



File No: SF5136
FD:jls

28 April 2009

Geoff Willis
Chairman
Tasmanian Water and Sewerage Corporation
(Northern Region) Pty Ltd
32 Maning Avenue
SANDY BAY TAS 7005

Dear Geoff

Shareholders' Letter of Expectation

Following advice from the Treasurer that he has reviewed the Shareholders' Letter of Expectation in accordance with section 16(2)(b)(i) and has no concerns with our proposal, I am pleased to formally present to you the signed SLE on behalf of the Members of Tasmanian Water and Sewerage Corporation (Northern Region) Pty Ltd.

Yours sincerely

Frank Dixon
GENERAL MANAGER

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Water and Sewerage Corporations Act 2008

SHAREHOLDERS' LETTER OF EXPECTATION



**TASMANIAN WATER AND
SEWERAGE CORPORATION
(NORTHERN REGION) PTY
LIMITED**

INDEX**PART 1 - PRELIMINARY**

- 1 Commencement and Term
- 2 Authorising Provision
- 3 Purpose
- 4 Interpretation
- 5 Availability of Shareholders' Letter

PART 2 - GENERAL

- 6 Guiding Principles
- 7 Preservation of Employee Benefits

PART 3 - GOVERNANCE

- 8 Corporate Plan
- 9 Board Performance
- 10 Shareholder Relationships
- 11 Customer and Community Engagement
- 12 Change to Activities

PART 4 – PLANNING, SERVICE DELIVERY AND RISK MANAGEMENT

- 13 Risk Management Planning
- 14 Conserving and Recycling Water
- 15 Responding to Drought
- 16 Service Standards
- 17 Stormwater Management Plans
- 18 Water Quality
- 19 Trade Waste
- 20 Regional and Municipal Planning
- 21 Environmental Management

PART 5 - FINANCIAL CONSIDERATIONS

- 22 Dividends
- 23 Investment Policy
- 24 Providing Concessions

PART 6 - REPORTING

- 25 Reporting Framework
- 26 Whole-of-Government Reporting
- 27 Reporting under AEIFRS
- 28 Compliance Audits

PART 7 - ATTACHMENTS

- 29 Attachment A – Dividend Policy Guidelines for Water & Sewerage Corporations
- 30 Attachment B – Reporting Guidelines for Water & Sewerage Corporations

PART 8 – SIGNATORIES**SCHEDULE A - Definitions**

PART 1 - PRELIMINARY	
1	Commencement and Term
1.1	This Letter of Expectation commences on [insert date] and operates until it is revoked.
2	Authorising Provision
2.1	This Letter of Expectation is issued by the <i>Shareholders</i> of the Tasmanian Water and Sewer Corporation Northern Region Pty Ltd under Section 14 of the Water and Sewerage Corporations Act 2008.
3	Purpose
3.1	The purpose of this Letter of Expectation is to communicate <i>Shareholders'</i> high-level performance expectations and strategic priorities to the <i>Board</i> of the <i>Corporation</i> .
4	Interpretation
4.1	The definitions of the terms are contained in Schedule A to this Letter of Expectation. ¹
4.2	<p>The following rules also apply in interpreting this Letter of Expectation, except where the content makes it clear that a rule is not intended to apply.</p> <p>(a) Terms defined in the Water and Sewerage Corporations Act 2008 and Water and Sewerage Industry Act 2008 have the same meaning in this Letter of Expectation.</p> <p>(b) Whenever this Letter of Expectation requires the <i>Corporation</i> to make something "available to the public", the <i>Corporation</i> should:</p> <ul style="list-style-type: none"> (i) publish the matter on the <i>Corporation's</i> website; and (ii) make a copy of the document available for inspection at each of the <i>Corporation's</i> offices; and (iii) provide a copy on request. <p>(c) Whenever this Letter of Expectation requires a <i>Corporation</i> to "develop" something, the <i>Corporation</i> shall be taken to have complied with that obligation if it has already developed the item before this Letter of Expectation commenced.</p> <p>(d) Where this document sets out expectations in relation to the provision of information, the <i>Corporation</i> should forward such information to the <i>Owners' Representatives</i> (unless otherwise specified in this document). These expectations also apply to all subsidiaries of the <i>Corporation</i>.</p>
5	Availability of Shareholders' Letter
5.1	The <i>Corporation</i> should make this Letter of Expectation available to the public.

¹ Terms used in this Letter of Expectation that are defined in Schedule A have been italicised.

PART 2- GENERAL	
6	Guiding Principles
6.1	<p>The <i>Corporation</i> has the following principal objectives under the Water and Sewerage Corporations Act 2008:</p> <ul style="list-style-type: none"> a) to promote the efficient delivery of water supply and provision of sewerage services; b) to encourage water conservation, demand management of water and the re-use of water on an economic and commercial basis; c) to be a successful business and, to this end – <ul style="list-style-type: none"> (i) to operate its activities in accordance with good commercial practice; and (ii) to maximise sustainable returns to its <i>shareholders</i>.
6.2	<p>In addition to these principal objectives, the <i>Shareholders'</i> expect that the <i>Corporation</i> will uphold the original principles of structural reform in order that it maintains a capability and governance structure to manage the water resource, the water supply and sewerage services in a sustainable manner, taking account of economic, environmental and social benefits including the improvement of drinking water quality across the region.</p>
6.3	<p>In performing its functions and providing its services the <i>Corporation</i> should therefore:</p> <ul style="list-style-type: none"> a) have the delivery of water and sewerage services as a primary focus; b) operate as a commercial entity and be established as a local government owned company that complies with Australian Corporations Law and enabling legislation; c) develop the organisational and management capability to appropriately manage operational business activities (including strategic asset management and works management, core support system functionality and transitional industrial relations and change management issues); d) have an appropriate and formalised dividend policy that provides for an appropriate balance sheet, profit and loss and cash-flow strength to enable access to debt funding to the level required to support required investment and to fund all business activities on a sustainable basis; e) develop the organisational, management and technical capacity to appropriately respond to a significantly enhanced economic and technical regulatory framework. f) operate under formal arrangements that ensure appropriate and workable governance and reporting, including providing a clear mechanism for the <i>Shareholders</i> to clearly and unambiguously provide guidance to the <i>Board</i> on matters that fall beyond the defined scope of the <i>Board</i>; g) maintain sufficient scale to attract and retain high calibre staff and to provide for their ongoing training, skills enhancement and development needs; h) have the organisational and managerial capability to undertake continuous review, innovation and improvement and collaborate with the various agencies to take account of regional needs and endeavour to identify other opportunities to enhance outcomes to Councils and the community in the Northern Region.

7	Preservation of Employee Benefits
7.1	In addition to the general preservation of employment conditions specified in Section 48 of the Water and Sewerage Corporations Act 2008, in determining employee entitlements including any future redundancy calculation, the length of service of local government and Bulk Water Authority employees employed by the <i>Corporation</i> should be recognised by the <i>Corporation</i> as continuous, where there has been no greater than three months between their termination date at local government or Bulk Water Authority and their start date with the <i>Corporation</i> .
7.2	Arrangements are in place with all <i>Council</i> and Bulk Water Authority superannuation funds to enable employees to continue with their existing benefit structures. It is expected that consistent with the Water and Sewerage Corporations Act 2008, employees will be able to continue their membership and to retain their existing benefit structures with these funds.

PART 3 – GOVERNANCE	
8	Corporate Plan
8.1	The preparation and provision of an annual Corporate Plan covering three forward years is required under Sections 15 and 16 of the Water and Sewerage Corporations Act 2008.
8.2	The Corporate Plan should identify and forecast the objectives, business and operating environment and performance goals of the <i>Corporation</i> and set benchmarks or targets against which actual performance will be compared. This information is to address licence condition compliance with respect to drinking water quality and environmental regulatory requirements. The Corporate Plan should also identify and assist in managing any risks associated with the <i>Corporation's</i> business environment.
9	Board Performance
9.1	The <i>Shareholders</i> expect the <i>Corporation</i> to annually review and report to the <i>Owners' Representatives</i> on the performance of the <i>Board</i> of the <i>Corporation</i> , its committees and individual directors.
10	Shareholder Relationships
10.1	The <i>Shareholders</i> expect the <i>Corporation</i> to act for the ultimate benefit of the <i>Shareholders</i> . It is the responsibility of the <i>Board</i> to act in the interests of the <i>Corporation</i> and, through it, the <i>Shareholders'</i> interests.
10.2	<p>The <i>Shareholders</i> expect the <i>Board</i> to:</p> <p>a) be results oriented;</p> <p>This involves the <i>Corporation</i> making the best use of resources by operating efficiently and effectively and achieving the performance targets set out in the Corporate Plan.</p> <p>b) be ethical in its operations and dealings and act with the highest standards of probity:</p> <p>This involves the <i>Board</i> adopting ethical standards for the <i>Corporation</i> and monitoring the implementation of those standards.</p> <p>c) be adaptable to change;</p> <p>d) keep the <i>Shareholders</i> informed;</p> <p>The <i>Shareholders'</i> expectation is to be kept informed through timely and balanced disclosure of all significant material matters concerning the <i>Corporation</i> including, but not limited to, achievement of the <i>Corporation's</i> objectives, matters that affect policy and strategy of the <i>Corporation</i> or its subsidiaries, achievement of performance targets, major policy issues, and significant issues impacting on customers or the environment.</p>
10.3	The <i>Corporation</i> should establish the functions reserved to the <i>Board</i> and those delegated to senior executives and disclose those functions to the <i>Shareholders</i> .
10.4	<p>The <i>Shareholders</i> expect the <i>Corporation</i> to establish a code of conduct and disclose the code or a summary of the code as to:</p> <p>a) the practices necessary to maintain confidence in the <i>Corporation's</i> integrity;</p> <p>b) the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders;</p> <p>c) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</p>

10.5	In collaboration with <i>Councils</i> , the <i>Corporation</i> should develop systems to enable effective property and asset data sharing and coordination mechanisms that benefit both entities.
10.6	The <i>Shareholders'</i> expect the <i>Corporation</i> to collaborate with <i>Councils</i> and regional agencies on matters of economic development and regional importance.
11	Customer and Community Engagement
11.1	The <i>Corporation</i> should develop and implement open and transparent processes to engage its customers and the community in its planning processes to ensure, among other matters, that the services it provides meet the needs and expectations of customers and the provisions of the Water and Sewerage Industry Act 2008.
11.2	The <i>Corporation</i> should make: <ul style="list-style-type: none"> (a) information about the services it provides available to the public; (b) information about water conservation and the responsible use of water and waste water available to the public; (c) educational material available to schools and communities.
11.3	The <i>Corporation</i> should be committed to the principles of good Corporate Social Responsibility.
12	Change to Activities
12.1	<p>The <i>Board</i> is entrusted to act in the best interests of the <i>Corporation</i>, the <i>Shareholders</i> are entrusted by the Northern Tasmanian community to ensure that any proposed significant changes to the <i>Corporation</i> are also in the interest of the community.</p> <p>Under Section 31 of the Water and Sewerage Corporations Act the <i>Corporation</i> must not sell or dispose of its main undertaking or the main undertaking of any of its subsidiaries. Additionally, under Section 30 of the Water and Sewerage Corporations Act, the <i>Corporation</i> may not acquire or dispose of any assets or investments without the <i>Shareholders</i> prior approval, except in the ordinary course of the business.</p> <p>In recognition of this, the <i>Corporation</i> is expected to inform the <i>Shareholders</i> of any intention to acquire or sell assets which could have a significant financial impact on the <i>Corporation</i> or <i>Shareholders</i>.</p>

PART 4 – PLANNING, SERVICE DELIVERY AND RISK MANAGEMENT	
13	Risk Management Planning
13.1	<p>The <i>Corporation</i> should develop and implement plans, systems and processes to ensure an acceptable level of risk in accordance with relevant laws and standards. In developing risk management plans, systems and processes the <i>Corporation</i> should consider:</p> <ul style="list-style-type: none"> a) emergency management planning, in particular, the provision of a framework within which the <i>Corporation</i> shall work cooperatively with other municipal and emergency management agencies to prepare coordinated and cooperative response plans to such incidents as flood, fire and other disasters appropriate to their roles and responsibilities; b) asset management planning, that allows the <i>Corporation</i> to supply its services sustainably, minimise the overall whole of life costs of assets and any detrimental social, economic or environmental effects of managing its assets; c) dam safety, to the effect that the <i>Corporation</i> develops and implements a dam safety monitoring and surveillance program for each dam operated by the <i>Corporation</i>, consistent with Part 8A of the Water Management Act 1999 and with regard to the <i>ANCOLD Guidelines</i>; and d) occupational health and safety, to the effect that the <i>Corporation</i> develops and implements an Occupational Health and Safety System which complies with the Workplace Health and Safety Act 1995.
14	Conserving and Recycling Water
14.1	<p>To demonstrate its commitment to the principal objectives under the Water and Sewerage Corporations Act 2008 and sustainable water resource management, the <i>Corporation</i> should maintain, develop and implement programs for:</p> <ul style="list-style-type: none"> a) assessing and monitoring water supplies including groundwater; b) assessing and monitoring future demands on water supplies; c) efficient and effective management of demand for water; d) minimising leakage and other losses of water from its network as far as is practicable; e) investigating opportunities to substitute, and if appropriate substituting, potable supplies/surface water supplies with water from alternate water supplies and sewerage treatment; and f) investigating and achieving the provision of treated wastewater for reuse for beneficial agricultural/horticultural irrigation purposes.
15	Responding to Drought
15.1	<p>The <i>Corporation</i> should:</p> <ul style="list-style-type: none"> (a) develop and implement an effective drought response plan for each water supply system operated by the <i>Corporation</i>; and (b) make its drought response plans available to the public.

15.2	The <i>Corporation</i> should review, and if necessary, amend its drought response plans: <ul style="list-style-type: none"> (a) at intervals of no more than three years; and (b) within six months of either: <ul style="list-style-type: none"> (i) the lifting of any period of restriction imposed under the <i>Corporation's</i> drought response plan; or (ii) any major change occurring to works or arrangements for conserving water for, or supplying water to, any water supply system operated by the <i>Corporation</i>.
16	Service Standards
16.1	The <i>Corporation</i> should comply with the relevant customer service standards issued by the <i>Regulator</i> in accordance with Section 57 of the Water and Sewerage Industry Act 2008, including the requirement to participate in specified processes for determining these standards.
16.2	It is the <i>Shareholders'</i> expectation that, in relation to these standards, the <i>Corporation</i> should, as a minimum, develop water supply and sewerage services management plans in conjunction with the relevant Council and State Government agencies and in consultation with the local community that: <ul style="list-style-type: none"> a) identify the preferred types and levels of services to be provided together with costs and funding options; b) identify priorities and possible timelines for the provision of services; and c) provides for a regular review of the management plans and priorities.
17	Stormwater Management Plans
17.1	The <i>Corporation</i> should participate in any development or review by the <i>Councils</i> of stormwater management plans.
18	Water Quality
18.1	The <i>Corporation</i> should manage water supplied for human consumption in accordance with relevant legislation including the Public Health Act 1997 and the Tasmanian Drinking Water Quality Guidelines issued by the Director of Public Health.
19	Trade Waste
19.1	The <i>Corporation</i> should develop policies and practices to manage trade waste to: <ul style="list-style-type: none"> a) protect its sewerage systems and the health and safety of the public and of people operating these systems; b) minimise environmental impacts in accordance with any licence issued under the Environmental Management and Pollution Control Act 1994; and c) encourage cleaner production techniques and an improved quality of trade waste entering its sewerage systems in order to maximise opportunities for the reuse of wastewater and bio-solids.
19.2	The <i>Corporation</i> should develop and implement systems for managing compliance with its trade waste agreements with customers.

20	Regional and Local Government Planning
20.1	The <i>Corporation</i> should participate in the development and implementation of any regional catchment management strategy or catchment sub-strategy which may affect, or be affected by, the <i>Corporation's</i> area or activities.
20.2	The <i>Corporation</i> should participate in the periodic review, and provide input into the continuous improvement and implementation of any regional or municipal planning schemes or strategies and in particular: <ul style="list-style-type: none"> a) any local planning policy framework; b) strategic plans of <i>Councils</i>; c) any regional land use strategy development; d) any regional infrastructure plans; e) any State Water Management Plans initiated under the Water Management Act; which may affect, or be affected by, the <i>Corporation's</i> area or activities.
20.3	The principal objectives of the <i>Corporation's</i> participation are to: <ul style="list-style-type: none"> a) promote consistency of any strategy or any scheme with its planning and programs for sustainable water management; and b) ensure the alignment, integration and consistency of regional infrastructure development objectives.
21	Environmental Management
21.1	The <i>Corporation</i> should develop and implement environmental management systems that ensure compliance with the relevant environmental legislation and any guidelines/instruments, including those in relation to blue-green algal blooms, environmental flows and river health, issued by the relevant regulator and liaise with natural resource and catchment management agencies to maximise ecological benefits, including minimising outfall to rivers, estuaries and oceans..
21.2	The <i>Corporation</i> should minimise environmental impacts in accordance with any licence issued under the Environmental Management and Pollution Control Act 1994 and applicable guidelines.

PART 5 – FINANCIAL CONSIDERATIONS	
22	Dividends
22.1	In accordance with Section 32 of the Water and Sewerage Corporations Act 2008 the <i>Board</i> is to determine a Dividend Policy for the <i>Corporation</i> .
22.2	As a benchmark, the <i>Corporation</i> should adopt a dividend distribution target of at least 50 per cent of net profit after tax.
22.3	The distribution of dividends will be in accordance with Section 35 of the Water and Sewerage Corporations Act 2008 and Section 9.1 of the <i>Corporation's</i> Constitution.
22.4	Transitory changes in earnings should be managed to achieve a stable stream of dividends and where there is a high chance that an annual operating result will be subject to large volatility, the <i>Board</i> will adopt suitable dividend smoothing arrangements.
22.5	The <i>Board</i> is to consult the <i>Owners' Representatives</i> when considering the adoption of a dividend smoothing arrangement.
22.6	The <i>Board</i> should include a dividend distribution policy in the <i>Corporation's</i> Corporate Plan.
22.7	The <i>Board</i> should consider the Dividend Policy Guidelines for Water and Sewerage Corporations provided at Attachment A when determining its dividend policy.
22.8	In developing a dividend policy the <i>Board</i> should as a minimum consider: <ul style="list-style-type: none"> a) what is an appropriate level of debt/equity for the business; and b) what capital expenditure is required over the coming financial years and how this should be financed. c) progression towards, or maintenance of, an appropriate capital structure.
22.9	The <i>Corporation</i> should undertake a capital structure review every three years.
23	Investment Policy
23.1	The <i>Board</i> should develop an investment policy statement covering cash investments which sets out: <ul style="list-style-type: none"> a) the <i>Board's</i> investment objectives; b) the responsibility structure for managing investments; c) the management of risks associated with investments; and d) the investment management approach of the <i>Board</i>.

24	Providing Concessions
24.1	The <i>Corporation</i> should provide concessions consistent with relevant legislation (UNDER DEVELOPMENT) for water service and usage charges and sewerage service and sewerage disposal charges.
24.2	The <i>Corporation</i> should: <ul style="list-style-type: none">a) honour any current concessions granted to not-for-profit organisations for a period of three years;b) develop consistent policies in respect to any concessions granted to industries and consumers; andc) consider community service obligations in relation to public parks and recreation grounds.

PART 6 - REPORTING	
25	Reporting Framework
25.1	In accordance with Section 14.8 of the Tasmanian Water and Sewerage Corporation Northern Region Pty Limited Constitution, the <i>Corporation</i> must provide the Reporting Framework, which includes a package of financial, operational, environmental and <i>Board</i> performance indicators, on a quarterly basis to the <i>Owners' Representatives</i> .
25.2	The Reporting Guidelines for Water and Sewerage Corporations (Attachment B) illustrates a suggested format for the Performance Monitoring Framework and meeting each quarter.
25.3	Programs and plans developed by the <i>Corporation</i> in response to these <i>Shareholders'</i> expectations, should specify objectives to be achieved and measures for monitoring performance. Performance should be reported to the <i>Owners' Representatives</i> in accordance with the Guidelines for Quarterly Reporting contained in Attachment B.
26	Whole-of-Government Reporting
26.1	The <i>Board</i> should comply with requests from the <i>Treasurer</i> for information relating to the collection of financial information for whole of government reporting and ensure that such information relating to the <i>Corporation</i> and its subsidiaries will be provided by the relevant dates and in the specified formats, where applicable.
27	Reporting under AEIFRS
27.1	The <i>Corporation</i> should report as a 'for profit' entity under the Australian Equivalents to the International Financial Reporting Standards (AEIFRS).
28	Compliance Audits
28.1	The <i>Corporation</i> should ensure that it has a general compliance and audit scheme in place that focuses on systems and processes and monitors compliance with license conditions and instruction from the <i>Regulator</i> .

PART 7 - ATTACHMENTS	
29	Attachment A - Dividend Policy Guidelines for Water and Sewerage Corporations
29.1	Dividend Policy Guidelines for Water and Sewerage Corporations details the dividend expectations and administrative arrangements for the <i>Corporation</i> .
30	Attachment B – Reporting Guidelines for Water and Sewerage Corporations
30.1	The <i>Corporation</i> is required to produce an annual report in accordance with the Corporations Act 2001 and the Water and Sewerage Corporations Act 2008.

ATTACHMENT A – DIVIDEND POLICY GUIDELINES FOR WATER AND SEWERAGE CORPORATIONS

INTRODUCTION

The *Water and Sewerage Corporations Act 2008* requires the Water and Sewerage Corporations to have a dividend policy. The Corporations should have regard to that Act and these guidelines in determining such a policy.

These Dividend Policy Guidelines provide each Corporation with a framework and discipline for making dividend payments. Given that the Corporations, like State Government owned businesses, are not subject to share market and capital market scrutiny they do not have the incentives provided by share price movements and credit ratings.

Broadly, the owners expect the Corporation to achieve returns that are comparable to alternative investments of similar risk and pay dividends that appropriately reflect these returns.

It is important to note that whilst the *Water and Sewerage Corporations Act 2008* also provides for the payment of guarantee fees and income tax equivalents, these are expenses incurred by Corporations that are paid on the basis of competitive neutrality principles and therefore do not represent nor constitute a return on the owners' equity investment. Thus, dividends are viewed in isolation of these expenses when assessing the annual performance of a Corporation.

1. DIVIDEND EXPECTATION

1.1 Standard Benchmark

Corporations are expected to adopt a dividend distribution target of at least 50 per cent of after tax profit.

As a standard benchmark, Corporations are expected to adopt a dividend distribution target of at least 50 per cent of after tax profit.

In considering an appropriate annual dividend, Boards should have regard to the owners' preference for a Corporation's profits to be distributed as cash, rather than retained as equity, given this is the prime means by which the owners can realise a return on their equity investment.

It is expected that Corporations will adopt a dividend distribution target in excess of the standard benchmark when appropriate, for example when after tax profit is not required for capital adequacy or when after tax profit will not be used for investing in value adding opportunities.

From time to time, the owners may amend their expectations in respect of dividends from Corporations.

1.2 Capital Considerations

It is expected that the consideration of an appropriate dividend arrangement by a Board should have regard to the progression towards, or maintenance of, an appropriate capital structure for the Corporation.

It is expected that the consideration of an appropriate dividend arrangement should have regard to the progression towards, or maintenance of, an appropriate capital structure. In developing a dividend policy, Boards should as a minimum consider:

- what is an appropriate level of debt/equity for the business; and
- what capital expenditure is required over the coming financial years and how this should be financed.

Consideration of this matter should be supported by a regular capital structure review.

1.3 Profit Volatility and Dividend Smoothing

Corporations should manage transitory changes in earnings such that a reasonably stable stream of dividends is achieved.

As dividends are an important source of revenue for owners, Corporations are expected to manage transitory changes in earnings such that a reasonably stable stream of dividends is achieved.

For the purposes of recommending a dividend, and in recognition of the fact that reported profit is not always supported by cash flows, there may be times when it is considered appropriate by the Board to adopt a dividend smoothing arrangement that more closely aligns a dividend recommendation to an adjusted net operating profit after tax to reflect the operating cash flows generated by the Corporation for the reporting period.

For Corporations subject to large volatility in the annual operating result, the adoption of a suitable dividend smoothing arrangement may be appropriate.

Dividend smoothing, by nature, may occasionally require a Corporation to pay a dividend in excess of current year profits, which would be met through earnings previously retained.

It is expected that the Board would consult with the Owners' Representatives when it is considered that the adoption of a dividend smoothing arrangement would be beneficial.

2. ADMINISTRATIVE ARRANGEMENTS

2.1 Corporate Plan

Each Board is expected to include in the Corporate Plan its dividend distribution policy for the three-year period of the Corporate Plan. It is expected that the dividend distribution policy would be supported by relevant information, such as details on what is an appropriate level of debt/equity for the business, how planned capital expenditure is proposed to be financed, and whether any forecast profit volatility should be addressed through a dividend smoothing arrangement.

Corporations are strongly encouraged to consult with Owners' Representatives during the corporate planning process when the Board is considering a deviation from the standard dividend distribution benchmark.

2.2 Dividend Determination

In accordance with the Constitution of each Corporation the Board determines the aggregate amount of the dividend payable. The Board is to make a dividend recommendation to the Owners' Representatives within four months after the end of the financial year.

2.3 Payment of Dividends

A final dividend shall be paid within six months after the end of the financial year (ie by 31 December), in accordance with rule 9.1 of the Constitution of the Corporation and a mechanism for allocation as agreed to by the owners.

ATTACHMENT B – REPORTING GUIDELINES FOR WATER AND SEWERAGE CORPORATIONS

INTRODUCTION

The Owners' Representatives undertake the role of assessing and monitoring the financial performance of each Corporation. This independent "shareholder" performance monitoring of Corporations is an integral part of the governance framework and is analogous to the role played by market analysts in the capital markets for the private sector.

These guidelines are intended to assist the Corporation to meet its reporting obligations and to clarify the owners' reporting expectations.

1. QUARTERLY REPORTING

The quarterly performance reports should be seen as a way of communicating financial and non-financial information on the Corporation to its owners. It is expected that reports will be supplied as follows:

- a) on or before 30 July for the three month period ended 30 June each year;
- b) on or before 30 October for the three month period ended 30 September each year;
- c) on or before 30 January for the three month period ended 31 December each year; and
- d) on or before 30 April for the three months ending 31 March each year.

While some of the information requested for the quarterly reporting overlaps with the annual reporting, due to the more formal nature of these documents additional time is provided for their preparation. To maintain the timeliness of reporting to the owners a quarterly report is therefore requested for all quarters.

Guidelines Quarterly Reporting

- (a) A Corporation should provide a report on its quarterly performance to the Owners' Representatives within 45 days of the quarter end.
- (b) While the format of this performance report is flexible and can be based on internal management reports to the board, the following should be included as a minimum:
 - financial statements (including the balance sheet, income statement and cash flow statement) for the quarter and year to date;
 - results against key performance targets included in the Corporate Plan for the quarter and year to date;
 - commentary on performance and explanations of material variances from budget;
 - revisions to the expected full-year forecast financial results;
 - current estimates for distributions to owners and explanations for material variances from the Corporate Plan; and
 - capital expenditure for the quarter and material variance explanations.
- (c) A Corporation should meet with Owners' Representatives to discuss its quarterly performance and any other emerging issues.

2. ANNUAL REPORT

Corporations are required to produce an Annual Report in accordance with the *Corporations Act 2001* and the *Water and Sewerage Corporations Act 2008*.

Additionally, the Annual Report of each Corporation is required to be tabled in Parliament in accordance with the requirements in the *Water and Sewerage Corporations Act 2008*.

Guidelines – Annual Report

- (a) A Corporation should provide the Owners' Representatives and Treasurer with its Annual Report by no later than 30 September each year.
- (b) The Annual Report must be prepared in accordance with the *Corporations Act 2001* and *Water and Sewerage Corporations Act 2008*.
- (c) A Corporation should make its Annual Report available to the public on its web site.

3. CONTINUOUS DISCLOSURE - "NO SURPRISES"

As discussed above, similar to the expectations of shareholders of a public listed corporation, the expectation is that the board of a Corporation will keep its shareholders informed. This relates to strategic business operations, achievement of performance targets, major policy issues and major customer and environmental issues.

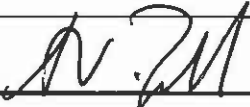
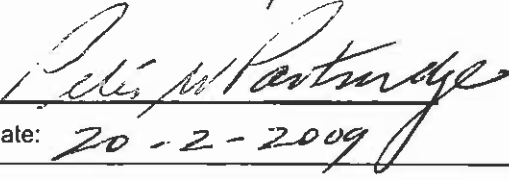
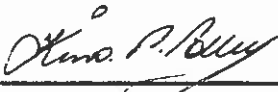


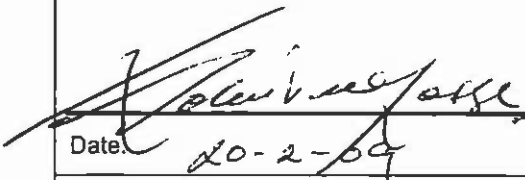


The Australian Stock Exchange (ASX) Listing Rules state, "Once an entity is or becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, the entity must immediately tell the ASX that information". A similar expectation exists for the Corporations.

Guidelines – Continuous Disclosure

- (a) A Corporation should, in a timely manner, advise the Owners' Representatives in writing of any information that a reasonable person would expect to have a material effect on the value of the Corporation, or its subsidiaries. This will include information that:
 - may have a material effect on financial Corporate Plan expectations;
 - may influence the owners' decisions; or
 - relates to an issue on which the owners may be required to comment, financial or otherwise.
- (b) This information should be provided through the quarterly reporting process and separately when required.

PART 8 - SIGNATORIES

In accordance with the Water and Sewerage Corporations Act 2008, we, the undersigned, being formal representatives of the eight Councils of the northern region, issue this Shareholders' Letter of Expectation to the Water and Sewerage Corporation Northern Region Pty Limited.

	Council
 Date: 20.08.09	Albert van Zetten MAYOR Launceston City Council
 Date: 20-2-2009	Peter Partridge MAYOR Dorset Council
 Date: 23-04-2009	Kim Polley MAYOR Northern Midlands Council
 Date: 20-2-2009	Doug Burt MAYOR George Town Council
 Date: 20.02.2009	Barry Easter MAYOR West Tamar Council
 Date: 20-2-09	Robert Legge MAYOR Break O'Day Council
 Date: 20-2-09	Carol Cox MAYOR Flinders Council
 Date: 3-3-09	Mark Shelton MAYOR Meander Valley Council

SCHEDULE A - Definitions

The following definitions apply:

'ANCOLD Guidelines' means the Guidelines issues by the Australian National Committee on Large Dams Inc as revised from time to time.

'Board' means the Board of Directors appointed to the Tasmanian Water and Sewerage Corporation Northern Region Pty Limited.

'Corporation' means Tasmanian Water and Sewerage Corporation Northern Region Pty Limited.

'Councils' refers to the eight Councils of the Northern Region being: Launceston City Council, Northern Midlands Council, Meander Valley Council, West Tamar Council, Georgetown Council, Dorset Council, Break O'Day Council and Flinders Council.

'Owners' Representatives' mean the representatives appointed by the members of the Tasmanian Water and Sewerage Corporation Northern Region Pty Limited under Section 19 of the Water and Sewerage Corporations Act 2008.

'Regulator' means Tasmanian Economic Regulator

'Shareholders' means the member Councils of the Tasmanian Water and Sewerage Corporation Northern Region Pty Limited.

'Treasurer' means the Treasurer of the Tasmanian Government.