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**THE PARLIAMENTARY STANDING COMMITTEE OF PUBLIC ACCOUNTS
MET IN COMMITTEE ROOM 1, PARLIAMENT HOUSE, HOBART ON THURSDAY
11 JUNE 2026.**

TASWATER PRICE AND SERVICES FOR 2026-2030

TasWater

The Committee met at 9:29 am.

CHAIR (Ms Forrest) - Thank you, George and your team, for appearing before the Public Accounts Committee. The purpose of this inquiry is for you to look at the pricing determination and the rationale behind that, where it's at. We're also talking to the economic regulator later in the day - you're probably aware of that. I'm sure most of you have probably appeared before Parliamentary Committees before, but this is a public hearing: it's being broadcast and transcribed by Hansard. It will form our evidence and may form part of our report in the future.

Everything you say here is covered by parliamentary privilege, but that may not extend beyond the Committee hearing. If there is anything of a confidential nature you wish to share with the Committee, you can make that request and the Committee would consider that. Otherwise, it is all public. Does anyone have any questions before we commence?

Mr YOUNG - No.

CHAIR - Good-o. I'll get you to each take the statutory declaration in front of you there and then - you're leading off?

Mr YOUNG - Yes.

CHAIR - So, we'll get you to do that and introduce yourself and members of the team at the table, and then invite you to make some opening comments, if you'd like to do that.

Mr KEVIN YOUNG, CHAIR, **Mr GEORGE THEO**, CHIEF EXECUTIVE OFFICER, **Mr KANE INGHAM**, CHIEF FINANCIAL OFFICER, **Mr MATTHEW DERBYSHIRE**, GENERAL MANAGER SUSTAINABLE INFRASTRUCTURE SERVICES, and **Ms KATE CRAWFORD**, GENERAL MANAGER GOVERNANCE AND ASSURANCE, GENERAL COUNSEL AND COMPANY SECRETARY, TASWATER, WERE CALLED, TOOK THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR - Thank you. Over to you.

Mr YOUNG - An opening statement. Thank you, Chair, for inviting us here today. Over the last three years, TasWater has been working on our fifth price and servicing plan. At the same time, we undertook our broadest community engagement. We did this because we knew we had to face up to extraordinary challenges and we wanted the customers to understand those challenges, inform our plans to address them. The board talked a lot about priorities.

I want to say, we knew we couldn't do it all. 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

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Protection Authority (EPA) requirements. So, we did talk a lot about the environment and we talked about the fact that 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. Like most businesses, we come under a digital threat from cyber and we need to bolster our defences. All these things have to be addressed, and that's what the water reforms of 2009 promised.

Now, at every stage, affordability was at the forefront of consideration. There's been an indication that we did not talk to customers about our proposal, and that's incorrect. In April 2024, we sent the first of two customer newsletters asking customers to register to take part. If you're a TasWater customer, you receive these newsletters. We also sent around 85,000 emails to customers with the same message. These were followed up with newsletter stories and emails talking about every stage of the proposal. We're in traditional media and we regularly posted on our social media. We ran ads on TV, radio and bus backs encouraging people to have their say. We did everything reasonable to make sure people knew that we wanted to hear from them. Thousands of Tasmanians registered and completed surveys. They responded to our bill simulator and talked to us at community pop-ups. Five hundred people expressed their interest in becoming a member of our community advisory panel. In the end, 45 were independently chosen by a specialist company engaged to make sure the panel represented a broad spectrum of Tasmanians.

Out of that came the moment I realised we were doing the right thing. We met across seven sessions and listened to their concerns about price and service. We outlined the issues with ageing assets, what we were doing well and where we needed to improve, and collectively we talked about what level of service Tasmanians should expect. After those sessions, the panel presented their independent recommendations to us and we listened. We went away, we did the work, and we met again to put forward three pricing options. Why three? It's because with different scenarios we could see the likely price increase was significant. Now, a greater proportion of the panel members supported a higher increase than the 8.8 per cent that we eventually went for. That was the moment I knew that we had to represent those customers and not keeping kicking this can down the road. Our engagement was extensive, wide and open to all; thousands of Tasmanians had their say.

Now, I know dividends will be discussed today and I want to make something clear: our last corporate plan forecast our revenue, capex and opex and dividends largely in line with what we were proposing as our submission for the Price and Service Plan 5 (PSP5). The final PSP5 document was not finalised when the corporate plan was approved by owners, but did include forecast revenue and expense. We always knew that there was a risk of the regulator approving lower revenue and that was always made clear. I've been in the industry a long, long time: I think I've gone through 12 or 15 price submissions, and never once did we ever receive from a regulator what we asked for, so we always knew it was going to be lower.

With the final PSP determination made, which we accept - we're the regulated not the regulator - we've updated the corporate plan and that was sent to owners last week and it won't be finalised until the end of the month. Our forecast profitability has significantly dropped in the determination, and we've updated the corporate plan and that was sent to them. We're projecting dividends of around \$20-\$22 million on average over the price path period will be finalised at the end of the month, but lower than what we had forecast. This board will continue to set dividend levels responsibly to reflect the *Water and Sewage Corporation Act 2012*, our

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constitution, and our dividend policy. Those principles have served us well, since 2013 and have seen returns to every Tasmanian community that has invested in these local areas. Thanks, Chair.

CHAIR - Okay. Did you want to make - yes.

Mr THEO - Yes, I'll make some very quick comments. Thank you for the opportunity. Thank you, Chair. I'd like to, just a few really quick points and we'll open up to discussion and answer your questions. The first thing I'd like to say: we accept the regulator's final determination. We're not necessarily happy with all aspects of the determination, but the regulator is the umpire: we accept the decision, we move on. Pleasingly, \$1.2 billion worth of work has been endorsed by the regulator to do: further to that, the Economic Regulator agreed that 100 per cent of the work that TasWater proposed at its PSP5 submission is work that must be done. So, that's a really huge tick. We were really clear, open, transparent and honest with, you know, the reality that we face as a community in Tasmania and the work that we must do.

Within our submission, we're also committed to - and it's been baked into customer prices - an overall efficiency drive of \$113 million. Now, I want to be really clear: already baked into customer prices is the fact that we've got to find \$113 million in efficiencies over four years. But like every other water utility in the country, we're in an investment phase or in the growth phase in Tasmania. We need to invest in infrastructure. We're not in a maintain phase, and all of you are aware of the historical underinvestment that has occurred in the water and sewage sector for decades, and we're responding to that.

Now, as our Chair said, we heard from thousands of customers and on that feedback, we landed at a plan to start to fix what was broken. We made it clear that after PSP5, we anticipated to have prices reduce. So, in our proposal of 8.8 per cent a year for four years, when you read beyond the first few pages, and for those who made any inquiries - would have seen that in the subsequent four years, in PSP6, prices would have reduced to 5.5 per cent, and in the four years post PSP6 and PSP7, prices would have reduced further to 2.5 per cent.

Mr JAENSCH - Sorry, is that prices reduced by that amount -

Mr THEO - To that amount.

Mr JAENSCH - or the increase is smaller each year?

Mr THEO - Correct.

Mr JAENSCH - So, the increase is not 8 per cent or 10 per cent: it's 5 per cent or 2 per cent?

Mr THEO - Yes.

Mr JAENSCH - So, there's still an increase, but it's -

CHAIR - A smaller increase.

Mr THEO - So, first four years, 8.8 per cent a year; the following four-year block, it would be 5.5 per cent; and the following four-year block it would have been 2.4 per cent. That's

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what we were proposing and the reality is that there's going to be more pressure on price increases in PSP6, for the simple reason that the regulator has decided to not allow funding to do approximately \$400 million worth of work, which gets pushed out into 2030 and beyond, into PSP6, which is on top of the work that we're planning on doing in PSP6. The point I'm trying to make is that, instead of prices coming down in subsequent periods, there is going to be a real pressure on us, if we're going to do the work that must be done, prices will continue to increase.

Now, I'm really pleased that the work that we must do and the regulator has agreed we must do has also been co-endorsed by the EPA, the Department of Health, and the Department of Natural Resources and Environment Tasmania (NRE), who regulate dams. The work that we must do is in alignment with all the technical regulator's expectations. As I said, the economic regulator has agreed it's work that we must do, but the economic regulator would like us to do it over a much longer timeframe.

Now, in closing, I think it's really important for the Committee to be aware of pricing decisions that have been made around the country in the last 18 months. Very quickly, TasWater has been allowed to increase its prices by 5.7 per cent per year. Now, over four years, the cumulative effect of that, inclusive of inflation, is 24.8 per cent. Then you spoke originally to 40 per cent, which was our draft proposal. It's now, through the final determination, 24.8 per cent. By comparison, if you look at Hunter Water in New South Wales, 43.1 per cent over five years; Sydney Water, 60.5 per cent over five years; WaterNSW, over four years, 61.1 per cent; Essential Water in New South Wales, over five years, 47.7 per cent; North East Water in Victoria, over five years, 53 per cent; and the last two, Icon Water, over five years, 37 per cent; and SA Water, over 4 years, 30.1 per cent - compared to TasWater's 24.8 per cent.

We've got to be really careful here that the Tasmanian community does not left behind, because we're not in a position to fund and service the loans that we need to take out to invest in public infrastructure. I just want to leave you with that thought, because the more we defer, and the continuation of price suppression, leads to less houses being built, pollution of the environment, and water security and frequent droughts becoming more and more frequent. There are consequences to not investing, and the purpose of me just making the comparison to what other jurisdictions have been permitted to, from a price path perspective, that leads into community infrastructure - we've got to be careful we don't get left behind, is the message. Happy to answer any questions.

CHAIR - Thank you both. Just initially, are you able to provide the Committee with a copy of the updated corporate plan?

Mr THEO - Yes, we can. The draft corporate plan went out last week. It will be finalised based on council feedback, owner feedback, by the end of the calendar month.

Mr YOUNG - We can provide the final, I think.

Mr THEO - We can provide the final corporate plan, absolutely.

CHAIR - When will you have that?

Mr THEO - That would be -

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Mr YOUNG - Very soon.

Mr INGHAM - End of June.

Mr THEO - End of the month.

Mr JAENSCH - When you refer to the corporate plan - just following your question, Chair - in your letter you finish with, 'TasWater will update its updated final price and service plan'. Is that linked to the corporate plan? Are they one and the same?

Mr THEO - It's linked. The Price and Services Plan that we'll be talking about here today allows us to generate our revenue. The revenue subsequently reflected in our corporate plan and all our financials are updated on the basis of our revenue projections, which have been permitted through the Price and Services Plan.

Mr JAENSCH - Okay, thank you.

CHAIR - Just a couple of other ones before we go into the detail, perhaps. You talked about the 45 members of the advisory Committee. In terms of the demographics of that, do you have people from low-income backgrounds on it? How can we be assured that the voices of those who are most vulnerable in our communities are heard?

Mr THEO - The customer engagement process - and I might throw it over to you, Kate, as well - but the customer engagement process is run by an independent organisation. We made sure that the Tasmanian community was represented across all demographics across the entire state and inclusive of low-income earners because we wanted to hear from all of them. As the Chair said, there were thousands of interactions with the various -

CHAIR - Most of these people are people who have the capacity and wherewithal to put themselves forward. A lot of people from low-income households are too busy just trying to survive to engage. The question is: how can we be assured that people who are the most vulnerable in our community have voices at the table?

Mr INGHAM - If I had to say a couple of things, we did have a mix of renters, low socio-economic backgrounds on the 45 panel. We also, in our broader engagement, we did do a price simulation which we encouraged everyone that had been engaging with us to participate in. What that did was really gave us a sense of appetite for customers to increase their bills to get the outcomes that we've been seeking through the determination, including having a better impact on the environment, supporting growth, providing better services and standards.

CHAIR - Going back to the question. How do we know there are people on this panel that actually have a lived experience of hardship?

Ms CRAWFORD - If I may, I'll just start off by saying it has been our most comprehensive engagement process to date. Right from the outset, we were really deliberate in trying to include these lesser-heard voices to make sure we're hearing from the full spectrum of our community. I will walk you through the process that we went to.

The first element of it was we went through a co-design process. In that co-design process, we invited a number of our stakeholders, including representatives from community

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groups and from lesser-heard voices. So, we invited a number and we had a number attended. This includes peak bodies like Housing Industry Tasmania, Homes Tasmania, the Council of the Ageing (COTA), various peers, various other groups.

CHAIR - Was the Tasmanian Council of Social Service (TasCOSS) invited?

Ms CRAWFORD - TasCOSS was invited but they didn't attend the co-design session. Not all could attend. That was really important because right from the very outset we co-designed this with community. We took in the views of those who have understanding around how to access these lesser-heard voices.

In addition to our broader campaigns where we tried to reach out to our customers through the newsletters, through the emails, through the advertising, the customer engagement process included a broad community survey, but it also heard from lesser-heard voices specifically. So, we actually met with people who identified as living with a disability from the Tasmanian Aboriginal community and from other groups and we actually had focus sessions with those groups to try and make sure we were understanding these lesser-heard voices within our engagement program.

From our deliberative panel, we were also very careful to make sure that that panel was representative in a number of ways from the Tasmanian community in terms of, you know, age representation, regional representation, and various representation from our community.

Mr YOUNG - Can I just add one thing in? What I heard from that panel of Tasmanians, one of their recommendations - and we listened to them all - but one of them was: don't leave the vulnerable behind. They were very strong on that, even though they were very keen to address the issues, they said, 'Don't leave the vulnerable behind'.

CHAIR - Were vulnerable in the room at the time? Was the question.

Mr YOUNG - They are represented as part of that group, but what we said was, 'Well we will invest more money to protect the vulnerable, and I think we put something like an extra \$2.4 million above what we normally spend so that, you know, we could make concessions to people if they couldn't afford to pay their bills. We would write off debt -

Mr JAENSCH - One-tenth of your dividend.

Mr YOUNG - So this was a focus - we can get to that - but this was a focus on: can we put more money aside to protect the vulnerable if they can't afford to pay, can we provide relief?

Mr THEO - And the Chair made reference to the fact that we - every TasWater customer that receives a bill was communicated with to participate in this process. If I may, you know, these are two newsletters going back to 2024 where every customer in the state would have received two separate newsletters with their bills to invite them to participate.

Just on the co-design process that Kate spoke to, we had close to 135 participants helped to co-design the engagement process to ensure that the questions that you ask, Ruth, were also taken into account, because we wanted to hear from all demographics and all customer cohorts within our engagement process and we co-designed it so when we went out for our engagement

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process, we heard all those voices. We also had a ... you know, hearing from the voices less heard, and we engage with that community as well because we had pop-ups at shopping centres where we gave people opportunities to contribute -

CHAIR - Where did you hold the pop-ups? Have you got a list of those you could provide?

Mr THEO - Yeah, we can provide that. I don't have it in front of me.

CHAIR - Maybe if you could provide to the Committee the process you went through, the organisations who participate, noting that TASCOSSE didn't, which is a surprise to me -

Mr WINTER - They did put in a submission, I'm just reading it.

CHAIR - They did?

Unknown - We invited them in -

Mr WINTER - Can I on this point, you know, we've talked a lot about people that haven't been heard and, you know, I just reminded myself then as I was listening of what TasCOSS said, and TasCOSS also rejected your original proposal and asked the regulator to continue with what they did on the basis of affordability, efficiency, sustainability and representing a group of Tasmanians and the peak bodies who aren't often heard. Their recommendations, and they'll ask in their submission, again outlined that TasWater should adopt some better understood terminology for customers, they could be more familiar. It asks the regulator to stick with this draft decision, and also talks about creating a bespoke affordability measure to be developed that compares water bills with household incomes and tracks how well TasWater and the Government are supporting households to meet their essential water needs and financial stress. Have you taken any of those recommendations on board?

Mr THEO - TasWater's bill is 1.2 per cent of disposable household income. That's 1.2 per cent. Now, we don't trivialise price increases, but I want to be really clear: no one cares more about the vulnerable customers TasWater has than TasWater. Okay? We care about our customers. We support customers who find themselves in a position, in a financial vulnerable position where they can't afford to pay the bills. We support them: we never turn them off, we work with them. And I think that's really important to understand. The alternative to not increasing prices for a handful of people who may find themselves in a vulnerable position, which we don't trivialise, is not the answer: the answer is to support those vulnerable customers and price accordingly in order for us to be able to invest in community infrastructure. That is really important, and I just want to, you know, remind everyone that we do care about our customers and we do support customers who find themselves in a vulnerable position.

Mr WINTER - Just to back a question, though. So, the TasCOSS submission talks about an affordability measure being developed that compares water bills. You talked about the amount of representatives as part of -

Mr THEO - Household disposable income.

Mr WINTER - Yeah, do you agree with the recommendation from TasCOSS and will you be implementing that?

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Mr THEO - Well, I've already said, you know, we understand that our bill is 1.2 per cent of household disposable income. In 2016, customers were paying more than what they are paying in 2026 when you take inflation into account. Our bills are going down in real terms. Construction costs and the amount of work we need to do is going up. It's unsustainable. Some people seem to think ignoring what's in front of us is somehow going to fix the issues that need to be resolved, and we're not going to be able to address the reality that we face, i.e. having to invest in new infrastructure for new houses, stop pollution of the environment; all those things are not going to occur if we don't invest in infrastructure. It then goes back to prices. So, let's keep supporting the vulnerable, let's price responsibly and appropriately, so we can invest in community infrastructure. The back of community infrastructure, if you think about it: water underpins economic development and a whole host of other things, not to mention health.

Mr WINTER - I'm listening to the evidence so far, what do you think the biggest issue facing Tasmanians right now - if we went to Tasmanians broadly, broader than scope of TasWater, what would be the number one thing that you think Tasmanians would say the issue is at the moment?

Mr YOUNG - Cost of living.

Mr THEO - Yes.

Mr WINTER - Cost of living. I've never seen it like this before. I started in public life in 2014, and the number one issue that I talk to people about is cost of living: it's trying to fill the car up with fuel at the moment, it's rent, it's power bills. So, when this proposal came out, it was a huge shock to the system and the rhetoric from TasWater that the customers wanted to be charged more was so out of whack, out of step with what Tasmanians were telling me and I think probably other elected members, that I really struggle with your methodology in terms of your engagement. I think, when I read the regulator's report, they also struggle with that: do you accept that your engagement process hasn't worked?

Mr THEO - No. I don't accept our engagement process hasn't worked. It was the most comprehensive engagement in the history of TasWater. When you present people with information and they understand it, and the group of 45 that spent I think close to eight full days immersed in a conversation and they were presented with information, they called upon - they asked us to bring independent experts into the conversation. When people sit down and they have an opportunity to absorb the information, ask questions and reflect on the conversations that are happening, they actually said to us - and this is a cohort of 45 that is representing the various demographics across the state - said, 'You should go harder at this'. I think the number was around about 11.2 or 11.5 per cent. Now, that's not what we chose.

The point I'm trying to make is: when people understand the reality that's before us, they're saying you should invest more and do it quicker than what you are proposing; but that's not the position that we took. We went forward with an 8.8 per cent increase. We spent the best part, as the Chair said, of three years modelling the customer impacts that that would have and trying to balance that up with the work that must be done. We have to do work and we can't keep deferring it. It's only going to become more expensive for the very people we're trying to support. It's not going to become less expensive.

Mr YOUNG - Can I make just one comment, which is we're just - I just want to get to the point that you're raising, which is, what I heard from them was, yes, cost of living is really

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important, but at the end of the day, once they understood the issues, they realised they're not going to go away. What they were worried about was their children and their grandchildren.

CHAIR - Can I ask, did they raise, at any point - and I assume they would have discussed if the dividend policy that sits behind a lot of this, was that a topic of discussion? What was the general view on that?

Mr YOUNG - I think they did raise a dividend policy and there was a range of views of that, of whether - what the levels of dividends should be, what it can be used for. So, it was a conversation.

CHAIR - Was there any expectation - I mean, dividends, when there's urgent work that needs to be done, you made it really clear, and I think we all know there are a lot of assets that TasWater are responsible for that don't comply, you're losing a lot of water, all the things we've talked about, and you provide significant money to the owners. We know that our GBEs don't pay dividends to Government when they don't make money, so why are we prioritising dividends over getting the work done?

Mr YOUNG - It's a good question. We had a discussion and what we discussed was that our pricing is not set on the level of dividend we pay. In fact, if we pay no dividends, the price is the same for customers, and if we pay a certain higher level of dividend -

CHAIR - But you get more work done. You've got more capital to deliver outcomes.

Mr YOUNG - We could. I think what you're saying is we could pay no dividends. We could use those dividends for capital works, it wouldn't make any difference to our prices, but if we don't pay dividends to councils, then the councils can change their budget to increase rates for their customers because if they're not getting the dividends, they don't do the things that they need to for their community, and so they put rates up. So, if we don't pay dividends, then customers - we're talking about affordability and cost of living - their prices go up. It's a zero-sum game. We've got the same customer base. We don't give councils dividends and they say, 'Oh, that's good, we're going to put it in the bank and just put it away for a rainy day'. They've got things that they need to do now. So, we give them a level of dividends. It doesn't make any difference to the prices TasWater gets. They use that for the community.

CHAIR - You said at the outset, the big problem here is there are non-compliant assets -

Mr YOUNG - There is.

CHAIR - there is work that has to happen. So, you talk about priorities, okay, so what are the priorities? Is it delivering on that need to do it, and the regulator said take a bit longer to do it: I mean a major failure will cost you money, obviously, if a dam fails or something similar.

Mr YOUNG - Yes, I've been in this game I think for over 40 years, and I think I've done a dozen of these. The way regulation works, I said, in Tasmania is the same as it works across the whole of Australia. It's for water, electricity, gas - in fact, across the world - is the regulator decides what you should be spending on capital. When they decide, they say, 'This is what we think you should spend', the regulator has made a decision that we should spend \$1.2 billion,

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rather than \$1.6 billion, said, 'That is what I think customers should pay for and that's what prices are going to be based on'. The regulator has made that call.

Mr WINTER - Thank you for your correspondence the other day - to you, Chair.

Mr YOUNG - No problems.

Mr YOUNG - You told me where to find the dividend policy, which is a page and a third. It doesn't actually outline to me what the methodology behind your dividends are. In particular, the galling part, I guess, is the proposal, which I now understand, given the regulator's determination, not going ahead with, but there was - if I go back to the rhetoric at the start of this, you know, you couldn't do it all, 9 per cent of your plants are not fully compliant with EPA requirements, you're having twice the breaks as other jurisdictions, proposing huge price rising in the eyes of Tasmanians who are doing it tough with the cost of living; but then, on the other hand, you say that you're going to increase dividends by 50 per cent to your owner councils. Can you explain to us: how is that determined that that was going to be a good idea and how is it in line with your dividend policy?

Mr YOUNG - Well, as you know, as I've said this morning, we're not going to be doing that, because the final determination has come out and we cut the cloth. As a board, we look at financial sustainability, credit rating, as all boards across Australia do -

Mr WINTER - I'm listening to the evidence. We've been here for half an hour so far, and we've heard how important it is for us to invest in water and sewage infrastructure -

Mr YOUNG - Yes.

Mr WINTER - yet the board was proposing to increase its dividend spend by \$50 million over the five-year period: is that not correct?

Mr YOUNG - No. You're missing it. We put a submission in that says that we need to spend \$1.6 billion in infrastructure. The way pricing works in Tasmania, as it does around Australia and for all industries, is that the revenue that you get from that is based on your opex, your depreciation, and the capital you're going to spend. You make a rate of return and that determines a level of profitability that you can make. Given that we saw that we could still meet all of our credit ratings and increase dividends, which we thought was a fair way forward -

Mr WINTER - It would be your contention, here and to the regulator, as being effectively that the water and sewage system is falling apart, it's not meeting -

Mr YOUNG - Yes.

Mr WINTER - So, how do these - I mean -

Mr YOUNG - No. You're spot on. That's why we put a submission to the regulator and said, 'Here are the facts of what we're facing as a community', and in every other jurisdiction around Australia the regulator says, 'I will give you the capital to do this work'. What you're saying is sort of, I think, it's a de facto model where the regulator says, 'I'm not going to give you the money to do the capital that you need to do and you can find it other ways'. That's not how regulation works.

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Mr WINTER - Well, apparently the regulator have a very different view than what you did, that's pretty clear -

Mr YOUNG - No, the regulator agreed with us on the work that needs to be done.

Mr WINTER - I'm trying to get a handle on the dividend policy. So, you're on the one hand saying that there is a huge compliance problem with the EPA, you need to bolster your defence against cyberattacks, you have twice as many breaks as other jurisdictions.

Mr YOUNG - Absolutely.

Mr WINTER - And at the same time you made a decision to propose in the corporate plan to increase dividends by 50 per cent, which would take \$50 million of additional capital out of TasWater over a five-year period. How can you possibly justify a dividend increase in that sort of environment?

Mr YOUNG - Because as part of our original proposal we were looking for \$1.6 billion worth of work and when you roll all the numbers of the economic regulation in Tasmania meant that our profitability increased, and we pay a proportion of our profitability as dividends.

Mr WINTER - But the profitability increase is because you were proposing to charge 40 per cent additional to Tasmanian customers?

Mr YOUNG - And those days are gone. That's all disappeared. It doesn't exist anymore. The regulator has come out -

CHAIR - So, why hasn't the dividend policy altered to reflect that? If those days are gone, you haven't got -

Mr YOUNG - Well, we did. We dropped dividends back. When you get the report at the end of the month, you'll see dividends that will drop significantly because of the regulator's report.

Mr WINTER - In your correspondence to me, is it still a fact you're considering increasing dividends above the \$20 million?

Mr YOUNG - We haven't finalised it, but my prediction it will be, I think I said to you in my opening statement that instead of what we had proposed, it'll drop to around \$20-22 million on average over the period. So, dividends will be going back to where they were a significant number of years ago, and before that I think there were \$30 million. So, we are dropping significantly. We're going back to the future.

Mr WINTER - But at the moment they're \$20 million a year at the moment annually, is that correct?

Mr YOUNG - No.

Mr WINTER - What are they at the moment?

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Ms CRAWFORD - If I may talk to the process I think it will provide some context around this. So, under our shareholders' letter of expectations on 30 April each year we provide a draft corporate plan to our owners' representatives, all 29 councils plus the State owners' representative. There is then an opportunity for feedback. This year has been different because we also received the economic regulator's final determination on 30 April [2026]. This year - and we communicated this to our shareholders - we provided the corporate plan with the information that we could, but we said, 'Look, because we've just received the economic regulator's decision, we've now got to run those numbers and we'll provide you with a further copy of the corporate plan in June'. Now, on 4 June [2026], we've provided that to our owners and it includes a target number of dividends, but it's still subject to a consultation process.

Mr WINTER - What is that target number?

Ms CRAWFORD - Target number is \$20 million.

Mr YOUNG - 20-22 will be there. Just to answer your question, this year we would have paid \$26 million, so we'll be dropping from that.

Mr WINTER - So, the numbers I'm looking at are at \$20 million in an ordinary dividend and \$4 million in a special dividend. What's the additional \$2 million?

Mr INGHAM - It's 22 plus 4.

Mr YOUNG - That's right.

Mr WINTER - \$22 million? In the current year. So, I'm looking at the forecast for the budget number in your corporate plan lists \$22 million for, so the ordinary dividend has already increased by \$2 million for this year from \$20 million last financial year, and then you're proposing to continue to the ordinary dividends at \$22 million over the next five years, is that correct?

Ms CRAWFORD - It's subject to consultation. So, you know there has been a draft plan that's been provided to our shareholders, it's really important that we allow them to provide that feedback and that's now rolling in. The Board will meet to consider that. And then a further draft corporate plan will be prepared for the owners to consider, deliberate and vote on in the general meeting on 25 June [2026]. So, until that time and while there is a target number that has been nominated, that's by no means final. We take that consultation requirement very seriously with our owners and we'll be considering any feedback that they provide.

Mr WINTER - So what was the justification for increasing the ordinary dividend from \$20 million to \$22 million for this financial year?

Mr THEO - It's on the back of the financial performance of the organisation.

Mr YOUNG - And it always is. It's a year-by-year proposition based on the financial performance of the organisation: looking at how we're going, it's operating, capital, what inflation is, because we wear risks on that.

Mr WINTER - At what point does the condition of your physical assets come into this, because you're arguing -

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Mr YOUNG - We keep circling on this. But we put forward a position to the regulator that says, 'Look, we need to invest in capital to solve these issues'. All around Australia the regulator says, 'Look, I understand that and this is the amount of money that I believe I will give you to solve these issues'. The regulator has done that. He said, 'Well, I'll provide \$1.2 billion in capital'.

CHAIR - The regulator doesn't actually give you the money: the regulator allows you to charge people to recoup that.

Mr YOUNG - That's very true. Whether we get that money is subject to what the level of inflation is, because we wear the risks on that. The regulator has also said to us, 'I want you to go really hard on efficiency savings'. So, we've got some of the biggest efficiency savings in Australia in terms of opex and capex, and we're going to go hard to get that. We're a good organisation and we are going to try our best to do that. If we don't, our profitability will drop as well, and that's why it's a year-by-year proposition on how we go against our efficiency savings, how inflation is and how we go in our capital. But I just want to keep circling on this: we asked the regulator for money to solve the problems.

Mr WINTER - Yes, we are circling. I'm not sure we're going to agree, so I'm going to move on. In terms of your engagement, you've outlined the customer engagement. One of the concerns raised, though, by the regulator and by business was around your engagement with industry. Simplot put in a submission, it said:

TasWater's price and service plan represents serious concerns for Simplot's operations within Tasmania due to increased costs and our ability to remain competitive in an already challenging market.

It goes on to talk about the price increases. Can you confirm that TasWater hadn't engaged with major industrials during this process and, if that's the case, why was that the case?

Ms CRAWFORD - I can respond to that question. Thank you. In August 2024, we held business customer briefings in Hobart and Launceston with over 300 industrial, commercial and tankered-waste customers invited. The briefing's a regular occurrence in our stakeholder engagement throughout the year. During those forums in August 2024, we actively engaged with those large customers around the proposed changes to charges. There was engagement throughout our process with those customers.

Mr WINTER - That was in August 2024, though. Did anything happen in 2025? Any engagement with Simplot or other industry?

Ms CRAWFORD - I don't have the specific details. I'll try and get them for you now.

Mr WINTER - I mean, just according to them, it says:

The customer and community consultation conducted throughout the development of PSP5 was not reflective of TasWater's customer base and failed to consult with industrial customers. TasWater have communicated to Simplot directly and at the above mentioned information session that their priority is residential customers. This is evident in the consultation undertaken and the lack of consideration of industrial customers in PSP5.

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Do you have a comment on that?

Mr INGHAM - I don't have the specifics of every single customer and, in particular, Simplot, but a lot of these accounts, a lot of these customers are large enough to be account managed. So, we have particular relationship managers with these customers and the interaction engagement was direct and there was a lot of ongoing one-on-one conversations with these customers about the potential impacts on PSP5.

Mr WINTER - Nyrstar said, and I quote:

No direct effort was made by TasWater to consult with Nyrstar prior to the release of PSP5 proposal, notwithstanding material impact it would have on our business.

Do you agree with that?

Mr INGHAM - Again, I don't know the specifics but these customers, we were in interactions with them on a frequent basis. I know there was ongoing - absolutely discussions about what we were proposing in PSP5 with these customers.

Mr WINTER - Well, that conflicts with their submission. They say, 'No direct effort was made by TasWater to consult with Nyrstar'.

Mr INGHAM - Again, I don't have the specifics on Nyrstar.

Mr THEO - We did consult with industry. Now, whether Nyrstar was in that group, they certainly would have been extended an invitation to participate. They're also individually account managed, as are our large industrial trade-waste customers. For the purpose of economic regulation, other than the price of water going through the water meter for these large industrials, we have individual trade waste agreements with each of these large industrial trade waste customers. The regulatory component is very much confined to volumetric water. Trade waste treatment is - we have individual contracts with individual trade waste customers.

Mr DERBYSHIRE - I just think that comment, though, about preference given to domestic customers - I think that's something that you said, Dean -

Mr WINTER - Yes, that's quoting from -

Mr DERBYSHIRE - I think that's in reference to not having our residential customers subsidise industrial customers. That's what that sounds like to me.

CHAIR - Are you able to provide some sort of evidence, if you like, of who the major customers you did directly engage with on this? You talk about managing their accounts, which is different from engaging with them on a pricing plan.

Mr THEO - As Kate said, we also engage with the development sector as well as our industrial sector and small business sector. So, we certainly can provide when those sessions took place and who registered to participate in those sessions.

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Mr YOUNG - Can I just add one thing which has been lost in this, too: part of our proposal was that we did want to increase the unit cost of water and cut the fixed component back. We saw that as important. Our regulator has not agreed to go as far as we'd like, but one of the reasons for that is it sends a signal to industry to say, 'Look, if you invest in water efficiency, you can lower your bill, become more efficient', because if the variable price of water is so low, well, you basically - and this is residential and domestic customers - you're just paying a fixed amount. So, water is seen to be relatively free.

Mr DERBYSHIRE - Can I just give you a quick summary, too, of the engagement with the industry, because it's not gelling with what you're insinuating.

Mr WINTER - I'm just reading from the submission.

Mr DERBYSHIRE - So, we had 314 briefings with developers, industry and local government; 86 forums, 31 individual businesses participated; and 40 interactions with the Local Government Association Tasmania (LGAT).

Mr WINTER - But Nyrstar and Simplot would be two of your biggest customers, and neither of them seem to be included with that: how does that occur?

Mr DERBYSHIRE - As Kane said, we have individual account managers that regularly talk to both of those customers.

CHAIR - But they obviously didn't talk about the pricing policy.

Mr INGHAM - Yes. I think we can provide some -

Mr YOUNG - Let's provide the facts.

Mr INGHAM - Provide the facts. I will make a general point: it's not about these customers: in a lot of instances, you can invite the engagement, but it takes other -

Mr WINTER - But they're saying that they weren't invited.

Mr INGHAM - Yes.

Mr WINTER - Their quote is, 'No direct effort was made by TasWater to consultant with Nyrstar'.

Mr INGHAM - Let's find out. Let's get the facts.

Mr WINTER - You will take that on notice? You will come back to us on it?

Mr INGHAM - Yes.

Mr EDMUNDS - I had a couple on trade waste, but can I just ask a couple that go back earlier in the hearing: when you talked about the understanding of your group of 45, once the picture was painted, that your evidence says that there was buy-in around the pricing policy: what work was done beyond that group of 45 to get buy-in from the broad - and I appreciate

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we're starting to run out of time - but what engagement was done with the broader Tasmanian community for them to wrap their head around that concept?

Mr THEO - So, timing was such that we needed to lodge our pricing proposal to the regulator, so there wasn't time to take - outside of the 45 customers that were immersed in this process for, as I said earlier, up to eight days - there wasn't time to go back out to the broader community around pricing; but the draft proposal is exactly that. Then that provides further opportunity for feedback on the draft proposal, because that runs for the best part of a year before a final decision is made. That's why you have that draft out there for such a long period of time, so you can get further feedback before a final determination is made. I will say this, though, we speak about vulnerable customers, and I said we don't leave customers behind, but our draft proposal, and it's been lost on many people: 63,000 families were going to get a \$53 reduction in their bill in year one. Now, that's been lost on people.

Mr EDMUNDS - Yes, sorry, my question was just about the engagement.

Mr THEO - No, no, but I think it's important for people to understand -

Mr EDMUNDS - Well, you don't have to point at me when you're answering a question.

Mr THEO - No, no, I think it's important for people to understand: 63,000 families -

Mr EDMUNDS - Chair, I've heard enough.

Mr THEO - were going to get a \$53 reduction in year one. The economic regulator has guaranteed a 100 per cent increase to those 63,000 families.

Ms THOMAS - That wasn't the question.

CHAIR - No. Just answer the question, yes.

Mr EDMUNDS - Sorry, if I can just ask my questions. I've been waiting a while. So, we will move on from that. So, no engagement or effort was made with the broader community once you had the buy-in, as you say, from a sample group, in terms of the dividends -

Ms CRAWFORD - Can I -

Mr EDMUNDS - Excuse me, I've just got the call at the moment. Thank you. So moving on to my next question. Let's play a bit of hypothetical here with your engagement with your owners, including the State Government: if the feedback was given on the 25th of this month that, due to public sentiment and feedback from their ratepayers, they forego this dividend, they understand the issues you have around infrastructure and that they're willing to forego those millions of dollars that is a bugbear of some of us on this side of the table: would that extra money be invested in infrastructure? Would it go to lower bills? Or would it just sit on your balance sheet?

Mr YOUNG - Well, it can't go to lower bills, because the regulator sets bills and that's fixed in time. That's black letter L-A-W law. So, it's determined. We could not pay dividends to councils, but councils can then put their rates up, so then we'd have this dilemma -

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CHAIR - That's up to councils.

Mr YOUNG - No, no. But that would mean - we're talking about cost of living -

Mr EDMUNDS - Well, I can argue the toss of that. Having been in local government, I actually disagree with your assessment of what a council might do if they didn't get their dividend. Those are decisions made by groups of up to 12 around a table, factoring in the direct feedback that three of us at this table used to get from our ratepayers. So, I disagree with that sentiment, but I don't need to go back to it. But the question is: if they forego that, or that dividend was forgone, would that money go in to extra infrastructure?

Unknown - Yeah.

Mr YOUNG - Hypothetically, anything could happen.

Mr THEO - Well, I think if we had that extra money, it can go into extra infrastructure, it can go towards lowering debt. There's a few options, but it would be put to good use.

Mr EDMUNDS - Yes, great, thank you. Just moving on now to the trade waste: so we've got a press release here from Jeremy Rockliff on the 26th, so basically a year ago, 26 June 2025, announcing a policy that, this is the headline, 'Reforming trade waste framework to future-proof major employers'. It talks about, 'trade waste legislative and regulatory frameworks will be reformed'. I'm just quoting from the release, it says:

Some of Tasmania's biggest employers, including food producers such as Simplot, James Boag, Fonterra, McCain, Mondelēz are facing shifting regulatory pressures and unrealistic timeframes to comply with trade waste requirements from TasWater.

And then it also goes on to say:

Direct consultation will be conducted with TasWater, major trade waste producers, the Tasmanian Chamber of Commerce and Industry and Ai Group.

Has there been any consultation on that from the government to you and if so, what does that look like and what are the likely outcomes?

Ms CRAWFORD - Yes, there has been consultation, is the answer. So, the Government has appointed a firm to conduct that review, and we have had preliminary conversations with that firm and engaging constructively. When they put a written request to us for the information they require, we will of course provide that. So, yes.

Mr EDMUNDS - And when did that engagement occur?

Ms CRAWFORD - I will see if I can get the specific day, but it has occurred.

Mr WINTER - Is that recently, is that in the last month, or -

Ms CRAWFORD - Yes, it is recently.

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Mr JAENSCH - I thank those at the table for the answers you've given and I appreciate also the pressures that you're under, which are an artefact, in my view, of the glass cage that you've got to operate in, which I don't think anyone actually ever designed, I think it sort of came about on the way to what would have been a really good plan.

CHAIR - If you could get to the question, we haven't got a lot of time.

Mr JAENSCH - No. I think that the others have had a fair old go, so I just want to reframe this a little bit. In the olden days, when the councils were responsible for the infrastructure and the services and the charging, and they had to eyeball the customers and the ratepayers every day, there was a direct accountability loop there, and on the whole, in general it appears to have resulted in an underinvestment in assets and obscured charging, because it was built in differently across 29 councils or more over a very long time. So, everyone was - it was a bit of a mystery who paid for all this stuff and who was responsible and how far out they're looking at it. Therefore, we got to a position where there were 'boil water' notices and 'don't swim at this beach' signs up all over the place. Around 15-20 years ago that was on the radio every summer. It's not that anymore. That's the challenge that you've got now. But you're doing so as a monopoly provider of a public utility for an essential service that no one can do without, where the people who used to be very anxious about the impact on the consumer are now dependent on the dividend. The economic regulator controls what you can invest but also has no obligation to the pressure on the end customer, as I understand it. So, they're looking at the -

CHAIR - Get to the question, Roger.

Mr JAENSCH - Please, Chair, you've given the others 40 minutes. I need to have a little go here.

CHAIR - If you get to the question, you will have plenty of time for questions.

Mr JAENSCH - I think I understand the restrictions of your operating environment. There's no criticism in this of you. I'm looking at how do we make what you do fair for everybody, including you, to do it. So, when it comes to your pricing plan and when it comes to the questions of dividends, I know that you have obligations to an internal rate of return and you've got shareholder agreements. You also, though - and you've laid this out in the letter that you wrote back to the Chair - you have some discretion in how you apply dividends.

My question is, when setting your policies regarding dividends and your decisions each time, what are the things that come before and after that decision, and is there room somewhere if there was another regulator or another mechanism which says this is the affordability range that we want you to land in for your end charges to consumers, if you've got anything left after that, you can use it for dividends or whatever, but it can take precedence. From what you're voluntarily doing with your focus group to say how do people feel, there is not some other measure of people's ability to afford this essential service.

CHAIR - Do you have a question, Roger?

Mr JAENSCH - You've talked about what happens in other jurisdictions. Does that exist anywhere else? Is there scope to build it into the model you have now? You have your owner sitting there watching you, so you need to be careful. But I think there's a structural problem,

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which you're scrambling to address all the time, and it puts a lot of pressure on you, but everyone else thinks that this pricing should be driven by affordability. Can we insert that? What would that mechanism be?

Mr YOUNG - Well, I think we do. I wasn't here all the time that the 29 councils were making decisions, and they were facing major issues. But I suspect the problems with 24 boil water notices and 'don't swim in the beaches' came about because the councils were worried about affordability and so they didn't invest in the infrastructure. It's the same debate that we have today. They didn't invest in things that need to be done because they were worried about affordability.

Now, we put a submission forward, the regulator reviews it. I just want to make it clear: there is never a discussion with the regulator or any modelling about dividends. It just doesn't come in. It's not part of the pricing process. But we put a submission in there. Probably the difference is we did do the engagement with the community. We believe you have to set prices that meet the problems that we face and we worry about next generations. That's when we discussed in detail with the deliberative panel, they said, 'We're worried about this, we're building a problem for future generations. We want to do something now.'

We put our submission in. We said we're going to protect the vulnerable, we're going to put more money into it, we're going to do bill relief. The way it works at the moment is the regulator is the final determinant for how to balance what needs to be done and affordability. It is part of the process. That's why we have got - it's not down as a detailed KPI - there's judgement involved in this that the economic regulator has to make and that's where we've been. Different regulators have different judgement. George said that in different utilities around Australia, the regulator has - there are still cost-of-living pressures in all of those communities that George went through - but the regulator has said the water industry is approaching a crisis of ageing assets, the need to invest for climate change, to protect the environment, to be sustainable. We need to invest, and so they have made a balance to say prices should go up. That is not occurred here in Tasmania because of a stronger focus by the regulator on affordability.

Mr JAENSCH - Is it, though? Is it within the regulator's charter to look at the affordability to the end consumer?

Mr YOUNG - Yes.

Mr JAENSCH - Because it hasn't been that way in the past on other things where we've had these inquiries.

Mr YOUNG - No, I definitely think it is, because when you read the submission, the regulator says, 'I think, that TasWater has put forward \$1.6 billion worth of capital works and this is work that urgently needs to be done. However, I'm worried about the cost on bills, so I'm going to cut it back to 1.2'.

Mr JAENSCH - I thought that that was couched in the regulator's confidence in your ability to deliver a very ambitious program over a period of time and to finance it and get it going?

Mr YOUNG - Yes, definitely.

Mr THEO - And we had that conversation with the regulator about our capacity and capability to deliver that program. We will deliver \$790 million worth of capex in the last two years, to 30 June [2026] this year. So, we've got the capacity and the capability of doing it.

Roger, to your point, though, the economic regulator is also going to take the opportunity and we're participating in this process and it'll be open to public discourse - a review of the economic regulatory framework in Tasmania. There will be an opportunity there, as part of this process, and reviews are appropriate to occur for people to contribute into that process to make sure that the framework itself is actually working in the long-term best interest of customers.

Mr JAENSCH - Just to wrap this up, where you've mentioned, under the *Corporations Act*, that the Board, when determining whether to pay a dividend or how to pay the dividend, it has to consider whether there's sufficient underlying profit, operating cash flow, net assets, et cetera. You have voluntarily created a pricing sort of panel feedback mechanism here. Within your structure, do you have the ability to show your shareholders that you are going to factor in a target capacity to pay for the end consumer into your model before deciding their dividend?

Mr INGHAM - No, and that's not how the framework works. As it stands at the moment, the framework allows us to have a regulated asset base. It allows a portion of that regulated asset base to be funded by debt versus equity and, ultimately, that goes in along with other things like operating costs to determine a price. Then the process for determining a dividend really becomes, to us as an organisation, and you assess things like profitability, our capacity -

Mr THEO - Credit rating.

Mr INGHAM - credit rating, being able to fund it.

Mr THEO - Are we an investment-grade company.

Mr INGHAM - So, at the moment, I think what George is saying is, is that the framework that is going to get reviewed over the next 12 months, I believe - and that's a process being proposed by the regulator - is really putting everything on the table and going, 'Is this getting the intended consequences? Is the framework working the way that we want it to work, and is there any changes that could be made to have better effect?'

Mr JAENSCH - So, a criterion around customer affordability would need to be imposed by the independent regulator on you, rather than you adopting it within your decision-making framework as a basis for telling your owners how much dividend you can give them? Is that right?

Mr INGHAM - Well, that might be an option. I'm not sure how that would work, but that's a possibility, and that might be something that could be considered in the framework, along with a lot of other things that we're putting forward.

Ms THOMAS - My understanding is during the previous Price and Service Plan, the economic regulator advised TasWater to move away from its current equivalent tenement sewerage charging model and transition to a structure comprising a fixed-access charge and variable discharge charge, and TasWater subsequently incorporated this approach into its PSP5 proposal. But recognising the complexity of the transition and TasWater's broader financial

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pressures, the regulator provided TasWater with the option to retain the existing methodology until PSP6 if it wasn't yet ready to implement this change. I'm interested in understanding, is there are currently a minimum sewerage access charge that all connected customers pay?

Mr THEO - Yes, there is a minimum sewerage access charge, I think it's about \$790-odd is the sewerage access charge. Then under PSP5, there's a volumetric component, which I think will be 22 cents per thousand litres of sewage going down the pipe. That was part of our tariff reform proposal. The Chair made reference to the fact that we wanted to reduce fixed-access charges and increase slightly the variable component and introduce a sewerage variable component. The net effect of that tariff reform is a revenue-neutral outcome for TasWater. Then you apply the increase that the regulator has allowed.

Tariff reform did not go as far as we would have liked and proposed. For example, for four years, since I've been here, customers have been saying to me, 'George, 84 per cent of my bill is fixed. I can't influence the size of my bill by being water-wise'. We agree with them. It's too high. We put a proposal forward that was going to reduce the fixed component of the bill from 84 per cent to 67 per cent. In other words, 33 per cent of the bill would be variable and it'll be influenced by the consumer. The regulator did not adopt our proposal to go to a 33 per cent variable component of the bill in year one, but did accept that we should increase the variable component of the bill. So, in their final determination, it's going from 16 per cent to 19 per cent in year four. Now, that is really slow. That's a very slow transition. Customers were going to have 33 per cent of their bill variable in the first year of PSP5, which would have made a significant difference, which goes back to my earlier comment where 63,000 families were going to get a \$53 reduction in year one.

Ms THOMAS - Right. Is it considered that the new model proposed to be the most fair and equitable model?

Mr THEO - I believe so. It's consistent with what happens in other jurisdictions around the country. It's a combination of an access charge or a service charge and a volumetric component which reflects how much water you use and how much sewage you put into the system. The problem with ETs historically has been it's probably a 1960s model which worked at the time and when you're calculating ETs for the purpose of calculating sewerage charges - there are absurd things like length of urinal in the sporting club - so, who's going to go out there with a tape measure to measure the length of the urinal to calculate ETs?

Mr EDMUNDS - It might be for other reasons.

Mr THEO -TAFEs and universities are based on full-time enrolments. The world's changed. We've moved to a model which is contemporary, which is how much water goes through your water meter and then an assumption based on discharge factors that if you're a residential house, for example, 90 per cent of what goes through the water meter goes down the sewer. There are always exceptional circumstances, and if there are any exceptional circumstances, then there's obviously a process that we have in place where customers can say, 'I'm not the norm', and therefore we would review their discharge factor.

Ms THOMAS - Does this minimum sewerage charge apply to people who are sharing a meter in PSP5? Like units, for example.

Mr THEO - Sharing a meter, under PSP5?

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Ms THOMAS - Yes.

Mr THEO - Under PSP5, sewerage access charges are based on - if you're sharing a meter, the sewerage access charge is divided by the number of people that are sharing a common meter.

Ms THOMAS - So, it's the same fixed sewerage access charge if you're living in a unit block that has 12 units, you'll pay one twelfth of that fixed charge, whereas someone living in a house will pay the whole fixed charge?

Mr INGHAM - Yeah, and if I could clarify, it depends on the size of the meter. The larger the meter, the larger the fixed charge. For multi-dwelling units, if there is only one meter supplying to that premise, then it's ultimately divided up and charged across the residents that make up that site.

Ms THOMAS - So, in all cases it's a larger meter, so the fixed charge will be greater?

Mr INGHAM - That's correct. In some instances, there are some meters that are actually for each of those dwellings, so it really does depend on the configuration of that particular site.

Ms THOMAS - Okay. Looking at PSP5, it appears there'll be both large increases and large decreases to customers' bills, depending on the customer. Some customers may see increases of over 100 per cent, and some will see large decreases. How do you explain that it's reasonable that some customers will suffer these large increase without transitioning pricing?

Mr THEO - Yeah, and I think the whole purpose of tariff reform is to better balance the, you know, revenue collection based on usage and load that customers put on the system. As I mentioned earlier, that's a revenue-neutral outcome for TasWater as part of tariff reform, and there are swings and roundabouts in that process. Some will pay more, some will pay less. What we find is that in some instances, not all instances, where customers are paying more because of the size of their water meter, there's an opportunity to downsize the size of their water meter. As a result of that, you know, they also get the benefit of going from a large water meter to a smaller water meter because they don't need that volume of water for the type of -

CHAIR - So how many customers are we talking about that would actually have a larger water meter than they need?

Mr THEO - It could be hundreds, it could be thousands.

Ms THOMAS - How would they know? I wouldn't know, the size of my water meter.

Mr THEO - Well for residential properties, it's not necessarily an issue. So, based on previous experience -

CHAIR - We're not talking about residential customers here.

Mr THEO - No, but you know, sporting clubs and community groups, for example, that might be running tennis courts, might have a 50 millimetre meter that's thousands of dollars -

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CHAIR - But only need a 30 millimetre?

Mr THEO - but they could they can do away with a 20 millimetre.

Mr JAENSCH - Or if they have a fire hose connection rather than extinguishers and other things - you have to be able to charge the fire hose.

Mr THEO - So, I guess the point I'm making is that for some customers who will get an increase - and we'll be engaging with them - there is an opportunity to downsize the size of the water meter and therefore not incur those costs.

CHAIR - And who pays for that downsizing?

Mr THEO - Well, it'll be the customer that would have to pay for it.

CHAIR - So, they to pay to downsize?

Mr YOUNG - Then they get a saving that would pay that off.

CHAIR - Yes but how much would it cost. If I'm one of those customers, a sporting club, what's the cost of me downsizing from a 50 millimetre to a 20- or 30-millimetre connection?

Mr THEO - Look, it could, it could be a couple of thousand dollars, \$2000-3000. It depends. But the point I'm trying to make is they'll get that money back -

CHAIR - Over a significant time?

Mr THEO - Within 12 months. No, no, yeah, it's significant. You know, for some it might be within a quarter. So, the point I'm trying to make is: we will work with customers where that is possible, and we'll go through a process, but there is a financial benefit, and an immediate financial benefit, for those customers who might find themselves in that position.

CHAIR - So, you'll reach out to any of those, or are they expected to know?

Mr THEO - Absolutely.

CHAIR - Who goes and checks the measurement of a pipe to see what it is, how do I know?

Mr THEO - Yeah, absolutely. So again, it's confined to those customers with large water meters above 32 millimetres.

Mr WINTER - I just want to get back on to trade waste. In September 2023 you announced that there'd be change in the way there'd be charging on trade waste. The article in the *Examiner* quotes that:

TasWater this week confirmed it will, in the next few years, begin charging Tasmanian industrial clients for the full cost of treating their trade waste.

That was three years ago. Did that actually occur?

Mr THEO - Yeah - and Kate might want to add to this - but 75 per cent of our large industrial trade waste customers, from memory, are on modern agreements. We've negotiated those with the customers. Many of them are on are investing in pre-treatment and, you know, it's been a positive outcome, and the balance who are not on modern agreements we're having conversations with because they have existing contractual arrangements saying the renewal of their trade waste agreement, if any works need to be done, it's built into their renewal of their agreement.

Mr WINTER - So, there was considerable angst around that at the time and the warnings from, I think it was the Launceston Chamber, about the impact that would have, particularly on Boags. Was Boags one of the customers that signed up to the increased trade waste?

Mr THEO - I will have to take it on notice. I can't recall whether Boag's had signed a new agreement or not. But there's other customers - recently there was articles where they've invested in pre-treatment and they're actually getting a cost saving as a consequence of pre-treating their sewage and not having to pay TasWater to treat the sewage - to the strength.

Mr WINTER - The subject of Mr Edmunds' questions earlier was around Simplot. I think that's where the Premier made his announcement. Can you explain to the Committee what the situation is there with Simplot and their waste arrangements: I understand there's still an outstanding issue there?

Mr THEO - I'm not across the specifics. I'm happy to take it on notice.

Mr WINTER - Okay. That's fine with me. I've got more, but if -

Mr JAENSCH - The economic regulator's comments on TasWater's treatment of assets - that's a substantial part of the report and findings. What's are the implications of what the economic regulator has said there, and any reconsideration of your treatment of assets in your books: is it an accounting matter alone, or what?

Mr INGHAM - Yeah, I think, interestingly, the regulator in his draft determination made a number of recommendations. It's probably fair to say we didn't agree - well, we didn't agree with all of them and didn't accept all of those findings. One of those findings was around, effectively, disposals and decommissioning of assets. He was effectively asserting at the end of an accounting asset life that those assets are decommissioned and removed from our asset base, which is not true. I mean, a lot of those assets are still in the ground, part of treatment processes and providing services to customers across the State. That's something we pushed back on. On the regulator, in the final determination the regulator still decided to remove that from our regulated asset base. I think that, as a result, there was a sizeable amount taken out of our regulated asset base (RAB) that we need to accept now and move on from: but effectively, yeah, customers won't be paying for those assets anymore, even though they're still in use, they're in service.

Mr JAENSCH - So, the effect there is that there's - what's the consequence of this for your business and for your customers? What is the effect of the changes that the regulator has forced?

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Mr INGHAM - Well, the impact is lower revenue: we don't get to recover those costs anymore, effectively. Those -

Mr JAENSCH - Are they still assets?

Mr THEO - That we're using at the moment.

Mr INGHAM - Yes. They're still in service. Interestingly, the thing that's - those assets still have a value that we haven't been able to recover from customers through pricing over time, and now we won't. So, it's a financial impact on us that we need to wear.

Ms THOMAS - Chair, I'm interested in - you mentioned earlier, TasWater needs to find efficiencies. I'm wondering if you have a target on the efficiency dividend that you're hoping will be achieved in the next five years: also wondering if you can tell us how much key management personnel salaries have increased over the past five years, of the previous Service and Pricing Plan, including the CEOs salary? Also, how much have general employee salary costs increased over the past decade and how they both compare to the wage price index?

Mr YOUNG - So, prices are set by the regulator; they get a number of expert consultants to go right through the business and they have expert consultants who look at the efficiency of TasWater in operating and they look in detail at the capital program: I just want to make that clear. Then they provide advice to the regulator and the regulator takes that into account by saying, 'Well, I think customers in Tasmania should expect that TasWater seeks to be as efficient as possible'. George has indicated that the regulator has set us \$54 million worth of savings in opex and \$59 million in capital.

Mr INGHAM - 74.

Mr YOUNG - \$74 million. So, what we will do is we will factor that into our budgets and we will put a plan in place, in consultation, with our workforce - in fact, we've started that already, to say what ideas of the workforce because we do want to bring the workforce with us, 'What ideas have you got?' where we can meet these requirements to make the business more efficient in operating and capital? We will factor that in, and we will go as hard as we can to achieve it. I think we offered up 1 per cent in opex. The regulator said, 'No, I'm going to set 1.5 per cent'. I'm not sure if anyone else in Australia has had that as a target, but we have certainly got it. As an organisation, we're going to go for it, in consultation with our workforce, to achieve that.

CHAIR - Can we go to the question of the salaries?

Mr YOUNG - That's my second part. The second part is: we're happy to provide that detailed information of salary level increases in the executive. What I can say is for the CEO and the board, we go through a rigorous process of setting the value of each of those jobs using a Hays or a - it's Mercer we use, I think. We set the value of that job in complexity, size and it gets a point score and then we decide where we're going to be in the Australian market. I think generally we're aiming to be the 50th percentile and then we have a band either side of that. You would get a result. We do a strict analysis of each position. It's based on performance for an executive team and the CEO. If the organisation is going well, they will get more. If we're not going as well, you get less. Generally, we would then compare that to what our EBA

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analysis is and what the outcomes have been and whether that is fair. I'm happy to provide that. We have a really detailed process.

Ms THOMAS - You will take that on notice and provide it back to the Committee?

Mr YOUNG - Absolutely, and happy to provide it.

Ms THOMAS - We did ask this in GBE hearings a couple of years back and it couldn't be provided at the table. It was taken on notice and came back quite a high figure. The reason I'm asking is compared to - we talked a lot before about cost-of-living pressures on Tasmanians and it does come of concern to Tasmanians, the rather - what appears to be very high compared to the relative general person's income. That's the reason for me asking.

Mr YOUNG - Fair comment. We're very happy to provide that information.

Mr THEO - Can I just add very quickly: executive salaries are published in the annual report. They're publicly disclosed. To your point also, Bec, around the last 10 years: I can't go that far back because I don't have the information, but if I just look at the next four years, TasWater negotiated an enterprise agreement. It's a four-year agreement. I don't think it's been done in the State before. We have a four-year enterprise agreement totalling 14.6 per cent over four years, which is, on average, about 3.6 per cent a year. That is quite responsible. I'm not seeing anyone negotiating 3.5 or 3.6 per cent in the State at the moment, and we've got a four-year agreement. Just to answer your question.

Mr YOUNG - It goes to the culture of the business and also the engagement that we undertake with the workforce. We're in this together.

Ms THOMAS - Sure. Just to be clear: it was the past five years I asked for, not the past decade, I think. Thank you.

Mr YOUNG - No problems.

Mr WINTER - Just the corporate planning process. I couldn't identify this through the legislation. Does the State Government have veto power over your corporate planning process, or are they just one of the 30 owners who vote on the corporate plan?

Ms CRAWFORD - The requirements to approve the corporate plan is the ordinary majority of owners excluding the Crown and an affirmative vote of the Crown.

Mr WINTER - Sorry, repeat that again?

Ms CRAWFORD - An ordinary majority plus - inclusive of an affirmative vote of the Crown owners' representative.

Mr WINTER - So, the Crown does have a veto?

Ms CRAWFORD - Yes, that's correct, but it's not a directive power, it's an affirmative vote is required.

Mr WINTER - Who's the State's representative on that corporate planning process?

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Ms CRAWFORD - Currently, the nominated representative is Jenny Cosgrove -

Mr YOUNG - From Treasury.

Ms CRAWFORD - From Treasury.

Mr WINTER - From Treasury: so, a Treasury representative that represents the interests of the State as a shareholder at the corporate planning process.

Ms CRAWFORD - That is correct, yes.

Mr WINTER - Okay, thank you. I too just wanted to go again to some of the costs. According to - is it ..., or the company that was engaged by the economic regulator, whatever the name is -

Mr YOUNG - Yes.

Mr WINTER - You know the one I'm talking about? They didn't raise concerns, but they outlined the growth in spending on public relations. For example, from financial year 2021, you were spending \$441,000 on public relations, and in the 2025 Budget you're spending \$1.4 [million], nearly \$1.5 million on public relations. Can you explain to the Committee why there's been a tripling in the amount spent on PR, or as we like to call them here, spin doctors?

Mr THEO - Yes, and I'll hand over to Kate in a minute. We have an obligation to inform community around water conservation, water literacy. I think, Kate, a couple of years ago when we stood up all that information that was round about \$540,000 or thereabouts to actually do that. Subsequent to that year, obviously having established the collateral, it reduced. Keeping our community informed of what's happening within the organisation is really important. So that's -

Mr WINTER - You've recently run an ad campaign as well -

Mr THEO - About?

Mr WINTER - I've seen it on television.

Mr THEO - Water guardians? Water saving initiatives?

Mr YOUNG - 'It's Our Thing'.

Mr WINTER - Water saving. How much has been spent on that campaign?

Ms CRAWFORD - I have some specific numbers here and I'm happy to share them. For FY25, those numbers, we ran two campaigns: the first was around water conservation, and as George mentioned, actually one of the purposes of the organisation is to educate the community on water conservation. It's a really important message. We obviously utilise a number of channels for that including, you know, our own bills, our own website, unpaid media, and then we also do run some campaigns to spread that message. It's been particularly important this summer as we've also experienced a number of communities experiencing water restrictions.

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In FY2025, we ran that campaign, and we also ran a campaign about TasWater Assist. As we spoke to previously, this is about community awareness and raising the awareness of our hardship program. We want to support vulnerable customers. We want them to be aware that we run that program, and that there are supports available with TasWater, so the cost of those two campaigns was \$540,000 in FY25.

Mr DERBYSHIRE - I would just add, though, that investment in water literacy, which remains quite low against the national average in Australia, in Tasmania has -

CHAIR - Investment or the water literacy?

Mr DERBYSHIRE - The water literacy is low in Tasmania. There's still a perception in some customers that water should be free, it falls from the sky, which is not the case, and what's happening across Australia and globally is that -

Mr JAENSCH - It does, it falls from the sky. I've seen it.

Mr DERBYSHIRE - That's true. We agree, but not in the right areas all the time as we've just seen with the five townships on water restriction this summer. But those low-cost interventions that water utilities have previously been able to make and we have 67 per cent of our water supply systems supplied by run of the river, those volumes and those areas for water utilities to tap in, they're gone. So, the next iteration of investment requires desalination, which we've seen in the rest of Australia, more dams, bigger pipelines to transfer water to the right areas when it's not raining in the area. So, that investment that Kate mentioned in water literacy and water conservation has a really big payback in terms of deferring capital infrastructure and we've been seeing water consumption per person drop for the last couple of years.

Mr YOUNG - And there's a super El Niño on the way.

Mr WINTER - So, that's FY25 was \$540,000 combined for those two campaigns. What about FY26?

Ms CRAWFORD - FY2026 hasn't concluded yet. We'll have those numbers at the end of the year. But I can confirm that we've run a water conservation campaign this time; we haven't run the TasWater assist campaign, but we intention that again next year. So again, we're really responsible with those costs -

Mr WINTER - What's the budget for 2026, for the water conservation?

Ms CRAWFORD - We can provide that.

Ms THOMAS - I just want to go back to my previous question, Chair. The information that I've just been able to quickly bring up, and I'm happy to correct the record if it turns out it's wrong, but is the CEO's latest remuneration package is just over \$650,000, which rose by approximately 8.9 per cent over the last year. And prior to that, if I do recall correctly, when we asked the question in our GBE hearings, it was an increase of about 12 per cent. How does the Board satisfy itself, given that stress that the business is under when it comes to delivering infrastructure for Tasmanians, given the significant increase that presents compared to what most Tasmanians are getting annually. I understand the explanation you provided before about ... and all those things, but you did also mention the performance of the business, given the

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distress the business finds itself in and their significant increases that were being proposed to Tasmanians through the proposal you put to the economic regulator in the first place. How on earth can the Board justify this sort of increase in this sort of salary?

Mr YOUNG - That's a fair question. I'm happy to take that on notice and provide detailed notes back on that.

Ms THOMAS - On how the board can actually justify it?

Mr YOUNG - Yes, and we'll double check all those figures that you've covered just to make sure that they're right. Without all the information in front of me - I do know the detail of the process and what we go through and that's for the executive and the CEO.

Mr DERBYSHIRE - Can I just quickly go back to Nyrstar and Simplot, too? I've got some more information on that. But we did invite Nyrstar and Simplot, along with other major customers, to the business forums that were held in August 2024 to discuss the proposed PSP5 changes. Nyrstar and Simplot did not attend.

Mr WINTER - I mean, they're two of your largest customers. Do you think it's adequate to have invited them more than a year out from the submission to in a large group? I mean, aren't they -

Mr DERBYSHIRE - That's on top of what we already talked about - them having key account managers that catch up regularly, on a very regular basis.

Mr WINTER - I'm sure they do, but an account manager's talking about day-to-day operational aspects of their engagement -

Mr DERBYSHIRE - I'm not sure where you got your information that we didn't discuss -

Mr EDMUNDS - From their statements.

CHAIR - From their submissions.

Mr EDMUNDS - It's not us putting it, it's them.

Mr WINTER - That's a submission they made to the economic regulator.

Mr THEO - They were invited: they chose not to come.

CHAIR - We need to wrap this up. We've talked a bit about the operational savings and as well as the capex savings. Have you got a plan for that?

Mr YOUNG - Yes.

CHAIR - Can you provide a copy of where you expect to see those efficiencies and adding up to the number - I think it was \$113 million?

Mr THEO - That's the number I quoted earlier.

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CHAIR - Yes, the total number.

Mr INGHAM - Yes. Maybe if I could say, we're at the moment putting the plan together, we're creating a plan, we're in the discovery phase of that. That'll take a few months to put together and to get that going.

Mr YOUNG - We could provide information on the process we're going through to try and track those savings.

CHAIR - Maybe we ask for the process initially, and anything you can provide - because it's quite a task.

Mr YOUNG - It will be a task for the organisation. We'll need to work very hard to achieve that.

CHAIR - Okay. Thanks very much for your time. Is there anything you wanted to close with?

Mr YOUNG - No, thanks for the opportunity. We appreciate it.

CHAIR - We'll write to you with the questions on notice.

Mr YOUNG - Thank you.

CHAIR - Thanks very much.

The witnesses withdrew.

The Committee suspended from 11:02 am. to 11:17 am.

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Wayne Johnston

CHAIR - Thank you, Mayor Johnston, for appearing before the Public Accounts Committee. As you're probably aware, this is a public hearing. Everything you say is covered by parliamentary privilege while you're before the Committee, but that may not extend beyond the Committee hearing. It is a public hearing: it's being broadcast and transcribed. If there was anything of a confidential nature you wish to share with the Committee, you could make that request and the Committee would then consider that. Otherwise, it's all public. Do you have any questions before we commence?

Mr JOHNSTON - No, just go easy on me, thanks.

CHAIR - Would you mind taking the statutory declaration? That'll help us to be kind to you. Then I'll invite you to make some opening comments, should you wish.

Mr WAYNE JOHNSTON, OWNERS' REPRESENTATIVE, TASWATER, WAS CALLED, TOOK THE STATUTORY DECLARATION AND WAS EXAMINED.

Mr JOHNSTON - Thank you, Chair, for inviting me here today. It's a little bit different from the last invite that I had, where I appeared by Teams from the outback of Brisbane on a cattle farm where I was very unprepared. But to sit at the back of the Chamber today and watch, I guess, and listen to the questions that were asked is insightful.

I'll do my opening introduction, I guess. Thank you to the Committee for inviting me here today. As you may know, I've made the decision not to recontest the upcoming Tasmanian local government elections in October 2026. I was first elected as mayor of the Meander Valley in 2018, and it's been a privilege to serve our community over the past eight years. During that time I've also had the opportunity to represent the Meander Valley and the broader local government sector through my involvement on the board of the Northern Tasmanian Development Corporation (NTDC), the general management Committee of Local Government Association of Tasmania (LGAT), as well as the COVID Committee and flood Committee as well.

More recently, I've held the position of Chief Owners' Representative for TasWater, since 2023. In this role, I've been able to see how passionately TasWater and its people care about Tasmania and Tasmanians. They're managing a fractured and ageing network and operate in a complex regulatory environment with, at times, conflicting priorities.

The Environmental Protection Authority (EPA) quite rightly wants to see movement on the 91 per cent of sewerage treatment plants that are non-compliant. The Department of Health wants to see continued investment in water treatment to make sure our water remains safe to drink. Dam Safety has very real concerns about ageing dams that needs hundreds of millions of dollars invested in them. The Economic Regulator weighs all this into the context of affordability.

As owners, we have our own challenges that require investment. In Hadspen, in my patch, we have land that is zoned residential, ready to build houses on, but which has no sewer network in place. As you had heard from the TasWater Chair and CEO earlier, across the State, it is this growth-driven investment that is now at risk. TasWater has done a good job in

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navigating these competing priorities so it can deliver those communities that we, as owners, represent.

In this context, I understand why questions have been asked about dividends, and these are a matter for the TasWater Board. But as mayor of the council that it receives these dividends, I can say that they directly support the people of Meander Valley and Tasmania. It is those ratepayers that invest in most of the assets that TasWater relies on today and, following the water reforms of 2009, this was recognised through the payment of dividends.

I'm happy to discuss these issues today and I'm sure there will be differing opinions, but I hope we can agree that TasWater is an organisation that we should all be proud of. Its commitment to delivering a better Tasmania is second to none. TasWater wants to see better environmental outcomes, better health outcomes, better economic outcomes and better housing outcomes. But above all that, I've seen first-hand how much it cares for its customers.

In his most recent price and services proposal, TasWater sought to find the right balance between all of those outcomes for its customers, while still providing value for money. The regulator has made a determination, and TasWater will deliver great projects across the State over the next four years, but the reality is the projects that have that could be started today will be pushed back, but the problems will remain. In actual fact, they'll get worse. They will worsen, get more expensive to fix, and the cycle of underinvestment that the reforms were meant to stop will continue. I hope that the conversation about how we invest in our water and sewage network can become more collaborative and constructive ahead of the next price and services plan. We represent Tasmanians and I think they deserve that. Thank you.

CHAIR - Thanks for that, Wayne. Just a couple things I'd like to pick up on and then maybe others, I'm sure, will have questions as well. You talked about the dividend policy being a matter and a decision of the TasWater Board. Obviously, the councils, and you as the owner-rep, are a direct recipient of that. You must have some feedback mechanism, some engagement on that. How does that work, from your perspective?

Mr JOHNSTON - If we look at history over the last four years or we go back to last year, we've been getting \$20 million dividend return plus \$4 million, which was a COVID payback, last year, and we took no dividend returns on some COVID years. No dividends were paid to the owners at the time.

Our feedback, I guess, is: we have a general meeting, we have a general meeting coming up on the 23rd of this month [June 2026], where the owners will give feedback to the Board. It's an interesting one for councils to look at. When we do our budgets - and my council, I've just gone through our rating period, and on Tuesday we decided to lift our rates 4.9 per cent I think at the moment, I think across the State most councils will be looking somewhere between 4 to 5 to 7 per cent across the board.

The dividend that is paid back by TasWater is a component of our budget consideration. For my council it's not such an integral part of our budget, but for some councils, certainly they rely on the dividend coming back from council. I'll just explain on that a little bit: the letter that went out from TasWater to the councils on 4 June [2026], which has just recently occurred, it was a bit lower in the dividend return than what councils were potentially expecting, and I've had numerous emails from CEOs that have been forwarded to me saying, 'Geez, it's come late, the notice period is probably later than we would have liked it', but the regulatory environment

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that TasWater operate haven't allowed that letter to come out any quicker than what it has. But the councils are in a position now of setting rates. Some councils may consider that they may have to lift their rates more by percentage figure to potentially compensate for the lack of dividends paid by TasWater. I don't know whether I answered the question for you, Chair?

CHAIR - On that then, you've already spoken about the across the board sort of average rate increases, and because you've got everyone expects rate increases along the lines of CPI at least, and you said a figure of 4-7 per cent. Do the councils actually make it clear what percentage - if they have factored in a higher dividend from TasWater, do they identify that this additional 0.5 per cent or whatever it might be is a direct result of that, or is it just subsumed into their rate ?

Mr JOHNSTON - That would be up to the each individual council to make that and how they put that out to the ratepayers and residents. I can't - from my particular council, we wouldn't probably identify that we've missed out or we've gained on a dividend from TasWater. I guess we go back to last year where it was a \$20 million plus a \$4 million for the COVID. I guess the \$4 million was potentially a bonus repayment that we probably hadn't factored in. TasWater do obviously identify a fair way out what they think their budgets will be. But as far as owners having an influence on the dividend return, I'm unaware that we actually have an influence on that.

CHAIR - You just take what you get?

Mr JOHNSTON - Pretty much we do. I think the discussion that I've had with the Chair of TasWater was, by the regulator pulling back from 8.8 back to 5.7, then the profitability of the organisation probably pulls back, so therefore the dividends back to the shareholders will reflect in it.

CHAIR - So, just one more thing and I'll go to others. When you talked about the cycle of underinvestment and need for, I think you said maybe a more constructive approach with TasWater and the owners around that. I could make the argument - I understand the cycle of underinvestment and the additional cost that it incurs - it's the same as preventive health. It costs more if you don't fix it at the outset. Wouldn't it be better to spend that money on avoiding that cost blowout further down, or a failure of assets and anything like that, and let councils do what councils do? If they have to raise rates, that's another separate matter. The way the system is structured here, you're actually - the regulator as well obviously takes this into consideration - but you're actually feeding that cycle of underinvestment.

Mr JOHNSTON - You basically saying if the councils didn't take dividends, that money could be reinvested into infrastructure? Is that -

CHAIR - Potentially. When you talk about the cycle of underinvestment and the additional costs that incurs, we understand that. It's interesting that the regulator, according to the evidence we heard earlier, has said they know all these things that need to be done, but they want TasWater to push them out a bit later. It just seems like we're getting a lot of mixed messages around this.

Mr JOHNSTON - The shareholders of TasWater were supportive of the PSP5 proposal.

CHAIR - The original one?

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Mr JOHNSTON - The original one of 8.8 per cent increase. There was 83 per cent of the shareholders who actually wrote letters of support to that. There were no letters against that. My understanding there are no letters against that from shareholders.

CHAIR - They were getting a much bigger dividend.

Mr JOHNSTON - I've got to clarify this. I was never asked as chief owners' rep - I've never had a council come to me and say, 'We want more dividends'. I've never received any correspondence as chief owners' rep from any council saying 'We want more dividends back'. Even if we did, if the dividends come back to council, we don't put it in the bank. It gets spent on our residents and on our ratepayers. I guess the thought from the shareholders or the councils, I will say, was get in and build some more structures or replace the structures that need doing. I'm personally disappointed that the regulator has pulled back and taken 400 million off TasWater because I think unfortunately, we have another four-year cycle and then that infrastructure rebuild costs 50 per cent to 100 per cent more. As we all know, we've only got to see what COVID has done to the prices of things. We have lots of dams, water treatment plants that are not performing at the moment or are performing over capacity. We have Legana at the moment running at 150 per cent. As terrible as that sounds, only 100 per cent gets treated and the other 50 per cent goes elsewhere. I just think kicking the can down the road - and again, this is just me personally - kicking the can down the road is not helpful to anybody in Tasmania.

Mr JAENSCH - Mr Mayor, could I ask: in your mind, whose job is it in this enterprise, this system to ensure that TasWater charges are affordable for customers - is it the regulator? I will be asking the regulator this question when we speak to them. I don't think it's them, but I will confirm. Is it the shareholders? The councils? Is it the board, or is it no one's job at the moment to actually work out what people can afford, given that everyone has to pay for these services?

Mr JOHNSTON - Obviously it's the regulator's determination of the proposal that was put forward from TasWater as to what they think. To my understanding it is the regulator that has the final call on this. Bearing in mind that TasWater were very ambitious in PSP5, but in PSP4 their prices were capped at 3.5 per cent, so they couldn't charge any more than 3.5 per cent going forward. They've actually come with the PSP5 and said, look, we would like to go to 8.8 per cent to try and get over the hump and actually do some -

Mr JAENSCH - A question then is - and this is one that I will repeat with the regulator - but I'm just trying to get a grasp on what everyone thinks everyone's job is: if the language from TasWater, and from you as owner, is that the regulator is setting what they're allowed to charge: there's a difference between the regulator looking at what is an efficient revenue to deliver the work program and the regulator doing an analysis of what Tasmanians are up against right now and what they can afford; do you understand the distinction?

Mr JOHNSTON - I do.

Mr JAENSCH - I don't know if anyone's asking that last question, but it's the one that gets the phone calls to members' offices and to the morning radio, when people are talking about cost of living. Do you think that the regulator is responsible for that, and if not them, then who?

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Mr JOHNSTON - I guess the question is: do I think the regulator should be responsible for that or is the regulator? I think the regulator is responsible for that. Previously we heard this morning about the cost of living and people are certainly doing it tougher than they've done it in this generation's lives, I imagine, probably not as tough as the previous generation -

Mr JAENSCH - Exactly.

Mr JOHNSTON - but they're certainly doing it tough. That's a consideration. That's a consideration for councils when we set our rates, as to how it's going to impinge on all our rates. Is the model correct at the moment to set prices with the regulator being the overarching body? I don't know: be careful what I say, I suppose, but I question whether the regulator has the knowledge to understand some of the entities that we have here, in Tasmania. I mean, that's not -

CHAIR - When you say 'the entities', what do you mean?

Mr JOHNSTON - Well, the regulator looks at all sorts of government businesses going forward - correct me if I'm wrong. I can only speak about TasWater. TasWater do everything to do with water and sewerage, and the regulator comes in every four years and looks at the proposal and takes advice from other organisations on how TasWater's going. We, as shareholders, have the opportunity to make submissions to the regulator as well. I don't know what the regulator weighs, how they weigh up their evidence, I suppose. I guess one question you probably should ask the regulator is to make sure that their numbers are correct on what they're working, because I think some of their numbers are not quite there, personally, but that's -

CHAIR - In terms of the cost of delivering some of the services?

Mr JOHNSTON - Yes. I think you should ask the regulator if they're dead-set that their numbers are correct.

CHAIR - That TasWater will be able to deliver what they are expected to with the money available: is that what you're saying, to be clear?

Mr JOHNSTON - Yes. I think so. Yes,

Mr EDMUNDS - I've just got a quick one. Thanks for coming along. I probably know what the answer will be, and you obviously watched the last hearing, but considering, as you've laid out, local government, along with the 45 people who were brought on the journey with TasWater, are amongst the most acutely aware of the challenges being faced here, is there any appetite from the local government sector to see lower dividends to be put into tackling this crisis?

Mr JOHNSTON - Thanks for the question. At the moment, I'd say, with our meeting coming up on the 23rd, the councils are probably locked-in to their cycle of setting rates. I think if they had more notice, where they could actually do their budgets a bit earlier, they would take, potentially - and I say this potentially - would take lower dividends. As I said earlier, I haven't had any councils reach out to me saying, 'We want more dividends', but I think it's all

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about giving everybody longer to consider their budgets. The longer you've got to consider a budget, the more chance you've got of actually making it: but I think that's a fair comment.

Mr EDMUNDS - Thank you.

CHAIR - Just on that, Wayne, you're talking about the timing of budgets and that sort of thing. It's an issue, but it's an issue every four years with the pricing period.

Mr JOHNSTON - It is.

CHAIR - Yes. Could that be improved by altering not the number of years, but the timeframe within the year?

Mr JOHNSTON - Yes, it could. I've had conversations with Kate Crawford and George yesterday. This came out on 4 June [2026] for this, so obviously councils have just sort of seen this and gone, strength, we've already done our budgets and we haven't wrote this in. It's also a conversation with the regulator as well, because the regulator - the statutory requirements of when dates occur, and I don't think TasWater could have done anything different this time, but maybe a conversation with the regulator to just move some timeframes would make a difference.

CHAIR - Would it have been quicker if the regulator had determined that what TasWater were asking for was reasonable, could it perhaps come out more quickly? We can ask this of the regulator.

Mr JOHNSTON - Maybe a month, probably a month would have made a difference, especially to the councils. But again, I can't answer that because I don't know.

CHAIR - We can talk to the regulator about that.

Mr JOHNSTON - Sure.

Ms THOMAS - On dividends, is it fair to say that if councils receive less dividends from TasWater, the result for communities means either higher rates or less services and infrastructure delivered by councils?

Mr JOHNSTON - I think it'll be the first, I think it'll be higher rates in the first instance. I think the easiest way for councils to make that shortfall up will be increased rates.

Ms THOMAS - Okay, so, by - you know, it's like robbing Peter to pay Paul, isn't it? In one way, because the customer pays basically. Whether they're paying the higher rate for water and sewage infrastructure and services or whether they're paying the higher rates to councils for municipal services, they're going to be paying either way. So, it's an issue of financial sustainability structurally for local government and for TasWater, if you contextualise it like that.

Mr JOHNSTON - Yes, it is. And I've got to say some councils have got very tight budget constraints and they do probably rely on the dividends from TasWater more than other councils do. Again, I go back to that question of more notice to allow councils to consider that, but there certainly will be some councils that may look at their budget and go, 'Okay, we're not getting

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the full dividend that we thought we might have to increase our rates by 1, maybe 2 per cent'. Considering CPI is 5 per cent at the moment this year. I mean, most councils will go CPI plus.

Mr JAENSCH - Could you just confirm that dividends aren't distributed equally amongst councils?

Mr JOHNSTON - No.

Mr JAENSCH - They're associated with the equity that councils transferred into the structure?

Mr JOHNSTON - That's correct. So, not every council gets exactly the same amount. It is a proportional-based structure.

Mr JAENSCH - And is that forever?

Mr JOHNSTON - I imagine it is. I reckon it's in the shareholders' letter of expectations. I reckon it was probably in the setup of the constitution.

Mr JAENSCH - So, it'll be equated to some sort of shareholding?

Mr JOHNSTON - Yes, but I think it was set up to that was made proportional to the population or the infrastructure or whatever had the municipality at the time.

Mr JAENSCH - Well, the assets transferred minus the - or whatever it is.

Mr JOHNSTON - Yep.

CHAIR - Well, most of the assets have significant debt when they were transferred.

Mr JAENSCH - But they were all different. Some had assets of no value.

Mr JOHNSTON - Yes. And they all need upgrading.

Mr WINTER - So, just wanted to clarify the process here. Thanks for being with us, mayor. You had a corporate planning process that you went through in June [2025] last year. And you passed your corporate plan, which incorporated in that corporate plan, the revenue expectations that were then mirrored into the submission to the regulator.

Mr JOHNSTON - Yes.

Mr WINTER - And as part of that, you also passed a corporate plan that included a dividend increase of 50 per cent from next year onwards. TasWater has then gone public and put its submission into the regulator with those revenue projections, and we've gone through the last six months and all the consultation that's spat out, the determination. That was on 30 April [2026]. Do you think, on reflection, those councils who have obviously been expecting that dividend increase of 50 per cent were a little naive to still be assuming that, given what the economic regulator said in both its draft determination and its final determination?

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Mr JOHNSTON - It's not for me to speak on behalf of other councils. Can I just say that my council, we chose to do our budget on last year's dividend from TasWater.

Mr WINTER - I think that's very sensible.

Mr JOHNSTON - I can't comment on how other councils do their budgets.

Mr WINTER - Yes. I mean, I'm concerned with - I don't want to - correct me if I'm incorrectly paraphrasing you, but it sounds like you're saying that some of the councils now, having received information about what the dividend is likely to be, are talking about increasing their rates. I mean, the simple fact is that what's proposed and the evidence we've heard from TasWater, is that their dividend next financial year will be the same as the dividend they got this financial year. Can you speak at all to those conversations you've had about the rationale behind councils seeking to increase their rates reflecting on not getting increase in their TasWater dividend?

CHAIR - Or the extent that.

Mr JOHNSTON - I don't know that I can that well, Dean. I guess it's - and I wasn't probably so aware that some councils were so reliant on the on the dividend coming through. But conversations I've had yesterday with a few councillors, you know, it's the difference between us being in the black or in the red. Which is concerning to me, personally, that the councils are potentially that close to, but having said that, most council probably operate in the red anyway because we spend money and not very often you have a lot of money sitting in the bank. But I guess I go back to Luke's question before, more notice, longer out would allow councils to do that budget.

Mr WINTER - Yeah, I mean, I'll go back to my point though, the draft determination came out in February [2026], the final determination was on 30 April [2026]. So, there's been six weeks, more than that, seven weeks, since that determination. It seems odd to me that CEOs or general managers would be expecting to get a 50 per cent increase in dividends when the revenue that allowed that to happen simply doesn't exist now under the regulator's approach.

Mr JOHNSTON - I can't make any comment on my fellow councillors, that's - I understand the point you're making, but I'm certainly not going to throw any of them under the bus that they, you know, I can't.

Mr WINTER - I wouldn't expect you to. The engagement process you talked a little bit about, what you'd seen out of the TasWater hearings, I've read the submissions from councils, a large amount did support the increase. I do note that Central Coast Council raised in its submission that:

Council is concerned about the proposed pricing increase. We believe scale and increase is unpalatable, will impose a significant financial burden on customers, and risk exacerbating the cost of living pressures. In addition, council is worried by perceived lack of focus on strategies to reduce bad debt, which remains a critical issue for affordability and equity.

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Central Coast Council seems to be able to see this coming. Was there an expectation around the other councils that there was a likelihood that the regulator would support an increase like this?

Mr JOHNSTON - No, I'd say there's always a thought that TasWater would never get what they were chasing at 8.8 per cent.

Mr WINTER - Do you think it was an ambit claim?

Mr JOHNSTON - My understanding is that TasWater came up with three or four different scenarios. I think one was mentioned this morning at 11 per cent, one at 8.8 per cent. When they made the proposal or the pitch to the shareholders about what they're planning to do, then the infrastructure, I guess we all looked at that individually, but as a collective thinking well, if we can actually improve our infrastructure and our quality of water and all those things going forward now, rather than leave it for another four years or another eight years where it's money better spent now than it is further down the track. Fully understand that it's a cost-of-living crisis and so forth. But also for some of our councillors who sit there making the decision on behalf of council, it was also a look at the structure of how TasWater were looking at charges and I don't think anybody could actually agree that a percentage of your bill is fixed and yet it's all about water. So, we were looking at the charge of water was about 18 per cent or 15 per cent, I think, whereas TasWater's proposal was to make that 33 per cent. So, if you actually use more water, you actually paid for it. A lot of us thought that was a good idea going forward -

CHAIR - This has been talked about for years, Wayne.

Mr JOHNSTON - I'm sure it has, and I'm sure it'll be talked about for years to come as well, unfortunately. But everything costs so much money, and I guess we also talk about TasWater getting the phone calls from the residents and ratepayers about sewage and water. We all get them as councillors. We all get people around: 'The bloody water pressure's no good at wherever and so forth', and we feed that back to TasWater of course, but as shareholders we take that on as well.

But was it ambitious? Yeah, that probably was, Dean. But if you look back at capped at 3.5 per cent for the last four years and considering CPI had gone 4 per cent, gone 5 per cent, TasWater was actually getting further and further behind really. So, an ambitious catch up I personally don't think was a problem. I think it was it was good of TasWater to actually come forward and go, 'Okay, we really got to do something here to get infrastructure done'.

Mr WINTER - The one I was really keen, particularly given what you said about you heading off out of local government, I'm wondering if you'll give us a perspective on the governance of TasWater. We're in a really unique governance structure with TasWater where - and to disclose I've been in your position, well not in your exact position, but a mayor as well: how do you feel local government is going in being able to hold TasWater to account as a shareholder? Do you feel like the model is working and that you're able to hold the board and TasWater accountable to you, as a shareholder? If so, how does that actually occur?

Mr JOHNSTON - Yep, so I've been mayor for eight years. For the first two or three years, I was very critical of TasWater. Maybe that's why they gave me the job to be the chief owners' rep, I don't know. Anyway, I was very critical of the communications that we had with TasWater and specifically about Hadspen, in my area. We had three property owners come

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together, they put a masterplan together, there was going to be 1,000 lots to be built, and the restriction was, basically, TasWater. We could not get out of TasWater, really, what the restrictions were. So, through Northern Tas Development Corp, we went, we sat down with other fellow mayors from across the north and we actually got some good engagement. Personalities change: personalities have changed as mayors, personality changes TasWater. The openness of TasWater through the Board and the CEO back to councils is better now than when I took over. I've got to say that we can actually ask questions and get answers back. We weren't getting that a few years ago.

Mr WINTER - I remember.

Mr JOHNSTON - Well, that's right. So, as far as the structure of it goes, could it be done better? It probably could, but I don't know what other structures are out there, Dean, that could actually be put into place with TasWater at the moment. We have our shareholder meetings, we have our board selection panel meetings where we select the board members. So, the shareholders have direct say in the board members that come on the board and that's rotating about every two board members every year or thereabouts. So, shareholders have direct say in the makeup of the board. As far as the governance of that goes, yes we can tell them if we think they're doing a bad job, but structure-wise, again, I don't know where there's a better - I haven't looked at others to know.

CHAIR - Wayne, the meeting is on 23 June [2026], I think you said?

Mr JOHNSTON - June.

CHAIR - If that meeting opposed the decision, or the Government said, no, we're not going to give our approval for it or they give a negative approval, then what happens?

Mr JOHNSTON - Then I imagine that TasWater goes back and redoes their figures and comes back with another proposal, Chair. I've never been in this position before, so I don't know. We'd have to look at the constitution there to see what happens: but again, if the shareholders don't pass it, then it's not a corporate plan that gets ticked off.

Mr JAENSCH - This is not a trick or a trap or anything like that, but it's just a question to do with -

CHAIR - When you say that it makes us think it absolutely is.

Mr JOHNSTON - Well, I'm ready.

Mr JAENSCH - It's to do with how the structure works and how it's meant to work. Do you see the role of councils being the shareholder owners of TasWater as being to get the best outcomes for TasWater's customers or to get the best outcome for TasWater's shareholders, who then decide how they apply that to the people who are also customers of TasWater? There's a distinction there.

Mr JOHNSTON - Yes, there is a distinction. I think TasWater have a genuine want to provide the best for the customers. Shareholders are the customers, but I don't think they pander or give us, as shareholders, anything special, Roger. I think we get what we're given as

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shareholders, but it's probably a different situation where you have got a shareholder who is a customer - if that makes sense to you.

Mr JAENSCH - I suppose it comes down to in the structure you've all got obligations to each other, but would the shareholders provide, in their letter of expectations in their direction to the board - what priority would you put in that regarding how much people have to pay: because I can imagine that you can look your ratepayers in the eye and say, we got our dividend, and that's gone and paid for the roads and the playgrounds and things that you need, and we're helping you. They might have paid for that dividend in their charges from TasWater, so it sort of nets out. So, are you there as advocate for the customer, who you represent, or are you there as their proxy, making sure that your area gets its dividend?

Mr JOHNSTON - No. I don't think any of us are there to make sure that our area gets what it deserves. I think we're all there as a collective for our residents and our ratepayers. That's across the board. I don't think any shareholders are there wanting to say -

Mr JAENSCH - Because you will have some councils who've made an enormous asset transfer into the water body - have a significant reliance on a dividend stream.

Mr JOHNSTON - Yes.

Mr JAENSCH - They've got an obligation both ways as well. They're caught, because they need the dividend, even if it comes at the expense of their ratepayers paying more to TasWater to achieve that.

Mr JOHNSTON - Yes. I can agree with you there. I can see where you're coming from. Structure-wise, I guess I will go a little bit further. When I first became mayor, I always thought that we should have a representative on the board of TasWater. That was what I pushed for to start off with, but then it was actually pointed out that you'd probably be better not to have a representative on the board because it just wouldn't look that good, to be quite honest, to make decisions on your behalf. So, then the board is independent as such. I understand what you're trying to say, Roger, I don't know whether the structure could be different or not, but we are certainly there to represent Tasmanians. I made this comment the other day at council: every councillor that sits around the table is a resident and a ratepayer of the municipality. We're making decisions that affect ourselves. We have a pecuniary interest. It's no different with TasWater. We're trying to put something up that actually makes our State way better than what it is at the moment.

Mr JAENSCH - Thank you.

CHAIR - We are out of time. Is there anything you want to add, Wayne, before we finish up that you wished you had told us and you haven't yet?

Mr JOHNSTON - I don't think so. We just can't keep kicking this can down the road. I know the understanding of how it is with the cost of living and so forth, but the money we spend today will be worth more than what it will be in four years' time, and four years' time. I think TasWater has come up with a proposal that would fix a lot of our problems. It's interesting because residents want the best drinking water. They want the sewage to flow and so forth and unless we spend the money, it just doesn't happen at times. I would ask the

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regulator to have a really good hard look at what they have looked at. Thank you for the opportunity. You won't see me again.

CHAIR - Thanks, Wayne. All the best in your retirement, whatever that looks like.

Mr JOHNSTON - There are a few things happening at the moment. Thank you. Thank you for giving me the time. It was not as daunting as I thought it would be. Thanks for taking it easy on me.

CHAIR - We're all normal humans on this side. Thanks for your time.

Mr JOHNSTON - Thank you.

The witness withdrew.

The Committee suspended from 11:55 am. to 1:15 pm.

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Office of the Tasmanian Economic Regulator

CHAIR - Well, thank you all for coming as representatives of our Office of the Tasmanian Economic Regulator (OTTER). This Public Accounts Committee hearing is looking into TasWater's price determination, the most recent one. We appreciate OTTER coming, representatives of OTTER coming forward to go through the process of how that is arrived at and the negotiation that occurs around that.

This is a public hearing: it's being broadcast and transcribed. Everything you say while you're before the Committee is covered by parliamentary privilege; that may not extend beyond the hearing. If there were matters of a confidential nature you wish to share with the Committee, you could make that request. Otherwise, it is all public. Did you have any questions before we commence?

Mr DIMASI - Not from me, no.

CHAIR - What I'll get you to do is each take the statutory declaration, if you wouldn't mind, and then introduce yourselves and if you did want to make your own comments, you're quite welcome to. Otherwise, we'll just go to questions.

Mr JOE DIMASI, TASMANIAN ECONOMIC REGULATOR, **Ms KIRSTAN LONG**, DIRECTOR, and **Ms MORGAN PAULY**, SPECIALIST POLICY RESEARCHER, OFFICE OF THE ECONOMIC REGULATOR, WERE CALLED, TOOK THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR - Thank you. Thanks very much. Did you want to make any opening comment or straight to questions?

Mr DIMASI - No, we're happy to go straight into questions.

CHAIR - Sure. I will just lead off. I think it'd be helpful for us to have a bit of an overview, if you like, of how you go about setting a price determination such as with TasWater. I know you do many other entities as well, but we're focusing on TasWater and how - and perhaps to go to a question that was raised by the owner rep, how you arrive at the numbers and what's the confidence you have in the numbers when you're looking at their capital program and their costs of, you know, the operating costs as well?

Mr DIMASI - The process that we go through to determine the prices that TasWater can charge is basically set out in various instruments and legislation and it's not that different to what applies across many other regulated utilities around the country. First of all, we make it a public and transparent process. We have issues papers, we have draft reports, we call, we ask for submissions, we review those submissions and we make a final report.

An important part of that, of course, is the submission that TasWater makes in its proposal to us about what it would like to charge, and we rely very heavily on the information, the backup that they provide for the case that they make for what prices that they think they should be allowed to charge. We then assess those. We bring in expert advice whenever we feel we need it, and we did it for the capital program, we did it for the operational expenses program, and we ourselves seek information from TasWater and we seek the records from them and make our own assessment at the end of the day to do that.

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So it's a quite lengthy process. The report is quite a lengthy report, and it requires a fair bit of work to get done.

That's pretty much how we go through it. The decision is the regulator's decision at the end of the day, and so that I'm responsible for taking that decision with the very strong support provided by the team, the director, and Morgan and others in the team that we have at the office.

In terms of how confident are we about the numbers: well, that's the whole point of the process. The whole point of the process is that we go and test those numbers and we make an assessment, we bring in expert advice, we review it ourselves. So, at the end of the day, nothing's perfect, but the whole point of what we do is to try to get to what we believe is a reasonable number, a number that we can satisfy the obligations under the legislation. There are various requirements, and that is to balance the financeability and the viability of TasWater, but to make sure that they're not misusing their market power, which they clearly have, and we protect the consumers and the community overall, so that it's a balance of that that we try to strike.

I should add that an important component of that is ensuring that they are able to - 'they' being TasWater - are able to meet their other regulatory requirements, for example, EPA, health, dam safety and so they need to be compliant.

We do not step into the shoes of the other regulators, but we liaise with the other regulators, and we hear their views, and we take that into account in making sure that those things are able to be achieved as well. So, we have a whole range of things that we need to balance to get to the outcome that we do.

CHAIR - Just on that, then, if I might ask you a few other sort of follow-up questions: what sort of assumptions do you make about cost escalation? Because it is over a four-year period, and we know costs are not going down, and not perhaps their interest rates for their borrowings, things like that and the priorities in terms of, like, the risk of failure of an asset or the cost of delay. Do you take all those things into consideration? How do you weight each of those?

Mr DIMASI - Yes, and this is where we did take some advice. They come to us with a program - so if we focus on the expenses - they come to us with a program of expenditure over the next four years, and that program of expenditure is allowed to increase: we adjust for inflation so that that goes up, but it's they who make the case to us about why their costs are going up the way they are, and that's the whole point of those growth in costs. But we also ask them to try to achieve an efficiency measure, because everybody else has to, basically, and we think it's a reasonable thing, and we have imposed that in this determination. There is an accounting for costs, and costs are going up, so operational expenses went up 29 per cent, I think it was, in this proposal compared to in -

CHAIR - Over the four-year period.

Mr DIMASI - The four-year period and all of those things are built into that 29 per cent increase.

CHAIR - What about interest rates and things like that?

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Mr DIMASI - Interest rates - we'll use the Reserve Bank forecasts. We could go and make our own, but we're not independent forecasters. The best independent forecaster is the Reserve Bank, so we use the Reserve Bank forecasts in there.

CHAIR - How do you then prioritise or - obviously the expenses will be impacted by the decision of which capital projects are to be progressed. How do you prioritise those in terms of reaching what you believe is a fair determination?

Mr DIMASI - That's a very good question. The whole capital program, we assess it to see if it's reasonable, to see if we support it, and we took advice on that. At the end of the day, we made a decision that the entire capital program was justified to meet the challenges of ensuring they're compliant with EPA and meets the needs of the State and the community. But what we said was, 'We don't think you should be doing that whole proposal in four years', and we assessed it over a period of six years. We said we believe it would be more prudent to do it over a longer period of time.

So, we looked at that program, and that formed the basis of the revenue that they were able to collect and the prices that they were then able to charge. However, having made that broad decision, that's not binding on TasWater - and this is an important bit: that's for the purposes of reaching the price increase, to ensure they're able to fund the program that they want to fund, but if priorities change, if something happens, they can change the order of priorities. We're not imposing priorities on them.

CHAIR - Just using - you prioritise works that obviously need to be done.

Mr DIMASI - Yes.

CHAIR - And the amount - the price determination allows them to work within that rather than saying you have to do this, this and this?

Mr DIMASI - Correct. We're not trying to drive from the back seat, so to speak. We're just trying to determine an efficient price that they can charge consumers, but then they need to manage the company and run it effectively.

CHAIR - So you factor in things like the risk of failure of assets, like would it be a dam or a sewage treatment plant or whatever?

Mr DIMASI - No, we don't. We rely on the regulators, specific regulators, to do that and we take their advice and their assessment into account. That's why I said it's really important that we talk to them. We don't try to be the EPA or the dam safety regulator: we don't have the expertise or the skills. So, we rely on their judgment and make sure that their objectives are reflected in the capital program and there is sufficient resources to meet what they are asking to do, whilst balancing those other needs as well.

CHAIR - So the EPA, for example, would be well across the compliance or otherwise -

Mr DIMASI - Yes. Absolutely.

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CHAIR - or risk of failure of every asset of TasWater's, so they would provide that to you - or provide a risk assessment, if you like?

Mr DIMASI - They do that to TasWater. We talk to them a bit more broadly. We consulted with them just to make sure that - what their view was. The EPA made their view clear to us that they thought that there were priorities that needed attention. That's one of the reasons why I repeatedly said that work program does need to be done. It's just a question of how quickly do you choose, you know, that big bite.

Mr WINTER - I wanted to focus on the TasWater customer engagement. If you've seen the hearing earlier today, it's been a point of contention around - the view of the CEO appears to be that customers wanted prices to be even higher. So, when I read your excellent report - which was great, it talked about the problem of uninformed response bias, and your consultant had come back: can you talk the Committee through the shortcomings, from your perspective, in TasWater's approach to engagement?

Mr DIMASI - Look, we encourage TasWater to engage with its customers, and we're pleased to see that they do, but you've always got to be wary of the limitations of what you can achieve. I think it's important that TasWater talks to consumers, talks to consumer representative bodies, talks to groups that represent the disadvantaged, the developers, the large users, all of those things. We have recognised the need for them to do that and we've provided them the funds in the report for them to do that. Doing these group - consultative groups -

Mr WINTER - 45-person panel, I think it was.

Mr DIMASI - Yes, you know, by all means, but we don't have a problem with that, but it only takes you so far: and at the end of the day, the consultation we have done is extensive. We have received the most number of submissions ever for a review of this kind. In fact, I think we might have received more submissions than in the past several combined, and -

Mr WINTER - Who would have thought that people would get a bit frustrated and upset by a massive price rise?

Mr DIMASI - And the feedback was exactly - much of the feedback was - there were a range, I mean there were owners' submissions who supported a price rise, but a lot of the consumers were concerned.

Mr WINTER - Can any of you talk specifically to that uninformed response bias concern that was raised?

Mr DIMASI - Yes. Look, that's a comment that we made, and I'm very conscious of that comment and that is that, you know, our view is that some of the - going out there and seeking feedback is good, but in some of those groups you can lead the groups towards an outcome. I'm not suggesting that TasWater did that: I'm just saying that's a risk.

Mr WINTER - It just feels, I guess, certainly to me, but the feedback that I get, and I guess from your consultation, on the one hand we have the community who was outraged by the proposal and on the other hand, TasWater said that its group thought it was a great idea -

Mr DIMASI - Yes.

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Mr WINTER - and actually wanted the prices to go up more, and it appears to me to speak to a real failure of their process, and so the question is: will you be providing any further direction or more specific direction to TasWater, or perhaps other entities you regulate, in terms of how they engage with the community going forward?

Mr DIMASI - Yes. Look, we're always providing advice and we will continue to do that but at the end of the day, you know, we've been around a while. You know, we can discard - or use or discard as appropriate - whatever we think we, you know, we need to. So, they're welcome to put in whatever arguments, whatever submission they want, we will give them due consideration: and due might mean high or might mean lower.

Mr WINTER - Seems like this one might have been low.

Mr DIMASI - It might have been a bit lower, yes.

CHAIR - Can I just ask, while you talk about the consultation there, one of the questions we asked TasWater was around how do they engage, in fact, did they engage with people who are living in financial hardship and some of the more difficult-to-get-to consumers who are too busy existing to actually often participate in these sort of forums: so how do you engage?

Mr DIMASI - We engage in, well, first of all, we have a process where we are looking for direct submissions from anybody. Now, we know that some of these disadvantaged groups, there's no way they're going to put in a submission. They're not, you know, and we don't expect them to, but we engage with their representative bodies. We have a consultative committee that we meet with regularly, and that includes -

CHAIR - And who sits on that Committee?

Mr DIMASI - We have a range of people -

Ms LONG - From the community sector we have TasCOSS and the Salvation Army.

Mr DIMASI - and the Council on the Ageing as well. So, we have, you know, a process for talking to a whole range of interested groups and get that feedback from them as well as from others. So, we try to engage as broadly as we can.

Mr JAENSCH - Thank you. I'd like to follow the same theme there: I note you're a bit critical of TasWater's process for sort of assessing its customers' attitudes to pricing and things. You've referred to your process regarding being set out in legislation for determining what is an efficient use of revenue to achieve stated aims of the organisation. You bring in expert advice on capital and operational matters and all the rest, and yet on this critical issue that everyone is most excited about, which is how much it costs people when they pay their bill, you rely on submissions and then -

Mr DIMASI - Not just submissions.

Mr JAENSCH - a consultative group, which sounds like it's got some of the same people on as the group that TasWater told us about. Do you have any other obligation or process for

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trying to determine a price range that understands the cumulative cost-of-living pressures on the range of customers, because this is everybody?

Mr DIMASI - Yes.

Mr JAENSCH - Are you doing it purely from submissions and the opinions of representative bodies or have you got something else that gives you a greater insight?

Mr DIMASI - Look, first of all, I didn't go through all of the things that we take into account, but the legislation also asks us to take into account the impact of the price changes on consumers, so we do have that.

Mr JAENSCH - Is that all it says?

Mr DIMASI - It says many things. It's part 4 -

Mr JAENSCH - About consumers?

Mr DIMASI - About consumers? That's direct - I can't remember specifically.

Ms LONG - We have to take into account the impact of prices on consumers and also the rate of change.

Mr DIMASI - The rate of change of that. But the whole reason for being, as the regulator, is to constrain the market power that TasWater has -

Mr JAENSCH - Which is absolute because there's no market.

Mr DIMASI - which is a natural monopoly.

Mr JAENSCH - That's right.

Mr DIMASI - So, that's the whole point of the exercise. The point of the exercise is, on the one hand, you've got to make sure that there's enough in the price increases so that TasWater is able to deliver a service that doesn't poison the community, that is healthy, that isn't environmentally damaging, that they have safety in the use of their assets - that's important. On the other hand, we look at what, we believe, is a reasonable outcome for consumers. We're the umpire, if you like. We're the guys in the middle, and that's exactly the point that we're trying to do.

Mr JAENSCH - Do you have any other tools that you use? For example, when we talk about housing stress and mortgage stress, we talk about a percentage of income dedicated to providing a roof over your head. Do you have other rules of thumb that you apply when you look at how these costs for every household add to the non-discretionary spend of Tasmanian families and you track that over time, so that you know what band is an acceptable band of cost to families? Or is it more based on the feeling you get from-

Mr DIMASI - No, it's not the feeling.

Mr JAENSCH - advocacy groups?

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Mr DIMASI - It's not the feeling: we look at the numbers. But yes, some of the things that we look at we look at, for example, the bad debts, the people that can't pay. There's a whole range - you might want to expand on some of those, Kirstan.

Ms LONG - We get provided with and we track for all of the utilities and entities that we regulate over time: the number of people in debt, the size of the debt, how quickly those people are getting out of debt. We look at, over time, a number of measures across sort of welfare.

Mr JAENSCH - Okay. Where does this come in? Does this come in after you've looked at TasWater's bid - what they want to be able to do? Then you look at the efficiency issues and do they really need it? Is it too ambitious? Is it reasonable pricing and expectation? Where does the: 'What can the consumer bear?' - when is that question applied in that sequence?

Mr DIMASI - That applies right through. If you're saying: do you have a simple rule or a number or a formula in there for that? No, we don't. But what we do have is we have that consciousness of that's what we are about: that's what we do in reviewing those numbers. So, in looking at the price increase, we look at the ability to achieve those other objectives, but we also have a very clear thought process about how does this impact the community, what impact does this have on the bill, what changes are in the bill - and that's in our press release - and so the affordability is front of mind when you have that.

Mr JAENSCH - Is there a possibility, and do you think it would help or do you think it's your role potentially, if you're keeping an eye on those things all the time and have a sense of it that you're using, could you give that to TasWater to start off with and say: 'Here's what we believe your customers can afford for this essential service that no-one can avoid', and put that up and say there's a target that you might go for, and then see how well they can get to it because that might help them?

Mr DIMASI - That would require a change to the regulatory process. I personally would not -

Mr JAENSCH - But you have to look at their efficiency, but why not?

Mr DIMASI - I personally would be reluctant because that would then be the regulator starting off setting the price, whereas we were inviting them to say, 'You tell us what you need, you run a business, you run the company, you tell us what you need, you tell us what you have to do to achieve the objectives that you are required to achieve,' because otherwise we're trying to then second guess, and they'll say, 'Oh, you haven't taken this', or, 'you haven't taken that', so we have a whole complete new process to begin with.

CHAIR - You're not running the business.

Mr DIMASI - We're not running the business, correct. However, we had various meetings, and some of them were, to their credit, at the instigation of TasWater before the process started, where they were briefing us and others about their challenges, what they have to meet. Some numbers started to drop out and the first time I informally saw a number that they came up, I think my response was: 'I don't think that's going to fly' or something to that effect. Informal, nothing, you know, we're not committing. So, we do have those informal

discussions to and fro to provide some level of guidance, but at the end of the day, they are the ones who propose, because they're the guys who are running the business and we can't take that off them. They need to run the business -

CHAIR - You're the regulator.

Mr DIMASI - We're the regulator, yes.

Mr WINTER - I think, I mean, I feel like that's what everyone thought. You said, 'That's not going to fly', you know, as a member of parliament and I saw it, that's not going to fly. The community said that's not going to fly. Business groups, community sector, and yet they pushed on anyway, which leads me to my question: after your draft determination came out, there was some expectation that TasWater might have read the room a little on this and all the feedback that was around, but they came out publicly and advocated again for their original ask. Did they put in a submission at that point?

Mr DIMASI - Yes, an extensive submission.

Mr WINTER - Right and on the basis of that submission, did you make any further changes? The draft determination effectively stood, didn't it?

Mr DIMASI - No, we did make some changes. The submission was - there were parts that we looked at it, there were the updated submission, as you say, reiterated and made further arguments for their case. There were one or two things there that we agreed that we did need to change. So, we went from 4.3 per cent to 5.7 per cent and that largely reflected a couple of changes in there, including with some of the some of the existing assets, because the existing assets are the old assets that were rolled in and the council organisations were put together.

We did make some changes, but that was based on evidence presented and things that we saw that that we needed and we made adjustments. We keep an open mind and we're required to, and that's what we do. If the evidence is there, we'll examine it and we'll make the adjustments. But we didn't buy the argument that overall to start with and we didn't buy it to second time round, and I might say that it wasn't 8.8 per cent, it was 11.5 per cent.

Mr WINTER - That's right, if you included the whole thing.

Mr DIMASI - Yes, and that had to be understood.

Mr WINTER - So in terms of your draft determination, you raised some concerns around their revenue, and you made a number of corrections to the total allowable revenue. The one that poked out at me was, I just want to get this right:

As part of the investigation, the economic regulator identified a number of errors and inconsistencies in TasWater's calculations, including \$365 million in errors in TasWater's regulated asset base. This was largely due to TasWater not properly disposing of assets from its regulated asset base when they are replaced or decommissioned. The Economic Regulator's corrections removed more than 50,000 assets that were no longer in use. In total, the Economic Regulator's corrections reduced TasWater's proposed notional

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allowable revenue to \$2.1 billion. This is equivalent to an annual price increase of 8.9 per cent, down from TasWater's starting point of 11.5.

Can you talk to how those issues came about and is there a systemic issue here in terms of TasWater actually knowing what its assets look like that we should be aware of?

Mr DIMASI - Look, that's a good question, and we've addressed that pretty fully - I think - in our report.

I might get one of the colleagues to comment once I've made a couple of comments - to add once I've made a couple of comments.

With the way that we regulate, we have two asset groups, two asset bases. TasWater has two asset groups that we regulate. One is called the existing assets. They're all existing assets, but it's called officially 'existing assets', and that reflects the original group of assets that were rolled in from the local council companies and they were rolled in 2008 if I remember?

Ms LONG - 2009.

Mr DIMASI - 2009, and the value of them was set what they were rolled in. So, we're not challenging the value of those assets, whatever they were, they were. They were set, and we take those.

There's the other group of assets which has been the capital expenditure program since, which has added to the program.

The so-called 'existing assets', the first group - which I think is about \$2.7 billion in the books, is obviously becoming a smaller and smaller share, and the 'new assets' is becoming the bigger and bigger group.

It's been challenging reviewing those - the depreciation, we didn't try to - because that's not what we do. They were rolled in, they're there, whatever you might think or otherwise. It was really about the depreciation. And in doing that, we looked through it and what the team found was that there were thousands of assets that we thought shouldn't be there and -

CHAIR - Things like?

Ms LONG - We found things in there that had the asset description of retired, replaced, removed, abandoned, decommissioned, privately owned.

Mr WINTER - Fairly easy to identify, then.

Ms LONG - What we are looking at, though, is TasWater has, to date, managed their assets, we call it, on a line-by-line basis. So that's an individual asset basis and they maintain an Excel spreadsheet that individually itemises every asset. We're talking over 300,000 assets.

So, it's very large, it's very complex.

Mr WINTER - Is that best practice?

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Ms LONG - It's in Excel, which has been challenging - probably for them, but definitely for us to look at because it's not the ideal format for that information to be stored.

Mr WINTER - Is that surprising to you that they're maintaining assets on an Excel spreadsheet?

Ms LONG - Look, that was the finding that came out of the 2022 investigation, that we actually weren't able to access and look at those assets to determine regulatory depreciation. We actually just couldn't get the thing open, so we worked with them in between.

Mr WINTER - You couldn't open the spreadsheet?

Ms LONG - Not in the 2022 investigation.

Mr DIMASI - We did this time.

Ms LONG - But we worked with them in the intervening years ahead of this investigation to get some improvements -

CHAIR - Could they open it?

Ms LONG - They could open it.

CHAIR - Just checking.

Ms LONG - We had the circling wheel of death while you wait -

Ms THOMAS - Was the data provided any other way then given you couldn't open it or could you go into their office and view it? Or did you view it?

Ms LONG - This is going back to the 2022 investigation, so we didn't at that one, but we've worked with them subsequently so that we could look at it this time around. But, because there were so many, I think, it's a large and complex process to understand your asset condition and look at that many assets.

But, we did a little bit more of a deeper dive into what was actually in there, and that's when we started identifying -

Mr WINTER - Have they made any commitments around perhaps modernising their systems so that they're not using an Excel spreadsheet to monitor 300,000 assets?

Mr DIMASI - Look, we have, I think the change we have made overcomes that going forward and you might talk about that.

Ms LONG - Yeah. So, we've called it in the report a line in the sand. It's a regulatory term that's quite sort of, I don't know, it doesn't tell you a lot, but what we're looking to do is move them onto - rather that line-by-line approach to dealing with every asset for regulatory depreciation - is using a weighted average approach. So, you look at collectively your group of assets, their average remaining useful life and their value in doing it as a collective rather than at that individual asset.

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Mr WINTER - Are they managing their assets with the spreadsheet or is it just a list of assets?

Ms LONG - They were using that Excel spreadsheet just purely for the purposes of their asset register and regulatory depreciation. So, they have their other systems that they use for their ongoing asset management in other ways but just because for this specific regulatory depreciation question they were using Excel.

Mr WINTER - I can keep going but I'm sure others have got questions so I'll -

Mr JAENSCH - On the same topic, is this the sort of matter that you routinely try to fix and make recommendations on or is this something which requires an auditor?

Mr DIMASI - We did think about auditing the assets but at the end of the day what you're talking about here is you're talking about a world where there were many, many thousands of assets that were rolled in, in the first place, and we really need to find a way of moving forward and so that's what we've done - and so what we have done is we have introduced the weighted average.

In other words, the values are set, they were all always set. It's a question of getting the asset lives depreciated. We've set the asset lives now, and we had a little bit of argy-bargy on that, but we've now set the asset lives: they should depreciate out over a long period of time and there is still a requirement on TasWater if any of those assets that are in there are decommissioned or stop being useful, they still need to pull them out and so they'll be accountable to do that.

But we have drawn that line because we could be spending the next couple of years of our lives, and God knows how much expenditure, in trying to get through to all these individual assets. But we did have in fact we had a reference - we were thinking about the possibility of auditing in the draft report, but we thought that it was a preferable way to go the way we're going.

Mr JAENSCH - Are you set up to audit? Are you auditors?

Mr DIMASI - No.

Mr JAENSCH - No. So -

Mr DIMASI - But it isn't - well, I don't know. But we're the regulators and we're doing this for the purposes of regulation. What they do for the purposes of their accounting and Auditor-General and everything else, that's a separate exercise altogether. It's not necessarily part of this.

Mr JAENSCH - In terms of what you found and what you've done and what you've recommended, what is the effect of that on the pricing determination that you've made or what their scope is to -

Mr DIMASI - Yeah, the effect was it reduced the price from 11.5 to does anyone remember -

Ms LONG - Ten point something, I think.

Mr DIMASI - So, it had a big impact on the price. We removed those assets, and in removing those assets: one, they couldn't get depreciation for those assets once they were removed, two, they couldn't earn a rate of return on those assets that were removed. So that reduced their allowable revenue significantly and so the price increase came down.

Mr JAENSCH - So is there any suggestion that they were maintaining that way of doing things for an accounting purpose?

Mr DIMASI - No, I don't believe so. Apart from anything else, the price was capped and we had come up with a much lower price. I don't think that that was it. I can't say with absolute certainty, but my own view was that this is just something that's been around - an administrative legacy issue that you just have to deal with and somehow move forward on. I know that TasWater disputes some of the things that we're saying. I acknowledge that they dispute that, but that's our position and that's our view. But I believe that they were legacy issues rather than anything else.

Mr JAENSCH - Okay.

Mr EDMUNDS - You might have done more for cost of living than anyone else in the State for the last decade.

CHAIR - I'll take it as a statement.

Mr WINTER - Chair. Again, on the financial modelling, so in your final report, you noted that TasWater's original submission double-counted \$60.6 million in capital expenditure and failed to properly account for \$79.2 million in third-party contributions. In terms of the financial modelling integrity, how common is it for a State utility to submit baseline data with errors of this magnitude? What does it indicate about the internal corporate governance of TasWater?

Mr DIMASI - TasWater did accept those changes and have made them. What you raised is a very good question. I'm not sure if I can give you an answer to that, but -

Mr WINTER - Do you have the power to refer an entity to the auditor, for example?

CHAIR - Anyone can write to the Auditor-General.

Mr DIMASI - Anyone can write to the Auditor-General, yes.

Mr WINTER - It's pretty concerning. These are big errors aren't they, really. Maybe to my question, is this something you've seen before in your time?

Mr DIMASI - I've been a regulator in lots of industries in lots of places and there's mistakes and worse often.

Mr WINTER - It wasn't something that stumped you?

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Mr DIMASI - No, it didn't stump me. But they were significant. They weren't things that you would say, 'Oh, yeah, that's just another one.' There was significance, and that's why we dealt with them. To their credit, TasWater agreed pretty well straightaway. They argued about lots of things but didn't argue with that one, if I'm right.

Mr WINTER - They didn't agree with us on anything, so you did well.

Ms THOMAS - Was that so significant that it couldn't be passed off as a mistake? How did TasWater characterise that in their response to you when you called them out on it?

Ms LONG - I think it was a genuine modelling mistake. The revenue model that they submit with their price and service plan is a very large, very complex model. There's a lot of moving parts, a lot of cells, a lot of information. I think it was genuine oversight.

Mr DIMASI - I'll just make the point that the process we go through is pretty complex and some of the modelling is pretty complex. The data requirements are fairly extensive. So, it does require a lot of effort, a bit of time, and quite a lot of resources in doing that. The fact that mistakes happen is something that we're never comfortable about, but we understand that they will. We have to do our part and scrutinise, and others have to do theirs as well.

CHAIR - I can't remember if it was TasWater or whether it was the owner reps, the mayor, who raised it, but they were talking about the timing - I think it was the mayor - the timing of the process particularly, releasing a report quite close to the end of the financial year when councils are looking at setting their budgets, including their rates requirements and that sort of stuff. Is there a way that the timing could be adjusted to give councils a bit more time to factor in whatever the determination is, acknowledging it's only every four years? That coincides with an election year, just saying.

Mr DIMASI - Well, that shouldn't be much of an issue over the next three years.

CHAIR - I'm just saying on the fourth year, which is when the next election year is.

Mr DIMASI - On the fourth year: we would have to start early and TasWater would have to start earlier. This was a particularly big and ambitious project. I'm hopeful that future projects might be a bit more streamlined and a bit simpler so that you have the option. If you start a bit earlier and if it's a little bit simpler, that you might have a bit more room to move. We didn't have a lot of room to move this time around because we were pushed right to the very end with the challenges to our decisions in terms of the things that come through, the things that we had to consider, and so on.

CHAIR - Your starting point: is that legislated or is that just getting towards the end of that fourth year - into that fourth year. When do you start? Can you start earlier? What's the usual process and is it prescribed or is it open to the regulator?

Ms LONG - It's not prescribed. We typically have always started our process with a 30 June submission from TasWater. We did it in two parts this year in the hope that it would be a little bit more effective - in other ways that made our life more challenging. We let them submit their full financial data at 30 September [2025], so obviously their financial year for 2025. In essence, a lot of our work actually can't start until we get their actual financial data for the most current financial year. So, a lot of our modelling can't actually start until

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30 September. That's why those deadlines, and when we put out our draft and final reports, are sort of dictated by that. If we start earlier, we're starting with forecast financial information, not actual financial information, and that does move a little bit.

CHAIR - Thanks for that. I guess it's you can't start before you've got their financials, and then if it's a less unwieldy beast, perhaps next time maybe it won't be a problem.

Mr DIMASI - That's right.

CHAIR - So, it's a bit of both issues going on there. This is a hypothetical: if the owner reps are meeting on 23 June [2026], I think it is, to make a decision on this, and it also requires a positive decision by the Crown, as a stakeholder, or at least not a negative one: what happens if there is a negative result from either party?

Mr DIMASI - Doesn't affect us, whether a -

CHAIR - Do you have to do it again? Do you have to start again, or what happens? Do they just stay on the current pricing?

Mr DIMASI - Sorry, I'm not sure I understand your question.

CHAIR - If the owners rejected the determination -

Ms THOMAS - The corporate plan is what they're voting on.

CHAIR - Yes, the corporate plan, which relies on this. Sorry, that was being unclear.

Mr DIMASI - That determination stays.

CHAIR - Regardless?

Mr DIMASI - Regardless. They can then negotiate corporate plan or whatever else. That's their business, it doesn't in any way impact on -

CHAIR - You've done your work, and that's the end of it for four years?

Mr DIMASI - We've done our work and that's it.

Mr JAENSCH - It's not binding on them. Is that what you're saying?

CHAIR - It is binding.

Mr DIMASI - It is binding on them. It is binding, yes.

Mr JAENSCH - It is binding on them. Okay.

Ms LONG - The determination has set the maximum prices that they can charge for the next four years. They could negotiate with their owners to lower them, but they're the maximums.

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CHAIR - So, it's up to the owners and the shareholder - obviously the Crown, as a stakeholder here - to come back together and try to figure out how they're going to do it within the envelope that's been agreed or been set by the regulator.

Mr DIMASI - Within the envelope: correct. Yes.

CHAIR - Just to be really clear, because there seems to be a bit of uncertainty around that. I just think it was important to make that really clear.

Ms THOMAS - In your report, it talks about TasWater has asked the economic regulator to carry out a full review of its regulatory framework, and you've agreed to that, and will begin the review once the current price investigation has finished, which it has. Can you just describe what that means and what that looks like from here?

Mr DIMASI - Okay. There's always a number of contentious issues - genuinely contentious issues - and an alternative approaches that you can take in regulating utilities. TasWater has been pushing to make some changes. For example, they have argued that under the current system that we have, we set the prices for the next four years based on forecast inflation: that's called a 'nominal approach'. They would prefer what's called a 'real approach', a slightly different approach, which means that each year we make a price adjustment based on what inflation actually is rather than with the forecast inflation. That's one example. There are a number of other issues that arise in there - I don't know if you want to mention a couple of the others.

Ms LONG - Yes. I guess, more broadly, what the regulator has agreed to do is a full review of their regulatory framework for TasWater within the confines of the existing legislation. So, we're not going in and taking a policy position on the *Water and Sewage Industry Act*, but there's lots of other mechanisms and instruments that make up their regulatory framework. We issue codes and guidelines and then there's standard practices, as Joe sort of mentioned, in how we set our revenue, for example, and the building blocks that we use, and there are different ways that you can apply those. What we will be doing is looking at some of those other instruments that are within our control and making sure that they are best serving TasWater's ongoing financial sustainability and outcomes for customers in Tasmania. TasWater, as Joe mentioned, has put some specific issues on the table that they would like us to look at, but we will be going out and doing broad consultation to make sure that we're wrapping other issues into that, that deserve a thorough look as well.

CHAIR - Okay. I think we're out of time, unless there was anything urgent, anything you want to close with, anything you wanted to say but haven't?

Mr DIMASI - Morgan?

Ms PAULY - I think you've both covered it very well.

Mr DIMASI - No, no. Look, the only comment - having said no, I will make a comment, a very quick one, and that is: this has been quite a long, difficult and complex review, and it's been, you know, challenging for everybody and it's been, you know, challenging for the OTTER team and I think, you know, the team has worked very hard to balance all of the things that we need to do, and I certainly want to acknowledge the, the huge effort that the OTTER

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team has made in coming to what I believe is a very good outcome for the community of Tasmania.

CHAIR - Well, thanks for your effort. We appreciate, to some degree, the scale of the task. I'm sure we've probably got no idea really, but we know it's big. So, I thank you for your time today and being willing to come along and explain how you go about your work in this space.

The witnesses withdrew.

The Committee adjourned at 2:08 pm.
