

# AGENDA – ORDINARY MEETING

## 20 MARCH 2017



### CORP 4 STATE GOVERNMENT TAKING CONTROL OF TASWATER

#### **Attachments: Section 1 – Page 180**

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#### **1 PURPOSE OF REPORT**

The purpose of this report is to present information to Council in respect to the State Government taking control of TasWater.

#### **2 INTRODUCTION/BACKGROUND**

At a meeting with local government representatives in Hobart on Friday 24<sup>th</sup> February 2017 the State Government announced that it would be taking control over TasWater from 1<sup>st</sup> July 2018.

The Treasurer, Hon Peter Gutwein MP stated

*“The State Government has decided that the best way to resolve Tasmania’s inadequate water and sewerage infrastructure is to assume ownership and control over TasWater.*

*This will facilitate a faster solution to the problem and resolve the long term underinvestment that has led to the current unsatisfactory situation.”*

The State Government has decided to intervene as it considers unacceptable that:

- Tasmania’s brand for having a clean and safe environment is at risk because water and sewerage systems are not up to standard,
- despite substantial structural reform, TasWater continues to face significant challenges in meeting environmental, public health, dam safety and water regulations under Council stewardship,
- 25 towns remain on boil water or do not consume alerts, and only one of Tasmania’s 78 level two sewerage plants is 100 percent compliant with EPA discharge to water limits.

The state government have promised that under its control there will be lower water prices, no need for Council rate increases, water and sewerage problems fixed sooner with its greater capacity to financially contribute (10 year Capital Works program complete over a 5 year period), there be no change for TasWater employees, and no privatisation of TasWater in the future.

Further background information from the State Government for its decision to take control of TasWater is explained in the attachments to this report, copies of which have been previously circulated by LGAT.

The Treasurer has been invited to attend the LGAT General Meeting on the 7<sup>th</sup> April to discuss the matter further after parties have had time to consider all details of the proposal.

#### **3 STRATEGIC PLAN 2017-2027**

The Strategic Plan 2017-2027 provides the guidelines within which Council operates.

- Lead –
  - Leaders with ImpactCore Strategies:
  - ♦ Communicate – Connect with the community
  - ♦ Lead – Councillors represent honestly with integrity

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- ♦ Manage – Management is efficient and responsive
- Money Matters
  - Core Strategies:
    - ♦ Budgets are responsible yet innovative
    - ♦ Efficiency in resource sharing and Council reform
    - ♦ Improve community assets responsibly and sustainably
  - Economic Development – Supporting Growth & Changes
    - ♦ New & expanded small business is valued
    - ♦ Support new businesses to grow capacity & service
    - ♦ Towns are enviable places to visit, live & work
    - ♦ Minimise industrial environment impact on amenity
    - ♦ Developers address climate change challenges
    - ♦ Maximise external funding opportunity

#### 4 POLICY IMPLICATIONS

State and Local Government Consultation Partnership Agreements seem not to have been followed in this take-over proposal.

#### 5 STATUTORY REQUIREMENTS

The State Government intends to establish a new government business to provide water and sewerage services in Tasmania, through legislation to be introduced in the 2017 Spring session of Parliament and for the new business to commence operations on 1 July 2018.

The legislation for the take-over of TasWater would contain explicit provisions to prevent the future privatisation of TasWater.

#### 6 FINANCIAL IMPLICATIONS

The State Government has advised that the current price determination for water and sewerage will be extended to 30 June 2019 with the price increase set at 2.75% for customers on the target tariff. Future target price increases to be within 2.75% to 3.5% range.

The State Government would legislate to provide Councils with payments of \$20 million per annum for 2018-19 and continue over a seven-year period (up until 2024-25), to provide Councils with the same returns as announced by TasWater last year. After this period Councils to receive one half of any returns from the entity in perpetuity.

Northern Midlands Council has assets worth some \$39.6m invested into the TasWater business, and it receives 2.52 percent or \$756,000 of the total annual TasWater distributions per annum.

A previous decision by TasWater will see a reduction of distributions to Tasmanian Councils from \$30m to \$20m in 2018-19 which is estimated to result in a revenue reduction for this council of \$252,000 per annum (or 2.4% of general rate revenue).

Under the State Government proposal after the initial seven-year period Council distributions could reduce by a further 50% to \$10m (equivalent to another 2.4% of general rate revenue).

#### 7 RISK ISSUES

The aim of all parties is to minimise the health risk to the community with the delivery of quality water and sewer infrastructure and services at affordable prices.

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### 8 CONSULTATION WITH STATE GOVERNMENT

The only consultation was initially at a meeting called by the Treasurer in late February, but has been followed by several media releases since that time from the Government, LGAT and TasWater.

### 9 COMMUNITY CONSULTATION

Public media releases have been issued to community news outlets.

### 10 OPTIONS FOR COUNCIL TO CONSIDER

Council must form an opinion on this issue prior to the Local Government Association of Tasmania meeting on 7 April 2017.

### 11 OFFICER'S COMMENTS/CONCLUSION

Further information will be circulated to Councillors as received from the State Government, TasWater and LGAT for consideration.

### 12 ATTACHMENTS

- 12.1 State Government Brief - Taking Control of TasWater – March 2017
- 12.2 LGAT Media Releases
- 12.3 TasWater Media Release

#### RECOMMENDATION 1

That Council discuss the matter.

#### RECOMMENDATION 2

That Council take the position that TasWater remain in the ownership of Tasmanian Councils.

That Council reconsider its position once government provides a business case behind the State Government's proposed takeover of TasWater, its 10 year Financial Plan and 10 year CAPEX Plan compared to TasWater's 10 year Financial Plan and 10 year CAPEX Plan.

That it be placed on record, Council requests the following from the State Government:

- a. Evidence of the capacity of local business/industry to deliver the accelerated infrastructure program;
- b. The proposed 50/50 distributions projections post the 2024/25 financial year, and how these will be guaranteed;
- c. A guarantee that annual charge increases will be no greater than CPI; and
- d. The proposed plan for headworks charges.

#### DECISION

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