WATER AND WASTEWATER IN TASMANIA

6 JULY 2007

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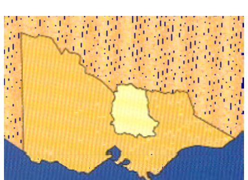

GOULBURN VALLEY WATER

WATER REFORM IN VICTORIA

1980 370 Water Trusts and Sewerage Authorities in Country Victoria

Melbourne Metropolitan Board of Works

State Rivers and Water Supply Commission

1984 Structural Reform Program Commenced (PRBC)

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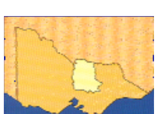
140 Water Boards/Local Government Bodies

Another Decade of Attrition 83 Authorities

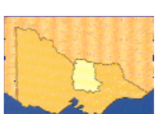


GOULBURN VALLEY WATER

WATER REFORM IN VICTORIA

1994 Kennett Government "Big Bang" approach to reform

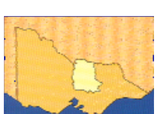
- Drivers of the Reform Program
  - Efficiency through amalgamations and commercial management
  - Provide incentives to customers through tariff reforms
  - Separate the provision of water and sewerage from Local Government



GOULBURN VALLEY WATER

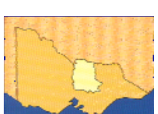
THREE KEY CHANGES

1. Amalgamation
   - Capture economies of scale in both capital and operations
   - Improve efficiency, service and water quality
   - Capacity to attract competent commercial and technical management
   - Internally fund capital requirements
   - Reduce debt



THREE KEY CHANGES

2. **Commercial Management**
   - **Boards of Directors appointed on the basis of their skills**
   - **Focus on core business of urban water and sewerage services**
   - **Capability of operating under similar conditions to a commercial company:**
     - **adhere to Corporations Law style regime;**
     - **director and company legal liability**
     - **Operating Licences (Statement of Obligations/Contract with Government)**



GOULBURN VALLEY WATER

THREE KEY CHANGES

3. No Role for Local Government in Water Management
    - Future commercial management approach to water not considered compatible with management of water functions by municipal councils
    - Cross subsidies to be eliminated
    - Property valuation based water rates to be abolished
    - New regional water authority groupings not compatible with Local Government boundaries

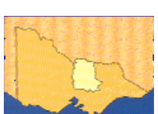
GOULBURN VALLEY WATER

KEY CONSIDERATIONS FOR THE SHAPE OF FUTURE WATER CORPORATIONS

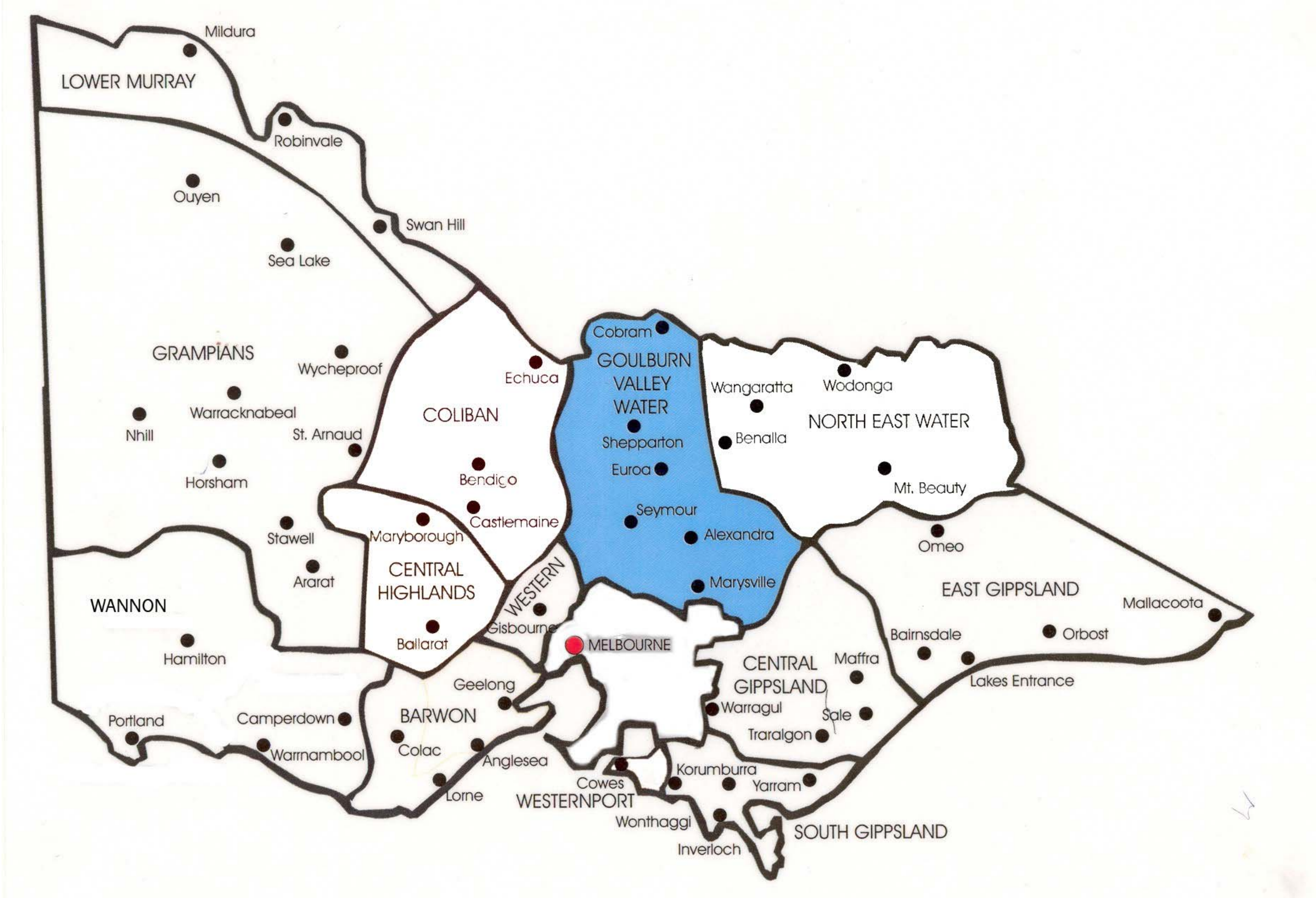
- **Commercial Viability**
- **Water Catchments and Systems**
- **Community of Interest**
- **Capacity to meet higher operating standards (Statement of Obligations)**
- **Capacity to provide a commercial return to Government as the Shareholder**

STRUCTURE TODAY IN VICTORIA

- 13 Regional Water Corporations (Urban)
- 2 Rural Water Corporations (Irrigation)
- Melbourne Water
- Three Metropolitan Retail Companies

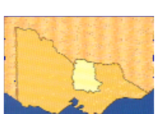


REGIONAL CORPORATIONS MAP



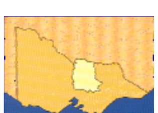
GOULBURN VALLEY WATER – A QUICK GLANCE

Population Serviced	120,000
No. of Properties	53,000
Major Food Companies	15
No. of Employees	180
Towns Serviced with Water	54
Towns Serviced with Sewerage	30
No of Water Supply Systems	40
No of Wastewater Management Facilities	26
Local Government Municipalities Serviced	7
Revenue 2007/08	$49M
Capital Program 2007/08	$24M



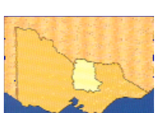
BENEFITS FROM VICTORIAN REFORM

- An industry focussed on core business of water and wastewater
- Pay-for-Use water and sewerage tariffs
- Regional approach to water pricing
- Efficiency savings invested in new infrastructure
- Economies of scale in capital and operations captured



BENEFITS FROM VICTORIAN REFORM

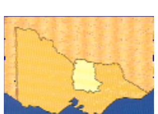
- Unprecedented levels of infrastructure investment - $2B across the State
- Substantial improvement in drinking water quality and effluent management across the State
- Small Towns/Community big winners - new infrastructure/reduced tariffs
- Competition by Comparison
- Investment in Technology



GOULBURN VALLEY WATER

BENEFITS FROM REFORM

- Capacity to attract and retain quality management, technical and scientific capabilities
- Eliminated cross subsidy from water to Local government
- Skills Based Boards of Directors
- Removed infrastructure impediments to economic growth
- More efficient and better focussed Local Government units
- Good co-operation between Local Government and Water Corporations on planning issues



CURRENT REVIEW OF THE TASMANIAN WATER INDUSTRY

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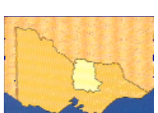
(key issues not unlike Victoria in the Nineties)

- **Long Term Sustainability (water resources, financial viability, provision of infrastructure);**
- **Tariff reform an absolute priority;**
- **Need for improved drinking water quality and sewerage services in many Tasmanian towns/communities;**
- **Need for better long term water and sewerage infrastructure planning;**



CURRENT REVIEW OF THE TASMANIAN WATER INDUSTRY

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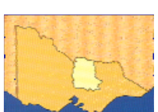
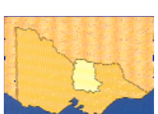
(key issues not unlike Victoria in the Nineties)

- **Lack of infrastructure; a constraint to economic development;**
- **Water quality standards and environmental degradation a threat/risk to Tasmania’s major industry – Tourism;**
- **Regulatory Oversight – Pricing, Health, Environmental;**
- **Future Structure? – Regional Model, State Model;**
- **Governance and Ownership of Assets.**



FUTURE WATER INDUSTRY STRUCTURE FOR TASMANIA

- **Issues to Consider:**
  - **Fully integrated water and sewerage business**
  - **The Victorian Regional Model**
  - **Tasmania's population**
  - **Geographical spread of communities**
  - **Communities of Interest**
  - **Commercial Viability:**
    - **50,000 customers**
    - **Revenues $30M**
  - **Servicing multiple municipalities, continued ownership by local government may be an impediment to good governance and regional decision making**
  - **Financial Contribution from State Government**



FUTURE MODEL

- 3 Regional Water Businesses
- State Owned
- Government Appointed Boards of Directors drawn from each Region
- Government financial contribution to ensure a successful transition