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

Ms PENNY SAILE, DIRECTOR/COMPANY SECRETARY; Mr ALISTAIR NICHOLSON, DIRECTOR; AND Mr GREG DARE, DIRECTOR, MOUNT RUMNEY WATER SCHEME, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR - Welcome to the public hearings of the Legislative Council Select Committee on TasWater Operations this morning. The evidence we are taking today is protected by parliamentary privilege but I remind you that any comments you make outside this forum may not be afforded such privilege. The evidence you present will be recorded by Hansard and published on the committee's website once it becomes available. You have been provided with some information about the process of the committee. If you need to provide the committee with anything that you believe is in confidence, please make that request and the committee will consider it.

I will introduce the members of the committee: we have Ivan Dean, Sarah Lovell, myself - Tania Rattray - and on the screen from Henty House in Launceston, Jo Palmer.

Again, thank you for your submission. Before we start, I will invite Ms Lovell to make a brief statement.

Ms LOVELL - Thank you, Chair. I want to acknowledge for the record that my parents are clients of the Mount Rumney Water Scheme, just for the sake of transparency.

CHAIR - Thank you. Penny, you are going to commence. We will very much appreciate hearing from you and then we will have some questions.

Ms SAILE - First, thank you very much for this opportunity to speak to the public hearing following our submission to the select committee. As you know from the submission, we are, as a company, in the position where we would like TasWater to expand its network to include the area serviced by the Mount Rumney Water Scheme.

I would like to say at the outset we are not here to 'bag' TasWater. In fact, our experience in working with TasWater over a number of years has been a very functional working relationship. From the CEO down to people working at the coalface, we have found them to be professional, respectful, helpful and very responsive. We do have issues, though, I guess as it relates to us, in terms of their strategic decision-making, but most importantly around effective future forward planning.

We are here today as three of six directors of the Mount Rumney Water Scheme board who, along with two other members of the company, have taken on the responsibility over a period of time - a very long period of time for some of us - in terms of the responsibility of running this private company. We do this voluntarily. The majority of our work is voluntary.

PUBLIC

Sometimes we need to involve contractors to do some work that is beyond even these chaps here at the table.

You will know from the submission that the company was set up more than 51 years ago by residents of Mount Rumney who wanted to have reticulated water to service their properties. Clarence Council was not in a position to provide that service so they got together and built the scheme and established the company to manage the scheme. That has continued over those 51 years with some people involved, as in Greg's case, who helped build the scheme back in the 1960s; Alistair has been a director since 1983, and I am a relative newbie, with only 18 years up my sleeve.

We continue to manage a good operation. We are financially sound and have never had any issues with our legal and governance financial work as directors of the company. Nevertheless it came to our awareness probably six or seven years ago that we were fundamentally operating under an unsustainable business model.

As I said, it is all voluntary. Volunteering has changed. In Greg and his wife's case, they committed to 25 years of ongoing core work. Volunteering is not like that anymore. That is one side of it. It is a big operation to run something like this. There are a lot of responsibilities, as you would all be aware, around being involved in a private company and being responsible for doing things legally and delivering a service to 50 shareholders who rely and expect, when they turn on the tap, that they are going to get water.

In a risk-averse world, it has perhaps become even more so that the responsibilities have become even more onerous and we are ageing. A number of younger families have moved onto the mountain but we are in the days of both parents working, busy with kids outside work hours, and we understand that. People are willing to help out in a short-term way but not in terms of making these longer term commitments.

Mr DEAN - How much is the area developing? What is the development in the Mount Rumney area? It is dual services?

Ms SAILE - Yes. We have 50 shareholders. That is the limit we can provide water to. We could change the articles of association, but it would be an expensive exercise and we really don't want to take on any more responsibility and we don't think the infrastructure could manage it.

So of the 50 properties we have at the moment, only 48 that are active. We have two shares we are trying to redeem that have lapsed through the death of the shareholder. We can talk now about the potential if we were not providing the reticulated water, but there would be a number of other properties.

Mr DARE - There are 50 shareholders of the company, of which 48 are connected. There are another 12 on the mountain who have chosen, in the initial stage, not to join the scheme and we have now reached our limit of 50 because we are a proprietary limited company and can't legally take on any more. There are 12 potential houses that could be connected. In the last two years they have opened up a subdivision on the foothills of Mount Rumney, of which another 40 properties are not on reticulated water - they rely on tanks - so there are 101 in the area that could have water if it was available.

PUBLIC

Mr DEAN - Excellent, thank you for that.

CHAIR - So there is potentially almost a doubling of the current arrangements for the Mount Rumney Water Scheme in the short to medium term?

Mr DARE - Yes.

Ms SAILE - Yes.

CHAIR - Without looking at more development. I apologise, I do not know Mount Rumney as well as the member for Rumney.

Mr DARE - We have been approached by those new landowners. Two or three of them have approached us wanting to know if they could have water but because we are a proprietary limited company, we can't and we don't want to supply them all because where do you stop?

CHAIR - Precisely. Good question, member.

Ms SAILE - This awareness led us to think: is there was a possibility that TasWater could take us over, take on the operation? As said in the submission, we started that process back in 2015 and worked with them really well over a five-year period but, in the end, it got to a show stopper or road block, or we hit the wall in terms of the new policy, the asset transfer policy, because we are ineligible under that policy. The whole idea of a share transfer arrangement is highly unlikely to happen but we believe, as is the core of our submission, that there should be some potential for consideration of an expansion of the network at some point, given some of these things we have just talked about, to include the area currently serviced by the scheme.

We are very much aware that TasWater has a lot on its plate. We are aware of competing demands and priorities and needs across the state. We totally get that. We understand too that to some degree it would be challenging to include Hobart water within the TasWater network. There would be some challenges just with the topography and the terrain. It wouldn't be cheap. We understand that.

However, we are area that is little more than 10 kilometres from a capital city CBD yet much of the area relies on tank water or the privately operated scheme. In a way it seems kind of improbable that it exists. Communities well beyond Mount Rumney from the CDB are serviced by TasWater. Should we cease to operate there would be 50 property owners who would need to revert to rainwater tanks or get them, not necessarily revert, and we believe with increasingly lower annual rainfall, higher fire danger - I am quoting from the submission here because I think these are key points - and the cost of buying water, this would seem more than a retrograde step, as well as kind of a discourtesy to people who have put in so much to get it up and going and to keep it going as a service for over half a century.

In a minute I will talk a little more about the fire danger issue, which wasn't in our submission. Going on to your earlier point, Ivan, and not just immediately in the Mount Rumney area, but development all around is growing apace. It is Glebe Hill, it is Rokeby, it is Cambridge. It is all along Pass Road. It is Mornington. Development is going ahead at a pace.

PUBLIC

Land is being released all around this area. It does generate potential for a significant increase in TasWater customers, we believe.

Despite requests from some of the new property owners to access water from the scheme, as Greg just said, we have been unable to provide that. There is a precedent for a takeover. In the early 2000s the Clarence City Council actually took over the operation of the Mount Canopus Water Scheme, set up in a very similar way to us. It's the adjacent mountain, big hill, up to Mount Rumney. There was a thought we would not set a precedent. I know that TasWater hasn't, but it was relatively recent, pre-TasWater days.

Mr DEAN - Sorry, are you saying Mount Canopus has TasWater?

Ms SAILE - Yes.

Mr DEAN - I know the area well because I was interested in buying a property there at one stage and I looked closely at the whole area. So Mount Canopus has reticulated water?

Ms SAILE - Yes, it does.

Mr NICHOLSON - It was the Canopus scheme and they had to upgrade it, which involved putting in bigger diameter pipes and so forth.

CHAIR - That was pre-TasWater?

Mr NICHOLSON - Yes.

Ms SAILE - Yes, it was. Although relatively recent, around 2007 probably, Greg? Around that time. It was set up in exactly the same way as our scheme: a private company, servicing a range of shareholders, providing water. Separate pump shed to ours et cetera.

CHAIR - So they had an issue with their governance arrangements and that is what forced the council to step in?

Ms SAILE - They approached the council. Greg knows more about this than I do.

Mr DARE - It is probably one of the bigger mistakes that I made as a director of the company when I was running it there, the Mount Canopus Water Scheme. Go back a step: first, any private water scheme must have indemnity insurance before the council would supply us with water. We have never had an issue with it but Canopus did. They did. They had a problem with one of their pumps, a rubber stator-type pump that disintegrated. The rubber matter went into their reservoir, down their lines- a new house had been built at the end of the line, the rubber went down and blocked its pipe et cetera.

Ms SAILE - Not good.

Mr DARE - The Mount Canopus Water Scheme refused to do anything about it so the owner went to the insurance company and it all blew up. The insurance company paid out to have the problem rectified but, of course, they wouldn't do anything for Mount Canopus Water

PUBLIC

Scheme in the way of insurance so the council said, 'Well, if you've got no insurance, you get no water.'

It was election time at the time and they jumped up and down like petulant children and, to cut a long story short, the council took it over on the understanding that they created a special pricing area and ultimately the residents would pay for the upgrade of the scheme over 10 or 15 years, whatever. The Mount Canopus Water Scheme approached me and invited me to join their petulance and have them take over the Mount Rumney Water Scheme, but I'd like to think I'm a little bit more honourable than that and I refused to do it, and this is part of the problem I'm in. The council were really forced to take over the scheme hence TasWater had to from when council took it over.

Ms SAILE - One other point that wasn't in the submission relates to the bushfire risk and the higher fire danger. The scheme was never set up to combat bushfire; it's for residents for residential use. Nevertheless, of course we'd always do what we could with what we had although everyone's encouraged to get water tanks for that purpose.

However, that is a fact of life now. We are living in a time of higher risk in terms of bushfire and at the top of Mount Rumney and Guy Fawkes Hill - the next hill along sort of south-west probably of Mount Rumney - there are a number of communication towers that are actually in place for a number of authorities. There are actually four towers on each summit and a range of authorities actually rely on those towers as part of their communication network. That includes Tasmania Fire Service, the Department of Health, which is Ambulance Tasmania - I won't go through all of them - Police and Emergency Management, Air Services Australia, TasWater actually itself, TasPorts, the Australian Federal Police, and some private lessees. It is a pretty important area just in that way alone.

There is only one access point for that infrastructure, which is Mount Rumney Road with a more reliable water supply. If the Tasmania Fire Service volunteer brigades can't actually get up to protect that infrastructure, the residents could do something to maybe slow down the fire - this is a term used by my partner actually.

I think that's another fairly critical thing which we didn't actually include in our submission, and I just thought that was worth adding today.

CHAIR - Thank you. I might kick off and then I might go to Ms Palmer and see and then we'll come back to the table.

In your submission on page 3, you indicate that Clarence City Council engineers had investigated the capacity of the Mount Rumney Road reservation for infrastructure installation - costly, but not impossible.

Ms SAILE - Correct.

CHAIR - Am I to take from that that the Clarence City Council is supportive of your desire to become a TasWater client?

Ms SAILE - We haven't actually approached the council to ask that question specifically. However, when we stepped up our activity with TasWater back in 2019 as we were getting towards the end of its five-year moratorium on considering transfers of private water schemes,

PUBLIC

we thought, well, the councils own TasWater so we should go and talk to our council and talk to the owner representative who was the mayor, as you know.

CHAIR - Doug Chipman?

Ms SAILE - Yes, correct. Also, at that time, and I think he still is - I am not sure - chief owner representative.

CHAIR - Yes, that's correct.

Ms SAILE - That was useful. Also, Ian Nelson, who was new to the job at the time as general manager. I guess we could say - Greg and I actually met with Doug and Ian - that they were supportive of what we trying to do and wanted to provide assistance in whatever way was possible, particularly in terms of how we might have a better dialogue with TasWater and how could we progress things.

When it got to the point where TasWater's new asset transfer policy was adopted and this was kind of being used to assess our scheme in terms of its potential to transfer to TasWater. Doug and Ian made the commitment to say, 'Well, okay, what else can we do? We could get our engineers to have a look.'. When TasWater said they couldn't take it on as it is - 'Infrastructure runs over private property, we have to create easements - a whole range of things - so it would have to go in the road reservation' - Clarence Council said they'd have a look at that, which they did. We got a letter saying, without any detail, that it was difficult, particularly in some parts on the mountain - costly and not doable.

Ms PALMER - Penny, I know it's been touched on, but where are your discussions with TasWater right now? Have they kept in touch with you about this? Is there an open communication with them? Is it basically that they've said no and that's the end of that discussion or is it still an ongoing process where they may have given you other options?

Ms SAILE - No, they made some suggestions for how we might be able to defray some of the load for us as a board and we did pursue those. That was very helpful. I think we've come to the point where the asset transfer option is off the table but the door is not completely closed. If we were looking at an expansion of the TasWater network, that's a different thing to transfer in the assets.

That's what we've been working on with them for five years. When we got to that point where they said it wasn't going to happen due to the policy, the door wasn't closed in terms of, 'Please keep in touch', and I have done. I've touched base with the person who is our contact with TasWater to see if things have changed, so I'm pretty confident that the door would be open if there were any possibility that the network could be expanded to include us.

Ms PALMER - Thank you.

Ms LOVELL - Penny, I want to say something for the record. I am building a property at the back of Mount Rumney so I probably would be one of those eligible customers, although it didn't even occur to me at the time.

PUBLIC

You've talked about the asset transfer policy and that it was found that the scheme was ineligible. I've had a look online and can't find that policy. Do you know if it is available online?

Ms SAILE - I was under the impression it was on the TasWater website.

Ms LOVELL - I think it might be called something else.

Ms SAILE - Yes, it could be. I have a copy of it here. It's the asset transfer policy.

Ms LOVELL - Okay, I'll have another look at that. On what grounds was that found?

Ms SAILE - The first one. In the policy where they talk in detail about transfer of assets, it states -

We will consider accepting an asset transfer if the following conditions are met: The assets meet the required TasWater and regulatory standards -

which they don't -

or sufficient external funding is available to bring assets up to the required standard.

Then there are another three criteria that are taken into consideration -

The asset transfer is financially and operationally viable, with consideration given to TasWater's current and projected capital program, customer promises and the resources reasonably available within the business to effect the transfer.

Do you want me to read the other two? They might be worth noting.

Ms LOVELL - Yes.

Ms SAILE - 'Acceptance will not result in the requirement to immediately impose a boil water alert or do not consume.'. That wouldn't be an issue for us. We get our water tested monthly by TasWater and have never had a problem -

The assets are compliant with the Australian Drinking Water Quality Guidelines and the Tasmanian Drinking Water Quality Guidelines.

We'd be in on those two. The other one says -

At least 50 per cent of the community served by the assets under consideration supports the requests and are willing to pay TasWater's ongoing charges for the service provided.

We didn't get to that point in our negotiations. We were almost there and TasWater was coming to our AGM to talk about that when a decision was made to proceed no further with our request.

PUBLIC

CHAIR - Thank you, much appreciated.

Mr DEAN - I think you are saying that currently there are no easements in place at this time, it is all shareholders who are involved and it is across private property. Does the line pass over any properties that are not shareholders' at the present time?

Ms SAILE - Yes.

Mr DEAN - If so, what is the position there?

Mr DARE - We are a community that understands our needs and there haven't been any issues. I won't go into a lot of detail, but 50 years ago we put in a scheme that serviced 25 people. As it grew, 12 to 15 years ago, the upper part of Mount Rumney wanted a scheme, which they put in and the Mount Rumney Water Scheme took it over in the finish. There were never any easements taken out. When the upper scheme came into place, I visited every property owner that the line went over and got signed permission from them that we could access their land, and that we could access it for repairs in the future. There was never an issue. They're not going to complain. If you complain that the water line goes through your property, and we remove it, you haven't got any water. People are not absolutely naive about that. As I said, it is a very tight community and we've worked together with one another to provide that service.

In the matter of easements, I raise one question perhaps. Through my property there is a Telstra line runs through there. It is a major line that services Launceston to Hobart and there is no easement on that, so it's all right for them to put a line through my property without an easement and yet I can't put a water line through Penny's property to supply her with water.

Mr DEAN - The reason I asked this question is that I understand TasWater has raised the easement issue. It seems to me it is not an issue that they would have difficulty getting over, I wouldn't have thought.

Mr DARE - It is the cost involved.

Mr DEAN - Is there any more on that?

Ms SAILE - I think while we have been able to work around that, and I was certainly part of the top 10 - we used to call it the top scheme - which was set up in a slightly different way from the company, which we are now all part of, and we had an agreement which gave our permission for lines to cross our property. That was never an issue. There are some who chose not to connect to the scheme, so we do have a couple but not very many, only two I think, where the water line runs across the property and they have chosen not to be serviced. They can't now, but they could have at the time.

I did think, when we first started talking to TasWater, that the easement issue would be a big one, because I am not sure how else they would get around it. They would need, I would have thought, to set up easements across properties, which is why they talked about the line needing to go on public land rather than across private property, because it would be excessively expensive, I would have thought.

Mr DEAN - Is it treated water?

PUBLIC

Mr DARE - We get our water from TasWater's main, and each month they come to my property and test it. The reason they do that is because I don't have a rainwater tank. The water they're testing is their own water which we've pumped to our reservoir and it comes back down the hill to my place. Each month they test that at a cost of \$200 a month to tell us that our water is potable, which we're getting from them in the first place.

Mr DEAN - It is treated water?

Ms SAILE - Yes. It is TasWater's water.

Mr DEAN - So it is TasWater's water. That was my next question.

Ms SAILE - The company is a customer of TasWater so we pay TasWater and pass that cost on to the shareholders through their water accounts. It is now \$3.50 per kilolitre since the last AGM on 3 December 2020. We have also increased our annual fee to \$90 a year. That covers all of TasWater's fixed costs, which are its fixed costs to us as a customer and its water testing costs.

Mr DEAN - If TasWater take it over, I think you would be paying more than \$90 a year for the infrastructure and upkeep of infrastructure. I pay that about monthly.

Mr DARE - [That is] part of our ongoing discussion, and we have touched on it as a board indirectly. Currently, Penny has given you the figure we pay as a resident for our water. We know that for TasWater to put water on, yes, it is going to be expensive. What we say is, going to back to Canopus, they created a special area pricing to upgrade it. Could we not, if we talked to TasWater, that they can continue to charge the \$3.50 whereas they charge \$1.10 to us now for bulk water and to you and you, whatever, they continue it at \$3.50. The residents are used to paying it. It creates a fund to improve the scheme so that ultimately the resident will pay for it but we need to talk to them and need to get them to accept that it is a way out.

Ms SAILE - To be fair, we raised the whole idea of an expansion of the network when they attended the AGM but we haven't gone any further. That is perhaps an extension of my response to Jo's question earlier.

Mr DEAN - How recent were your discussions with TasWater?

Ms SAILE - In terms of the face-to-face discussions, it would have been towards the end of 2019. I have kept in contact with a couple of people at TasWater through the course of 2020, but not to pursue this potential to expand the network. I think that COVID-19 stepped in a bit last year and we got our final reply around the assets when it was formally adopted by the board in about February 2020. Sorry, I do waffle.

CHAIR - Alistair, anything you would like to leave us with? We always run out of time in this process.

Mr NICHOLSON - No, everyone has covered everything more than adequately.

CHAIR - Greg, anything?

Mr DARE - No.

PUBLIC

CHAIR - Penny, any last message?

Ms SAILE - No, I don't think so. I will probably walk away and think, 'Oh gosh.'.

CHAIR - You can always email us and say, 'Upon reflection'.

Mr DEAN - What is the position if this falls over? If the body falls down, the water is just cut off and that is it: is that it?

Ms SAILE - It would be a wind up of the company and all the people who are currently shareholders, those 48 property owners, if they don't already have their own water tanks, would need to get them.

Mr DEAN - That is the ultimate?

Ms SAILE - That is the ultimate thing. I certainly don't want to end this on a negative level by any stretch of the imagination, but we do pride ourselves a bit on approaching this whole process with TasWater with professionalism and reasonableness. We have been under a bit of pressure from some of our shareholders in the past couple of years about: Why don't we go to the media? Why don't we get into politicians' ears, jump up and down and make a noise? We have chosen not to do that. We have chosen to try to operate in a professional and responsible way but the time may come. We are working now on trying to shift the load among the shareholders in a different way, coming up with a bit of a different strategy. It kind of feels like we are staving off the inevitable, that at some point we just won't get the volunteers we need to keep things going and we may need to look at a wind up. I think then we could see individual property owners starting to jump up and down a bit, and I can understand that. It is not our preferred way of doing things but I can understand it if people are going to have a service cut off that they have been used to for some time.

CHAIR - And paying a very reasonable cost for it as well. It is not like it is at a discount rate or anything like that.

Ms SAILE - No. We are paying TasWater \$1.06 per kilolitre now and we increased it to \$3.50 and it covers our overheads, but then what are our true overheads if you looked at the volunteer labour?

Mr DEAN - That has to be a concern when you say in your submission that TasWater increased its costs significantly without any warning at all.

Ms SAILE - Yes, I meant to check that, but I am pretty sure we went from a monthly bill of about \$133 to \$186 from one month to the next, in our memory that we weren't aware that change was coming. That is partly the reason why we increased the annual fee from \$60 to \$90. The annual fee is all about covering our fixed TasWater costs.

CHAIR - Thank you very much. We would like to first thank you for your submission. Thank you for coming to the committee, but also thank you for your professionalism, and to your volunteer community. That is outstanding. And your contribution, Greg, Alistair and Penny, is noted and very much appreciated.

PUBLIC

Ms SAILE - Can I ask a question? It is not in relation to our submission but I did mean to ask, around what is the process for the committee after the hearing? Where do things go? What is the outcome of this process?

CHAIR - We sit down and we do a lot of looking at our notes and go through the *Hansard*, and we make a report and that report is presented to the parliament. We are hoping to do that in as timely a manner as we can. We haven't had the opportunity to speak directly with TasWater yet and that is certainly on our agenda as soon as possible.

Ms SAILE - I understand that. It was more about where does this go and is there likely change to come out of this as part of your report, the findings and recommendations?

CHAIR - We would hope so. We love our job but we don't sit on committees just for the fun of it. We hope for outcomes and I am sure that Jo, sitting up in the dark in Launceston, will agree.

Ms PALMER - My apologies.

CHAIR - You can stand up and get the lights back on now, Jo.

Ms PALMER - It is a fabulous energy-saving boardroom but I spend a lot of time sitting in the dark.

CHAIR - Thank you very much.

Ms SAILE - I would like to thank you very much for the opportunity. Thank you.

THE WITNESSES WITHDREW.

PUBLIC

Mr DEAN BURGESS, DIRECTOR OF ECONOMIC POLICY, TREASURY, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR (Ms Rattray) - I welcome the Minister for Infrastructure and Transport, Mr Ferguson, to the Legislative Council Select Committee on TasWater Operations. We especially thank you. You obviously know all members but we have Jo Palmer in Henty House, Launceston; at the table, we have Ivan Dean, myself, and Sarah Lovell; our secretariat support Natasha Exel and Alison Waddington; and Gaye Mitchell and Rosemary Johnson from Hansard.

Minister, I won't go through any part of the committee process. You are well aware of how these things work and you have limited time, so if there is anything you would like to open with then, please feel free to do so, but we have your submission.

Mr FERGUSON - Thank you, Chair, and to your colleagues, good afternoon. I commend my submission to you. I am supported today by Mr Burgess, Director of Economic Policy, Treasury, we will do our best to support your questions.

CHAIR - Minister, the Civil Contractors Federation - CCF - of Tasmania has made representation to this committee, and they've also been out on radio and in the public forum in December 2020 talking about their concerns around the delivery of works through TasWater but particularly with the Capital Delivery Office - CDO. I'm interested in your thoughts around that process and what you understand around that.

Mr FERGUSON - Thanks, Chair. I don't have a lot to contribute in this space. The Tasmanian Government is a very minor shareholding entity of TasWater with, I think, 3 per cent now with the recent share review. We don't run TasWater - we barely own any of it - and operational decisions are quite properly a matter for company management. Of course, we attempted to take over TasWater some time ago. Those plans were thwarted, but what we are seeking to do is to be a good-faith bargainer between parties, and that's what I've done. I've taken very seriously the concerns raised by a number of individual members and, indeed, the Civil Contractors Federation. I've taken that feedback right onboard and have acted as an advocate for that sector with my regular meetings with TasWater.

The establishment and the operations of the Capital Delivery Office are quite properly a matter for TasWater, but it would be unfair of me not to also say that TasWater, I think, has listened and taken onboard those criticisms and have taken some early steps which I think are quite promising in ensuring that smaller projects can be moved out the door more quickly and nimbly. Also with some of the documentation issues that were very confronting for some of the smaller civil contracting organisations, I feel there are promising signs that TasWater has been listening to those concerns.

CHAIR - Thank you. You mentioned that you have a 3 per cent interest on behalf of the Tasmanian people in the TasWater organisation but in your submission you talk about the Crown being involved in TasWater's corporate planning process, so can I have some indication of what that entails?

Mr FERGUSON - Absolutely. I will ask Mr Burgess to step in and describe the process in detail, but under the act the Tasmanian Government, quite apart from any of its shareholding, has a responsibility - and I think it has had for some time - in relation to the corporate planning

PUBLIC

and the pricing and service plan as well. I might throw to Mr Burgess to describe that, including, of course, the role of the Economic Regulator.

Mr BURGESS - Thank you, minister. With the recent changes that occurred a couple of years ago with the Government entering into equity interest in TasWater, the Government became part of the corporate planning process in the same way it is with the other GBEs and state-owned companies and the same way councils are as owners of TasWater. That involves receiving quarterly updates on how they're progressing and also submittal of draft corporate plans for review and comment, but in that regard the state Government's interests are no different from other TasWater shareholders in terms of feeding into a commentary on that corporate plan.

I guess the other important element, as the minister has alluded to, is the economic regulation aspect of it as well, which is, again, independent of government but is a critical regulatory overlay for this industry in terms not only of outcomes for consumers in terms of price and service standards but also having that independent detailed scrutiny and transparency on TasWater's operations and its costs and capital program and how it's going on delivering that. That, I think, is a critical aspect that then builds into price, so if TasWater promised something and they don't deliver it, that capital project doesn't get built into the pricing moving forward.

The process the regulator goes through to do that is very involved. It's also very transparent so that there's opportunities for public consultation on draft reports and then, when a decision is made, there are clear statements of reasons given for outcomes. That process is also critical in that the regulator adopts a consultative approach with the other industry regulators because the massive compliance problems that are facing TasWater, and have been facing them since its inception, cross dam safety, environment, public health and the like, and it's impossible to give everyone what they want straightaway, so there's a very consultative approach across regulators which tries to balance interests and the deliverability of projects. That, again, is balanced between the extent that you can deliver those outcomes for the community but also that you manage the price impacts on customers associated with that.

CHAIR - Okay, thank you. Minister, we did talk, and you touched on it, about the CDO, and we've certainly heard from their evidence but also from them - their presentation to the public through the media - that the red and green tape, the level of paperwork for compliance, has been overwhelming for small business. We know how important small business is to the Tasmanian economy and our Tasmanian communities. You've said you feel that TasWater has been starting to address that. Can you give me some indication of how? Is it through some communication?

The committee is not privy to that information as yet because we haven't had the opportunity to speak to TasWater, so if you could give me some indication, given that the Government has the red and green tape reduction policy very firmly on its radar as a government. Can I have some indication of what you understand about that reduction?

Mr FERGUSON - Sure can. There are probably two answers here. The first is that from a legal point of view, the Government has moved legislation through the parliament, which you would be well aware of, which has put legislated time frames in place that are more

PUBLIC

binding on TasWater and about taking red tape off the business community. That's not a reference to the civil contractors; it's a reference more to the building industry.

The bigger part of my role in dealing with these issues regarding the Capital Delivery Office has been as an advocate and also as a mediator. I have regular meetings with the Civil Contractors Federation and also separately I meet with individual contractors. Some of the feedback, it has to be said, was very mixed. While TasWater has made significant gains certainly in the last 12 to 24 months in terms of dealing with compliance and outstanding infrastructure that was not fit for purpose and needed to be upgraded - and that's a tribute really to the team - it has been the case that with the arrival of the CDO, a lot of contractors have found it very difficult to get work and manage, in some cases, the paperwork you've referred to.

As a mediator, what I've done is challenge the CCF to come up with real examples, no longer anonymised but real examples, and to do that with the permission of their members. CCF has done that and it has provided those real examples at the request of the CEO, Mike Brewster. It provided the ability for a genuine conversation about the real issues and how they are perceived by individual contractors.

I understand that has been part of the way in which TasWater has been able to respond to some of those issues and to have positive feedback from the CCF that the early signs are very promising. I feel this is quite satisfying.

CHAIR - Thank you, appreciate that.

Mr DEAN - Minister, it's been raised with this committee that there is a perception, or whatever it might well be, that because three ministers have some involvement with TasWater that is an impediment to doing business with them. What's your position on that?

You have a part to play in it; we have Mr Shelton, who has a part to play from the local government perspective and its ownership in TasWater; then we have the Treasurer's involvement from another perspective.

CHAIR - A big involvement with the money and investment.

Mr DEAN - Yes, a big involvement. People who've given evidence to this committee have seen that as an encumbrance to the whole process. What they're saying is there ought to be one minister with the responsibility for TasWater and its operations.

Mr FERGUSON - I'll answer the question and I'll also invite Mr Burgess to add any additional thoughts he may have. A number of businesses that are 100 per cent owned by government have more than one minister's involvement for prudent reason.

Of any of the ministers who have different roles, at an operational level, we have virtually no role. It is a company that is managed by its executive team and a board which is constituted at the behest of its ownership. The state Government has a 3 per cent holding, but different ministers have different responsibilities. I'm not sure that Mr Shelton as the Local Government minister has any responsibility with TasWater, but certainly I do, and Mr Barnett does from the point of view of dam safety.

PUBLIC

I'm happy to take advice or ideas from the committee about this. I certainly don't have a rigid point of view on that. From a day-to-day point of view as ministers, TasWater is not something we run at an operational level.

The workload between those ministers is in no way a handbrake or a barrier to getting government policy instituted. For example, our \$300 million injection into TasWater, the acceleration of works, the pricing and service plan that we've been able to manage throughout COVID-19 with a freeze and the 3.5 per cent cap on the years going forward, together with the acceleration of works in the Tamar River Estuary and at Macquarie Point - these things are all moving ahead.

I must say, at different times ministers may grizzle about something not working ideally; certainly in respect of TasWater, I don't ever have those concerns raised with me. It's interesting to hear your point of view or that of the person who gave that evidence.

Mr DEAN - That's not my point of view; they were matters raised with us as a committee yesterday.

Mr FERGUSON - That is an interesting point of view and I'd have to say that I'll turn my mind to that and have a look at what that person has said, very open-mindedly, but from a government point of view we see there are no particular difficulties with us respectively managing those parts of our portfolios in respect of TasWater.

Mr BURGESS - The only thing I might add is the industry has been subject to regulation across a number of ministerial portfolios for decades - across public health, environment, dam safety and the like - so I don't think that's an issue for TasWater.

The Government's involvement is that step removed now from the actual operations. TasWater is not a government department and often there is a confusion between customers, which is understandable because it's a complex framework about what is a customer complaint, what is a complaint about the regulatory framework and what's that requiring and what is a complaint that relates to somehow the government shareholding in the business. I think that's where some of the confusion lies. I'm not sure our framework represents - in some ways Tasmania was a late mover in terms of implementing the reforms that led to this model, which is a nationally agreed model under the National Water Initiative - NWI - so I think where we've got to represents best practice but, yes, it is a complex -

CHAIR - Presents some challenges.

Mr BURGESS - It's a complex framework but that reflects the complexity of the business TasWater is in.

Mr FERGUSON - I will certainly have a good look at that set of thoughts from that person.

CHAIR - Supplementary if I might before we get off the governance arrangements. It has been suggested that the state Government should have a seat on the board. Is that something you've addressed, minister, as a member of the Government, given the significant investment on behalf of the Tasmanian people following the attempt to change the structure of TasWater?

PUBLIC

Mr FERGUSON - I will definitely throw to Mr Burgess here, but it wouldn't be considered contemporary best practice to have a constituency member of a company. The state Government would use its opportunity as a minor shareholder to influence those considerations at an early stage so that you actually have a board. We wouldn't want one seat at the table - we'd want all the people at the table to be taking in the best interests of the corporation and the Tasmanian community, so I think that would be my first blush response.

Mr Burgess might care to back me up or disagree, but that would be unusual in this era to go for a constituency representative on a board. It usually introduces conflict anyway and what we would really be looking for would be a full team that comprises people who meet the skills matrix.

CHAIR - I understand the board structure arrangements. It's just a question that's been asked and I needed to ask it on behalf of those people.

Mr FERGUSON - I will quickly add before Mr Burgess again, that we find the board is very good to deal with. When we've been progressing our deed arrangements and the equity issues together with the additional funding that we provided in 2019 budget, the board has been extremely cooperative.

Mr BURGESS - I back up the minister in that regard. The model or reason for setting up TasWater as a separate model in this corporate structure is that one of the benefits is you are able to put in place arrangements that result in the selection of management and board members to run the business who have the best skill set to do that and to run it in the most efficient and effective manner possible. That's similar to the arrangements put in place at a state level in relation to state-owned businesses as well.

CHAIR - Thank you; I appreciate your response to that. I will go to the dark side, which is at Henty House. Ms Palmer, do you have any questions for the minister or Mr Burgess with regard to TasWater operations?

Ms PALMER - No, I'm fine, thank you, Chair. The only note that I had down to raise with the minister was what the member for Windermere has already raised, or you raised, with regard to a number of ministers having oversight of different parts of TasWater.

Mr FERGUSON - I might provide Mr Burgess right now or come back to the committee later and tell you exactly which ministers precisely have what roles because I feel something said by the person presenting evidence yesterday is not quite right.

CHAIR - That would be very welcome.

Mr DEAN - Trade waste is part of your submission. Minister, a lot of evidence has been given to us about this area. I think you, as minister, would be well and truly aware that currently there is a lot of discontent within this state in relation to this issue of trade waste.

Are you aware of that issue? If so, what have you been able to do in your role, the part that you do have, in satisfying some of the concerns in this area? Are you familiar with it?

Mr FERGUSON - Yes, I am familiar with the issue - intimately. In fact, it was an early initiative by the Government to put some pressure on TasWater to find more constructive ways

PUBLIC

to engage with the business community in particular that they could meet their obligations to pre-treat waste before it enters the system.

I would be very interested to find whether you have had evidence that is contrary to what I am about to say, but I get very little complaint about this, and I would struggle to find any written correspondence to me raising that as a contemporary issue where I would take the side. TasWater now provides far less onerous terms upon which businesses can address their trade waste issues and, again, I will offer Mr Burgess the opportunity to jump in.

Mr DEAN - Might I say on what you have said there, minister, the evidence given to this committee is that it is such a big issue that some businesses have turned their backs on it. In other words, some businesses are saying they can no longer operate, it is making it unfinancial for them. We have been given evidence that some businesses have closed as a result of this very matter. Evidence was given to us yesterday, and it is on the public record now, or will be shortly, of businesses saying they are doing it extremely tough and are not quite sure where they stand, whether they can continue or what have you. That evidence was very clearly given to the committee - it is not something that has come to me personally. It has come to me personally as well, I might add, but it was given and is on the record.

Mr FERGUSON - Thank you, Mr Dean, I certainly welcome the feedback. Whenever we have had trade waste issues, we have put significant external pressure on TasWater, not even with our 2 per cent and now 3 per cent shareholding, to make sure it is managed in a way that is appropriate and meets the reasonable expectations of Tasmanian businesses. It is surprising to me that you might be hearing that kind of evidence because they have not presented that kind of evidence to me. If they did, I would take action.

Mr DEAN - That is interesting.

CHAIR - We will certainly provide you with some examples of those challenging scenarios.

Mr FERGUSON - Can I offer the point that we should not create an expectation that businesses do not have to manage their trade waste, but that it needs to be done in a reasonable and fair way, and at a price that is competitive and reasonable for that business to meet. Also, with the expectation of when such arrangements would be enforced and the interest-free payment plans that have been offered have smoothed the way for many businesses to find that they are in a far more reasonable position than they were only a few years ago.

Mr DEAN - I don't think the committee has been given any evidence to suggest that any business have said they should not be responsible. All businesses I have heard from accept they have a responsibility and they want to comply. It is the compliance that is causing the problem.

CHAIR - And it is how they comply and to what extent they can. If you are looking at an \$80 000 compliance requirement for a significantly old building in the centre of Deloraine, it is always going to be a challenge.

Mr FERGUSON - I reiterate that we are a pro-business government. We support business to the hilt and if there are any compelling cases I am not aware of, I look forward to hearing about them and responding accordingly as best we can, noting that TasWater is there

PUBLIC

to perform its functions under the act and that is the decision of this parliament. We will make it work as best we can for our business community.

Mr DEAN - Does Mr Burgess want to make comment?

Mr BURGESS - My only observation is that this was a very significant legacy issue inherited by TasWater, so it has been very complex for them to unpick it because every situation is different for every customer and some customers - quite a lot of them, through no fault of their own, are in this situation. TasWater, after initially encountering some issues, has become far more flexible, responsive and engaging with its customers over time in relation to those concerns. Certainly, for my sins, I have been involved in this industry for many years and the frequency of these kinds of issues has declined significantly over the past four or five years. That is not to say that there are not still some issues that need to be worked around. Primarily it is TasWater's responsibility to implement that policy.

Mr FERGUSON - Again, not to flog a dead horse, as a result of some of those legacy issues some businesses put on connections that were much bigger than they needed. We have been able to work with them on a case-by-case basis at times so we can get a response that is fair and reasonable. We are always open to hearing about businesses that might feel they are being hard done by, and are always prepared to raise them with TasWater if there are some other compelling cases. From a system point of view, it is far more responsive to the needs of business than it was just a few years ago.

Mr DEAN - On the evidence given to us yesterday, minister, if you are able to have a look at that, one of the major concerns with businesses is where they have gone to huge expense in putting in these systems - quite a few thousands of dollars we are talking about, not just a few hundred -

CHAIR - Tens of thousands.

Mr DEAN - Tens of thousands of dollars we are talking about to be compliant and remove their trade waste and so on, but then they are still charged the same trade waste prices, so there is no decrease in that either. They are better off operating noncompliant and paying that trade waste fee; it would be a much better option for them rather than putting in these extremely expensive systems. I have some concerns about it.

Mr FERGUSON - Thank you, Mr Dean. I can say that if that were the case, I would be as concerned as you are. I encourage you to raise that with TasWater and allow them the opportunity to account for themselves.

Mr DEAN - I will be surprised if this committee doesn't make some strong recommendations in that regard, minister.

CHAIR - Minister, regarding the re-use of water for irrigation, obviously Tasmania is a leader in irrigation and water development, but we always look for opportunities. Regrettably, we haven't received any significant submissions in regard to this part of the terms of reference but you have made some comment on page 10 of your submission, so is there anything you would like to add? Is there something else happening in that space that the committee might be made aware of today or is it something that is developing or evolving?

PUBLIC

Mr FERGUSON - With respect Chair, I suggest my submission would be best to speak for itself. It has outlined the journey we have travelled to here. The opportunity is an exciting one, as much as possible for treated water not for human consumption - not potable, but certainly appropriate for irrigation in pasture and golf courses - and is exactly where we need to be. I encourage the committee to look at those recommendations as you will, I know. I am involved in a couple of cases in my State Growth portfolio of supporting and considering proposals looking for government support where they are looking to do precisely that, to take the opportunity to use treated water rather than discharging it at sea.

It is great for Tasmania and an important part of our story. With the infrastructure investment going into irrigation, it behoves us to also make sure that we have taken account of the stock of water available that, while not potable, could nonetheless be part of the value chain for agriculture.

CHAIR - Making best use with the golf course initiatives that are being proposed around the state. I listened as I drove yesterday and already there is Seven Mile Beach and then you have the east coast and St Helens proposals to be able to use some re-used water in those areas.

Mr FERGUSON - That is right, particularly in some of those locations in Tasmania that have less rainfall it just makes so much sense and TasWater is responsive to this. It would be a good set of questions to pose to TasWater as to how they are negotiating those supply arrangements with those who would be prepared to pay for it.

Mr DEAN - My other point goes to the area in the submission relating to sewage treatment and biosolids. This is an important part of this inquiry. It is one of our terms of reference.

Minister, I think you would be aware of the concern relating to the issue in St Leonards at the present time, in relation to a development application there for the disposal of biosolids on the property of Dunedin.

What is the Government's position in relation to this? This involves a lot of issues. The EMCA, of course, has a big part to play in this whole thing as well.

I then look at the state policy on water quality and management and so on. We had the problem at New Norfolk, about the damage caused there, and there is still an inquiry; I don't think the details of that inquiry have been released yet. It is still to come out.

Where does the Government sit on all of this?

Mr FERGUSON - It is not in my portfolio, but I can say we included this to do our best to respond to all of your terms of reference as helpfully as we could. There is an indication there of where some further work might actually provide some assistance to facilitate the better use of biosolids, which are appropriate, and meet the environmental requirements. It would be an area I encourage you to seek further information on from the EPA, as to how that can best be taken forward.

Again, it is about appropriate stewardship. For far too long we have seen waste as something that should be thrown into sea or into landfill. Increasingly, and as a government, we are pursuing this with great vigour. How can we see economic value in waste products?

PUBLIC

You are seeing that, for example, with our recent budget announcement around the circular economy to try to get value streams out of waste, and to encourage the proposals that come forward.

Indeed, we are being approached with some exciting ideas, and biosolids is yet another, where we can get some extracted value from that waste into economic return in agriculture. This is exactly where we increasingly need to be in a way that is responsible to the local community, but also the stewardship of our environment. The EPA is right on top of this.

Mr DEAN - Thank you.

CHAIR - My last question is about COVID-19, and its impacts not only on business, but also on our community in general and the measures that are being put in place.

We know there is legislation to extend the current regulatory period from 12 months to 30 June 2022. Once that is finished, do you see a significant increase in the cost of water and sewerage to the Tasmanian community or do you believe that the borrowings that TasWater has been given a line to, if you like, will be able to smooth those out? I am interested in what you see for our community.

Mr FERGUSON - I am sure Mr Burgess will be able to put meat on the bones. The Government has provided direct equity injections and we haven't sought to take dividends in return. I suspect we will be the only shareholding that doesn't receive a dividend at all. That is a way of supporting the company with its regulatory obligations, its infrastructure plan, but also it has had the material effect of putting some downward pressure on the prices that will be paid by customers - mums and dads and businesses around Tassie.

Together with the freeze, we have really done everything that is responsible as a state government, for a company that we don't run, to make it best for the community. We are very grateful for the positive feedback we have had, including from people here at this table and the wider community.

The next stage will, of course, be the board process and the company itself will decide what submissions it wants to put forward. They must clear the hurdle of the Economic Regulator, and the Government has had the company agree to a 3.5 per cent cap on increases.

Mr BURGESS - The only thing I would add to that, as the minister has alluded to, is that it will be the cap that determines prices through until about 2025. In terms of costs, the costs themselves are one of the main reasons the Government elected to extend the current regulatory period, because otherwise TasWater would have been preparing its submission in the middle of the COVID-19 pandemic, which had massive uncertainty associated with it. It still does, but a lot less than it did nine months ago.

Businesses deal with uncertainty by putting risk premiums on top. Proceeding with the process at that time would definitely have added a cost that would have been reasonable at the time, given that uncertainty, but would have added to cost and price pressures.

That was one of the justifications for extending it for 12 months - to put us in a more certain environment, which should remove the need for those risk premiums.

PUBLIC

CHAIR - You don't see the community as being significantly impacted once we come out the other side, given that we have that extension on the regulatory period, and that cap, that 3.5 per cent?

You mentioned that the Government won't be seeking any shareholder dividend. I don't believe that local government is expecting to receive anything either.

Mr FERGUSON - They do. They receive significant dividends from this organisation, perhaps not increased dividends during this period of flatlining on customer pricing, though.

CHAIR - Any other questions in regard to the COVID-19 aspect?

I'll just go back to the dark side again. Ms Palmer?

Ms PALMER - No, thank you.

CHAIR - Minister, I know we have just taken about six extra minutes of your very valuable time, and we certainly appreciate, not only the submission, but your willingness to come and just speak directly to the committee. We will continue our deliberations and look forward to putting something together in a report. We certainly are looking forward to having that direct conversation with TasWater. We thank you for your attendance today.

Mr FERGUSON - I might respond and say thank you. The pleasure was all ours. Second, we will have a good look at the evidence without pre-empting your own report when it duly comes out. We will have a good look at some of the things that have been said and, in the meantime, if we can support some of those hard luck stories, more than happy to advocate with TasWater.

CHAIR - We particularly thank you for your indication of advocacy for the Civil Construction Federation. As I said, small business is very important, and any of those trade waste issues. They are very much appreciated by those people involved in it.

Mr FERGUSON - Thank you.

CHAIR - It is a big call sometimes to come to a committee and share some of that information, so if you are able to assist, I know they will be very grateful.

Thank you.

THE WITNESSES WITHDREW.