

13 3 2026

Committee for Greater Hobart Submission — TasWater Price and Service Plan (PSP5)

1. Introduction — Balancing Affordability, Investment and Long-Term Value

The Committee for Greater Hobart (CfGH) welcomes the opportunity to provide further input to TasWater’s PSP5 consultation considering the Tasmanian Economic Regulator’s Draft Report and proposed price determination.

We recognise and respect the Regulator’s role in protecting customers and ensuring prices reflect efficient service delivery at the lowest sustainable cost. We note, the draft findings propose lower allowable increases than those originally sought by TasWater, reflecting Regulator’s concern about affordability and the practicality of delivering a capital program of the proposed scale within a single regulatory period.

As no one welcomes price increases this is an understandable concern, particularly in a period of sustained cost-of-living pressure. Households are facing cumulative increases across many essential services, and for those on low or fixed incomes the combined effect of these pressures can be significant. Ensuring that customers experiencing hardship are appropriately supported must remain central to any final determination.

At the same time, water and sewerage services occupy a somewhat unique position within the household expenditure mix. As a component of the overall “basket” of household costs, water charges remain relatively small compared with many other essential services. This does not diminish the real impact of rising costs for households, but it does highlight an important structural reality: the infrastructure systems that underpin safe drinking water and wastewater treatment are long-lived assets that require sustained investment over decades.

In many respects Tasmania is still paying down an infrastructure legacy created over generations, and the pace at which that task can be addressed is closely linked to the level of investment permitted through each regulatory cycle.

In Tasmania, the scale of this challenge has been many decades in the making.

Water and sewerage systems across the state, and particularly in Greater Hobart, reflect a legacy of incremental development, deferred renewal and infrastructure built and maintained to varying standards by local governments over many decades. TasWater inherited these structural challenges at the time of reform and addressing them remains an intergenerational task.

Significant progress has been made since the reforms, but the underlying infrastructure renewal and compliance challenge remains substantial. Pricing outcomes that track only modestly above inflation will inevitably slow the pace at which these legacy issues can be addressed. This has implications not only for infrastructure renewal and regulatory compliance, but also for the system's capacity to support population growth and urban renewal over time.

If investment is delayed, the consequences do not disappear. They tend to re-emerge later as:

- increased service disruptions;
- higher future costs;
- increased infrastructure risk;
- constraints on housing and economic growth; or
- reduced environmental performance.

Like the Price and Service Plans that have preceded it, PSP5 therefore represents not simply a pricing exercise, but a long-term decision about how Tasmania balances affordability today with system resilience, infrastructure renewal and future growth.

2. Valuing Water and Infrastructure Over the Long Term

Tasmania has historically benefited from strong catchments and generations of public investment that brought water from mountains and rivers into our cities and towns.

That inheritance can create the perception that water is abundant and inexpensive. In reality, Hobart is one of the driest capital cities in Australia, and much of Tasmania is classified as semi-arid. Delivering safe drinking water and modern sewerage services requires complex infrastructure systems that must be continuously maintained, upgraded and expanded.

As climate patterns shift and population grows, these costs will only increase. Tasmania's infrastructure footprint also reflects its decentralised development history. Relative to population size, TasWater operates a disproportionately large number of water treatment plants and sewerage treatment facilities, in many cases more than significantly larger jurisdictions. While this reflects settlement patterns and historic local government ownership structures, it also means higher per-capita operating, maintenance and renewal costs.

Managing, upgrading and, where appropriate, rationalising this dispersed network is inherently more complex and capital-intensive than in larger, more consolidated systems. This structural reality is important context when considering TasWater's capital requirements and the Regulator's assessment of efficient cost recovery.

This leads to a difficult but necessary conversation: if water and sewerage services are underpriced relative to their long-term cost, the system ultimately pays

elsewhere, through deferred maintenance, constrained growth, or higher future charges.

Pricing alone is not the solution. But pricing does send signals about the value of scarce resources and the sustainability of infrastructure investment. For this reason, further consideration should be given to the balancing of fixed and variable charges, especially signaling the importance of volumetric value of water as well as the ongoing challenge of maintain the reliability of long-term infrastructure.

Water has a broader economic value in Tasmania that extends well beyond household supply. As an essential service, reliable drinking water and wastewater treatment underpin public health, liveability and the functioning of communities and businesses. At the same time, water is a critical input to some of Tasmania's most important economic sectors, including hydro-electric generation and agriculture, which operate at vastly different scales of water use but depend on the long-term security and management of this shared resource.

While the volumes used across these sectors differ significantly from urban water supply, the underlying resource is finite and increasingly influenced by climate variability. For this reason, CfGH considers the broader economic value of water to be an important area for ongoing consideration by the Regulator and policymakers over time, particularly as Tasmania balances future economic development, environmental sustainability and water security in a changing climate.

3. Affordability and Targeted Support

CfGH strongly supports TasWater and the Regulator's focus on affordability and consumer protection.

Households experiencing hardship must have access to clear, well-funded assistance programs. Concession arrangements should remain responsive and targeted. Pricing transitions should be staged and predictable. Engagement with social housing providers and community organisations should continue.

Protecting vulnerable customers is essential to maintaining community confidence in long-term infrastructure reform. Affordability challenges are best addressed through targeted support mechanisms, rather than broadly suppressing price signals that reflect the real cost of sustainable service delivery.

4. Alignment with Strategic Land Use, Headworks Methodologies and Development Feasibility

TasWater's servicing decisions directly influence Greater Hobart's urban form and the feasibility of housing and employment development. The structure of headworks charges, the methodology used to allocate infrastructure costs, and the timing and

certainty of servicing approvals all contribute to where development occurs.

CfGH notes the Regulator's draft position requesting TasWater to review and recalculate aspects of its proposed headworks charging approach. This presents a continued opportunity not only to refine the methodology, but to ensure the framework supports broader strategic settlement objectives.

Headworks as part of the total development cost stack

Headworks charges are not simply a technical pricing mechanism; they are a component of the total cost stack of development. Alongside land, construction, finance, planning requirements and other enabling infrastructure, water and sewer servicing charges can influence project feasibility.

For many projects, particularly mid-scale infill developments in established urban areas, relatively modest shifts in infrastructure contributions or servicing certainty can determine whether a project proceeds, is delayed, or becomes unviable.

Headworks methodologies should therefore:

- be transparent and predictable;
- allocate costs equitably between existing users and new development;
- reflect actual capacity and investment requirements; and
- support efficient use of existing infrastructure networks.

Sending the right signals for location and growth

Pricing and servicing frameworks send signals about where development should occur.

Where infrastructure capacity already exists, particularly in established areas such as the Hobart CBD, Glenorchy, Moonah and other Northern Corridor renewal locations, headworks structures and servicing processes should encourage development in those areas.

This supports:

- infill and renewal;
- efficient use of existing networks;
- reduced pressure on fringe expansion; and
- alignment with transport, employment and services.

Approaches that unintentionally penalise well-located infill projects or create uncertainty around servicing contributions risk pushing development toward less efficient locations and increasing long-term system costs.

Approvals timing, certainty and process efficiency

Beyond the quantum of charges, time and certainty of approvals are critical to project feasibility.

Delays in servicing advice, unclear requirements, or extended approval timeframes increase holding costs, financing risk and project uncertainty. In practice, particularly in a smaller market such as Tasmania, time is often the biggest killer of projects.

Timely servicing advice, predictable assessment processes and clear decision frameworks are therefore just as important as the level of charges themselves. Improving process certainty can unlock development without compromising infrastructure standards or long-term cost recovery.

5. Climate Resilience and Catchment Investment

Climate pressures are intensifying across Tasmania, including heavier rainfall events, increased bushfire risk, changing catchment conditions, higher temperatures and increasing stress on ageing networks.

Bushfire risk is particularly important for water utilities. Fire events in drinking water catchments can significantly affect water quality through ash, sediment and nutrient runoff, creating turbidity spikes and contamination risks that can persist for years after the fire itself. These impacts often require additional treatment processes, infrastructure upgrades and ongoing catchment rehabilitation.

Bushfire events can also directly affect water infrastructure through damage to assets, loss of power supply, and increased demand for emergency water supply during fire response.

TasWater's PSP5 recognises many of these vulnerabilities, including the significant leakage challenge and the need for sustained mains renewal. CfGH supports continued investment in resilience and system renewal as part of strengthening the long-term reliability of Tasmania's water and sewerage networks.

In this context, renewed focus on catchment management should be viewed as a critical component of infrastructure resilience.

Protecting and managing source water catchments can reduce treatment costs, improve system reliability and mitigate climate-related risks. Partnerships between TasWater, Hydro Tasmania, land managers, councils, State Government agencies and environmental organisations are therefore essential to protect source water quality and reduce long-term system costs.

Catchment investment, including fire management, land stewardship and erosion control, remains one of the most cost-effective forms of long-term cost avoidance available within the water system.

Strengthening this approach will help ensure Tasmania's water infrastructure remains resilient in the face of increasing climate variability and extreme weather events.

6. Capital Delivery Capacity, Market Conditions and System-Wide Sequencing

TasWater's PSP5 outlines a substantial capital program. CfGH recognises the necessity of long-term renewal investment but also acknowledges that the Regulator's examination of the practical deliverability of a program of this scale within a single regulatory period.

Over the past few years, TasWater has demonstrated a strong capability and partnerships to deliver significant capital programs, noting that over last 2 years to June 2026 \$788M program was delivered.

Ultimately this is a zero-sum game, where deferred capital will be factored into future PSP's, and subject to cost escalations.

However this needs to be navigated in the context of Tasmania's relatively small and shallow construction and engineering market, with:

- a limited pool of specialised labour and technical capability;
- constrained contractor depth;
- vulnerability to interstate labour draw; and
- exposure to materials cost volatility.

TasWater's program does not sit in isolation. Over the coming decade, Tasmania faces significant capital programs across State Government departments, Government Business Enterprises, Local Government and major proposed projects such as the Macquarie Point Stadium.

In aggregate, how these programs are planned and sequenced will materially influence delivery timelines and cost outcomes. Poor coordination can lead to labour shortages, wage escalation, contractor scarcity, materials price spikes and project delays.

Tasmania also competes nationally for labour and materials. Major interstate programs, including Olympic infrastructure and other national-scale projects, will compete for the same specialised workforce. Larger jurisdictions can absorb these pressures more readily; smaller jurisdictions such as Tasmania are more exposed to market shocks. Given this issue, and an imperative to deliver capital as efficiently as possible, there is an argument that programs that demonstrate strong capacity and capability should be accelerated in advance of other factors that will drive up pricing.

Learning from TasWater's Capital Delivery Approach

Importantly, TasWater has made significant reforms in recent years. The establishment of its Capital Delivery Office and evolution of its procurement model have strengthened program governance, pipeline visibility and contractor engagement.

There are valuable lessons in this approach for the broader Tasmanian capital sector, particularly around:

- smoothing demand through clear forward pipelines;
- improving contractor certainty;
- strengthening internal program discipline; and
- building delivery capability over time.

A well-paced, credible capital program aligned across government, other utilities, and major delivery agencies is critical to deliver long term value and reduce short term capital and construction pricing shocks.

It is important that the Regulator's scrutiny of deliverability is not inconsistent with long-term investment objectives. It must reinforce the importance of aligning delivery capacity in a small and exposed market.

7. Intergenerational Fairness and Dividend Settings

PSP5 highlights a broader question about how infrastructure costs are shared between current customers, future customers and system owners.

Given the history of ownership and reform, CfGH encourages continued reflection between TasWater, owner councils and the State Government on dividend arrangements during this period of sustained capital expenditure. Infrastructure transitions of this scale require careful balancing to ensure long-term sustainability and avoid sharper adjustments later.

8. Conclusion

The Regulator's draft findings reflect an effort to protect customers while ensuring TasWater delivers services efficiently.

As noted earlier, households are facing significant cost-of-living pressures and it is appropriate that regulatory decisions carefully consider the cumulative impact of essential service costs, particularly for those on low or fixed incomes. Ensuring that vulnerable customers are appropriately supported must remain a central part of any pricing framework.

At the same time, water and sewerage infrastructure must ultimately be considered through a long-term lens. The systems that provide safe drinking water and wastewater treatment are the product of generations of investment, and maintaining and renewing them requires sustained commitment over decades.

As a share of household expenditure, water charges remain a relatively small component of the overall cost of living. Yet the infrastructure that underpins these services is fundamental to public health, water security, environmental protection, housing supply, economic development and community confidence.

In many respects Tasmania is still addressing an infrastructure legacy created over many decades. The pace at which these challenges can be resolved is closely linked to the level of investment enabled through each regulatory cycle. Pricing outcomes that track only modestly above inflation will inevitably slow the rate at which renewal, compliance and growth-related infrastructure challenges can be addressed.

For this reason, PSP5 should be understood not simply as a pricing determination, but as a long-term decision about how Tasmania balances affordability today with infrastructure resilience and future growth.

CfGH supports an approach that:

- protects vulnerable customers through targeted support;
- maintains credible and deliverable long-term investment pathways;
- aligns servicing with strategic renewal and infill priorities;
- recognises the structural realities of Tasmania's dispersed asset base;
- and
- values water appropriately as essential intergenerational infrastructure.

CfGH looks forward to continuing to work with TasWater, the Economic Regulator, councils and government to ensure PSP5 supports a Greater Hobart that is resilient, vibrant and prepared for the long term.