



23 August 2016

Dear Mayor, Owners Representative and/or Council General Manager

Despite our best efforts and the support of Chief Owners Representative, David Downie and LGAT President, Doug Chipman, TasWater did not manage to secure a funding commitment from the State and Federal Governments during the lead up to the Federal Election.

The TasWater Board have considered the position it now finds itself in and has resolved that it must address Tasmania's critical water quality infrastructure issues as a matter of urgency and prepare a fully funded plan to address the ageing sewerage infrastructure issues.

The recent water borne outbreak in New Zealand where two thousand people in the Hastings community have become ill as a result of drinking contaminated water is a salutary reminder of the fundamental importance of adequately maintaining, renewing and future proofing our critical drinking water infrastructure.

We have determined that we must target the removal of the permanent boil water alerts and do not consume alerts that currently affect 24 Tasmanian townships, and do this within the next two years.

We expect to halve the number of towns on permanent alerts by 30 June 2017 and remove all remaining permanent alerts within two years.

Further, we must address the other areas of key vulnerability in water quality as a matter of priority.

However this comes at a cost. TasWater will target additional savings which will mean that total savings subsequent to the establishment of the corporation will approximate \$25 million per annum.

But these savings are insufficient of themselves to bridge the gap, and the TasWater Board has determined that for a period of seven years commencing 1 July 2018, TasWater will freeze annual distributions to Owner Councils at \$20 million.

The previous commitment to maintain distributions at \$30 million per annum until 30 June 2018 will be honoured.

It is acknowledged that the reduction and extended freeze in payments will be challenging for Owner Councils. But in effect there is no choice. TasWater must address the state of its infrastructure; the risks of not doing so are too great.

Councils will likely ask the question is the dividend a matter for the Board or Councils. The answer is that dividends are the responsibility of the Board.

Councils may also ask why did TasWater take the resolution for Councils to endorse a freeze to the June Owners Meeting. The answer is that it was our hope and belief that Councils resolving at a meeting would carry more influence with State and Federal governments than if the TasWater Board made the decision.

Looking to the longer term we have prepared a revised plan to address all water and sewerage infrastructure problems over the next ten years.

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This plan does not include addressing the relocation of the Macquarie Point wastewater treatment plant.

Macquarie Point is an adequately functional sewage treatment plant and in that circumstance it is the responsibility of others to fund the relocation.

However we do acknowledge the economic importance of this development to the State and will continue to work closely with both the State Government and the Macquarie Point Development Corporation to help keep the cost of relocation to a minimum.

Further, the revised plan does not include tackling the issues created by the flow of stormwater into TasWater's Launceston sewerage system.

It is our view that the problems arising from the flow of stormwater into our sewerage system are not the responsibility of TasWater.

However TasWater will work with the Launceston City Council to identify how the issues can be resolved at least cost and support them in applications for funding assistance.

The revised TasWater plan will see very substantial expenditure in all regions of the state, with the greatest expenditure around the Tamar River where TasWater will spend \$300 million upgrading &/or replacing the seven waste water treatment plants that discharge into the river.

We are confident that with the additional contribution of Owner Councils, further savings to be identified within the business, we can address all of our infrastructure shortcomings, and do so within ten years.

To recap on the maths, we had previously been seeking \$400 million in assistance to bridge the funding shortfall.

With Macquarie Point and the Launceston combined system not being part of our revised plan, the shortfall will be reduced to \$150 million and the the reduced payments to Councils will leave us with a shortfall of around \$80 million.

We expect to help bridge the gap by increasing the targeted savings inside TasWater beyond that previously anticipated.

In summary our revised plan has TasWater:

- **tackling critical water quality issues immediately,**
- **addressing the sewerage infrastructure shortcomings, and**
- **removing the need for external funding assistance at this time.**

There is no doubt that the reduction and extended freezing of distributions will create challenges for a number of Councils.

TasWater has previously targeted a 10 year capital program of \$1.1 billion. By reducing payments to Councils by \$150 million, and TasWater targeting aggregate operational savings of \$25 million per annum, we can fund the revised capital program of \$1.5 billion.

Without assistance from government we must take the actions that are essential for the provision of safe and reliable drinking water across Tasmania and in the longer term address the shortcomings in our sewerage infrastructure.

Should you wish to discuss the content of this letter please contact the writer on 0418 120 163 or TasWater CEO Mike Brewster on 0439 046 974.

Yours faithfully

A handwritten signature in black ink that reads "Miles Hampton".

Miles Hampton
Board Chairman