



## Agreement reached on TasWater

Today an historic agreement has been reached between the State Government, the Local Government Owners Chief representative and TasWater to improve water and sewerage services in Tasmania.

An MoU (attached) will pave the way for a package of reforms that will be presented to council owners and, if supported by councils, tabled in Parliament.

Tasmanians will benefit from a partnership that will see a reduction in forecast price increases, accelerated infrastructure upgrades and a joint focus on major projects such as Macquarie Point, the Launceston combined system and MONA.

The Government and TasWater will also work together on trade waste and expanding water and sewerage services to parts of the State that aren't currently covered by TasWater's network.

Under the agreement, the Government will inject \$20 million per year for the next ten years into TasWater and in return will become a shareholder of TasWater.

Under the agreement, local government will retain majority ownership of TasWater and new governance arrangements will ensure that State and Local Government will work together with TasWater's board to deliver the capital program.

The Treasurer, Peter Gutwein, said it was pleasing to see all parties coming together with a clear focus on what is in the best interests of Tasmania.

"This package of reforms, if endorsed by Local Government owners and supported by Parliament, will allow the State Government to fulfil its commitments regarding prices and infrastructure investment."

Chief Owners Representative and Mayor of the Northern Midlands Council, David Downie said the agreement would allow TasWater to build on the excellent work done to date and Councils will be able to maintain a focus on local economic issues while continuing to have a major say on the direction of TasWater. This is particularly important given the impact of water and sewerage on local

communities. Importantly, dividends to Local Government owners will be guaranteed and the State Government will not receive a dividend.

Doug Chipman, President LGAT, and Mayor of Clarence City Council said it was extremely pleasing to see all levels of government come together in partnership on such an important matter for Tasmanians.

The Chairman of TasWater, Miles Hampton, said the Board was pleased that the State Government and Owner Councils had reached agreement to move forward in a cooperative and collaborative manner.

“The reform of the water and sewerage sector is arguably the single most important economic reform that has been undertaken in Tasmania for many decades and we can now focus our entire effort on ensuring the benefits expected from the reform are realised.”

# **Memorandum of Understanding made at Hobart on 1 May 2018**

## **Progressing further reforms in Tasmania's water and sewerage industry**

### **1. Key principles and objectives**

- 1.1. The State Government, TasWater and the Chief Representative of the Owners' Representatives Group have reached in principle agreement to work together to further reform the important water and sewerage sector to achieve the following key outcomes:
- a. The State Government to become a part owner of TasWater, involving revised governance arrangements, to enable Local Government and the State Government to work together to improve water and sewerage outcomes for the betterment of Tasmania;
  - b. TasWater will accelerate its water and sewerage infrastructure investment program;
  - c. future regulated water and sewerage prices in Tasmania will be capped until 30 June 2025; and
  - d. TasWater continues to be a sustainable and financially viable corporation that delivers water and sewerage services in Tasmania effectively and efficiently.

### **2. Joint ownership of TasWater**

- 2.1. The parties will work together to develop a joint ownership model with the objectives of ensuring that:
- a. the councils of Tasmania collectively will retain majority ownership of TasWater;
  - b. the State becomes an owner, through a new class of shares, which will reflect the State's decision to not receive any distributions from TasWater;
  - c. the councils will continue to receive payments as agreed between them and the corporation and the option of legislating this commitment will be jointly explored;
  - d. TasWater's corporate plan is jointly agreed between the Owners' Representatives and the State, with agreed arrangements in place in the event of deadlock;
  - e. the State to be included in the process for the appointment of the Board and both the Chief Owners Representative and the State to be consulted regarding the appointment of the CEO;
  - f. the Chief Owners Representative, Chair and the CEO of TasWater are to appear at the GBE Scrutiny Committee of the lower and upper house in alternate rotation;
  - g. TasWater provides financial and other information to the Department of Treasury and Finance which will allow the Department to provide advice to the owners as it does for State Government businesses;

- h. there are regular post Board meetings between Ministers (the Treasurer and the Minister for Primary Industries and Water) and the Chair and Chief Executive Officer of TasWater;
  - i. TasWater's corporate governance documents, including its Constitution and the Shareholders' Letter of Expectation, are amended to reflect the changed governance arrangements; and
  - j. the State will provide contributions to TasWater, to a total of \$200 million over the ten year period commencing on 1 January 2019, with the first contribution provided in the 2018-19 financial year. The parties will work cooperatively to develop a schedule for the State's contributions over the ten year period.
- 2.2. The State will introduce legislation into the Parliament to allow TasWater to be jointly owned by the councils of Tasmania and the State. The Bill will reflect the revised governance arrangements agreed by the parties.

### **3. TasWater's Infrastructure Investment Program**

- 3.1. The parties acknowledge that TasWater continues to refine its long term infrastructure investment program in consultation with the Tasmanian Economic Regulator, the Environment Protection Agency, the Director of Public Health and the Dam Safety Regulator.
- 3.2. The parties will jointly develop an accelerated infrastructure investment program, ensuring that TasWater will use best endeavours to deliver over the remainder of its most recent 10 year infrastructure plan, sufficient investment to achieve a target of \$1.8 billion of total infrastructure investment.
- 3.3. The parties will investigate the introduction of a community service obligation mechanism so that investment projects that are not commercial in their entirety can be considered in the context of broader benefits to the State and how these projects might be funded.
- 3.4. The parties will work cooperatively to progress major investment projects of special economic or environmental importance to Tasmania, which includes all reasonable endeavours to secure Australian Government funding. These projects include:
  - a. the Launceston sewerage/stormwater separation project; and
  - b. the works at the Macquarie Point waste water treatment plant necessary for the development of the Macquarie Point site.
- 3.5. The parties will investigate amendments to simplify TasWater's obligation to account for income tax equivalent payments and government guarantee fees, noting that Councils cannot be disadvantaged.

### **4. Water and Sewerage Pricing**

- 4.1. Regardless of the outcome of the Tasmanian Economic Regulator's 2018 Price Determination or any subsequent Determination, TasWater provides in principle commitment to:
- a. freezing prices for regulated services for water and sewerage customers from 1 July 2019 to 30 June 2020;
  - b. develop a future price profile for regulated water and sewerage services with annual price increases for target tariffs to be no greater than 3.5% commencing from 1 July 2020; and
  - c. applying any subsequent Determination by the Regulator if it is below 3.5%.
- 4.2. The State, with the agreement of the other parties, will introduce the necessary legislative amendments to establish pricing arrangements for customers who are currently significantly below the target tariffs to ensure that they reach the target tariffs as soon as practicable, without facing significant price shocks.
- 4.3. Subject to any requirements arising from paragraph 4.2, the current economic regulatory arrangements as set out in *Water and Sewerage Industry Act 2008*, the *Economic Regulator Act 2009* and associated Regulations will continue to apply, noting that this will require the Tasmanian Economic Regulator to regularly review TasWater's financial performance, including the prices, operational efficiency and investment program necessary to maintain sustainability.

## **5. Trade Waste**

- 5.1. The parties commit to monitor the effectiveness of recent announcements by TasWater on trade waste and work together if further enhancements are required.

## **6. Implementation**

- 6.1. The parties will act in good faith and use their reasonable endeavours to implement the measures and deliver the key outcomes set out in this MOU.
- 6.2. Subject to paragraph 6.1, the parties will work together to develop by September 2018 the necessary Agreement(s) and documentation that will support endorsement of the proposed principles and objectives of this MOU by TasWater's owner councils and drafting of the necessary supporting Legislation.
- 6.3. The Agreement(s) and documentation will specify, amongst other terms:
- a. the contributions to TasWater from the State specified in paragraph 2.1;
  - b. the commitment by TasWater to implement the pricing measures specified in paragraph 4;
  - c. changes to TasWater's governance documents to reflect the changed ownership and governance arrangements for TasWater specified in paragraph 2;

- d. provisions to be included in a draft bill to amend the *Water and Sewerage Corporation Act 2012* to reflect agreed changes to the ownership and governance of TasWater; and
- e. commitments for the accelerated infrastructure program specified in paragraph 3.

## **7. General**

- 7.1. This MOU can only be changed by the agreement of each of the parties in writing.
- 7.2. This MOU is not legally binding and does not give rise to legally enforceable obligations or legal liability.
- 7.3. Nothing contained in or implied by this MOU creates or is taken to create a partnership, joint venture, agency or trust.

**Signing page**

Signed for and on behalf of the Crown in Right of Tasmania by:

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Hon William Hodgman MP, Premier

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Hon Peter Gutwein, Treasurer

Signed for and on behalf on the Tasmanian Water & Sewerage Corporation Pty Ltd  
ACN 162 220 653 by:

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Mr Miles Hampton, Chair

Signed for and on behalf of the Owners' Representatives of the Tasmanian Water &  
Sewerage Corporation Pty Ltd ACN 162 220 653 by:

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Mayor David Downie

Dated:.....