

Strengthen our Community and Protect our Lifestyle



Fixing Labor's Water and Sewerage Debacle

A Hodgman Liberal Government will...

- 1) **Freeze prices for one year from 2010/11.** Whilst we are fixing Labor's mess we will not expect Tasmanians to pay the 5% increase next year that Labor has demanded. This means that water and sewerage bills will be kept at current year prices for 2010/11 whilst we fix Labor's mess;
- 2) **Immediately conduct a comprehensive review** of the current structure and operation of Labor's failing water and sewerage reforms to seek efficiencies and cost savings, and to ensure we are best placed to access Federal government funding. To be completed by December 2010;
- 3) **Provide a four year guarantee** that during the next term of Government price rises on water and sewerage bills will remain at or below 5%;
- 4) **Empower Tasmanians** to reduce their own water and sewerage bills by introducing a State-wide framework for greywater and rainwater tank use, and water savings measures such as dual flush toilet and water saving shower heads, by providing financial incentives to encourage take up.

Under Labor water and sewerage bills were scheduled to rise 10% per annum over the next 3 years, beginning on 1 July this year, and then move to full cost recovery over the next 3-5 years. This would cause some bills to rise by more than 100%, and more than a 63% average increase occur in bills across the State. Tasmanians cannot afford this.

Labor recently announced a politically expedient quick-fix by giving nearly \$60 million to the water corporations over the next three years to lower bills to a 5% increase.

However, Labor will not commit to what will happen with water and sewerage bills in 3 years time and have only agreed to a review whilst the Regulator once again sets the price. This is a band aid solution designed to limit the community backlash over the election period. In contrast, we will fix it and we will do it immediately.

On election, a Hodgman Liberal Government will immediately impose a one year price freeze on all water and sewerage bills, effective 1 July 2010.

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During the period of this price freeze we will undertake a comprehensive review of Labor's failing water and sewerage changes.

The aim of the review will be to establish a sustainable water and sewerage system based on the following principles:

- 1) Is affordable for all Tasmanians;
- 2) Ensures that investment in water and sewerage infrastructure continues responsibly;
- 3) protects the interests of local government and allows for local government to remain the owners of the assets, and have real input, both during the review and into the future.

The review will focus on:

- Whether the current structure to deliver Tasmania's water and sewerage services is appropriate;
- Whether efficiencies can be derived from the operation of the existing corporations, thereby giving price relief to Tasmanian taxpayers;
- Ensuring the State's water and sewerage reform agenda is aligned with the Federal government's National Water Reform agenda so that we are 'best placed' to receive grant funding from the Federal Government.
- Ensure that water and sewerage infrastructure is an integral component of the Tasmanian Infrastructure plan to enable access to Federal government infrastructure funds not aligned with the national water initiative.

As the strategic development of water and sewerage infrastructure will form a part of the Tasmanian Infrastructure Plan, this review will be overseen by Infrastructure Tasmania, an independent body set up by a Hodgman Liberal Government to prepare the Tasmanian Infrastructure Plan.

Infrastructure Tasmania will be asked to establish a 4 member panel including a representative from the local government sector to prepare a separate response to the water and sewerage issue by December 2010. This will enable the necessary changes to be made before the commencement of the 2011-12 financial year.

In addition, a Hodgman Liberal Government will provide Tasmanians with practical incentives to reduce their own costs through water saving initiatives such as grey water systems, rainwater tanks and water saving measures such as dual flush toilets and water saving shower heads.

More than 50% of total household wastewater excluding kitchen waste could be reused as grey water.¹ This means that an average household could reduce its water usage considerably through relying on grey water for watering the garden and flushing the toilet.



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Currently rebates of up to \$500 are available for the installation of either a grey water system or a water tank under the Federal Government's national rainwater and grey water initiative.

However, in Tasmania there is currently no consistent state-wide policy on grey water reuse or rainwater tanks.

A Hodgman Liberal Government, in cooperation with local government, will immediately develop and introduce consistent state-wide guidelines for the installation of grey water systems and rainwater tanks.

Furthermore, we will also establish a \$5 million Water Wise Fund, which will provide grants of up to \$500 to assist with the installation of either grey water systems, rain water tanks or other approved water saving measures such as dual flush toilets and water saving shower heads. This will provide support for grey water systems, rainwater tanks or other water savings measures for up to 10,000 Tasmanian households.

We will also establish a website that shares practical hints for being water wise in the garden and home, whether in the laundry, bathroom or kitchen, to ensure that all Tasmanians can share in the task of conserving our water resource.

Given that Tasmania has 12% of the nation's rainfall on only 1.5% of the Australian landmass, we strongly believe that more must be done to harness and reuse our natural water advantage.

Grants from the Water Wise Fund will be in addition to any Federal Government and local council incentives.

Why this policy is needed

Labor has failed to properly implement water and sewerage changes. They have not accounted for the affect on Tasmanian households and businesses and have not understood the financial stress that many Tasmanian households are currently experiencing. Tasmanians have struggled with increases of 10% in their water and sewerage bills yet Labor are determined to move to a full cost recovery model that will see some municipalities experience 100% increases, whilst all water and sewerage bills across the state would increase by on average 63%.

On top of this, the changes are weighing down Tasmania's building and construction industry, with building and development approvals now required not only to be approved by local councils, but also by the relevant water corporations - causing delays and backlogs. In addition, developers – including those developing social infrastructure such as retirement villages – are being hit with headworks charges up to double what they would have previously paid, forcing up the cost of land and putting such developments at risk.



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Labor's record of failure

Labor failed to act on Tasmania's water and sewerage issues for 11 long years. And when they finally did, they bungled it – and now they're making Tasmanians pay for their incompetence.

And after demanding that the former Coalition Federal Government provide more than \$300 million to assist in upgrading Tasmania's water and sewerage infrastructure, Labor has failed to secure any infrastructure funding from the \$22 billion that the Rudd Labor Government made available for building infrastructure.

The politically expedient changes announced by the Premier in late November will not address the fundamental flaws in these bungled reforms, particularly the massive post-2012 price increases.

Impact on the Corporations

During 2010-11, when the price freeze is in operation, customers will pay the same amount as they are this year (taking into account the Government's 5% decrease) and we will provide the corporations with a \$9 million subsidy for one year. Therefore in 2010-11, the corporations will receive the same level of revenue as they did during 2009-10. We believe, based on the financial modeling provided by the Economic Regulator in the *Revised Interim Pricing Analysis* that the corporations will be adequately able to manage on this level of revenue.

After the 2010-11 review our aim is that the corporations will not require operating revenues to be propped up by further taxpayer's funds. However, to assist corporations through the transitional period, and to ensure that returns to local government are maintained, we will provide transitional funding in 2011/12 and 2012/13 of \$9 million. If necessary, assistance in future years with capital funding for projects will be considered in the context of the budget, the Tasmanian Infrastructure Plan and the Federal Government's willingness to invest in building Tasmania's base infrastructure.

EXAMPLE:

Ratepayer Joe Bloggs' water and sewerage bill under Labor and Liberal policies

	09/10	10/11	11/12	12/13*	13/14*
Labor Policy	\$600	\$630	\$661.50	\$727.65	\$800.41
Liberal Policy	\$600	\$600	\$630	\$661.50	\$694.57
\$ Better off under Liberals	0	+\$30	+31	\$66.15	\$105.84

*Assumes minimum 10 percent price increase under Labor's full cost recovery policy.



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Costings

	2009/10 \$'000s	2010/11 \$'000s	2011/12 \$'000s	2012/13 \$'000s
Price freeze	9,000	9,000		
Additional resources to Infrastructure Tasmania to undertake review	250	250	-	-
Water Wise Funds	-	1,250	1,250	1,250
Transitional funding for the water corporations			5,000	4,000



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