

Presentation to New Zealand water summit

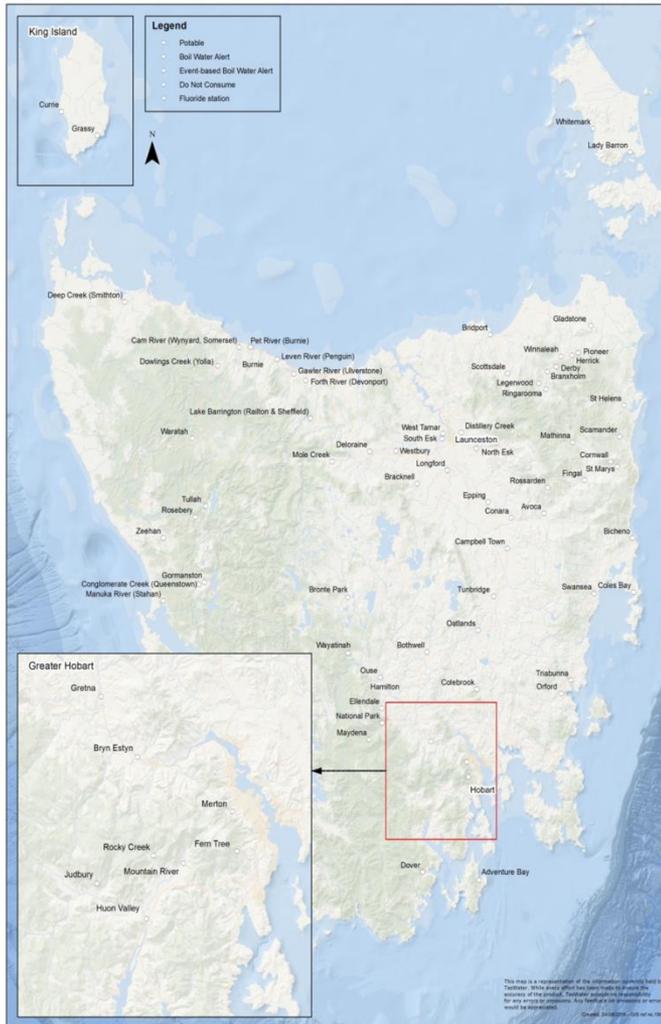
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Background



Tasmania

- Population nom. 522,000
- Area - 68,401km²

TasWater

- 204,949 water connections
- 70 drinking water systems
- 300+ dams
- 113 sewage treatment plants
- 970 pump stations
- 11,000km water & sewer mains

Why were reforms implemented?

- 2005 Engineers Australia assessment ranked Tasmania as having the worst water and wastewater infrastructure in the country
- In 2006 Ministerial taskforce set up with set of objectives around water security, improving water and sewerage infrastructure and planning, economic benefits, greater efficiency and improved pricing signals through structural reform
- Tasmania's water and sewerage regulatory framework deemed light handed compared to other states
- Goal to comply with National Water Initiative as a means of securing federal funding for addressing failing infrastructure

Situation prior to reforms

- Over 100 STPs and 70 drinking water systems managed by 29 Councils and three bulk water authorities
- Investment of \$1 billion estimated to be needed over 10 year period to bring services up to contemporary standards
- Half of councils had not completed asset condition assessments and 70 per cent did not have adequate asset management plans
- Financial returns from the sector inadequate for servicing debt and resulting in underinvestment in services
- 23 water supply areas on permanent Boil Water Alerts – limited sampling and compliance with modern day drinking water standards
- Poor environmental performance
- But for most customers no visibility of actual water pricing and limited understanding of need for change

How were the reforms implemented?

- New water and sewerage legislation introduced in 2008: Water and Sewerage Industry Act and Water and Sewerage Corporations Act
- State government expected to be accountable for ensuring reforms are properly implemented
- Four water corporations set up under Local Government ownership with tax equivalent payments, loan guarantee fees and dividends paid to owners.
- Owners expected to promote economic development
- Independent skills based Boards appointed for each corporation – council representatives excluded
- New Acts resulted in significant tightening of regulatory oversight with four primary regulators put in place – economic, health (drinking water), environmental and dam safety.

Current situation

- Single water and sewerage body TasWater formed on 1 July 2013
- Approximately \$1Billion in capital investment since 2009 – another \$1.5 billion planned for next decade
- All drinking water public health warnings on track for removal by end of August 2018 (29 removed in last two years)
- Expect to be fully compliant with drinking water Health Based Targets within 3 years
- Still owned by Councils but State Government taking up 10% share in January 2019
- Still managed by independent skills based Board

Current situation

- Long Term Strategic Plan with clear objectives and strategies in place - supported by Regulators so provides stability
- Means of funding remainder of upgrade program and price path largely determined
- Operational costs growing as new plants coming on line but being partially offset by productivity gains (nom \$20M in annual savings since commencement)
- Lots of benchmarking and customer feedback means we are clear on gaps and which we need to close
- Customer base not convinced that TasWater provides value for money or indeed reforms were needed but perceptions changing

Benefits of current arrangements

- Independent Board means strong focus on customer and providing value for money
- The need for long term planning is well understood and funding for the long term is in hand
- Scale enables TasWater to attract high calibre employees with experience in industry and change
- Sensible asset rationalisation and productivity gains from state-wide focus and scale
- Strong relationship between councils and TasWater means we are working together for benefit of regional communities, not just larger urban centres
- Government coming in as part owner means better key stakeholder alignment between government, TasWater and councils
- Strong regulatory oversight and robust relationships means TasWater remains very focused, high degree of transparency, held to account for deliverables and performance benchmarked where it makes sense
- Key performance metrics improving rapidly after early years of foundation building

Current challenges

- Trade-off between price increases and speed of program creates public debate but helped by independent economic regulation
- Still too many assets. In an ideal world much more rationalisation, but constrained by cost and life cycle stages of plants
- Working on changing community perceptions – lost opportunity in early years
- Access to certain specialist skill sets, particularly project management
- Capital program was \$105M in FY2017, \$135M in FY2018 growing to approximately \$200M by FY2021 and sustained to FY2026

Funding water quality improvements

- Everyone contributes
 - One third reduction in council returns
 - Customer price increases
 - State government equity injection
 - TasWater productivity savings and focus on extending the life of some assets (particularly linear assets)
- Going forward leveraging 'big data', IoT etc to reduce operating costs and improve services

Impact on Councils

- Some pain in the early years for some councils, but priority dividends and consistent returns helped
- Returns intended to offset lost revenue
- Generally like concept of ownership but challenged by the public and government in terms of continuing to receive returns while assets require investment
- Some initial growing pains in terms of how we work together but councils generally focussed on the big picture

Reflections

What matters

- Government and councils must arrive at a model where all have a clear role and accountability
- Independent skills based Boards and professional management with strong change skills
- Collaboration, listening, flexibility are essential – no room for ideologies; must be best for state/country and customers
- The ‘value for money’ case must be made for customers early on – don’t assume they will just ‘get it’!
- Learn from others – it’s all been done before eg UK/Europe visit 2015, lessons learned from the rest of Australia
- No quick fix – must be well considered, focus on data, build long term plan for industry
- ‘Good’ regulation is a ‘must have’ – pragmatic but held to account and work together