Inquiry into the Financial and Operational Performance of TasWater

Introduction

The Tasmanian Branch of the Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing & Allied Services Union of Australia (CEPU Tasmania) welcomes the opportunity to provide input to the Inquiry into the Financial and Operational Performance of TasWater.

The CEPU Tasmania is the principal union for workers in the communications, electrotechnology, and plumbing industries across Tasmania. Our members are and will be employed in construction, maintenance and operation of TasWater assets. They are also employed in many of the facilities serviced by TasWater.

The CEPU Tasmania has had a long-standing position that water and sewage services are an essential public good, and that TasWater assets should be run with this principle in mind to provide equal services to all Tasmanians. However, TasWater's *2026–2030 Price and Service Plan* details a pricing and services plan that sees significant winners and losers. This includes Councils who retain significant dividends while investments in necessary infrastructure upgrades are delayed, significant price increases for some – but not all – customers, and CEO and executive remuneration that is increased at a rate significantly above that of the workforce that is responsible for delivering TasWater services each and every day.

In preparing this submission, the CEPU has used statements made during hearings to the inquiry by relevant stakeholders. The CEPU has not sought to independently verify statements made by TasWater executives against the Corporate Plan or Regulators reports.

Long-term underinvestment in capital works

CEPU members report that TasWater infrastructure has been poorly maintained, with insufficient investment in going maintenance and upgrades. This underspend and the impacts on TasWater's bottom line are reflected in both the Corporate Plan and Hansard exchanges that followed. For example:

> Mr WINTER - The report also revealed that 21 out of 77 level 2 sewage treatment plants are now classified as high risk, and that's actually on the way up. It also went on to say that only 9 per cent of level 2 sewage treatment plants achieved full effluent compliance across the regulated parameters in a given year. This summer, beaches here in the Derwent will be closed partly due to faecal contamination of the Derwent.[1]
>
> Mr YOUNG [...] It's going to take decades to get on top of these issues. But we also could not see TasWater continue to operate non-compliant treatment plants - I think only about 9 per cent of our treatment plants fully meet the Environmental Protection Authority (EPA) requirements. [...] we continue to lose too much water leakage through our pipes and we lag on key service message. Our dams don't meet national and international standards for dam safety. We have somewhere around twice the level of water main breaks and sewer overflows compared to what is typical across Australia.[2]

Reversing this lack of investment in capital works to bring infrastructure up to compliance and to meet the needs of a growing Tasmanian community has been used to justify the significant consumer prince

[1] Government of Tasmania (2026), *Hansard: The Parliamentary Standing Committee of Public Accounts Hearing 1 October 2026.*
[2] Government of Tasmania (2026), *Hansard: The Parliamentary Standing Committee of Public Accounts Hearing 11 June 2026.*

increases. However, as we note in the following sections, TasWater did not use all mechanisms at its disposal to reduce costs – including reducing and foregoing dividends or reducing CEO pay.

Dividends

Under the Corporate Plan, TasWater will pay dividends of $24 million in FY26, and $20 million per year in subsequent years.[3]

The decision to pay dividends to councils at a time when TasWater states they are facing significant cost pressures is a *choice,* shareholders – including the State Government – have the ability to refuse dividends and require that the money be reinvested in TasWater. As the Economic Regulator states:

> They get a return on equity, and that return on equity is built in as well. That return on equity is there, so they're treated, in theory, like any other business would be. There's equity invested and you get a return on that. So, then they make that decision: Does that go back into the business? Does that go back to pay for dividends? What they do is up to them, but we don't tell them how they need to deal with that or what sort of dividends they need to pay.[4]

This position was reiterated by a number of stakeholders to the Regulator's Price Determination Investigation, who went further than the regulator to argue that given that proposed price increases were due to historic underinvestment by shareholders, the continued payment of dividends to Councils was in fact an example of risk shifting from shareholders to consumers. For example, Eric Abetz states:

> It would be inappropriate for customers to face higher bills so that owners may receive elevated returns when the historic under-investment in essential water and sewerage assets is precisely what now necessitates sustained catch-up investment.[5]

Finally, in their Determination report, the Regulator acknowledges that while they have no control over dividend payments, reduced or foregone dividends are an option available to Shareholders to access additional capital to support policy objectives and greater capital investment.[6]

Role of the State Government

While the Regulator has no power to make determinations regarding dividends, the State Government has the power to veto these payments. The State Government has the responsibility to use this effective veto power to reject plans that lead to higher prices for Tasmanians, lower investment in infrastructure, while keeping dividends to councils largely stable. It must use its 10% stake to hold TasWater to account and makes sure that its primary objective is delivering services in the public good.

Workforce

The CEPU notes that in seeking to reduce costs, the Economic Regulator removed TasWater's inclusion of a one per cent per annum pay point progression above the wage increases provided in its most recent Enterprise Agreement. TasWater argued that the pay point progression is intended to ensure that TasWater has sufficient funds to cover workers moving up into higher pay grades, and that it was both a requirement of their EBA and standard practice in the public service.[7]

While workers have had salary increases constrained by the regulator, the Regulator did not make any

[3] TasWater (2026) *Corporate Plan FY2027 – 11*, p. 18.
[4] https://www.parliament.tas.gov.au/__data/assets/pdf_file/0024/112677/PAC-1-Oct-2026-FOP-of-TasWater-FINAL.pdf
[5] Office of the Tasmanian Economic Regulator (2026) *2026 Water and Sewerage Price Determination Investigation – Final Report*, p. xxi.
[6] Office of the Tasmanian Economic Regulator (2026) *2026 Water and Sewerage Price Determination Investigation – Final Report*, p. 228.
[7] Economic regulator p. 47

determinations on executive pay. Under TasWater's plan, the CEO receives a significantly higher pay rise than the workforce in general.

> Ms THOMAS: We talked about the CEO's remuneration as well and you provided information back in relation to that, talking about the successive increases of 12 per cent and 8.9 per cent over two years. There was a compounded increase of approximately 22 per cent in the CEO's salary over those successive two years, compared to 10 per cent for general employees over the same period.[8]

In addition, the CEPU has observed concerning changes to Operator models, that have reduced the physical presence of operators who monitor water and sewerage treatment plants across the state, to instead rely on remote site monitoring system. The role of operators is to identify equipment failures, leaks, blockages, odour issues and process problems that cannot always be detected remotely.

CEPU members express concern that reducing the time operators physically attend sewerage treatment plants will reduce the ability to identify and respond to issues before they become environmental or public health incidents.

Their role is more critical in light of the rates of non-compliance identified by TasWater. CEPU members have already experienced sewer overflows in Tasmanian waterways, and Tasmania cannot afford the risks of further overflows or non-compliant discharges. It is therefore incumbent on TasWater to demonstrate that the proposed operational model is consistent with the environmental obligations imposed on TasWater through EPA approvals, environmental licences and the Environmental Management and Pollution Control Act.

Conclusions

Water and sewerage infrastructure are a public good. TasWater, the State Government and the Regulator must seek to operate TasWater with the public good in mind. It must seek to reverse years of mismanagement that has led to significant rates of infrastructure non-compliance, while minimising the impacts on consumers. In doing so, it must not continue to reward Shareholders that have overseen ongoing, historic underinvestment in capital works, and must reinvest these dividends in TasWater to reverse the decline in infrastructure.

[8] Government of Tasmania (2026), *Hansard: The Parliamentary Standing Committee of Public Accounts Hearing 24 September 2026.*