

**Tasmanian Chamber of Commerce and Industry**  
**Submission on TasWater Price and Service Plan 5 (PSP5) 2026–2030**

**To:** Tasmanian Economic Regulator

**From:** Tasmanian Chamber of Commerce and Industry (TCCI)

**Date:** 10 December 2024

---

## **1. Introduction**

The Tasmanian Chamber of Commerce and Industry (TCCI) welcomes the opportunity to comment on TasWater’s proposed Price and Service Plan 5 (PSP5) for the period 1 July 2026 to 30 June 2030.

TCCI represents businesses across all sectors of the Tasmanian economy. Our members include major employers, small and medium enterprises, property owners and developers, and businesses in both metropolitan and regional areas. Reliable and affordable water and sewerage services are fundamental to Tasmanian business competitiveness, investment and jobs.

TCCI recognises:

- The substantial capital task facing TasWater to remediate and modernise ageing water and sewerage networks; and
- That many of the current challenges reflect historic underinvestment by former owners, rather than shortcomings by current management.

However, we are concerned that the PSP5 proposal, as drafted, would:

- Place a disproportionate burden on commercial and non-residential customers;
- Increase costs for developers in a way that could materially undermine housing supply and investment feasibility; and
- Exacerbate the already high cost of doing business in Tasmania, contrary to the State’s broader economic and housing objectives.

We therefore urge the Regulator and Government to ensure PSP5 is adjusted to deliver essential infrastructure upgrades in a way that is equitable, economically sustainable and consistent with Tasmania’s long-term growth ambitions.

---

## 2. Alignment with TCCI Vision 2028

TCCI's *Vision 2028* sets out long-term goals for Tasmania across six key areas: Energy, Budget, Economy, Education and Skills, Consultation, and Government Business Enterprises/State-Owned Companies (GBEs/SOCs).

Of particular relevance to PSP5 are the goals that:

- The cost of doing business in Tasmania is **at or below the national average**;
- Tasmania maintains strong **private sector investment**, productivity and business confidence; and
- GBEs and State-Owned Companies operate with contemporary charters, clear ministerial expectations and high levels of business satisfaction.

Water and sewerage pricing that materially increases fixed and variable costs for business, and developer charges that threaten housing feasibility, run counter to these goals. The framework for TasWater – as a major state-owned service provider – should support, not constrain, the Vision 2028 outcomes.

---

## 3. Key Issues in the PSP5 Proposal

### 3.1 Impacts on Commercial Property Owners and Businesses

TasWater's PSP5 indicates a headline increase in bills of around **8.8% per annum** over the period, compounded. However, example modelling in PSP5 shows that:

- A "typical" business bill rises from **\$1,580 in FY26** to **\$2,368 in FY30**, an increase of almost **50%** over the period; and
- The step change in FY27 associated with tariff reform means many businesses will experience an immediate and significant increase in charges from day one of PSP5.

This is occurring in a context where many Tasmanian businesses are already facing:

- Elevated input costs (energy, insurance, wages, interest rates);
- Weaker retail conditions; and
- Above-average retail vacancy rates in key centres such as Hobart and Launceston.

For many commercial customers, these water and sewerage cost increases are not marginal – they are material to profitability and, in some cases, viability. The structure of commercial leases (with net rents and statutory outgoings, including water, payable by the tenant) means that:

- Tenants are directly exposed to all increases in water and sewerage charges; and
- Rising outgoings can trigger business closures and higher commercial vacancy, undermining CBD and activity centre renewal.

From a Vision 2028 perspective, this cuts directly across the objective of keeping the cost of doing business at or below the national average and maintaining business confidence.

### **3.2 Impacts on Developers and Housing Supply**

The PSP5 proposal includes a substantial uplift in developer charges and headworks contributions. For a standard 20mm connection, TasWater's own table indicates:

- Total water and sewer headworks rising from around **\$3,514 under PSP4** to **\$7,048 in FY27**, with further increases to **\$7,639 by FY30**.

This represents:

- An effective doubling of headworks charges at the commencement of PSP5; and
- Ongoing indexation that adds uncertainty to project feasibility, depending on whether charges are linked to development approval timing, construction commencement or lot creation.

TCCI is concerned that:

- Many housing and mixed-use projects in Tasmania already operate on tight feasibility margins due to construction costs, financing conditions and sales risk;
- A sharp increase in TasWater headworks could push otherwise viable projects below the feasibility threshold; and
- This in turn undermines the Tasmanian Government's housing and infill development targets.

The likely outcomes, if charges are not moderated, include:

- Fewer housing projects commenced;
- Staging delays for larger subdivisions, as developers wait for conditions to improve; and
- Higher end prices for purchasers as developer contributions are capitalised into sale prices, exacerbating housing affordability pressures.

These consequences cut across broader State objectives in housing supply and liveability, and risk a self-fulfilling slowdown in new connections that undermines the PSP5 demand and revenue forecasts.

### 3.3 Flow-On Impacts to Tenants and Retail Vacancies

The move toward higher variable charges may create more incentive for water efficiency. However, the PSP5 modelling also shows that:

- **Residential renters** in particular face large percentage increases in bills as they bear a greater share of variable costs; and
- **Commercial tenants**, typically paying net rents plus all outgoings, will see both rent escalations and rising statutory charges.

In markets where retail vacancy rates are already estimated at **7–10%**, further increases in outgoings risk:

- Additional closures among marginal businesses;
- Reduced investment by landlords in upgrades and activation; and
- A negative feedback loop for main streets and CBDs, which are critical to Tasmania's visitor economy and urban vibrancy.

### 3.4 Historical Underfunding and Dividend Policy

TCCI recognises that TasWater inherited one of the poorest-performing portfolios of water and sewerage assets in the country, including:

- Low compliance rates for sewage treatment plants; and
- Above-average rates of water main breaks and sewer chokes.

These outcomes are the product of **decades of underinvestment** and poor asset management by previous owners. They are **not** the responsibility of current commercial customers or new developers.

In that context, TCCI is concerned about:

- The ongoing payment of **dividends** to TasWater's council owners while substantial catch-up investment is still required; and
- The extent to which historical underfunding is being addressed **primarily through customer bills**, rather than through a more balanced mix of shareholder contributions and, where appropriate, targeted State and Australian Government support.

Given *Vision 2028*'s focus on sustainable State finances and effective management of GBEs and State-Owned Companies, TCCI considers it inappropriate for TasWater's owners to prioritise dividends over essential infrastructure remediation where doing so drives large and uneven price increases to business and developers.

### 3.5 Miscellaneous Fees and Charges; Process Issues

The PSP5 proposal also includes:

- Substantial increases in miscellaneous fees and charges; and
- A suite of new charges for plan amendments, additional assessments and consultation.

While cost-recovery is reasonable in principle, in practice:

- The cumulative impact of multiple small fees can be significant for smaller developers;
- Highly granular charging structures can discourage early engagement with TasWater, which is counterproductive for network planning and customer outcomes; and
- Uncertainty about the timing and basis of charges (e.g. DA vs construction) creates additional risk for developers and financiers.

On a positive note, TCCI welcomes:

- The move toward **Infrastructure Agreements** as a means of enabling direct negotiation between TasWater and developers outside statutory planning timelines; and
- The proposal that trunk mains (above DN300 sewer and DN375 water) and other bulk water/sewer infrastructure become TasWater's responsibility, which should help address "first mover disadvantage" in some growth corridors.

However, the net benefit of these reforms will depend on:

- Clear, transparent definitions of items included in growth-related capital works plans;
- Robust and predictable cost-sharing frameworks; and
- Ensuring that smaller projects are not disproportionately burdened relative to large-scale developments.

---

## 4. Suggested Regulatory and Policy Responses

TCCI recommends that the Tasmanian Economic Regulator and Government consider the following adjustments and safeguards in finalising PSP5:

### 4.1 Moderate and Phase In Developer and Headworks Charges

- **Cap or moderate the initial increase** in headworks charges for PSP5, to avoid a sudden doubling in FY27.
- Provide **transitional arrangements** for projects already advanced in planning, to avoid retrospectively altering feasibility assumptions.
- Align developer charging policy with **State housing targets**, including the possibility of targeted **State subsidies or co-funding** for priority housing and infill precincts.

#### 4.2 Protect the Competitiveness of Commercial and Retail Businesses

- Review the **balance between fixed and variable charges** for commercial customers to avoid disproportionate increases in total bills relative to residential customers.
- Consider **price smoothing or transitional price paths** for small and medium business customers in particular.
- Ensure that to the greatest extent possible, TasWater pricing is consistent with the Vision 2028 goal that **the cost of doing business in Tasmania is at or below the national average**.

#### 4.3 Re-Examine Dividend and Funding Arrangements

- Require TasWater’s owners (councils and the State) to **revisit dividend expectations** during PSP5, with a view to:
  - Reducing or suspending dividends while key catch-up investment is undertaken; and/or
  - Redirecting dividends into a ring-fenced infrastructure fund.
- Explore **co-funding options** with the State and Australian Governments for projects that:
  - Address long-standing compliance issues; and
  - Unlock substantial housing or economic development (e.g. strategic corridors such as Alanvale and other growth fronts).

This approach is more consistent with the shared responsibility for historical underinvestment and with prudent management of GBEs and State-Owned Companies under Vision 2028.

#### 4.4 Improve Transparency and Engagement

- Require TasWater to publish clearer, plain-English information on:

- The assumptions underpinning PSP5 demand, revenue and capital programs;
- How costs and benefits are shared between existing and new customers; and
- Indicative charges for common development types over the PSP5 period.
- Ensure that TasWater maintains a **structured, ongoing consultation framework** with TCCI and other peak bodies throughout PSP5, consistent with the Vision 2028 emphasis on regular engagement between Government and business.

#### 4.5 Streamline Processes and Rationalise Miscellaneous Fees

- Simplify the schedule of miscellaneous fees and charges, bundling routine assessment and consultation into **upfront, predictable fee structures**.
- Ensure that the Infrastructure Agreement framework:
  - Has clear timeframes and escalation/appeal pathways;
  - Does not become an additional layer of complexity; and
  - Is accessible to medium-sized developers, not just very large projects.

## 5. Conclusion

TCCI supports TasWater’s objective of delivering safe, reliable and environmentally responsible water and sewerage services across Tasmania. Addressing the legacy of historical underinvestment is essential for the State’s long-term prosperity.

However, as currently proposed, PSP5 risks:

- Imposing steep and uneven price increases on commercial customers;
- Undermining the feasibility of critical housing and commercial developments;
- Exacerbating pressure on tenants and retail precincts; and
- Using customer bills as the primary mechanism to rectify decades of underfunding, without sufficiently leveraging owner and government contributions.

TCCI therefore urges the Tasmanian Economic Regulator and Government to:

- Moderate and phase in key elements of the PSP5 pricing and developer charging framework;

- Re-examine dividend and funding arrangements for TasWater to better reflect shared responsibility for historical underinvestment; and
- Ensure that TasWater's pricing, investment and governance settings support, rather than hinder, the achievement of Vision 2028 objectives for the cost of doing business, private investment, housing supply and effective GBE/SOC performance.

TCCI would welcome the opportunity to discuss this submission further and to work collaboratively with TasWater, the Regulator and Government to secure a sustainable, equitable and investment-friendly water and sewerage framework for Tasmania.