are looking at who they need to engage with.

I had a meeting with TasPorts just before Christmas, with a manager at TasPorts. TasPorts were about to undertake a \$100 million spend on the eastern side of the wharf in Devonport. That is to do with the *Spirit* replacements, I guess, and just a general upgrade because it is old. The reason I was called into that meeting was because obviously an area of our expertise is required. I was asked to be part of that team. When it all starts going on, they will want us to do this part. At that time, they were still outsourcing a project manager who they were going to employ directly. He would then bring that team together, whether they were directly TasPort employees or people such as myself who have been working with TasPorts for 20-odd years.

It can be done. The management needs to let the good people within TasWater that have the experience of project managing do their job.

Mr DEAN - There are a lot of good employees in there. I know a lot of them, I work with a lot of them.

Mr BLAIR - Yes, there is. If you are in charge of building that new water treatment plant, go and find a design engineer and let's get it going. We have done so much work at Bryn Estyn. We have looked at existing assets, we have put through recommendations that the clarifiers there fine. Structurally they are fine. They need a bit of a refurbishment and they can be used as secondary clarifiers at that plant when you build the new ones.

I have been told that the CDO has come through with a proposal that they are going to just knock everything down and build everything new. I believe that is probably because that is an easier way for them to escalate cost and get better money.

CHAIR - Thank you, Tim, we have gone over our allocated time. Thank you very much for your time. I said early on, the *Hansard* will be provided and you will get an opportunity to look at that and make any suggested changes if you feel it does not reflect what you have said. We do not often get too many of those.

THE WITNESS WITHDREW.

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Dr STEPHEN GUMLEY, CHAIR; **Mr MICHAEL BREWSTER**, CHIEF EXECUTIVE OFFICER; **Mr MATTHEW PIGDEN**, CHIEF FINANCIAL OFFICER; AND **Mr TONY WILLMOTT**, TASWATER MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR - First, I welcome you, Mike, and your team to the public hearings for the Legislative Council Select Committee on TasWater Operations.

This is a public hearing. Evidence taken at this hearing is protected by parliamentary privilege but any comments you make outside these hearings may not be afforded such privilege. The evidence will be recorded and the *Hansard* version will be published on the committee website once it becomes available.

If anything is required to be taken in camera through the process, please make the request and the committee will consider that request. We would like to offer you the opportunity to provide an opening statement and we will then go into some questions. We have allocated two hours for this session so we will see how we go. We always have the opportunity, if we don't get through what we need to, to invite you to come back.

Mr BREWSTER - Thank you, Tania, and thank you, committee members. I do have an opening statement. We certainly welcome the opportunity to meet with the committee today to provide further detail regarding our operations. We're now in our eighth year of operation and our primary objective is the delivery of safe, reliable and environmentally responsible water and sewerage services across Tasmania.

Our staff work hard to meet the compliance requirements of a diverse, complex and extensive regulatory framework that has remained largely unchanged since the organisation was formed in 2013. Much of this work has been publicly acknowledged by the Economic Regulator in the state. The Tasmanian Water and Sewerage Industry Report 2018-19 notes advances in service delivery, the quality of drinking water supply and the performance of treatment plants.

For the second year in a row we achieved full microbiological compliance with the Tasmanian drinking water guidelines, meaning that all Tasmanian customers have had access to safe drinking water as at 30 June 2020, and this was a first two years ago.

TasWater currently operates 61 water treatment plants and 110 sewage treatment plants while also maintaining 6500 kilometres of water mains and a further 4800 kilometres of sewer mains and more than 300 dams for water supply, sewage treatment and effluent re-use.

We are meeting service standards set by the Economic Regulator for the number of water and sewerage main breaks and the response times taken to fix them. This is the result of continued investment in the maintenance and renewal of ageing infrastructure.

As well as working hard to provide the quality services our customers deserve, we are acutely aware of the extra financial pressure that has been placed on some of our customers since the commencement of COVID-19. To provide immediate support, the TasWater board made the decision to freeze prices for the 2020-21 financial year and to give 100 per cent rebate of quarter 4 bills to eligible small businesses.

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TasWater has expanded the way it helps customers facing financial difficulties, including payment extensions, payment deferrals, and payment arrangements for up to 36 months. As at 30 January this year, we had 504 customers in our residential customer support program and 3349 customers with a debt-related payment arrangement in place.

Coupled with a projected drop in revenue as hardship levels arose, this saw TasWater anticipating a \$24 million underlying loss for the financial year. This situation, regrettably, forced the suspension of dividend payments to councils in the second half of 2020. That decision was made by the TasWater board following consultation with owners.

I am pleased to inform the committee that last week we were able to advise councils that TasWater's six-monthly results to 31 December 2020 are materially better than forecast. As a result, the board has recently approved the payment of an interim dividend of \$5 million paid on 15 February. A further dividend will be considered in June 2021 if this is supported by the underlying full year results.

The Tasmanian Government's equity contribution of \$200 million over 10 years to secure a minor shareholding in TasWater will assist us in the delivery of our \$1.8 billion infrastructure investment program. We are also underway on our next price and service plan, PSP4, and significant community and stakeholder consultation has begun. I am sure many of these and other matters will be raised today and we are very happy to answer your questions.

I would also ask that, should the committee wish to discuss the issue of trade waste, there may be some simple facts we can put on the table that could assist right at the outset. However, I am keen to get into any specific questions you have around trade waste. I won't take that any further because I am keen to address it.

The one thing I will say about trade waste is that in the last 18 months we have received complaints from two customers regarding pricing and a third from another regarding compliance obligations so trade waste has not been a major issue for us and our customers in the last 18 months. We are always conscious that there is an opportunity to improve and do things better. We continue to review our strategies and our plans for managing trade waste.

I expect you will have questions about Pioneer and we welcome those. I would like to reinforce our commitment to a piped fully treated water supply but also would appreciate the opportunity to address some of the statements made around the history. Like any other projects, some things go well, some things do not go so well, but the intent has always been positive and we will continue to do so.

We, as a business, are on a continual journey of improvement as a company and will always look at how we can improve outcomes for our stakeholders and customers. As we have always said, we are committed to supporting local contractors. When we work through where we are there will be a demonstration of how we have addressed the feedback we have received.

I am conscious we have limited time, but there is one other matter I will put on the table before I close. We are deeply concerned in regard to a significant number of statements provided in submissions and made directly to this committee. In particular, we strongly reject the majority of the statements made by Mr Tim Blair earlier today, to the extent there is not enough time to address the assertions that have been made.

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We will seek to table a comprehensive statement of facts. That goes to the heart of some of the other submissions. We understand people are passionate, but at the end of the day we want facts on the table. Where we have got it wrong, we will take it, accept that and learn from it, but quite a number of assertions have been made that have no basis in fact. We wish to have the opportunity to fully address them.

CHAIR - Thank you. The committee will always accept that information.

Mr BREWSTER - Thank you, Chair, we appreciate that. We are committed to continually improving our delivery of safe, reliable and environmentally responsible water and sewerage services for our customers and owners.

CHAIR - I would like to give the chairman an opportunity, if you want to add anything very briefly, to what Mr Brewster has already put on the table. We were not expecting you today, but thank you for your time.

Dr GUMLEY - Thank you, I am pleased to be here. I will comment on the question of the financial performance of TasWater. The board made the right decision - when COVID-19 hit, we were in the middle of the north-west cluster and no-one quite knew what was going to happen to the state with COVID-19.

We developed three scenarios to develop the budget for the financial year. Scenario two would be a bit like what happened to Victoria up to Christmas, with complete lockdowns. Scenario three is probably more like what has happened to places like England and parts of America. Scenario one was the light one. Tasmania was lucky to be in scenario one.

We are fortunate in Tasmania. The budgeting was correct to take the middle position when one did not know which way it was going to go. We have honoured our commitment to the councils that as soon as we could pay a dividend, we did. That money was paid earlier this week.

CHAIR - Thank you. Any other follow-up questions with regard to that? I only found out because I read my local Dorset Council minutes from their meeting. Has that been something that has been widely advertised?

Dr GUMLEY - Yes. We had the quarterly meetings of all the councils a fortnight ago. We had a letter before that where we informed them. They are all very aware of it.

CHAIR - So the \$5 million that has been allocated -

Dr GUMLEY - It's been paid. Cash.

CHAIR - Has already been paid.

Dr GUMLEY - If Tasmania does not go into a bad COVID-19 situation in the next quarter, there is every likelihood that another \$5 million will be paid in June.

CHAIR - But that has still to be negotiated among the councils?

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Dr GUMLEY - No, it is not a firm decision made, but the board is being prudent and will only pay a dividend out of underlying profit. If COVID-19 comes on and whacks underlying profit, obviously we cannot pay a dividend. If things stay as they are now, we would be reasonably confident that dividend will get paid.

CHAIR - The quantum of that dividend? Is that to be negotiated between the board and councils?

Mr BREWSTER - No, dividends are a matter for a board. They have an obligation to make a decision and in our constitution and in the legislation there are very clear bases on which we can pay dividends. The board makes the decision, but, like any good board, it keeps the owners informed and consults with them. It says, 'This is what we think', but ultimately it's not a negotiation, the board has a statutory obligation around the payment of dividends.

Dr GUMLEY - And that has been explained to the councils as recently as a fortnight ago.

CHAIR - Thank you. It directly goes to number (5) of our terms of reference. I appreciate that information.

If members don't mind, I'll start with addressing the prior statements that have been made that you want to put on the public record regarding the Pioneer representation. Was that where you were?

Mr BREWSTER - Pioneer is what I'm happy to do.

CHAIR - Let's start with Pioneer.

Mr BREWSTER - From the Pioneer perspective, we are committed to delivering reticulated drinking water supply to the town. We committed to that, I think it was back in February, but were unable to formally proceed without approval from the regulator, which occurred in May.

We released a media statement in May - I can check the exact date - confirming that it would likely be a three-year time frame. We are holding to that to the extent if we can deliver earlier we will, but it's not a straightforward matter in terms of supply. We're looking at the options. We've completed a first pass of the planning. We think it needs more work before we will announce a solution.

The reason we have gone down this path is because we fundamentally found in the end two things. One, that despite our best efforts we could not make the service replacement scheme up there work. I'm happy to discuss the details around why that ultimately could not be made to work. I reiterate it was our decision, not the regulator's decision, to commence an investigation. It was our decision, subject to the council supporting the reintroduction of a water supply, to proceed. Even with all the conversation and debate we still had to make a decision where the township was split roughly 50/50. Hence we went to the council and said if they can give us unanimous support for this, we will proceed.

The fundamental issue is not that we, in terms of a service replacement, would not replace the roofs. The fundamental issue is that we basically have to rebuild a number of the houses.

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That's not from us. We hired independent consultants to do the inspections to give us advice, so it wasn't us. The cost to re-roof was in the order of \$3 million to \$4 million. Therefore, where do we go? We tried offering garages as an alternative to create a new catchment. That unfortunately was not welcomed by enough of the locals that we could proceed.

What's a path forward from here? It's about the same as our preliminary estimates to provide a drinking water supply and we felt it would be nigh on impossible to justify us rebuilding houses to proceed with the service replacement.

I'll try to wrap it up pretty quickly, Tania, but I'd like to talk about the lead tests. I want to put on record that we did take tests in 2014. We can't force people to have a test made on their roof. We put out an expression of interest, we got four back. We did four tests. Those four tests, when I was advised, as the team was advised, were all under the limit in 2014.

Did I personally read each test? No, I didn't. And would I have picked it up? Maybe, but maybe not. I don't read every document. To give the full history, seeing I've read some of the submissions, there was a customer, Mr Weinberg, I think it was, who I approved being provided with the materials to replace his roof. It's a while back, but the reason I recall I did that was because he was prepared and wanted to replace it. Drinking water safety is about the content of the water and whether it complies with the Australian Drinking Water Guidelines. We had no way of testing it, no way of proving whether the water is going to be safe or not, so I said we will provide him with the materials he's requested.

In 2000, or later I think, probably a year through that period, a Mr Hanks and others said we want our tests, we'd like to see the test results. I said to the team, 'Why not supply them the tests?'. I was then provided with advice that the team had gone back and pulled out the test results, and advised me that, 'Sorry, Mike, a mistake was made at the time. They are actually over the lead content - not the lead in water, but the lead content in the roofs is over the amount recommended in the in-house guidelines.'

Ms LOVELL - Sorry, Mike, that was of those four roofs that were tested?

Mr BREWSTER - Yes, that's correct. I had that information, so you can imagine it was a bit distressing to read that. So then the team sat down and we went, 'Right, we have to be transparent about it, write to the customers and test the water there at that time.'. When we tested the water, by the way, all those passed the Australian Drinking Water Guidelines - less than 10 micrograms.

At that stage we then said, 'Right, we need to notify the regulator, notify the customers, what's our plan?'. That's when we went and talked to the regulator with a plan. I don't mind admitting there are elements of it the regulator didn't support. You're not obliged to comply with the in-house guidelines, but he felt we should have done more to meet them. The solution we had, or still have, is filters to take out the lead, as well as a kit, whereby if they maintain their roof, and a customer does a first flush before it rains, it should not be an issue.

The regulator said, 'Well, Mike, you probably need to think about what happens longer term.'. Our initial proposal was - as it had been previously - that we will commit to continuing to test the water, and to the extent that the water tested fails above the Australian Drinking Water Guidelines, we've going to have to replace roofs.

PUBLIC

That's how it played out. Mark Veitch wrote to me. We sat down and said, Well, okay, we are where we are. There's not an instruction; you can't instruct us on a guideline. We made the decision that we can't go forward as it is, so we need to look at a solution.'

We then hired a local consultant and had all the places inspected. Some people would not let them on the properties, which was a challenge. Not everyone wanted to participate. In fact, some people would not let us disconnect from their roofs that currently have lead - and still will not let us disconnect them. They just want their water tested, and as long as their water test comes up clear, they're saying, 'No, not interested.'

I think there were two of them in the last read, so that's how it unfolded. We were at the point when it was about rebuilding houses, and how the hell can we justify that - what else do we do? So, that's how it came to the point it is at right now.

CHAIR - Does the infrastructure put in place on the corner of the Tasman Highway and Gladstone Road support putting water into Pioneer into the future?

Mr BREWSTER - Not necessarily. It could be done, but it will be about cost. We could pipe it from our Ringarooma scheme, but that looks very expensive. We can have a look at Herrick; that has challenges. We can look at a combination of carting and drawing out of other sources, so that's what we are trying to do.

Our first-cut look at piping it from Ringarooma looks very expensive. We would find it hard to justify to the Tasmanian community, but we are committed to a solution. That takes time, because now we have to go back and test our assumptions, because we assumed the cost on that option will be a lot lower than our preliminary estimates. When that occurs you have to go back to the drawing board and say, 'Okay, what was option two? What does that look like?'. That's where we are right now.

CHAIR - So the infrastructure that's been put in place at that particular junction is still valid infrastructure? It's still usable infrastructure?

Mr BREWSTER - I can't talk about the specifics of Gladstone. All I can say is the plants that we have put in are fit for purpose, and provide a service that is consistent with Australian Drinking Water Guidelines. If that were not the case, we would be declaring boil water alerts, and *E. coli* would be declared, or they would be on a 'Do not consume', because we have to report our results to the regulator.

CHAIR - But you still are delivering water to Pioneer?

Mr BREWSTER - We are absolutely committed to getting water to Pioneer. What we don't have right now is an agreed solution that balances the costs with the number of customers. We are just trying to work out how we most sensibly do that, because there are trade-offs, and we need work those through and we need have a robust solution.

The other thing we are looking at is: do we have the right delivery model for this particular project? Maybe we need to use a different delivery model, because if we can get it there earlier, we will.

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Mr DEAN - How many customers are there?

Mr BREWSTER - There are 43 connections.

CHAIR - They don't all have customers on the end of those connections?

Mr BREWSTER - That's correct.

CHAIR - So, it is not 43 households.

Mr BREWSTER - No, it is 43 connections. So, it is a very small number. It is a difficult balance. I would say we did not get everything right in this project, far from it.

When we did the installation, three years might sound a fair period to deliver it. That wasn't too much of an issue. The issue was that we should have gone back and checked the quality better than we did because the quality of some of the finish was not adequate. We have gone back because when we did the inspection project, we picked up that some of it was not accurate.

The other thing that might be of interest to you is that just because you get lead levels above the Australian Drinking Water Guidelines, that does not mean it is coming from the roof. We had lead levels in excess of the guidelines where there was no lead in the roof in the flashings. Again we had it independently reviewed, and the amount of lead is reflective of the background lead levels in the air, which is consistent with the rest of Australia - and, to be frank, not cleaning your gutters.

What you're meant to do, as per our maintenance manual, is before the first rainfall, you have to make sure you flush your system, and you get everything that is sitting in the gutters out. If you don't - and that's why we have the first flush device, and this in the NHMRC guidelines - you get an accumulation of sediment. Over time, that sediment will have lead in it, and that can exceed the drinking water guidelines. I expect if you went through the thousands of tanks around Tasmania, a significant number of them would be in that situation.

CHAIR - Given you have indicated that this is a three-year time frame -

Mr BREWSTER - From May last year.

CHAIR - Yes. Given what you just said about how you have to engage and possibly look at another way of delivering to the community, do you really expect to meet that time frame?

Mr BREWSTER - I do. But we have to use a different delivery methodology. We have done it before, but you end up with trade-offs. So, rather than detailed design, we might do what we did in the regional towns, which is more of an earlier procurement contract. That was successful, but it has its drawbacks, because the faster you go, the more risk you take.

CHAIR - I'm mindful that this is a really important area, but we can't spend all afternoon on it. Any other questions from members?

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Mr DEAN - I want to ask a question that I think was raised with this committee. Correct me if I am wrong. Was there an agreement in place at one stage between TasWater and its customers on repainting roofs?

Mr BREWSTER - The agreement was to repair the roofs. It wasn't necessarily to paint them, because paint doesn't necessarily solve the problem.

Mr DEAN - Was there a written agreement in place?

Mr BREWSTER - I would have to check, but if you read the petition provided by the customers, I think it included the words 'repair', and in effect to make them fit for purpose as a drinking water catchment. So, to the extent that they were not deemed to be suitable and we can find no other solution, we are obliged to repair.

I'll go back a step. If you think about this in terms of time frames, in 2014 right through to 2018, of all the tests we could do, there were none with lead, so, hence why roof replacement was not an issue to that stage. We had the ability to test, apart from Mr Weinberg, who was not connected. In terms of the repair I go back to - I think our intent was good but I have to say that when we went around and did the inspection, some of the repairs were not finished off adequately. That is clear from the inspections we did.

Mr DEAN - To be clear on the evidence given, there is a written agreement in place for the repairs to be done whatever they might be and to a suitable standard. I take it that is from all customers who were prepared to be a part of the program?

Mr BREWSTER - I would expect so; it was to repair the roofs.

Mr DEAN - Will TasWater, in this three-year period, ensure that agreement will be adhered to and will be fixed?

Mr BREWSTER - In the three-year period now because we cannot make the scheme work, we will just pipe the water.

CHAIR - Just checking with the member for Rosevears: any follow up questions in regard to Pioneer and we will move on?

Ms PALMER - No, I am fine, thank you, Chair.

CHAIR - Next area and I think another really important area - not that they are not all important - let us do trade waste and that will leave one of the other significant areas, the CDO, after that, so, thank you. Trade waste - interesting that you have had only three queries into -

Mr BREWSTER - Three formal complaints; that does not mean people have not queried us. What I am saying is there are three formal complaints. It doesn't mean people have not rung up and they haven't spoken to someone that wasn't recorded, but that is what we have on record. There was substantially more in the prior period, in the 18 months before. As a result of a lot of the feedback we had - and I think post a former committee - we made a number of changes to our approach to trade waste.

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CHAIR - Do you think that might be because things have been put on hold through the COVID-19 period if you like? So people have thought, 'Well, we are not doing anything; everything is a bit of a standstill at the minute.'. You might like to address that.

Mr BREWSTER - Yes, that is possible, but I don't think so based on the changes we have made. I can only go on the conversations relayed to me that there has not been lots of angst. Two issues that are continually brought up is that people are paying twice for the same service, which I am happy to address. The second issue is the cost of the grease traps and whether they are required.

CHAIR - How you can even retrofit them into some buildings is another one of the biggest issues.

Mr BREWSTER - I would like to put on the table a couple of things around that. First of all, we did change our approach as a result of the feedback from customers in regard to grease traps. We had a one-size-fits-all approach; we realised that was not working and it seemed that we needed to be more flexible. Now what we do is we look at the scale of the activity, the type of business, the nature of the sewer system it is moving into or is flowing into and whether existing pre-treatment is in place. In some places when we have looked at the level of trade waste, we have decided nothing is actually required because they are putting so little into the system. That is an exception; it is not happening all the time, but there are times when we see it.

The other two things to get on the table: the typical cost of a grease trap is \$12 000 to \$14 000 - the highest cost we are aware of is \$30 000 when we structured the loan agreement, because I had heard of quotes of \$60 000.

CHAIR - Up to \$80 000.

Mr BREWSTER - We have no evidence of that.

CHAIR - The committee does.

Mr BREWSTER - If you share it with us, we are more than happy to follow it through. We have never been provided with that evidence. It doesn't mean it doesn't exist, but we have never been provided with it. We have asked for evidence.

The highest cost we have been made aware of is \$30 000 to install a grease trap. I think I said in the last committee that to the extent there are completely unreasonable costs, sometimes it can be - and particularly in that period, when there weren't many installers - a challenge getting people and they were not familiar with what was required. We were concerned about pricing, we put some things in place in regard to that and we changed the approvals process to make it simpler.

We also put in the no interest loans scheme - NILS - to assist our customers.

As I said, the \$60 000 was, so I thought, well, an absolute boundary. On top of that, we don't approve it very often, but I have personally - I know I approved a couple and they don't require my approval anymore - but we do approve Grease Guardians when the price is above

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a certain threshold. So, when it's starting to get above \$30 000 or \$40 000 we will look at Grease Guardians as opposed to grease traps.

The difference with a Grease Guardian is that a grease trap basically collects it, sealed lid, no odour; we know it's there, it's trapped, it doesn't get into our system, doesn't cause blockages unless its left to overflow, doesn't impact on our treatment.

The problem with a Grease Guardian is that while it does take out grease, it heats the waste up, the grease goes to the top, gets skimmed off, fats and oils. The problem with it is people historically turn them off. We have no way of knowing whether they turn them off or not. At one level there's no incentive for them to turn them on because they cost power. They cost electricity. We said, 'Well, if 50 per cent of our solutions were Grease Guardians, I think we're running the risk that the system is not going to be effective and every other customer is paying for business to treat their trade waste. We have tried to keep it to a very low level when it is very expensive. We've said, 'Yes, okay, if there's no other solution we'll allow a Grease Guardian.'. But we have to keep that percentage very low.

At the moment we have 78 per cent of our customers who are compliant. A majority, a much higher number than that, in the south.

That's where we are in terms of the trade waste at this point in time. I'm happy to take any other evidence that someone can provide to suggest anything in there is, in terms of customer feedback, is not accurate.

CHAIR - Can I ask you to address the suggestion that once you've complied, you still continue to be charged a trade waste levy, and there isn't any trade waste because you've taken on that?

Mr BREWSTER - No, that's not correct. That's not fact at all.

CHAIR - I'm asking for your response.

Mr BREWSTER - I appreciate that. What we did when we started the scheme, we treated everyone as if they did comply. They were charged as if they were already compliant. We gave them 18 months to comply, to put in the grease trap.

What you're paying for with trade waste is waste that has strength in excess of domestic trade waste. We still have to treat it. The issue is not whether we have to treat it and whether there's an additional cost. The issue is the strength of what remains. That's why we put them into separate classifications and we have a charging arrangement that reflects the strength of the trade waste.

Grease traps don't take every - they don't remove all of the strength. If you go and wash 50 potatoes in an hour, you get the grease out but you've still got all the dirt, everything else that goes out. Every other contaminant that goes with it that has to be treated. In terms of our trade waste costs, I want to say that at a macro level, our trade waste pricing has been independently verified. It's independently assessed by the regulator and approved as part of our price and service plan. And they have confirmed - and I welcome you to look at the price and service plan - that our pricing reflects the true cost of trade waste services.

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Mr DEAN - In people putting in these systems, evidence was given to us along the lines that they must fit the systems you require, that TasWater says must be fitted. It's been suggested that there are better, more economical ways of removing the grease and the oils and all those other things with other systems, but that TasWater is not prepared to listen to these people.

Mr BREWSTER - I think my last piece of evidence refutes that. I mean, we are open to other solutions. We've got no incentive to increase the cost for our customers to take out grease, oil, other pathogens. No incentive. But as I said, the other solution that's on the market that looks feasible, and we have assessed, is a Grease Guardian. For the reasons I explained, if we allow too many of those to proceed, we will end up in a situation potentially, and this has been experienced in other states, that as you get more and more of them, people turn them off, you then lose the purpose of doing that. That's the challenge we face. But if someone can come up with a better solution and provide it to us, I am happy to look at it, but to date I think you will see what we do is consistent across the globe and across Australia.

If there are new innovations, if there are new ways of doing things, we would welcome it, but we will, of course, thoroughly examine the effectiveness of those solutions because at the end of the day, there is a cost to treat all of this and that cost, if it is not paid by the producer of the trade waste, is paid by every other domestic customer in this state.

Mr DEAN - What is it actually doing? What differences have you seen in the end product, getting into the system?

Mr BREWSTER - At the moment, we are going through all the data, but the intent or the expectation is to minimise the number of local blockages. Places like Salamanca, where when you get a blockage, the odour is extraordinary, people and businesses are impacted and there are call-outs. That is our primary goal.

The majority of the trade waste impacts on our plants are both from industrial customers and we have a different regime for industrial customers because effectively about 80 to 90 per cent of the impact on our plants come from industrial customers. The balance comes from commercial customers; hence we have a graded scale by which we charge people. The intent of the scheme is to reduce the number of those blockages and to reduce the cost of chemicals, electricity and renewals on our plants.

There is also a big safety issue here. When the pipes get blocked, it produces gases that can cause explosions. If we are not all over that, we have a significant safety issue for the public, hence we are incentivised to do it.

Mr DEAN - Are you experiencing fewer blockages, fewer of these problems and these issues, as a result of the position you have taken in relation to these grease traps and removal of grease? Have you seen any change?

Mr BREWSTER - At the moment our numbers are actually down, but that does not necessarily reflect - I cannot put hand on heart and say the number of blockages at any point in time are down due to this, because it could be a whole bunch of other factors. How often does it rain? How intense is the rainfall? What then happens to the ground conditions? Do we get rainfall after it?

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At the moment I could not give you a number that says that as a result of the commercial trade waste - putting in commercial trade waste which has only been in for a relatively short period - we can say 10 per cent of blockages have come off. I can't give you that number.

Mr DEAN - If you do anything to make change and there is a cost to it, there has to be a measurement at the end of it or you would not do it, I would have thought. When do you expect to have fully compliant grease traps around the state? Do you have a target for that, as to when you want that in place and then what will happen from there?

Mr BREWSTER - We are trying to find ways to actually measure it. It is not straightforward, for the factors I gave you, which is a fair point.

Regarding the time frame, ideally we would have them all compliant now, but if we go through and don't take the time to engage with customers, as we have found, and sometimes find ways to avoid a grease trap by changing their production methods, then I end up back where I started.

We have tried to work with customers, particularly through the COVID-19 period. We did not hit anyone with noncompliance fees; we removed them. My goal would be tomorrow, but practically and in reality, it is probably a year to two.

Mr DEAN - Following from some of the evidence we were given this morning, that a lot of your infrastructure, the sewage plants and so on, are really at the end of their life and there are issues out there regarding these plants, we were told that in five to 10 years, if urgent works are not done in relation to these plants, they will fall over.

Mr BREWSTER - That is not correct -

Mr DEAN - That is only a point that I am making. We are looking at the grease traps and so on, which is all a matter of cleaning out the effluents and everything that goes into these plants. One would think that we would be seeing a difference in those plants fairly early as a result of the grease trap strategy you are moving forward with.

Mr BREWSTER - It's too early and we're still working out on how best we can separate the data. I also want, in terms of recording and tracing the direct connection to the blockages, to go back to that statement about our treatment plants. Of course, many of our sewage treatment plants require significant expenditure or we wouldn't have a \$1.8 billion program. Are they going to fail in the next five years? No. Right now, 90 per cent of the volume of sewage that's treated is compliant, right, so it meets - at a volume level it is actually compliant.

We have a significant renewal and upgrade program so, no, our plants won't fail. That's why you have an asset management system, right, and we have a comprehensive asset strategy and asset management system to prioritise and to ensure those things don't happen. Part of the challenge with treatment plants is that the design of the treatment plant is a function of the ability of the receiving water to take the load from the treatment plant.

We just can't go off and make any old design. We've actually got to go and study the waters and then design backwards from that. In the intervening period, we ensure that through our asset strategy, our monitoring of all of our plants, that we are consistently on top of the

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status of our sewage treatment plants. Most of our failures in the last two years - I think we've had three significant spills that were down to us - were about operational procedures.

CHAIR - Thank you.

Ms PALMER - I had hoped we would go back to the sewage treatment plants but, just on trade waste, it was presented to us that a number of these small businesses have invested a huge amount of money for small businesses to be compliant here but also, over the last few years, they've seen significant increases in the tariffs they are still paying.

You've explained to us with your example of the 50 potatoes and the mud still goes down the sink but, if these small businesses have been compliant with the grease traps, you're saying you're not actually able to measure whether that has made any difference at all and yet they're still having increase after increase in paying the tariffs.

Has there been any consideration given to, 'Well, you've been compliant; you're doing your part.'? Maybe we look at a discounted version of what they then have to pay with the tariff on top of what they've already paid out to be compliant.

Mr BREWSTER - Okay.

Ms PALMER - It just seems like a real double-dip; it really does. I get there's waste outside of grease but you're saying you can't measure the difference and there are just such huge increases. Well, that's certainly what has been presented to us - that even though they've done this, they're still paying exorbitant tariffs that keep going up. It does not seem fair, on the surface, with what has been presented to us by numerous small business operators.

Mr BREWSTER - If I can address that, first of all, as I said, the total cost of trade waste is assessed by the independent regulator and they have determined with support - I think independent consulting support - that the overall charges and the basis for those charges are fair and reasonable.

Then the only question becomes: do we give a discount to the businesses producing the trade waste? Yes, we could. I want to address these 'significant increases' as well because I would like to see the evidence of that because I am prepared to go through the pricing and how that works in recent times since we introduced trade waste as a charge.

At the end of the day, the revenue we receive is a building block approach in which we assess or put a submission in that determines the total cost to operate, maintain and renew all of the assets. That then gets put into pricing arrangements and at the end of the day, there's zero sum gain. We can charge the trade waste customers less but, if we do, that money is going to have to be paid by the domestic customers, right, because at the end of the day all our revenue just comes from an independent regulatory assessed and determined basis.

They go through; they work out whether what we're charging is appropriate and fair. That's how the trade waste macro level works. What we then do is break it down into different classes depending on the strengths of the trade waste. All of that, again, is independently verified. We have advice, and I am prepared to provide it. You can go to the regulator's determination to test this assertion that our overall charging is correct.

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Our increases generally, apart from the initial introduction of trade waste, increase in accordance with our price and service plan. In the current year the increase was zero; in the prior year, the increase in our price and service plan, from recollection, was zero. I think the prior year to that we were authorised a 4.6 per cent increase. We decided we could do better. We looked at how we could save more money and we decided to go with 4.1 per cent even though we were authorised -

Ms PALMER - Sorry, what year was that, Mike?

Mr BREWSTER - That was three years ago. We chose to go lower and then we negotiated or had to deal with the government that capped it at 3.5 per cent. The real increase customers have seen in trade waste is the introduction of the trade waste charges. That was an impost, there's no question, but we did try to do things to smooth that impost on the way through.

I can get that information on how we smoothed that to try to assist customers on the way through. I think you also need to go back to the fact that we have an obligation to only accept trade waste that we can treat. That is written into our legislation.

We are treading a fine line here because we're obliged to deal with trade waste. We looked at what is happening around Australia to find a scheme that is consistent largely with the rest of Australia that will work in Tasmania.

If you don't do that, there's an inequitable charging arrangement, so some customers pay, some don't, or you are passing it all on to residential customers who will then have to pay more to cover the cost of business.

CHAIR - Small business would argue that often there's no regulation with households that could put more trade waste down the residential properties with no penalty at all.

Mr BREWSTER - It's possible, but there are 216 000 customers so unless they were all going to do it or a significant number, it's probably not going to be material. I'd recommend you talk to the Economic Regulator. If they deemed our system of charging was unfair, I'm sure they would not accept our proposal and they would come out with a different determination.

CHAIR - And it's your view that TasWater does not charge excessively compared to other states?

Mr BREWSTER - Our view is that we charge - it is not about excessively - we charge consistent with the cost to treat. The cost to treat that trade waste is independently verified and then we break that total cost down by class. That gets reviewed by the regulator to determine whether that is a fair and reasonable charge for trade waste for business customers.

CHAIR - Okay, thank you. We're going to now move to Mount Rumney.

Ms LOVELL - Thank you. I have had a submission which I am sure you've apprised yourself of from the Mount Rumney water scheme. You may or may not be familiar with that

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scheme, but by way of background and for transparency, I disclose to TasWater representatives that my parents are customers of this scheme.

The Mount Rumney private water scheme has been operating for more than 50 years. It's run by volunteers. I understand they've had ongoing conversations since about 2015 with TasWater about the potential takeover of those assets so that water can continue to be provided by TasWater to those customers.

They've been told that they're not eligible under the TasWater asset transfer policy. Can you outline for the committee whether that policy is publicly available? I've had a look and wasn't able to find it. I'm not sure if other members of the committee have had any more luck. What are the criteria a private water scheme needs to meet under that policy?

I imagine Mount Rumney is not the only private water scheme in this situation. I think the nature of volunteering for your community is changing; is this something TasWater is looking at and considering? Are you aware of how many communities there might be around the state in a similar situation where those customers would have to go back onto tank water if there was no transfer of assets?

CHAIR - A series of questions there.

Mr BREWSTER - First of all, I am more than happy to provide this committee with a copy of our policy. There is no intent for it not to be made.

Dr GUMLEY - No.

Mr BREWSTER - If it is not on the website, I am more than happy to ensure it does go on the website.

Dr GUMLEY - It is on the website.

Mr BREWSTER - It is on the website.

Ms LOVELL - It might be. I looked, but I couldn't find it.

Mr BREWSTER - What are the criteria? The fundamental issue is that we have no funding source for asset transfers. We went into this in some detail - the cost of asset transfer is significant. I do not have the data in front of me, but we did a study a year ago, maybe a year and a half ago, and we identified costs. The lower end was about \$100 million if we were to take on the asset transfers across the state for private- and council-run schemes.

Because we are held to a higher level of standard, we will immediately, with regard to drinking water, have to put them on a boil water alert. The cost at Mount Rumney was not insignificant. We would virtually have to start again, so the majority of the pipe network would need to be replaced. It is not located in a public road so most of the infrastructure is on private land.

CHAIR - But you have willing participants to use their land.

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Mr BREWSTER - I understand, but it has all to be done and someone has to pay for it. Once we open that, with our policy, what do we do to every other small scheme that wants to come with us? Where is the \$100 million or thereabouts, going to come from? That is the fundamental issue with asset transfers.

We had a significant list. With most of those private schemes we would almost have to start again with regard to drinking water. That is without sewerage schemes. The ones we have done, we have picked up because we felt there was an obligation that arose from the transfer orders that they were not picked up or that we had a prior commitment when TasWater was formed. They were expensive and straight onto boil water alerts. The question is, as always, who pays?

People, rightly or wrongly, have the benefit of a lower cost scheme for many years. They have not had to pay the bills the rest of our customers have had to pay, so ultimately, who pays?

Mr DEAN - To follow up on that, evidence given to the committee was that this is a growing area. We were given evidence of another housing development that is going to take place in this area, around this location, which will be in a position of water, sewerage and so on having to going onto this private scheme as well.

CHAIR - No more can go onto this scheme.

Mr DEAN - No more can go onto this current scheme. When does a developer, in this instance, have to talk to TasWater to ask what is going to happen in relation to the supply of water to these places and sewerage? Do we continue with TasWater saying they have to put in enviros, tanks and the rest of the things that are occurring? What discussion happens with TasWater in relation to further developments in these areas?

Mr BREWSTER - If they are in serviced land, land that is classified as serviced on our maps, they are deemed generally to be an extension and we have an obligation to extend and connect them to our grid. If they are not on serviced land, there is a requirement for a service introduction charge.

In my experience, a service introduction charge usually means they don't go ahead because you need 80 per cent of the owners typically to agree and the cost is usually too expensive. We have raised this before. This is a reality with service introduction.

Mr DEAN - What is serviced land?

Mr BREWSTER - Serviced land is land we are obliged to connect to our grid. It is defined on a map.

Mr WILLMOTT - It is serviceable.

Ms LOVELL - Who determines what land is serviceable and what is not?

Mr BREWSTER - When it came in, it was inherited from councils. We are then obliged to work to that, and then to the extent that things change, we record it on our system.

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I'm happy to get more detail on that because I can't say, Sarah, that I'm right across the detail of it. But if we can just make a note to provide information -

Mr PIGDEN - Supply the service introduction policy as well, as opposed to the asset transfer policy that -

Mr BREWSTER - Yes, that might help.

CHAIR - More paperwork.

Mr DEAN - Is it fair to say in this situation of the Mount Rumney private scheme, and their concern that the volunteers now involved are getting older and they're not getting younger people coming in and so on, that it's not going to be able to be maintained into the long term?

I guess from your perspective, it will simply just fall over and they will have to be provided tanks like other people do who live in these areas. Is that it? Or would TasWater then come in and simply say, 'Well, no, we do need to do something because of the number of houses in these areas, and the way it's building et cetera we do need to become involved?'

Mr BREWSTER - I think at the end of the day our position is there has to be a funding source for this, or the regulator has to approve sharing the costs across pretty much all the rest of the customer base. Simple as that.

The issue with these things is that every time you take one, you can't look at anything individually because you have to look at what the macro flow-on effect is, and that's the challenge we always face. So what's the flow-on effect? We take this, then do we take the next 30 or 40, and some of them are going to be significant. How will the board justify not proceeding with other significant issues?

Mr DEAN - How many of these private businesses like the Mount Rumney one would there be in the state, of that size, with 50 to 60 at least properties involved?

CHAIR - In a growing area?

Mr DEAN - Yes, in a growing area?

Mr BREWSTER - In a growing area, I couldn't tell you, but I'm happy to get it. I'm also happy to provide a full list of all of the schemes that we listed in our papers - if the chairman's comfortable with that - that, if we had a different approach to asset transfers, we would have to accept, and our high-level estimate of the associated costs. What I think you're asking is: should we carve out a specific, in a growing area -

Mr DEAN - Yes.

Mr BREWSTER - I think that's your question. I think we just take that on board, Ivan. That's a good question.

Ms LOVELL - Will that include the number of customers? Do you have the number of customers for each water scheme recorded?

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Mr BREWSTER - I think we have it - remember some of these schemes we don't necessarily have great detail, but I think from that paper we had most of them?

Dr GUMLEY - Yes, but some of them were approximate.

Ms LOVELL - The Mount Rumney one seems to be very well run; it's financially sound. They've got a good structure, good records, and a large number of customers. There's probably a range and some of them maybe only have a handful of customers, and it would be good to understand the quantum.

Mr BREWSTER - Yes, I'd rather give you the facts, Sarah, than guess. I don't want to guess. I'm happy, as I said, to provide that data. The committee can then work its way through that, and challenge us to the extent if you feel the policy position we've taken could be improved, we're happy to take that on board and we'll take it back through our board. But let's get the data on the table first. It makes for a simpler conversation.

Mr DEAN - Thank you for that.

CHAIR - We're going to head now to the Tamar River. We're doing our best to get across as many subjects as we can. The member for Rosevears, straight into the Tamar, but don't swim.

Ms PALMER - You wouldn't want to swim in it, let me tell you. Mike, I have a bit of correspondence in front of me from the port authority of Launceston. It is addressed to the town clerk or the local council and it talks about: will the council make a commitment to look at the removal of sewage which is discharged into the river? This bit of correspondence is dated 16 March 1916. So, from as far back as over a century ago, sewage has been pumped into the river -

CHAIR - The chair of the TasWater board just fell off his seat.

Ms PALMER - I saw his reaction, nice and close to my camera. This really is an unacceptable situation that over 100 years later - and I understand that TasWater only came on board eight years ago, and this, under this governance body, became your problem. But eight years is eight years and we still have sewage being pumped into the Tamar River. I know the member for Windermere has questions around that, which I will leave to him. What I would like to know is: What is the plan? Surely you have a plan after eight years at the helm? What is the time line to clean up that aspect of the Tamar River?

The last rating it received was a D rating. Everyone was so excited because it had come up from a F rating, but a D rating is still not acceptable to this community. Having raw sewage pumped into this river is causing great angst. I would like to know what the plan is. In reference to this inquiry, point (6), the timeliness of how TasWater is dealing with some of these issues.

CHAIR - Have you seen the letter?

Mr BREWSTER - It doesn't matter, I don't need to see the letter. Combined systems were common throughout the globe and still exist in many cities throughout the globe. A combined system is not about raw sewage. It overflows when there is an excess. When the

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storm water gets to the point where it just can't cope, it bypasses the plant. That's what we've got; that's how it was designed.

A number of years ago we undertook a study into what it would cost to remove the combined system. I think the numbers were in the order of \$400 million to \$500 million, for, I can't recall the number of customers, but maybe 20 000. That could not be justified; we took that and explained it to the government.

What we said we could do is reduce the *enterococci* level or the number of pathogens getting into the river. In terms of funding that, we have some obligations, we have a project, the Launceston Improvement Project, to rationalise the plants in Launceston and to ensure their discharges meet modern-day standards.

In terms of the combined system, going back to that, we committed about \$30 million. I will get the exact number if you would like - the Launceston Council about \$10 million -

Mr PIGDEN - It was \$33.2 million for TasWater, \$11 million for the City of Launceston, the federal government was \$49 million, and the state Government was \$47.5 million.

Mr BREWSTER - We committed that and the project is part of the Launceston City Deal. We added to the \$90 million or the \$80 million that was allocated, as did the Launceston City Council, to reduce the level of pathogens. If the City of Launceston wishes to remove the combined system, you are talking \$400 million to \$500 million, and we would have to do the proper work, for about 10 000 to 20 000 customers. That is the challenge economically so the focus is on reducing the frequency of overflows that go in. Bear in mind, storm water when it overflows, there are still other pathogens that will always get into the water. So, dogs -

Mr DEAN - Cigarette butts.

Mr BREWSTER - Yes, everything goes in. That's not to say we shouldn't do it. It is just where do you draw the line? That is where we have got to and we are underway - we have gone ahead on a goodwill basis and commenced design on that project in advance of the funding deed being finalised. We have received an interim funding deed recently and we are working with all parties to roll out that project.

The other project is the Launceston Sewerage Improvement Project, which I announced a number of years ago - Jo, you are quite right - and that was about rationalising the seven plants hopefully down to two. That is still on our books. That was a \$300 million project and we are still committed to that project, but it has turned out to be a lot more complex.

First of all, we have had to do studies of all the discharge locations in order to back-design the level of pathogens we can put into it, and then we have to work out if we can make the business case stack up to rationalise them. That has proven much more complex than we had expected. We started off with hopefully ending up with two but probably will end up with three or four. We are still committed to that project bearing in mind that for us the primary focus right now is the combined system. That's our -

CHAIR - It sounds like it's as hard as bringing local government amalgamations in.

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Mr BREWSTER - No comment, Chair.

Ms PALMER - Mike, what's the actual time line on these? There doesn't seem to be any commitment to when the community, the city, can expect action in this space.

Mr BREWSTER - No, the time line - the Launceston Sewerage Improvement Project time line is not as clear because we're still trying to work out, well, actually, how do we do this and how do we make this work? The combined system, there is a time line but that time line - the reason we have not announced a time line is we were not in a position to proceed until we had a funding agreement because it's not something that TasWater has funding for and it's not in our capital program.

We've taken money out of LSIP to - work that we would have done in the Launceston Sewerage Improvement Project - to assist and enable the combined system project to be completed. I think it's about three and a half years. I'm happy to take it on notice and put it back to the committee. My recollection is it's either three and a half or four years to complete the project - the combined system project - but I'll confirm that in writing to the committee.

Ms PALMER - Okay. Thank you.

Mr DEAN - Yes. Thank you.

CHAIR - Any follow up questions on the Tamar?

Mr DEAN - Yes.

CHAIR - And then we need to get into the CDO.

Mr DEAN - Yes. So, you're saying at this stage we've still got plans being worked on? We've been hearing this for the last - when I was in local government, before that. It has just gone on and on. We talk about Third World countries. I've been around the world a few times and I've commented on the deplorable state of some of their infrastructure and so on and ours is just as bad, if not worse, in Launceston in particular.

Coming from that is the question - we shouldn't have to put up with it - how often are these spills occurring into the river? You're going to tell me every time there's heavy rainfall et cetera.

Mr BREWSTER - No, I'm happy to get the data.

Mr DEAN - How frequently in the last 12 months, for instance - and if I can go back the previous 12 months to that - have these spills, this raw sewage, been put into the Tamar River, and roughly the quantities of them? You would have to have some idea, I think, of the quantities. How much longer is that going to continue?

The impact on the environment is a very important one. You know, the EPA knows, that it's a terrible situation and it is prepared - and evidence was given to an Estimates committee, in fact, going back about 12 months ago - to accept that because it's going to cost too much to

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fix it. Well, my answer to them was, 'Well, when I have an environmental issue, I'll put such a cost on it, I won't have to fix that either.'. I say that tongue in cheek.

Can you give me or this committee the information on the number of spills in the last 12 months and the time before that, and the quantity and its impact from your perspective on the environmental damage it's causing and your discussions with EPA as to where this is all going and what's happening? It's very important to the committee.

Mr BREWSTER - I am happy to be very transparent on all of that. First of all -

CHAIR - You will provide that information?

Mr BREWSTER - I will provide that information but the one caution I will give you, Ivan, is that I doubt whether we would have the volume right, because at the end of the day you have to have a meter to measure the amount of stormwater. What I can give you is frequency, all right? I'm pretty sure I've certainly got that.

Also, in terms of the environment, a study was done by NRM North, I think it was, which we are happy to submit actually looked at the full impact on the Tamar and the contribution that the combined system and our sewage treatment plants make to the health of the river. I think that will be informative and will give you the amount of pathogens. To say it's raw sewage being put in, I just want to be a little clear - that's actually not factual. There is no doubt there is -

CHAIR - Diluted sewage.

Mr BREWSTER - Well, there is no doubt in storm water, like anything else, yes, but I don't want people to think there are - there's solid faeces running through the pipes and landing in the river. That's not what occurs. It gets mixed up, right, and it -

Mr DEAN - We have had that occurring in toilets in private homes. The sewage coming back up through the toilets and stuff.

Mr BREWSTER - Yes, that does happen; if you have a blockage, that is exactly what is going to happen if all the sewage has not been taken away, but we are talking about large volumes. I think the best thing I can do is to get you the data you have asked for. I am more than happy to do that.

In terms of EPA conversations, we don't really have those conversations. The conversation we have with the EPA is our ability to meet our legislative compliance obligations. That is what we are required to do. That is the conversation we have around the combined treatment plants. Your comment, which is a fair comment, 'Well, hang on a minute, you have been at this for ages, why haven't you sorted this out?' - well, if I separate this out -

Mr DEAN - If people could see a plan, if a plan were in place -

Mr BREWSTER - I am telling you there is a plan in place. The plan has received the funding. We have gone ahead; without the funding, we started the design. So, we already have a plan and again we know we have estimated it. So, we are underway with this project and

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that's why I said earlier, whether it is three or four years, I will confirm that for you, but that plan is underway.

The plan that is not fully fleshed out is the Launceston Sewerage Improvement Project, the rationalisation, because we are still having to work through how to make that work and how to make the business case work. Because we have to do a whole bunch of studies and agree what we can discharge, it is not straightforward for us, but we are focused on it.

Mr DEAN - TasWater has inherited it. I accept all of that and the changes in the company and the way it has all gone and so on, but you've got to wear it. It is as simple as that.

Do you see that TasWater has a responsibility to assist in the clean up of the sewage currently going into the Tamar River? Do you have current strategies in place to get rid of what should be going into the sewage plants and treated there?

Mr BREWSTER - Absolutely, to the extent we are responsible for the network from the point of connection to the customer. We are responsible for meeting the regulatory compliance standards of the day defined by the EPA. We are accountable for that; we do work through that, bearing in mind that we are ramping up sewerage now.

But as I think I have consistently said over a number of years, it was made very clear, and the feedback we got from our customers was, that drinking water was number one for the first few years of TasWater, even though we have built new sewage treatment plants such as at Kingborough. Now with Bryn Estyn, we are getting to the backend of that. The sewerage expenditure will increase, but we cannot do it all at once, and it would not be affordable for our customers if we were to do that.

Ms PALMER - Mike, can I ask you how far down your list the Tamar River is?

Mr BREWSTER - The Tamar River is right up the top of the list because we have a committed project, subject to the final funding deed and, as I said, Jo, we already have a team working on that project and have had for some time. We committed ahead of the funding deed, because we could see that the Government was committed, it was really just about how we tidied up the - not just the Government, but all parties, the Launceston City Council, were committed. It was more about how we tidy up the funding arrangements and who shares what risk. I have had a team on that project for about a year I think in the planning phase. We have worn that cost, the majority of that cost, even though, and that's where we have got to be careful, at the end of the day we have no means of recovering that cost from our customer base. That is why we require the deed to be signed off.

CHAIR - Thank you very much.

Moving on now to one of the most interesting areas, I think members will agree, that the committee has been presented with since the establishment of this committee - the CDO, and its roles and functions with the TasWater organisation. So, I'll take you to this media release of the *Financial Review* dated 7 February 2021. It talks about TasWater and its construction partners CIMIC bowing to public pressure and amending the way they draw up contracts after being accused of doing unethical deals to build dams and sewerage plants. Obviously, you will have an opportunity to respond to that, Mike, but we are very interested in some specific detail on that particular media release. We were told this morning that this was actually identified in

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December, but the committee was only aware of this when I was alerted to this as a media release in the *Financial Review*. Your response?

Mr BREWSTER - The CDO, in terms of feedback from our customers, and from the CCF in particular. We had been trying to get feedback, and it did go round in circles, and it was before December.

We were getting negative feedback in some instances well before December, but you just can't change everything on a dime. You need to validate the assertions that are made and work your way through.

From our perspective, there were concerns about the terms and conditions, but we have a contractual arrangement with our partner, so we had to work through that. I wanted to understand, as did the board and senior management team, how much truth is there, what's a fair balance between the contracts that the CDO lets, and the supplier contractor. On top of that we looked at the model, so we did a complete review. There's no question it did take time, because it's a big beast.

This year you're looking at \$170 million to \$190 million, so it's a million in turnover, in total, of our capital program. We can't just immediately change things, so we wanted to test -

Mr DEAN - Sorry, you mentioned the amount, what was that?

Mr BREWSTER - The capital program in its entirety for TasWater this year, we expect will be between \$170 million and \$190 million.

Mr DEAN - That's your capital program.

Mr BREWSTER - That's our total capital program. Not all of that goes to the CDO. We undertook a review. We met with the CCF prior to Christmas. Stephen and I met with them, then I met with the CCF with members of our senior executive team and we went through what the key issues are. I might add we brought along the alliance manager and the procurement manager to work through the key issues.

We took that away, and we worked our way through it. Given the amount of growth and learning we've had in the two years or thereabouts of the CDO, we determined that we're probably better positioned now to do and run the small projects ourselves.

Second, we determined that some of the contract conditions in the market did require changing. We were -

CHAIR - They were onerous.

Mr BREWSTER - Yes. We wouldn't change them if we didn't think they were onerous, but you have to be careful, because then you have legal reviews, how far do you go? It was not a five-second exercise. It started quite a number of months ago, well before this became public. I think the first formal complaint I had was towards the end of June or July. One of the major contractors sent a concern, so I looked at that: How unreasonable or reasonable is it compared to what's happening in the rest of the country? What's our commercial position with our partners?

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Our partners came to the party, so we sat down with them recently and said we don't think we have the balance right here, we need to take it on the chin and change the situation. When we were at the point where we had an alternative set of conditions, we distributed those to everybody on our procurement, and sent copies to Engineers Australia, I think, and to the CCF. We haven't just rolled them out and said that's it. We said, 'We'd like feedback, so can you please provide us feedback by this date on how you perceive those conditions?'

That date closed a few days ago, so now we are working our way through that feedback. From there, we will go back to the parties that have raised any further concerns, and we'll work through where we land with our terms and conditions.

CHAIR - What sort of time frame can contractors in Tasmania expect to see for a change in the way those small-to-medium contracts are put out into the business community?

Mr BREWSTER - I expect a maximum of a month. Maybe a lot quicker than that. I only just have all the data and passed it on to our GM and corporate secretary, who will go through it with our partner. We need to go through those and assess where the right balance of risk is. Obviously, if you are a contractor or subcontractor, you want less risk. We are trying to get that, and where is it reasonable. That is what we are working through at the moment with our partner.

CHAIR - It has been suggested to the committee that the contractors and subcontractors took all the risk, and the joint venture, UGL, took none. Is that a fair assessment?

Mr BREWSTER - What I would say is that the level of risk was disproportionate and we took action.

CHAIR - But, interestingly, it has taken two years. Am I wrong in suggesting that this contract is a four-year contract, and we are two years into it?

Mr BREWSTER - Yes, correct. At the end of the day, you look at the feedback you get and you work your way through. You do not change everything every five minutes. You have to let things play out. This is a big program with a lot of complexity, and we also have to balance the public interest here as well.

We were not going to rush into it. We were and still have been getting significant contracts signed and getting work out, but when we sat back and looked at all the feedback and the current contracts, we determined that while they might work on the mainland, they were unbalanced, and they could be better and more fairly balanced. That is where we got to.

Mr DEAN - Why does TasWater need this partner? In asking that question, Hydro went down this path some time ago - and evidence was given to us on that as well - where they later said it was a flawed position, and they could not and did not continue with it. They wiped it and came back to managing all their own issues and contracts and so on.

Why does TasWater need it, in all of these circumstances? Why can't it be handled here? I also want to know: What is the cost to TasWater of this agreement that is in place, with a company that is a business nightmare? Whose idea was it, and what work was done on it?

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You have now talked to us about the smaller contracts. One would have thought, if you were doing your homework properly in entering into this agreement with this organisation, that you would have considered the smaller contracts and all of those things in the first place.

Somebody has got to stand up and be accountable in this instance, and I would like to know who it is.

Mr BREWSTER - It is me. I am the CEO and I signed off on it, so let us be clear on that.

Mr DEAN - Yes, but a lot of evidence has been given to this committee that this area is causing a huge amount of concern out there, so it needs to be satisfied.

Mr BREWSTER - I agree. We understand that and we have taken it seriously with the recent changes we have made.

Why did we change? That is a good question. Can I go back to the history, then? In 2016, we were effectively four years in, with a massive transformation. We had to build a capital program. The four companies had only really started themselves, and the model they had was not suited to the scale we needed to do. We built that as quickly as we could, to get work out the door to get things moving.

In 2016 we realised, particularly with the negotiation of the Government, and having come to grips with the actual cost to address Tasmania's water and sewerage scheme, that the model we had, the capability we had, the processes we had, would not allow a step increase in our ability to delivery projects.

We had to go from a program that was probably good for about \$100 million, and maybe 40 or 50 projects, to something that had to be good for \$200 million and 150 projects potentially, which is proving to be the case.

We said, what are our options here? Do we slow the whole thing down and make everyone wait in terms of the things you are talking about - the Launceston project et cetera? Or do we say no, we cannot deliver it, because we do not have the people, and we do not have the systems?

Yes, you can build them. I have been in project management for the vast majority of my career. That is what my masters is in, so I have a little understanding of what it takes to deliver projects and programs.

So, we said: how do we make a step increase? We need, in two years time nominally, to move from something that is good for about \$100 million to something that is good for \$200 million. You cannot go out and recruit a bunch of people and say, 'There you go, deliver all of that.'. You have to have the systems, so we asked, 'Right, what are our options?'.

We engaged external expertise to come up with a series of options for us. They came up with eight options and they ranked them on a weighted factor scaling. The model that came out in front was the model that we have now, which is an alliance model. It was the one that

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had the highest probability of giving us a step in [inaudible]. You can get projects out the door, but can you deliver them on time and on budget? That's the challenge we had.

I think we had one year of \$160 million in 2007 - it was small towns. We realised that was unsustainable and a risk for us because all the other smaller projects were potentially going to blow out. Many did. We needed a change in approach.

Having identified and worked through the eight alternatives with an independent recommendation, we then evaluated, took that to the board and said, 'This is the model, this is why we want to go with this. The alternative is we have to go back to the Government, we have to go back to the community of Tasmania and say that is not feasible. That level of increase in the \$1.8 billion is not feasible. We will have to slow it back to maybe \$1 billion. People will have to accept that things are not going to be fixed as quickly'.

Then we went to market throughout Australia and called for bidders for our scheme. We had an independent transaction adviser work through the bids and manage the whole probity process. The partner that bid for us gave us the best value for money in terms of the margin mark-up. They gave us the best quality of submission and the best resources. That's where you start from.

Did we get everything right? Absolutely not. This is the first time we did things. I personally phoned quite a number of the CEOs of water businesses around Australia that run this model. We didn't just rely on the transaction adviser. I personally made calls and said, 'Tell me about your capital delivery office and your alliance partner.'.

It's not a new model. It's quite successful around the country. Where ours is different, and ours is significantly different, is in the diverse nature of our geography. The sheer number of projects is driven by the sheer number of systems. In Melbourne there are two sewage treatment plants to service 4.5 million people with 3800 kilometres [of pipeline]. In Tasmania there are 110 sewage treatment plants spread all over Tasmania and there are 4500 kilometres of pipes. I don't get to just fix two big plants; I have to deal with 100 plants. Then I have to deal with 900 sewage treatment plants.

What I'm saying to you is the complexity of our scheme and our model makes them unique. We knew that going in. I'm not offering it as an excuse. I'm just saying that when we went into this, that's one of the reasons we went in, because we couldn't just have half a dozen projects.

Regarding Hydro, I don't know what Hydro did or didn't do, but I was a general manager there and led the engineering area for a number of years. I was the equivalent of the managing director of Entura. I understand how their model works and how they deliver projects. I can say they are very different projects to what we are doing. We are dealing with biological treatment plants. They are complex and everyone's interested.

Mr DEAN - Very high contracted positions they are dealing with and I think some of them would be probably higher than the ones you're dealing with in TasWater.

Mr BREWSTER - It's not the size. You do get more complexity when you get a bigger project. Hence why we have the CDO to do a Bryn Estyn. We do not have the skills and will not have the skills to do a project of that size. If I just had two Bryn Estyns to make up my

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money, I'd just hire two partners to deliver those two projects. When you have 100 projects you need project managers, project supervisors, safety, the environmental people. All of that has to be managed. You don't get the significant scale disadvantages in every project because of it.

Mr DEAN - What is the cost of this partner you have to the people of Tasmania? You are talking about Tasmania's money; you are talking about a business of Tasmania for us. What is the cost to us of this partnership between yourself and this group?

Mr BREWSTER - Because it is a commercial deal, I am not going to disclose it in public to everybody else in terms of our commercial arrangements. If you wish to know, we can take that offline and deal with that. I know what the number is and, again, I would say to you -

Mr DEAN - Millions of dollars.

Mr BREWSTER - No, it is not billions.

Mr DEAN - I didn't say billions; I said millions.

Mr BREWSTER - Sorry, yes, sure, they provided the lowest bid around Australia, the most competitive bid. You get a service for that. Your alternative is you have projects running over on a consistent basis that don't get delivered on time or you don't deliver the projects. That is the choice you make. I reiterate: this is not a new model. This model is practised right around the country. I am happy to give you the list of other places that apply an alliance model and still do successfully. It is the first time we did it so we have had some learning. There were some things we did not get right, Ivan. I accept that, but we are determined to address the things we didn't get right. We are committed to making this a success for Tasmania. The alternative is we will be slowing our capital program down significantly.

Mr DEAN - This committee has been given a lot of evidence on this point, as you are aware. There have been some very strong submissions made to us on the costs, the lack of supervision that is occurring, some of the contracts that are being let, the training and expertise of some of the people that are supervising those contracts, and a lot of other issues coming out of it.

Mr BREWSTER - Provide me with the detail. It is a fair statement but let me say this to you: we have a lost time injury frequency rate from the capital delivery office of zero. We have never had such a good safety outcome because they bring systems and people that we do not have. Are there some people who are in training? Like any business, of course there are. There are some people who may not have had the supervision exactly right on the way through, but there are an extraordinary number of very capable and experienced people. I would like to have specific examples. I have asked for this before. Give me specific examples - we will track them down and see what we can do to help those people if they are not doing the job.

My experience to date is the quality of the people who are coming out of the partner is generally pretty high. We are probably doing most of the training because one of the purposes of the CDO was to address that issue where we don't have the skills, the experience and the expertise. A number of our people are on it. They are being developed in training. Graduates

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and trainees have been put into the program. There will be instances where it is not perfect. I don't accept that is the norm.

CHAIR - This is just my view, but the UGL/CPB contractor arrangement does not understand Tasmania either. You talked about how it would be so much easier if you just had two plants like they have in Melbourne. Is that one of the issues, that they don't understand our terrain, what the systems are like here? Is that one of the main problems, that you have somebody coming from the mainland and then shuffling around trying to find somebody in Tasmania who does know what they are doing? They are getting paid the big bucks and they're supposed to know what they are doing. That is just a pretty simplistic view, but is that somewhere where we are?

Mr BREWSTER - There is a part of it that I would accept. The fact that there is a learning curve for any big company coming into Tasmania in terms of how it operates, in terms of the nature of the assets and what it really looks like on the ground. In terms of their ability to manage a program, no, I don't have any concerns with that. What I found was that when we reviewed it, we found it probably more economic because where we are in our skill level we can now feel confident to take on the smaller projects.

Many of them will be paid more than our people, but they do not have the same level of security that our people have. When projects are over, these people do not proceed. We don't have any risk with that. When the projects are over, if that person is no longer required from a CDO perspective, the partner has to deal with that. We don't pay for it.

CHAIR - We have heard, as well, that a lot of very good people who have worked in the TasWater organisation have been poached by the CDO and by these other contractors.

Mr BREWSTER - No. I would like to see evidence of that. That's not factually correct.

Mr WILLMOTT - That's totally incorrect.

CHAIR - Incorrect?

Mr WILLMOTT - It is.

Mr BREWSTER - Absolutely incorrect; yes.

CHAIR - Okay. Incorrect.

Mr BREWSTER - Yes. If you send us the examples, I'm happy to have them run down.

CHAIR - Not literally.

Mr BREWSTER - We've had this assertion a number of times. I've asked, 'Give me the names', and I couldn't get the names. I said, 'Okay, I want to go back through the CDO. Who has gone over from TasWater? Give me the names.'

CHAIR - Okay. I'm just checking on my phone to make sure there's not one coming through as I'm sitting here.

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Mr PIGDEN - There's only one example I can think of, and that was a former TasWater employee who left TasWater's employment to work for another company, and subsequently left that company to work for the CDO, but there was a time period in between. It wasn't a direct poaching arrangement.

CHAIR - When you also asked for examples of projects, my understanding - and I won't speak on behalf of my colleagues - is that TasWater has been provided with some examples. Or is it just more recently that those examples have been provided, where contractors in our state, as Tasmanians - and this is how they told us, first and foremost as Tasmanians - are concerned that they are significantly more costly to deliver a particular project. Have you received any of those examples?

Mr BREWSTER - Yes.

CHAIR - You have?

Mr BREWSTER - Yes. And, in some cases, that's why we went through and said, 'Where can we do it more economically?'. That's why we assessed it in the minor works, lower risk projects where our skills are, where we feel that we can do it more economically and faster, but, in the larger projects, no.

CHAIR - Have you put a dollar figure on what you consider is minor, medium? How are you going to work that out?

Mr BREWSTER - It won't be dollar-figure driven. It will be risk. There will be a dollar component, and it won't be as black and white as that, because often it's about risk. You can have a large project with only one contractor involved and it's relatively simple. That might be \$10 million. We would take that on, for example.

You can have a \$2 million project with five or six trades and be quite risky and quite complex and could impact the drinking water supply to Hobart, for example. We would say no, that is too risky; we are not best positioned to deliver. The CDO, with our alliance partners, are better positioned to create value in that situation.

By the way, their estimates are independently verified for all the major projects they prepare. They don't just get to say, 'Here's your number.'. We have an independent body review all their estimates and provide us with a report. We go through that before we will consider the price for the project.

CHAIR - Independent from where?

Mr BREWSTER - Independent from TasWater, from the CDO.

CHAIR - But where are they based? Again, I come back to that fact: do they understand the Tasmanian situation?

Mr WILLMOTT - The partner that we use has undertaken a heap of work in Tasmania, or reviewed work in Tasmania, particularly around Bell Bay and other areas, so they are adept with the pricing in Tasmania, and also the labour rates that are applied here as well.

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Mr DEAN - Again another mainland organisation.

Mr WILLMOTT - That one is there because they specialise in alliance and large projects. You've got to look at the change in the program that we're seeing right now. We've got an estimate for a \$200 million-plus project. It's a once-in-a-generation project for some of the people who are on it. The skill or the expertise isn't here to be able to deal with that.

CHAIR - Why don't we buy it in? Why don't we get our TasWater company that's owned by the Tasmanian people to encourage those people to come here and keep -

Mr WILLMOTT - Yes. A number of Tasmanians have been returning to Tasmania to work on these projects. We've seen that recently with COVID. Tasmania seems to be the safe option. We have seen people return -

CHAIR - I couldn't agree with you more.

Mr WILLMOTT - It's great to see them coming back. We do see that. Something that also needs to be realised is that the CDO is actually a program management office, so largely the contracts that go out to the market are Tasmanian businesses doing the work.

We have a management function over it, so it's not the lion's share of the contracts. It's about just managing all the smaller subcontracts.

CHAIR - It has been suggested that the payment for those contractors is between 45 and 60 days.

Mr WILLMOTT - That's incorrect.

CHAIR - That's incorrect?

Mr WILLMOTT - Yep. That's still a maximum of 35 days.

CHAIR - Maximum 35 days. Through COVID-19 - and I don't know how many of those projects were stalled through COVID-19 -

Mr WILLMOTT - We had a few.

CHAIR - But there was a policy that companies would be paid within a much shorter time frame. TasWater didn't take that policy on board. Is that correct?

Mr BREWSTER - I'll have to - in terms of the payment, Matt?

Mr PIGDEN - No, I don't believe so. We did have some suppliers approach us within TasWater, because TasWater pays the CDO, and CDO pays the subcontractors. In TasWater's experience, we had some suppliers approach us and request shorter payment terms and generally speaking we met those shortened payment terms. We didn't have a default blanket adjustment to the payment terms

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CHAIR - But you wouldn't have had any influence on whether the major company paid better?

Mr DEAN - I think the agreement was to be paid in seven days.

CHAIR - But obviously TasWater could have paid in seven days, but not the partner company?

Mr DEAN - That's right. The CDO.

Mr BREWSTER - The partner company, when we set the deal up, their standard position was 60 days. We reduced that to I think 30 or 35 days; I can't recall.

You have to remember that all the information has to then go in and be assessed. We take the risk on the payment, to some degree, to get it out early to the subcontractors, and then we have an auditor review the results on a regular basis, as well as our own people, to ensure that the payments are accurate. To the fullest extent possible, we get the money out under the terms of the contract as quickly as we can.

Mr DEAN - Just on the cost of this partner, again.

CHAIR - That we're going to get in confidence.

Mr DEAN - Yes, in confidence. I take it that there's a set cost to TasWater for that partnership to exist, but I also suspect that there could be, on top of that, payments for each contract that the partner lets and so on. Is that right, or is there just one lump sum payment by TasWater, by the people of Tasmania, for this partner? Is that it, or are there also other costs on top of that to the people of Tasmania?

Mr WILLMOTT - There is a fee that is applied to the direct costs of the project - indirect costs of the project, so yes, that's correct. They're the managing partner.

There is a fee applied. It was commercially tested in the market. It is quite a reasonable amount, as I say, for Tasmania, so that is correct. That is their fee. They're allowed to make some profit and overheads to cover the management of the program.

Mr BREWSTER - That has been tested in the market.

Mr DEAN - It concerns me that it's going out of Tasmania to another company, but anyway.

What KPIs are in place between us or TasWater and this partner that they must meet as a result of the partnership that's entered into?

Mr BREWSTER - Can I just come back to your comment about money going out of Tasmania, and put another perspective, if you don't mind?

If we were not doing this, there would not be as much work going out to the locals. At the moment, about 95 per cent of all the work generated by the CDO has gone to Tasmanians,

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so the net result is that we did not pursue this. The Tasmanian market would have less work. That's the reality of the situation.

We made a deliberate choice to deliver better services, and pursued a deliberate strategy. As I said earlier, not everything has gone perfectly. We are the first to admit that and we are addressing those things as quickly as we can, but they have to be worked through.

With regard to the KPIs, the KPIs effectively work around their safety performance; they work around their environmental performance and their ability to do better or to do worse. If they do worse, there is a penalty for them. If they do better, there is an opportunity but it is not on an individual project basis - it is on the whole risk, bank-type operation. Not all projects have that arrangement. Many of the smaller projects do not, but some of the bigger projects go into that pooled arrangement.

Bearing in mind if they bring it in lower, our customers are better off. We cap their gain significantly, and we cap their loss to keep them incentivised. It is not, as I have seen bandied around, that it is a free for all. That is not the case.

With regard to sharing the margin, I am very happy to share the margin. I have to take advice because we have to clear it, I assume with the partner, but to the extent that if the partner is prepared to clear it, I am happy to share the margin. There is nothing hidden there.

Mr DEAN - This contract is in place for four years?

CHAIR - We're two years in, with an option, I believe.

Mr DEAN - That is an option for another four years?

CHAIR - Two years.

Mr DEAN - Another two years, but for that option to be signed off, there must be demonstration of the organisation, of this partner, that they have given value for money?

Mr BREWSTER - Correct.

Mr DEAN - That will be the real test. Who will be determining that?

Mr BREWSTER - The board of TasWater will determine that. We have been very clear with our partners that we have certain expectations. They are committed to meeting those expectations but at the end of the day, like any other business, if they don't meet the expectations, we will either look for another partner or go down a different path.

Mr DEAN - Where will the board get their information from to make that judgment and valuation and so on? How will that be done? Will they be talking to contractors? Will they be talking to all these people?

Mr BREWSTER - No. Like any other business, management will prepare a recommendation with options to the board. It typically will not be one go. Typically, we would

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go through it, we would have a look at the options, we would do a first assessment and we would go and get more information.

We would look at all the independent audit reports we've had. We would probably hire an adviser to cross-check our assumptions. This is typically what one would do with a big contact to someone independent. If Tony's division prepares the report, I would normally say, 'Righto, I want that independently tested', and particularly all the core assumptions, because that is where things go wrong.

When we are satisfied and management is satisfied, we go to the board. The board then says, well, either, 'Mike, that is not good enough. Here are the five gaps you have - off you go, have another go', or they will decide the path forward. That's just like any other board.

CHAIR - When these smaller contracts are put in place, and you said possibly around one month's time, that is what you have given me today, will that go back to an Australian Standards contract? Is that the way you will approach that or is that something you haven't settled on yet, but now I have mentioned it, you might consider it?

Mr WILLMOTT - We have already considered that. As part of the legal and governance review, our contracts have been largely accepted in the market in the past and - I'll throw to Alisa - are based on the Australian contract?

Ms SYPKES - We have a suite of contracts based on the Australian Standard contracts. We also have some contracts that are less complex arrangements.

CHAIR - You will have to repeat that.

Mr WILLMOTT - There is a suite of contracts. The works you are referring to there, those lower value, lower risk projects, are based on a contract that has been widely accepted in the market, and, as Mike mentioned about the month, already some of those contracts have been let in the market. We have a number of tenders out right now, through our panel arrangements, to get work moving.

We have heard some of the smaller contractors want work and with our program, we are committed to get that work out there. That will obviously depend on the economy as well.

CHAIR - Thank you, Tony. I do apologise, I've written it down wrong from the start.

This committee has seen those smaller contracts face-to-face. It was pretty shattering to see some of their reactions when they were giving hearings.

Mr WILLMOTT - That's right. We've actually met face-to-face with them as well and we understand it. That's why we made the change.

CHAIR - Thank you.

Ms LOVELL - We had a submission from a gentleman who lives in Triabunna. His situation is that he purchased his land, has since needed to make some alterations to his building

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to fix some issues and was at that point advised by his local council that there are TasWater assets, sewerage pipelines, running through his property that are not recorded on his title.

He wrote to the minister for Local Government at the time, who was Mr Gutwein, and was advised that's basically a legacy issue to do with the recording of easements on subdivisions. There's no legislative requirement for easements to be recorded on a plan for subdivision, and that where councils do retain records of such assets, they're not required to include this in a land information certificate.

Are you aware of how widespread this might be? I was quite surprised to hear this because I assumed that it would be in everyone's interests for those assets to be recorded on land titles, or where people would customarily do those searches. Are you aware of how widespread that might be, where there would be assets that are not recorded on titles?

Mr BREWSTER - In terms of our asset data, it is an ongoing journey and a massive journey to get it right. It's quite common that we - assets and drawings we've received either aren't recorded in the past, that they're in the wrong location. What we've instigated - and I don't know about this specific one, maybe Tony does - about a year and a half ago is a project called the link project, which is to start identifying all our assets.

I'm not addressing your specific question about easements - maybe Ailsa or Tony can address that - but I want to be clear: our asset data has got a long way to go. That's why we have put in a lot of systems, but it's an enormous - I think we have over 500 000 assets to record and locate, and a lot of that data is inaccurate.

Ms LOVELL - That's helpful; Tony might have more to add to that.

Whose responsibility is it? I'm trying to get my head around whose responsibility it is to ensure that assets are recorded where this might impact on people and their ability to manage their property and their land and their buildings. From TasWater's perspective, that could lead to damage to those assets if people are not aware. Who is responsible for that?

Mr BREWSTER - I think if it's an easement, it's our pipe, we're accountable, responsibility. But the extent to which we have all that information, Ailsa, do you want to -

CHAIR - We can't have Ailsa because she's not sworn. She can tell you and then you can tell us. Then we've got to swear her and we're just at the end. So, if we could make it that would be quicker.

Mr BREWSTER - Let's assume nobody heard that, so I have to repeat it all and remember at my age that's a worry sometimes.

Mr DEAN - You might have been quicker.

Mr BREWSTER - Historically it was not recorded. The information was not recorded on titles. As new infrastructure is built and put in it does go on the titles. That's probably why - we do an easement and it gets registered. I do go back. We are committed to addressing the data in the system because the lack of accurate data has such an enormous impact on customer service.

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Ms LOVELL - This link project - the aim of that is to identify all the assets?

Mr BREWSTER - All our assets but it's a big - we've just done in one place, Latrobe, and it was a big job. We are trying to work out how roll it out to the balance of all of our communities in Tasmania. It will be done; we have some new tools, innovative tools, to collect the data, so we can do it. It just where is it in the priority list. How many resources do we want to apply to it? How long will it take? We have the same issue with all of our connection sizes. We have a massive project underway to ensure we have accurate connection sizes that drive our charges. Matt has had to hire virtually a team of about 20 people for three years to try to get through.

CHAIR - It is great if they are Tasmanians.

Mr BREWSTER - I can assure you they are Tasmanians.

Ms LOVELL - Have you thought through then when, as that data is recorded, where assets are discovered where it hasn't previously been recorded? Will there be a process to notify landowners or to work with them to manage that?

Mr BREWSTER - In terms of easements, I know the answer to -

CHAIR - When we come back next time, we will get you to be sworn in and you'll be at the table, be more efficient.

Mr BREWSTER - If Ailsa can come back next time, I would like her to answer around easements. It is not my area of expertise.

CHAIR - Thank you. I said we would finish around four o'clock. We do have some more questions, but we are very interested in the information that is going to be provided and we thank you very much for agreeing to provide that information, albeit that some components of it may well be in confidence and the committee will certainly take that on board.

I want to acknowledge somebody who's in the room and who has worked diligently since the establishment of this committee - Ruth Dowty in her position as Acting General Manager of Corporate and Community Relations. Her phone has been able to be called at any time, because there are plenty of issues that were raised with particularly me as the chair, in regard to the water pressure in Beauty Point. Other issues that were not within the scope of this committee, but Ruth took them on board, found somebody to deal with them and got back to me at every stage, so thank you Ruth. Those things are not unnoticed and are very much appreciated by members of parliament. I know every member will have their own story and the member for Rosevears has a new friend at Beauty Point because of that particular issue.

Ms PALMER - She does.

CHAIR - Thank you. I believe Juliet is back in the substantive position, but I wanted to acknowledge the work Ruth has done in her time as acting manager.

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Mr BREWSTER - On behalf of the team, I realise there are going to be robust exchanges and we are trying to get to the bottom of things, but can I just acknowledge our appreciation for doing that, for acknowledging Ruth and the effort she has put in.

From my prospective, we have never come here and said, and we will never come here and say, we are perfect. It is never our intent because it won't be true. We are committed to doing everything we can to provide this state with a modern, safe water and sewerage system. To the extent we get things wrong, we continually try to improve on address and that's pretty much where we are at. We absolutely had to take feedback on the CDO and address that and on other projects. But there is also a balance with the scale of everything we are trying to do and that's the trade-off - how hard, how fast, how much risk do you take?

CHAIR - Thank you and thank you very much for your cooperation today. We will be in touch to arrange for a follow-up once we have looked at the information provided. Thank you very much and particularly thank you, Tony, for coming to the table today.

Mr DEAN - Our questioning is done on information provided to the committee, so please don't shoot Ivan Dean but, anyway - it's information everyone has provided to us. I know how -

Mr BREWSTER - We understand. This is my job and that's part of the process.

CHAIR - And its our job too. We are often surprised at what we hear so this is our chance to test that and then obviously we weigh up what we believe, you know, has the importance to go in a report and the rest of it is obviously available publicly.

Thank you very much, Deb, for coming along; you were a surprise, but thank you. We have you on the record; that's the main thing. Thank you.

THE WITNESSES WITHDREW.

The committee adjourned at 4.05 p.m.