

AUSTRALIAN WATER REFORM ROADSHOW

TRANCHE 1: REFORM & GOVERNANCE
MODULE 2: WATER REFORMS IN TASMANIA



- Please note **this session will be recorded**
- The recording and slide pack from this webinar will be made available to you following this webinar
- For the Panel Discussion please send your questions through the **Q&A** function
- Select to "**All Panellists**" when you are posing your questions
- SPICAE will provide written responses for unanswered questions
- SPICAE are happy for participants to contact us directly for clarifications or further information
- SPICAE have done individual sessions for councils in the past when they have asked us to
- Please provide SPICAE with feedback – this is important for us to continually improve future webinar sessions

Rules of Engagement / Code of Conduct

- SPIACE & our panel are cognizant of the NZ Reforms.
- These sessions are on the Australian Reforms & aimed at enabling a reference point for attendees to draw comparisons to the current reforms in New Zealand.
- SPICAE & our panel will endeavour to provide an **Unbiased View** of the Victorian and Tasmanian Water Reforms.
- **Please align questions to the Module Topic.**
- Please do not ask us question that are for the DIA.

TRANCHE	TRANCHE THEME	MODULE TOPIC
1	REFORM & GOVERNANCE	WATER REFORM JOURNEY (VIC)
		WATER REFORM JOURNEY (TAS)
		GOVERNANCE (BOARDS, OWNERSHIP & LEGISLATION)
2	CURRENT STATE	CURRENT STATE OF WATER SERVICES - REGIONAL & IRRIGATION (VIC)
		CURRENT STATE OF WATER SERVICES - METRO VICTORIA
		CURRENT STATE OF WATER SERVICES - TASWATER
3	STORMWATER, ENGAGEMENT & THE FUTURE OF WATER	STORMWATER MANAGEMENT (VIC & TAS)
		THE FUTURE ROADMAP FOR WATER (VIC & TAS)
		COMMUNITY ENGAGEMENT & CUSTOMER EXPERIENCE
		INDIGENEOUS ENGAGEMENT (WA and VIC)
4	COUNCILS	THE COUNCIL REFORMS (VIC)
		THE CURRENT STATE OF LOCAL GOVERNMENT
		THE FUTURE ROADMAP FOR COUNCILS

Overview & Scene Setting

- Water is complex and Australia has faced and, continues to face, many challenges with it. We will talk about what the reforms delivered, how they were delivered and what did not work well.
- We will start with a high level context setting of the current Australian and Tasmanian Water Landscape and then move into the Reforms that got Tasmania to where it is now.
- The story of the Tasmanian Water reform is a fairly recent story. Compared to the Victorian Reforms it is a relatively straight forward reform.
- Factors that helped in Tasmania were the learnings from other states, integrated model of TasWater, involvement of council peak bodies in early negotiations and Tasmania being a smaller state when compared to Victoria.
- However, the drivers for reforms in Tasmania and Victoria are consistent - **water quality, scale to raise capital, competition by comparison, etc.**
- We will try our best to tell the story within the constraints of time, the NZ context, and the current stage of the NZ reform.

Current Australian Water Model

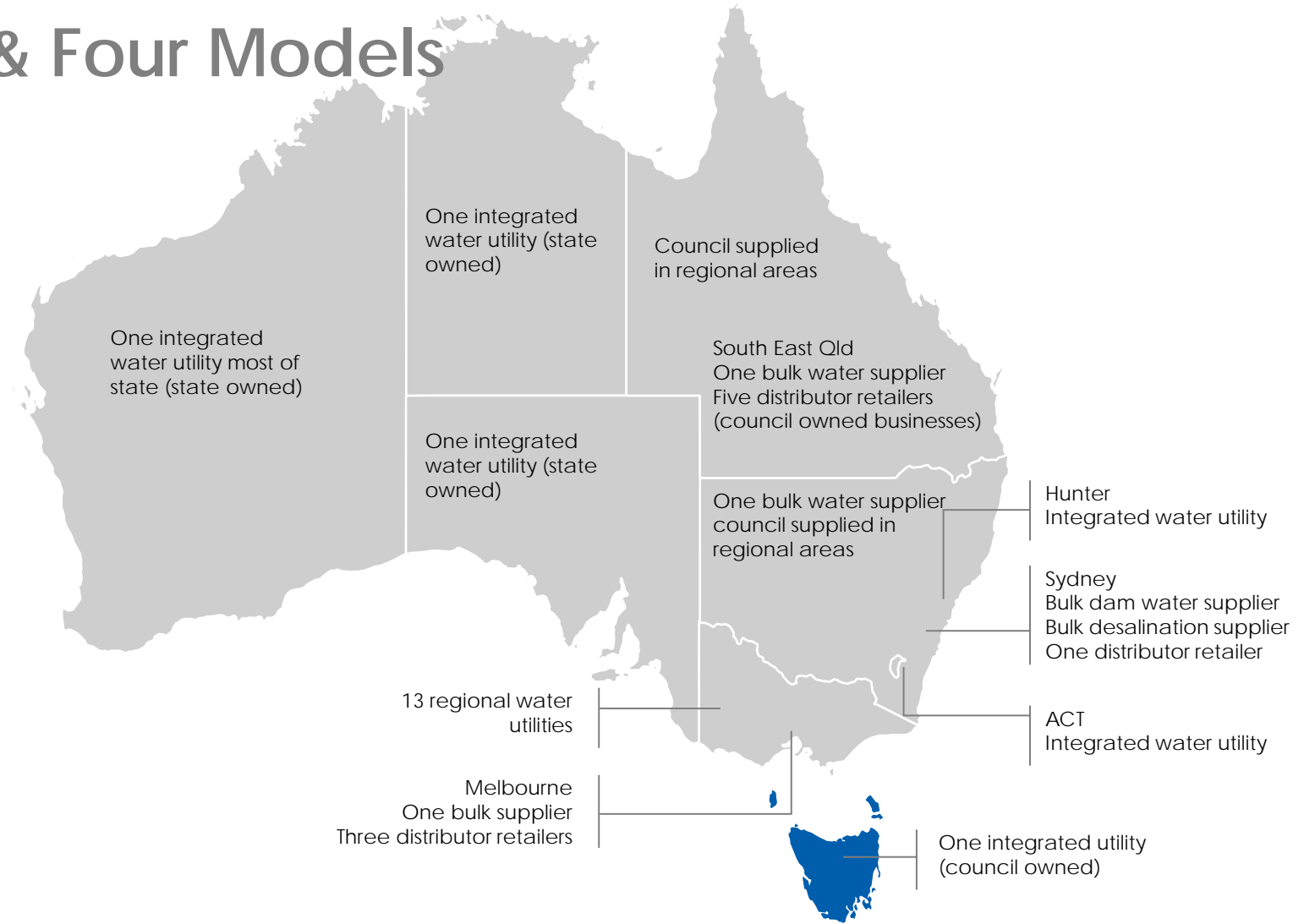
Eight States/Territories & Four Models

Components of Water Services are:
Wholesale/Bulk Water, Retail Water, Irrigation, Catchment Management, Bulk Sewerage, Domestic Sewerage & Trade Waste

Western Australia, Northern Territory, South Australia & Tasmania have an Integrated Model.

Queensland, New South Wales and Victoria have different Models.

We will elaborate on the Tasmanian Model in today's session.



TasWater – An Integrated water service Provider

- Tasmania Population – 525,000
- There are 2 water utilities in Tasmania:
 - **TasWater** provides urban water & sewerage service
 - **Tasmanian Irrigation** provides irrigation water services
- TasWater is owned by all the 29 councils and the State Government
- Tasmanian Irrigation is State Government Owned



Tasmanian Reforms in Brief

- The Tasmanian water industry has undergone significant structural and regulatory reform since 2008.
- On 1 July 2009, three Regional Water and Sewerage Corporations were established:
 - Ben Lomond Water (Northern Tasmania);
 - Cradle Mountain Water (North-West Tasmania); and
 - Southern Water (Southern Tasmania)
- The *Water and Sewerage Corporations Act 2008* provided ownership of the Corporations would remain with local government (based on value of asset transfers)
- From 1 July 2009 the Regional Corporations commenced the delivery of all the water and sewerage services previously provided by the 29 councils.
- A Common Services Corporation (Onstream) was established as a subsidiary of the three Regional Corporations to provide services such as HR, payroll, billing etc.
- In 2013, the three corporations and the common services business was merged to form TasWater with a combined council ownership remaining.



Mayor Jan Bonde

- Current Mayor of Central Coast Council (in office since 2010)
- Former Chief Representative of the Cradle Coast Authority
- Former Member of General Management Committee of LGAT (Local Government Association of Tasmania)



Andrew Wardlaw

- Former GM (equivalent to NZ CEO) at Burnie, King Island & West Coast Councils
- Former National President of LGPA (LG Professionals Australia)
- Former Director of LGPA Tasmania
- On multiple boards – Burnie Airport, Tas Communications, etc.



Paul West

- Former GM (equivalent to NZ CEO) at Devonport, Kingborough & Waratah Wynyard Councils.
- Was on Board & Executive Committee of LGP, LGMA (National),
- Former National President of LGMA
- Former member of Local Government Board of Tas



Jim Martin

- Former Program Manager for Formation of Ben Lomond Water
- Former MD (Acting) of Southern Water
- Former CEO of North-East Water & Ovens Water in Victoria
- Currently, SPICAE's Chief People & Change Office

The Start of the Reform

- 1994** Council of Australian Governments (COAG) an intergovernmental forum, releases a framework for Water Reform
- 2004** Federal Government Initiates National Water Initiative (NWI) that replaced the existing COAG Framework
- 2005** Tasmanian Government became a signatory of the National Water Initiative (NWI)
- 2006** Tasmanian Premier Paul Lenon in the State of the State Address said:
 - The future of Tasmania's water and sewerage is the most important infrastructure issue facing the State
 - Quality of water & sewerage services are vital to improving public health, environment & growth
 - The Government would establish a **Ministerial Water and Sewerage Taskforce** to deal with this issue
- 2006** The Taskforce was setup and a discussion paper was released in December 2006

In 2007 the following events happened:

- In responding to the discussion paper, many smaller councils expressed concern that they would not be financially viable if they lost the revenue they received from the provision of water and sewerage services.
- **The Local Government Association of Tasmania (LGAT)** raised concerns and in their Annual Report 2006/07 noted there was a lack of Communication & Engagement by State Government with Local Government.
- **An issues paper** was subsequently written and released by the LGAT.
- The **President & CEO of LGAT met with the Treasurer to voice dissatisfaction with the process** & seek a better way forward.
- An **Implementation Joint Steering Committee (IJSC)** comprising of State Government and Local Government Representatives was formed.
- The **President of LGAT was the Chair** of this committee (IJSC).

The Key Drivers for Reform

Extract from Address to Tasmanian Parliament by Treasurer Michael Aird in 2008:

About \$1 billion of new water and sewerage infrastructure was required in Tasmania over the next decade

Half of the 29 Councils had not completed asset condition assessments and 70 per cent did not have adequate asset management plans

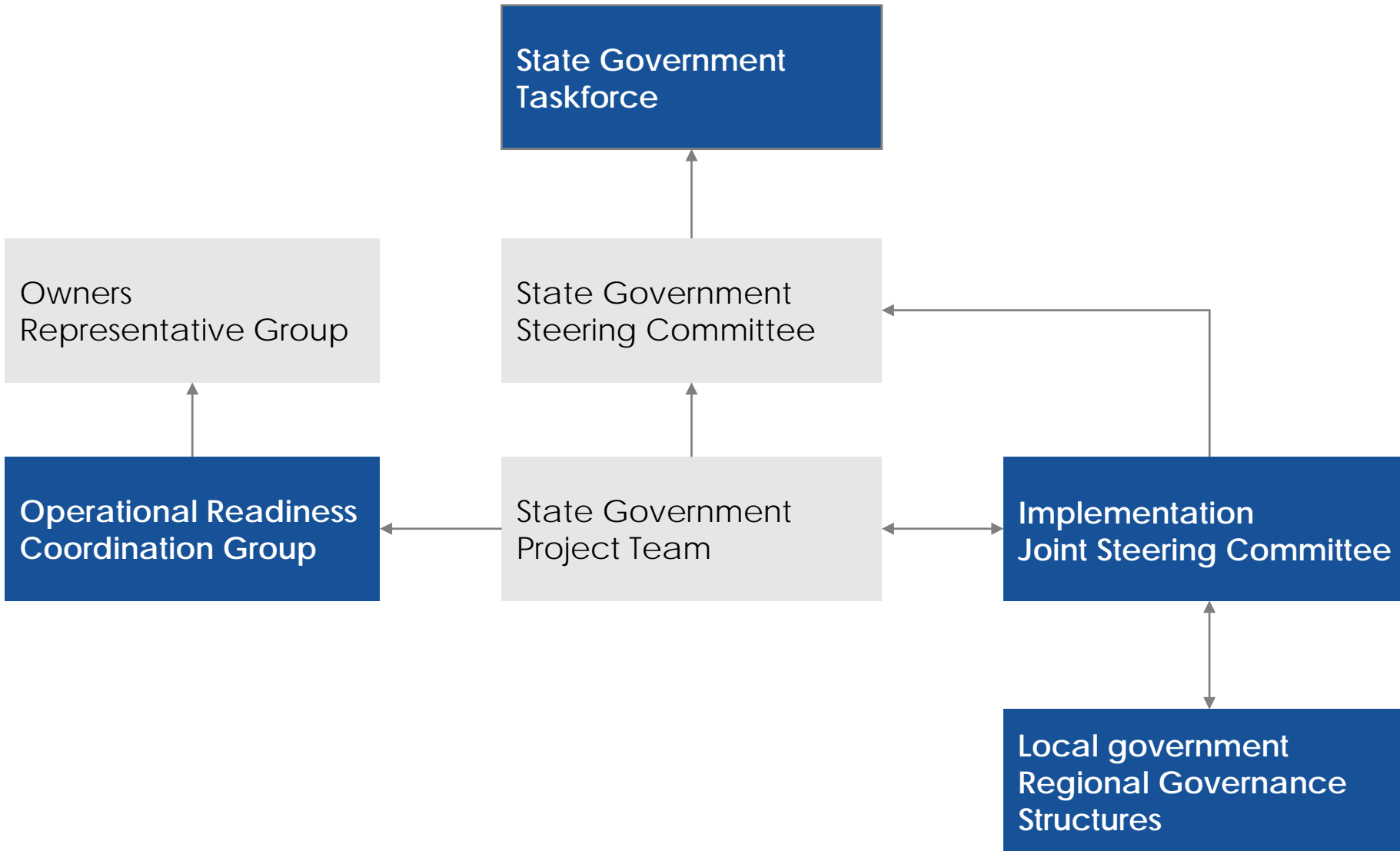
The financial returns from the sector average around 2 to 3 per cent, which had resulted in little capacity to service debt and an under-investment in infrastructure

Approximately 50 per cent of the wastewater treatment plants in Tasmania were not always in compliance with their licence conditions

That 23 water supply areas were on permanent boil water alerts, including key tourism areas

Tasmania's water and sewerage regulatory framework was light-handed compared to other Australian states

Reform Implementation Governance



The **Taskforce's** priorities were to ensure the sector operates on an appropriate commercial basis & has the balance sheet capacity and managerial & technical expertise to cope with future challenges.

The **Implementation Joint Steering Committee (IJSC)** will have a key role in managing the implementation of structural reform.

The **Operational Readiness Co-ordination Group (ORCG)** for the new corporations will be created to develop appropriate organisational structures and establish the required start-up and on going capabilities for the businesses.

The **Local Government Regional Groupings** established arrangements to address structural reform implementation and manage impacts in line with IJSC requirements.

The **Implementation Joint Steering Committee (IJSC)** was established to:

- Oversee the implementation processes including due diligence
- Drafting constitutions and the Shareholder's Letters of Expectation (SLE)
- Initial funding of the Corporations and
- Initial functions of Common Service Provider (CSP)
- Develop and implement communication strategy and transition plans
- **\$5 million** was provided to the local government sector to assist with the transition process
- The IJSC was chaired by the **President of LGAT** and comprised members of local government (elected and officials) and key State Government officials

The State Government considered four structural models:

- State owned single entity
- State owned regional entities
- Local Government owned single entity
- Local Government owned regional entities

Local Government's preferred model entailed the following characteristics:

- Regional entities
- Owned by Local Government
- Dividends to be retained by Local Government
- Tax equivalents paid to Local Government
- No detriment to employees
- No financial impact on councils

Negotiated Model – Three Entities

The regionally owned model was ultimately negotiated and agreed but with the following stipulations by the State Government:



- The three corporations must conduct a dialogue with Treasurer/Minister on strategic issues
- Common Chair and 3 Common Board Members with requisite expertise to be appointed to all three boards
- 3 Board Members were also appointed from each region
- A Common Service Provider Corporation to be established to service the 3 Regional Corporations
- An ex-officio committee to be established for initial board appointments
- That the Corporations be subject to Parliamentary scrutiny via Government Business Enterprise (GBE) Committee

Three Entities to One - TasWater

In 2013, the three entities and the common service provider merged to form TasWater



- TasWater is owned by the **29 Local Councils & the State Government** (which has a 10% share)
- The **councils have varying levels of equity** based on the value of assets minus liabilities that transferred
- The 29 councils each have one representative on the **Owners Representative Group (ORG)**
- The councils receive a **Dividend** every year from TasWater – there is a cap on the total dividends (currently \$20M)
- TasWater has **an independent, skill-based Board** that can have a maximum of Seven Independent Directors

Report of Auditor-General No. 2 of 2017-18*

Summary of Findings:

- ✓ Reforms have delivered improved public health benefits.
- ✓ Strategic asset management has improved with increase maturity.
- ✓ Service delivery & customer relations has improved.
- ✓ The reforms have largely delivered the expected financial benefits.
- ✓ The introduction of two-part pricing has provided customers with an equitable pricing approach.
- ✓ Reforms have provided the regulated entities with increased revenues & cash flows.
- ✓ Greater flexibility to deal with the capital expenditure program and access to higher levels of debt funding.
- ✓ Strong benefit from prices being set by the Economic Regulator, taking the responsibility of price setting away from Councils.
- ✗ Long-term Environmental benefits have not been achieved – this is now driving investment in sewerage and stormwater infrastructure.

What didn't work well?

- The Initial Three Corporations did not have sufficient scale
- Common Service Provider for shared services was ineffective
- Varying Pricing Structure across the three water entities caused issues

WATER REFORM IN TASMANIA

FORUM

