Special Meeting

Minutes

13 May 2011

1 Windsor Drive

Windsor Precinct, Riverside

34 Patrick Street, GPO Box 1521, Hobart, Tas 7000
Phone: (03) 6233 5966
Fax: (03) 6233 5986
Email: admin@lgat.tas.gov.au
Home Page: http://www.lgat.tas.gov.au
PROCEDURAL MATTERS.
RULES REGARDING CONDUCT OF MEETINGS

13. WHO MAY ATTEND A MEETING OF THE ASSOCIATION

(a) Each Member shall be entitled to send a voting delegate to any Meeting of the Association, such voting delegate exercising the number of votes determined according to Rule 16(a).

(b) After each ordinary Council election, the Chief Executive Officer shall request each Member to advise the name of its voting delegate and the proxy for the voting delegate for Meetings of the Association until the next ordinary Council elections.

(c) Members may change their voting delegate or proxy at any time by advising the Chief Executive Officer in writing over the hand of the voting delegate or the General Manager prior to that delegate taking his or her position at a Meeting.

(d) A list of voting delegates will be made available at the commencement of any Meeting of the Association.

(e) Members may send other elected members or Council officers as observers to any Meeting of the Association.

14. PROXIES AT MEETINGS

(a) Up to 1 hour prior to any Meeting of the Association, a Member may appoint another Member as its proxy.

(b) The form of the proxy is to be provided by the Chief Executive Officer and is to be signed by either the Mayor or General Manager of the Council appointing the proxy.

(c) The Chair of the meeting is not entitled to inquire as to whether the proxy has cast any vote in accordance with the wishes of the Member appointing the proxy.

(d) Proxies count for the purposes of voting and quorum at any meeting.

15. QUORUM AT MEETINGS

At any Meeting of the Association, a majority of the Member Councils shall constitute a quorum.

16. VOTING AT MEETINGS

(a) Voting at any Meeting of the Association shall be upon the basis of each voting delegate being provided with, immediately prior to the meeting, a placard which is to be used for the purpose of voting at the meeting. The placard will be coloured according to the number of votes to which the Member is entitled:

<table>
<thead>
<tr>
<th>Population of the Council Area</th>
<th>Number of votes entitled to be exercised by the voting delegate</th>
<th>Colour placard to be raised by the voting delegate when voting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 10,000</td>
<td>1</td>
<td>Red</td>
</tr>
<tr>
<td>10,000 – 19,999</td>
<td>2</td>
<td>White</td>
</tr>
<tr>
<td>20,000 – 39,999</td>
<td>3</td>
<td>Blue</td>
</tr>
<tr>
<td>40,000 and above</td>
<td>4</td>
<td>Green</td>
</tr>
</tbody>
</table>

(b) The Chairman of the meeting shall be entitled to rely upon the raising of a coloured placard as the recording of the vote for the Member and as evidence of the number of votes being cast.

(c) Except as provided in sub-rule (d), each question, matter or resolution shall be decided by a majority of the votes capable of being cast by Members present at the Meeting. If there is an equal number of votes upon any question, it shall be declared not carried.

(d) (i) When a vote is being taken to amend a Policy of the Association, the resolution must be carried by a majority of the votes capable of being cast by Members, whether present at the Meeting or not.

(ii) When a vote is being taken for the Association to sign a protocol, memorandum of understanding or partnership agreement, the resolution must be carried by a majority of votes capable of being cast by Members and by a majority of Members, whether present at the Meeting or not.

(iii) When a vote is being taken to amend the Rules of the Association, the resolution must be carried by at least two-thirds of the votes capable of being cast by Members, whether present at the Meeting or not.
# Table of Contents

1. Overview Of The Select Committee Process .......................................................... 6  
2. Key Inputs To The Hearing Process ........................................................................ 6  
3. Interim Report Findings And Recommendations .................................................. 7  
4. Discussions With The Premier .............................................................................. 8  
5. Motion – 5% Price Cap .......................................................................................... 8  
6. Motion – Increases .................................................................................................. 8  
7. Motion – Price Cap Compensation ......................................................................... 9  
8. Motion – Draft Pricing Principles .......................................................................... 9  
9. Motion – Approach To Charging .......................................................................... 9  
10. Motion – Upgrade Schedule ............................................................................... 10
A Special Meeting of the Association was called to discuss Water and Sewerage Pricing.

Mr Miles Hampton, Chairman of the Tasmanian Water and Sewerage Corporations, along with the three Chief Executive Officers of the regional corporations, Mr Mike Paine, Southern Water, Mr Andrew Kneebone, Cradle Coast Water and Mr Barry Cash, Ben Lomond Water addressed the meeting.

Also in attendance from the Tasmanian Water and Sewerage Corporations were -

Ms Sarah Merridew  Common Director
Mr Grant Atkins  Director, Cradle Mountain Water
Ms Jane Bennett  Director, Onstream

The Vice President, Mayor Deirdre Flint, declared the meeting open at 10.35am.

Apologies were received from -

Mayor Barry Easther  President
Ms Lyn Eyles  Central Highlands Council
Mr Greg Winton  Circular Head/Waratah Wynyard
Mayor Doug Burt  George Town Council
Lord Mayor Rob Valentine  Hobart City Council
Mayor Graham Bury  Kingborough Council
Mayor Carmel Torenius  Sorell Council
Mayor Tony Bisdee  Southern Midlands Council
Mr Peter Harder  West Coast Council
Mayor Charles Arnold  King Island Council
Mr Mark Goode  King Island Council

It should be noted that King Island Council have requested that the Minutes record that they were unable to attend the Meeting and as such, will not be bound by any decisions made at the meeting.
Report from The Vice President

The Association has no agenda here today in terms of a particular outcome it is seeking to achieve.

It has moved to call a Special Meeting in light of the recommendations of the interim Report of the House of Assembly Select Committee looking into Water and Sewerage. It should be noted by all in the room that while the Select Committee has tripartisan representation, it has no power to require parties to do anything.

It should also be noted that the former Premier supported the establishment of the Select Committee to allow the airing and consideration of a range of issues that had been raised with the Government and in the media.

The intent of the meeting today is to ensure that there is a thorough and common understanding by Association Members of the issues surrounding the water and sewerage pricing issue and the implications on the corporations and councils.

It is acknowledged that the Corporations have already had detailed discussions with council owners in relation to the corporate planning process and that much of what will be discussed today may have previously been canvassed.

It is not intended to subvert the owner/corporation relationship through today’s meeting but to ensure that before leaving today we all have a common understanding, and hopefully agreed public position on the matters subject to the Interim Report of the Select Committee.

It will also be important to have a formal and united response in relation to any decisions taken by the State Government in relation to its Budget deliberations on this matter that may have a detrimental impact on councils.
1 OVERVIEW OF THE SELECT COMMITTEE PROCESS

Terms of Reference
The House of Assembly has established a Select Committee to inquire into and report upon the three Tasmanian water and sewerage corporations and the common services corporation Onstream, with particular reference to:-

(a) the governance structure of the corporations and Onstream;
(b) the operating structure of the corporations and Onstream;
(c) the first 12 months financial performance of the corporations and Onstream;
(d) the impact of the structure, operations and legislation on the effectiveness and efficiency of the corporations and Onstream;
(e) the impact on future prices for consumers of the current corporate structures;
(f) the identification of strategies and options to enhance the structure, effectiveness and efficiency of the corporations and Onstream;
(g) the identification of a suitable transition mechanism to avoid a price shock at the end of the 5% (cumulative) price cap period on 1 July 2012, whilst ensuring the ongoing financial sustainability and viability of the water and sewerage sector and its capacity to continue the important reform process, including the required investment into critical infrastructure capital upgrades and improvements;
(h) A plan to restructure tariffs to end the cross subsidisation between municipalities and to achieve an equitable pricing structure; and
(i) any other matters incidental thereto.

The Committee met on a number of occasions, took evidence at 5 hearings around the state and received 47 submissions. It has produced an interim report with its final report due by 26 May.

2 KEY INPUTS TO THE HEARING PROCESS

Councils, water corporations, owners’ representatives, the Economic Regulator, industry peak bodies and members of the public provided submissions and evidence to the hearings.

Among the key matters presented by the Local Government sector, including the water corporations, were the following;

− Price – the intervention of the State Government into the pricing arrangements had distorted the forward revenues of the corporations.
  − This involved the provision of a concession to ensure that customer price increases were capped at 5% instead of the prescribed 10% and the direct provision to the corporations of funding equivalent of the revenue foregone
  − While intending to ease the burden on customers and ensuring that corporations’ revenues remained intact, the resultant annual decrease in price has led to a significant unfunded revenue gap in year 4 of the operations of the corporations to the extent of $30M per annum
  − It was also highlighted that there was no guarantee from the State Government that it would honour its 3rd year commitment at this time.
Governance – concerns were expressed by most in local government as to the limitations placed on the relationship between the owners and the corporations via the owners’ representative process. There was strong advocacy for a more direct relationship and this was received sympathetically by the Committee.

Structure – a strong case was put by Local government that the present 4 corporations be three and that they be purely regional and the concept of common directors be dispensed with.

Rate of return – there appeared to be a significant acknowledgement by many that the present expectation of a 7% rate of return on assets held by the corporations was too ambitious and was likely to have an ongoing and dramatic effect on pricing. It is not clear as to how broadly the support is for this concept across councils nor is it necessarily understood that the impacts of such a reduction is fully acknowledged. This is likely to be a matter more broadly covered by the Chairman of the Corporations in his address to the meeting.

3 INTERIM REPORT FINDINGS AND RECOMMENDATIONS

The Committee found that:

The task of bringing water and sewerage assets up to a standard that meets not only pre-existing license requirements but current contemporary standards as well, will be a significant challenge both environmentally and financially.

Whilst intended to provide price relief for customers the degree of difficulty of the aforementioned task has been exacerbated by the imposition of the 5% House of Assembly Select Committee into the Tasmanian Water and Sewerage Corporations price cap and key stakeholders provided evidence that it should be removed or phased out and price shocks should be mitigated against.

The removal of the State Governments 5% price cap will cause a price shock of up to 20% to occur on the 1st of July 2012 unless one or a combination of the following actions occur:

The State Government’s pre election 5% price cap policy is continued in some form;

Owner Councils accept lower priority dividends immediately and future dividends are delayed;

The Corporations significantly reduce operating expenses;

The Corporations defer and extend the timeline for capital works; and

Significant grant funding is obtained from the Federal Government for capital works.

Stakeholders including the State Government, Owner Councils and the Water and Sewerage corporations all acknowledge that the 5% price cap policy will cause a price shock to occur when the cap is removed.

Interim Recommendations

The Committee recommends that the State Government, the Water Corporations and their Owner Councils meet urgently and at least within 30 days of this interim report being tabled to negotiate an outcome to mitigate the price shock that will effect customers on 1 July 2012 as a result of the Governments 5% price cap.

The Committee recommends that once the three parties have agreed, the Interim Price Order be amended to suit.
4 DISCUSSIONS WITH THE PREMIER

The Interim Report was raised with the Premier at the PLGC Meeting and she indicated that while she was mindful of the recommendations, the matter was one that needed to be considered in the context of the State Budget and she doubted that she would be in a position to meet with Local Government owners and the corporations prior to the handing down of the Budget.

The Premier was invited to attend the meeting today but declined.

5 MOTION – 5% PRICE CAP

Brighton Council/Launceston City Council

That LGAT endorses the proposal put to the State Government by the Corporations in respect of the year commencing 1 July 2011 that the present 5% price cap be abandoned.

Carried

6 MOTION – INCREASES TO WATER & SEWERAGE SERVICES

Brighton Council/Launceston City Council

That LGAT endorses the proposal put to the State Government by the Corporations in respect of the year commencing 1 July 2011 for maximum increases of 10% or $50 per service be permitted, whichever is the greater.

AMENDMENT MOTION

Kingborough Council/Brighton Council

That the words “noting that for those above the target tariff, the tariff is frozen.”

Carried

Brighton Council/Launceston City Council

That LGAT endorses the proposals put to the State Government by the Corporations in respect of the year commencing 1 July 2011 for maximum increases of 10% or $50 per service, whichever is the greater, noting that for those above the target tariff, the tariff is frozen.

The Amended Motion Was Carried
7 MOTION – PRICE CAP COMPENSATION

Brighton Council/Hobart City Council
That LGAT endorses the proposal put to the State Government by the Corporations in respect of the year commencing 1 July 2011 that the price cap compensation budgeted for 2011/12 be paid over three years.

Carried

8 MOTION – DRAFT PRICING PRINCIPLES

Brighton
That LGAT endorses in principle the Corporations draft Pricing Principles for the period 2012/13 to 2014/15.

Hobart City Council/Launceston City Council
That the Motion be deferred to a later date.

Carried

9 MOTION – APPROACH TO CHARGING

Burnie City Council/Launceston City Council
That an analysis be provided indicating definitively that the equivalent tenement approach to charging for sewerage is superior too an incremental increase on the water charge.

Lost
10  **MOTION – UPGRADE SCHEDULE**

<table>
<thead>
<tr>
<th>Burnie City Council/Latrobe Council</th>
</tr>
</thead>
<tbody>
<tr>
<td>That the State Government be requested to provide discretion to the Environment Protection Authority to provide an agreed medium term upgrade schedule to achieve compliance with new outfall standards.</td>
</tr>
</tbody>
</table>

The Vice President thanked the Chairman of the Tasmanian Water and Sewerage Corporations and the Chief Executive Officers of the three Water and Sewerage Corporations for attending the Meeting.

There being no further business, the Vice President declared the meeting closed at 2.40pm.