

2.3 WASTE MANAGEMENT

Contact Officer – Dion Lester

Decision Sought

That Members agree to a feasibility study into the establishment of a Local Government statewide waste management organisation.

Background

In Tasmania our landfill diversion rate of 37% is significantly lower than the national average of 58% and almost half that of the ACT, NSW, Victoria and South Australia. This poor waste management practices present a risk to public health and the environment and negatively impacts on the public image of our State.

The lack of a state-wide landfill levy has created a market environment where resource recovery has a limited capacity to compete with landfill. The low landfill diversion rates in Tasmania result in a low economic benefit from the waste and recycling sector and the loss of the value of recoverable resource. Resource recovery operations employ more people and require greater investment in infrastructure per tonne of material processed compared to landfills.

A range of further issues have been identified in the current resource recovery system that prevent greater resource recovery. These include a lack of infrastructure planning, an absence of clear performance targets for resource recovery and data collection management systems to monitor and evaluate the effectiveness of programs and provide public transparency. Significant opportunities exist for improving resource recovery rates which target priority materials such as organics and materials from the construction and demolition, optimising kerbside systems, upgrade of Local Government infrastructure to best practice and addressing more efficient collection of problematic wastes such as Hazardous Household Wastes.

At the May 2016 Premier's Local Government Council meeting, the State Government advised that they would not be introducing a waste levy but that the Environment Protection Authority (EPA) would be updating the Tasmanian Waste and Resource Management Strategy (TWRMS). The draft Strategy was expected to be released by mid-2017 with a three to five-year time horizon. It was likely to be project and action based in the first instance.

At the July 2016 LGAT General Meeting, members moved that LGAT re-establish the Waste Reference Group (WRG) to develop recommendations for Members, with respect to the TWRMS and/or a waste levy. The WRG consists of representatives from each of the three regional waste authorities and the LGAT Policy Director.

At the November 2016 General Meeting, members moved that LGAT reconfirm its commitment to the introduction of a statutory waste levy of \$10 per tonne to be collected by public and private landfills, as endorsed at the Local Government General Meeting in July 2012. In late 2016 the WRG determined that it was strategically important that a "statewide waste strategy", from a Local Government perspective, be prepared. This document would

be used as our main tool to engage with the EPA. The completed strategy was presented at the April 2017 General Meeting and is available on the LGAT website:

http://www.lgat.tas.gov.au/webdata/resources/files/LGAT%20Waste%20and%20Resource%20Management%20Strategy_Final%20.pdf

The Strategy was provided to the EPA and Minister for Environment shortly after the April 2017 General Meeting to inform the State Government's work on preparing a State Waste Strategy. Since that time LGAT staff have met with the EPA several times to discuss their progress. At the time of writing, the State Government was yet to release a draft State Waste Strategy, despite promising its imminent release more than once.

The recent issues resulting from the Chinese policy changes and its impact on kerbside recycling highlight the need for there to be leadership and action on waste management in Tasmania and Local Government can no longer afford to wait for the State Government. In addition, when the State Waste Strategy is released it will be project and action based in the first instance and this will not address some of the issues and challenges associated with waste management in Tasmania.

A critical factor which is key to improving our resource recovery and waste management in Tasmania is an adequately resourced state-wide organisation to lead, champion and deliver improvements to waste management. Evidenced by the lack of progress on a State Waste Strategy, the capacity of the EPA is constrained with respect to being able to adequately undertake this task.

Tasmania requires an organisation to lead and provide oversight of the implementation of improvements to our waste management, and funding to deliver programs and or strategic actions. Tasmania does not have a dedicated body with capacity to provide advice on state-wide waste issues to the Tasmanian Government, or the resources to deliver state-wide programs. For example, Sustainability Victoria, Green Industries South Australia and the Western Australian Waste Authority all have a strategic planning and program delivery roles with guaranteed core funding (hypothecated from a landfill levy).

The three regional waste management groups generally have a common purpose; however, their governance arrangements differ significantly across the state as does their function, resources and funding. Currently regional activities focus primarily on the waste generated from the Municipal Solid Waste sector, as it is the focus of and directly within the sphere of influence of their member councils.

It is unlikely that the State Government will establish an organisation to undertake this state-wide role, but Local Government has the opportunity (and experience) to investigate the benefits and risks of doing so and if feasible, what roles and functions such an organisation should perform. Any such investigation would need to look at delineating between function, roles and responsibilities of the regional groups and State government but at a minimum any state-wide organisation could support greater collaboration and coordinated delivery of strategies and programs across Tasmania.

As a first step it is requested that Members support a feasibility study to look at whether Tasmania would benefit from an organisation with state-wide oversight of our waste management and potentially what its roles and functions should be but, noting for it to be effective these functions should include:

- Providing leadership in developing and implementing improvements to our waste management;
- Delivering programs and or strategic actions; and
- Expand on opportunities in the waste sector.

While infrastructure ownership impacts and commercial arrangements would be part of the study, it would be recognised that historically councils have invested differently in waste infrastructure. Further, the final solution may or may not include infrastructure and ownership considerations.

It would be stipulated in the scope of work that any new arrangements would have to be at no detriment to councils.

Budget Impact

This work is substantial and will require additional resourcing, outside of LGAT's existing subscriptions. It is anticipated that approximately \$100,000 will be required for this work. If this motion is endorsed, the 2018-19 budget would contain a per council share to cover the additional cost, based on the subscription formula.

Current Policy

Strategic Plan:

- Facilitating change;
- Building Local Government's reputation;
- Fostering collaboration; and
- Developing capacity and capability to deliver.



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:

Hon William Hodgman MP, Premier

Hon Peter Gutwein, Treasurer

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

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:

Mayor David Downie

Dated:.....

COUNCIL Q&A RE MEMORANDUM OF UNDERSTANDING

What is happening today (Tuesday, 1 May)?	The State Government, the Local Government Owners Chief Representative and TasWater are signing a Memorandum of Understanding to progress water and sewerage reforms across the state without any uncertainty over ownership.
What does it mean?	The state government will become a part owner of TasWater involving some changes to governance arrangements. The state's 29 councils will retain majority ownership. The role of local councils in oversight of TasWater will remain unchanged.
Is the arrangement final?	No. It must be endorsed by the TasWater's Owners' Representative Group and the Legislation will still need to be tabled in Parliament.
How will it impact on Council dividends?	The State Government has elected not to receive dividends from TasWater. Councils will continue to receive payments as agreed. Councils will be in a position to continue providing essential community services without the need to raise additional revenue. The return to councils of \$20 million per year for the next eight years (with indexation beyond that) is effectively guaranteed.
How will it impact on ratepayers?	Prices for regulated services will be frozen from 1 July 2019 to 30 June 2020. Price increases after 1 July 2020 for regulated services will be no greater than 3.5%. Prices for regulated services will continue to be subject to the review of the Tasmania Economic Regulator. Under the MOU future regulated water and sewerage prices will be capped until 30 June 2025.
Will the reform process happen more quickly?	The State Government will contribute \$200 million over a 10 year period commencing 1 January 2019 to help address infrastructure problems across the state. All parties will work together on how to deliver even more across the remaining period of TasWater's long term plan.
Will the State Government be able to decide what happens and where?	No. TasWater's Corporate Plan will need to be jointly agreed by the Owners' Representatives and the State.
What is the next step?	The MOU still needs to be ratified by the ORG and legislation will need to be tabled in Parliament and approved by the Lower and Upper Houses. The parties will work together to get the necessary Agreement and documentation in to enable implementation on 1 January 2019.
What does it mean for major projects?	The parties are committed to working together

	to progress major projects such as the Launceston Sewerage Improvement Program (LSIP) and works at Macquarie Point. This will include joint endeavours to secure Australian Government funding.
What about trade waste?	The parties will commit to monitoring the effectiveness of the recent announcement by TasWater and they will work together if further enhancements are required. TasWater's regulatory compliance obligations remain the same.
Will there be any job losses at TasWater?	No losses are expected as a result of the announcement. The current productivity programs will continue with their associated benefits.
Is this a good deal for the people of Tasmania?	Yes. This MOU will settle the ownership debate, results in lower price increases and paves the way for greater collaboration between The State Government, Councils and TasWater. It allows for a joint approach to facilitating major projects that are important for economic growth – and for investigating the provision of amenities to areas that are important to the tourism industry but that are not currently serviced by TasWater.
Why aren't Councils making a financial contribution as part of this arrangement?	Councils have already made a substantial contribution to accelerating infrastructure improvements, with councils agreeing in late 2016 to forego dividends worth \$150 million to bring forward infrastructure upgrades. The MOU will allow additional projects to be progressed with no additional cost to rate payers.